

TOWN OF EAGAR, ARIZONA



FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2019

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, 2019, 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, 2019, 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.

Other Matters

Report on Summarized Comparative Information

We have previously audited Eagar Town's financial statements for the year ended June 30, 2018, and our report dated November 12, 2018 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, 2019, 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/OPEB Liability, the Schedule of Changes in the Net Pension Liability/OPEB Liability and Related Ratios, the Schedule of Pension/OPEB Contributions 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 February 12, 2020, 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
Gilbert, Arizona
February 12, 2020

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**TOWN OF EAGAR, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2019**

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, 2019. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Net position in Governmental activities increased by \$1 million to \$8,468,225.
- Net position in Business-type activities increased by \$206,803 to \$3,833,838.
- General Fund revenues and debt issues exceeded expenditures by \$351,194.
- City sales tax revenues were up \$40,459 from the prior year.
- Highway User Revenue Fund expenditures revenues and debt issues exceeded expenditures by \$432,248.
- Approximately 34 percent of the governmental funds revenue received were from Operating Grants & Contributions and Capital Grants & Contributions.
- Total Proprietary Fund reported net income of \$206,803 in fiscal year 2019 as compared to a net income of \$85,452 for fiscal year 2018. This includes an expense of approximately \$420,000 for depreciation in each fiscal year.
- Total long-term debt decreased by \$1,263,513.
- Net pension/OPEB liabilities decreased by \$761,866.

- Significant asset purchases and projects completed during fiscal year 2019 are as follows:
 - North Harless Middle School Sewer treatment \$105,960
 - School bus drainage \$380,245
 - Water tank project \$312,752

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 \$12.3 million as of June 30, 2019 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	
	06/30/19	06/30/18	06/30/19	06/30/18	06/30/19	06/30/18
Current and other assets	\$ 4,008,525	\$ 3,262,357	\$ (1,090,865)	\$ (601,643)	\$ 2,917,660	\$ 2,660,714
Capital assets	8,333,277	8,629,279	5,615,623	5,743,114	13,948,900	14,372,393
Total assets	<u>12,341,802</u>	<u>11,891,636</u>	<u>4,524,758</u>	<u>5,141,471</u>	<u>16,866,560</u>	<u>17,033,107</u>
Deferred outflows of resources	583,524	812,507	74,482	84,711	658,006	897,218
Long-term liabilities outstanding	3,785,164	4,908,831	535,886	1,437,598	4,321,050	6,346,429
Other liabilities	175,293	225,419	95,062	104,514	270,355	329,933
Total liabilities	<u>3,960,457</u>	<u>5,134,250</u>	<u>630,948</u>	<u>1,542,112</u>	<u>4,591,405</u>	<u>6,676,362</u>
Deferred inflows or resources	496,644	180,499	134,454	57,035	631,098	237,534
Net position:						
Net investment in capital assets	8,333,277	8,094,359	5,615,623	5,008,034	13,948,900	13,102,393
Restricted	878,396	447,794	-	-	878,396	447,794
Unrestricted	<u>(743,448)</u>	<u>(1,152,759)</u>	<u>(1,781,785)</u>	<u>(1,380,999)</u>	<u>(2,525,233)</u>	<u>(2,533,758)</u>
Total net position	<u>\$ 8,468,225</u>	<u>\$ 7,389,394</u>	<u>\$ 3,833,838</u>	<u>\$ 3,627,035</u>	<u>\$ 12,302,063</u>	<u>\$ 11,016,429</u>

Governmental Activities

The cost of all Governmental activities this year was \$3.1 million. As shown on the statement of Changes in Net Position on the following page, \$314,608 of this cost was paid for by those who directly benefited from the programs; \$1.4 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 \$1.7 million. General taxes, State Revenue Sharing and investment earnings totaled \$2.4 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.

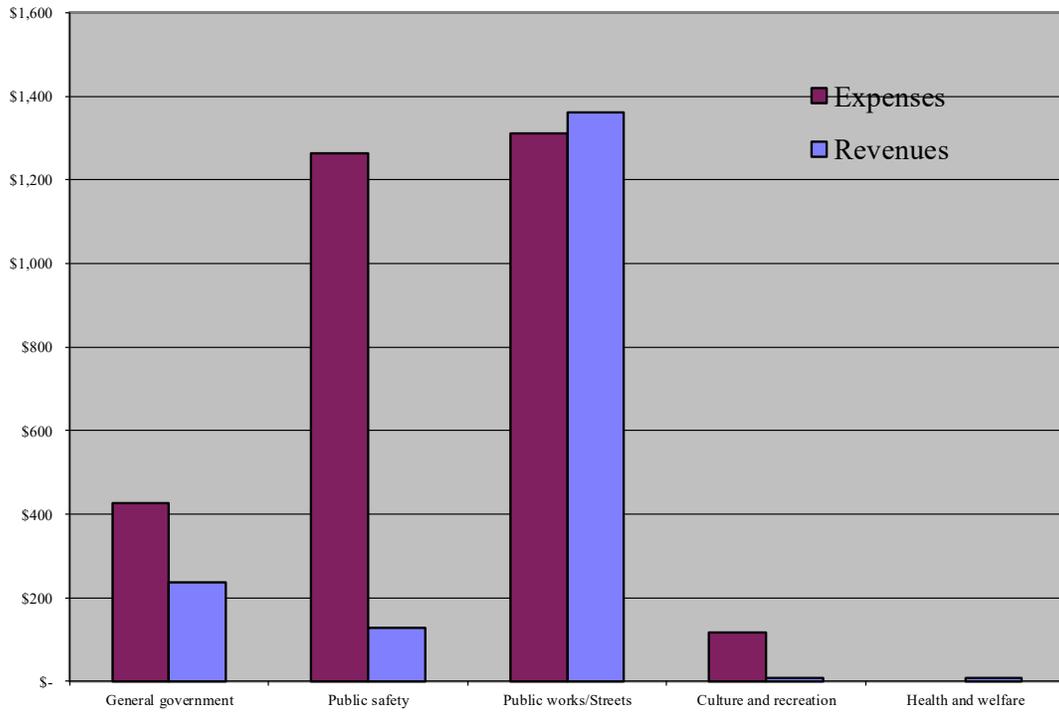
TOWN OF EAGAR, ARIZONA
Changes in Net Position

	Governmental activities		Business-type activities		Total	
	06/30/19	06/30/18	06/30/19	06/30/18	06/30/19	06/30/18
Revenues:						
Program revenues:						
Charges for services	\$ 314,608	\$ 228,662	\$ 1,467,018	\$ 1,520,552	\$ 1,781,626	\$ 1,749,214
Operating grants and contributions	1,259,344	1,358,058	-	-	1,259,344	1,358,058
Capital grants and contributions	169,343	735,965	-	-	169,343	735,965
General revenues:						
Taxes	1,823,159	1,753,976	-	-	1,823,159	1,753,976
State revenue sharing	591,088	617,811	-	-	591,088	617,811
Other revenue/(expense)	43,827	36,165	-	778	43,827	36,943
Total revenues	<u>4,201,369</u>	<u>4,730,637</u>	<u>1,467,018</u>	<u>1,521,330</u>	<u>5,668,387</u>	<u>6,251,967</u>
Expenses:						
General government	425,712	425,677	-	-	425,712	425,677
Public safety	1,263,834	1,588,007	-	-	1,263,834	1,588,007
Public works/Streets	1,310,296	1,583,699	-	-	1,310,296	1,583,699
Culture and recreation	117,552	141,250	-	-	117,552	141,250
Health and welfare	-	11,830	-	-	-	11,830
Interest on long-term debt	5,144	28,367	-	-	5,144	28,367
Water & Sewer	-	-	1,260,215	1,435,878	1,260,215	1,435,878
Total expenses	<u>3,122,538</u>	<u>3,778,830</u>	<u>1,260,215</u>	<u>1,435,878</u>	<u>4,382,753</u>	<u>5,214,708</u>
Increase (Decrease) in net position	1,078,831	951,807	206,803	85,452	1,285,634	1,037,259
Net position, beginning	7,389,394	6,496,993	3,627,035	3,541,475	11,016,429	10,038,468
Restatement adjustment	-	(59,406)	-	108	-	(59,298)
Net position, ending	<u>\$ 8,468,225</u>	<u>\$ 7,389,394</u>	<u>\$ 3,833,838</u>	<u>\$ 3,627,035</u>	<u>\$ 12,302,063</u>	<u>\$ 11,016,429</u>

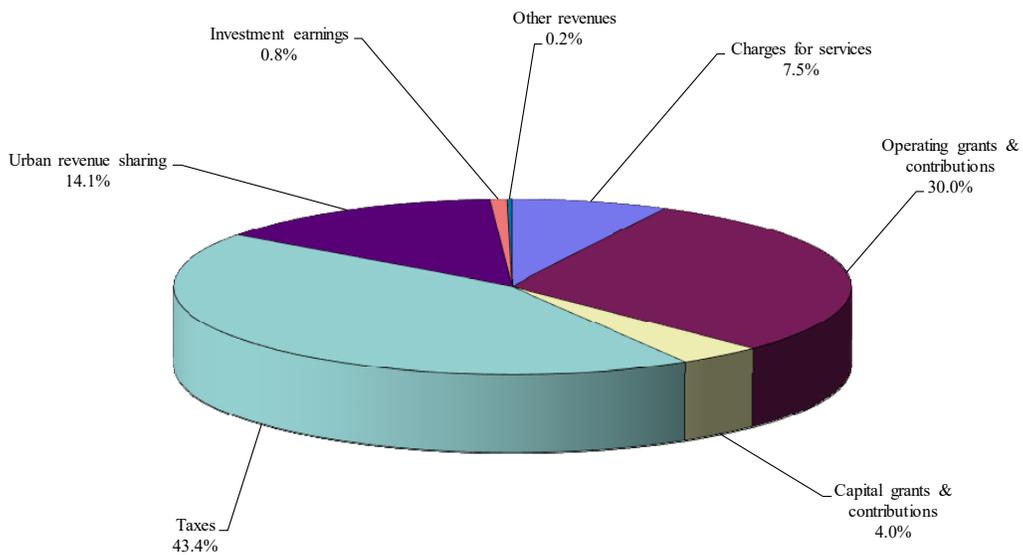
Both revenues and expenses for governmental activities remained fairly consistent as compared to the prior year. Total resources available during the year to finance governmental operations were \$11.59 million consisting of net position at July 1, 2018 of \$7.3 million, program revenues of \$1.7 million and general revenues of \$2.4 million. Total governmental activities during the year were \$3.1 million; thus governmental net position increased by \$1 million.

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)



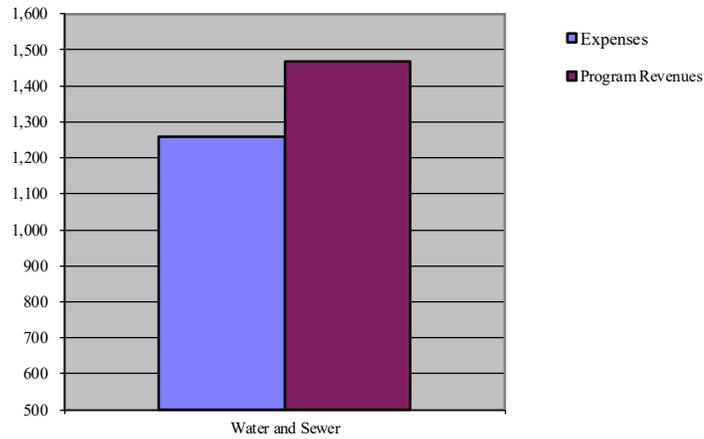
Revenue By Source - Governmental Activities



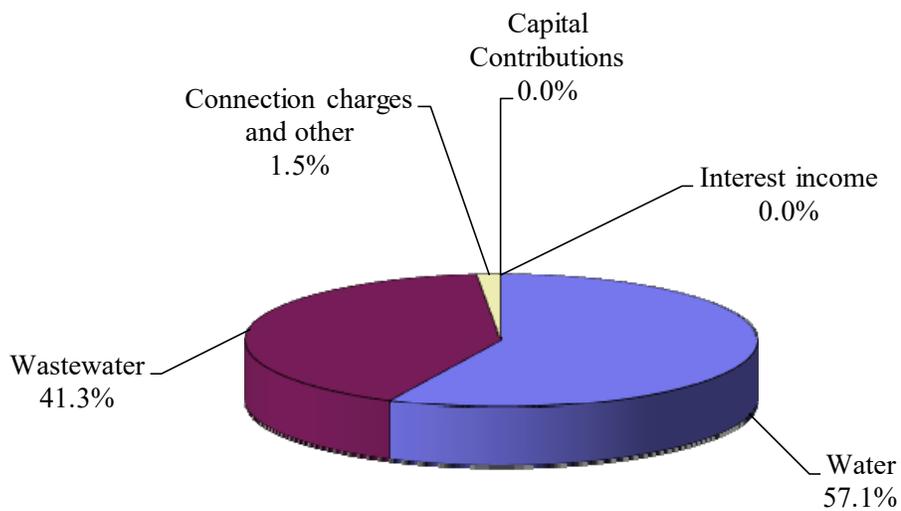
Business Type Activities

Net position of the Business Type activities at June 30, 2019, as reflected in the Statement of Net Position was \$3.8 million. The cost of providing all Proprietary (Business Type) activities this year was \$1.26 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1.46 million and there were no capital grants and contributions. The Net Position increased by \$206,803.

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 \$3,757,018, an increase of \$783,442 in comparison with the prior year. Approximately, 77% of this total amount or \$2,878,622 constitutes unassigned, fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted HURF funds or 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 \$2,876,977, and total fund balance is \$2,876,977. 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 118% of total general fund expenditures. During the year, the Town of Eagar's general fund balance increased by \$351,195. Key factors in this increase are as follows:

- Total expenditures were \$443,695 less than the prior year. This was mainly due to a \$402,077 decrease in debt service expenditures in the current fiscal year.

The Highway User Revenue fund has a total fund balance of \$873,128, which is up from the prior year balance of \$4440,880, all of which is reserved for road construction and maintenance. HURF revenues were fairly consistent with the prior year and expenditures were down \$814,853 from the prior year due to a decrease in activity as well as a decrease in debt service expenditures of \$474,774.

The grants fund has a total fund balance of \$1,645, 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 \$3,833,838 consisting of \$5,615,623 net investment in capital assets and \$(1,781,785) in unrestricted net deficit.

Budgetary Highlights

The General Fund's revenues of \$2,794,376 are less than budgeted revenues by \$320,332 which was mainly due to excess in City Sales Tax revenue of \$112,160 offset by a shortfall of miscellaneous revenue of \$470,651. The General fund departmental expenditures were \$1,006,581 less than their budgeted appropriation for fiscal year 2019. This variance was mainly due to Fleet maintenance coming in under budget by \$495,178 and contingency of \$425,000.

The Highway User's Fund revenues of \$1,137,512 are less than budgeted revenues by \$148,250. This is mainly due to \$232,297 in other revenue. Highway User's expenditures of \$663,577 were less than budgeted expenditures by \$478,403 mainly due to the contingency budget of \$250,000.

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 2019, net capital assets of the government activities totaled \$8.3 million and the net capital assets of the business-type activities totaled \$5.6 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.

Long-term Liabilities

At year-end, the Town had paid off all of the governmental-type and business-type long-term debt. The Town's total long-term debt decreased by \$1,270,000. The net pension/OPEB liabilities decreased by \$761,866. (See note 6 and 8 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2019/2020, 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, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,960,977	\$ -	\$ 1,960,977
Receivables (net of allowance)	509,015	168,221	677,236
Inventory	-	148,259	148,259
Internal balances	1,462,317	(1,462,318)	(1)
Temporarily restricted assets:			
Cash and cash equivalents	-	53,677	53,677
Net pension/OPEB asset	76,214	1,296	77,510
Capital assets (net of accumulated depreciation):			
Land	2,096,007	19,730	2,115,737
Construction in progress	360,964	163	361,127
Land improvements	577,245	-	577,245
Buildings	2,020,380	-	2,020,380
Distribution systems	-	5,589,177	5,589,177
Infrastructure/roads	2,939,774	-	2,939,774
Furniture, equipment & vehicles	338,907	6,553	345,460
Total assets	<u>12,341,800</u>	<u>4,524,758</u>	<u>16,866,558</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions/OPEB	<u>583,524</u>	<u>74,482</u>	<u>658,006</u>
Liabilities			
Accounts payable and other current liabilities	164,076	95,062	259,138
Unearned revenue	11,217	-	11,217
Noncurrent liabilities:			
Due within one year	100,000	4,950	104,950
Due in more than one year	13,041	11,099	24,140
Net pension liability	3,667,692	519,837	4,187,529
Other postemployment benefits liability	4,431	-	4,431
Total liabilities	<u>3,960,457</u>	<u>630,948</u>	<u>4,591,405</u>
Deferred Inflows of Resources			
Deferred Inflows related to pensions/OPEB	<u>496,644</u>	<u>134,454</u>	<u>631,098</u>
Net Position			
Net investment in capital assets	8,333,277	5,615,623	13,948,900
Restricted for:			
Highways and streets	873,128	-	873,128
Other purposes	5,268	-	5,268
Unrestricted	<u>(743,448)</u>	<u>(1,781,785)</u>	<u>(2,525,233)</u>
Total Net Position	<u>\$ 8,468,225</u>	<u>\$ 3,833,838</u>	<u>\$ 12,302,063</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, 2019

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	\$ 425,712	\$ 215,735	\$ 20,812	\$ -	\$ (189,165)	\$ -	\$ (189,165)
Public safety	1,263,834	23,431	94,453	10,000	(1,135,950)	-	(1,135,950)
Public works/Streets	1,310,296	66,190	1,136,545	159,343	51,782	-	51,782
Culture and recreation	117,552	9,252	-	-	(108,300)	-	(108,300)
Health and welfare	-	-	7,534	-	7,534	-	7,534
Interest on long-term debt	5,144	-	-	-	(5,144)	-	(5,144)
Total governmental activities	<u>3,122,538</u>	<u>314,608</u>	<u>1,259,344</u>	<u>169,343</u>	<u>(1,379,243)</u>	<u>-</u>	<u>(1,379,243)</u>
Business-type activities:							
Water and Sewer	<u>1,260,215</u>	<u>1,467,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,803</u>	<u>206,803</u>
Total business-type activities	<u>1,260,215</u>	<u>1,467,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,803</u>	<u>206,803</u>
Total Primary Government	<u>\$ 4,382,753</u>	<u>\$ 1,781,626</u>	<u>\$ 1,259,344</u>	<u>\$ 169,343</u>	<u>(1,379,243)</u>	<u>206,803</u>	<u>(1,172,440)</u>
General Revenues:							
Taxes:							
City sales tax					997,607	-	997,607
Auto lieu tax (unrestricted)					334,445	-	334,445
State sales tax (unrestricted)					491,107	-	491,107
Urban revenue sharing (unrestricted)					591,088	-	591,088
Unrestricted investment earnings					34,012	-	34,012
Gain on sale of assets					9,815	-	9,815
Total general revenues & transfers					<u>2,458,074</u>	<u>-</u>	<u>2,458,074</u>
Change in net position					1,078,831	206,803	1,285,634
Net position - beginning					<u>7,389,394</u>	<u>3,627,035</u>	<u>11,016,429</u>
Net position - ending					<u>\$ 8,468,225</u>	<u>\$ 3,833,838</u>	<u>\$ 12,302,063</u>

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

TOWN OF EAGAR, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2019

Assets	<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	\$ 1,191,322	\$ 764,387	\$ -	\$ 5,268	\$ 1,960,977
Receivables:					
Other	4,214	-	-	-	4,214
Intergovernmental	160,972	121,656	222,172	-	504,800
Due from other funds	<u>1,660,356</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,660,356</u>
 Total Assets	 <u>\$ 3,016,864</u>	 <u>\$ 886,043</u>	 <u>\$ 222,172</u>	 <u>\$ 5,268</u>	 <u>\$ 4,130,347</u>
 Liabilities					
Accounts payable	\$ 42,452	\$ 438	\$ 6,729	\$ -	\$ 49,619
Accrued wages and benefits	94,386	12,477	7,594	-	114,457
Due to other funds	-	-	198,038	-	198,038
Unearned Revenue	<u>3,050</u>	<u>-</u>	<u>8,167</u>	<u>-</u>	<u>11,217</u>
 Total Liabilities	 <u>139,888</u>	 <u>12,915</u>	 <u>220,528</u>	 <u>-</u>	 <u>373,331</u>
 Fund Balances					
Restricted	-	873,128	-	5,268	878,396
Unassigned	<u>2,876,977</u>	<u>-</u>	<u>1,645</u>	<u>-</u>	<u>2,878,622</u>
 Total fund balances	 <u>2,876,977</u>	 <u>873,128</u>	 <u>1,645</u>	 <u>5,268</u>	 <u>3,757,018</u>
 Total Liabilities and Fund Balances	 <u>\$ 3,016,865</u>	 <u>\$ 886,043</u>	 <u>\$ 222,173</u>	 <u>\$ 5,268</u>	 <u>\$ 4,130,349</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, 2019

Total governmental fund balances \$ 3,757,018

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	\$ 21,599,796	
Accumulated depreciation	<u>(13,266,519)</u>	8,333,277

Other postemployment benefits asset is not an available resource and, therefore is not reported in the funds.	76,214
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Net pension liability	(3,667,692)	
Net OPEB liability	(4,431)	
Compensated absences	<u>(113,041)</u>	(3,785,164)

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

Deferred outflows	583,524	
Deferred inflows	<u>(496,644)</u>	86,880

Total net position of governmental activities	\$ 8,468,225
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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, 2019

REVENUES	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Grants</u>	<u>Non-major Impact Fee</u>	<u>Total Governmental Funds</u>
Taxes	\$ 997,607	\$ -	\$ -	\$ -	\$ 997,607
Licenses, permits and fees	68,350	-	-	-	68,350
Intergovernmental revenue	1,416,640	1,113,627	270,055	-	2,800,322
Charges for services	90,552	-	-	-	90,552
Fines and forfeitures	19,446	-	-	-	19,446
Interest	34,012	-	-	-	34,012
Other revenues	167,769	23,885	-	-	191,654
Total Revenues	<u>2,794,376</u>	<u>1,137,512</u>	<u>270,055</u>	<u>-</u>	<u>4,201,943</u>
 EXPENDITURES					
Current:					
General government	388,224	-	-	-	388,224
Public safety	1,162,979	-	41,325	-	1,204,304
Public works/streets	428,567	530,699	270,417	-	1,229,683
Culture and recreation	47,622	-	-	-	47,622
Debt Service:					
Principal	405,507	129,413	-	-	534,920
Interest	10,283	3,465	-	-	13,748
Total Expenditures	<u>2,443,182</u>	<u>663,577</u>	<u>311,742</u>	<u>-</u>	<u>3,418,501</u>
Excess of Revenues					
Over (Under) Expenditures	<u>351,194</u>	<u>473,935</u>	<u>(41,687)</u>	<u>-</u>	<u>783,442</u>
 Other Financing Sources (Uses):					
Transfers in	-	-	41,687	-	41,687
Transfers out	-	(41,687)	-	-	(41,687)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(41,687)</u>	<u>41,687</u>	<u>-</u>	<u>-</u>
Net change in fund balances	351,194	432,248	-	-	783,442
Fund balances, beginning of year	<u>2,525,783</u>	<u>440,880</u>	<u>1,645</u>	<u>5,268</u>	<u>2,973,576</u>
Fund balances, end of year	<u>\$ 2,876,977</u>	<u>\$ 873,128</u>	<u>\$ 1,645</u>	<u>\$ 5,268</u>	<u>\$ 3,757,018</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, 2019

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

Net change in fund balances - total governmental funds	\$	783,442
<p>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.</p>		
Capital outlay	\$	340,598
Depreciation expense		<u>(629,871)</u>
		(289,273)
<p>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.</p>		
		(6,730)
<p>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.</p>		
		534,920
<p>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.</p>		
		8,604
<p>Pension/OPEB 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 the net pension liability/OPEB is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension liability/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.</p>		
Pension/OPEB contributions		359,166
Pension/OPEB expense		<u>(314,135)</u>
		45,031
<p>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.</p>		
		2,837
Change in net position of governmental activities	\$	<u><u>1,078,831</u></u>

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

TOWN OF EAGAR, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2019
(With Comparative Totals for June 30, 2018)

	Utility Fund	
	06/30/19	06/30/18
Assets		
Current Assets:		
Cash	\$ -	\$ -
Receivables (net of allowance)	168,221	226,280
Inventory	148,259	152,691
Total Current Assets	<u>316,480</u>	<u>378,971</u>
Noncurrent Assets:		
Restricted cash and investments	53,677	53,377
Net pension/OPEB asset	1,296	794
Land	19,730	19,730
Construction in progress	163	130,036
Water wells and distribution system	8,889,275	8,571,418
Wastewater treatment plant and distribution system	7,891,696	7,785,736
Furniture, equipment and vehicles	325,382	325,382
Accumulated depreciation	<u>(11,510,623)</u>	<u>(11,089,188)</u>
Total Noncurrent Assets	<u>5,670,596</u>	<u>5,797,285</u>
Total Assets	<u>5,987,076</u>	<u>6,176,256</u>
Deferred Outflows of Resources		
Deferred outflows related to pensions/OPEB	<u>74,482</u>	<u>84,711</u>
Liabilities		
Current Liabilities:		
Accounts payable	23,915	21,600
Accrued wages and benefits	17,331	15,217
Accrued liabilities	5,447	7,989
Customer deposits	48,369	47,669
Due to other funds	1,462,318	1,034,785
Accrued interest payable	-	12,039
Current portion of compensated absences	4,950	4,950
Current portion of long-term debt	-	126,554
Total Current Liabilities	<u>1,562,330</u>	<u>1,270,803</u>
Noncurrent Liabilities (net of current portion):		
Compensated absences	11,099	1,775
Net pension liability	519,837	695,793
Notes and bonds payable	-	608,526
Total Noncurrent Liabilities	<u>530,936</u>	<u>1,306,094</u>
Total Liabilities	<u>2,093,266</u>	<u>2,576,897</u>
Deferred Inflows of Resources		
Deferred inflows related to pensions/OPEB	<u>134,454</u>	<u>57,035</u>
Net Position		
Net investment in capital assets	5,615,623	5,008,034
Unrestricted	<u>(1,781,785)</u>	<u>(1,380,999)</u>
Total Net Position	<u>\$ 3,833,838</u>	<u>\$ 3,627,035</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, 2019
(With Comparative Totals for June 30, 2018)

	Utility Fund	
	06/30/19	06/30/18
Operating Revenues		
Water charges for services	\$ 822,410	\$ 888,778
Wastewater charges for services	594,892	568,269
Connection fees	27,971	26,740
Other revenues	21,745	36,765
Total Operating Revenues	<u>1,467,018</u>	<u>1,520,552</u>
Operating Expenses		
Salaries	361,522	386,281
Employee benefits	49,261	51,846
Service, supplies and other	420,205	489,327
Depreciation	421,435	426,850
Total Operating Expenses	<u>1,252,423</u>	<u>1,354,304</u>
Operating Income	<u>214,595</u>	<u>166,248</u>
Non-operating Revenues (Expenses)		
Interest income	-	778
Interest expense and fiscal charges	(7,792)	(81,574)
Total Non-Operating Revenue (Expense)	<u>(7,792)</u>	<u>(80,796)</u>
Change in net position	206,803	85,452
Total net position, beginning of year	3,627,035	3,541,475
Restatement adjustment	-	108
Total net position, end of year	<u>\$ 3,833,838</u>	<u>\$ 3,627,035</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, 2019
(With Comparative Totals for June 30, 2018)

	Utility Fund	
	06/30/19	06/30/18
Cash Flows From Operating Activities:		
Cash received from customers, service fees	\$ 1,475,361	\$ 1,429,620
Cash received from customers, other	49,716	63,505
Cash paid to suppliers	(413,458)	(463,819)
Cash paid to employees	(489,997)	(531,982)
Net cash flows from operating activities	<u>621,622</u>	<u>497,324</u>
Cash Flows From Noncapital Financing Activities:		
Proceeds/(Payments) to other funds	427,533	571,882
Net cash flows from noncapital financing activities	<u>427,533</u>	<u>571,882</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds from capital debt	-	1,085,000
Purchase of capital assets	(293,944)	(256,142)
Principal paid on notes and bonds	(735,080)	(1,879,297)
Interest paid	(19,831)	(95,588)
Net cash flows from capital and related financing activities	<u>(1,048,855)</u>	<u>(1,146,027)</u>
Cash Flows From Investing Activities:		
Interest on investments	-	778
Net change in cash and cash equivalents	300	(76,043)
Cash and cash equivalents, beginning of year, including temporarily restricted cash	<u>53,377</u>	<u>129,420</u>
Cash and cash equivalents, end of year, including temporarily restricted cash	<u>\$ 53,677</u>	<u>\$ 53,377</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Net Operating Income	\$ 214,595	\$ 166,248
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation/amortization	421,435	426,850
Pension Expense	98,580	91,857
Employer pension contributions	(187,156)	(187,156)
OPEB Expense	9,038	9,442
OPEB contributions	(9,272)	(9,272)
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	58,059	(27,427)
(Increase)/Decrease in inventory and prepaids	4,432	21,575
Increase/(Decrease) in payables	2,315	3,933
Increase/(Decrease) in accrued liabilities & deposits	9,596	1,274
Net cash flows from operating activities	<u>\$ 621,622</u>	<u>\$ 497,324</u>

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

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 1. Summary of Significant Accounting Policies

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, 2019

Note 1. Summary of Significant Accounting Policies, Continued

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, 2019

Note 1. Summary of Significant Accounting Policies, Continued

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, 2019

Note 1. Summary of Significant Accounting Policies, Continued

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.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 1. Summary of Significant Accounting Policies, Continued

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 acquisition 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 two types of items that qualify for reporting in this category. Pension and OPEB related items reported on the government-wide financial statements. See footnote 8 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 two types of items that qualify for reporting in this category. Pension and OPEB related items reported on the government-wide financial statements. See footnote 8 for more information.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Pension and postemployment benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plan's fiduciary net position of the Arizona State Retirement System (ASRS) and the Arizona 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, 2019

Note 1. Summary of Significant Accounting Policies, Continued

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, 2019

Note 1. Summary of Significant Accounting Policies, Continued

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.

Tax Abatements

The City has not entered into any tax abatement agreements and the City is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the City's tax revenues.

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.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

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

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.

Note 3. Stewardship, Compliance, and Accountability

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 17, 2018.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 3. Stewardship, Compliance, and Accountability, Continued

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, 2019, 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.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 4. Deposits and Investments

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

Cash and cash equivalents	\$ 1,960,977
Restricted cash and cash equivalents	<u>53,677</u>
Total	<u><u>\$ 2,014,654</u></u>

Restricted cash consists of the following at June 30, 2019:

Revolving loan funds - Business-Type Activities	\$ 5,308
Customer Deposits - Business-Type Activities	<u>48,369</u>
Total restricted cash and investments	<u><u>\$ 53,677</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, 2019 cash on hand was \$75 and the carrying amount of the Town's deposits was \$456,422. As of June 30, 2019, none of the Town's bank balance of \$479,910 was exposed to custodial credit risk because it was uninsured and uncollateralized. Of the bank balance, \$250,000 was insured by the FDIC, \$25,010 was insured by Xpress Deposits, and \$204,900 was collateralized.

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. The State Board of Investments provides oversight for the State Treasurer's investment pools. 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. Financial statements for the LGIP funds are available on the Arizona State Treasurer's website at aztreasury.gov.

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, 2019

Note 4. Deposits and Investments, Continued

As of June 30, 2019 the government had the following deposits and investments:

	Fair Value	Quality Rating	Weighted Average Maturity (2)
Deposits:			
Cash on hand	75	N/A	N/A
Cash in bank	456,422	N/A	N/A
Investments:			
Local Government			
Investment Pool 5	1,558,158	(1)	22 days
Total cash and investments	\$ 2,014,655		

- (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.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2019:

- State Treasurer's Investment Pool is valued at the pool's share price multiplied by the number of shares the Town held. The fair value of a participant's position in the pools approximates the value of the participant's pool shares. (Level 2 inputs)

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, 2019

Note 5. Capital Assets

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

Governmental Activities:	Balance 06/30/18	Additions	Deletions	Balance 06/30/19
Capital assets, not being depreciated:				
Land	\$ 2,096,007	\$ -	\$ -	\$ 2,096,007
Construction in progress	407,068	340,598	(386,702)	360,964
Total capital assets, not being depreciated	<u>2,503,075</u>	<u>340,598</u>	<u>(386,702)</u>	<u>2,456,971</u>
Capital assets, being depreciated:				
Land improvements	1,211,198	-	-	1,211,198
Buildings and improvements	3,702,448	-	-	3,702,448
Furniture, equipment & vehicles	2,468,896	6,457	(22,750)	2,452,603
Infrastructure - roads	11,396,331	380,245	-	11,776,576
Total capital assets, being depreciated	<u>18,778,873</u>	<u>386,702</u>	<u>(22,750)</u>	<u>19,142,825</u>
Less accumulated depreciation for:				
Land improvements	(580,322)	(53,631)	-	(633,953)
Buildings and improvements	(1,606,292)	(75,776)	-	(1,682,068)
Furniture, equipment & vehicles	(2,034,140)	(95,576)	16,020	(2,113,696)
Infrastructure - roads	(8,431,915)	(404,887)	-	(8,836,802)
Total accumulated depreciation	<u>(12,652,669)</u>	<u>(629,870)</u>	<u>16,020</u>	<u>(13,266,519)</u>
Total capital assets, being depreciated, net	<u>6,126,204</u>	<u>(243,168)</u>	<u>(6,730)</u>	<u>5,876,306</u>
Governmental activities capital assets, net	<u>\$ 8,629,279</u>	<u>\$ 97,430</u>	<u>\$ (393,432)</u>	<u>\$ 8,333,277</u>

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

Governmental Activities:	
General government	\$ 52,447
Public safety	77,724
Public works/streets	428,622
Culture & recreation	71,077
Total depreciation expense - governmental activities	<u>\$ 629,870</u>

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 5. Capital Assets, Continued

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

Business Type Activities:	Balance 06/30/18	Additions	Deletions	Balance 06/30/19
Capital assets not being depreciated:				
Land and water rights	\$ 19,730	\$ -	\$ -	\$ 19,730
Construction in progress	130,036	293,944	(423,817)	163
Total capital assets, not being depreciated	<u>149,766</u>	<u>293,944</u>	<u>(423,817)</u>	<u>19,893</u>
Capital assets being depreciated:				
Wastewater treatment plant and system improvements	7,785,736	105,960	-	7,891,696
Wells and water system improvements	8,571,418	317,857	-	8,889,275
Furniture, Equipment & Vehicles	325,382	-	-	325,382
Total capital assets, being depreciated	<u>16,682,536</u>	<u>423,817</u>	<u>-</u>	<u>17,106,353</u>
Less accumulated depreciation for:				
Wastewater treatment plant and system improvements	(5,068,474)	(227,869)	-	(5,296,343)
Wells and water system improvements	(5,709,299)	(186,152)	-	(5,895,451)
Furniture, Equipment & Vehicles	(311,415)	(7,414)	-	(318,829)
Total accumulated depreciation	<u>(11,089,188)</u>	<u>(421,435)</u>	<u>-</u>	<u>(11,510,623)</u>
Total capital assets, being depreciated, net	<u>5,593,348</u>	<u>2,382</u>	<u>-</u>	<u>5,595,730</u>
Business-type activities capital assets, net	<u>\$ 5,743,114</u>	<u>\$ 296,326</u>	<u>\$ (423,817)</u>	<u>\$ 5,615,623</u>

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

Business-Type Activities:	
Water	\$ 193,566
Sewer	227,869
Total depreciation expense - business-type activities	<u>\$ 421,435</u>

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 6. Long-Term Liabilities

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

Governmental Activities:	Balance 06/30/18	Additions	Retirements	Balance 06/30/19	Current Portion
Revenue Bonds:					
Refunding Obligation, Series 2017	\$ 534,920	\$ -	\$ (534,920)	\$ -	\$ -
Other:					
Net pension/OPEB liability	4,258,033	-	(585,910)	3,672,123	-
Compensated absences	115,878	107,018	(109,855)	113,041	100,000
Governmental Activity					
Long-Term Liabilities	<u>\$ 4,908,831</u>	<u>\$ 107,018</u>	<u>\$ (1,230,685)</u>	<u>\$ 3,785,164</u>	<u>\$ 100,000</u>
Business-type Activities:					
Revenue Bonds:					
Refunding Obligation, Series 2017	\$ 735,080	\$ -	\$ (735,080)	\$ -	\$ -
Other:					
Net pension liability	695,793	-	(175,956)	519,837	-
Compensated absences	6,725	14,779	(5,455)	16,049	4,950
Business-Type Activity					
Long-Term Liabilities	<u>\$ 1,437,598</u>	<u>\$ 14,779</u>	<u>\$ (916,491)</u>	<u>\$ 535,886</u>	<u>\$ 4,950</u>

Generally, resources from the General fund are used to liquidate pension liabilities and compensated absences for governmental activities.

The Town did not have any line of credits as of year end.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 7. Interfund Receivables, Payables and Transfers

As of June 30, 2019, interfund receivables and payables were as follows:

	Due From:		
Due To:	Grants Fund	Utility Fund	Total
General Fund	\$ 198,038	\$ 1,462,318	\$ 1,660,356
	\$ 198,038	\$ 1,462,318	\$ 1,660,356

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.

	Transfers Out:	
Transfers In:	HURF Fund	Total
Grants Fund	\$ 41,687	\$ 41,687
Total	\$ 41,687	\$ 41,687

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, 2019

Note 8. Pensions and Other Postemployment Benefits

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, 2019, the Town reported the following aggregate amounts related to pensions and other post employment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Combined Total	Governmental Activities	Business-Type Activities
Net pension/OPEB asset	\$ 4,265	\$ 73,245	\$ 77,510	\$ 76,214	\$ 1,296
Net pension/OPEB liabilities	1,705,021	2,486,939	4,191,960	3,672,123	519,837
Deferred outflows of resources	244,404	413,602	658,006	583,524	74,482
Deferred inflows of resources	440,740	190,358	631,098	496,644	134,454
Pension/OPEB expense	(133,159)	411,940	278,781	367,592	(88,810)

The Town reported \$359,166 of pension and OPEB expenditures in the governmental funds related to all 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.

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, 2019

Note 8. Pensions and Other Postemployment Benefits, 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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

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, 2019, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.8 percent (11.64 percent for retirement and 0.16 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 11.8 percent (11.18 percent for retirement, 0.46 percent for health insurance premium benefit, and 0.16 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 10.53 percent (10.41 percent for retirement and 0.06 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill.

The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2019, were \$130,742, \$5,379, and \$1,871 respectively.

Liability – At June 30, 2019, the Town reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB liability.

	Net pension/OPEB (asset) liability
Pension	\$ 1,698,681
Health insurance premium benefit	(4,271)
Long-term disability	6,375

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

The net asset and net liabilities were measured as of June 30, 2018. The total liability used to calculate the net asset and net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3–6.75 percent to 2.7–7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

The Town's proportion of the net asset or net 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, 2018. The Town's proportion measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

	Proportion June 30, 2017	Proportion June 30, 2018	Increase (decrease) from June 30, 2017
Pension	0.014130%	0.012180%	-0.001950%
Health insurance premium benefit	0.013940%	0.011860%	-0.002080%
Long-term disability	0.014010%	0.012200%	-0.001810%

The net asset and net liabilities measured as of June 30, 2019, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town's net asset and net liabilities as a result of these changes is not known.

Expense – For the year ended June 30, 2019; the Town recognized pension and OPEB expense as follows:

	Pension/OPEB Expense
Pension	\$ (70,233)
Health insurance premium benefit	4,220
Long-term disability	2,212

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

Deferred outflows/inflows of resources – At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>		<u>Long-term disability</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 46,797	\$ 9,365	\$ -	\$ 3,942	\$ 163	\$ -
Changes of assumptions or other inputs	44,950	150,611	8,236	-	1,381	-
Net difference between projected and actual earnings on pension plan investments	-	40,849	-	8,531	-	617
Changes in proportion and differences between contributions and proportionate share of contributions	4,937	225,923	-	131	-	666
Contributions subsequent to the measurement date	<u>130,742</u>	<u>-</u>	<u>5,379</u>	<u>-</u>	<u>1,871</u>	<u>-</u>
Total	<u>\$ 227,426</u>	<u>\$ 426,748</u>	<u>\$ 13,615</u>	<u>\$ 12,604</u>	<u>\$ 3,415</u>	<u>\$ 1,283</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized as expenses as follows:

<u>Year Ended June 30,</u>	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-term disability</u>
2020	\$ (101,716)	\$ (1,683)	\$ (74)
2021	(148,064)	(1,684)	(74)
2022	(61,965)	(1,683)	(74)
2023	(18,319)	137	91
2024	-	545	121
Thereafter	-	-	271

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

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

Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pension/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB 2017 SRA Scal U-MP for pension and health
Mortality rates	Insurance premium benefit
Recovery rates	2012 GLTD for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage 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:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Equity	50%	5.50%
Fixed income	30%	3.83%
Real Estate	20%	5.85%
Totals	<u>100%</u>	

Discount Rate – At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the Town's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the Town's proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

Proportionate share of the	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Net pension liability	\$ 2,421,509	\$ 1,698,681	\$ 1,094,770
Net insurance premium benefit liability (asset)	15,132	(4,271)	(20,798)
Net long-term disability liability	7,224	6,375	5,550

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

Public Safety Personnel Retirement System (PSPRS)

Plan description – Town police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers agent and costsharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

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.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, 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:

	Initial Membership Date Before January 1, 2012	Initial Membership Date On or After January 1, 2012 and before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, 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 4.0% 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%	1.5% to 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	
Survivor Benefit		
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 inflation. 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, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

Employees covered by benefit terms – At June 30, 2019, the following employees were covered by the agent plans’ benefit terms:

PSPRS - Police	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	6	7
Inactive employees entitled to but not yet receiving benefits	2	0
Active employees	6	6
Total	14	13

Contributions – State Statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine 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. Contribution rates for the year ended June 30, 2019, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active member -		City-Health
	Pension	City - Pension	insurance premium
PSPRS Police	7.65-11.65%	65.90%	0.00%
PSPRS Tier 3 risk pool	9.94%	9.68%	0.26%

Also, statute required the Town to contribute at the actuarially determined rate of 9.68% of the annual covered payroll of Town police employees who were PSPRS Tier 3 Risk Pool members, in addition to the Town’s required contributions to the PSPRS Tier 3 Risk Pool for these Town police employees.

In addition, statute required the Town to contribute at the actuarially determined rate of 62.89% for police of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the PSPRS would typically fill.

The Town’s contributions to the plans for the year ended June 30, 2019, were:

PSPRS - Police	Pension	Health insurance premium benefit
PSPRS	\$ 221,173	\$ -
PSPRS Tier 3 risk pool	-	-

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

During fiscal year 2019, the Town paid for PSPRS pension and OPEB contributions 100% from the general fund.

Liability – At June 30, 2019, the Town reported the following assets and liabilities:

	Net pension (asset) liability	Net OPEB (asset) liability
PSPRS Police	\$ 2,486,939	\$ (73,245)

The net assets and net liabilities were measured as of June 30, 2018, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry Age Normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

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

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.4 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. The target allocation and best estimates of geometrical real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short Term Inv.	2.00%	0.25%
Risk parity	4.00%	5.00%
Fixed Income	5.00%	1.25%
Real assets	9.00%	4.52%
GTS	12.00%	3.96%
Private credit	16.00%	6.75%
Real estate	10.00%	3.75%
Private equity	12.00%	5.83%
Non-U.S. equity	14.00%	8.70%
U.S. equity	16.00%	7.60%
Total	100.00%	

Discount Rate –At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.40 percent, which was the same as the discount rate used as of June 30, 2017. The projection of cash flows used to determine this 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

Changes in the Net Pension/OPEB Liability

PSPRS-Police	Pension			Health insurance premium benefit		
	Increase (decrease)			Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018	\$ 4,525,118	\$ 1,772,471	\$ 2,752,647	\$ 59,928	\$ 130,177	\$ (70,249)
Changes for the year:						
Service cost	65,189	-	65,189	1,299	-	1,299
Interest on total pension/OPEB liability	328,051	-	328,051	4,452	-	4,452
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience in the measurement of the pension/OPEB liability	(213,277)	-	(213,277)	187	-	187
Changes of assumptions	-	-	-	-	-	-
Contributions - employer	-	340,236	(340,236)	-	-	-
Contributions - employee	-	27,597	(27,597)	-	-	-
Net investment income	-	128,040	(128,040)	-	9,073	(9,073)
Benefit payments, including refunds of employee contributions	(249,189)	(249,189)	-	(841)	(841)	-
Hall/Parker settlement	-	(47,575)	47,575	-	-	-
Plan administrative expenses	-	(2,649)	2,649	-	(138)	138
Other changes*	-	22	(22)	-	(1)	1
Net changes	(69,226)	196,482	(265,708)	5,097	8,093	(2,996)
Balances at June 30, 2019	\$ 4,455,892	\$ 1,968,953	\$ 2,486,939	\$ 65,025	\$ 138,270	\$ (73,245)

* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

Sensitivity of the Town's net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the Town's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.4%, as well as what the Town's net pension/OPEB (assets) liabilities 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 (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
PSPRS-Police			
Net pension (asset) / liability	\$ 3,093,052	\$ 2,486,939	\$ 1,992,116
Net OPEB (asset)/ liability	(64,816)	(73,245)	(80,274)

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

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

Expense – For the year ended June 30, 2019, the Town recognized the following pension and OPEB expense:

	<u>Pension expense</u>	<u>OPEB expense</u>
PSPRS Police	\$ 417,481	\$ (5,541)

Deferred outflows/inflows of resources – At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Police	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,411	\$ 186,692	\$ 143	\$ 141
Changes in assumptions	137,429	-	-	936
Net difference between projected and actual earnings on pension/OPEB plan investments	30,446	-	-	2,589
Contributions subsequent to the measurement date	221,173	-	-	-
Total	\$ 413,459	\$ 186,692	\$ 143	\$ 3,666

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30,	<u>PSPRS Police</u>	
	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
2020	\$ 67,327	\$ (1,834)
2021	(34,857)	(951)
2022	(28,007)	(853)
2023	1,131	115
2024	-	-
Thereafter	-	-

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 9. Segment Information – Enterprise Funds

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.

Note 10. Risk Management

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.

Note 11. Contingencies

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.

Note 12. Related Party Transaction

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

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EAGAR, ARIZONA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2019

ASRS - Pension	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.012180%	0.014130%	0.014480%	0.014000%	1.397300%
Proportionate share of the net pension liability (asset)	\$ 1,698,681	\$ 2,201,179	\$ 2,337,217	\$ 2,180,743	\$ 2,067,499
Covered payroll	\$ 1,399,935	\$ 1,578,724	\$ 1,473,609	\$ 1,252,273	\$ 1,051,889
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	121.34%	139.43%	158.60%	174.14%	196.55%
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF EAGAR, ARIZONA
Schedule of the Proportionate Share of the Net OPEB Liability
June 30, 2019

ASRS - Health insurance premium benefit

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.011860%	0.013940%	0.013940%
Proportionate share of the net OPEB (asset)	\$ (4,271)	\$ (7,589)	\$ 4,031
Covered payroll	\$ 1,399,935	\$ 1,578,724	\$ 1,473,609
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.31%	-0.48%	0.27%
Plan fiduciary net position as a percentage of the total OPEB liability	102.20%	103.57%	98.02%

ASRS - Long-term disability

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.012200%	0.014010%	0.014011%
Proportionate share of the net OPEB (asset)	\$ 6,375	\$ 5,078	\$ 5,035
Covered payroll	\$ 1,399,935	\$ 1,578,724	\$ 1,473,609
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.46%	0.32%	0.34%
Plan fiduciary net position as a percentage of the total OPEB liability	77.83%	84.44%	85.17%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedules above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF EAGAR, ARIZONA
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2019

PSPRS Police - Pension

	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability					
Service cost	\$ 65,189	\$ 81,180	\$ 45,508	\$ 62,438	\$ 68,662
Interest on total pension liability	328,051	306,146	302,959	297,715	234,849
Changes of benefit terms	-	68,238	107,741	-	72,351
Difference between expected and actual experience of the total net pension liability	(213,277)	(856)	(78,661)	12,946	205,569
Changes of assumptions	-	150,915	156,297	-	403,013
Benefit payments, including refunds of employee contributions	(249,189)	(243,715)	(414,461)	(181,203)	(179,775)
Net change in total pension liability	(69,226)	361,908	119,383	191,896	804,669
Total pension liability - beginning	4,525,118	4,163,210	4,043,827	3,851,931	3,047,262
Total pension liability - ending (a)	<u>\$ 4,455,892</u>	<u>\$ 4,525,118</u>	<u>\$ 4,163,210</u>	<u>\$ 4,043,827</u>	<u>\$ 3,851,931</u>
Plan fiduciary net position					
Contributions - employer	\$ 340,236	\$ 174,844	\$ 153,528	\$ 102,389	\$ 102,307
Contributions - employee	27,597	40,489	40,357	39,866	31,614
Net investment income	128,040	188,332	10,064	68,886	228,166
Benefit payments, including refunds of employee contributions	(249,189)	(243,715)	(414,461)	(181,203)	(179,775)
Hall/Parker settlement	(47,575)	-	-	-	-
Plan administrative expenses	(2,649)	-	-	-	-
Other (net transfer)	22	(2,043)	(95,648)	(3,614)	(38,742)
Net change in plan fiduciary net position	196,482	157,907	(306,160)	26,324	143,570
Plan fiduciary net position - beginning	1,772,471	1,614,564	1,920,724	1,894,400	1,750,830
Plan fiduciary net position - ending (b)	<u>\$ 1,968,953</u>	<u>\$ 1,772,471</u>	<u>\$ 1,614,564</u>	<u>\$ 1,920,724</u>	<u>\$ 1,894,400</u>
Net pension liability - ending (a) - (b)	<u>\$ 2,486,939</u>	<u>\$ 2,752,647</u>	<u>\$ 2,548,646</u>	<u>\$ 2,123,103</u>	<u>\$ 1,957,531</u>
Plan fiduciary net position as a percentage of the total pension liability	44.19%	39.17%	38.78%	47.50%	49.18%
Covered payroll	\$ 333,106	\$ 351,886	\$ 260,197	\$ 360,781	\$ 360,723
Net pension liability as a percentage of covered payroll	746.59%	782.26%	979.51%	588.47%	542.67%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF EAGAR, ARIZONA
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2019

PSPRS Police Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)	
	2019	2018
	(2018)	(2017)
Total OPEB liability		
Service cost	\$ 1,299	\$ 1,654
Interest on total OPEB liability	4,452	4,359
Changes of benefit terms	-	78
Difference between expected and actual experience of the total net OPEB liability	187	(395)
Changes of assumptions or other inputs	-	(2,642)
Benefit payments	(841)	(825)
Net change in total OPEB liability	5,097	2,229
Total OPEB liability - beginning	59,928	57,699
Total OPEB liability - ending (a)	\$ 65,025	\$ 59,928
 Plan fiduciary net position		
Contributions - employer	\$ -	\$ -
Net investment income	9,073	13,779
Benefit payments	(841)	(825)
Administrative expense	(138)	(122)
Other changes	(1)	-
Net change in plan fiduciary net position	8,093	12,832
Plan fiduciary net position - beginning	130,177	117,345
Plan fiduciary net position - ending (b)	\$ 138,270	\$ 130,177
 Net OPEB liability (asset)- ending (a) - (b)	\$ (73,245)	\$ (70,249)
 Plan fiduciary net position as a percentage of the total OPEB liability	212.64%	217.22%
 Covered payroll	\$ 333,106	\$ 351,886
 Net OPEB (asset) liability as a percentage of covered payroll	-21.99%	-19.96%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF EAGAR, ARIZONA
Schedule of Pension/OPEB Contributions
June 30, 2019

ASRS - Pension

	Reporting Fiscal Year				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 130,742	\$ 132,013	\$ 148,561	\$ 147,137	\$ 140,427
Contributions in relation to the contractually required contribution	(130,742)	(132,013)	(148,561)	(147,137)	(140,427)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,105,083	\$ 1,399,935	\$ 1,578,724	\$ 1,473,609	\$ 1,252,273
Contributions as a percentage of covered payroll	11.83%	9.43%	9.41%	9.98%	11.21%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF EAGAR, ARIZONA
Schedule of Pension/OPEB Contributions
June 30, 2019

ASRS - Health insurance premium benefit

	Reporting Fiscal Year		
	2019	2018	2017
Contractually required contribution	\$ 5,379	\$ 5,090	\$ 7,502
Contributions in relation to the contractually required contribution	(5,379)	(5,090)	(7,502)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,105,083	\$ 1,399,935	\$ 1,578,724
Contributions as a percentage of covered payroll	0.49%	0.36%	0.48%

ASRS - Long-term disability

	Reporting Fiscal Year		
	2019	2018	2017
Contractually required contribution	\$ 1,871	\$ 1,936	\$ 1,906
Contributions in relation to the contractually required contribution	(1,871)	(1,936)	(1,906)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,105,083	\$ 1,399,935	\$ 1,578,724
Contributions as a percentage of covered payroll	0.17%	0.14%	0.12%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedules above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF EAGAR, ARIZONA
Schedule of Pension/OPEB Contributions
June 30, 2019

PSPRS Police-Pensions

	Reporting Fiscal Year				
	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 221,173	\$ 340,236	\$ 174,844	\$ 153,528	\$ 102,389
Contributions in relation to the actuarially determined contribution	\$ (221,173)	\$ (340,236)	\$ (174,844)	\$ (153,528)	\$ (102,389)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 372,041	\$ 333,106	\$ 351,886	\$ 260,197	\$ 360,781
Contributions as a percentage of covered-employee payroll	59.45%	102.14%	49.69%	59.00%	28.38%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedules above. Additional information will be displayed as it becomes available.

**PSPRS Police
Health Insurance Premium Benefit**

	Reporting Fiscal Year		
	2019	2018	2017
Actuarially determined contribution	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	\$ -	\$ -	\$ -
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 372,041	\$ 333,106	\$ 351,886
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedules above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF EAGAR, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2019

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	Age Entry Normal
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period	19 years for underfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120 % market corridor
Actuarial assumptions:	
Investment rate of return	Members with initial membership date before July 1, 2018: In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%. In the 2014 actuarial valuation, the projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. 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	In the 2017 actuarial valuation, changed RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF EAGAR, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2019

NOTE 2. Factors that Affect the Identification of Trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
City sales tax	\$ 885,447	\$ 885,447	\$ 997,607	\$ 112,160
Total Taxes	<u>885,447</u>	<u>885,447</u>	<u>997,607</u>	<u>112,160</u>
Licenses, Permits and Fees:				
Building permits	33,330	33,330	65,740	32,410
Business and other licenses	4,729	4,729	2,610	(2,119)
Total Licenses, Fees and Permits	<u>38,059</u>	<u>38,059</u>	<u>68,350</u>	<u>30,291</u>
Intergovernmental:				
State sales taxes	495,054	495,054	491,107	(3,947)
State revenue sharing	612,331	612,331	591,088	(21,243)
Auto lieu tax	338,988	338,988	334,445	(4,543)
Total Intergovernmental	<u>1,446,373</u>	<u>1,446,373</u>	<u>1,416,640</u>	<u>(29,733)</u>
Charges for Services:				
Park & cemetery fees	72,800	72,800	76,735	3,935
Recreation fees	14,500	14,500	8,563	(5,937)
Fire, police and animal control	3,389	3,389	5,254	1,865
Total Charges for Services	<u>90,689</u>	<u>90,689</u>	<u>90,552</u>	<u>(137)</u>
Fines and Forfeitures:				
Fines & forfeitures	25,048	25,048	19,446	(5,602)
Total Fines and Forfeitures	<u>25,048</u>	<u>25,048</u>	<u>19,446</u>	<u>(5,602)</u>
Interest				
Interest income	3,030	3,030	34,012	30,982
Total Interest	<u>3,030</u>	<u>3,030</u>	<u>34,012</u>	<u>30,982</u>
Other Revenues:				
Rents	32,930	32,930	41,366	8,436
Donations	24,261	24,261	26,036	1,775
Sale of assets	2,040	2,040	4,200	2,160
User fees	126	126	113	(13)
Miscellaneous	566,705	566,705	96,054	(470,651)
Total Other Revenues	<u>626,062</u>	<u>626,062</u>	<u>167,769</u>	<u>(458,293)</u>
TOTAL REVENUES	<u>\$ 3,114,708</u>	<u>\$ 3,114,708</u>	<u>\$ 2,794,376</u>	<u>\$ (320,332)</u>

(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, 2019

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General Government:				
Mayor & council	\$ 29,738	\$ 29,738	\$ 26,038	\$ 3,700
Magistrate	27,577	27,577	39,573	(11,996)
Town manager	24,579	24,579	44,024	(19,445)
Town clerk	78,645	78,645	54,999	23,646
Finance	81,001	81,001	75,373	5,628
Legal	38,000	38,000	34,215	3,785
Insurance	60,950	60,950	20,226	40,724
Other	115,871	115,871	93,776	22,095
Total General Government	456,361	456,361	388,224	68,137
Public Safety:				
Police	839,555	839,555	793,656	45,899
Fire	314,640	314,640	304,261	10,379
Animal control	66,300	66,300	64,842	1,458
Wildland Fire	-	-	220	(220)
Total Public Safety	1,220,495	1,220,495	1,162,979	57,516
Public Works/Streets:				
Community Development	121,527	121,527	127,014	(5,487)
Facilities	91,760	166,760	219,489	(52,729)
Fleet maintenance	577,242	577,242	82,064	495,178
Total Public Works/Streets	790,529	865,529	428,567	436,962
Culture & Recreation:				
Parks and Recreation	59,615	69,615	47,622	21,993
Total Culture and Recreation	59,615	69,615	47,622	21,993
Debt Service:				
Principal	399,923	399,923	405,507	(5,584)
Interest	12,840	12,840	10,283	2,557
Total Debt Service	412,763	412,763	415,790	(3,027)
Contingency	500,000	425,000	-	425,000
TOTAL EXPENDITURES	3,439,763	3,449,763	2,443,182	1,006,581
Excess of Revenues Over Expenditures	(325,055)	(335,055)	351,194	686,249
Fund balance, beginning of year	2,525,783	2,525,783	2,525,783	-
Fund balance, end of year	\$ 2,200,728	\$ 2,190,728	\$ 2,876,977	\$ 686,249

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 1,029,580	\$ 1,029,580	\$ 1,113,627	\$ 84,047
Other revenue	256,182	256,182	23,885	(232,297)
Total Revenue	<u>1,285,762</u>	<u>1,285,762</u>	<u>1,137,512</u>	<u>(148,250)</u>
EXPENDITURES:				
Public Works:				
Salaries	235,200	235,200	200,425	34,775
Employee benefits	100,640	100,640	84,498	16,142
Services, supplies, and other	242,065	422,065	245,776	176,289
Debt Service:				
Principal	129,415	129,415	129,413	2
Interest	4,660	4,660	3,465	1,195
Contingency	<u>250,000</u>	<u>250,000</u>	<u>-</u>	<u>250,000</u>
Total Expenditures	<u>961,980</u>	<u>1,141,980</u>	<u>663,577</u>	<u>478,403</u>
Excess of Revenues Over (Under) Expenditures	323,782	143,782	473,935	330,153
Other Financing Sources (Uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(41,687)</u>	<u>(41,687)</u>
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>(41,687)</u>	<u>(41,687)</u>
Net change in fund balance	323,782	143,782	432,248	288,466
Fund balance, beginning of year	<u>440,880</u>	<u>-</u>	<u>440,880</u>	<u>-</u>
Fund balance, end of year	<u>\$ 764,662</u>	<u>\$ 143,782</u>	<u>\$ 873,128</u>	<u>\$ 288,466</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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 1,300,000	\$ 1,300,000	\$ 270,055	\$ (1,029,945)
Total revenues	1,300,000	1,300,000	270,055	(1,029,945)
EXPENDITURES:				
Public Safety	225,520	225,520	41,325	184,195
Public Works/Streets	1,074,480	1,074,480	270,417	804,063
Total Expenditures	1,300,000	1,300,000	311,742	988,258
Excess (deficiency) of revenues Over (under) Expenditures	-	-	(41,687)	(41,687)
Other Financing Sources (Uses):				
Transfers in	-	-	41,687	41,687
Total Other Financing Sources (Uses):	-	-	41,687	41,687
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	1,645	1,645	1,645	-
Fund balance, end of year	\$ 1,645	\$ 1,645	\$ 1,645	\$ -

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, 2019

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

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OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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HINTONBURDICK
CPAs & ADVISORS

**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, 2019, 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 February 12, 2020.

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 February 12, 2020.

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
Gilbert, Arizona
February 12, 2020



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, 2019, and have issued our report thereon dated February 12, 2020. 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, 2019.

The results of our auditing procedures disclosed instances of noncompliance, which are described in a separate schedule of findings and recommendations letter dated February 12, 2020 as item 2007-006. Our opinion on compliance is not modified with respect to these matters.

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
Gilbert, Arizona
February 12, 2020

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