

**TOWN OF EAGAR, ARIZONA**

**Annual Financial Statements  
and Independent Auditors' Report  
June 30, 2021**



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## **INDEPENDENT AUDITORS' REPORT**

To the Town Council  
Town of Eagar

### **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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eagar, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Pension Plans, Schedule of Changes in the Town's Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Plans, and Schedule of Town Pension/OPEB Contributions as listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Eagar, Arizona's 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 the Town of Eagar's internal control over financial reporting and compliance.

### **Other Reporting Required by Arizona Revised Statutes**

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed comply with the authorized transportation purposes, insofar as they relate to accounting matters, for Highway User Revenue Fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues it received. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures; other matters may have come to our attention regarding the Town's noncompliance with authorized transportation purposes referred to above, insofar as they relate to accounting matters.

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, and other responsible parties within the Town and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Colby J. Powell". The signature is written in a cursive, flowing style.

March 22, 2022





**TOWN OF EAGAR, ARIZONA**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

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, 2021. Please read it in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- ❖ Net position in Governmental Activities increased by \$2.8 million to \$12,421,125.
- ❖ Net position in Business-type Activities increased by \$293,613 to \$4,356,613.
- ❖ General Fund revenues exceeded expenditures and transfers by \$1,672,089.
- ❖ TPT tax revenues were up \$238,974 from the prior year.
- ❖ Highway User Revenue Fund expenditures exceeded revenues and transfers by \$358,069.
- ❖ Approximately 44 percent of the Governmental Activities revenue received were from operating grants and contributions and capital grants and contributions.
- ❖ The Utility Fund reported an increase in net position of \$293,613 in fiscal year 2021 as compared to an increase in net position of \$229,162 for fiscal year 2020. This includes an expense of approximately \$430,000 for depreciation in each fiscal year.
- ❖ Net pension/OPEB liabilities increased by \$604,418.
- ❖ Significant asset purchases and projects completed during fiscal year 2021 are as follows:
  - South Butler Street Drainage \$376,180
  - West 1,2,3 Avenues Paving & Sidewalks \$686,564
  - North Alta Vista Curb & Paving \$108,593
  - Hall Well \$55,281
  - Nicoll Well Rehabilitation \$59,996
  - Water Canyon Land Purchase \$81,017

**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

**TOWN OF EAGAR, ARIZONA**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

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 nonfinancial factors such as changes in the Town's tax base or the condition of the Town's roads and other infrastructure 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 and 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 statute 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

**TOWN OF EAGAR, ARIZONA**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

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 1.

- ❖ **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 and deferred inflows by \$16.8 million as of June 30, 2021 as shown in the following condensed Statement of Net Position. The Town has chosen to account for its water and sewer operations in the Business-type Activities.

**Condensed Statement of Net Position**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>						
Current and other assets	\$ 8,398,230	5,389,410	\$ (150,758)	\$ (634,810)	\$ 8,247,472	\$ 4,754,600
Capital assets	9,498,346	8,110,584	5,134,677	5,405,135	14,633,023	13,515,719
<b>Total assets</b>	<b>17,896,576</b>	<b>13,499,994</b>	<b>4,983,919</b>	<b>4,770,325</b>	<b>22,880,495</b>	<b>18,270,319</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>875,270</b>	<b>498,484</b>	<b>100,734</b>	<b>52,170</b>	<b>976,004</b>	<b>550,654</b>
<b>LIABILITIES</b>						
Other liabilities	1,748,203	186,906	119,591	522,092	1,867,794	708,998
Long-term liabilities outstanding	4,427,756	3,874,670	557,765	145,619	4,985,521	4,020,289
<b>Total liabilities</b>	<b>6,175,959</b>	<b>4,061,576</b>	<b>677,356</b>	<b>667,711</b>	<b>6,853,315</b>	<b>4,729,287</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>174,762</b>	<b>340,200</b>	<b>50,684</b>	<b>91,784</b>	<b>225,446</b>	<b>431,984</b>
<b>NET POSITION</b>						
Net investment in capital assets	9,498,346	8,110,584	5,134,677	5,356,294	14,633,023	13,466,878
Restricted	933,230	1,291,299	-	-	933,230	1,291,299
Unrestricted	1,989,549	194,819	(778,064)	(1,293,294)	1,211,485	(1,098,475)
<b>Total net position</b>	<b>\$ 12,421,125</b>	<b>\$ 9,596,702</b>	<b>\$ 4,356,613</b>	<b>\$ 4,063,000</b>	<b>\$ 16,777,738</b>	<b>\$ 13,659,702</b>

**Governmental Activities**

The cost of all Governmental Activities this year was \$3.3 million. As shown on the Schedule of Changes in Net Position on the following page, \$284,818 of this cost was paid for by those who directly benefited from the programs; \$2.7 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 \$3 million. General taxes, State revenue sharing and investment earnings totaled \$3.2 million.

**TOWN OF EAGAR, ARIZONA**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

The Town's programs include: general government, public safety, public works and streets, and culture and recreation. Each program's revenues and expenses are presented below.

**Schedule of Changes in Net Position**

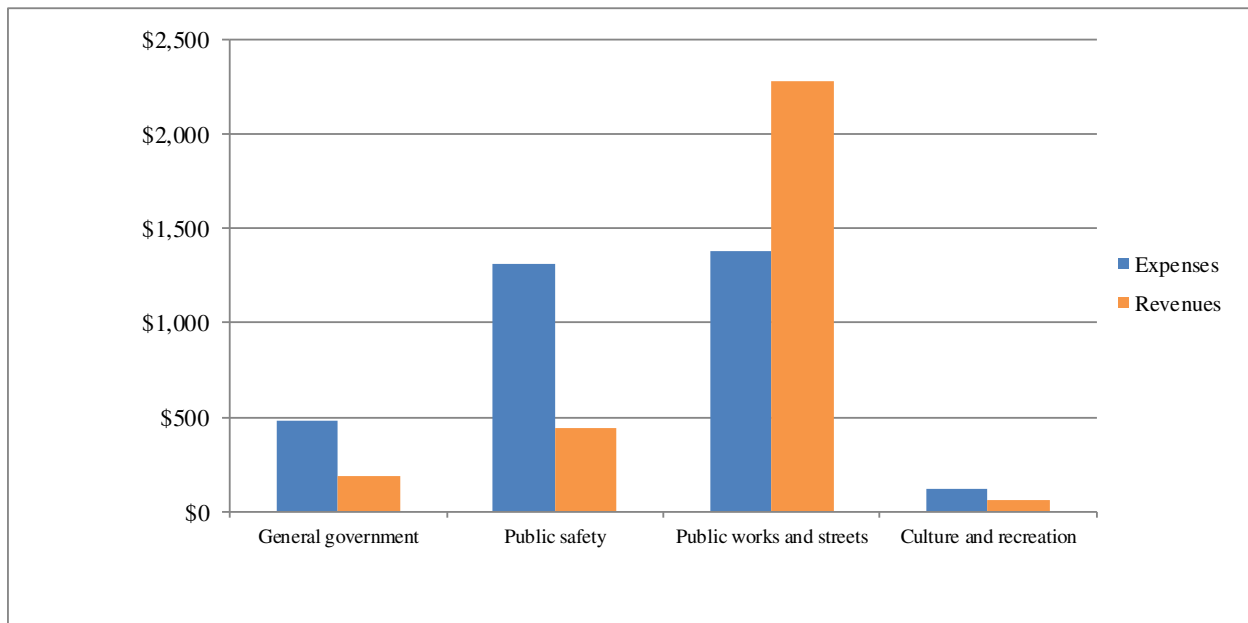
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 284,818	\$ 197,732	\$ 1,649,716	\$ 1,441,762	\$ 1,934,534	\$ 1,639,494
Operating grants and contributions	1,601,890	1,510,562	-	-	1,601,890	1,510,562
Capital grants and contributions	1,077,095	281,311	-	51,115	1,077,095	332,426
General revenues						
Taxes	2,438,825	2,046,910	-	-	2,438,825	2,046,910
State revenue sharing	706,138	633,512	-	-	706,138	633,512
Other revenues/(expense)	6,673	65,585	-	-	6,673	65,585
<b>Total revenues</b>	<u>6,115,439</u>	<u>4,735,612</u>	<u>1,649,716</u>	<u>1,492,877</u>	<u>7,765,155</u>	<u>6,228,489</u>
<b>Expenses</b>						
General government	479,352	471,923	-	-	479,352	471,923
Public safety	1,309,487	1,379,811	-	-	1,309,487	1,379,811
Public works and streets	1,380,003	1,583,691	-	-	1,380,003	1,583,691
Culture and recreation	122,174	171,710	-	-	122,174	171,710
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	1,356,103	1,263,715	1,356,103	1,263,715
<b>Total expenses</b>	<u>3,291,016</u>	<u>3,607,135</u>	<u>1,356,103</u>	<u>1,263,715</u>	<u>4,647,119</u>	<u>4,870,850</u>
Increase (decrease) in net position	2,824,423	1,128,477	293,613	229,162	3,118,036	1,357,639
Net position, beginning of year	<u>9,596,702</u>	<u>8,468,225</u>	<u>4,063,000</u>	<u>3,833,838</u>	<u>13,659,702</u>	<u>12,302,063</u>
<b>Net position, end of year</b>	<u>\$ 12,421,125</u>	<u>\$ 9,596,702</u>	<u>\$ 4,356,613</u>	<u>\$ 4,063,000</u>	<u>\$ 16,777,738</u>	<u>\$ 13,659,702</u>

Revenues for Governmental Activities increased 1.4 million compared to the prior year. Expenses for Governmental Activities remained fairly consistent as compared to the prior year. Total resources available during the year to finance governmental operations were \$15.7 million consisting of net position at July 1, 2020 of \$9.6 million, program revenues of \$3.0 million and general revenues of \$3.1 million. Total Governmental Activities expenses during the year were \$3.3 million; thus, Governmental Activities net position increased by \$2.8 million.

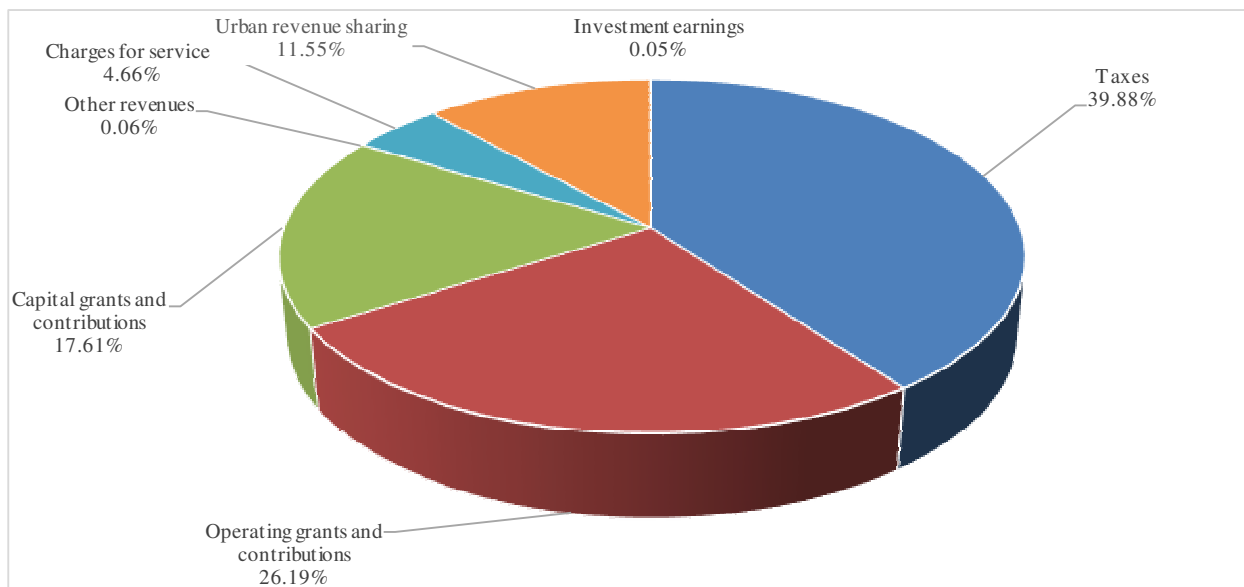
**TOWN OF EAGAR, ARIZONA**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

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)**



**Revenues by Source – Governmental Activities**

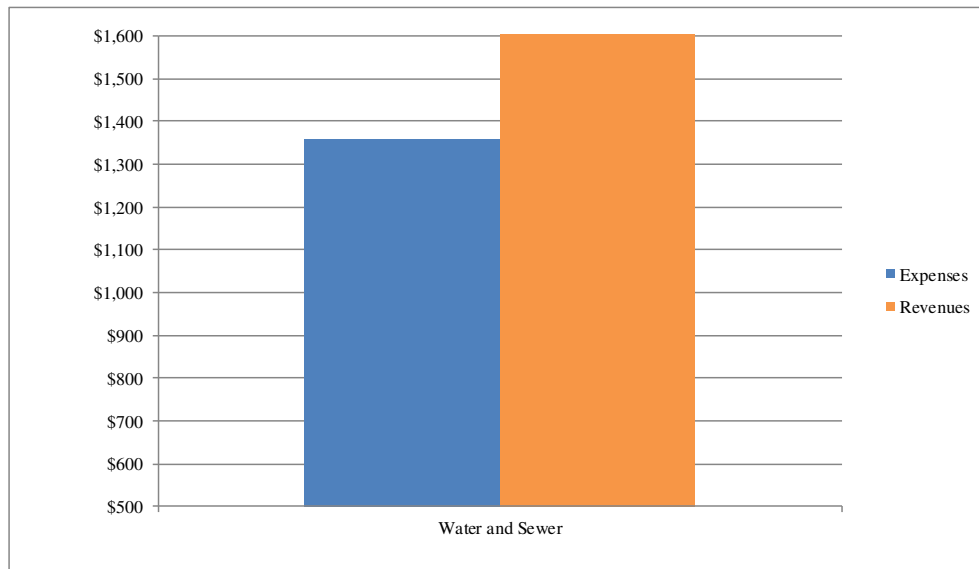


**TOWN OF EAGAR, ARIZONA**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

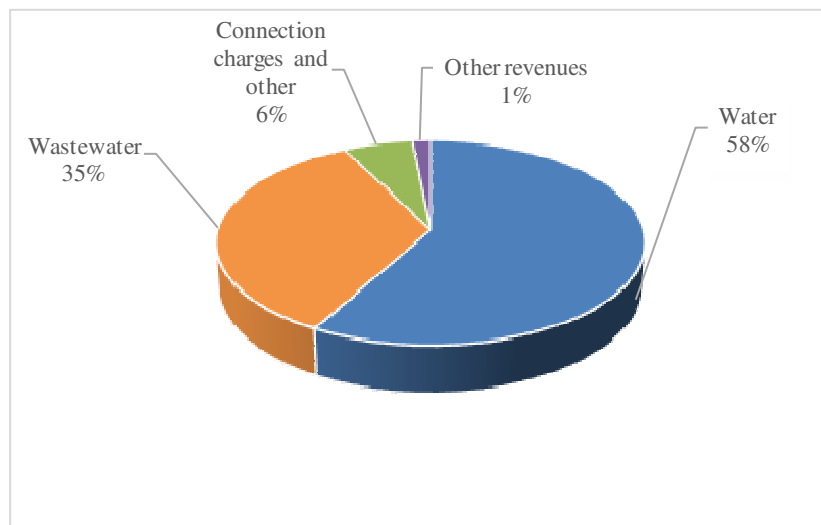
**Business-type Activities**

Net position of the Business-type Activities at June 30, 2021, as reflected in the Statement of Net Position was \$4.36 million. The cost of providing all Business-type Activities this year was \$1.36 million. As shown in the Schedule of Changes in Net Position, the amounts paid by users of the system were \$1.65 million. The total Net Position increased by \$293,613.

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



**Revenues by Source – Business-type Activities**



**TOWN OF EAGAR, ARIZONA**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

**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, 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 \$6,390,425, an increase of \$1,518,953 in comparison with the prior year. Approximately, 85% of this total amount, or \$5,457,195, 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 impact fees restricted to pay for capital improvements.

The General Fund is the chief operating fund of the Town of Eagar. At the end of the current fiscal year, fund balance in the General Fund was \$5,455,771, all of which is unassigned. 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 262% of total General Fund expenditures. During the year, the Town of Eagar's General Fund balance increased by \$1,672,089.

Total expenditures were \$92,691 less than the prior year. This was mainly due to a \$54,633 onetime purchase of a police truck in the prior fiscal year.

The Highway User Revenue fund has a total fund balance of \$927,962, which is down from the prior year balance of \$1,286,031, all of which is restricted for road construction and maintenance. HURF revenues decreased from the prior year by \$120,608. This was mainly due to the HB 2748 capital outlay appropriations of \$197,802 from the State that each city and town received in August 2019. Expenditures increased \$428,996 from the prior year, due to an increase in road projects.

The Grants Fund has a total fund balance of \$1,424. This was due to grant revenue received and not spent by the year end and carried over to next fiscal year.

**Proprietary funds:** The Town of Eagar's Utility Fund provides the same type of information found in the government-wide financial statements, but in more detail. Total net position of the Utility Fund was \$4,356,613 consisting of \$5,356,294 net investment in capital assets and \$(999,681) in unrestricted net position.

**TOWN OF EAGAR, ARIZONA**  
**Management's Discussion and Analysis**  
**Year Ended June 30, 2021**

**Budgetary Highlights**

The General Fund's revenues of \$3,750,848 are more than budgeted revenues by \$228,898 which was mainly due to excess in TPT tax revenue of \$238,974. The General Fund departmental expenditures were \$842,029 less than their budgeted appropriation for fiscal year 2021. This variance was mainly due to the Police coming in under budget by \$137,239 and Contingency coming in under budget by \$500,000.

The Highway User's Fund revenues of \$1,191,052 are more than budgeted revenues by \$7,335.

**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 2021, net capital assets of the Government Activities totaled \$9.5 million and the net capital assets of the Business-type Activities totaled \$5.1 million. Depreciation on capital assets for both Government Activities and Business-type Activities is recognized in the government-wide financial statements. (See note 4 to the financial statements.) Significant additions are mentioned in the financial highlights on page 5.

**Long-term Liabilities**

The net pension/OPEB liabilities increased by \$604,418 from the prior year. (See note 5 and 8 to the financial statements for detailed descriptions.) Compensated absences payable decreased by \$15,659 from the prior year.

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

In considering the Town Budget for fiscal year 2021/2022, 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, Finance Department, 22 W. 2nd Street, Eagar, Arizona 85925.



## **FINANCIAL SECTION**

**TOWN OF EAGAR, ARIZONA**  
**Statement of Net Position**  
**June 30, 2021**

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,433,084	\$ -	\$ 7,433,084
Accounts receivable - net	-	179,166	179,166
Due from other governments	320,964	-	320,964
Other receivables	39,257	-	39,257
Inventory	-	106,919	106,919
Cash and cash equivalents-restricted	-	62,477	62,477
Net other postemployment benefits asset	103,480	2,125	105,605
Interactivity balances	501,445	(501,445)	-
Capital assets, not being depreciated	2,849,496	60,703	2,910,199
Capital assets, being depreciated, net	6,648,850	5,073,974	11,722,824
<b>Total assets</b>	<b>17,896,576</b>	<b>4,983,919</b>	<b>22,880,495</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions and other postemployment benefits	875,270	100,734	976,004
<b>LIABILITIES</b>			
Accounts payable	684,230	40,975	725,205
Accrued expenses	118,589	20,407	138,996
Deferred revenue	945,384	-	945,384
Refundable deposits	-	58,209	58,209
Noncurrent liabilities			
Due within one year	60,612	12,737	73,349
Due in more than one year	4,367,144	545,028	4,912,172
<b>Total liabilities</b>	<b>6,175,959</b>	<b>677,356</b>	<b>6,853,315</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions and other postemployment benefits	174,762	50,684	225,446
<b>NET POSITION</b>			
Net investment in capital assets	9,498,346	5,134,677	14,633,023
Restricted for:			
Public works and streets	927,962	-	927,962
Capital improvements	5,268	-	5,268
Unrestricted (deficit)	1,989,549	(778,064)	1,211,485
<b>Total net position</b>	<b>\$ 12,421,125</b>	<b>\$ 4,356,613</b>	<b>\$ 16,777,738</b>

*The accompanying notes are integral to these financial statements.*

**TOWN OF EAGAR, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2021**

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 479,352	\$ 184,214	\$ 678	\$ -	\$ (294,460)	\$ -	\$ (294,460)
Public safety	1,309,487	14,069	408,140	17,346	(869,932)	-	(869,932)
Public works and streets	1,380,003	23,270	1,191,102	1,059,749	894,118	-	894,118
Culture and recreation	122,174	63,265	1,970	-	(56,939)	-	(56,939)
<b>Total governmental activities</b>	<b>3,291,016</b>	<b>284,818</b>	<b>1,601,890</b>	<b>1,077,095</b>	<b>(327,213)</b>	<b>-</b>	<b>(327,213)</b>
Business-type activities							
Water and sewer	1,356,103	1,649,716	-	-	-	293,613	293,613
<b>Total business-type activities</b>	<b>1,356,103</b>	<b>1,649,716</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>293,613</b>	<b>293,613</b>
<b>Total primary government</b>	<b>\$ 4,647,119</b>	<b>\$ 1,934,534</b>	<b>\$ 1,601,890</b>	<b>\$ 1,077,095</b>	<b>(327,213)</b>	<b>293,613</b>	<b>(33,600)</b>
<b>General revenues:</b>							
Taxes:							
Local TPT							
					1,420,477	-	1,420,477
Share of state sales taxes							
					586,167	-	586,167
Share of state auto lieu taxes							
					432,181	-	432,181
State urban revenue sharing							
					706,138	-	706,138
Investment earnings							
					3,152	-	3,152
Miscellaneous							
					3,521	-	3,521
Total general revenues							
					3,151,636	-	3,151,636
Change in net position							
					2,824,423	293,613	3,118,036
Net position, beginning of year							
					9,596,702	4,063,000	13,659,702
Net position, end of year							
					<u>\$ 12,421,125</u>	<u>\$ 4,356,613</u>	<u>\$ 16,777,738</u>

*The accompanying notes are integral to these financial statements.*

**TOWN OF EAGAR, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2021**

	General Fund	HURF Fund	Grants Fund	Non-major Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,803,722	\$ 1,620,341	\$ 3,753	\$ 5,268	\$ 7,433,084
Due from other governments	215,116	104,413	1,435	-	320,964
Other receivables	39,257	-	-	-	39,257
Due from other funds	501,445	-	-	-	501,445
<b>Total assets</b>	<u>6,559,540</u>	<u>1,724,754</u>	<u>5,188</u>	<u>5,268</u>	<u>8,294,750</u>
<b>LIABILITIES</b>					
Accounts payable	23,427	659,053	1,750	-	684,230
Accrued expenses	100,850	17,739	-	-	118,589
Unearned revenue	825,098	120,000	286	-	945,384
<b>Total liabilities</b>	<u>949,375</u>	<u>796,792</u>	<u>2,036</u>	<u>-</u>	<u>1,748,203</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	<u>154,394</u>	<u>-</u>	<u>1,728</u>	<u>-</u>	<u>156,122</u>
<b>FUND BALANCES</b>					
Restricted for:					
Public works and streets	-	927,962	-	-	927,962
Capital improvements	-	-	-	5,268	5,268
Unassigned	5,455,771	-	1,424	-	5,457,195
<b>Total fund balances</b>	<u>5,455,771</u>	<u>927,962</u>	<u>1,424</u>	<u>5,268</u>	<u>6,390,425</u>
<b>Total liabilities and fund balances</b>	<u>\$ 6,559,540</u>	<u>\$ 1,724,754</u>	<u>\$ 5,188</u>	<u>\$ 5,268</u>	<u>\$ 8,294,750</u>

*The accompanying notes are integral to these financial statements.*

**TOWN OF EAGAR, ARIZONA**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**Governmental Funds**  
**June 30, 2021**

Fund balances-total governmental funds	\$ 6,390,425
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.	9,498,346
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	156,122
Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	103,480
Long-term liabilities, such as compensated absences and net pension/OPEB liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(4,427,756)
Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>700,508</u>
<b>Net position of governmental activities</b>	<u><u>\$ 12,421,125</u></u>

*The accompanying notes are integral to these financial statements.*

**TOWN OF EAGAR, ARIZONA**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2021**

	General Fund	HURF Fund	Grants Fund	Non-major Fund	Total Governmental Funds
<b>Revenues</b>					
Intergovernmental	\$ 2,107,068	\$ 1,188,919	\$ 467,934	\$ -	\$ 3,763,921
Taxes	1,420,477	-	-	-	1,420,477
Charges for services	128,277	-	-	-	128,277
Licenses and permits	51,856	-	-	-	51,856
Other revenue	29,168	2,133	-	-	31,301
Fines and forfeitures	10,850	-	-	-	10,850
Investment income	3,152	-	-	-	3,152
<b>Total revenues</b>	<u>3,750,848</u>	<u>1,191,052</u>	<u>467,934</u>	<u>-</u>	<u>5,409,834</u>
<b>Expenditures</b>					
Current					
General government	416,281	-	-	-	416,281
Public safety	1,132,053	-	1,728	-	1,133,781
Public works and streets	391,495	495,463	-	-	886,958
Culture and recreation	56,247	-	-	-	56,247
Capital outlay	87,683	743,615	571,316	-	1,402,614
<b>Total expenditures</b>	<u>2,083,759</u>	<u>1,239,078</u>	<u>573,044</u>	<u>-</u>	<u>3,895,881</u>
<b>Excess (deficiency) of revenue over expenditures</b>	<u>1,667,089</u>	<u>(48,026)</u>	<u>(105,110)</u>	<u>-</u>	<u>1,513,953</u>
<b>Other financing sources (uses)</b>					
Sale of capital assets	5,000	-	-	-	5,000
Transfers	-	(310,043)	310,043	-	-
<b>Total other financing sources (uses)</b>	<u>5,000</u>	<u>(310,043)</u>	<u>310,043</u>	<u>-</u>	<u>5,000</u>
<b>Net change in fund balances</b>	1,672,089	(358,069)	204,933	-	1,518,953
Fund balances, beginning of year	<u>3,783,682</u>	<u>1,286,031</u>	<u>(203,509)</u>	<u>5,268</u>	<u>4,871,472</u>
<b>Fund balances, end of year</b>	<u>\$ 5,455,771</u>	<u>\$ 927,962</u>	<u>\$ 1,424</u>	<u>\$ 5,268</u>	<u>\$ 6,390,425</u>

*The accompanying notes are integral to these financial statements.*

**TOWN OF EAGAR, ARIZONA**  
**Reconciliation of the Statement of Revenue, Expenditures,**  
**and Changes in Fund Balances to the Statement of Activities**  
**Governmental Funds**  
**Year Ended June 30, 2021**

Net change in fund balances-total governmental funds \$ 1,518,953

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation

Capital outlay	1,402,614	
Depreciation expense	(773,478)	
		629,136

Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.

ADOT - Schoolbus Overlay	824,788	
Unavailable grant revenue	(124,183)	
		700,605

In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold. (26,162)

Town pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.

Town pension/OPEB contributions	278,865	
Pension/OPEB expense	(291,593)	
		(12,728)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

Decrease in compensated absences payable		14,619

<b>Change in net position of governmental activities</b>		<b>\$ 2,824,423</b>

*The accompanying notes are integral to these financial statements.*

**TOWN OF EAGAR, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	Utility Fund
<b>ASSETS</b>	
Current assets	
Accounts receivable - net	\$ 179,166
Inventory	106,919
<b>Total current assets</b>	<b>286,085</b>
Noncurrent assets	
Cash and cash equivalents, restricted	62,477
Net other postemployment benefits asset	2,125
Land and water rights	60,539
Construction in progress	164
Water wells and distribution system	2,141,031
Wastewater treatment plant and dist sys	2,916,662
Furniture, equipment, and vehicles	16,281
<b>Total noncurrent assets</b>	<b>5,199,279</b>
<b>Total assets</b>	<b>5,485,364</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions and other postemployment benefits	100,734
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	40,975
Accrued expenses	20,407
Refundable deposits	58,209
Compensated absences	12,737
<b>Total current liabilities</b>	<b>132,328</b>
Noncurrent liabilities	
Due to other funds	501,445
Compensated absences, net of current portion	4,246
Net pension and other postemployment benefits liability	540,782
<b>Total noncurrent liabilities</b>	<b>1,046,473</b>
<b>Total liabilities</b>	<b>1,178,801</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions and other postemployment benefits	50,684
<b>NET POSITION</b>	
Net investment in capital assets	5,134,677
Unrestricted (deficit)	(778,064)
<b>Total net position</b>	<b>\$ 4,356,613</b>

*The accompanying notes are integral to these financial statements.*



**TOWN OF EAGAR, ARIZONA**  
**Statement of Revenue, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2021**

	Utility Fund
<b>Operating revenues</b>	
Charges for services	
Water	\$ 957,869
Sewer	569,626
Connection fees	97,650
Other revenues	24,571
<b>Total operating revenue</b>	<u>1,649,716</u>
<b>Operating expenses</b>	
Service supplies, and other	521,577
Depreciation	432,115
Salaries and wages	323,581
Employee benefits	78,830
<b>Total operating expenses</b>	<u>1,356,103</u>
<b>Operating income (loss)</b>	293,613
Total net position, beginning of year	<u>4,063,000</u>
<b>Total net position, end of year</b>	<u><u>\$ 4,356,613</u></u>

*The accompanying notes are integral to these financial statements.*

**TOWN OF EAGAR, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2021**

	Utility Fund
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 1,653,740
Payments to suppliers and providers of goods and services	(523,168)
Payments to employees	(399,517)
<b>Net cash provided (used) by operating activities</b>	<u>731,055</u>
<b>Cash flows from noncapital financing activities</b>	
Interfund loans	<u>(514,057)</u>
<b>Cash flows from capital and related financing activities</b>	
Purchase of capital assets	<u>(210,498)</u>
<b>Net increase (decrease) in cash</b>	6,500
Cash and cash equivalents, beginning of year	<u>55,977</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 62,477</u></u>
Cash and cash equivalents	\$ -
Cash and cash equivalents, restricted	<u>62,477</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 62,477</u></u>

*The accompanying notes are integral to these financial statements.*

**TOWN OF EAGAR, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2021**

	Utility Fund
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 293,613
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	432,115
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	(3,616)
Inventory	41,340
Net other postemployment benefits asset	(1,219)
Deferred outflows of resources related to pensions and other postemployment benefits	(48,564)
Accounts payable	11,239
Accrued expenses	3,934
Refundable deposits	7,640
Compensated absences payable	(1,040)
Net pension and other postemployment benefits liability	36,713
Deferred inflows of resources related to pensions and other postemployment benefits	(41,100)
<b>Net cash provided (used) by operating activities</b>	<b>\$ 731,055</b>

*The accompanying notes are integral to these financial statements.*

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The Town of Eagar's accounting policies conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

**A. Reporting Entity**

The Town is a general-purpose local government that is governed by a separately elected Town Council. The accompanying financial statements present the activities of the Town (the primary government) and its component units.

Component units are legally separate entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize they are legally separate from the Town. The Town has no discretely presented component units; however, it does have a blended component unit. The blended component unit discussed below has a June 30 year-end.

**The Eagar Municipal Property Corporation (EMPC)** is an Arizona nonprofit corporation incorporated under the laws of the State of Arizona. The principal objective of the Corporation is to assist the Town in acquiring, constructing, financing, operating, improving or modifying public facilities for the benefit of all residents. The EMPC has a June 30 year end.

**B. Basis of Presentation**

The basic financial statements include both government-wide statements and fund statements. The government-wide statements focus on the Town as a whole, while the fund statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements—provide information about the primary government (the Town). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the Town. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses to programs or functions. Program revenues include:

- Charges to customers or applicants for goods, services, or privileges provided,
- Operating grants and contributions, and
- Capital grants and contributions.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund statements—provide information about the Town's funds. Separate statements are presented for the governmental and proprietary fund categories. The emphasis of fund 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.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges, in which each party receives and gives up essentially equal values are operating revenues. Other revenues, such as subsidies, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

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 those required to be accounted for in another fund.

The ***HURF Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund that is legally restricted to expenditures for specified street purposes.

The ***Grants Fund*** accounts for specific revenue received that is legally restricted to expenditures for specified purposes.

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

The Town reports the following major enterprise funds:

The ***Utility Fund*** accounts for water and sewer operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the Town Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or for which the Town Council has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**C. Basis of Accounting**

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the Town funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The Town applies grant resources to such programs before using general revenues.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The Town's major revenue sources that are susceptible to accrual are special assessments, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**D. Cash and Investments**

For the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of three months or less when purchased.

**E. Allowance for Uncollectible Accounts**

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the Town. The amount recorded as uncollectible at June 30, 2021 in the Utility Fund was \$-.

**F. Capital Assets**

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 5,000	N/A	N/A
Construction in progress	5,000	N/A	N/A
Buildings and improvements	5,000	Straight-line	10 - 50
Treatment facilities and improvements	5,000	Straight-line	20 - 40
Vehicles and equipment	5,000	Straight-line	3 - 20
Streets and sidewalks	5,000	Straight-line	20 - 40

**G. Investment Earnings**

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments.

**H. Inventories**

In the Utility Fund, inventories are recorded as assets when purchased and expensed when consumed. These inventories are state at cost using the first-in, first-out method.

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

**I.      Compensated Absences**

Compensated absences consist of vacation leave earned by employees based on services already rendered.

Employees may accumulate up to 280 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the government-wide and proprietary fund financial statements.

Employees may accumulate 720 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements.

**J.      Deferred Outflows and Inflows of Resources**

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

**K.      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 plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

**L.      Fund Balance Reporting**

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent.



**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the Town Council has approved, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but that are neither restricted nor committed. The Town Council has authorized the Town Manager to assign resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the Town's policy to use (the Town will use) restricted fund balance first. It is the Town's policy to use (the Town will use) committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

**M. Budgets**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. 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 fund balances/net position 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.

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual reports as listed in the table of contents present all departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2021, if any.

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 2 – DEPOSITS AND INVESTMENTS***

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the Town Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

*Credit risk*

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody's investor's service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

*Custodial credit risk*

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

*Concentration of credit risk*

Statutes do not include any requirements for concentration of credit risk.

*Interest rate risk*

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

*Foreign currency risk*

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

*Deposits* – At June 30, 2021, the carrying amount of the Town's total cash in bank was \$4,256,124, and the bank balance was \$4,303,746. Of the bank balance, \$275,476 was covered by federal depository insurance. The remainder was covered by collateral held by the pledging financial institution in the Town's name.

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 2 – DEPOSITS AND INVESTMENTS – Continued***

*Restricted cash* – Restricted cash consists of the following at June 30, 2021:

	Utility Fund
Revolving loan funds	\$ 4,268
Customer deposits	58,209
	<u>\$ 62,477</u>

*Investments* – The Town reported investments in the State Treasurer’s Investment Pool 5 with a reported amount of \$3,239,362. The Standard and Poor’s credit quality rating of the pool is AAA.

The State Board of Investment provides oversight for the State Treasurer’s pools. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares and the participant’s shares are not identified with specific investments.

A reconciliation of cash, deposits, and investments to amounts shown on the statements of net position follows:

	Governmental activities	Business-type activities	Total
Cash and cash equivalents:			
Cash on hand	\$ 75	\$ -	\$ 75
Amount of deposits	4,193,647	62,477	4,256,124
State Treasurers investment pool 5	3,239,362	-	3,239,362
Total	<u>\$ 7,433,084</u>	<u>\$ 62,477</u>	<u>\$ 7,495,561</u>

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 3 – DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments at June 30, 2021 consisted of the following:

	General Fund	HURF Fund	Grants Fund
State of Arizona			
State and city sales tax revenues	\$ 76,482	\$ -	\$ -
Auto lieu tax revenues	17,194	-	-
Highway user revenues	-	104,413	-
Other items	121,440	-	1,435
	<u>\$ 215,116</u>	<u>\$ 104,413</u>	<u>\$ 1,435</u>

**NOTE 4 – CAPITAL ASSETS**

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

	Balance July 1, 2020	Increases	Decreases	Balance June 30, 2021
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 2,096,007	\$ 40,209	\$ 66,162	\$ 2,070,054
Construction in progress	692,401	779,442	692,401	779,442
Total capital assets not being depreciated	<u>2,788,408</u>	<u>819,651</u>	<u>758,563</u>	<u>2,849,496</u>
Capital assets being depreciated:				
Land improvements	1,211,198	204,164	-	1,415,362
Buildings and improvements	3,702,448	19,120	-	3,721,568
Furniture, equipment and vehicles	2,520,885	1,830,439	-	4,351,324
Infrastructure-roads	11,776,576	46,429	-	11,823,005
Total	<u>19,211,107</u>	<u>2,100,152</u>	<u>-</u>	<u>21,311,259</u>
Less accumulated depreciation for:				
Land improvements	(687,584)	(63,840)	-	(751,424)
Buildings and improvements	(1,757,594)	(71,648)	-	(1,829,242)
Furniture, equipment and vehicles	(2,214,989)	(93,903)	-	(2,308,892)
Infrastructure-roads	(9,228,764)	(544,087)	-	(9,772,851)
Total	<u>(13,888,931)</u>	<u>(773,478)</u>	<u>-</u>	<u>(14,662,409)</u>
Total capital assets being depreciated, net	<u>5,322,176</u>	<u>2,873,630</u>	<u>-</u>	<u>6,648,850</u>
Governmental activities capital assets, net	<u>\$ 8,110,584</u>	<u>\$ 3,693,281</u>	<u>\$ 758,563</u>	<u>\$ 9,498,346</u>

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 4 – CAPITAL ASSETS – Continued**

**Business-type activities:**

Capital assets not being depreciated:

Land and water rights	\$ 19,730	\$ 40,809	\$ -	\$ 60,539
Construction in progress	167,009	-	166,845	164
Total capital assets not being depreciated	<u>186,739</u>	<u>40,809</u>	<u>166,845</u>	<u>60,703</u>

Capital assets being depreciated:

Wastewater treatment plant and system improvements	7,891,696	-	-	7,891,696
Wells and water system improvements	8,940,390	271,949	-	9,212,339
Furniture, equipment and vehicles	325,382	15,744	-	341,126
Total	<u>17,157,468</u>	<u>287,693</u>	<u>-</u>	<u>17,445,161</u>

Less accumulated depreciation for:

Wastewater treatment plant and system improvements	(5,525,684)	(224,981)	-	(5,750,665)
Wells and water system improvements	(6,091,412)	(204,265)	-	(6,295,677)
Furniture, equipment and vehicles	(321,976)	(2,869)	-	(324,845)
Total	<u>(11,939,072)</u>	<u>(432,115)</u>	<u>-</u>	<u>(12,371,187)</u>

Total capital assets being depreciated, net	<u>5,218,396</u>	<u>719,808</u>	<u>-</u>	<u>5,073,974</u>
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Business-type activities capital assets, net	<u>\$ 5,405,135</u>	<u>\$ 760,617</u>	<u>\$ 166,845</u>	<u>\$ 5,134,677</u>
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Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 63,790
Public safety	76,633
Public works and streets	561,978
Culture and recreation	71,077
Total governmental activities depreciation expense	<u>\$ 773,478</u>

Business-type activities:

Water	\$ 204,265
Sewer	227,850
Total business-type activities depreciation expense	<u>\$ 432,115</u>

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 5 – LONG-TERM LIABILITIES**

The following schedule details the Town's long-term liability and obligation activity for the year ended June 30, 2021.

	Balance July 1, 2020	Additions	Reductions	Balance June 30, 2021	Due within one year
<b>Governmental activities:</b>					
Net pension and other					
postemployment benefits liability	\$ 3,779,235	\$ 567,705	\$ -	\$ 4,346,940	\$ -
Compensated absences	95,435	-	14,619	80,816	60,612
	<u>\$ 3,874,670</u>	<u>\$ 567,705</u>	<u>\$ 14,619</u>	<u>\$ 4,427,756</u>	<u>\$ 60,612</u>
<b>Business-type activities:</b>					
Net pension and other					
postemployment benefits liability	\$ 504,069	\$ 36,713	\$ -	\$ 540,782	\$ -
Compensated absences	18,023	-	1,040	16,983	12,737
	<u>\$ 522,092</u>	<u>\$ 36,713</u>	<u>\$ 1,040</u>	<u>\$ 557,765</u>	<u>\$ 12,737</u>

**NOTE 6 – 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; injuries to employees; and natural disasters. The Town carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 7 – CONTINGENCIES**

The Town's groundwater rights have been subject to pending litigation for many years. It is virtually impossible at this time to make an evaluation as to the likelihood of an unfavorable outcome or what the potential loss of such an unfavorable outcome would be. No monetary damages are being claimed by any party at this time.

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
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***NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS***

The Town contributes to the pension plans described below. The plans are component units of the State of Arizona.

At June 30, 2021, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

<b>Statement of Net Position and Statement of Activities</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Net OPEB assets	\$ 103,480	\$ 2,125	\$ 105,605
Net pension and OPEB liabilities	4,346,940	540,782	4,887,722
Deferred outflows of resources related to pension and OPEB	875,270	100,734	976,004
Deferred inflows of resources related to pension and OPEB	174,762	50,684	225,446
Pension and OPEB expense	291,593	(11,937)	279,656

The Town reported \$278,865 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**A. Arizona State Retirement System**

**Plan Description** – Town employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

**Benefits Provided** – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits 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	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80	30 years age 55
	10 years age 62	25 years age 60
	5 years age 50*	10 years age 62
	Any years age 65	5 years age 50*
		Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment 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 retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

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.



**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

For members with 10 or more years of service, benefits range from \$100 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, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent (12.04 percent for retirement and 0.18 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.22 percent (11.65 percent for retirement, 0.39 percent for health insurance premium benefit, and 0.18 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 10.21 percent (10.14 percent for retirement and 0.07 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, 2021, were \$124,694, \$4,145, and \$1,937, respectively.

During fiscal year 2021, the Town paid for ASRS pension and OPEB contributions as follows: 69.53 percent from the governmental funds and 30.47 percent from the Utility Fund.

**Liability** - At June 30, 2021, the Town reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	<b>Net Pension/OPEB</b>
	<b>(Asset) Liability</b>
Pension	\$ 1,767,305
Health insurance premium benefit	(6,974)
Long-term disability	7,495

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The net asset and net liabilities were measured as of June 30, 2020. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020. The Town's proportion of the net 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, 2020. The Town's proportions were measured as of June 30, 2020, and the change from its proportions measured as of June 30, 2019, were:

	<u>Proportion June 30, 2020</u>	<u>Increase (decrease) from June 30, 2019</u>
Pension	0.01020%	-0.00112%
Health insurance premium benefit	0.00985%	-0.00091%
Long-term disability	0.00988%	-0.00105%

**Expense** – For the year ended June 30, 2021, the Town recognized the following pension and OPEB expense.

	<u>Pension/OPEB Expense</u>
Pension	(43,516)
Health insurance premium benefit	2,197
Long-term disability	2,143

**Deferred Outflows/Inflows of Resources**—At June 30, 2021, 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</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	\$ 15,988	\$ -	\$ -	\$ 13,741	\$ 652	\$ 193
Changes of assumptions or other inputs	-	-	3,866	-	808	-
Net difference between projected and actual earnings on pension plan investments	170,459	-	7,135	-	825	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	150,971	90	71	-	1,366
Town contributions subsequent to the measurement date	124,694	-	4,145	-	1,937	-
Total	<u>\$ 311,141</u>	<u>\$ 150,971</u>	<u>\$ 15,236</u>	<u>\$ 13,812</u>	<u>\$ 4,222</u>	<u>\$ 1,559</u>

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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 ended June 30, 2022. 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,	<b>Pension</b>	<b>Health Insurance Premium Benefit</b>	<b>Long-Term Disability</b>
2022	\$ (78,450)	\$ (1,491)	116
2023	(453)	22	250
2024	61,657	363	274
2025	52,722	(360)	223
2026	-	(1,255)	10
Thereafter	-	-	(147)

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

**ASRS**

Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7 - 7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, 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.

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
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**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Geometric Rate of Return</b>
Equity	50%	6.39%
Fixed income - credit	20%	5.44%
Fixed income - interest rate sensitive	10%	0.22%
Real Estate	20%	5.85%
Total	100%	

**Discount Rate** – The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ 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.

**Sensitivity of the Town’s Proportionate Share of the ASRS 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 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:

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
<b>Town's Proportionate share of the</b>			
Net pension liability	\$ 2,416,766	\$ 1,767,305	\$ 1,224,389
Net insurance premium benefit liability (asset)	9,150	(6,974)	(20,696)
Net long-term disability liability	8,183	7,495	6,827

**Plan Fiduciary Net Position** – Detailed information about the plans’ fiduciary net position is available in the separately issued ASRS financial report.

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

**B. Public Safety Personnel Retirement System**

**Plan Descriptions** – Town police employees participate in the Public Safety Personnel Retirement System (PSPRS) or employees who become members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing 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) which are not further disclosed because of their relative insignificance to the Town's financial statements.

The PSPRS issues publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Benefits Provided** – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits 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	On or after January 1, 2012 and before July 1, 2017
<b>Retirement and Disability</b>		
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 36 consecutive months of last 20 years
<b>Benefit percentage</b>		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited services 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	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was 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 Financial Statements**  
**June 30, 2021**

**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, 2021, the following employees were covered by the agent plans' benefit terms:

	<b>PSPRS Police</b>	
	<b>Pension</b>	<b>Health</b>
Inactive employees or beneficiaries currently receiving benefits	7	7
Inactive employees entitled to but not yet receiving benefits	1	-
Active employees	6	6
Total	<u>14</u>	<u>13</u>

**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 PSPRS 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. Contributions rates for the year ended June 30, 2021, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<b>Active Member- Pension</b>	<b>Town-Pension</b>	<b>Town-Health Insurance Premium Benefit</b>
PSPRS Police	7.65% - 11.65%	68.89%	0.00%

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The Town's contributions to the plans for the year ended June 30, 2021, were:

	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
PSPRS Police	\$ 223,774	\$ -

During fiscal year 2021, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

**Liability** – At June 30, 2021, the Town reported the following assets and liabilities:

	<u>Net Pension (Asset) Liability</u>	<u>Net OPEB (Asset) Liability</u>
PSPRS Police	\$ 3,112,922	\$ (98,631)

The net assets and net liabilities were measured as of June 30, 2020, 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/OPEB liability are as follows:

**PSPRS**

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class.



**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Geometric Real Rate of Return</b>
U.S. public equity	23%	4.93%
International public equity	15%	6.09%
Global private equity	18%	8.42%
Other assets (capital appreciation)	7%	5.61%
Core bonds	2%	0.22%
Private credit	22%	5.31%
Diversifying strategies	12%	3.22%
Cash - Mellon	1%	-0.60%
Total	100%	

**Discount Rate** – At June 30, 2020, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent. The projection of cash flows used to determine the 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 the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' 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 Financial Statements**  
**June 30, 2021**

**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Changes in the Net Pension/OPEB Liability (Asset)**

	<b>Pension</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension</b>	<b>Plan Fiduciary Net</b>	<b>Net Pension Liability</b>
	<b>Liability</b>	<b>Position</b>	<b>(Asset)</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
Balances at June 30, 2020	\$ 4,719,459	\$ 2,090,467	\$ 2,628,992
Adjustment to Beginning of Year	-	(41,279)	41,279
Changes for the year			
Service Cost	63,696	-	63,696
Interest on the total liability	339,777	-	339,777
Differences between expected and actual experience in the measurement of the liability	306,610	-	306,610
Contributions-employer	-	214,110	(214,110)
Contributions-employee	-	28,871	(28,871)
Net investment income	-	26,623	(26,623)
Benefit payments, including refunds of employee contributions	(257,363)	(257,363)	-
Administrative expense	-	(2,172)	2,172
Net changes	452,720	10,069	442,651
Balances at June 30, 2021	\$ 5,172,179	\$ 2,059,257	\$ 3,112,922

	<b>Health Insurance Premium Benefit</b>		
	<b>Increase (Decrease)</b>		
	<b>Total OPEB</b>	<b>Plan Fiduciary Net</b>	<b>Net OPEB (Asset)</b>
	<b>Liability</b>	<b>Position</b>	<b>Liability</b>
	<b>(a)</b>	<b>(b)</b>	<b>(a) - (b)</b>
Balances at June 30, 2020	\$ 56,105	\$ 144,764	\$ (88,659)
Changes for the year			
Service Cost	2,214	-	2,214
Interest on the total liability	4,284	-	4,284
Differences between expected and actual experience in the measurement of the liability	(14,781)	-	(14,781)
Net investment income	-	1,839	(1,839)
Benefit payments, including refunds of employee contributions	(858)	(858)	-
Administrative expense	-	(150)	150
Net changes	(9,141)	831	(9,972)
Balances at June 30, 2021	\$ 46,964	\$ 145,595	\$ (98,631)

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

**NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**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 7.3 percent, as well as what the Town’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	<u>1% Decrease (6.3%)</u>	<u>Current Discount Rate (7.3%)</u>	<u>1% Increase (8.3%)</u>
PSPRS Police			
Net pension (asset) liability	\$ 3,800,880	\$ 3,112,922	\$ 2,549,930

**Plan Fiduciary Net Position** – Detailed information about the plans’ fiduciary net position is available in the separately issued PSPRS financial reports.

**Expense** – For the year ended June 30, 2021, the Town recognized the following pension and OPEB expense:

	<u>Pension Expense</u>	<u>OPEB Expense</u>
PSPRS Police	\$ 327,209	\$ (8,377)

**Deferred Outflows/Inflows of Resources** – At June 30, 2021, 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</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	\$ 229,959	\$ 38,274	\$ 55	\$ 20,830
Changes of assumptions or other inputs	73,469	-	399	-
Net difference between projected and actual earnings on pension plan investments	109,961	-	7,788	-
Town contributions subsequent to the measurement date	223,774	-	-	-
Total	<u>\$ 637,163</u>	<u>\$ 38,274</u>	<u>\$ 8,242</u>	<u>\$ 20,830</u>

**TOWN OF EAGAR, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2021**

***NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

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, 2022. 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:

	<b>PSPRS Police</b>	
	<b>Pension</b>	<b>Health</b>
Year ended June 30,		
2022	\$ 106,275	\$ (4,397)
2023	135,413	(3,429)
2024	108,954	(3,544)
2025	24,473	(1,218)
2026	-	-
Thereafter	-	-

***NOTE 9 – INTERFUND BALANCES AND ACTIVITY***

Interfund receivables and payables—Interfund balances at June 30, 2021 consisted of \$501,445 owed by the Utility Fund to the General Fund. This interfund receivable and payable was necessary in order to fund the ongoing activities of the Utility Fund in current and prior periods.

Interfund transfers—Interfund transfers for the year ended June 30, 2021, consisted of \$310,043 transferred to the Grants Fund from the HURF Fund. The transfer from the HURF Fund was to reimburse the Grants Fund for two street drainage projects where the costs incurred exceeded grant reimbursements.

***NOTE 10 – RELATED PARTY TRANSACTIONS***

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 councilmember's son-in-law. The terms of these transactions are all considered to be arms-length transactions at market value.

In December 2020, the Town purchased land from Arizona Premium Properties LLC for \$78,500. Arizona Premium Properties LLC is owned by a councilmember of the Town.

**REQUIRED SUPPLEMENTARY INFORMATION**



**TOWN OF EAGAR, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 1,634,575	\$ 1,634,575	\$ 2,107,068	\$ 472,493
Taxes	1,000,000	1,000,000	1,420,477	420,477
Other revenue	693,300	693,300	29,168	(664,132)
Charges for services	77,525	77,525	128,277	50,752
Licenses and permits	104,050	104,050	51,856	(52,194)
Investment income	-	-	3,152	3,152
Fines and forfeitures	12,500	12,500	10,850	(1,650)
<b>Total revenues</b>	<u>3,521,950</u>	<u>3,521,950</u>	<u>3,750,848</u>	<u>228,898</u>
<b>Expenditures</b>				
Mayor and council	28,178	28,178	21,717	6,461
General government	274,700	274,700	167,345	107,355
Magistrate	53,675	53,675	37,712	15,963
Town manager	63,840	63,840	57,659	6,181
Town clerk	45,935	45,935	37,628	8,307
Community development	109,500	109,500	106,403	3,097
Finance	113,340	113,340	94,220	19,120
Police	968,940	968,940	831,701	137,239
Fire	283,285	283,285	249,764	33,521
Animal control	71,285	71,285	65,685	5,600
Parks and recreation	59,975	59,975	56,247	3,728
Facilities	254,410	254,410	270,649	(16,239)
Fleet maintenance	98,725	98,725	87,029	11,696
Contingency	500,000	500,000	-	500,000
<b>Total expenditures</b>	<u>2,925,788</u>	<u>2,925,788</u>	<u>2,083,759</u>	<u>842,029</u>
Excess (deficiency) of revenue over (under) expenditures	596,162	596,162	1,667,089	1,070,927
<b>Other financing sources (uses)</b>				
Sale of capital assets	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>
<b>Net change in fund balance</b>	596,162	596,162	1,672,089	1,075,927
Fund balances, beginning of year	<u>3,783,682</u>	<u>3,783,682</u>	<u>3,783,682</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 4,379,844</u></u>	<u><u>\$ 4,379,844</u></u>	<u><u>\$ 5,455,771</u></u>	<u><u>\$ 1,075,927</u></u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF EAGAR, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**HURF Fund**  
**Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 1,180,717	\$ 1,180,717	\$ 1,188,919	\$ 8,202
Other revenue	3,000	3,000	2,133	(867)
<b>Total revenues</b>	<u>1,183,717</u>	<u>1,183,717</u>	<u>1,191,052</u>	<u>7,335</u>
<b>Expenditures</b>				
Public works	<u>1,357,970</u>	<u>1,357,970</u>	<u>1,239,078</u>	<u>118,892</u>
Excess (deficiency) of revenue over (under) expenditures	(174,253)	(174,253)	(48,026)	126,227
<b>Other financing sources (uses)</b>				
Transfers	<u>-</u>	<u>-</u>	<u>(310,043)</u>	<u>(310,043)</u>
<b>Net change in fund balance</b>	(174,253)	(174,253)	(358,069)	(183,816)
Fund balances, beginning of year	<u>1,286,031</u>	<u>1,286,031</u>	<u>1,286,031</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 1,111,778</u></u>	<u><u>\$ 1,111,778</u></u>	<u><u>\$ 927,962</u></u>	<u><u>\$ (183,816)</u></u>

*See accompanying notes to budgetary comparison schedule.*



**TOWN OF EAGAR, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Grants Fund**  
**Year Ended June 30, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Revenues</b>				
Intergovernmental	\$ 1,500,000	\$ 1,500,000	\$ 467,934	\$ (1,032,066)
<b>Expenditures</b>				
Grants	1,500,000	1,500,000	573,044	926,956
Excess (deficiency) of revenue over (under) expenditures	-	-	(105,110)	(105,110)
<b>Other financing sources (uses)</b>				
Transfers	-	-	310,043	310,043
<b>Net change in fund balance</b>	-	-	204,933	204,933
Fund balances, beginning of year	(203,509)	(203,509)	(203,509)	-
<b>Fund balances, end of year</b>	<u>\$ (203,509)</u>	<u>\$ (203,509)</u>	<u>\$ 1,424</u>	<u>\$ 204,933</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF EAGAR, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2021**

***NOTE 1 – BUDGETING AND BUDGETARY CONTROL***

A.R.S. requires the Town to prepare and adopt a balanced budget annually for each governmental fund. The Town Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Town Councils' approval.

***NOTE 2 – BUDGETARY BASIS OF ACCOUNTING***

The Town's budget for its General Fund and special revenue funds are prepared on a basis consistent with generally accepted accounting principles.

***NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS***

For the year ended June 30, 2021, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Facilities department.

**TOWN OF EAGAR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Town's Proportionate**  
**Share of the Net Pension/OPEB Liability**  
**Cost-Sharing Plans**  
**June 30, 2021**

**ASRS-Pension**

	Reporting Fiscal Year (Measurement Date)							
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2012
Town's proportion of the net pension liability	0.010200%	0.011320%	0.012180%	0.014130%	0.014480%	0.014000%	0.013973%	Information
Town's proportionate share of the net pension liability	\$ 1,767,305	\$ 1,647,192	\$ 1,698,681	\$ 2,201,179	\$ 2,337,217	\$ 2,180,743	\$ 2,067,499	not available
Town's covered payroll	\$ 1,046,620	\$ 1,105,083	\$ 1,399,935	\$ 1,578,724	\$ 1,473,609	\$ 1,252,273	\$ 1,051,889	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	168.86%	149.06%	121.34%	139.43%	158.60%	174.14%	196.55%	
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

**ASRS-Health Insurance Premium Benefit**

	Reporting Fiscal Year (Measurement Date)				
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2012
Town's proportion of the net OPEB (asset)	0.009850%	0.010760%	0.011860%	0.013940%	Information
Town's proportionate share of the net OPEB (asset)	\$ (6,974)	\$ (2,974)	\$ (4,271)	\$ (7,589)	not available
Town's covered payroll	\$ 1,046,620	\$ 1,105,083	\$ 1,399,935	\$ 1,578,724	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.67%	-0.27%	-0.31%	-0.48%	
Plan fiduciary net position as a percentage of the total OPEB liability	104.33%	101.62%	102.20%	103.57%	

**ASRS-Long-Term Disability**

	Reporting Fiscal Year (Measurement Date)				
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2012
Town's proportion of the net OPEB (asset)	0.009880%	0.010930%	0.012200%	0.014010%	Information
Town's proportionate share of the net OPEB (asset)	\$ 7,495	\$ 7,120	\$ 6,375	\$ 5,078	not available
Town's covered payroll	\$ 1,046,620	\$ 1,105,083	\$ 1,399,935	\$ 1,578,724	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.72%	0.64%	0.46%	0.32%	
Plan fiduciary net position as a percentage of the total OPEB liability	68.01%	72.85%	77.83%	84.44%	

*See accompanying notes to pension/OPEB plan schedules.*

**TOWN OF EAGAR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's Net Pension/OPEB Liability and Related Ratios**  
**Agent Plans**  
**June 30, 2021**

PSPRS	Reporting Fiscal Year (Measurement Date)							2014 through 2012
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability								Information not available
Service cost	\$ 63,696	\$ 69,115	\$ 65,189	\$ 81,180	\$ 45,508	\$ 62,438	\$ 68,662	
Interest on the total pension liability	339,777	326,226	328,051	306,146	302,959	297,715	234,849	
Changes of benefit terms	-	-	-	68,238	107,741	-	72,351	
Differences between expected and actual experience in the measurement of the pension liability	306,610	(12,473)	(213,277)	(856)	(78,661)	12,946	205,569	
Changes of assumptions or other inputs	-	113,783	-	150,915	156,297	-	403,013	
Benefit payments, including refunds of employee contributions	(257,363)	(233,084)	(249,189)	(243,715)	(414,461)	(181,203)	(179,775)	
Net change in total pension liability	452,720	263,567	(69,226)	361,908	119,383	191,896	804,669	
Total pension liability - beginning	4,719,459	4,455,892	4,525,118	4,163,210	4,043,827	3,851,931	3,047,262	
Total pension liability - ending (a)	<u>\$ 5,172,179</u>	<u>\$ 4,719,459</u>	<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	\$ 214,110	\$ 220,889	\$ 340,236	\$ 174,844	\$ 153,528	\$ 102,389	\$ 102,307	
Contributions - employee	28,871	29,476	27,597	40,489	40,357	39,866	31,614	
Net investment income	26,623	107,095	128,040	188,332	10,064	68,886	228,166	
Benefit payments, including refunds of employee contributions	(257,363)	(233,084)	(249,189)	(243,715)	(414,461)	(181,203)	(179,775)	
Hall/Parker Settlement	-	-	(47,575)	-	-	-	-	
Administrative expense	(2,172)	(2,862)	(2,649)	-	-	-	-	
Other changes	-	-	22	(2,043)	(95,648)	(3,614)	(38,742)	
Net change in plan fiduciary net position	10,069	121,514	196,482	157,907	(306,160)	26,324	143,570	
Plan fiduciary net position - beginning	2,090,467	1,968,953	1,772,471	1,614,564	1,920,724	1,894,400	1,750,830	
Adjustment to Beginning of Year	(41,279)	-	-	-	-	-	-	
Plan fiduciary net position - ending (b)	<u>\$ 2,059,257</u>	<u>\$ 2,090,467</u>	<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>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 3,112,922</u>	<u>\$ 2,628,992</u>	<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	39.81%	44.29%	44.19%	39.17%	38.78%	47.50%	49.18%	
Covered payroll	\$ 351,132	\$ 335,620	\$ 333,106	\$ 351,886	\$ 260,197	\$ 360,781	\$ 360,723	
Town's net pension (asset) liability as a percentage of covered payroll	886.54%	783.32%	746.59%	782.26%	979.51%	588.47%	542.67%	

*See accompanying notes to pension/OPEB plan schedules.*

**TOWN OF EAGAR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's Net Pension/OPEB Liability and Related Ratios**  
**Agent Plans**  
**June 30, 2021**

	Reporting Fiscal Year (Measurement Date)				
PSPRS	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2012
Total OPEB liability					
Service cost	\$ 2,214	\$ 1,399	\$ 1,299	\$ 1,654	Information not available
Interest on the total OPEB liability	4,284	4,884	4,452	4,359	
Changes of benefit terms	-	-	-	78	
Differences between expected and actual experience in the measurement of the OPEB liability	(14,781)	(15,008)	187	(395)	
Changes of assumptions or other inputs	-	663	-	(2,642)	
Benefit payments	(858)	(858)	(841)	(825)	
Net change in total OPEB liability	(9,141)	(8,920)	5,097	2,229	
Total OPEB liability - beginning	56,105	65,025	59,928	57,699	
Total OPEB liability - ending (a)	<u>\$ 46,964</u>	<u>\$ 56,105</u>	<u>\$ 65,025</u>	<u>\$ 59,928</u>	
Plan fiduciary net position					
Net investment income	\$ 1,839	\$ 7,481	\$ 9,073	\$ 13,779	
Benefit payments	(858)	(858)	(841)	(825)	
Administrative expense	(150)	(129)	(138)	(122)	
Other changes	-	-	(1)	-	
Net change in plan fiduciary net position	831	6,494	8,093	12,832	
Plan fiduciary net position - beginning	144,764	138,270	130,177	117,345	
Plan fiduciary net position - ending (b)	<u>\$ 145,595</u>	<u>\$ 144,764</u>	<u>\$ 138,270</u>	<u>\$ 130,177</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (98,631)</u>	<u>\$ (88,659)</u>	<u>\$ (73,245)</u>	<u>\$ (70,249)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	310.01%	258.02%	212.64%	217.22%	
Covered payroll	\$ 351,132	\$ 335,620	\$ 333,106	\$ 351,886	
Town's net OPEB (asset) liability as a percentage of covered payroll	-28.09%	-26.42%	-21.99%	-19.96%	

*See accompanying notes to pension/OPEB plan schedules.*

**TOWN OF EAGAR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town Pension/OPEB Contributions**  
**June 30, 2021**

**ASRS-Pension**

	Reporting Fiscal Year								
	2021	2020	2019	2018	2017	2016	2015	2014	2013 through 2012
Statutorily required contribution	\$ 124,694	\$ 119,838	\$ 133,513	\$ 132,013	\$ 148,561	\$ 147,137	\$ 140,427	\$ 134,772	Information not available
Town's contributions in relation to the statutorily required contribution	(124,694)	(119,838)	(133,513)	(132,013)	(148,561)	(147,137)	(140,427)	(134,772)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,073,599</u>	<u>\$ 1,046,620</u>	<u>\$ 1,105,083</u>	<u>\$ 1,399,935</u>	<u>\$ 1,578,724</u>	<u>\$ 1,473,609</u>	<u>\$ 1,252,273</u>	<u>\$ 1,259,551</u>	
Town's contributions as a percentage of covered payroll	11.61%	11.45%	12.08%	9.43%	9.41%	9.98%	11.21%	10.70%	

**ASRS-Health Insurance Premium Benefit**

	Reporting Fiscal Year					
	2021	2020	2019	2018	2017	2016 through 2012
Statutorily required contribution	\$ 4,145	\$ 5,128	\$ 5,095	\$ 5,090	\$ 7,502	Information not available
Town's contributions in relation to the statutorily required contribution	(4,145)	(5,128)	(5,095)	(5,090)	(7,502)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,073,599</u>	<u>\$ 1,046,620</u>	<u>\$ 1,105,083</u>	<u>\$ 1,399,935</u>	<u>\$ 1,578,724</u>	
Town's contributions as a percentage of covered payroll	0.38%	0.50%	0.46%	0.36%	0.48%	

**ASRS-Long-Term Disability**

	Reporting Fiscal Year					
	2021	2020	2019	2018	2017	2016 through 2012
Statutorily required contribution	\$ 1,937	\$ 1,779	\$ 1,817	\$ 1,936	\$ 1,906	Information not available
Town's contributions in relation to the statutorily required contribution	(1,937)	(1,779)	(1,817)	(1,936)	(1,906)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,073,599</u>	<u>\$ 1,046,620</u>	<u>\$ 1,105,083</u>	<u>\$ 1,399,935</u>	<u>\$ 1,578,724</u>	
Town's contributions as a percentage of covered payroll	0.17%	0.17%	0.16%	0.14%	0.12%	

*See accompanying notes to pension/OPEB plan schedules.*

**TOWN OF EAGAR, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town Pension/OPEB Contributions**  
**June 30, 2021**

**PSPRS-Pension**

	Reporting Fiscal Year								2013 through 2012
	2021	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 223,774	\$ 214,110	\$ 220,889	\$ 340,236	\$ 174,844	\$ 153,528	\$ 102,389	\$ 102,307	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(223,774)</u>	<u>(214,110)</u>	<u>(220,889)</u>	<u>(340,236)</u>	<u>(174,844)</u>	<u>(153,528)</u>	<u>(102,389)</u>	<u>(102,307)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 324,829	\$ 351,132	\$ 335,620	\$ 333,106	\$ 351,886	\$ 260,197	\$ 360,781	\$ 360,723	
Town's contributions as a percentage of covered payroll	68.89%	60.98%	65.82%	102.14%	49.69%	59.00%	28.38%	28.36%	

**PSPRS-OPEB**

	Reporting Fiscal Year					2016 through 2012
	2021	2020	2019	2018	2017	
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 324,829	\$ 351,132	\$ 335,620	\$ 333,106	\$ 351,886	
Town's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	

*See accompanying notes to pension/OPEB plan schedules.*

**TOWN OF EAGAR, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension/OPEB plan schedules**  
**June 30, 2021**

***NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES***

Actuarial 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	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2019 actuarial valuation	18 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	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 was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was 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% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
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 to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

***NOTE 2 – FACTORS THAT AFFECT 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 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**  
**Notes to Pension/OPEB plan schedules**  
**June 30, 2021**

***NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued***

Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.



**REPORTS REQUIRED BY**  
**GOVERNMENTAL AUDITING STANDARDS**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

To the Town Council  
Town of Eagar

We have audited, in accordance with the 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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Eagar's, basic financial statements, and have issued our report thereon dated March 22, 2022.

**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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Eagar'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 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. 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 of Eagar'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*.

## **Purpose of this Report**

The 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Colby J. Powell".

March 22, 2022