

**TOWN OF EAGAR, ARIZONA**



**FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2015**

**WITH REPORT OF**

**CERTIFIED PUBLIC ACCOUNTANTS**

**TOWN OF EAGAR, ARIZONA**

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FINANCIAL SECTION

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**Independent Auditors' Report on  
Financial Statements**

The Honorable Mayor and  
Town Council  
Eagar, Arizona

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eagar, Arizona, as of and for the year ended June 30, 2015, 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 entity'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 entity'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 governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Eagar as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described in footnote 14 to the financial statements, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Report on Summarized Comparative Information***

We have previously audited Eagar Town's financial statements for the year ended June 30, 2014, and our report dated January 15, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis, budgetary comparison information, the Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of Changes in the Net Position Liability and Related Ratios, the Schedule of Pension Contributions, and the Schedule of Agent OPEB Plans' Funding Progress as listed in 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 Standard Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Eagar, Arizona's basic financial statements. The nonmajor fund budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the financial statements.

The nonmajor fund budgetary comparison schedule is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor fund budgetary comparison schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2016, on our consideration of the Town of Eagar’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Eagar’s internal control over financial reporting and compliance.



HintonBurdick, PLLC  
Flagstaff, Arizona  
January 21, 2016

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**TOWN OF EAGAR, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015**

As management of the Town of Eagar (Town), we offer 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, 2015. Please read it in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- Net position in Governmental activities decreased to \$5,880,483 as a result of a \$2,859,172 restatement adjustment for GASB 68 and change in net position of \$12,698.
- Net position in Business-type activities decreased to \$3,694,468 as a result of a \$735,292 restatement adjustment for GASB 68 and change in net position of (\$66,267).
- General Fund revenues exceeded expenditures and transfers out by \$111,325.
- Highway User Revenue Fund revenues exceeded expenditures by \$99,855.
- Approximately 35 percent of the governmental funds revenue received were from Operating Grants & Contributions and Capital Grants & Contributions.
- Total Proprietary Funds expenses exceeded total revenues by \$66,267 in fiscal year 2015 as compared to revenues exceeded expenses of \$93,467 for fiscal year 2014. This includes an expense of approximately \$420,000 for depreciation in each fiscal year.
- The following is a list of projects completed during fiscal year 2015:
  - Spanish Trail Storage building \$26,454
  - 2015 Ford Interceptor \$34,223
  - Summer Meadows street improvements \$76,536
  - Escondido II street improvements \$102,397
  - Kennedy Well pump and 12<sup>th</sup> street pump improvements \$28,866

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the Town as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. (3) Notes to the financial statements.

**Reporting the Town as a Whole**

**The Statement of Net Position and the Statement of Activities (Government-wide)**

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's net position and changes in them. Net position, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or condition of the Town's roads to accurately assess the overall health of the Town.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works/streets, culture and recreation, economic development, health and welfare and interest on long-term debt. Sales taxes, State Revenue Sharing, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to customers to cover most of the cost of the services provided.

### **Reporting the Town's Most Significant Funds**

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets plus deferred outflows exceed liabilities plus deferred inflows by \$9.6 million as of June 30, 2015 as shown in the following condensed statement of net position. The Town has chosen to account for its water and sewer operations in enterprise funds which are shown as Business Activities.

### TOWN OF EAGAR, ARIZONA Statement of Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Current and other assets	\$ 2,453,726	\$ 2,065,415	\$ 19,648	\$ (185,787)	\$ 2,473,374	\$ 1,879,628
Capital assets	8,553,673	8,698,974	6,453,932	6,824,217	15,007,605	15,523,191
Total assets	<u>11,007,399</u>	<u>10,764,389</u>	<u>6,473,580</u>	<u>6,638,430</u>	<u>17,480,979</u>	<u>17,402,819</u>
Deferred outflows of resources	763,033	-	75,667	-	838,700	-
Long-term liabilities outstanding	5,184,604	1,889,411	2,595,698	2,056,693	7,780,302	3,946,104
Other liabilities	326,387	148,021	117,137	85,710	443,524	233,731
Total liabilities	<u>5,510,991</u>	<u>2,037,432</u>	<u>2,712,835</u>	<u>2,142,403</u>	<u>8,223,826</u>	<u>4,179,835</u>
Deferred inflows or resources	378,958	-	141,944	-	520,902	-
Net position:						
Net investment in capital assets	6,854,066	6,913,237	4,522,705	4,772,872	11,376,771	11,686,109
Restricted	532,965	433,110	-	-	532,965	433,110
Unrestricted	<u>(1,506,548)</u>	<u>1,380,610</u>	<u>(828,237)</u>	<u>(276,845)</u>	<u>(2,334,785)</u>	<u>1,103,765</u>
Total net position	<u>\$ 5,880,483</u>	<u>\$ 8,726,957</u>	<u>\$ 3,694,468</u>	<u>\$ 4,496,027</u>	<u>\$ 9,574,951</u>	<u>\$ 13,222,984</u>

### Governmental Activities

The cost of all Governmental activities this year was \$3.7 million. As shown on the statement of Changes in Net Position on the following page, \$198,596 of this cost was paid for by those who directly benefited from the programs; \$1.28 million was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$1.5 million. General taxes, State Revenue Sharing and investment earnings totaled \$2.2 million.

The Town's programs include: General Government, Public Safety, Public Works/Streets, Culture & Recreation, and Health & Welfare. Each program's revenues and expenses are presented below.

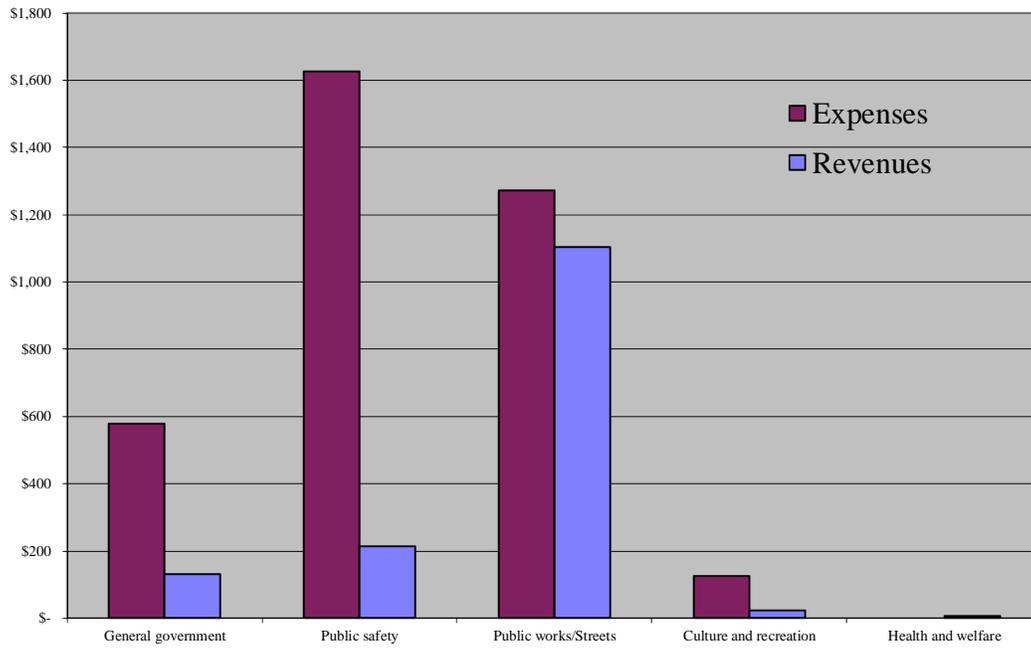
**TOWN OF EAGAR, ARIZONA**  
**Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Revenues:						
Program revenues:						
Charges for services	\$ 198,596	\$ 204,073	\$ 1,478,343	\$ 1,451,743	\$ 1,676,939	\$ 1,655,816
Operating grants and contributions	1,124,679	1,065,811	-	-	1,124,679	1,065,811
Capital grants and contributions	154,891	14,146	-	-	154,891	14,146
General revenues:						
Taxes	1,586,206	1,491,543	-	-	1,586,206	1,491,543
State revenue sharing	591,360	544,495	-	-	591,360	544,495
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Other revenue/(expense)	44,260	9,418	119	1,821	44,379	11,239
<b>Total revenues</b>	<b>3,699,992</b>	<b>3,329,486</b>	<b>1,478,462</b>	<b>1,453,564</b>	<b>5,178,454</b>	<b>4,783,050</b>
Expenses:						
General government	579,470	536,760	-	-	579,470	536,760
Public safety	1,626,298	1,377,359	-	-	1,626,298	1,377,359
Public works/Streets	1,271,932	1,285,600	-	-	1,271,932	1,285,600
Culture and recreation	126,386	109,908	-	-	126,386	109,908
Health and welfare	-	-	-	-	-	-
Interest on long-term debt	83,208	88,732	-	-	83,208	88,732
Water & Sewer	-	-	1,544,729	1,360,097	1,544,729	1,360,097
<b>Total expenses</b>	<b>3,687,294</b>	<b>3,398,359</b>	<b>1,544,729</b>	<b>1,360,097</b>	<b>5,232,023</b>	<b>4,758,456</b>
Increase (Decrease) in net assets before transfers	12,698	(68,873)	(66,267)	93,467	(53,569)	24,594
Transfers	-	-	-	-	-	-
Increase (Decrease) in net position	12,698	(68,873)	(66,267)	93,467	(53,569)	24,594
Net position, beginning	8,726,957	8,795,830	4,496,027	4,402,560	13,222,984	13,198,390
Restatement adjustment	(2,859,172)	-	(735,292)	-	(3,594,464)	-
<b>Net position, ending</b>	<b>\$ 5,880,483</b>	<b>\$ 8,726,957</b>	<b>\$ 3,694,468</b>	<b>\$ 4,496,027</b>	<b>\$ 9,574,951</b>	<b>\$ 13,222,984</b>

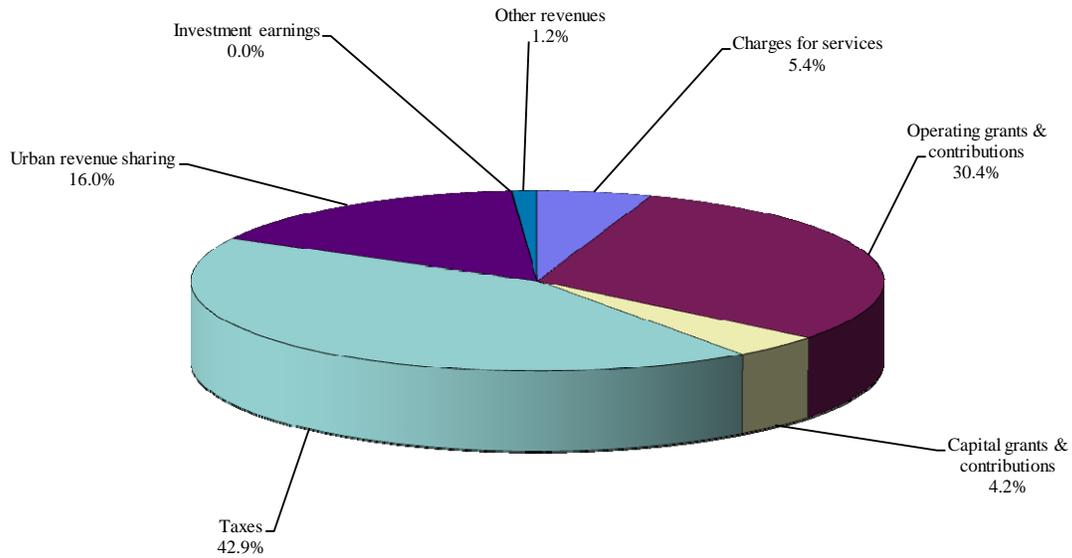
Both revenues and expenses for governmental activities remained fairly consistent as compared to the prior year. Total resources available during the year to finance governmental operations were \$9.57 million consisting of net position at July 1, 2014 of \$5.87 million, program revenues of \$1.5 million and general revenues of \$2.2 million. Total governmental activities during the year were \$3.69 million; thus governmental net position was increased by \$12,698.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

**Expenses and Program Revenues - Governmental Activities**  
(in Thousands)



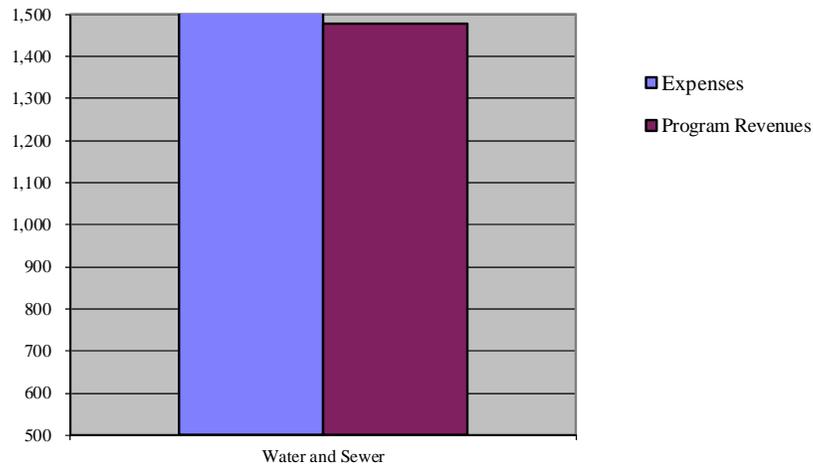
**Revenue By Source - Governmental Activities**



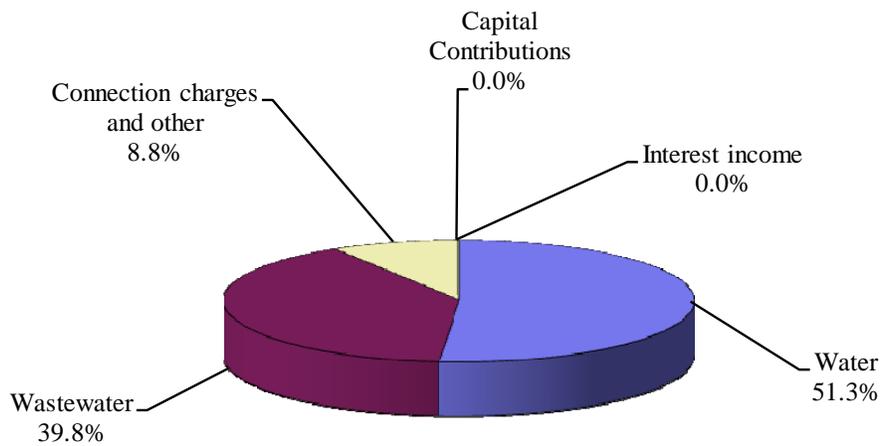
## Business Type Activities

Net position of the Business Type activities at June 30, 2015, as reflected in the Statement of Net Position was \$3.96 million. The cost of providing all Proprietary (Business Type) activities this year was \$1.54 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1.48 million and there were no capital grants and contributions. Investment earnings and other revenues in were \$119. The Net Position decreased by \$66,267 before consideration of the GASB 68 restatement adjustment of \$735,292.

**Expenses and Program Revenues - Business-type Activities**  
(in Thousands)



**Revenue By Source - Business-type Activities**



## Financial Analysis of the Government's Funds

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

**Governmental funds:** The focus of the Town of Eagar'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 of Eagar's financing requirements. In particular, unreserved 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 of Eagar's governmental funds reported combined ending fund balances of \$2,155,766, an increase of \$211,180 in comparison with the prior year. Approximately, 75.3% of this total amount or \$1,626,795 constitutes unassigned, fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted because it has already been committed 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the Town of Eagar. At the end of the current fiscal year, unassigned fund balance in the general fund was \$1,622,801, and total fund balance is \$1,622,801. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total fund balance and unassigned fund balance represents 70.31% of total general fund expenditures. During the year, the Town of Eagar's general fund balance increased by \$111,325. Key factors in this increase are as follows:

- Total revenues were \$172,974 more than the prior year. This was mainly due to city sales tax and intergovernmental revenues.
- Total expenditures and transfers out were \$94,737 more than the prior year. This was mainly due to a \$95,743 transfer to the Grants fund in the current fiscal year.

The Highway User Revenue fund has a total fund balance of \$526,703 which is up from the prior year balance of \$426,848, all of which is reserved for road construction and maintenance. HURF revenues were up about \$58,000 from the prior year and expenditures were very comparable to the prior year.

The grants fund has a total fund balance of \$994, all of which is unassigned.

**Proprietary funds:** The Town of Eagar's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net position of the Water/Wastewater fund was \$3,694,468 consisting of \$4,522,705 net investment in capital assets and \$(882,237) in unrestricted net deficit.

## **Budgetary Highlights**

The General Fund's revenues of \$2,515,195 are more than budgeted revenues by \$100,507 which was due mainly to city sales tax, state sales tax and state revenue sharing that were received in excess of budgets. The General fund departmental expenditures were \$252,527 less than their budget appropriation for fiscal year 2015. This variance was the result of various departments expending less than the budget.

The Highway User's revenues of \$928,474 are more than budgeted revenues by \$99,224. Highway User's expenditures of \$828,619 were less than budgeted expenditures by \$45,135.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, system improvements, park facilities and roads. At the end of fiscal year 2015, net capital assets of the government activities totaled \$8.55 million and the net capital assets of the business-type activities totaled \$6.45 million. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.) Significant additions are mentioned in the financial highlights on page 5.

### **Debt**

At year-end, the Town had \$5.18 million in governmental type debt, and \$2.6 million in proprietary debt. The Town's total debt increased by \$2,656. Debt service payments were offset by increases in the net pension liability. (See note 6 and 9 to the financial statements for detailed descriptions regarding the implementation of GASB 68.)

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the Town Budget for fiscal year 2015/2016, the Town Council and management were cautious as to the growth of revenues and expenditures. Overall governmental and proprietary fund operating expenditures were budgeted to maintain the current level of service.

## **CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact, Town of Eagar, Accounting Department, 22 W. 2nd Street, Eagar, Arizona 85925.

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF EAGAR, ARIZONA**  
**Statement of Net Position**  
**June 30, 2015**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,618,118	\$ -	\$ 1,618,118
Receivables (net of allowance)	361,689	199,937	561,626
Inventory	-	167,043	167,043
Internal balances	473,919	(473,919)	-
Temporarily restricted assets:			
Cash and cash equivalents	-	126,587	126,587
Capital assets (net of accumulated depreciation):			
Land	1,993,379	19,730	2,013,109
Construction in progress	348,067	27,140	375,207
Land improvements	784,994	-	784,994
Buildings	2,302,478	-	2,302,478
Distribution systems	-	6,369,842	6,369,842
Infrastructure/roads	2,709,878	-	2,709,878
Furniture, equipment & vehicles	414,877	37,220	452,097
Total assets	<u>11,007,399</u>	<u>6,473,580</u>	<u>17,480,979</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	<u>763,033</u>	<u>75,667</u>	<u>838,700</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	297,674	82,677	380,351
Unearned revenue	286	-	286
Interest payable	28,427	34,460	62,887
Noncurrent liabilities:			
Due within one year	189,392	128,907	318,299
Due in more than one year	4,995,212	2,466,791	7,462,003
Total liabilities	<u>5,510,991</u>	<u>2,712,835</u>	<u>8,223,826</u>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows related to pensions	<u>378,958</u>	<u>141,944</u>	<u>520,902</u>
<b>Net Position</b>			
Net investment in capital assets	6,854,066	4,522,705	11,376,771
Restricted for:			
Highways and streets	526,703	-	526,703
Other purposes	6,262	-	6,262
Unrestricted	(1,506,548)	(828,237)	(2,334,785)
Total Net Position	<u>\$ 5,880,483</u>	<u>\$ 3,694,468</u>	<u>\$ 9,574,951</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF EAGAR, ARIZONA**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 579,470	\$ 116,301	\$ 15,956	\$ -	\$ (447,213)	\$ -	\$ (447,213)
Public safety	1,626,298	32,307	179,142	1,158	(1,413,691)	-	(1,413,691)
Public works/Streets	1,271,932	32,888	917,486	153,733	(167,825)	-	(167,825)
Culture and recreation	126,386	17,100	6,418	-	(102,868)	-	(102,868)
Health and welfare	-	-	5,677	-	5,677	-	5,677
Interest on long-term debt	83,208	-	-	-	(83,208)	-	(83,208)
Total governmental activities	<u>3,687,294</u>	<u>198,596</u>	<u>1,124,679</u>	<u>154,891</u>	<u>(2,209,128)</u>	<u>-</u>	<u>(2,209,128)</u>
Business-type activities:							
Water and Sewer	<u>1,544,729</u>	<u>1,478,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,386)</u>	<u>(66,386)</u>
Total business-type activities	<u>1,544,729</u>	<u>1,478,343</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(66,386)</u>	<u>(66,386)</u>
Total Primary Government	<u>\$ 5,232,023</u>	<u>\$ 1,676,939</u>	<u>\$ 1,124,679</u>	<u>\$ 154,891</u>	<u>(2,209,128)</u>	<u>(66,386)</u>	<u>(2,275,514)</u>
General Revenues:							
Taxes:							
City sales tax					868,315	-	868,315
Auto lieu tax (unrestricted)					271,457	-	271,457
State sales tax (unrestricted)					446,434	-	446,434
Urban revenue sharing (unrestricted)					591,360	-	591,360
Unrestricted investment earnings					1,343	119	1,462
Gain on sale of assets					42,917	-	42,917
Total general revenues & transfers					<u>2,221,826</u>	<u>119</u>	<u>2,221,945</u>
Change in net position					12,698	(66,267)	(53,569)
Net position - beginning					8,726,957	4,496,027	13,222,984
Restatement adjustment					(2,859,172)	(735,292)	(3,594,464)
Net position - ending					<u>\$ 5,880,483</u>	<u>\$ 3,694,468</u>	<u>\$ 9,574,951</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF EAGAR, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

<b>Assets</b>	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Grants</u>	<u>Non-major Impact Fee</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 1,087,827	\$ 520,988	\$ 4,035	5,268	\$ 1,618,118
Receivables:					
Other	7,682	-	-	-	7,682
Intergovernmental	95,201	95,947	162,859	-	354,007
Due from other funds	<u>555,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>555,222</u>
 Total Assets	 <u>\$ 1,745,932</u>	 <u>\$ 616,935</u>	 <u>\$ 166,894</u>	 <u>\$ 5,268</u>	 <u>\$ 2,535,029</u>
 <b>Liabilities</b>					
Accounts payable	\$ 51,055	\$ 84,020	\$ 80,731	\$ -	\$ 215,806
Accrued wages and benefits	72,076	6,212	3,580	-	81,868
Due to other funds	-	-	81,303	-	81,303
Unearned Revenue	<u>-</u>	<u>-</u>	<u>286</u>	<u>-</u>	<u>286</u>
 Total Liabilities	 <u>123,131</u>	 <u>90,232</u>	 <u>165,900</u>	 <u>-</u>	 <u>379,263</u>
 <b>Fund Balances</b>					
Restricted	-	526,703	-	5,268	531,971
Unassigned	<u>1,622,801</u>	<u>-</u>	<u>994</u>	<u>-</u>	<u>1,623,795</u>
 Total fund balances	 <u>1,622,801</u>	 <u>526,703</u>	 <u>994</u>	 <u>5,268</u>	 <u>2,155,766</u>
 Total Liabilities and Fund Balances	 <u>\$ 1,745,932</u>	 <u>\$ 616,935</u>	 <u>\$ 166,894</u>	 <u>\$ 5,268</u>	 <u>\$ 2,535,029</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF EAGAR, ARIZONA**  
**Reconciliation of Total Governmental Fund Balances**  
**To Net Position of Governmental Activities**  
**June 30, 2015**

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Total governmental fund balances \$ 2,155,766

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 19,676,247	
Accumulated depreciation	(11,122,574)	
		8,553,673

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	\$ (1,278,577)	
Capital leases payable	(421,030)	
Net pension liability	(3,366,532)	
Compensated absences	(118,465)	
Accrued interest	(28,427)	
		(5,213,031)

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

Deferred outflows	\$ 763,033	
Deferred inflows	(378,958)	
		384,075

Total net position of governmental activities	\$ 5,880,483
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The accompanying notes are an integral part of the financial statements.

**TOWN OF EAGAR, ARIZONA**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2015**

<b>REVENUES</b>	General	Highway Users Revenue Fund	Grants	Non-major Impact Fee	Total Governmental Funds
Taxes	\$ 868,315	\$ -	\$ -	\$ -	\$ 868,315
Licenses, permits and fees	35,723	-	-	-	35,723
Intergovernmental revenue	1,309,251	915,312	260,921	-	2,485,484
Charges for services	173,678	-	-	-	173,678
Fines and forfeitures	23,900	-	-	-	23,900
Interest	1,343	-	-	-	1,343
Other revenues	102,985	13,162	-	-	116,147
Total Revenues	<u>2,515,195</u>	<u>928,474</u>	<u>260,921</u>	<u>-</u>	<u>3,704,590</u>
<b>EXPENDITURES</b>					
Current:					
General government	535,286	-	-	-	535,286
Public safety	1,251,266	-	208,149	-	1,459,415
Public works/streets	355,126	771,744	148,515	-	1,275,385
Culture and recreation	55,221	-	-	-	55,221
Debt Service:					
Principal	57,380	28,750	-	-	86,130
Interest	53,848	28,125	-	-	81,973
Total Expenditures	<u>2,308,127</u>	<u>828,619</u>	<u>356,664</u>	<u>-</u>	<u>3,493,410</u>
Excess of Revenues					
Over (Under) Expenditures	207,068	99,855	(95,743)	-	211,180
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	-	95,743	-	95,743
Transfers out	(95,743)	-	-	-	(95,743)
Total Other Financing Sources (Uses)	<u>(95,743)</u>	<u>-</u>	<u>95,743</u>	<u>-</u>	<u>-</u>
Net change in fund balances	111,325	99,855	-	-	211,180
Fund balances, beginning of year	<u>1,511,476</u>	<u>426,848</u>	<u>994</u>	<u>5,268</u>	<u>1,944,586</u>
Fund balances, end of year	<u>\$ 1,622,801</u>	<u>\$ 526,703</u>	<u>\$ 994</u>	<u>\$ 5,268</u>	<u>\$ 2,155,766</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF EAGAR, ARIZONA**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2015**

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

Net change in fund balances - total governmental funds	\$	211,180
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	\$ 398,763	
Depreciation expense	<u>(539,466)</u>	(140,703)

Governmental funds report the gross proceeds from the sale of capital assets as revenue. However, in the statement of activities, the gain on the sale of capital assets is reported net of its net book value.		(4,598)
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Repayment of bonds, notes and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		86,130
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Accrued Interest for Long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.		(1,235)
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Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the the Statement of Net Position because they net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension contributions	192,271	
Pension expense	<u>(315,556)</u>	(123,285)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(14,791)
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Change in net position of governmental activities	\$	<u><u>12,698</u></u>
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The accompanying notes are an integral part of the financial statements.

**TOWN OF EAGAR, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**  
**(With Comparative Totals for June 30, 2014)**

	Utility Fund	
	6/30/2015	6/30/2014
<b>Assets</b>		
Current Assets:		
Cash	\$ -	\$ 45,554
Receivables (net of allowance)	199,937	245,182
Inventory	167,043	164,616
Total Current Assets	<u>366,980</u>	<u>455,352</u>
Noncurrent Assets:		
Restricted cash and investments	126,587	110,645
Land	19,730	19,730
Construction in progress	27,140	49,850
Water wells and distribution system	8,215,852	8,195,684
Wastewater treatment plant and distribution system	7,689,836	7,637,653
Furniture, equipment and vehicles	319,758	312,908
Accumulated depreciation	<u>(9,818,384)</u>	<u>(9,391,608)</u>
Total Noncurrent Assets	<u>6,580,519</u>	<u>6,934,862</u>
<b>Total Assets</b>	<u>6,947,499</u>	<u>7,390,214</u>
<b>Deferred Outflows of Resources</b>		
Deferred outflows related to pensions	<u>75,667</u>	<u>-</u>
<b>Liabilities</b>		
Current Liabilities:		
Accounts payable	18,793	2,438
Accrued wages and benefits	13,277	6,818
Accrued liabilities	8,638	6,944
Customer deposits	41,969	35,050
Due to other funds	473,919	751,784
Accrued interest payable	34,460	34,460
Current portion of compensated absences	5,973	5,348
Current portion of long-term debt	<u>122,934</u>	<u>118,325</u>
Total Current Liabilities	<u>719,963</u>	<u>961,167</u>
Noncurrent liabilities (net of current portion):		
Net pension liability	658,498	-
Notes and bonds payable	<u>1,808,293</u>	<u>1,933,020</u>
Total Noncurrent Liabilities	<u>2,466,791</u>	<u>1,933,020</u>
Total Liabilities	<u>3,186,754</u>	<u>2,894,187</u>
<b>Deferred Inflows of Resources</b>		
Deferred inflows related to pensions	<u>141,944</u>	<u>-</u>
<b>Net Position</b>		
Net investment in capital assets	4,522,705	4,772,872
Unrestricted	<u>(828,237)</u>	<u>(276,845)</u>
Total net position	<u>\$ 3,694,468</u>	<u>\$ 4,496,027</u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF EAGAR, ARIZONA**  
**Statement Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**  
**(With Comparative Totals for June 30, 2014)**

	Utility Fund	
	6/30/2015	6/30/2014
<b>Operating Revenues</b>		
Water charges for services	\$ 749,688	\$ 715,235
Wastewater charges for services	581,259	558,230
Connection fees	18,229	27,084
Other revenues	129,167	151,194
Total Operating Revenues	<u>1,478,343</u>	<u>1,451,743</u>
<b>Operating Expenses</b>		
Salaries	436,721	390,371
Employee benefits	169,638	168,517
Service, supplies and other	430,732	303,337
Depreciation	426,775	413,287
Total Operating Expenses	<u>1,463,866</u>	<u>1,275,512</u>
Operating Income	<u>14,477</u>	<u>176,231</u>
<b>Non-operating Revenues (Expenses)</b>		
Interest income	119	158
Interest expense and fiscal charges	(80,863)	(84,585)
Gain on sale of assets	-	1,663
Total Non-Operating Revenue (Expense)	<u>(80,744)</u>	<u>(82,764)</u>
<b>Change in net position</b>	(66,267)	93,467
Total net position, beginning of year	4,496,027	4,402,560
Restatement adjustment	(735,292)	-
<b>Total net position, end of year</b>	<u><u>\$ 3,694,468</u></u>	<u><u>\$ 4,496,027</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF EAGAR, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**  
**(With Comparative Totals for June 30, 2014)**

	Utility Fund	
	6/30/2015	6/30/2014
<b>Cash Flows From Operating Activities:</b>		
Cash received from customers, service fees	\$ 1,376,192	\$ 1,235,911
Cash received from customers, other	147,396	178,278
Cash paid to suppliers	(416,804)	(313,085)
Cash paid to employees	(601,178)	(552,580)
Net cash flows from operating activities	<u>505,606</u>	<u>548,524</u>
<b>Cash Flows From Noncapital Financing Activities:</b>		
Proceeds/(Payments) to other funds	(277,865)	(232,801)
Net cash flows from noncapital financing activities	<u>(277,865)</u>	<u>(232,801)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Proceeds from capital debt	-	49,263
Purchase of capital assets	(56,491)	(183,641)
Principal paid on notes and bonds	(120,118)	(116,192)
Interest paid	(80,863)	(84,586)
Proceeds from sale of assets	-	1,663
Net cash flows from capital and related financing activities	<u>(257,472)</u>	<u>(333,493)</u>
<b>Cash Flows From Investing Activities:</b>		
Interest on investments	119	158
<b>Net change in cash and cash equivalents</b>	(29,612)	(17,612)
Cash and cash equivalents, beginning of year, including temporarily restricted cash	<u>156,199</u>	<u>173,811</u>
<b>Cash and cash equivalents, end of year, including temporarily restricted cash</b>	<u><u>\$ 126,587</u></u>	<u><u>\$ 156,199</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Net Operating Income	\$ 14,477	\$ 176,231
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation/amortization	426,775	413,287
Pension Expense	31,684	-
Employer pension contributions	(42,200)	-
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	45,245	(37,554)
(Increase)/Decrease in inventory and prepaids	(2,427)	(10,781)
Increase/(Decrease) in payables	16,355	1,033
Increase/(Decrease) in accrued liabilities & deposits	15,697	6,308
Net cash flows from operating activities	<u><u>\$ 505,606</u></u>	<u><u>\$ 548,524</u></u>

The accompanying notes are an integral part of the financial statements.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1. Summary of Significant Accounting Policies**

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**Description of government-wide 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 and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting Entity**

The Town of Eager (Town) is a municipal corporation governed by an elected mayor, vice mayor and three-member governing council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The following is a brief review of the component units included in defining the Town's reporting entity. There are no discretely presented component units and one blended component unit.

Blended component units included within the reporting entity:

**The Eagar Municipal Property Corporation's** (EMPC) board of directors consists of six members which are appointed by the Eagar Town Council. The EMPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the Town in obtaining financing for various projects of the Town. The Town has a "moral obligation" for the repayment of the Eagar Municipal Property Corporation's bonds. All related receivables and payables between the Town and the EMPC have been eliminated. The EMPC has a June 30 year end. Separate financial statements for this blended component unit are not prepared and thus, are not available.

**Basis of Presentation-Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and pro-gram revenues reported for the various functions concerned.

**Basis of Presentation-Fund Financial Statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The **Highway User Special Revenue Fund** accounts for the Town's share of motor fuel tax revenues and lottery proceeds which are restricted for the maintaining, repairing and construction of streets.

The **Grants Special Revenue Fund** is used to account for federal and state grants and other contributions that are restricted for use.

The Town reports the following major proprietary fund:

The **Utility Fund** accounts for the activities related to the Town's water storage and distribution system and sewer collection and treatment operations.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources or economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 government 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. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

City sales taxes, state sales taxes, state shared revenues, auto lieu taxes, licenses, 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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**Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

***Cash and cash equivalents***

The Town's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

***Investments***

The Town's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's investment pool, obligations of the U.S. Government and other investments as allowed by Arizona State Statutes. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The reported value of the state treasurer's pool is the same as the fair value of the pool shares.

***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds. All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectible accounts. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

***Inventories and prepaid items***

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories for business type activities consist of materials and supplies for the water and sewer system and are recorded at the lower of cost or market using the first-in/first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items are considered immaterial in both the government-wide and fund financial statements and are recorded as expenditures/expenses when purchased rather than consumed.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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*Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	10 to 50 years
Treatment facilities and improvements	20-40 years
Machinery and equipment	3 to 7 years
Vehicles	3 to 20 years
Streets and sidewalks	20-40 years

*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town has one type of item that qualifies for reporting in this category. It is pension related items reported on the government-wide financial statements. See footnote 9 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. It is pension related items reported on the government-wide financial statements. See footnote 9 for more information.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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*Pensions*

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 pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. 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.

*Net position flow assumption*

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*Fund balance flow assumptions*

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 Town'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.

*Fund balance policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The Town council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Town council has authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Revenues and expenditures/expenses**

***Program revenues***

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

***Property Taxes***

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. However, the County does not currently levy any property taxes for the Town. The County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter.

A lien against real and personal property assessed attaches on the first day of January preceding the assessment and levy thereof.

***Compensated Absences***

For governmental funds, amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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*Proprietary funds operating and nonoperating revenues and expenses*

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. The principal operating revenues of the water fund and wastewater fund are charges to customers for sales and services.

The water fund also recognizes as operating revenue the portion of connection fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*Use of Estimates*

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

**New pronouncements**

For the year ended June 30, 2015, the Town implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements resulted in a restatement of beginning net position in the Town's government-wide and proprietary fund financial statements (see footnote 14).

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 2. Reconciliation of Government-Wide and Fund Financial Statements**

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 17.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 19.

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**Note 3. Stewardship, Compliance, and Accountability**

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Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Town. The use of budgets and monitoring of equity status facilitate the Town's compliance with legal requirements.

**Budgets and Budgetary Accounting**

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 for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the 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. §41-1279.07).
4. The Town follows a voter-approved alternative expenditure limitation that was adopted on April 15, 2014.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 3. Stewardship, Compliance, and Accountability, Continued**

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5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. 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 and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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 carry-over 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.

There were department level budget amendments made during the year.

**Expenditures over Appropriations**

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2015, if any.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

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**Note 4. Deposits and Investments**

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A reconciliation of cash and investments as shown on the statement of net position follows:

Cash and cash equivalents	\$ 1,618,118
Restricted cash and cash equivalents	<u>126,587</u>
Total	<u><u>\$ 1,744,705</u></u>

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 4. Deposits and Investments, Continued**

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Restricted cash consists of the following at June 30, 2015:

Debt Service - Governmental Activities	\$ -
Debt Service - Business-Type Activities	84,618
Customer Deposits - Business-Type Activities	<u>41,969</u>
Total restricted cash and investments	<u><u>\$ 126,587</u></u>

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. At June 30, 2015 cash on hand was \$275 and the carrying amount of the Town's deposits was \$348,111. As of June 30, 2015, \$116,164 of the Town's bank balance of \$378,028 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or local municipalities, commercial paper of prime quality that is rated "P1" by Moody's investors or "A1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 4. Deposits and Investments, Continued**

As of June 30, 2015 the government had the following deposits and investments:

	Fair Value	Quality Rating	Weighted Average Maturity (2)
Deposits:			
Cash on hand	275	N/A	N/A
Cash in bank	348,112	N/A	N/A
Investments:			
Local Government			
Investment Pool 5	\$ 1,396,318	(1)	47 days
U.S. Treasury Obligations	-	AAA	Less than one year
Total cash and investments	\$ 1,744,705		

- (1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable. The City's investment in the State Treasurer's Investment Pool #5 was rated AAAF/S1+ from Standard and Poor's.
- (2) Interest Rate Risk is estimated using the weighted average days to maturity.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35-323) which requires that the Town's investment portfolio maturities do not exceed five years from the time of purchase.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323) which limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 5. Capital Assets**

The following table summarizes the changes to capital assets for governmental activities during the year.

<b>Governmental Activities:</b>	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2015</b>
Capital assets, not being depreciated:				
Land	\$ 1,993,379	\$ -	\$ -	\$ 1,993,379
Construction in progress	132,158	435,584	(219,675)	348,067
Total capital assets, not being depreciated	<u>2,125,537</u>	<u>435,584</u>	<u>(219,675)</u>	<u>2,341,446</u>
Capital assets, being depreciated:				
Land improvements	1,205,197	-	-	1,205,197
Buildings and improvements	3,657,594	26,454	-	3,684,048
Furniture, equipment & vehicles	2,501,526	79,864	(228,816)	2,352,574
Infrastructure - roads	10,016,446	76,536	-	10,092,982
Total capital assets, being depreciated	<u>17,380,763</u>	<u>182,854</u>	<u>(228,816)</u>	<u>17,334,801</u>
Less accumulated depreciation for:				
Land improvements	(366,872)	(53,331)	-	(420,203)
Buildings and improvements	(1,303,328)	(78,242)	-	(1,381,570)
Furniture, equipment & vehicles	(2,057,888)	(104,027)	224,218	(1,937,697)
Infrastructure - roads	(7,079,238)	(303,866)	-	(7,383,104)
Total accumulated depreciation	<u>(10,807,326)</u>	<u>(539,466)</u>	<u>224,218</u>	<u>(11,122,574)</u>
Total capital assets, being depreciated, net	<u>6,573,437</u>	<u>(356,612)</u>	<u>(4,598)</u>	<u>6,212,227</u>
Governmental activities capital assets, net	<u>\$ 8,698,974</u>	<u>\$ 78,972</u>	<u>\$ (224,273)</u>	<u>\$ 8,553,673</u>

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

<b>Governmental Activities:</b>	
General government	\$ 46,978
Public safety	61,136
Public works/streets	360,275
Culture & recreation	71,077
Total depreciation expense - governmental activities	<u>\$ 539,466</u>

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 5. Capital Assets, Continued**

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The following table summarizes the changes to capital assets for business-type activities during the year.

<b>Business Type Activities:</b>	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2015</b>
Capital assets not being depreciated:				
Land and water rights	\$ 19,730	\$ -	\$ -	\$ 19,730
Construction in progress	49,850	56,493	(79,203)	27,140
Total capital assets, not being depreciated	<u>69,580</u>	<u>56,493</u>	<u>(79,203)</u>	<u>46,870</u>
Capital assets being depreciated:				
Wastewater treatment plant and system improvements	7,637,653	52,183	-	7,689,836
Wells and water system improvements	8,195,684	20,168	-	8,215,852
Furniture, Equipment & Vehicles	312,908	6,850	-	319,758
Total capital assets, being depreciated	<u>16,146,245</u>	<u>79,201</u>	<u>-</u>	<u>16,225,446</u>
Less accumulated depreciation for:				
Wastewater treatment plant and system improvements	(4,115,955)	(237,508)	-	(4,353,463)
Wells and water system improvements	(5,010,279)	(172,104)	-	(5,182,383)
Furniture, Equipment & Vehicles	(265,375)	(17,163)	-	(282,538)
Total accumulated depreciation	<u>(9,391,609)</u>	<u>(426,775)</u>	<u>-</u>	<u>(9,818,384)</u>
Total capital assets, being depreciated, net	<u>6,754,636</u>	<u>(347,574)</u>	<u>-</u>	<u>6,407,062</u>
Business-type activities capital assets, net	<u>\$ 6,824,216</u>	<u>\$ (291,081)</u>	<u>\$ (79,203)</u>	<u>\$ 6,453,932</u>

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

<b>Business-Type Activities:</b>	
Water	\$ 187,856
Sewer	238,919
Total depreciation expense - business-type activities	<u>\$ 426,775</u>

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 6. Long-Term Debt**

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The following is a summary of changes in long-term obligations during the year:

<b>Governmental Activities:</b>	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 6/30/2015</b>	<b>Current Portion</b>
<b>Revenue Bonds:</b>					
GADA Revenue Bonds, Series 2007A	\$ 1,341,077	\$ -	\$ (62,500)	\$ 1,278,577	\$ 65,832
<b>Other:</b>					
Capital leases	444,660	-	(23,630)	421,030	23,560
Net pension liability **	3,053,326	569,370	(256,164)	3,366,532	-
Compensated absences	103,674	119,771	(104,980)	118,465	100,000
Governmental Activity Long-Term Liabilities	<u>\$ 4,942,737</u>	<u>\$ 689,141</u>	<u>\$ (447,274)</u>	<u>\$ 5,184,604</u>	<u>\$ 189,392</u>
<b>Business-type Activities:</b>					
<b>Revenue Bonds:</b>					
GADA Revenue Bonds, Series 2007A	1,298,923	-	(62,500)	1,236,423	64,168
Total Revenue Bonds	<u>1,298,923</u>	<u>-</u>	<u>(62,500)</u>	<u>1,236,423</u>	<u>64,168</u>
<b>Other:</b>					
Notes payable	752,421	-	(57,617)	694,804	58,766
Net pension liability **	778,217	-	(119,719)	658,498	-
Compensated absences	5,348	6,622	(5,997)	5,973	5,973
Business-Type Activity Long-Term Liabilities	<u>\$ 2,834,909</u>	<u>\$ 6,622</u>	<u>\$ (245,833)</u>	<u>\$ 2,595,698</u>	<u>\$ 128,907</u>

\*\* See Note 14 regarding the restatement for the beginning balances of the net pension liability.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 6. Long-Term Debt, Continued**

The following is a listing of bonds outstanding as of June 30, 2015:

**Revenue Bonds:**

GADA Revenue Bond, Series 2007A due in semiannual principal and interest installments, bearing interest at 4.0 to 5%%, maturing August 1, 2028.	\$ 2,515,000 *
Total bonds payable	2,515,000
Less current portion	130,000
Total Bonds net of current portion	\$ 2,385,000

\* The GADA Bonds, Series 2007A were used by both the general government and the utility fund and are allocated across the funds as follows:

Governmental Activities	\$ 1,278,577
Business-type Activities	1,236,423
Total Series 2007A	\$ 2,515,000

Bond debt service maturities are as follows:

Year Ended June 30,	Business-Type Activities			Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 64,168	\$ 57,684	\$ 121,852	\$ 65,832	\$ 59,179	\$ 125,011
2017	66,636	54,904	121,540	68,364	56,327	124,691
2018	71,572	52,056	123,628	73,428	53,406	126,834
2019	74,040	48,774	122,814	75,960	50,038	125,998
2020	76,508	45,010	121,518	78,492	46,177	124,669
2021-2025	446,708	162,748	609,456	458,292	166,969	625,261
2026-2029	436,791	43,005	479,796	458,209	44,121	502,330
Total	\$ 1,236,423	\$ 464,181	\$ 1,700,604	\$ 1,278,577	\$ 476,217	\$ 1,754,794

Prior year refunding:

The Town utilized a portion of the \$3,300,000 GADA Revenue Bonds, Series 2007A to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for a portion of the debt service payments of the Excise Tax Revenue Bonds, Series 2003. As a result, \$1,365,000 of the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 6. Long-Term Debt, Continued**

The following is a listing of Notes Payable outstanding as of June 30, 2015:

**Notes Payable:**

**Business-type Notes Payable:**

Note payable to Water Infrastructure Finance Authority, secured by utility fund net revenues, bearing interest at 4.0%, due in semiannual principal and interest installments, maturing July, 2021. The original amount of the loan is \$350,000.	\$ 251,643
Note payable to Water Infrastructure Finance Authority, secured by utility fund net revenues, bearing interest at 3.504%, due in semiannual principal and interest installments, maturing July, 2028. The original amount of the loan is \$413,667.	303,091
Note payable to Water Infrastructure Finance Authority, secured by utility fund net revenues, bearing interest at 3.504%, due in semiannual principal and interest installments, maturing July, 2028. The original amount of the loan is \$208,000. As of June 30, 2014, the principal balance remaining to be drawn down is \$17,809.	<u>140,070</u>
Total Business-type Notes Payable	<u>694,804</u>
Total Notes Payable	694,804
Less current portion	<u>58,766</u>
Total Notes Payable net of current portion	<u><u>\$ 636,038</u></u>

Note Payable debt service maturities are as follows:

Year Ended June 30,	Business-Type Activities		
	Principal	Interest	Total
2016	\$ 58,766	\$ 15,183	\$ 73,949
2017	60,989	14,241	75,230
2018	63,294	13,266	76,560
2019	65,687	12,256	77,943
2020	68,172	11,212	79,384
2021-2025	239,504	39,066	278,570
2026-2029	156,201	8,354	164,555
Less unfunded amounts	(17,809)	-	(17,809)
Total	<u>\$ 694,804</u>	<u>\$ 113,578</u>	<u>\$ 808,382</u>

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 7. Capital Leases Payable**

The Town has entered into four lease agreements, which are considered capital leases in accordance with Generally Accepted Accounting Principles. The leases are shown in the business-type activities of the government-wide statements.

The following is an annual schedule of future minimum lease payments with interest rates ranging from 2.31 percent to 5 percent under the capital leases, together with the present value of the net minimum lease payments:

June 30,	Governmental Activities	Business-type Activities	Total
2016	\$ 44,390	\$ -	\$ 44,390
2017	44,419	-	44,419
2018	44,404	-	44,404
2019	44,377	-	44,377
2020	44,386	-	44,386
2021-2025	222,005	-	222,005
2026-2028	118,173	-	118,173
<hr/>			
Total remaining lease payments	562,154	-	562,154
Less amount representing interest	(141,124)	-	(141,124)
<hr/>			
Present value of net remaining minimum lease payments	\$ 421,030	\$ -	\$ 421,030

A summary of assets acquired through capital leases follows:

<b>Governmental Capital Assets:</b>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land	\$ 570,000	\$ -
Furniture, Equipment & Vehicles	74,185	55,635

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 8. Interfund Receivables, Payables and Transfers**

As of June 30, 2015, interfund receivables and payables were as follows:

Due To:	Due From:		
	Grants Fund	Utility Fund	Total
General Fund	\$ 81,303	\$ 473,919	\$ 555,222
	\$ 81,303	\$ 473,919	\$ 555,222

The outstanding balance in the Utility fund is for working capital loans borrowed from the other funds in order to offset net losses sustained for several years. Currently there are no terms for repayment and the amount expected to be repaid in the next year is unknown. The other interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Residual balances outstanding between the governmental activities and the business-type activities are netted and reported in the government-wide financial statements as internal balances.

Interfund transfers for the fiscal year ended June 30, 2015 are as follows.

Transfers In:	Transfers Out:	
	General Fund	Total
Grants Fund	\$ 95,743	\$ 95,743
Total	\$ 95,743	\$ 95,743

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in certain funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 9. Retirement and Pension Plans**

The Town contributes to the Arizona State Retirement System and Public Safety Personnel Retirement System plans described below. The plans are component units of the State of Arizona. At June 30, 2015, the Town reported the following aggregate amounts related to pensions for plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Combined Total	Governmental Activities Total	Business-Type Activities Total
Net pension liability	\$ 2,067,499	\$ 1,957,531	\$ 4,025,030	\$ 3,366,532	\$ 658,498
Deferred outflows of resources	237,573	601,127	838,700	763,033	75,667
Deferred inflows of resources	445,665	75,237	520,902	378,958	141,944
Pension expense	99,478	247,762	347,240	315,556	31,684

The Town reported \$187,822 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

**Arizona State Retirement System (ASRS)**

**Plan description** – The Town participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

**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:

	Initial Membership Date Before July 1, 2011	Initial Membership Date 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.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 9. Retirement and Pension Plans, Continued**

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

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.51 percent for retirement and 0.06 percent for long-term disability) 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 for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2013	\$ 120,348	\$ 7,632	\$ 2,818
2014	134,772	7,220	2,888
2015	132,497	7,178	1,460

**Pension liability** – At June 30, 2015, the Town reported a liability of \$2,067,499 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. 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, 2013, to the measurement date of June 30, 2014. 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, 2014. The Town's proportion measured as of June 30, 2014, was 0.013973 percent, which was a decrease of 0.000725 percent from its proportion measured as of June 30, 2013.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 9. Retirement and Pension Plans, Continued**

**Pension expense and deferred outflows/inflows of resources** – For the year ended June 30, 2015; the Town recognized pension expense for ASRS of \$99,478. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 105,076	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	361,542
Changes in proportion and differences between contributions and proportional share of contributions	-	84,123
Contributions subsequent to the measurement date	132,497	-
Total	\$ 237,573	\$ 445,665

The \$132,497 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2016	\$ (81,275)
2017	(81,275)
2018	(87,652)
2019	(90,387)
2020	
Thereafter	

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 9. Retirement and Pension Plans, Continued**

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

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

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	63%	7.03%	4.43%
Fixed income	25%	3.20%	0.80%
Commodities	4%	4.50%	0.18%
Real Estate	8%	4.75%	0.38%
Totals	100%		5.79%
		Inflation	3.00%
		Expected arithmetic nominal return	8.79%

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 9. Retirement and Pension Plans, Continued**

**Discount Rate** – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate** – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of Net pension (asset) / liability	\$ 2,613,213	\$ 2,067,499	\$ 1,771,422

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

**Public Safety Personnel Retirement System (PSPRS)**

**Plan description** – The Town contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 9. Retirement and Pension Plans, Continued**

**Benefits provided** – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<b>Initial Membership Date Before January 1, 2012</b>	<b>Initial Membership Date On or After January 1, 2012</b>
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 9. Retirement and Pension Plans, Continued**

**Employees covered by benefit terms** – At June 30, 2015, the following employees were covered by the agent pension plans’ benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	3
Active employees	7
Total	15

**Contributions and annual OPEB cost** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active PSPSR members were required by statute to contribute 11.05 percent of their annual covered salary to the PSPRS and the Town was required to contribute 29.75 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 1.37 percent.

For the agent plans, the Town’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

<b>Pension</b>	
Contributions made	101,975
 <b>Health Insurance Premium Benefit</b>	
Annual OPEB cost	5,412
Contributions made	5,412

**Pension liability** – At June 30, 2015, the Town reported a net pension liability of \$1,957,531. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 9. Retirement and Pension Plans, Continued**

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

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual Entry Age Normal
Discount rate	7.85%
Projected salary increases	4.0% to 8.0% including inflation
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 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 real rates of return 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 geometrical real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	16.00%	7.60%
Non-U.S. Equity	14.00%	8.63%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	4.75%
Credit Opportunities	13.00%	8.00%
Absolute Return	4.00%	6.75%
GTAA	10.00%	5.73%
Real Assets	8.00%	5.96%
Real Estate	11.00%	6.50%
Risk Parity	4.00%	6.04%
Short Term Inv	2.00%	3.25%
<b>Total</b>	<u>100.00%</u>	

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 9. Retirement and Pension Plans, Continued**

**Discount Rate** –A Single Discount Rate of 7.85% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2014	\$ 3,047,262	\$ 1,659,101	\$ 1,388,161
Changes for the year:			
Service cost	68,662	-	68,662
Interest on total pension liability	234,849	-	234,849
Changes of benefit terms*	72,351	-	72,351
Difference between expected and actual experience in the measurement of the pension liability	205,569	-	205,569
Changes of assumptions**	403,013	-	403,013
Contributions - employer	-	102,307	(102,307)
Contributions - employee	-	31,614	(31,614)
Net investment income	-	230,018	(230,018)
Benefit payments, including refunds of employee contributions	(179,775)	(179,775)	-
Other changes	-	51,135	(51,135)
Net changes	804,669	235,299	569,370
Balances at June 30, 2015	\$ 3,851,931	\$ 1,894,400	\$ 1,957,531

\* Changes of benefit terms include the payout of Retro PBI and a change in the employee contribution rate

\*\* Changes of assumptions include a decrease in the wage assumption from 4.5% to 4.0% as well as the inclusion of an assumption to explicitly value future PBI

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 9. Retirement and Pension Plans, Continued**

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate –** The following table presents the Town's net pension liability calculated using the discount rate noted above, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.85%)	Discount Rate (7.85%)	1% Increase (8.85%)
Proportionate share of Net pension (asset) / liability	\$ 2,414,798	\$ 1,957,531	\$ 1,578,498

**Pension plan fiduciary net position –** Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

**Pension expense and deferred outflows/inflows of resources –** For the year ended June 30, 2015 the Town recognized pension expense for PSPRS of \$247,762. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 168,605	\$ -
Changes in assumptions	330,547	-
Net difference between projected and actual earnings on pension plan investments	-	75,237
Contributions subsequent to the measurement date	101,975	-
Total	\$ 601,127	\$ 75,237

The \$101,975 reported as deferred outflows of resources related to PSPRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 9. Retirement and Pension Plans, Continued**

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2016	\$ 90,621
2017	90,621
2018	90,621
2019	90,621
2020	61,431
Thereafter	-

**Agent plan OPEB actuarial assumptions** – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plan as the Town and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	23 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.50%

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 9. Retirement and Pension Plans, Continued**

**Agent plan OPEB trend information** – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years follows for each of the agent plans:

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Health Insurance	2013	\$ 7,143	100%	-
	2014	5,865	100%	-
	2015	5,412	100%	-

**Agent plan OPEB funded status** – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

	<u>Insurance Subsidy</u>
Actuarial accrued liability (AAL)	\$ 44,022
Actuarial value of plan assets	<u>109,821</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ (65,799)</u></u>
Funded ratio (actuarial value of plan assets/AAL)	249.47%
Covered payroll (active plan members)	\$ 360,723
UAAL as a percentage of covered payroll	0.00%

The actuarial methods and assumptions used for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	22 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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**Note 10.           Segment Information – Enterprise Funds**

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The Town maintains one enterprise fund which provides water and sewer utility services to its citizens. Since the utility fund is a major fund, detailed or segment information for the fund is provided in the basic financial statements.

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**Note 11.           Risk Management**

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The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$3,000,000 per occurrence on a claims made basis.

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

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

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**Note 12.           Contingencies**

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The Town is involved with various matters of litigation from year to year. It is the opinion of Town officials that these cases will either be handled by the Town's insurance coverage or that they will not have a material effect on the Town's financial condition.

The Town receives state and federal funding for specific purposes that are subject to review and audit by the grantor agencies. Such audits could result in disallowances under the terms of the grants. There are no required disbursements identified or recorded at the date of these financial statements.

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**Note 13.           Related Party Transaction**

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The Town currently rents the house owned by the Town which is located next to Ramsey Park to a Town employee for \$500 per month. The Town currently leases the Town's cinder pit to a council member's son-in-law. The terms of these transactions are all considered to be arms-length transactions at market value.

**TOWN OF EAGAR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**Note 14. Restatement Adjustment**

As mentioned in Note 1 to the financial statements, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. This resulted in a restatement of beginning net position as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>ASRS</u>	<u>PSPRS</u>
Restatement adjustment - implementation of GASB 68:				
Net pension liability	\$ (3,053,326)	\$ (778,217)	\$ (2,443,382)	\$ (1,388,161)
Deferred outflows - contributions made during fiscal year 2014	194,154	42,925	134,772	102,307
Total Restatement Adjustment	<u>\$ (2,859,172)</u>	<u>\$ (735,292)</u>	<u>\$ (2,308,610)</u>	<u>\$ (1,285,854)</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF EAGAR, ARIZONA**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**June 30, 2015**

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**Arizona State Retirement System**

		<b>Reporting Fiscal Year (Measurement Date)</b>
		<b>2015 (2014)</b>
		<hr/>
Proportion of the net pension liability (asset)		0.013973%
Proportionate share of the net pension liability (asset)	\$	2,067,499
Covered employee payroll	\$	1,051,889
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		196.55%
Plan fiduciary net position as a percentage of the total pension liability		69.49%

Note: the Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

**TOWN OF EAGAR, ARIZONA**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**June 30, 2015**

**Public Safety Personnel Retirement System**

	<b>Reporting Fiscal Year (Measurement Date)</b>
	<b>2015 (2014)</b>
<b>Total pension liability</b>	
Service cost	\$ 68,662
Interest on total pension liability	234,849
Changes of benefit terms	72,351
Difference between expected and actual experience of the total net pension liability	205,569
Changes of assumptions	403,013
Benefit payments, including refunds of employee contributions	(179,775)
<b>Net change in total pension liability</b>	804,669
<b>Total pension liability - beginning</b>	3,047,262
<b>Total pension liability - ending (a)</b>	\$ 3,851,931
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 102,307
Contributions - employee	31,614
Net investment income	230,018
Benefit payments, including refunds of employee contributions	(179,775)
Other (net transfer)	51,135
<b>Net change in plan fiduciary net position</b>	235,299
<b>Plan fiduciary net position - beginning</b>	1,659,101
<b>Plan fiduciary net position - ending (b)</b>	\$ 1,894,400
 <b>Net pension liability - ending (a) - (b)</b>	\$ 1,957,531
 Plan fiduciary net position as a percentage of the total pension liability	49.18%
 Covered employee payroll	\$ 360,723
 Net pension liability as a percentage of covered- employee payroll	542.67%

Note: the Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

**TOWN OF EAGAR, ARIZONA**  
**Schedule of Pension Contributions**  
**June 30, 2015**

**Arizona State Retirement System**

	<b>Reporting Fiscal Year (Measurement Date)</b>
	<b>2015 (2014)</b>
Contractually required contribution	\$ 134,772
Contributions in relation to the contractually required contribution	\$ (134,772)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 1,051,889
Contributions as a percentage of covered-employee payroll	12.81%

**Public Safety Personnel Retirement System**

	<b>Reporting Fiscal Year (Measurement Date)</b>
	<b>2015 (2014)</b>
Actuarially determined contribution	\$ 102,307
Contributions in relation to the actuarially determined contribution	\$ (102,307)
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 360,723
Contributions as a percentage of covered-employee payroll	28.36%

Note: the Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

**TOWN OF EAGAR, ARIZONA**  
**Required Supplementary Information**  
**Notes to the Pension Plan Schedules**  
**June 30, 2015**

**NOTE 1. Actuarially Determined Contribution Rates**

Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2013 actuarial valuation, the projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%
Wage growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females)

**TOWN OF EAGAR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Agent OPEB Plans' Funding Progress**  
**June 30, 2015**

**Public Safety Personnel Retirement System**  
**Health Insurance Premium Benefit**

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	[(b)-(a)] / (c)
June 30, 2012	-	66,231	66,231	0.0%	377,277	17.56%
2013	-	55,418	55,418	0.0%	361,778	15.32%
2014	109,821	44,022	(65,799)	249.47%	360,723	0.00%
2015	**	**	**	**	**	**

\*\* The June 30, 2015 information was not yet available at the time the financial statements were issued.

See accompanying note below

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**NOTE 1. Factors that Affect the Identification of Trends**

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Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

**TOWN OF EAGAR, ARIZONA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULES**  
**FOR THE FOLLOWING MAJOR FUNDS:**

**General Fund – Detail Budget and Actual**

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

**Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- **Highway User Revenue Fund** (Streets) – This fund is used to account for the Town’s share of motor fuel tax revenues and lottery proceeds which are set aside for the maintaining, repairing, and upgrading of streets.
- **Grants Fund** – This fund is used to account for federal and state grants and other contributions that are restricted for specific use.

**TOWN OF EAGAR, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

<b>REVENUES:</b>	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
<b>Taxes:</b>				
City sales tax	\$ 825,000	\$ 825,000	\$ 868,315	\$ 43,315
Total Taxes	825,000	825,000	868,315	43,315
<b>Licenses, Permits and Fees:</b>				
Building permits	20,000	20,000	32,373	12,373
Business and other licenses	4,000	4,000	3,350	(650)
Total Licenses, Fees and Permits	24,000	24,000	35,723	11,723
<b>Intergovernmental:</b>				
State sales taxes	419,331	419,331	446,434	27,103
State revenue sharing	561,759	561,759	591,360	29,601
Auto lieu tax	273,260	273,260	271,457	(1,803)
Total Intergovernmental	1,254,350	1,254,350	1,309,251	54,901
<b>Charges for Services:</b>				
Park & cemetery fees	72,850	72,850	69,895	(2,955)
Recreation fees	4,300	4,300	15,487	11,187
Fire, police and animal control	107,230	107,230	88,296	(18,934)
Total Charges for Services	184,380	184,380	173,678	(10,702)
<b>Fines and Forfeitures:</b>				
Fines & forfeitures	33,000	33,000	23,900	(9,100)
Total Fines and Forfeitures	33,000	33,000	23,900	(9,100)
<b>Interest</b>				
Interest income	700	700	1,343	643
Total Interest	700	700	1,343	643
<b>Other Revenues:</b>				
Rents	44,758	44,758	42,646	(2,112)
Donations	6,650	6,650	22,375	15,725
Sale of assets	6,000	6,000	36,528	30,528
User fees	350	350	143	(207)
Miscellaneous	35,500	35,500	1,293	(34,207)
Total Other Revenues	93,258	93,258	102,985	9,727
<b>TOTAL REVENUES</b>	\$ 2,414,688	\$ 2,414,688	\$ 2,515,195	\$ 100,507

(continued)

**TOWN OF EAGAR, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2015**

<b>EXPENDITURES</b>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>General Government:</b>				
Mayor & council	\$ 29,818	\$ 29,818	\$ 25,422	\$ 4,396
Magistrate	56,644	56,644	53,179	3,465
Town manager	43,270	43,270	47,078	(3,808)
Town clerk	146,225	146,225	143,537	2,688
Finance	117,510	117,510	86,705	30,805
Legal	38,000	38,000	38,937	(937)
Insurance	61,450	61,450	58,573	2,877
Other	154,716	154,716	81,855	72,861
Total General Government	647,633	647,633	535,286	112,347
<b>Public Safety:</b>				
Police	805,620	805,620	809,330	(3,710)
Fire	329,595	329,595	324,127	5,468
Animal control	63,603	63,603	62,841	762
Wildland Fire	70,000	70,000	54,968	15,032
Total Public Safety	1,268,818	1,268,818	1,251,266	17,552
<b>Public Works/Streets:</b>				
Community Development	117,917	117,917	58,236	59,681
Facilities	291,857	216,135	176,238	39,897
Fleet maintenance	269,036	148,919	120,652	28,267
Total Public Works/Streets	678,810	482,971	355,126	127,845
<b>Culture &amp; Recreation:</b>				
Parks and Recreation	50,096	50,096	55,221	(5,125)
Total Culture and Recreation	50,096	50,096	55,221	(5,125)
<b>Debt Service:</b>				
Principal	57,310	57,310	57,380	(70)
Interest	53,826	53,826	53,848	(22)
Total Debt Service	111,136	111,136	111,228	(92)
TOTAL EXPENDITURES	2,756,493	2,560,654	2,308,127	252,527
Excess of Revenues Over Expenditures	(341,805)	(145,966)	207,068	353,034
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	-	(95,743)	(95,743)
Total Other Financing Sources (Uses)	-	-	(95,743)	(95,743)
Net change in fund balance	(341,805)	(145,966)	111,325	257,291
Fund balance, beginning of year	1,511,476	1,511,476	1,511,476	-
Fund balance, end of year	\$ 1,169,671	\$ 1,365,510	\$ 1,622,801	\$ 257,291

**TOWN OF EAGAR, ARIZONA**  
**HIGHWAY USER REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental revenue	\$ 823,250	\$ 823,250	\$ 915,312	\$ 92,062
Other revenue	6,000	6,000	13,162	7,162
Total Revenue	<u>829,250</u>	<u>829,250</u>	<u>928,474</u>	<u>99,224</u>
<b>EXPENDITURES:</b>				
Public Works:				
Salaries	247,200	247,200	236,697	10,503
Employee benefits	117,615	117,615	95,639	21,976
Services, supplies, and other	322,834	451,967	439,408	12,559
Debt Service:				
Principal	28,750	28,750	28,750	-
Interest	28,222	28,222	28,125	97
Total Expenditures	<u>744,621</u>	<u>873,754</u>	<u>828,619</u>	<u>45,135</u>
Excess of Revenues Over (Under) Expenditures	84,629	(44,504)	99,855	144,359
Fund balance, beginning of year	<u>426,848</u>	<u>426,848</u>	<u>426,848</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 511,477</u></u>	<u><u>\$ 382,344</u></u>	<u><u>\$ 526,703</u></u>	<u><u>\$ 144,359</u></u>

**TOWN OF EAGAR, ARIZONA**  
**GRANTS SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental revenue	\$ 1,000,000	\$ 1,000,000	\$ 260,921	\$ (739,079)
Total revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>260,921</u>	<u>(739,079)</u>
<b>EXPENDITURES:</b>				
Public Safety	1,000,000	1,000,000	208,149	791,851
Public Works/Streets	-	-	148,515	(148,515)
Total Expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>356,664</u>	<u>643,336</u>
Excess (deficiency) of revenues Over (under) Expenditures	<u>-</u>	<u>-</u>	<u>(95,743)</u>	<u>(95,743)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	95,743	95,743
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>95,743</u>	<u>95,743</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>994</u>	<u>994</u>	<u>994</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 994</u></u>	<u><u>\$ 994</u></u>	<u><u>\$ 994</u></u>	<u><u>\$ -</u></u>

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**TOWN OF EAGAR, ARIZONA**  
**SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULES**  
**FOR THE FOLLOWING FUNDS:**

**Nonmajor Governmental Funds**

The **Impact Fee Fund** is used to account for the collection of impact fees and the expenditure of these fees on public facilities and infrastructure.

**TOWN OF EAGAR, ARIZONA**  
**Impact Fee Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>			
Charges for services	\$ -	\$ -	\$ -
Interest	-	-	-
Total Revenue	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>			
Salaries	-	-	-
Employee Benefits	-	-	-
Services, Supplies, and Other	-	-	-
Capital Outlay	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>5,268</u>	<u>5,268</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 5,268</u></u>	<u><u>\$ 5,268</u></u>	<u><u>\$ -</u></u>

**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**

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**Independent Auditors' Report on Internal Control  
over Financial Reporting and on Compliance and other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Honorable Mayor and  
Town Council  
Eagar, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eagar, Arizona as of the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Eagar, Arizona's basic financial statements, and have issued our report thereon dated January 21, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Eagar's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Eagar, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Eagar, Arizona's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to the management of the Town in the schedule of findings and recommendations dated January 21, 2016.

## **Purpose of this Report**

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with for the *Government Auditing Standards*, in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC  
Flagstaff, Arizona  
January 21, 2016

**Independent Auditors' Report on  
State Legal Compliance**

The Honorable Mayor and  
Town Council  
Eagar, Arizona

We have audited the basic financial statements of the Town of Eagar, Arizona for the year ended June 30, 2015, and have issued our report thereon dated January 21, 2016. Our audit also included test work on the Town of Eagar's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the Town of Eagar is responsible for the Town's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The Town of Eagar has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the Town of Eagar pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the Town's compliance with annual expenditure limitations has been issued separately with the Town's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Town of Eagar complied, in all material respects, with the requirements identified above for the year ended June 30, 2015.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

  
HintonBurdick, PLLC  
Flagstaff, Arizona  
January 21, 2016

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