

TOWN OF EAGAR, ARIZONA

**Annual Financial Statements
and Independent Auditors' Report
June 30, 2022**

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Eagar, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eagar, Arizona as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Eagar, Arizona's basic financial statements as listed in the table of contents.

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, and each major fund of the Town of Eagar, Arizona, as of June 30, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Eagar, Arizona and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2022, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Eagar, Arizona's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Eagar, Arizona's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Eagar, Arizona's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

The Town of Eagar, Arizona has not presented the Management’s Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing 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.

Accounting principles generally accepted in the United States of America require that the 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 Pension Plans, and the Schedule of Town Pension/OPEB Contributions as noted in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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 December 4, 2023, on our consideration of the Town of Eagar, Arizona’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, Arizona’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 to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes, insofar as they relate to accounting matters. 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 the use of highway user revenue fund monies and other dedicated state transportation revenues, 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 Town Council, 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 cursive script that reads "Colby J. Powell".

December 4, 2023



TOWN OF EAGAR, ARIZONA
Statement of Net Position
June 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 8,302,006	\$ 329,548	\$ 8,631,554
Accounts receivable - net	-	182,030	182,030
Due from other governments	432,988	-	432,988
Other receivables	139,849	-	139,849
Leases receivable	87,899	-	87,899
Inventory	-	94,427	94,427
Cash and cash equivalents-restricted	-	37,525	37,525
Net other postemployment benefits asset	186,289	16,269	202,558
Capital assets, not being depreciated	2,322,044	60,539	2,382,583
Capital assets, being depreciated, net	8,099,998	4,730,723	12,830,721
Total assets	19,571,073	5,451,061	25,022,134
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions and other postemployment benefits	670,194	115,055	785,249
LIABILITIES			
Accounts payable	152,366	65,332	217,698
Accrued expenses	45,230	14,767	59,997
Deferred revenue	872,247	-	872,247
Refundable deposits	-	37,525	37,525
Noncurrent liabilities			
Due within one year	44,743	20,588	65,331
Due in more than one year	3,484,963	438,608	3,923,571
Total liabilities	4,599,549	576,820	5,176,369
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions and other postemployment benefits	737,320	192,745	930,065
Deferred inflows related to leases	87,942	-	87,942
Total deferred inflows of resources	825,262	192,745	1,018,007
NET POSITION			
Net investment in capital assets	10,422,042	4,791,262	15,213,304
Restricted for:			
Public works and streets	941,814	-	941,814
Capital improvements	5,268	-	5,268
Unrestricted (deficit)	3,447,332	5,289	3,452,621
Total net position	\$ 14,816,456	\$ 4,796,551	\$ 19,613,007

The accompanying notes are integral to these financial statements.

TOWN OF EAGAR, ARIZONA
Statement of Activities
Year Ended June 30, 2022

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		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 451,013	\$ 168,247	\$ 9	\$ -	\$ (282,757)	\$ -	\$ (282,757)
Public safety	1,129,075	12,193	67,866	135,387	(913,629)	-	(913,629)
Public works and streets	1,072,503	52,344	1,262,699	399,762	642,302	-	642,302
Culture and recreation	471,905	53,713	190	-	(418,002)	-	(418,002)
Total governmental activities	<u>3,124,496</u>	<u>286,497</u>	<u>1,330,764</u>	<u>535,149</u>	<u>(972,086)</u>	<u>-</u>	<u>(972,086)</u>
Business-type activities							
Water and sewer	1,489,074	1,608,012	321,000	-	-	439,938	439,938
Total business-type activities	<u>1,489,074</u>	<u>1,608,012</u>	<u>321,000</u>	<u>-</u>	<u>-</u>	<u>439,938</u>	<u>439,938</u>
Total primary government	<u>\$ 4,613,570</u>	<u>\$ 1,894,509</u>	<u>\$ 1,651,764</u>	<u>\$ 535,149</u>	<u>(972,086)</u>	<u>439,938</u>	<u>(532,148)</u>
General revenues:							
Taxes:							
Local TPT					1,728,716	-	1,728,716
Share of state sales taxes					626,537	-	626,537
Share of state auto lieu taxes					406,313	-	406,313
State urban revenue sharing					590,470	-	590,470
Investment earnings					12,645	-	12,645
Miscellaneous					2,736	-	2,736
Total general revenues					<u>3,367,417</u>	<u>-</u>	<u>3,367,417</u>
Change in net position					2,395,331	439,938	2,835,269
Net position, beginning of year					12,421,125	4,356,613	16,777,738
Net position, end of year					<u>\$ 14,816,456</u>	<u>\$ 4,796,551</u>	<u>\$ 19,613,007</u>

The accompanying notes are integral to these financial statements.

TOWN OF EAGAR, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2022

	General Fund	HURF Fund	Grants Fund	Non-major Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,300,822	\$ 995,916	\$ -	\$ 5,268	\$ 8,302,006
Due from other governments	262,003	121,278	49,707	-	432,988
Other receivables	139,849	-	-	-	139,849
Leases receivable	87,899	-	-	-	87,899
Due from other funds	50,495	-	-	-	50,495
Total assets	<u>7,841,068</u>	<u>1,117,194</u>	<u>49,707</u>	<u>5,268</u>	<u>9,013,237</u>
LIABILITIES					
Accounts payable	36,798	115,529	39	-	152,366
Accrued expenses	32,242	12,988	-	-	45,230
Unearned revenue	825,098	46,863	286	-	872,247
Due to other funds	-	-	50,495	-	50,495
Total liabilities	<u>894,138</u>	<u>175,380</u>	<u>50,820</u>	<u>-</u>	<u>1,120,338</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	25,000	-	50,000	-	75,000
Deferred inflows related to leases	87,942	-	-	-	87,942
Total deferred inflows of resources	<u>112,942</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>162,942</u>
FUND BALANCES					
Restricted for:					
Public works and streets	-	941,814	-	-	941,814
Capital improvements	-	-	-	5,268	5,268
Unassigned	6,833,988	-	(51,113)	-	6,782,875
Total fund balances	<u>6,833,988</u>	<u>941,814</u>	<u>(51,113)</u>	<u>5,268</u>	<u>7,729,957</u>
Total liabilities and fund balances	<u>\$ 7,841,068</u>	<u>\$ 1,117,194</u>	<u>\$ 49,707</u>	<u>\$ 5,268</u>	<u>\$ 9,013,237</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, 2022

Fund balances-total governmental funds	\$ 7,729,957
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.	10,422,042
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	75,000
Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	186,289
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.	(3,529,706)
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>(67,126)</u>
Net position of governmental activities	<u><u>\$ 14,816,456</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, 2022

	General Fund	HURF Fund	Grants Fund	Non-major Fund	Total Governmental Funds
Revenues					
Intergovernmental	\$ 1,634,017	\$ 1,658,438	\$ 137,116	\$ -	\$ 3,429,571
Taxes	1,728,716	-	-	-	1,728,716
Charges for services	349,425	-	-	-	349,425
Licenses and permits	46,475	-	-	-	46,475
Other revenue	11,270	3,973	-	-	15,243
Investment income	12,645	-	-	-	12,645
Fines and forfeitures	8,774	-	-	-	8,774
Total revenues	<u>3,791,322</u>	<u>1,662,411</u>	<u>137,116</u>	<u>-</u>	<u>5,590,849</u>
Expenditures					
Current					
General government	446,939	-	-	-	446,939
Public safety	1,152,038	-	499	-	1,152,537
Public works and streets	399,456	609,962	7,588	-	1,017,006
Culture and recreation	10,320	-	-	-	10,320
Capital outlay	414,452	1,038,597	181,566	-	1,634,615
Total expenditures	<u>2,423,205</u>	<u>1,648,559</u>	<u>189,653</u>	<u>-</u>	<u>4,261,417</u>
Excess (deficiency) of revenue over expenditures	<u>1,368,117</u>	<u>13,852</u>	<u>(52,537)</u>	<u>-</u>	<u>1,329,432</u>
Other financing sources (uses)					
Sale of capital assets	<u>10,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,100</u>
Net change in fund balances	1,378,217	13,852	(52,537)	-	1,339,532
Fund balances, beginning of year	<u>5,455,771</u>	<u>927,962</u>	<u>1,424</u>	<u>5,268</u>	<u>6,390,425</u>
Fund balances, end of year	<u>\$ 6,833,988</u>	<u>\$ 941,814</u>	<u>\$ (51,113)</u>	<u>\$ 5,268</u>	<u>\$ 7,729,957</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, 2022

Net change in fund balances-total governmental funds \$ 1,339,532

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

Capital outlay	1,634,615	
Depreciation/amortization expense	<u>(673,407)</u>	
		961,208

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

Unavailable grant revenue	(81,122)
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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.

(37,512)

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	430,529	
Pension/OPEB expense	<u>(238,463)</u>	
		192,066

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	<u>21,159</u>
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Change in net position of governmental activities \$ 2,395,331

The accompanying notes are integral to these financial statements.

TOWN OF EAGAR, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2022

	<u>Utility Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 329,548
Accounts receivable - net	182,030
Inventory	94,427
Total current assets	<u>606,005</u>
Noncurrent assets	
Cash and cash equivalents, restricted	37,525
Net other postemployment benefits asset	16,269
Land and water rights	60,539
Water wells and distribution system, net	2,724,234
Wastewater treatment plant and dist sys, net	1,983,828
Furniture, equipment, and vehicles, net	22,661
Total noncurrent assets	<u>4,845,056</u>
Total assets	<u>5,451,061</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions and other postemployment benefits	<u>115,055</u>
LIABILITIES	
Current liabilities	
Accounts payable	65,332
Accrued expenses	14,767
Refundable deposits	37,525
Compensated absences	20,588
Total current liabilities	<u>138,212</u>
Noncurrent liabilities	
Compensated absences, net of current portion	6,863
Net pension and other postemployment benefits liability	431,745
Total noncurrent liabilities	<u>438,608</u>
Total liabilities	<u>576,820</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions and other postemployment benefits	<u>192,745</u>
NET POSITION	
Net investment in capital assets	4,791,262
Unrestricted (deficit)	5,289
Total net position	<u><u>\$ 4,796,551</u></u>

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, 2022

	<u>Utility Fund</u>
Operating revenues	
Charges for services	
Water	\$ 944,412
Sewer	568,808
Connection fees	55,650
Other revenues	39,142
Total operating revenue	<u>1,608,012</u>
 Operating expenses	
Service supplies and other	501,774
Salaries and wages	421,150
Depreciation and amortization	392,903
Employee benefits	173,247
Total operating expenses	<u>1,489,074</u>
 Operating income (loss)	 118,938
 Nonoperating revenues (expenses)	
Operating grants	<u>321,000</u>
 Increase (decrease) in net position	 439,938
 Total net position, beginning of year	 <u>4,356,613</u>
 Total net position, end of year	 <u>\$ 4,796,551</u>

The accompanying notes are integral to these financial statements.

TOWN OF EAGAR, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2022

	<u>Utility Fund</u>
Cash flows from operating activities	
Receipts from customers	\$ 1,584,464
Payments to suppliers and providers of goods and services	(633,613)
Payments to employees	(416,322)
Net cash provided (used) by operating activities	<u>534,529</u>
 Cash flows from noncapital financing activities	
Operating grant receipts	321,000
Interfund loans	(501,445)
Net cash provided (used) by noncapital financing activities	<u>(180,445)</u>
 Cash flows from capital and related financing activities	
Purchase of capital assets	(49,488)
 Net increase (decrease) in cash	 304,596
 Cash and cash equivalents, beginning of year	 <u>62,477</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 367,073</u></u>
 Cash and cash equivalents	 \$ 329,548
Cash and cash equivalents, restricted	<u>37,525</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 367,073</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, 2022

	Utility Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 118,938
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	392,903
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Accounts receivable	(2,864)
Inventory	12,492
Net other postemployment benefits asset	(14,144)
Deferred outflows of resources related to pensions and other postemployment benefits	(14,321)
Accounts payable	24,357
Accrued expenses	(5,640)
Refundable deposits	(20,684)
Compensated absences payable	10,468
Net pension and other postemployment benefits liability	(109,037)
Deferred inflows of resources related to pensions and other postemployment benefits	142,061
Net cash provided (used) by operating activities	\$ 534,529

The accompanying notes are integral to these financial statements.

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the year ended June 30, 2022, the Town implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, the Town’s financial statements have been modified to reflect the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows or outflows of resources based on the contract payment provisions.

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

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 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.

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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 lease contracts are reported as other financing sources.

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

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. No allowance for uncollectible accounts was considered necessary at June 30, 2022 in the Utility Fund.

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, 2022

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, 2022

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, 2022, if any.

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

N. Leases

As lessee, the Town recognizes lease liabilities with an initial, individual value of \$5,000 or more. The Town uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The Town's estimated incremental borrowing rate is based on the Town's borrowing rate for unsecured debt for a comparable amount and time period, and then decreased based on full collateral.

As lessor, the Town recognizes lease receivables with an initial, individual value of \$5,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Town charges the lessee) and the implicit rate cannot be determined, the Town uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The Town's estimated incremental borrowing rate is calculated as described above.

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 these services rates the security, it must carry the highest rating of that service.

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

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, 2022, the carrying amount of the Town’s total cash in bank was \$3,692,014, and the bank balance was \$3,850,184. Of the bank balance, \$275,851 was covered by federal depository insurance. The remainder was covered by collateral held by the pledging financial institution in the Town’s name.

Restricted cash – Restricted cash in the Utility Fund consists of cash restricted for refundable deposits.

Investments – The Town reported investments in the State Treasurer’s Investment Pool 5 with a reported amount of \$4,976,990. 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.

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

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

	Governmental activities	Business-type activities	Total
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents:			
Cash on hand	\$ 75	\$ -	\$ 75
Amount of deposits	3,324,941	367,073	3,692,014
State Treasurers investment pool 5	4,976,990	-	4,976,990
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 8,302,006</u>	<u>\$ 367,073</u>	<u>\$ 8,669,079</u>

NOTE 3 – LEASES RECEIVABLE

For leases receivable, the Town leases land to a third party under the provisions of a lease agreement. The agreement commenced in May 2022 and will end in April 2027 with four (4) additional options to renew of five (5) year terms. The lessee agrees to pay the Town \$500 each month. Payments shall be increased by two percent (2%) at each five (5) year renewal term.

During the fiscal year ended June 30, 2022, the Town recognized total lease-related revenues of \$590 from this lease.

Variable lease payments

One of the Town’s lease contracts include variable lease payments for a building that are not included in the lease receivable because they are not fixed in substance. The annual lease payments are determined based on annual revenues generated by the merchant times a fixed percent.

During the fiscal year ended June 30, 2022, the Town recognized revenues of \$230,766 for variable lease payments not included in the measurement of the lease receivables.

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2022 consisted of the following:

	<u>General Fund</u>	<u>HURF Fund</u>	<u>Grants Fund</u>
State of Arizona			
State and city sales tax revenues	\$ 242,787	\$ -	\$ -
Auto lieu tax revenues	14,462	-	-
Highway user revenues	-	121,278	-
Other items	4,754	-	49,707
	<u>\$ 262,003</u>	<u>\$ 121,278</u>	<u>\$ 49,707</u>

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2022, was as follows:

	<u>Balance July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2022</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,070,054	\$ -	\$ -	\$ 2,070,054
Construction in progress	779,442	205,269	732,721	251,990
Total capital assets not being depreciated	<u>2,849,496</u>	<u>205,269</u>	<u>732,721</u>	<u>2,322,044</u>
Capital assets being depreciated:				
Land improvements	1,415,362	8,646	-	1,424,008
Buildings and improvements	3,721,568	281,687	-	4,003,255
Furniture, equipment and vehicles	2,567,314	281,572	-	2,848,886
Infrastructure-roads	13,607,015	1,552,650	-	15,159,665
Total	<u>21,311,259</u>	<u>2,124,555</u>	<u>-</u>	<u>23,435,814</u>
Less accumulated depreciation for:				
Land improvements	(751,424)	(65,568)	-	(816,992)
Buildings and improvements	(1,829,242)	(79,329)	-	(1,908,571)
Furniture, equipment and vehicles	(2,308,892)	(91,377)	-	(2,400,269)
Infrastructure-roads	(9,772,851)	(437,133)	-	(10,209,984)
Total	<u>(14,662,409)</u>	<u>(673,407)</u>	<u>-</u>	<u>(15,335,816)</u>
Total capital assets being depreciated, net	<u>6,648,850</u>	<u>2,797,962</u>	<u>-</u>	<u>8,099,998</u>
Governmental activities capital assets, net	<u>\$ 9,498,346</u>	<u>\$ 3,003,231</u>	<u>\$ 732,721</u>	<u>\$ 10,422,042</u>

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 5 – CAPITAL ASSETS – Continued

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Business-type activities:				
Capital assets not being depreciated:				
Land and water rights	\$ 60,539	\$ -	\$ -	\$ 60,539
Construction in progress	164	-	164	-
Total capital assets not being depreciated	<u>60,703</u>	<u>-</u>	<u>164</u>	<u>60,539</u>
Capital assets being depreciated:				
Wastewater treatment plant and system improvements	7,891,696	19,826	-	7,911,522
Wells and water system improvements	9,212,339	19,827	-	9,232,166
Furniture, equipment and vehicles	341,126	9,999	-	351,125
Total	<u>17,445,161</u>	<u>49,652</u>	<u>-</u>	<u>17,494,813</u>
Less accumulated depreciation for:				
Wastewater treatment plant and system improvements	(5,750,665)	(177,029)	-	(5,927,694)
Wells and water system improvements	(6,295,677)	(212,255)	-	(6,507,932)
Furniture, equipment and vehicles	(324,845)	(3,619)	-	(328,464)
Total	<u>(12,371,187)</u>	<u>(392,903)</u>	<u>-</u>	<u>(12,764,090)</u>
Total capital assets being depreciated, net	<u>5,073,974</u>	<u>442,555</u>	<u>-</u>	<u>4,730,723</u>
Business-type activities capital assets, net	<u>\$ 5,134,677</u>	<u>\$ 442,555</u>	<u>\$ 164</u>	<u>\$ 4,791,262</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 44,197
Public safety	42,879
Public works and streets	119,457
Culture and recreation	466,874
Total governmental activities depreciation expense	<u>\$ 673,407</u>
Business-type activities:	
Water	\$ 215,874
Sewer	177,029
Total business-type activities depreciation expense	<u>\$ 392,903</u>

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2022.

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within one year
Governmental activities:					
Net pension and other postemployment benefits liability	\$ 4,346,940	\$ -	\$ 876,891	\$ 3,470,049	\$ -
Compensated absences	80,816	-	21,159	59,657	44,743
	<u>\$ 4,427,756</u>	<u>\$ -</u>	<u>\$ 898,050</u>	<u>\$ 3,529,706</u>	<u>\$ 44,743</u>
Business-type activities:					
Net pension and other postemployment benefits liability	\$ 540,782	\$ -	\$ 109,037	\$ 431,745	\$ -
Compensated absences	16,983	10,468	-	27,451	20,588
	<u>\$ 557,765</u>	<u>\$ 10,468</u>	<u>\$ 109,037</u>	<u>\$ 459,196</u>	<u>\$ 20,588</u>

NOTE 7 – 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 8 – 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
June 30, 2022

NOTE 9 – 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, 2022, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net OPEB assets	\$ 186,289	\$ 16,269	\$ 202,558
Net pension and OPEB liabilities	3,470,049	431,745	3,901,794
Deferred outflows of resources related to pension and OPEB	670,194	115,055	785,249
Deferred inflows of resources related to pension and OPEB	737,320	192,745	930,065
Pension and OPEB expense	238,463	(8,313)	230,150

The Town reported \$430,529 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, 2022

NOTE 9 – 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.

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 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 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, 2022

NOTE 9 – 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, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 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 10.22 percent (10.13 percent for retirement and 0.09 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, 2022, were \$143,577, \$2,481, and \$2,260, respectively.

During fiscal year 2022, the Town paid for ASRS pension and OPEB contributions as follows: 65.54 percent from the governmental funds and 34.46 percent from the Utility Fund.

Liability - At June 30, 2022, the Town reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	Net Pension/OPEB (Asset) Liability
Pension	\$ 1,250,886
Health insurance premium benefit	(47,210)
Long-term disability	2,002

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net asset and net liabilities were measured as of June 30, 2021. 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, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7–7.2 percent to 2.9–8.4 percent.

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, 2021. The Town’s proportions were measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

	Proportion June 30, 2021	Increase (decrease) from June 30, 2020
Pension	0.00952%	-0.00068%
Health insurance premium benefit	0.00969%	-0.00016%
Long-term disability	0.00970%	-0.00018%

Expense – For the year ended June 30, 2022, the Town recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	(19,938)
Health insurance premium benefit	(5,438)
Long-term disability	1,253

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources—At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,069	\$ -	\$ -	\$ 16,373	\$ 578	\$ 163
Changes of assumptions or other inputs	162,813	-	2,341	1,909	640	2,523
Net difference between projected and actual earnings on pension plan investments	-	396,325	-	17,513	-	1,387
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	121,868	122	42	-	1,228
Town contributions subsequent to the measurement date	143,577	-	2,481	-	2,260	-
Total	\$ 325,459	\$ 518,193	\$ 4,944	\$ 35,837	\$ 3,478	\$ 5,301

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, 2023. 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,	Pension	Health Insurance Premium Benefit	Long-Term Disability
2023	\$ (84,106)	\$ (7,836)	(625)
2024	(28,260)	(7,500)	(601)
2025	(87,369)	(8,211)	(650)
2026	(136,576)	(9,092)	(860)
2027	-	(735)	(396)
Thereafter	-	-	(951)

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

ASRS

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4% 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, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 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
June 30, 2022

NOTE 9 – 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:

Asset Class	Target Allocation	Long-term Expected Geometric Rate of Return
Equity	50%	4.90%
Fixed income - credit	20%	5.20%
Fixed income - interest rate sensitive	10%	0.70%
Real Estate	20%	5.70%
Total	100%	

Discount Rate – At June 30, 2021, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. 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 7.0 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 (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's Proportionate share of the			
Net pension liability	\$ 1,967,538	\$ 1,250,886	\$ 653,396
Net insurance premium benefit liability (asset)	(31,258)	(47,210)	(60,775)
Net long-term disability liability	2,607	2,002	1,417

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, 2022

NOTE 9 – 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.

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – 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
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 36 consecutive months of last 20 years
Benefit percentage		
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	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was 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, 2022

NOTE 9 – 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, 2022, the following employees were covered by the agent plans’ benefit terms:

	PSPRS Police	
	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	8	8
Inactive employees entitled to but not yet receiving benefits	1	-
Active employees	5	5
Total	14	13

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for 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, 2022, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member- Pension	Town-Pension	Town-Health Insurance Premium Benefit
PSPRS Police	7.65%	80.80%	0.00%

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The Town’s contributions to the plans for the year ended June 30, 2022, were:

	Pension	Health Insurance Premium Benefit
PSPRS Police	\$ 269,339	\$ -

During fiscal year 2022, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Liability – At June 30, 2022, the Town reported the following assets and liabilities:

	Net Pension (Asset) Liability	Net OPEB (Asset) Liability
PSPRS Police	\$ 2,648,906	\$ (155,348)

The net assets and net liabilities were measured as of June 30, 2021, 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, 2021
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, 2021, 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, 2022

NOTE 9 – 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>
U.S. public equity	24%	4.08%
International public equity	16%	5.20%
Global private equity	20%	7.67%
Other assets (capital appreciation)	7%	5.43%
Core bonds	2%	0.42%
Private credit	20%	5.74%
Diversifying strategies	10%	3.99%
Cash - Mellon	1%	-0.31%
Total	<u>100%</u>	

Discount Rate – At June 30, 2021, 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, 2022

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension/OPEB Liability (Asset)

	Pension		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 5,172,179	\$ 2,059,257	\$ 3,112,922
Adjustment to Beginning of Year	-	-	-
Changes for the year			
Service Cost	77,261	-	77,261
Interest on the total liability	372,133	-	372,133
Differences between expected and actual experience in the measurement of the liability	(82,905)	-	(82,905)
Contributions-employer	-	223,774	(223,774)
Contributions-employee	-	28,945	(28,945)
Net investment income	-	580,541	(580,541)
Benefit payments, including refunds of employee contributions	(303,456)	(303,456)	-
Administrative expense	-	(2,755)	2,755
Net changes	63,033	527,049	(464,016)
Balances at June 30, 2022	\$ 5,235,212	\$ 2,586,306	\$ 2,648,906

	Health Insurance Premium Benefit		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at June 30, 2021	\$ 46,964	\$ 145,595	\$ (98,631)
Changes for the year			
Service Cost	1,966	-	1,966
Interest on the total liability	3,548	-	3,548
Differences between expected and actual experience in the measurement of the liability	(22,015)	-	(22,015)
Net investment income	-	40,382	(40,382)
Benefit payments, including refunds of employee contributions	(643)	(643)	-
Administrative expense	-	(166)	166
Net changes	(17,144)	39,573	(56,717)
Balances at June 30, 2022	\$ 29,820	\$ 185,168	\$ (155,348)

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – 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	\$ 3,332,121	\$ 2,648,906	\$ 2,089,090
Net OPEB (asset) liability	(151,209)	(155,348)	(158,796)

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, 2022, the Town recognized the following pension and OPEB expense:

	<u>Pension Expense</u>	<u>OPEB Expense</u>
PSPRS Police	\$ 273,947	\$ (19,674)

Deferred Outflows/Inflows of Resources – At June 30, 2022, 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	\$ 153,306	\$ 65,296	\$ 11	\$ 32,484
Changes of assumptions or other inputs	28,446	-	266	-
Net difference between projected and actual earnings on pension plan investments	-	255,530	-	17,424
Town contributions subsequent to the measurement date	269,339	-	-	-
Total	<u>\$ 451,091</u>	<u>\$ 320,826</u>	<u>\$ 277</u>	<u>\$ 49,908</u>

TOWN OF EAGAR, ARIZONA
Notes to Financial Statements
June 30, 2022

NOTE 9 – 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, 2023. 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,	PSPRS Police	
	Pension	Health
2023	\$ 28,253	\$ (13,789)
2024	1,794	(13,904)
2025	(82,687)	(11,578)
2026	(86,434)	(10,360)
2027	-	-
Thereafter	-	-

NOTE 10 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2022 consisted of \$50,495 owed by the Grants Fund to the General Fund. This interfund receivable and payable was necessary in order to fund the ongoing activities of the Grants Fund in current period. This interfund loan is expected to be repaid once grant receivables are collected.

REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF EAGAR, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 2,317,959	\$ 2,317,959	\$ 1,634,017	\$ (683,942)
Taxes	1,150,000	1,150,000	1,728,716	578,716
Other revenue	37,300	37,300	11,270	(26,030)
Charges for services	83,225	83,225	349,425	266,200
Licenses and permits	103,550	103,550	46,475	(57,075)
Investment income	-	-	12,645	12,645
Fines and forfeitures	12,500	12,500	8,774	(3,726)
Total revenues	<u>3,704,534</u>	<u>3,704,534</u>	<u>3,791,322</u>	<u>86,788</u>
Expenditures				
Mayor and council	28,188	28,188	24,739	3,449
General government	254,200	254,200	450,643	(196,443)
Magistrate	48,875	48,875	39,330	9,545
Town manager	66,750	66,750	65,608	1,142
Town clerk	39,405	39,405	41,162	(1,757)
Community development	86,890	86,890	94,716	(7,826)
Finance	119,190	119,190	115,505	3,685
Police	1,066,081	1,066,081	924,453	141,628
Fire	284,690	284,690	187,777	96,913
Police cont/Muni Code Officer	131,525	131,525	69,074	62,451
Parks and recreation	52,000	52,000	10,320	41,680
Facilities	503,260	503,260	305,926	197,334
Fleet maintenance	103,600	103,600	93,952	9,648
Contingency	1,000,000	1,000,000	-	1,000,000
Total expenditures	<u>3,784,654</u>	<u>3,784,654</u>	<u>2,423,205</u>	<u>1,361,449</u>
Excess (deficiency) of revenue over (under) expenditures	(80,120)	(80,120)	1,368,117	1,448,237
Other financing sources (uses)				
Sale of capital assets	-	-	10,100	10,100
Net change in fund balance	(80,120)	(80,120)	1,378,217	1,458,337
Fund balances, beginning of year	<u>5,455,771</u>	<u>5,455,771</u>	<u>5,455,771</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 5,375,651</u></u>	<u><u>\$ 5,375,651</u></u>	<u><u>\$ 6,833,988</u></u>	<u><u>\$ 1,458,337</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, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 1,654,305	\$ 1,654,305	\$ 1,658,438	\$ 4,133
Other revenue	3,000	3,000	3,973	973
Total revenues	<u>1,657,305</u>	<u>1,657,305</u>	<u>1,662,411</u>	<u>5,106</u>
Expenditures				
Public works	<u>2,795,894</u>	<u>2,795,894</u>	<u>1,648,559</u>	<u>1,147,335</u>
Excess (deficiency) of revenue over (under) expenditures	(1,138,589)	(1,138,589)	13,852	1,152,441
Other financing sources (uses)				
Transfers	-	-	-	-
Net change in fund balance	(1,138,589)	(1,138,589)	13,852	1,152,441
Fund balances, beginning of year	<u>927,962</u>	<u>927,962</u>	<u>927,962</u>	<u>-</u>
Fund balances, end of year	<u>\$ (210,627)</u>	<u>\$ (210,627)</u>	<u>\$ 941,814</u>	<u>\$ 1,152,441</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF EAGAR, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 2,550,000	\$ 2,550,000	\$ 137,116	\$ (2,412,884)
Expenditures				
Grants	2,550,000	2,550,000	189,653	2,360,347
Excess (deficiency) of revenue over (under) expenditures	-	-	(52,537)	(52,537)
Other financing sources (uses)				
Transfers	-	-	-	-
Net change in fund balance	-	-	(52,537)	(52,537)
Fund balances, beginning of year	1,424	1,424	1,424	-
Fund balances, end of year	<u>\$ 1,424</u>	<u>\$ 1,424</u>	<u>\$ (51,113)</u>	<u>\$ (52,537)</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF EAGAR, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2022

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, 2022, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the General Government, Town Clerk, and the Community Development departments.

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, 2022

ASRS-Pension

	Reporting Fiscal Year (Measurement Date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
Town's proportion of the net pension liability	0.009520%	0.010200%	0.011320%	0.012180%	0.014130%	0.014480%	0.014000%	0.013973%	Information
Town's proportionate share of the net pension liability	\$ 1,250,886	\$ 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	\$ 1,073,559	\$ 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	116.52%	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	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)					2017 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	Information not available
Town's proportion of the net OPEB (asset)	0.009690%	0.009850%	0.010760%	0.011860%	0.013940%	Information
Town's proportionate share of the net OPEB (asset)	\$ (47,210)	\$ (6,974)	\$ (2,974)	\$ (4,271)	\$ (7,589)	not available
Town's covered payroll	\$ 1,073,559	\$ 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	-4.40%	-0.67%	-0.27%	-0.31%	-0.48%	
Plan fiduciary net position as a percentage of the total OPEB liability	130.24%	104.33%	101.62%	102.20%	103.57%	

ASRS-Long-Term Disability

	Reporting Fiscal Year (Measurement Date)					2017 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	Information not available
Town's proportion of the net OPEB (asset)	0.009700%	0.009880%	0.010930%	0.012200%	0.014010%	Information
Town's proportionate share of the net OPEB (asset)	\$ 2,002	\$ 7,495	\$ 7,120	\$ 6,375	\$ 5,078	not available
Town's covered payroll	\$ 1,073,559	\$ 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	0.19%	0.72%	0.64%	0.46%	0.32%	
Plan fiduciary net position as a percentage of the total OPEB liability	90.38%	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 (Asset) and Related Ratios
Agent Plans
June 30, 2022

	Reporting Fiscal Year (Measurement Date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
PSPRS									
Total pension liability									Information not available
Service cost	\$ 77,261	\$ 63,696	\$ 69,115	\$ 65,189	\$ 81,180	\$ 45,508	\$ 62,438	\$ 68,662	
Interest on the total pension liability	372,133	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	(82,905)	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	(303,456)	(257,363)	(233,084)	(249,189)	(243,715)	(414,461)	(181,203)	(179,775)	
Net change in total pension liability	63,033	452,720	263,567	(69,226)	361,908	119,383	191,896	804,669	
Total pension liability - beginning	5,172,179	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>\$ 5,235,212</u>	<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	\$ 223,774	\$ 214,110	\$ 220,889	\$ 340,236	\$ 174,844	\$ 153,528	\$ 102,389	\$ 102,307	
Contributions - employee	28,945	28,871	29,476	27,597	40,489	40,357	39,866	31,614	
Net investment income	580,541	26,623	107,095	128,040	188,332	10,064	68,886	228,166	
Benefit payments, including refunds of employee contributions	(303,456)	(257,363)	(233,084)	(249,189)	(243,715)	(414,461)	(181,203)	(179,775)	
Hall/Parker Settlement	-	-	-	(47,575)	-	-	-	-	
Administrative expense	(2,755)	(2,172)	(2,862)	(2,649)	-	-	-	-	
Other changes	-	-	-	22	(2,043)	(95,648)	(3,614)	(38,742)	
Net change in plan fiduciary net position	527,049	10,069	121,514	196,482	157,907	(306,160)	26,324	143,570	
Plan fiduciary net position - beginning	2,059,257	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>\$ 2,586,306</u>	<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>\$ 2,648,906</u>	<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	49.40%	39.81%	44.29%	44.19%	39.17%	38.78%	47.50%	49.18%	
Covered payroll	\$ 306,547	\$ 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	864.11%	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 (Asset) and Related Ratios
Agent Plans
June 30, 2022

PSPRS	Reporting Fiscal Year (Measurement Date)					2017 through 2013
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Total OPEB liability						
Service cost	\$ 1,966	\$ 2,214	\$ 1,399	\$ 1,299	\$ 1,654	Information not available
Interest on the total OPEB liability	3,548	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	(22,015)	(14,781)	(15,008)	187	(395)	
Changes of assumptions or other inputs	-	-	663	-	(2,642)	
Benefit payments	(643)	(858)	(858)	(841)	(825)	
Net change in total OPEB liability	(17,144)	(9,141)	(8,920)	5,097	2,229	
Total OPEB liability - beginning	46,964	56,105	65,025	59,928	57,699	
Total OPEB liability - ending (a)	<u>\$ 29,820</u>	<u>\$ 46,964</u>	<u>\$ 56,105</u>	<u>\$ 65,025</u>	<u>\$ 59,928</u>	
Plan fiduciary net position						
Net investment income	\$ 40,382	\$ 1,839	\$ 7,481	\$ 9,073	\$ 13,779	
Benefit payments	(643)	(858)	(858)	(841)	(825)	
Administrative expense	(166)	(150)	(129)	(138)	(122)	
Other changes	-	-	-	(1)	-	
Net change in plan fiduciary net position	39,573	831	6,494	8,093	12,832	
Plan fiduciary net position - beginning	145,595	144,764	138,270	130,177	117,345	
Plan fiduciary net position - ending (b)	<u>\$ 185,168</u>	<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>\$ (155,348)</u>	<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	620.95%	310.01%	258.02%	212.64%	217.22%	
Covered payroll	\$ 306,547	\$ 351,132	\$ 335,620	\$ 333,106	\$ 351,886	
Town's net OPEB (asset) liability as a percentage of covered payroll	-50.68%	-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, 2022

ASRS-Pension

	Reporting Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 143,577	\$ 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	<u>(143,577)</u>	<u>(124,694)</u>	<u>(119,838)</u>	<u>(133,513)</u>	<u>(132,013)</u>	<u>(148,561)</u>	<u>(147,137)</u>	<u>(140,427)</u>	<u>(134,772)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered payroll	\$ 1,225,394	\$ 1,073,599	\$ 1,046,620	\$ 1,105,083	\$ 1,399,935	\$ 1,578,724	\$ 1,473,609	\$ 1,252,273	\$ 1,259,551	
Town's contributions as a percentage of covered payroll	11.72%	11.61%	11.45%	12.08%	9.43%	9.41%	9.98%	11.21%	10.70%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year						2016 through 2013
	2022	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 2,481	\$ 4,145	\$ 5,128	\$ 5,095	\$ 5,090	\$ 7,502	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(2,481)</u>	<u>(4,145)</u>	<u>(5,128)</u>	<u>(5,095)</u>	<u>(5,090)</u>	<u>(7,502)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 1,225,394	\$ 1,073,599	\$ 1,046,620	\$ 1,105,083	\$ 1,399,935	\$ 1,578,724	
Town's contributions as a percentage of covered payroll	0.20%	0.38%	0.50%	0.46%	0.36%	0.48%	

ASRS-Long-Term Disability

	Reporting Fiscal Year						2016 through 2013
	2022	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 2,260	\$ 1,937	\$ 1,779	\$ 1,817	\$ 1,936	\$ 1,906	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(2,260)</u>	<u>(1,937)</u>	<u>(1,779)</u>	<u>(1,817)</u>	<u>(1,936)</u>	<u>(1,906)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 1,225,394	\$ 1,073,599	\$ 1,046,620	\$ 1,105,083	\$ 1,399,935	\$ 1,578,724	
Town's contributions as a percentage of covered payroll	0.18%	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, 2022

PSPRS-Pension

	Reporting Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 269,339	\$ 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	(269,339)	(223,774)	(214,110)	(220,889)	(340,236)	(174,844)	(153,528)	(102,389)	(102,307)	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 333,248	\$ 306,547	\$ 351,132	\$ 335,620	\$ 333,106	\$ 351,886	\$ 260,197	\$ 360,781	\$ 360,723	
Town's contributions as a percentage of covered payroll	80.82%	73.00%	60.98%	65.82%	102.14%	49.69%	59.00%	28.38%	28.36%	

PSPRS-OPEB

	Reporting Fiscal Year						2016 through 2013
	2022	2021	2020	2019	2018	2017	
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Information not available
Town's contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 333,248	\$ 306,547	\$ 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%	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, 2022

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 2020 actuarial valuation	18 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. 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 2019 actuarial valuation, changed to PubS-2010 tables. 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

TOWN OF EAGAR, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB plan schedules
June 30, 2022

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

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.

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, Arizona

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, Arizona, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Eagar, Arizona's, basic financial statements, and have issued our report thereon dated December 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Eagar, Arizona's internal control over financial reporting (internal control) as a basis for designing 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 Town of Eagar, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Eagar, Arizona's internal control.

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

Our consideration of 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Eagar, Arizona's financial statements are free from 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 financial statements. 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item **2022-001**.

Town of Eagar, Arizona's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Town of Eagar, Arizona's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. Town of Eagar, Arizona's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.



December 4, 2023

TOWN OF EAGAR, ARIZONA
Schedule of Findings and Responses
June 30, 2022

Item: 2022-001

Subject: Timeliness of annual financial reporting

Criteria/Specific Requirements: Arizona Revised Statutes require cities and towns to complete their annual financial statement audit and related submissions within nine months after the fiscal year end.

Condition: The Town's financial records were not ready to complete an annual financial statement audit and related submissions until after the required deadline.

Recommendation: Management should implement policies and procedures to complete year end adjustments and reconciliations within a reasonable time period to allow for the completion of the annual audit and related submissions within the allowed time requirement.

Response: Management agrees with this finding and will ensure that financial records and reconciliations are complete and ready for audit within a reasonable time period to allow for the completion of the annual audit and related submissions within the allowed time requirement. This will be done prior to December 31 each year by the Finance Director.