

**TOWN OF PIMA, ARIZONA**

Annual Financial Statements  
and Independent Auditors' Report

June 30, 2021

## TABLE OF CONTENTS

|  |    |
|--|----|
| INDEPENDENT AUDITORS' REPORT .....   | 1  |
| Government-wide Statements   |    |
| Statement of Net Position .....  | 4  |
| Statement of Activities.....   | 5  |
| Fund Statements  |    |
| Balance Sheet – Governmental Funds .....   | 6  |
| Reconciliation of the Governmental Funds Balance Sheet to<br>the Government-wide Statement of Net Position .....   | 7  |
| Statement of Revenues, Expenditures, and Changes in Fund<br>Balances – Governmental Funds .....  | 8  |
| Reconciliation of the Governmental Funds Statement of<br>Revenue, Expenditures, and Changes in Fund Balances<br>to the Government-wide Statement of Activities.....  | 9  |
| Statement of Net Position – Proprietary Funds.....   | 10 |
| Statement of Revenues, Expenses, and Changes in Fund Net<br>Position – Proprietary Funds.....  | 11 |
| Statement of Cash Flows – Proprietary Funds.....   | 12 |
| Statement of Fiduciary Net Position – Fiduciary Funds.....   | 14 |
| Statement of Changes in Fiduciary Net Position – Fiduciary<br>Funds.....   | 15 |
| Notes to Financial Statements .....  | 16 |
| Required Supplementary Information   |    |
| Schedule of the Town's Proportionate Share of the Net<br>Pension/OPEB Liability – Cost-Sharing Plans.....  | 42 |
| Schedule of Changes in the Town's Net Pension/OPEB<br>Liability (Asset) and Related Ratios – Agent Plans.....  | 44 |
| Schedule of Town Pension/OPEB Contributions .....  | 46 |
| Notes to Pension/OPEB Plan Schedules.....  | 49 |
| Independent Auditor's Report on Internal Control over Financial<br>Reporting and on Compliance and other Matters Based on an Audit of<br>Financial Statements Performed in Accordance with Government<br>Auditing Standards..... | 52 |
| Schedule of Findings and Responses.....  | 54 |



1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

## **INDEPENDENT AUDITORS' REPORT**

To the Town Council  
Town of Pima, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Pima, Arizona, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Pima, Arizona, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

The Town of Pima, Arizona has not presented the Management's Discussion and Analysis or the Budgetary Comparison Schedules 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 Schedule of the Town's Proportionate Share of the Pension and OPEB Liability – Cost-Sharing Plans, the Schedule of Changes in Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Plans, and the Schedule of Town's Pension/OPEB Contributions, as identified in the accompanying 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.

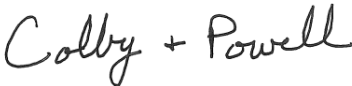
### *Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2022, on our consideration of the Town of Pima, 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'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 Pima, Arizona's internal control over financial reporting and compliance.

  
July 25, 2022

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

|  | Primary Government         |                             |                     |
|--|----------------------------|-----------------------------|---------------------|
|  | Governmental<br>Activities | Business-type<br>Activities | Total               |
| <b>ASSETS</b>  |                            |                             |                     |
| Cash and cash equivalents  | \$ 630,896                 | \$ -                        | \$ 630,896          |
| Cash and cash equivalents, restricted                                      | -                          | 22,572                      | 22,572              |
| Accounts receivable, net   | -                          | 2,253                       | 2,253               |
| Taxes receivable   | 4,141                      | -                           | 4,141               |
| Due from other governments   | 109,868                    | -                           | 109,868             |
| Internal balances  | 266,608                    | (266,608)                   | -                   |
| Net pension and other postemployment benefits asset                        | 321,154                    | 368                         | 321,522             |
| Capital assets, not being depreciated                                      | 445,800                    | 112,200                     | 558,000             |
| Capital assets, being depreciated, net                                     | 2,574,757                  | 196,992                     | 2,771,749           |
| <b>Total assets</b>  | <b>4,353,224</b>           | <b>67,777</b>               | <b>4,421,001</b>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                      |                            |                             |                     |
| Deferred outflows related to pensions<br>and other postemployment benefits | 192,496                    | 18,017                      | 210,513             |
| <b>LIABILITIES</b>   |                            |                             |                     |
| Accounts payable   | 31,392                     | 9,680                       | 41,072              |
| Accrued expenses   | 57,590                     | 692                         | 58,282              |
| Customer deposits  | -                          | 22,572                      | 22,572              |
| Noncurrent liabilities   |                            |                             |                     |
| Due within 1 year  | 158,314                    | 12,989                      | 171,303             |
| Due in more than 1 year  | 689,012                    | 102,453                     | 791,465             |
| <b>Total liabilities</b>   | <b>936,308</b>             | <b>148,386</b>              | <b>1,084,694</b>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                       |                            |                             |                     |
| Deferred inflows related to pensions<br>and other postemployment benefits  | 60,189                     | 4,508                       | 64,697              |
| <b>NET POSITION</b>  |                            |                             |                     |
| Net investment in capital assets   | 2,593,356                  | 296,381                     | 2,889,737           |
| Restricted for:  |                            |                             |                     |
| Highways and streets   | 336,768                    | -                           | 336,768             |
| Public safety  | 46,456                     | -                           | 46,456              |
| Unrestricted (deficit)   | 572,643                    | (363,481)                   | 209,162             |
| <b>Total net position</b>  | <b>\$ 3,549,223</b>        | <b>\$ (67,100)</b>          | <b>\$ 3,482,123</b> |

*See accompanying notes to financial statements.*

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

| Functions / Programs                     | Expenses            | Program Revenues           |  |  | Net (Expense) Revenue and<br>Changes in Net Position |                             |                     |
|--|---------------------|----------------------------|--|--|--|-----------------------------|---------------------|
|  |                     | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Primary Government                                   |                             | Total               |
|  |                     |                            |  |  | Governmental<br>Activities                           | Business-type<br>Activities |                     |
| <b>Primary government</b>                |                     |                            |  |  |  |                             |                     |
| <b>Governmental activities:</b>          |                     |                            |  |  |  |                             |                     |
| General government                       | \$ 634,803          | \$ 121,853                 | \$ -                                     | \$ -                                   | \$ (512,950)   | \$ -                        | \$ (512,950)        |
| Public safety                            | 1,146,546           | 10,112                     | 292,876                                  | 114,809                                | (728,749)  | -                           | (728,749)           |
| Highways and streets                     | 486,616             | -                          | 238,321                                  | 23,490                                 | (224,805)  | -                           | (224,805)           |
| Parks and recreation                     | 397,305             | 40,423                     | -  | -                                      | (356,882)  | -                           | (356,882)           |
| Interest on long-term debt               | 24,968              | -                          | -  | -                                      | (24,968)   | -                           | (24,968)            |
| Total governmental activities            | <u>2,690,238</u>    | <u>172,388</u>             | <u>531,197</u>                           | <u>138,299</u>                         | <u>(1,848,354)</u>                                   | <u>-</u>                    | <u>(1,848,354)</u>  |
| <b>Business-type activities:</b>         |                     |                            |  |  |  |                             |                     |
| Sewer                                    | 238,333             | 187,641                    | -  | -                                      | -  | (50,692)                    | (50,692)            |
| Total primary government                 | <u>\$ 2,928,571</u> | <u>\$ 360,029</u>          | <u>\$ 531,197</u>                        | <u>\$ 138,299</u>                      | <u>(1,848,354)</u>                                   | <u>(50,692)</u>             | <u>(1,899,046)</u>  |
| <b>General revenues:</b>                 |                     |                            |  |  |  |                             |                     |
| Taxes:                                   |                     |                            |  |  |  |                             |                     |
| Local sales tax                          |                     |                            |  |  | 690,742  | -                           | 690,742             |
| Franchise tax                            |                     |                            |  |  | 55,684   | -                           | 55,684              |
| Property tax                             |                     |                            |  |  | 13,303   | -                           | 13,303              |
| Shared revenue-Urban revenue             |                     |                            |  |  | 365,574  | -                           | 365,574             |
| Shared revenue-State sales tax           |                     |                            |  |  | 295,864  | -                           | 295,864             |
| Shared revenue-State vehicle license tax |                     |                            |  |  | 187,011  | -                           | 187,011             |
| Investment earnings                      |                     |                            |  |  | 1,057  | -                           | 1,057               |
| Miscellaneous                            |                     |                            |  |  | 65,430   | -                           | 65,430              |
| Total general revenues                   |                     |                            |  |  | <u>1,674,665</u>                                     | <u>-</u>                    | <u>1,674,665</u>    |
| Change in net position                   |                     |                            |  |  | (173,689)  | (50,692)                    | (224,381)           |
| Net position, beginning of year          |                     |                            |  |  | 3,722,912  | (16,408)                    | 3,706,504           |
| Net position, end of year                |                     |                            |  |  | <u>\$ 3,549,223</u>                                  | <u>\$ (67,100)</u>          | <u>\$ 3,482,123</u> |

*See accompanying notes to financial statements.*

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

|  | General<br>Fund   | HURF<br>Fund      | Grants<br>Fund   | Total<br>Governmental<br>Funds |
|--|-------------------|-------------------|------------------|--------------------------------|
| <b>ASSETS</b>                              |                   |                   |                  |                                |
| Cash and cash equivalents                  | \$ 263,895        | \$ 311,938        | \$ 55,063        | \$ 630,896                     |
| Taxes receivable                           | 4,141             | -                 | -                | 4,141                          |
| Due from other governments                 | 85,067            | 21,494            | 3,307            | 109,868                        |
| Due from other funds                       | 266,608           | -                 | -                | 266,608                        |
| <b>Total assets</b>                        | <b>\$ 619,711</b> | <b>\$ 333,432</b> | <b>\$ 58,370</b> | <b>\$ 1,011,513</b>            |
| <b>LIABILITIES</b>                         |                   |                   |                  |                                |
| Accounts payable                           | \$ 27,076         | \$ 4,175          | \$ 141           | \$ 31,392                      |
| Accrued expenses                           | 53,328            | 2,938             | 1,324            | 57,590                         |
| <b>Total liabilities</b>                   | <b>80,404</b>     | <b>7,113</b>      | <b>1,465</b>     | <b>88,982</b>                  |
| <b>FUND BALANCES</b>                       |                   |                   |                  |                                |
| Nonspendable                               | 266,608           | -                 | -                | 266,608                        |
| Restricted for:                            |                   |                   |                  |                                |
| Highways and streets                       | -                 | 326,319           | 10,449           | 336,768                        |
| Public safety                              | -                 | -                 | 46,456           | 46,456                         |
| Unassigned                                 | 272,699           | -                 | -                | 272,699                        |
| <b>Total fund balances</b>                 | <b>539,307</b>    | <b>326,319</b>    | <b>56,905</b>    | <b>922,531</b>                 |
| <b>Total liabilities and fund balances</b> | <b>\$ 619,711</b> | <b>\$ 333,432</b> | <b>\$ 58,370</b> | <b>\$ 1,011,513</b>            |

*See accompanying notes to financial statements.*



**TOWN OF PIMA, ARIZONA**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Government-wide Statement of Net Position**  
**June 30, 2021**

|  |           |                                |
|--|-----------|--------------------------------|
| <b>Fund balances-total governmental funds</b>  | \$        | 922,531                        |
| Amounts reported for governmental activities in the Statement of Net Position different because:   |           |                                |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  |           | 3,020,557                      |
| Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.  |           | 321,154                        |
| Long-term liabilities, such as net pension/OPEB liabilities, notes payable, and capital leases, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.      |           | (847,326)                      |
| Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds. |           | <u>132,307</u>                 |
| <b>Net position of governmental activities</b>   | <b>\$</b> | <b><u><u>3,549,223</u></u></b> |

*See accompanying notes to financial statements.*

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

|  | General<br>Fund   | HURF<br>Fund      | Grants<br>Fund   | Total<br>Governmental<br>Funds |
|--|-------------------|-------------------|------------------|--------------------------------|
| <b>Revenues</b>  |                   |                   |                  |                                |
| Intergovernmental  | \$ 1,019,945      | \$ 238,321        | \$ 259,679       | \$ 1,517,945                   |
| Taxes  | 759,731           | -                 | -                | 759,731                        |
| Charges for services   | 127,947           | -                 | -                | 127,947                        |
| Miscellaneous  | 65,430            | -                 | -                | 65,430                         |
| Licenses and permits   | 29,616            | -                 | -                | 29,616                         |
| Fees, fines, and forfeits                                    | 14,824            | -                 | -                | 14,824                         |
| Investment earnings  | 1,057             | -                 | -                | 1,057                          |
| <b>Total revenues</b>  | <u>2,018,550</u>  | <u>238,321</u>    | <u>259,679</u>   | <u>2,516,550</u>               |
| <b>Expenditures</b>  |                   |                   |                  |                                |
| Current:   |                   |                   |                  |                                |
| General government   | 612,719           | -                 | -                | 612,719                        |
| Public safety  | 936,605           | -                 | 145,382          | 1,081,987                      |
| Highways and streets   | 1,535             | 397,283           | 1,487            | 400,305                        |
| Parks and recreation   | 392,582           | -                 | -                | 392,582                        |
| Debt service:  |                   |                   |                  |                                |
| Principal  | 124,279           | 1,322             | 6,923            | 132,524                        |
| Interest   | 20,502            | 2,407             | 2,059            | 24,968                         |
| Capital outlay   | 6,693             | -                 | 41,179           | 47,872                         |
| <b>Total expenditures</b>                                    | <u>2,094,915</u>  | <u>401,012</u>    | <u>197,030</u>   | <u>2,692,957</u>               |
| <b>Excess (deficiency) of revenues<br/>over expenditures</b> | <u>(76,365)</u>   | <u>(162,691)</u>  | <u>62,649</u>    | <u>(176,407)</u>               |
| <b>Other financing sources (uses)</b>                        |                   |                   |                  |                                |
| Transfers  | 19,183            | -                 | (19,183)         | -                              |
| <b>Net change in fund balances</b>                           | (57,182)          | (162,691)         | 43,466           | (176,407)                      |
| Fund balances, beginning of year                             | <u>596,489</u>    | <u>489,010</u>    | <u>13,439</u>    | <u>1,098,938</u>               |
| <b>Fund balances, end of year</b>                            | <u>\$ 539,307</u> | <u>\$ 326,319</u> | <u>\$ 56,905</u> | <u>\$ 922,531</u>              |

*See accompanying notes to financial statements.*

**TOWN OF PIMA, ARIZONA**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances to the Government-wide Statement of Activities**  
**Year Ended June 30, 2021**

**Net change in fund balances-total governmental funds** \$ (176,407)

Amounts reported for governmental activities in the Statement of because:

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

|                      |                  |           |
|----------------------|------------------|-----------|
| Capital outlay       | \$ 47,872        |           |
| Depreciation expense | <u>(212,169)</u> | (164,297) |

Town pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a before the Town's report date. Pension/OPEB expense, which is 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 | 59,554          |        |
| Pension/OPEB expense            | <u>(33,524)</u> | 26,030 |

Debt proceeds provide current financial resources to government funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

|                  |  |         |
|------------------|--|---------|
| Principal repaid |  | 132,524 |
|------------------|--|---------|

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 regardless of when the financial resources are available.

|  |  |              |
|--|--|--------------|
| Decrease in compensated absences payable |  | <u>8,461</u> |
|--|--|--------------|

**Change in net position of governmental activities** \$ (173,689)

*See accompanying notes to financial statements.*

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

|   | Business-type<br>Activities |
|---|-----------------------------|
|   | Sewer<br>Fund               |
| <b>ASSETS</b>   |                             |
| Current assets  |                             |
| Cash and cash equivalents, restricted                                   | \$ 22,572                   |
| Accounts receivable, net  | 2,253                       |
| Total current assets  | 24,825                      |
| Noncurrent assets   |                             |
| Net other postemployment benefits asset                                 | 368                         |
| Capital assets, not being depreciated                                   | 112,200                     |
| Capital assets, being depreciated, net                                  | 196,992                     |
| Total noncurrent assets   | 309,560                     |
| <b>Total assets</b>   | 334,385                     |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                                   |                             |
| Deferred outflows related to pensions and other postemployment benefits | 18,017                      |
| <b>LIABILITIES</b>  |                             |
| Current liabilities   |                             |
| Accounts payable  | 9,680                       |
| Accrued expenses  | 692                         |
| Customer deposits   | 22,572                      |
| Due to other funds  | 266,608                     |
| Compensated absences payable, current portion                           | 10,541                      |
| Capital leases payable, current portion                                 | 2,448                       |
| Total current liabilities   | 312,541                     |
| Noncurrent liabilities  |                             |
| Compensated absences payable  | 3,514                       |
| Capital leases payable  | 10,363                      |
| Net pension and other postemployment benefits liability                 | 88,576                      |
| Total noncurrent liabilities  | 102,453                     |
| <b>Total liabilities</b>  | 414,994                     |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                    |                             |
| Deferred inflows related to pensions and other postemployment benefits  | 4,508                       |
| <b>NET POSITION</b>   |                             |
| Net investment in capital assets  | 296,381                     |
| Unrestricted (deficit)  | (363,481)                   |
| <b>Total net position</b>   | \$ (67,100)                 |

*See accompanying notes to financial statements.*

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

|   | Business-type<br>Activities |
|---|-----------------------------|
|   | Sewer<br>Fund               |
| <b>Operating revenues</b>               |                             |
| Charges for services                    | \$ 187,641                  |
| <b>Operating expenses</b>               |                             |
| Repairs and maintenance                 | 73,086                      |
| Personnel                               | 77,806                      |
| Depreciation                            | 26,051                      |
| Testing services                        | 17,313                      |
| Other                                   | 15,800                      |
| Supplies                                | 15,039                      |
| Utilities                               | 11,705                      |
| <b>Total operating expenses</b>         | 236,800                     |
| <b>Operating income (loss)</b>          | (49,159)                    |
| <b>Nonoperating revenues (expenses)</b> |                             |
| Interest expense                        | (1,533)                     |
| <b>Change in net position</b>           | (50,692)                    |
| Net position, beginning of year         | (16,408)                    |
| <b>Net position, end of year</b>        | \$ (67,100)                 |

*See accompanying notes to financial statements.*

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

|   | Business-type<br>Activities |
|---|-----------------------------|
|   | Sewer<br>Fund               |
| <b>Cash flows from operating activities</b>   |                             |
| Receipts from customers   | \$ 198,776                  |
| Payments to suppliers and providers of goods and services                           | (182,213)                   |
| Payments for employee wages and benefits  | (22,977)                    |
| <b>Net cash provided (used) by operating activities</b>                             | <b>(6,414)</b>              |
| <br><b>Cash flows from noncapital financing activities</b>                          |                             |
| Borrowings received to other funds  | 19,637                      |
| <br><b>Cash flows from capital and related financing activities</b>                 |                             |
| Purchase of capital assets  | (9,494)                     |
| Principal paid on capital leases  | (2,196)                     |
| Interest paid on capital leases   | (1,533)                     |
| <b>Net cash provided (used) by capital and related<br/>    financing activities</b> | <b>(13,223)</b>             |
| <br><b>Net increase (decrease) in cash and cash equivalents</b>                     | <b>-</b>                    |
| <br>Cash and cash equivalents, beginning of year                                    | 22,572                      |
| <br><b>Cash and cash equivalents, end of year</b>                                   | <b>\$ 22,572</b>            |

*See accompanying notes to financial statements.*

**TOWN OF PIMA, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2021**  
*(Continued)*

|   | Business-type<br>Activities |
|---|-----------------------------|
|   | Sewer<br>Fund               |
| <b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b> |                             |
| Operating income (loss)   | \$ (49,159)                 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: |                             |
| Depreciation  | 26,051                      |
| Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:    |                             |
| Accounts receivable   | 11,135                      |
| Net pension and other postemployment benefits asset   | (222)                       |
| Deferred outflows of resources related to pensions and other postemployment benefits                  | (8,405)                     |
| Accounts payable  | 468                         |
| Accrued expenses  | 385                         |
| Compensated absences  | 7,411                       |
| Net pension and other postemployment benefits liability   | 12,819                      |
| Deferred inflows of resources related to pensions and other postemployment benefits                   | (6,897)                     |
| <b>Net cash provided (used) by operating activities</b>   | <b>\$ (6,414)</b>           |

*See accompanying notes to financial statements.*

**TOWN OF PIMA, ARIZONA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2021**

|  | Pension<br>Trust<br>Fund |
|--|--------------------------|
| <b>ASSETS</b>  |                          |
| Investments, at fair value                             | <u>\$ 86,755</u>         |
| <b>NET POSITION</b>                                    |                          |
| Net position restricted for pension trust participants | <u><u>\$ 86,755</u></u>  |

*See accompanying notes to financial statements.*



**TOWN OF PIMA, ARIZONA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2021**

|                                  | Pension<br>Trust<br>Fund |
|----------------------------------|--------------------------|
|                                  |                          |
| <b>Additions</b>                 |                          |
| Contributions from participants  | \$ 982                   |
| Investment earnings              | 14,802                   |
| Total additions                  | 15,784                   |
| Change in net position           | 15,784                   |
| Net position, beginning of year  | 70,971                   |
| <b>Net position, end of year</b> | <b>\$ 86,755</b>         |

*See accompanying notes to financial statements.*

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

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

The accompanying financial statements of the Town of Pima, Arizona have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

**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). The Town has no component units.

**B. Basis of Presentation**

The basic financial statements include both government-wide statements and fund financial 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 information's usefulness.

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 overall government's financial activities, except for fiduciary activities. They also distinguish between the Town's governmental and business-type activities. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the Town levies or imposes, 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.

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

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

However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements—Provide information about the Town’s funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

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 and insurance premiums, 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*** is used to account for the Town’s share of motor fuel tax revenues which are restricted for the maintaining, repairing, and upgrading of streets.

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

The Town reports the following major enterprise funds:

The ***Sewer Fund*** account for activities related to the Town’s sewer collection and treatment operations.

Additionally, the Town reports the following fund types:

The ***Pension Trust Fund*** accounts for pension funds for volunteer firefighters. The Town acts as a trustee for such funds and does not have title to the assets or liabilities accounted for in this fund.

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

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

**C. Basis of Accounting**

The government-wide, proprietary fund, and fiduciary 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. Property taxes are recognized as revenue in the year for which they are levied. 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 property taxes, 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, compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

**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. Property Taxes**

Property taxes are recognized as revenue in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end are reported as unavailable revenue. Property taxes collected in advance of the fiscal year for which they are levied are reported as deferred revenue.

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

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

Property taxes are levied by the Town and collected by the Graham County Treasurer. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquency date.

Pursuant to A.R.S. a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however, according to case law, an enforceable legal claim to the asset does not arise.

**F. Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of certain contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**G. 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<br>Threshold | Depreciation<br>Method | Estimated<br>Useful Life (years) |
|------------------------|-----------------------------|------------------------|----------------------------------|
| Land                   | \$ 5,000                    | N/A                    | N/A                              |
| Buildings              | 5,000                       | Straight-line          | 40                               |
| Infrastructure         | 5,000                       | Straight-line          | 40-50                            |
| Furniture and Fixtures | 5,000                       | Straight-line          | 5-20                             |
| Equipment              | 5,000                       | Straight-line          | 5-15                             |
| Vehicles               | 5,000                       | Straight-line          | 5-10                             |

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

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

**H. 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.

**I. 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.

**J. Fund Balance Classifications**

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. 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.

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

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

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.

**K. Investment Earnings**

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

**L. Compensated Absences**

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

Employees may accumulate up to 192 hours of vacation hours. Upon termination of employment, all unused vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate up to 120 hours of sick leave hours but any sick hours in excess of the maximum amount that are unused at year-end are forfeited. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements.

***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.

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

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

*Credit risk*

Statutes have the following requirements for credit risk:

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

*Custodial credit risk*

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

*Concentration of credit risk*

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

*Interest rate risk*

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

*Foreign currency risk*

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

The Town’s investment policy states that the Town will conform with Arizona Revised Statutes. The Town does not have a formal investment policy with respect to custodial credit risk, concentration of credit risk, or foreign currency risk.

*Deposits* – At June 30, 2021, the carrying amount of the Town’s total cash in bank was \$539,765, and the bank balance was \$676,247. Of the bank balance, \$250,000 was covered by federal depository insurance or similar insurance. The remainder was covered by collateral held by the pledging financial institution in the Town’s name.

*Restricted cash* – Restricted cash in the Utilities Fund consists of monies restricted for refundable customer deposits in the amount of \$22,572.

*Investments*—The Town reported investments in the State Treasurer’s Investment Pool 5 with a reported amount of \$109,468. The Standard and Poor’s credit quality rating of the pool is AAA.



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

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

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.

The Investment Trust Fund for volunteer firefighters held by the Town had investments in mutual funds of \$86,755 at June 30, 2021, categorized within the fair value hierarchy established by generally accepted accounting principles as Level 1. Investments categorized as Level 1 are valued using prices quoted in active markets for those investments.

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

|                            | Governmental<br>Activities | Business-type<br>Activities | Investment<br>Trust Fund | Total             |
|----------------------------|----------------------------|-----------------------------|--------------------------|-------------------|
| Cash and cash equivalents: |                            |                             |                          |                   |
| Amount of deposits         | \$ 517,193                 | \$ 22,572                   | \$ -                     | \$ 539,765        |
| Investments                | 109,468                    | -                           | 86,755                   | 196,223           |
| Cash on hand               | 4,235                      | -                           | -                        | 4,235             |
| Total                      | <u>\$ 630,896</u>          | <u>\$ 22,572</u>            | <u>\$ 86,755</u>         | <u>\$ 740,223</u> |

***NOTE 3 – DUE FROM OTHER GOVERNMENTS***

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

|                           | General<br>Fund  | HURF<br>Fund     | Grants<br>Fund  | Total             |
|---------------------------|------------------|------------------|-----------------|-------------------|
| State shared revenues:    |                  |                  |                 |                   |
| Town sales tax            | \$ 70,039        | \$ -             | \$ -            | \$ 70,039         |
| State sales tax           | 7,345            | -                | -               | 7,345             |
| Vehicle license tax       | 7,683            | -                | -               | 7,683             |
| Highway user revenue fund | -                | 21,494           | -               | 21,494            |
| State of Arizona          | -                | -                | 3,307           | 3,307             |
|                           | <u>\$ 85,067</u> | <u>\$ 21,494</u> | <u>\$ 3,307</u> | <u>\$ 109,868</u> |

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

**NOTE 4 – CAPITAL ASSETS**

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

|   | Balance<br>July 1, 2020 | Increases           | Decreases   | Balance<br>June 30, 2021 |
|---|-------------------------|---------------------|-------------|--------------------------|
| <b>Governmental activities:</b>             |                         |                     |             |                          |
| Capital assets not being depreciated:       |                         |                     |             |                          |
| Land  | \$ 445,800              | \$ -                | \$ -        | \$ 445,800               |
| Capital assets being depreciated:           |                         |                     |             |                          |
| Equipment                                   | 538,089                 | 47,872              | -           | 585,961                  |
| Buildings                                   | 1,507,300               | -                   | -           | 1,507,300                |
| Vehicles                                    | 970,508                 | -                   | -           | 970,508                  |
| Furniture and fixtures                      | 38,523                  | -                   | -           | 38,523                   |
| Streets and sidewalks                       | 3,158,254               | -                   | -           | 3,158,254                |
| Bridges                                     | 27,592                  | -                   | -           | 27,592                   |
| Total                                       | <u>6,240,266</u>        | <u>47,872</u>       | <u>-</u>    | <u>6,288,138</u>         |
| Less accumulated depreciation for:          |                         |                     |             |                          |
| Equipment                                   | (428,149)               | (20,999)            | -           | (449,148)                |
| Buildings                                   | (515,481)               | (38,939)            | -           | (554,420)                |
| Vehicles                                    | (586,866)               | (72,723)            | -           | (659,589)                |
| Furniture and fixtures                      | (38,523)                | -                   | -           | (38,523)                 |
| Streets and sidewalks                       | (1,913,425)             | (78,956)            | -           | (1,992,381)              |
| Bridges                                     | (18,768)                | (552)               | -           | (19,320)                 |
| Total                                       | <u>(3,501,212)</u>      | <u>(212,169)</u>    | <u>-</u>    | <u>(3,713,381)</u>       |
| Total capital assets being depreciated, net | <u>2,739,054</u>        | <u>(164,297)</u>    | <u>-</u>    | <u>2,574,757</u>         |
| Governmental activities capital assets, net | <u>\$ 3,184,854</u>     | <u>\$ (164,297)</u> | <u>\$ -</u> | <u>\$ 3,020,557</u>      |

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

**NOTE 4 – CAPITAL ASSETS – Continued**

|  | Balance<br>July 1, 2020 | Increases          | Decreases   | Balance<br>June 30, 2021 |
|--|-------------------------|--------------------|-------------|--------------------------|
| <b>Business-type activities:</b>             |                         |                    |             |                          |
| Capital assets not being depreciated:        |                         |                    |             |                          |
| Land   | \$ 112,200              | \$ -               | \$ -        | \$ 112,200               |
| Capital assets being depreciated:            |                         |                    |             |                          |
| Sewer collection system                      | 2,979,558               | 9,494              | -           | 2,989,052                |
| Machinery and equipment                      | 186,990                 | -                  | -           | 186,990                  |
| Total  | <u>3,166,548</u>        | <u>9,494</u>       | <u>-</u>    | <u>3,176,042</u>         |
| Less accumulated depreciation for:           |                         |                    |             |                          |
| Sewer collection system                      | (2,793,362)             | (16,709)           | -           | (2,810,071)              |
| Machinery and equipment                      | (159,637)               | (9,342)            | -           | (168,979)                |
| Total  | <u>(2,952,999)</u>      | <u>(26,051)</u>    | <u>-</u>    | <u>(2,979,050)</u>       |
| Total capital assets being depreciated, net  | <u>213,549</u>          | <u>(16,557)</u>    | <u>-</u>    | <u>196,992</u>           |
| Business-type activities capital assets, net | <u>\$ 325,749</u>       | <u>\$ (16,557)</u> | <u>\$ -</u> | <u>\$ 309,192</u>        |

Depreciation expense was charged to functions as follows:

|  |                   |
|--|-------------------|
| Governmental activities:                           |                   |
| General government                                 | \$ 31,987         |
| Public safety                                      | 85,488            |
| Highways and streets                               | 89,499            |
| Parks and recreation                               | 5,195             |
| Total governmental activities depreciation expense | <u>\$ 212,169</u> |
| Business-type activities:                          |                   |
| Sewer  | <u>\$ 26,051</u>  |

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

**NOTE 5 – LONG-TERM LIABILITIES**

*Notes payable from direct borrowings and direct placements* – On December 20, 2018, the Town entered into a note agreement with the Graham County Electric Cooperative for the construction of the Town’s Optimal Health Centre building. The original note term was for \$375,000. The note has no monthly interest rate. However, the Town has decided to present the loan balance with a computed monthly interest rate of 4%, which was the prevailing market rates at the time of the loan origination.

The following schedule details debt service requirements to maturity for the Town’s note payable at June 30, 2021.

| Year ending June 30 | Governmental Activities                                      |           |
|---------------------|--|-----------|
|                     | Note payable from direct borrowings<br>and direct placements |           |
|                     | Principal  | Interest  |
| 2022                | \$ 67,528  | \$ 7,472  |
| 2023                | 70,280   | 4,720     |
| 2024                | 79,712   | 1,439     |
| Total               | \$ 217,520   | \$ 13,631 |

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

|  | Balance      | Additions | Reductions | Balance       | Due within |
|--|--------------|-----------|------------|---------------|------------|
|  | July 1, 2020 |           |            | June 30, 2021 | 1 year     |
| <b>Governmental activities:</b>                              |              |           |            |               |            |
| Note payable from direct borrowings<br>and direct placements | \$ 282,404   | \$ -      | \$ 64,884  | \$ 217,520    | \$ 67,528  |
| Compensated absences payable                                 | 49,000       | -         | 8,461      | 40,539        | 30,404     |
| Capital leases payable                                       | 277,321      | -         | 67,640     | 209,681       | 60,382     |
| Net pension/OPEB liability                                   | 324,743      | 54,843    | -          | 379,586       | -          |
| Total governmental activities<br>long-term liabilities       | \$ 933,468   | \$ 54,843 | \$ 140,985 | \$ 847,326    | \$ 158,314 |
| <b>Business-type activities</b>                              |              |           |            |               |            |
| Compensated absences payable                                 | \$ 6,644     | \$ 7,411  | \$ -       | \$ 14,055     | \$ 10,541  |
| Capital leases payable                                       | 15,007       | -         | 2,196      | 12,811        | 2,448      |
| Net pension/OPEB liability                                   | 75,757       | 12,819    | -          | 88,576        | -          |
| Total business-type activities<br>long-term liabilities      | \$ 97,408    | \$ 20,230 | \$ 2,196   | \$ 115,442    | \$ 12,989  |

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

**NOTE 5 – LONG-TERM LIABILITIES – Continued**

**Capital leases** – The Town has acquired vehicles under the provisions of a long-term lease agreement classified as a capital lease for accounting purposes because it provides for a bargain purchase option or a transfer of ownership by the end of the lease term.

The following assets were acquired through capital leases:

|                                | Governmental<br>Activities | Business-type<br>Activities |
|--------------------------------|----------------------------|-----------------------------|
| Vehicles                       | \$ 429,274                 | \$ 16,329                   |
| Less: accumulated depreciation | (107,206)                  | (4,899)                     |
| Carrying value                 | <u>\$ 322,068</u>          | <u>\$ 11,430</u>            |

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2021.

| Year ending June 30                         | Governmental<br>Activities | Business-type<br>Activities |
|---|----------------------------|-----------------------------|
| 2022  | \$ 71,639                  | \$ 3,729                    |
| 2023  | 71,813                     | 3,729                       |
| 2024  | 48,641                     | 3,729                       |
| 2025  | 42,090                     | 4,804                       |
| Total minimum lease payments                | 234,183                    | 15,991                      |
| Less amount representing interest           | (24,502)                   | (3,180)                     |
| Present value of net minimum lease payments | <u>\$ 209,681</u>          | <u>\$ 12,811</u>            |

**NOTE 6 – INTERFUND BALANCES AND ACTIVITY**

Interfund receivables and payables – The balance due by the Sewer Fund to the General Fund was \$266,608 at June 30, 2021. The interfund receivable and payable was necessary in order to fund the ongoing activities of the Sewer Fund in current and prior periods.

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

**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 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

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

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

| <b>Statement of Net Position and<br/>Statement of Activities</b> | Governmental<br>Activities | Business-type<br>Activities | Total      |
|--|----------------------------|-----------------------------|------------|
| Net pension and OPEB asset                                       | \$ 321,154                 | \$ 368                      | \$ 321,522 |
| Net pension and OPEB liability                                   | 379,586                    | 88,576                      | 468,162    |
| Deferred outflows of resources<br>related to pensions and OPEB   | 192,496                    | 18,017                      | 210,513    |
| Deferred inflows of resources<br>related to pensions and OPEB    | 60,189                     | 4,508                       | 64,697     |
| Pension and OPEB expense   | 33,524                     | 5,289                       | 38,813     |

The Town reported \$59,554 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

**A. Arizona State Retirement System**

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

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

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

**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<br>10 years age 62<br>5 years age 50*<br>Any years age 65 | 30 years age 55<br>25 years age 60<br>10 years age 62<br>5 years age 50*<br>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. 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.

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

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

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent (12.04 percent for retirement and 0.18 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.22 percent (11.65 percent for retirement, 0.39 percent for health insurance premium benefit, and 0.18 percent for long-term disability) of the active members’ annual covered payroll. The Town’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2021, were \$40,376, \$1,352 and \$618, respectively.

During fiscal year 2021, the Town paid for ASRS pension and OPEB contributions as follows: 81.08 percent from the General Fund and 18.92 percent from the Sewer Fund.

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

|                                  | <b>Net Pension/OPEB<br/>(Asset) Liability</b> |
|----------------------------------|---|
| Pension                          | \$ 466,083                                    |
| Health insurance premium benefit | (1,947)                                       |
| Long-term disability             | 2,079   |

The net asset and net liabilities were measured as of June 30, 2020. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020. The Town’s proportion of the net asset or net liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2020. The Town’s proportions measured as of June 30, 2020, and the change from its proportions measured as of June 30, 2019, were:

|                                  | <b>Proportion<br/>June 30, 2020</b> | <b>Increase (decrease)<br/>from June 30, 2019</b> |
|----------------------------------|-------------------------------------|---|
| Pension                          | 0.00269%                            | -0.00005%   |
| Health insurance premium benefit | 0.00275%                            | -0.00005%   |
| Long-term disability             | 0.00274%                            | -0.00035%   |



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

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

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

|                                  | <b>Pension/OPEB<br/>Expense</b> |
|----------------------------------|---------------------------------|
| Pension                          | 26,705                          |
| Health insurance premium benefit | 616                             |
| Long-term disability             | 635                             |

**Deferred Outflows/Inflows of Resources**—At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

|   | <b>Pension</b>                                |  | <b>Health Insurance<br/>Premium Benefit</b>   |  | <b>Long-Term Disability</b>                   |  |
|---|---|--|---|--|---|--|
|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
| Differences between expected and actual experience  | \$ 4,217                                      | \$ -   | \$ -  | \$ 3,836                                     | \$ 181  | \$ 54  |
| Changes of assumptions or other inputs  | -   | -  | 1,079   | -  | 224   | -  |
| Net difference between projected and actual earnings on plan investments                                  | 44,954  | -  | 1,992   | -  | 229   | -  |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | -   | 19,815                                       | 4   | -  | -   | 122  |
| Town contributions subsequent to the measurement date   | 40,376  | -  | 1,352   | -  | 618   | -  |
| Total   | <b>\$ 89,547</b>                              | <b>\$ 19,815</b>                             | <b>\$ 4,427</b>                               | <b>\$ 3,836</b>                              | <b>\$ 1,252</b>                               | <b>\$ 176</b>                                |

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

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

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

| Year ended June 30, | <u>Pension</u> | <u>Health Insurance<br/>Premium Benefit</u> | <u>Long-Term<br/>Disability</u> |
|---------------------|----------------|---|---------------------------------|
| 2022                | \$ (12,203)    | \$ (413)                                    | \$ 73                           |
| 2023                | 11,395         | 10  | 111                             |
| 2024                | 16,260         | 100   | 119                             |
| 2025                | 13,904         | (106)                                       | 105                             |
| 2026                | -              | (352)                                       | 48                              |
| Thereafter          | -              | -   | 2                               |

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

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

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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

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

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

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

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

**Discount Rate** – The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate** – The following table presents the Town’s proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.5 percent, as well as what the Town’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

|   | <u>1% Decrease<br/>(6.5%)</u> | <u>Current<br/>Discount Rate<br/>(7.5%)</u> | <u>1% Increase<br/>(8.5%)</u> |
|---|-------------------------------|---|-------------------------------|
| <b>Town's proportionate share of:</b>           |                               |   |                               |
| Net pension liability                           | \$ 637,363                    | \$ 466,083                                  | \$ 322,903                    |
| Net insurance premium benefit liability (asset) | 2,555                         | (1,947)                                     | (5,778)                       |
| Net long-term disability liability              | 2,269                         | 2,079                                       | 1,893                         |

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

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

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

**B. Public Safety Personnel Retirement System**

**Plan Descriptions** – Town police employees participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the Town’s financial statements.

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

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

|  | Initial Membership Date:   |   |
|--|--|---|
|  | Before January 1, 2012   | On or after January 1, 2012 and before July 1, 2017           |
| <b>Retirement and Disability</b>                     |  |   |
| Years of service and age required to receive benefit | 20 years of service, any age<br>15 years of service, age 62  | 25 years of service or 15 years of credited service, age 52.5 |
| Final average salary is based on                     | Highest 36 consecutive months of last 20 years   | Highest 36 consecutive months of last 20 years                |
| <b>Benefit percentage</b>                            |  |   |
| Normal Retirement                                    | 50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited services over 20 years,  | 1.5% to 2.5% per year of credited service, not to exceed 80%  |
| Accidental Disability Retirement                     | 50% or normal retirement, whichever is greater   |   |
| Catastrophic Disability Retirement                   | 90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater  |   |
| Ordinary Disability Retirement                       | Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20 |   |
| <b>Survivor Benefit</b>                              |  |   |
| Retired Members                                      | 80% to 100% of retired member's pension benefit  |   |
| Active Members                                       | 80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job  |   |

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

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

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.

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

**Employees Covered by Benefit Terms** – At June 30, 2021, the following employees were covered by the agent plans’ benefit terms:

|  | <b>PSPRS Police</b> |               |
|--|---------------------|---------------|
|  | <b>Pension</b>      | <b>Health</b> |
| Inactive employees entitled to<br>but not yet receiving benefits | 4                   | -             |
| Active employees   | 3                   | 3             |
| Total  | 7                   | 3             |

**Contributions** – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2021, are indicated below. Rates are a percentage of active members’ annual covered payroll.

|              | <b>Active Member-<br/>Pension</b> | <b>Town-Pension</b> | <b>Town-Health<br/>Insurance Benefit</b> |
|--------------|-----------------------------------|---------------------|--|
| PSPRS Police | 7.65 - 11.65%                     | 10.25%              | 0.00%                                    |

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

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

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

|              | <b>Pension</b> | <b>Health Insurance<br/>Premium Benefit</b> |
|--------------|----------------|---|
| PSPRS Police | \$ 33,929      | \$ -  |

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

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

|              | <b>Net Pension (Asset)<br/>Liability</b> | <b>Net OPEB (Asset)<br/>Liability</b> |
|--------------|--|---------------------------------------|
| PSPRS Police | \$ (295,556)                             | \$ (24,019)                           |

The net assets and net liabilities were measured as of June 30, 2020, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

|                            |  |
|----------------------------|--|
| Actuarial valuation date   | June 30, 2020                              |
| Actuarial cost method      | Entry age normal                           |
| Investment rate of return  | 7.3%                                       |
| Wage inflation             | 3.5% for pensions/not applicable for OPEB  |
| Price inflation            | 2.5% for pensions/not applicable for OPEB  |
| Cost-of-living adjustments | 1.75% for pensions/not applicable for OPEB |
| Mortality rates            | PubS-2010 tables                           |
| Healthcare cost trend rate | Not applicable                             |

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

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

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

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. 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<br/>Geometric Real<br/>Rate of Return</u> |
|-------------------------------------|--------------------------|---|
| U.S. public equity                  | 23%                      | 4.93%   |
| International public equity         | 15%                      | 6.09%   |
| Global private equity               | 18%                      | 8.42%   |
| Other assets (capital appreciation) | 7%                       | 5.61%   |
| Core bonds                          | 2%                       | 0.22%   |
| Private credit                      | 22%                      | 5.31%   |
| Diversifying strategies             | 12%                      | 3.22%   |
| Cash - Mellon                       | 1%                       | (0.6)%  |
| Total                               | <u>100%</u>              |   |

**Discount Rates** – At June 30, 2020, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

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

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

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

|   | <b>Pension</b>                             |  |  |
|---|--|--|--|
|   | <b>Increase (Decrease)</b>                 |  |  |
|   | <b>Total Pension<br/>Liability<br/>(a)</b> | <b>Plan Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net Pension<br/>Liability (Asset)<br/>(a) - (b)</b> |
| Balances at June 30, 2020   | \$ 467,881                                 | \$ 758,254                                     | \$ (290,373)   |
| Changes for the year  |  |  |  |
| Service cost  | 28,964                                     | -  | 28,964   |
| Interest on the total liability   | 36,270                                     | -  | 36,270   |
| Differences between expected and actual<br>experience in the measurement of the liability | (19,965)                                   | -  | (19,965)   |
| Contributions-employer  | -  | 21,900   | (21,900)   |
| Contributions-employee  | -  | 19,580   | (19,580)   |
| Net investment income   | -  | 9,768  | (9,768)  |
| Administrative expense  | -  | (796)  | 796  |
| Net changes   | 45,269                                     | 50,452   | (5,183)  |
| Balances at June 30, 2021   | \$ 513,150                                 | \$ 808,706                                     | \$ (295,556)   |

|   | <b>Health Insurance Premium Benefit</b>    |  |   |
|---|--|--|---|
|   | <b>Increase (Decrease)</b>                 |  |   |
|   | <b>Total Pension<br/>Liability<br/>(a)</b> | <b>Plan Fiduciary<br/>Net Position<br/>(b)</b> | <b>Net OPEB<br/>(Asset) Liability<br/>(a) - (b)</b> |
| Balances at June 30, 2020   | \$ 10,754                                  | \$ 30,799                                      | \$ (20,045)   |
| Changes for the year  |  |  |   |
| Service cost  | 884  | -  | 884   |
| Interest on the total liability   | 861  | -  | 861   |
| Differences between expected and actual<br>experience in the measurement of the liability | (5,366)                                    | -  | (5,366)   |
| Net investment income   | -  | 384  | (384)   |
| Administrative expense  | -  | (31)   | 31  |
| Net changes   | (3,621)                                    | 353  | (3,974)   |
| Balances at June 30, 2021   | \$ 7,133                                   | \$ 31,152                                      | \$ (24,019)   |



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

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

**Sensitivity of the Town’s Net Pension/OPEB 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<br/>(6.3%)</u> | <u>Current<br/>Discount Rate<br/>(7.3%)</u> | <u>1% Increase<br/>(8.3%)</u> |
|-------------------------------|-------------------------------|---|-------------------------------|
| PSPRS Police                  |                               |   |                               |
| Net pension (asset) liability | \$ (217,697)                  | \$ (295,556)                                | \$ (357,587)                  |
| Net OPEB (asset) liability    | (22,897)                      | (24,019)                                    | (24,952)                      |

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

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

|              | <u>Pension Expense</u> | <u>OPEB Expense</u> |
|--------------|------------------------|---------------------|
| PSPRS Police | \$ 12,144              | \$ (1,287)          |

**Deferred Outflows/Inflows of Resources** – At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

|  | <u>Pension</u>                                |  | <u>Health Insurance</u>                       |  |
|--|---|--|---|--|
|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
| Differences between expected and actual experience                       | \$ 27,162                                     | \$ 27,256                                    | \$ 135  | \$ 8,162                                     |
| Changes of assumptions or other inputs                                   | 7,829   | 4,097  | 32  | 1,355  |
| Net difference between projected and actual earnings on plan investments | 42,950  | -  | 1,685   | -  |
| Town contributions subsequent to the measurement date                    | 35,494  | -  | -   | -  |
| Total  | <u>\$ 113,435</u>                             | <u>\$ 31,353</u>                             | <u>\$ 1,852</u>                               | <u>\$ 9,517</u>                              |

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

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

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

| Year ended June 30, | <b>PSPRS Police</b> |               |
|---------------------|---------------------|---------------|
|                     | <b>Pension</b>      | <b>Health</b> |
| 2022                | \$ 14,989           | \$ (812)      |
| 2023                | 13,891              | (607)         |
| 2024                | 8,568               | (629)         |
| 2025                | 9,140               | (747)         |
| 2026                | -                   | (1,120)       |
| Thereafter          | -                   | (3,750)       |

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**ASRS-Pension**

|  | <b>Reporting Fiscal Year<br/>(Measurement Date)</b> |                        |                        |                        |                        |                        |                        | <b>2014<br/>through<br/>2012</b> |
|--|---|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|----------------------------------|
|  | <b>2021<br/>(2020)</b>                              | <b>2020<br/>(2019)</b> | <b>2019<br/>(2018)</b> | <b>2018<br/>(2017)</b> | <b>2017<br/>(2016)</b> | <b>2016<br/>(2015)</b> | <b>2015<br/>(2014)</b> |                                  |
| Town's proportion of the net pension liability   | 0.002690%   | 0.002740%              | 0.003060%              | 0.003220%              | 0.267000%              | 0.002060%              | 0.001924%              | Information                      |
| Town's proportionate share of the net pension liability  | \$ 468,162  | \$ 398,702             | \$ 426,762             | \$ 482,920             | \$ 430,965             | \$ 320,914             | \$ 284,748             | not available                    |
| Town's covered payroll   | \$ 343,107  | \$ 288,569             | \$ 304,596             | \$ 302,412             | \$ 250,111             | \$ 189,761             | \$ 173,477             |                                  |
| Town's proportionate share of the net pension liability as a percentage of its covered payroll | 136.45%   | 138.17%                | 140.11%                | 159.69%                | 172.31%                | 169.11%                | 164.14%                |                                  |
| Plan fiduciary net position as a percentage of the total pension liability                     | 69.33%  | 73.24%                 | 73.40%                 | 69.92%                 | 67.06%                 | 68.35%                 | 69.49%                 |                                  |

**ASRS-Health Insurance Premium Benefit**

|   | <b>Reporting Fiscal Year<br/>(Measurement Date)</b> |                        |                        |                        | <b>2017<br/>through<br/>2012</b> |
|---|---|------------------------|------------------------|------------------------|----------------------------------|
|   | <b>2021<br/>(2020)</b>                              | <b>2020<br/>(2019)</b> | <b>2019<br/>(2018)</b> | <b>2018<br/>(2017)</b> |                                  |
| Town's proportion of the net OPEB (asset) liability   | 0.002750%   | 0.002800%              | 0.003120%              | 0.003150%              | Information                      |
| Town's proportionate share of the net OPEB (asset) liability  | \$ (1,947)  | \$ (774)               | \$ (1,123)             | \$ (1,715)             | not available                    |
| Town's covered payroll  | \$ 343,107  | \$ 288,569             | \$ 304,596             | \$ 302,412             |                                  |
| Town's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll | -0.57%  | -0.27%                 | -0.37%                 | -0.57%                 |                                  |
| Plan fiduciary net position as a percentage of the total OPEB (asset) liability                     | 104.33%   | 101.62%                | 102.20%                | 103.57%                |                                  |

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

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

**ASRS-Long-Term Disability**

|  | Reporting Fiscal Year<br>(Measurement Date) |                |                |                |                         |
|--|---|----------------|----------------|----------------|-------------------------|
|  | 2021<br>(2020)                              | 2020<br>(2019) | 2019<br>(2018) | 2018<br>(2017) | 2017<br>through<br>2012 |
| Town's proportion of the net OPEB (asset) liability  | 0.002740%                                   | 0.003090%      | 0.003110%      | Information    |                         |
| Town's proportionate share of the net OPEB (asset) liability   | \$ 2,079                                    | \$ 1,615       | \$ 1,127       | not available  |                         |
| Town's covered payroll   | \$ 343,107                                  | \$ 304,596     | \$ 302,412     |                |                         |
| Town's proportionate share of the net OPEB (asset) liability<br>as a percentage of its covered payroll | 0.61%                                       | 0.53%          | 0.37%          |                |                         |
| Plan fiduciary net position as a percentage of the<br>total OPEB (asset) liability                     | 72.85%                                      | 77.83%         | 84.44%         |                |                         |

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

**TOWN OF PIMA, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension/OPEB Liability (Asset)**  
**and Related Ratios Agent Plans**  
**June 30, 2021**

**PSPRS - Pension**

|  | Reporting Fiscal Year<br>(Measurement Date) |                     |                     |                     |                     |                     |                     | 2014<br>through<br>2012 |
|--|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|
|  | 2021<br>(2020)                              | 2020<br>(2019)      | 2019<br>(2018)      | 2018<br>(2017)      | 2017<br>(2016)      | 2016<br>(2015)      | 2015<br>(2014)      |                         |
| Total pension liability  |   |                     |                     |                     |                     |                     |                     | Information             |
| Service cost   | \$ 28,964                                   | \$ 40,732           | \$ 38,512           | \$ 35,818           | \$ 41,108           | \$ 21,099           | \$ 26,988           | not                     |
| Interest on the total pension liability  | 36,270                                      | 30,700              | 24,929              | 23,672              | 13,333              | 9,814               | 10,130              | available               |
| Changes of benefit terms   | -   | -                   | -                   | 10,340              | 28,163              | -                   | (663)               |                         |
| Differences between expected and actual experience in the measurement of the pension liability | (19,965)                                    | 15,774              | (6,934)             | (20,805)            | 70,116              | 3,901               | (25,017)            |                         |
| Changes of assumptions or other inputs   | -   | 6,541               | -                   | (10,205)            | 14,624              | -                   | 374                 |                         |
| Benefit payments, including refunds of employee contributions                                  | -   | -                   | -                   | (37,824)            | -                   | -                   | (25,773)            |                         |
| Net change in total pension liability  | 45,269                                      | 93,747              | 56,507              | 996                 | 167,344             | 34,814              | (13,961)            |                         |
| Total pension liability - beginning  | 467,881                                     | 374,134             | 317,627             | 316,631             | 149,287             | 114,473             | 128,434             |                         |
| Total pension liability - ending (a)   | <u>\$ 513,150</u>                           | <u>\$ 467,881</u>   | <u>\$ 374,134</u>   | <u>\$ 317,627</u>   | <u>\$ 316,631</u>   | <u>\$ 149,287</u>   | <u>\$ 114,473</u>   |                         |
| Plan fiduciary net position  |   |                     |                     |                     |                     |                     |                     |                         |
| Contributions - employer   | \$ 21,900                                   | \$ 20,456           | \$ 32,501           | \$ 27,427           | \$ 28,197           | \$ 19,766           | \$ 14,998           |                         |
| Contributions - employee   | 19,580                                      | 18,013              | 19,539              | 22,976              | 22,708              | 18,593              | 12,990              |                         |
| Net investment income  | 9,768                                       | 37,655              | 42,812              | 63,554              | 2,896               | 14,929              | 46,810              |                         |
| Benefit payments, including refunds of employee contributions                                  | -   | -                   | -                   | (37,824)            | -                   | -                   | (25,773)            |                         |
| Hall/Parker settlement   | -   | -                   | (17,173)            | -                   | -                   | -                   | -                   |                         |
| Administrative expense   | (796)                                       | (1,636)             | (1,352)             | (962)               | (817)               | (743)               | -                   |                         |
| Other changes  | -   | -                   | 8                   | 7                   | 37,741              | (343)               | (18,217)            |                         |
| Net change in plan fiduciary net position  | 50,452                                      | 74,488              | 76,335              | 75,178              | 90,725              | 52,202              | 30,808              |                         |
| Plan fiduciary net position - beginning  | 758,254                                     | 683,766             | 607,431             | 532,253             | 441,528             | 389,326             | 358,518             |                         |
| Plan fiduciary net position - ending (b)   | <u>\$ 808,706</u>                           | <u>\$ 758,254</u>   | <u>\$ 683,766</u>   | <u>\$ 607,431</u>   | <u>\$ 532,253</u>   | <u>\$ 441,528</u>   | <u>\$ 389,326</u>   |                         |
| Town's net pension liability (asset) - ending (a) - (b)  | <u>\$ (295,556)</u>                         | <u>\$ (290,373)</u> | <u>\$ (309,632)</u> | <u>\$ (289,804)</u> | <u>\$ (215,622)</u> | <u>\$ (292,241)</u> | <u>\$ (274,853)</u> |                         |
| Plan fiduciary net position as a percentage of the total pension liability                     | 157.60%                                     | 162.06%             | 182.76%             | 191.24%             | 168.10%             | 295.76%             | 340.10%             |                         |
| Covered payroll  | \$ 185,664                                  | \$ 161,777          | \$ 204,307          | \$ 152,094          | \$ 194,918          | \$ 179,148          | \$ 93,758           |                         |
| Town's net pension (asset) liability as a percentage of covered payroll                        | -159.19%                                    | -179.49%            | -151.55%            | -190.54%            | -110.62%            | -163.13%            | -293.15%            |                         |

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

**TOWN OF PIMA, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension/OPEB Liability (Asset)**  
**and Related Ratios Agent Plans**  
**June 30, 2021**

**PSPRS - Health Insurance Premium Benefit**

|  | Reporting Fiscal Year<br>(Measurement Date) |                    |                    |                    | 2017<br>through<br>2012 |
|--|---|--------------------|--------------------|--------------------|-------------------------|
|  | 2021<br>(2020)                              | 2020<br>(2019)     | 2019<br>(2018)     | 2018<br>(2017)     |                         |
| Total OPEB liability   |   |                    |                    |                    | Information             |
| Service cost   | \$ 884                                      | \$ 715             | \$ 736             | \$ 928             | not                     |
| Interest on the total OPEB liability   | 861   | 882                | 733                | 973                | available               |
| Differences between expected and actual experience in the measurement of the pension liability | (5,366)                                     | (2,089)            | 189                | (2,617)            |                         |
| Changes of assumptions or other inputs   | -   | 44                 | -                  | (2,255)            |                         |
| Net change in total OPEB liability   | (3,621)                                     | (448)              | 1,658              | (2,971)            |                         |
| Total OPEB liability - beginning   | 10,754                                      | 11,202             | 9,544              | 12,515             |                         |
| Total OPEB liability - ending (a)  | <u>\$ 7,133</u>                             | <u>\$ 10,754</u>   | <u>\$ 11,202</u>   | <u>\$ 9,544</u>    |                         |
| Plan fiduciary net position  |   |                    |                    |                    |                         |
| Contributions - employer   | \$ -  | \$ (13)            | \$ 331             | \$ 143             |                         |
| Net investment income  | 384   | 1,573              | 1,896              | 2,847              |                         |
| Administrative expense   | (31)  | (27)               | (29)               | (26)               |                         |
| Other changes  | -   | -                  | 1                  | -                  |                         |
| Net change in plan fiduciary net position  | 353   | 1,533              | 2,199              | 2,964              |                         |
| Plan fiduciary net position - beginning  | 30,799                                      | 29,266             | 27,067             | 24,103             |                         |
| Plan fiduciary net position - ending (b)   | <u>\$ 31,152</u>                            | <u>\$ 30,799</u>   | <u>\$ 29,266</u>   | <u>\$ 27,067</u>   |                         |
| Town's net OPEB liability (asset) - ending (a) - (b)   | <u>\$ (24,019)</u>                          | <u>\$ (20,045)</u> | <u>\$ (18,064)</u> | <u>\$ (17,523)</u> |                         |
| Plan fiduciary net position as a percentage of the total OPEB liability                        | 436.73%                                     | 286.40%            | 261.26%            | 283.60%            |                         |
| Covered payroll  | \$ 185,664                                  | \$ 161,777         | \$ 204,307         | \$ 152,094         |                         |
| Town's net OPEB (asset) liability as a percentage of covered payroll                           | -12.94%                                     | -12.39%            | -8.84%             | -11.52%            |                         |

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

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

**ASRS-Pension**

|   | Reporting Fiscal Year |                  |                  |                  |                  |                  |                  |                  | 2013<br>through<br>2012      |
|---|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------------------|
|   | 2021                  | 2020             | 2019             | 2018             | 2017             | 2016             | 2015             | 2014             |                              |
| Statutorily required contribution   | \$ 40,376             | \$ 33,616        | \$ 32,262        | \$ 33,201        | \$ 32,600        | \$ 27,137        | \$ 20,665        | \$ 18,562        | Information<br>not available |
| Town's contributions in relation to the statutorily required contribution | (40,376)              | (33,616)         | (32,262)         | (33,201)         | (32,600)         | (27,137)         | (20,665)         | (18,562)         |                              |
| Town's contribution deficiency (excess)                                   | \$ -                  | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             | \$ -             |                              |
| Town's covered payroll  | <u>\$345,685</u>      | <u>\$293,590</u> | <u>\$288,569</u> | <u>\$304,596</u> | <u>\$302,412</u> | <u>\$250,111</u> | <u>\$189,761</u> | <u>\$173,477</u> |                              |
| Town's contributions as a percentage of covered payroll                   | 11.68%                | 11.45%           | 11.18%           | 10.90%           | 10.78%           | 10.85%           | 10.89%           | 10.70%           |                              |

**ASRS-Health Insurance Premium Benefit**

|   | Reporting Fiscal Year |                  |                  |                  |                  | 2016<br>through<br>2012      |
|---|-----------------------|------------------|------------------|------------------|------------------|------------------------------|
|   | 2021                  | 2020             | 2019             | 2018             | 2017             |                              |
| Statutorily required contribution   | \$ 1,352              | \$ 1,439         | \$ 1,327         | \$ 1,340         | \$ 1,694         | Information<br>not available |
| Town's contributions in relation to the statutorily required contribution | (1,352)               | (1,439)          | (1,327)          | (1,340)          | (1,694)          |                              |
| Town's contribution deficiency (excess)                                   | \$ -                  | \$ -             | \$ -             | \$ -             | \$ -             |                              |
| Town's covered payroll  | <u>\$345,685</u>      | <u>\$293,590</u> | <u>\$288,569</u> | <u>\$304,596</u> | <u>\$302,412</u> |                              |
| Town's contributions as a percentage of covered payroll                   | 0.39%                 | 0.49%            | 0.46%            | 0.44%            | 0.56%            |                              |

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



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

**ASRS-Long-Term Disability**

|  | Reporting Fiscal Year |                  |                  |                  |                  | 2016<br>through<br>2012      |
|--|-----------------------|------------------|------------------|------------------|------------------|------------------------------|
|  | 2021                  | 2020             | 2019             | 2018             | 2017             |                              |
| Statutorily required contribution  | \$ 618                | \$ 503           | \$ 459           | \$ 491           | \$ 423           | Information<br>not available |
| Town's contributions in relation to the statutorily<br>required contribution | (618)                 | (503)            | (459)            | (491)            | (423)            |                              |
| Town's contribution deficiency (excess)                                      | <u>\$ -</u>           | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |                              |
| Town's covered payroll   | <u>\$345,685</u>      | <u>\$293,590</u> | <u>\$288,569</u> | <u>\$304,596</u> | <u>\$302,412</u> |                              |
| Town's contributions as a percentage of covered<br>payroll                   | 0.18%                 | 0.17%            | 0.16%            | 0.16%            | 0.14%            |                              |

**PS PRS-Pension**

|  | Reporting Fiscal Year |                  |                  |                  |                  |                  |                  |                  | 2013<br>through<br>2012      |
|--|-----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------------------|
|  | 2021                  | 2020             | 2019             | 2018             | 2017             | 2016             | 2015             | 2014             |                              |
| Actuarially determined contribution  | \$ 35,494             | \$ 32,192        | \$ 20,456        | \$ 32,501        | \$ 27,427        | \$ 28,197        | \$ 19,766        | \$ 14,998        | Information<br>not available |
| Town's contributions in relation to the actuarially<br>determined contribution | (35,494)              | (32,192)         | (20,456)         | (32,501)         | (27,427)         | (28,197)         | (19,766)         | (14,998)         |                              |
| Town's contribution deficiency (excess)  | <u>\$ -</u>           | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |                              |
| Town's covered-employee payroll  | <u>\$346,283</u>      | <u>\$294,529</u> | <u>\$161,777</u> | <u>\$204,307</u> | <u>\$152,094</u> | <u>\$194,918</u> | <u>\$179,148</u> | <u>\$ 93,758</u> |                              |
| Town's contributions as a percentage of covered<br>payroll                     | 10.25%                | 10.93%           | 12.64%           | 15.91%           | 18.03%           | 14.47%           | 11.03%           | 16.00%           |                              |

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

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

**PSPRS-Health Insurance Premium Benefit**

|  | Reporting Fiscal Year |                  |                  |                  |                  | 2016<br>through<br>2012      |
|--|-----------------------|------------------|------------------|------------------|------------------|------------------------------|
|  | 2021                  | 2020             | 2019             | 2018             | 2017             |                              |
| Actuarially determined contribution  | \$ -                  | \$ -             | \$ -             | \$ 331           | \$ 143           | Information<br>not available |
| Town's contributions in relation to the actuarially<br>determined contribution | -                     | -                | -                | (331)            | (143)            |                              |
| Town's contribution deficiency (excess)  | <u>\$ -</u>           | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |                              |
| Town's covered payroll   | <u>\$346,283</u>      | <u>\$294,529</u> | <u>\$161,777</u> | <u>\$204,307</u> | <u>\$152,094</u> |                              |
| Town's contributions as a percentage of covered<br>payroll                     | 0.00%                 | 0.00%            | 0.00%            | 0.16%            | 0.09%            |                              |

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

**TOWN OF PIMA, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension/OPEB Plan Schedules**  
**June 30, 2021**

***NOTE 1 - ACTUARIALLY DETERMINED CONTRIBUTION RATES***

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

|   |  |
|---|--|
| Actuarial cost method   | Entry age normal   |
| Amortization method   | Level percent-of-pay, closed   |
| Remaining amortization period<br>as of the 2019 actuarial valuation | 19 years   |
| Asset valuation method  | 7-year smoothed market value; 80%/120% market corridor   |
| Actuarial assumptions:  |  |
| Investment rate of return   | In the 2018 actuarial valuation, the investment rate of return stayed at 7.4%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In 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 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0% for PSPRS. In 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 -  |
| Mortality   | In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males   |

***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.

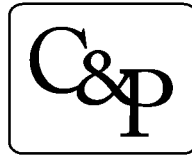
**TOWN OF PIMA, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension/OPEB Plan Schedules**  
**June 30, 2021**

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

These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date.

These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. 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 AND SCHEDULES REQUIRED BY**  
**GOVERNMENTAL AUDITING STANDARDS**



COLBY &  
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

**INDEPENDENT AUDITOR'S 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 Pima, 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, and each major fund of the Town of Pima, Arizona, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Pima, Arizona's basic financial statements and have issued our report thereon dated July 25, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Pima, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Pima, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Pima, 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 Town's basic 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be material weaknesses. The finding references are **2020-001**, **2020-002**, **2020-003**, and **2020-005**.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Pima, 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses. The finding reference is **2020-004**.

## **The Town of Pima, Arizona's Response to Findings**

The Town of Pima, Arizona's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Pima, Arizona's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **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.

*Colby + Powell*

July 25, 2022

**TOWN OF PIMA, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2021**

**2020-001 – General Ledger Maintenance and Reconciliation**

*Criteria:* To help ensure that internal and external financial reports are accurate, timely, and in accordance with generally accepted accounting principles, general ledger accounts should be reconciled on a monthly basis and supporting schedules should be prepared and reconciled with these general ledger accounts.

*Condition:* During our audit, we noted misstatements that were not identified by the Town which required adjusting journal entries.

*Cause and Effect:* Due to the size of the Town, management has to allocate its resources (i.e. time) to items or projects they deem to be of greater importance. As a result, certain accounts had not been reconciled for year end.

*Auditors' Recommendation:* We recommend that management review all audit entries to help in identifying areas in the accounting system that required adjustment. The Town should ensure that these areas are complete before each audit.

*Management's Response:* Management agrees with this finding and will ensure that all material adjustments are posted to the general ledger prior to the audit.



**TOWN OF PIMA, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2021**

**2020-002 – Bank Reconciliation Procedures**

*Criteria:* Proper internal control dictates that all bank accounts must be reconciled on a monthly basis and are reviewed by a second person in order to resolve variances in a timely manner and ensure that financial records are accurate.

*Condition:* During our audit, we noted that there were errors and variances between the bank reconciliations and the underlying financial records that were not resolved. Throughout the year, the Town posted unidentified deposits/withdrawals to a holding account in the general ledger until those items could be identified and properly classified. At the time of our audit, those items had not been resolved. This required an adjusting journal entry.

*Cause and Effect:* As a result of not having a second person review the bank reconciliations to resolve unidentified deposits/withdrawals, certain accounts in the general ledger were misstated.

*Auditors' Recommendation:* We recommend that a second person review the bank reconciliations and the holding account in the general ledger to ensure the reconciliation is done correctly and that all unidentified deposits/withdrawals can be resolved in a timely manner.

*Management's Response:* Management agrees with this finding and will implement procedures to ensure that a second person will review all bank reconciliations on monthly basis.

**TOWN OF PIMA, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2021**

**2020-003 – Segregation of Duties**

*Criteria:* Segregation of duties or other compensating procedures to provide oversight and review between those maintaining the general ledger and billing systems, performing reconciliations, or collecting payments should be established to make fraud more difficult to enact and make it more likely that innocent errors will be found and corrected.

*Condition:* The same employee maintains the general ledger, billing system and collects payments.

*Cause and Effect:* The Town's internal control structure does not provide for adequate segregation of duties due to the Town's small size and small number of employees. As a result, certain posting or other errors were not found and corrected on a timely basis.

*Auditors' Recommendation:* We recommend that the Town Manager continue to be actively involved in a supervisory position over the Town's financial operation.

*Management's Response:* Management agrees with this finding and will attempt to maximize segregation of duties whenever possible. The Town Manager will remain actively involved in a supervisory position over the Town's financial operation.

**TOWN OF PIMA, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2021**

**2020-004 – Adoption and Publication of Budget**

*Criteria:* State law requires that the Town adopt a tentative and final budget for each fiscal year. The budget must be fully itemized in conformance with forms supplied by the Auditor General and entered upon the council meeting minutes. Additionally, upon adoption, the Town is required to post the budget on their website.

*Condition and context:* During the course of the audit, it was discovered that the Town did not adopt a tentative budget for the current fiscal year. The budget provided was not fully itemized and it was not posted on the Town's website.

*Cause and Effect:* The Town did not adequately follow all of the necessary steps, required by law, in the budget process for the current fiscal year. Non-compliance with state budget laws could result in state-shared monies being withheld from the Town in subsequent years. The absence of a fully itemized budget could also lead to expenditures in excess of appropriations at the department level.

*Auditors' Recommendation:* The Town should follow the budget requirement and adoption laws prescribed by Arizona Revised Statutes for Cities and Towns.

*Management's Response:* Management agrees with this finding and will adhere to the budget requirements and laws prescribed by Arizona Revised Statutes in regards to the preparation, adoption and publication of the Town's budget.

**TOWN OF PIMA, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2021**

**2020-005 – Credit and Debit Card Purchases**

*Criteria:* The Town has a responsibility to safeguard public monies. The Town should maintain effective internal control policies and procedures for Town credit and debit card purchases to reduce its risk of fraud, waste and abuse and to help ensure that public monies it spends are for an authorized Town purpose in accordance with Arizona Revised Statutes §35-301. Additionally, the Town should have effective internal control policies and procedures to help ensure that the accounting records for Town credit and debit card transactions are reconciled for completeness, supported by adequate documentation, and reviewed and approved for appropriateness.

*Condition and context:* During our audit, we noted that the Town could not provide receipts or other support for many of the credit and debit card purchases selected for testing. After inquiry with management, it was discovered that receipts and other supporting documentation are not always provided prior to the reconciliation with monthly statements and, in turn, are not available when check signers sign the checks to pay the credit card account.

*Cause and Effect:* The Town's internal control structure does not provide for adequate oversight of purchases made with the Town's credit and debit cards. As a result, various purchases lacked supporting documentation and it could not be determined whether purchases were for legitimate Town-related business purposes.

*Auditors' Recommendation:* Receipts and other documentation should be collected and reconciled with the monthly credit card statements to support all charges. Check signers should verify that all purchases made using the credit card have a legitimate business purpose prior to signing the check to make payment to the credit card company. All supporting documentation for credit card expenditures should be retained in accordance with the Town's record retention policies.

*Management's Response:* Management agrees with this finding and will ensure that all credit card receipts and other documentation is reconciled with the credit card statements prior to making payment to the credit card company. All documentation will then be retained in accordance with the Town's record retention policies.