



TOWN OF HUACHUCA CITY, ARIZONA
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023
WITH REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF HUACHUCA CITY, ARIZONA

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FINANCIAL SECTION

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HINTONBURDICK
CPAs & ADVISORS

Independent Auditors' Report

The Honorable Mayor and
Town Council
Town of Huachuca City, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Huachuca City, Arizona, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Huachuca City, Arizona, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Huachuca City, Arizona and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year 2023, the Town of Huachuca City, Arizona implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Town of Huachuca City, Arizona's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Huachuca City, Arizona's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension/OPEB schedules and notes as listed in the table of contents, and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Huachuca City, Arizona's basic financial statements. The combining nonmajor fund financial statements, and nonmajor fund budget and actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2024 on our consideration of the Town of Huachuca City, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Huachuca City, Arizona's internal control over financial reporting and compliance.

HintonBurdick, PLLC

Gilbert, Arizona
August 23, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

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**TOWN OF HUACHUCA CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2023**

As management of the Town of Huachuca City, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2023. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the Town's financial activity (3) identify changes in the Town's financial position (4) identify any material deviations from the financial plan (the approved budget) and (5) individual fund issues or concerns. Please read in conjunction with the accompanying financial statements.

FINANCIAL HIGHLIGHTS

- The Town's total net position at the close of the fiscal year was \$9.72 million. This amount is comprised of \$7.15 million in net investment in capital assets, \$4.80 million of restricted net position and (\$2.22) million in unrestricted net position.
- Governmental net position increased by \$900,027, and Business-Type net position decreased by \$251,345
- Total City and State Sales tax revenue increased by 7.8 percent from last year and combined are the largest general revenue sources in the budget for the governmental activities.
- Improvements and additions totaling \$635,925 were made to the Town's capital assets.
- Total debt service payments on notes payable and bonds totaled \$150,649. Overall, compensated absences decreased by \$13,341, the net pension/OPEB liability increased by \$117,764, and the Landfill closure/post-closure liability increased by \$180,560. The Town reported approximately \$5.7 million in total outstanding debt at the close of the year.
- The General Fund's unassigned fund deficit increased by \$17,332 to (\$2,001,539).
- Other governmental fund balances increased by \$433,341 to \$2,183,994, all of which is restricted.

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

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

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

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

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

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works/streets, economic development, culture and recreation, and interest on long-term debt. Sales tax, federal grants, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to customers that is intended to cover all or most of the cost of the services provided.

Reporting the Town's Most Significant Funds

Fund Financial Statements

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

- Governmental funds – Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included on pages 22 and 24.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$9.72 million as of June 30, 2023 as shown in the following condensed statement of net position.

Town of Huachuca City Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Current and other assets	\$ 459,329	\$ 94,705	\$ 6,243,017	\$ 6,316,355	\$ 6,702,346	6,411,060
Capital assets	3,993,618	3,624,804	5,036,856	5,222,391	9,030,474	8,847,195
Total assets	<u>4,452,947</u>	<u>3,719,509</u>	<u>11,279,873</u>	<u>11,538,746</u>	<u>15,732,820</u>	<u>15,258,255</u>
Deferred outflows of resources	231,107	314,980	-	-	231,107	314,980
Long-term liabilities outstanding	669,623	621,172	1,422,637	1,523,681	2,092,260	2,144,853
Other liabilities	274,083	357,346	3,688,717	3,595,201	3,962,800	3,952,547
Total liabilities	<u>943,706</u>	<u>978,518</u>	<u>5,111,354</u>	<u>5,118,882</u>	<u>6,055,060</u>	<u>6,097,400</u>
Deferred inflows of resources	185,753	401,403	-	-	185,753	401,403
Net position:						
Invested in capital assets, net of related debt	3,632,741	3,189,197	3,514,140	4,801,955	7,146,881	7,991,152
Restricted	2,218,637	1,785,296	2,579,766	2,413,308	4,798,403	4,198,604
Unrestricted	(2,296,783)	(2,319,925)	74,613	(795,399)	(2,222,170)	(3,115,324)
Total net position	<u>\$ 3,554,595</u>	<u>\$ 2,654,568</u>	<u>\$ 6,168,519</u>	<u>\$ 6,419,864</u>	<u>\$ 9,723,114</u>	<u>\$ 9,074,432</u>

The Town has \$15.96 million in total assets and deferred outflows, with \$9.03 million in capital assets (net of depreciation). The Town's Utility Funds, (Water, Sewer, Sanitation, and Landfill) operations are included in the Business-type activities column.

Governmental Activities

The Town's governmental programs include: General Government, Public Safety, Highways and Streets, and Culture and Recreation. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the Town's general taxes support each of the Town's programs.

Town of Huachuca City Changes in Net Position

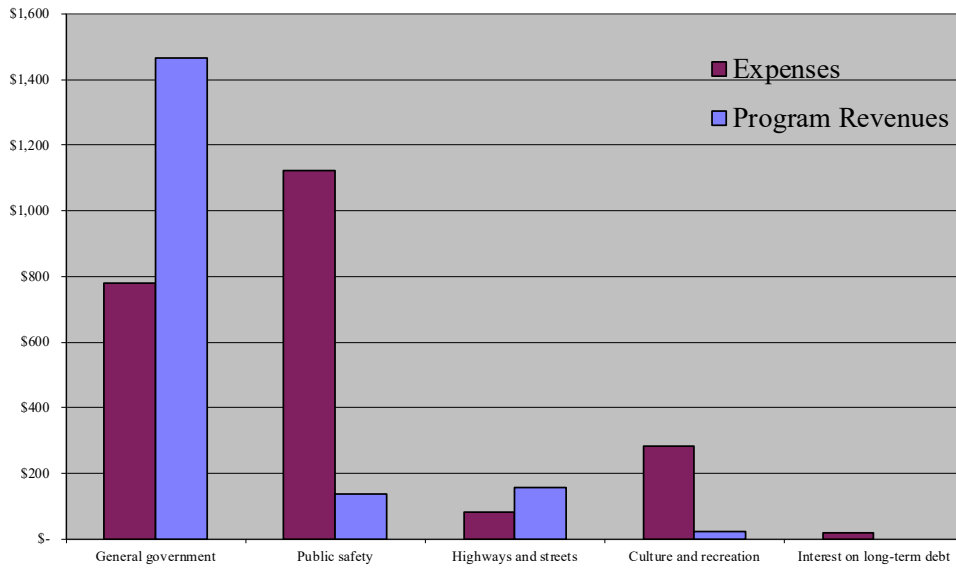
	Governmental activities		Business-type activities		Combined Total	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenues:						
Program revenues:						
Charges for services	\$ 836,300	\$ 761,231	\$ 2,356,860	\$ 2,318,023	\$ 3,193,160	\$ 3,079,254
Operating grants and contributions	478,325	527,108	-	531,000	478,325	1,058,108
Capital grants and contributions	463,271	67,929	-	-	463,271	67,929
General revenues:						
Sales taxes	626,416	580,924	-	-	626,416	580,924
Other taxes	117,722	106,014	-	-	117,722	106,014
State revenue sharing	405,367	320,666	-	-	405,367	320,666
Other	253,728	75,492	40,654	-	294,382	75,492
Total revenues	<u>3,181,129</u>	<u>2,439,364</u>	<u>2,397,514</u>	<u>2,849,023</u>	<u>5,578,643</u>	<u>5,288,387</u>
Expenses:						
General government	779,581	609,875	-	-	779,581	609,875
Public safety	1,120,667	1,210,131	-	-	1,120,667	1,210,131
Highways and streets	81,303	97,660	-	-	81,303	97,660
Culture and recreation	281,092	287,291	-	-	281,092	287,291
Community development	-	65,214	-	-	-	65,214
Interest on long-term debt	18,459	20,600	-	-	18,459	20,600
Water	-	-	352,500	389,261	352,500	389,261
Sewer	-	-	251,769	1,957,074	251,769	1,957,074
Sanitation	-	-	159,921	150,127	159,921	150,127
Landfill	-	-	1,884,669	1,739,712	1,884,669	1,739,712
Total expenses	<u>2,281,102</u>	<u>2,290,771</u>	<u>2,648,859</u>	<u>4,236,174</u>	<u>4,929,961</u>	<u>6,526,945</u>
(Decrease)/Increase in net assets	900,027	148,593	(251,345)	(1,387,151)	648,682	(1,238,558)
Net position, beginning	2,654,568	2,505,975	6,419,864	7,715,366	9,074,432	10,221,341
Restatement adjustment	-	-	-	91,649	-	91,649
Net position, ending	<u>\$ 3,554,595</u>	<u>\$ 2,654,568</u>	<u>\$ 6,168,519</u>	<u>\$ 6,419,864</u>	<u>\$ 9,723,114</u>	<u>\$ 9,074,432</u>

The cost of all governmental activities this year was \$2.28 million as shown in the schedule of Changes in Net Position above. \$836,300 of this cost was paid for by those who directly benefited from the programs. \$941,596 was subsidized by grants received from other governmental organizations for both capital and operating activities. General taxes, Urban Revenue Sharing, investment earnings and other revenues totaled \$1.40 million.

Total resources available during the year to finance governmental operations were \$5.84 million consisting of Net position at July 1, 1899 of \$2.65 million, program revenues of \$1.78 million and General Revenues of \$1.40 million. Total Governmental Activities expenses during the year were \$2.28 million. Thus Governmental Net Position increased by \$900,027 to \$2.65 million.

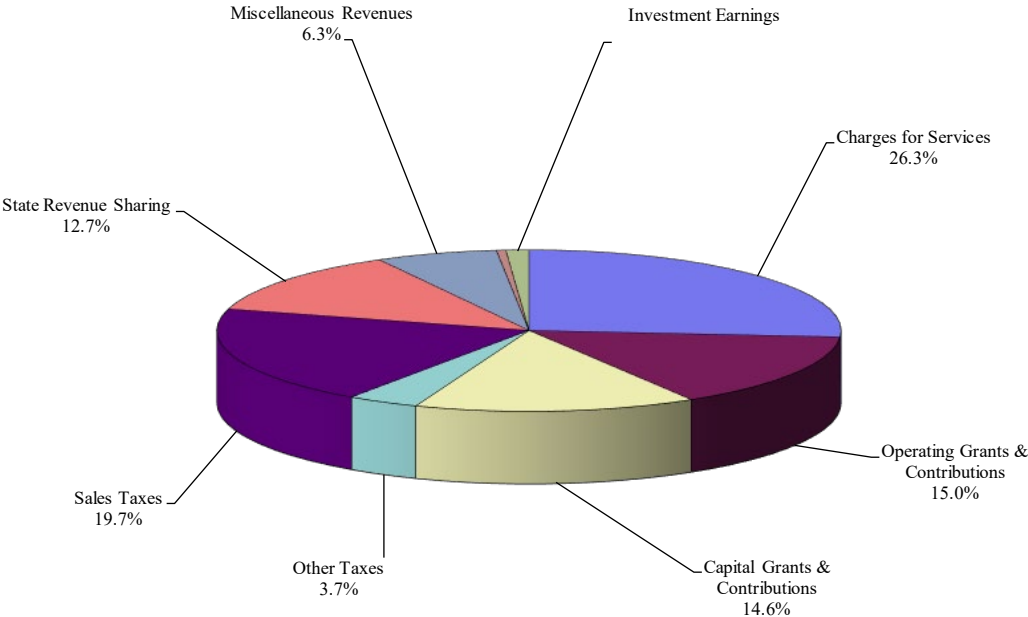
The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all government activities.

Expenses and Program Revenues - Governmental Activities
(in Thousands)



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Revenue By Source - Governmental Activities

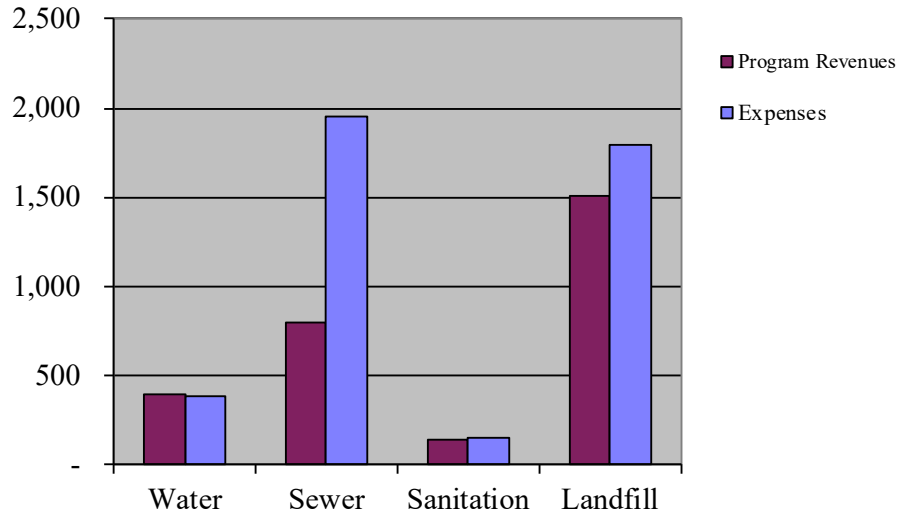


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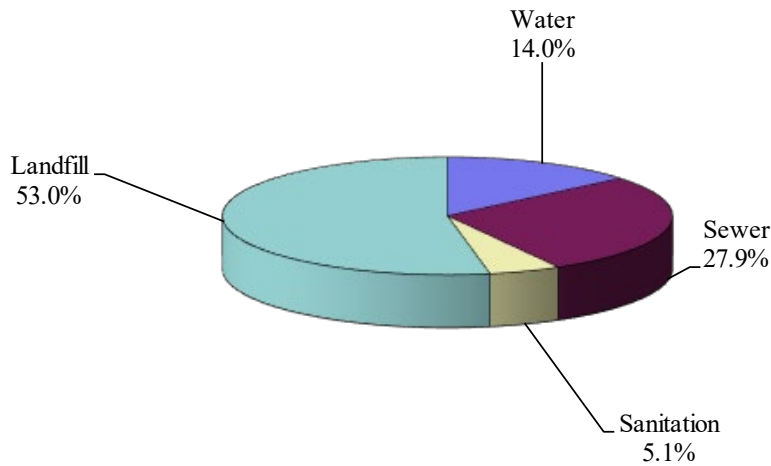
Business Type Activities

Net position of the Business Type activities at June 30, 2023, as reflected in the Statement of Net Position was \$6.17 million. The cost of providing all Proprietary (Business Type) activities this year was \$2.65 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$2.36 million. Interest earnings and other revenues (losses) were \$40,654. Net Position decreased by \$251,345.

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



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental funds – The focus of the Town of Huachuca City's governmental funds financial statements is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the Town of Huachuca City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Huachuca City's governmental funds reported combined ending fund balances of \$242,409, an increase in fund balance of \$441,320 in comparison with the prior year. Of this total amount (\$2,001,539) constitutes unassigned fund balance (deficit). The remainder of the fund balance is restricted, committed or assigned because it has already been committed 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the Town of Huachuca City. At the end of the current fiscal year, total fund deficit in the general fund was (\$1,941,585), of which (\$2,001,539) is unassigned, \$34,643 is restricted and \$25,311 is nonspendable.

Streets fund expenditures of \$18,622 were funded by Highway User revenues of \$155,145. Fund balance in the Streets fund increased by \$136,523, which resulted in ending fund balance of \$1,590,604.

The grant opportunity fund balance of \$10,931 consists of grant funds and donations restricted for culture and recreation.

The non-major fund balance of \$582,459 consists of grant funds and donations restricted for various purposes.

General Fund Budgetary Highlights

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$2,247,696 were less than the budget of \$3,396,746 by \$1,149,050 mainly due to the Town budgeting approximately \$1,225,000 million for potential grants. Actual expenditures of \$2,247,329 were \$1,269,417 less than budgeted expenditures of \$3,516,746. The most significant variance was due to the Town budgeting \$2.06 million for contingencies and capital outlay in the event the Town was awarded the grants mentioned previously.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, vehicles, buildings, land, land improvements, utility infrastructure and roads. At the end of fiscal year 2023, net capital assets of the government activities totaled \$3.99 million and the net capital assets of the business-type activities totaled \$5.04 million. Combined capital assets additions were \$635,925 for fiscal year 2023 consisting of: assorted capital assets for various Town departments. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

Debt

At year-end, the Town had \$742,174 in governmental type debt, and \$4,943,861 in business-type debt. (See note 8 the financial statements.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town budget for fiscal year 2023/2024, the Town Council and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 1899/2023.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the government's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to: Town of Huachuca City, Finance Department, 500 Gonzales Blvd, Huachuca City, AZ.
(520) 456-1354.

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BASIC FINANCIAL STATEMENTS

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TOWN OF HUACHUCA CITY, ARIZONA
Statement of Net Position
June 30, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 2,388,137	\$ 1,135,706	\$ 3,523,843
Accounts receivable (net of allowance)	91,113	424,761	515,874
Prepaid expenses	24,811	-	24,811
Inventory	500	-	500
Internal balances	(2,091,331)	2,091,331	-
Other assets	-	500	500
Due from other governments	-	10,953	10,953
Total current assets	413,230	3,663,251	4,076,481
Non-current assets:			
Restricted cash and cash equivalents	34,643	2,579,766	2,614,409
Capital assets:			
Not being depreciated	27,056	251,619	278,675
Net of accumulated depreciation	3,966,562	4,785,237	8,751,799
Net pension/OPEB asset	11,456	-	11,456
Total non-current assets	4,039,717	7,616,622	11,656,339
Total Assets	4,452,947	11,279,873	15,732,820
Deferred outflows related to pensions/OPEB	231,107	-	231,107
Total deferred outflows	231,107	-	231,107
Total assets and deferred outflows of resources	4,684,054	11,279,873	15,963,927
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	176,348	112,053	288,401
Customer deposits	-	44,538	44,538
Unearned revenue	25,184	-	25,184
Compensated absences - current	27,618	14,384	42,002
Bonds payable-current	20,000	-	20,000
Notes payable - current	-	100,079	100,079
Capital leases - current	24,933	-	24,933
Total current liabilities	274,083	281,955	556,038
Noncurrent liabilities:			
Compensated absences	6,904	3,596	10,500
Bonds payable	290,000	-	290,000
Notes payable	-	1,422,637	1,422,637
Capital leases	25,944	-	25,944
Net pension/OPEB liability	346,775	-	346,775
Landfill closure and post-closure costs	-	3,403,166	3,403,166
Total non-current liabilities	669,623	4,829,399	5,499,022
Total Liabilities	943,706	5,111,354	6,055,060
Deferred inflows related to pensions/OPEB	185,753	-	185,753
Total liabilities and deferred inflows of resources	1,129,459	5,111,354	6,240,813
NET POSITION:			
Net investment in capital assets	3,632,741	3,514,140	7,146,881
Restricted for:			
Debt service	34,643	-	34,643
General government	579,790	-	579,790
Public Safety	2,669	-	2,669
Highways and streets	1,590,604	-	1,590,604
Culture and recreation	10,931	-	10,931
Landfill closure/postclosure	-	2,579,766	2,579,766
Unrestricted	(2,296,783)	74,613	(2,222,170)
Total net (deficit) position	3,554,595	6,168,519	9,723,114
Total liabilities, deferred inflows of resources and net position	\$ 4,684,054	\$ 11,279,873	\$ 15,963,927

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

TOWN OF HUACHUCA CITY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 779,581	\$ 753,147	\$ 289,895	\$ 420,823	\$ 684,284	\$ -	\$ 684,284
Public safety	1,120,667	77,896	15,585	42,448	(984,738)	-	(984,738)
Highways and streets	81,303	-	155,145	-	73,842	-	73,842
Culture and recreation	281,092	5,257	17,700	-	(258,135)	-	(258,135)
Interest on long-term debt	18,459	-	-	-	(18,459)	-	(18,459)
Total governmental activities	<u>2,281,102</u>	<u>836,300</u>	<u>478,325</u>	<u>463,271</u>	<u>(503,206)</u>	<u>-</u>	<u>(503,206)</u>
Business-type activities:							
Water	352,500	397,312	-	-	-	44,812	44,812
Sewer	251,769	263,603	-	-	-	11,834	11,834
Sanitation	159,921	150,606	-	-	-	(9,315)	(9,315)
Landfill	1,884,669	1,545,339	-	-	-	(339,330)	(339,330)
Total business-type activities	<u>2,648,859</u>	<u>2,356,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(291,999)</u>	<u>(291,999)</u>
Total primary government	<u>\$ 4,929,961</u>	<u>\$ 3,193,160</u>	<u>\$ 478,325</u>	<u>\$ 463,271</u>	<u>(503,206)</u>	<u>(291,999)</u>	<u>(795,205)</u>
General Revenues:							
Property taxes levied for general purposes					98,249	-	98,249
City sales tax					386,355	-	386,355
State sales tax					240,061	-	240,061
Urban revenue sharing					308,075	-	308,075
Vehicle license tax					97,292	-	97,292
Franchise tax					19,473	-	19,473
Miscellaneous revenues					200,524	40,654	241,178
Gain (loss) on disposal of assets					15,481	-	15,481
Unrestricted investment earnings/(loss)					37,723	-	37,723
Total general revenues & transfers					<u>1,403,233</u>	<u>40,654</u>	<u>1,443,887</u>
Change in net position					900,027	(251,345)	648,682
Net position - beginning					<u>2,654,568</u>	<u>6,419,864</u>	<u>9,074,432</u>
Net position - ending					<u>\$ 3,554,595</u>	<u>\$ 6,168,519</u>	<u>\$ 9,723,114</u>

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

TOWN OF HUACHUCA CITY, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Streets Fund	Grant Opportunity Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 217,560	\$ 1,576,669	\$ 10,931	\$ 582,977	\$ 2,388,137
Receivables:					
Accounts	7,500	-	-	-	7,500
Property taxes	4,840	-	-	-	4,840
Intergovernmental	63,420	15,353	-	-	78,773
Prepaid expenses	24,811	-	-	-	24,811
Inventory	500	-	-	-	500
Restricted cash and cash equivalents	34,643	-	-	-	34,643
Total assets	<u>\$ 353,274</u>	<u>\$ 1,592,022</u>	<u>\$ 10,931</u>	<u>\$ 582,977</u>	<u>\$ 2,539,204</u>
LIABILITIES					
Accounts payable	\$ 153,530	\$ 1,418	\$ -	\$ -	\$ 154,948
Due to other funds	2,090,813	-	-	518	2,091,331
Accrued payroll	21,400	-	-	-	21,400
Total liabilities	<u>2,265,743</u>	<u>1,418</u>	<u>-</u>	<u>518</u>	<u>2,267,679</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	3,932	-	-	-	3,932
Unearned revenue-lease	25,184	-	-	-	25,184
Total deferred inflows of resources	<u>29,116</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,116</u>
FUND BALANCES					
Nonspendable:					
Prepays	24,811	-	-	-	24,811
Inventory	500	-	-	-	500
Restricted for:					
General government	-	-	-	579,790	579,790
Public safety	-	-	-	2,669	2,669
Highways and Streets	-	1,590,604	-	-	1,590,604
Culture and recreation	-	-	10,931	-	10,931
Debt service	34,643	-	-	-	34,643
Unassigned (deficits)	<u>(2,001,539)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,001,539)</u>
Total fund balances (deficits)	<u>(1,941,585)</u>	<u>1,590,604</u>	<u>10,931</u>	<u>582,459</u>	<u>242,409</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 353,274</u>	<u>\$ 1,592,022</u>	<u>\$ 10,931</u>	<u>\$ 582,977</u>	<u>\$ 2,539,204</u>

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

TOWN OF HUACHUCA CITY, ARIZONA
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
June 30, 2023

Total governmental fund balances	\$	242,409
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental capital assets	\$ 9,208,592	
Accumulated Depreciation	<u>(5,214,974)</u>	3,993,618
Other assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
		3,932
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Excise tax revenue bonds	\$ (310,000)	
Note payable-Lumen	-	
Notes payable	(50,877)	
Net pension/OPEB liability	(346,775)	
Compensated absences	<u>(34,522)</u>	(742,174)
Other long term assets are not available to pay for current period expenditures and, therefore, not included in the funds.		
Net OPEB asset		11,456
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows	\$ 231,107	
Deferred inflows	<u>(185,753)</u>	45,354
Total net position of governmental activities	\$	<u><u>3,554,595</u></u>

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

TOWN OF HUACHUCA CITY, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	General Fund	Streets Fund	Grant Opportunity Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 504,276	\$ -	\$ -	\$ -	\$ 504,276
Licenses, permits and fees	20,172	-	-	-	20,172
Intergovernmental revenue	694,443	155,145	420,823	305,053	1,575,464
Charges for services	22,076	-	-	-	22,076
Fines and forfeitures	79,626	-	-	-	79,626
Investment earnings	35,410	-	-	-	35,410
Rent	702,000	-	-	-	702,000
Contributions	3,710	-	7,850	-	11,560
Miscellaneous	185,983	-	-	-	185,983
Total revenues	<u>2,247,696</u>	<u>155,145</u>	<u>428,673</u>	<u>305,053</u>	<u>3,136,567</u>
EXPENDITURES					
Current:					
General government	773,964	-	-	-	773,964
Public safety	1,174,815	-	-	13,792	1,188,607
Community development	-	-	431,880	-	431,880
Culture and recreation	220,630	-	2,293	-	222,923
Highways and streets	-	18,622	-	-	18,622
Capital outlay	11,698	-	-	-	11,698
Debt service:					
Principal	47,763	-	-	-	47,763
Interest	18,459	-	-	-	18,459
Total expenditures	<u>2,247,329</u>	<u>18,622</u>	<u>434,173</u>	<u>13,792</u>	<u>2,713,916</u>
Excess of revenues over (under) expenditures	<u>367</u>	<u>136,523</u>	<u>(5,500)</u>	<u>291,261</u>	<u>422,651</u>
OTHER FINANCING SOURCES (USES)					
Gain/(loss) on investments	2,313	-	-	-	2,313
Sale of general capital assets	16,356	-	-	-	16,356
Transfers out	(11,057)	-	-	-	(11,057)
Transfers in	-	-	11,057	-	11,057
Total other financing sources (uses)	<u>7,612</u>	<u>-</u>	<u>11,057</u>	<u>-</u>	<u>18,669</u>
Net change in fund balances	7,979	136,523	5,557	291,261	441,320
Fund balances, beginning of year	(1,949,564)	1,454,081	5,374	291,198	(198,911)
Fund balances (deficits), end of year	<u>\$ (1,941,585)</u>	<u>\$ 1,590,604</u>	<u>\$ 10,931</u>	<u>\$ 582,459</u>	<u>\$ 242,409</u>

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

TOWN OF HUACHUCA CITY, ARIZONA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds	\$	441,320
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the differene between depreciation expense and capital outlays in the current period.</p>		
Capital Outlay	\$	567,725
Depreciation Expense		<u>(198,036)</u>
		369,689
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		(199)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(875)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds and is recorded as an expenditure, but the repayment reduces long-term liabilities in the statement of net position.		74,730
<p>Pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension/OPEB liability is measured a year before the City's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.</p>		
Pension/OPEB contributions		52,794
Pension/OPEB expense		<u>(44,410)</u>
		8,384
Compensated absences and other expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences expense		<u>6,978</u>
Change in net position of governmental activities	\$	<u><u>900,027</u></u>

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

TOWN OF HUACHUCA CITY, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Sanitation	Landfill	Total
ASSETS:					
Assets					
Current assets:					
Cash and cash equivalents	\$ 190,229	\$ 432,100	\$ 513,377	\$ -	\$ 1,135,706
Receivables (net of allowance)	59,625	37,121	26,725	301,290	424,761
Due from other funds	-	-	-	2,280,431	2,280,431
Due from other governments	-	-	-	10,953	10,953
Other assets	-	500	-	-	500
Total Current Assets	249,854	469,721	540,102	2,592,674	3,852,351
Non-current assets:					
Restricted cash and cash equivalents	-	-	-	2,579,766	2,579,766
Capital assets					
Land	1,012	1,969	-	248,638	251,619
Buildings	31,627	-	-	198,405	230,032
Improvements over than buildings	8,365	-	-	286,351	294,716
Machinery and equipment	75,852	117,163	-	1,438,584	1,631,599
Infrastructure	4,346,256	3,071,038	-	8,613	7,425,907
Accumulated depreciation	(2,274,867)	(1,485,337)	-	(1,036,813)	(4,797,017)
Total Noncurrent Assets	2,188,245	1,704,833	-	3,723,544	7,616,622
Total assets	\$ 2,438,099	\$ 2,174,554	\$ 540,102	\$ 6,316,218	\$ 11,468,973
LIABILITIES:					
Liabilities					
Current liabilities:					
Accounts payable	\$ 56,222	\$ 2,616	\$ 12,955	\$ 40,260	\$ 112,053
Accrued interest payable	-	10,901	-	-	10,901
Due to other funds	189,100	-	-	-	189,100
Customer deposits	26,005	11,079	-	7,454	44,538
Compensated absences - current	3,329	2,601	-	8,454	14,384
Current portion - long-term debt	-	33,793	-	66,286	100,079
Total Current Liabilities	274,656	60,990	12,955	122,454	471,055
Non-current liabilities:					
Compensated absences	832	650	-	2,114	3,596
Landfill closure and post-closure costs	-	-	-	3,403,166	3,403,166
Long-term debt, net of current portion	-	1,142,957	-	279,680	1,422,637
Total non-current liabilities	832	1,143,607	-	3,684,960	4,829,399
Total liabilities	275,488	1,204,597	12,955	3,807,414	5,300,454
NET POSITION:					
Net investment in capital assets	2,188,245	528,083	-	797,812	3,514,140
Restricted for landfill closure/postclosure	-	-	-	2,579,766	2,579,766
Unrestricted (deficit)	(25,634)	441,874	527,147	(868,774)	74,613
Total net position (deficit)	2,162,611	969,957	527,147	2,508,804	6,168,519
Total liabilities and net position	\$ 2,438,099	\$ 2,174,554	\$ 540,102	\$ 6,316,218	\$ 11,468,973

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

TOWN OF HUACHUCA CITY, ARIZONA
Statement Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Sanitation	Landfill	Total
Operating revenues:					
Charges for services	\$ 395,763	\$ 263,603	\$ 150,606	\$ 1,545,339	\$ 2,355,311
Customer penalties and interest	1,549	-	-	-	1,549
Other revenues	10,189	422	12,149	17,894	40,654
Total operating revenues	<u>407,501</u>	<u>264,025</u>	<u>162,755</u>	<u>1,563,233</u>	<u>2,397,514</u>
Operating expenses:					
Salaries, wages and benefits	142,880	119,366	-	308,629	570,875
Administration	-	-	2,911	-	2,911
Supplies and services	50,508	43,356	157,010	360,279	611,153
Repairs and maintenance	26,544	13,282	-	173,675	213,501
Rent	-	-	-	702,000	702,000
Utilities	39,523	5,457	-	11,054	56,034
Bad debt	-	1,823	-	-	1,823
Depreciation	79,525	45,732	-	128,478	253,735
Miscellaneous	13,520	1,620	-	-	15,140
Total operating expenses	<u>352,500</u>	<u>230,636</u>	<u>159,921</u>	<u>1,684,115</u>	<u>2,427,172</u>
Net operating income (loss)	<u>55,001</u>	<u>33,389</u>	<u>2,834</u>	<u>(120,882)</u>	<u>(29,658)</u>
Non-operating revenues (expenses):					
Interest expense and fiscal charges	-	(21,133)	-	(19,995)	(41,128)
Change in landfill closure and post-closure costs	-	-	-	(180,559)	(180,559)
Total non-operating revenue (expense)	<u>-</u>	<u>(21,133)</u>	<u>-</u>	<u>(200,554)</u>	<u>(221,687)</u>
Change in net position	55,001	12,256	2,834	(321,436)	(251,345)
Total net position (deficit), beginning of year	<u>2,107,610</u>	<u>957,701</u>	<u>524,313</u>	<u>2,830,240</u>	<u>6,419,864</u>
Total net position (deficit), end of year	<u>\$ 2,162,611</u>	<u>\$ 969,957</u>	<u>\$ 527,147</u>	<u>\$ 2,508,804</u>	<u>\$ 6,168,519</u>

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

TOWN OF HUACHUCA CITY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds				
	Water	Sewer	Sanitation	Landfill	Total
Cash flows from operating activities:					
Cash received from customers, service fees	\$ 370,120	\$ 261,086	\$ 139,773	\$ 1,560,284	\$ 2,331,263
Cash received from customers, other	11,738	422	12,149	17,894	42,203
Cash paid to suppliers	(101,768)	(66,843)	(171,168)	(1,337,385)	(1,677,164)
Cash paid to employees	(149,873)	(126,962)	-	(305,679)	(582,514)
Net cash flows from operating activities	<u>130,217</u>	<u>67,703</u>	<u>(19,246)</u>	<u>(64,886)</u>	<u>113,788</u>
Cash flows from noncapital financing activities:					
Change in due to/due from	(92,000)	-	-	216,334	124,334
Net cash flows from noncapital financing activities	<u>(92,000)</u>	<u>-</u>	<u>-</u>	<u>216,334</u>	<u>124,334</u>
Cash flows from capital and related financing activities:					
Purchase of capital assets	(68,200)	-	-	-	(68,200)
Principal paid on long-term debt	-	(33,215)	-	(74,470)	(107,685)
Interest and fiscal charges paid	-	(18,819)	-	(19,995)	(38,814)
Net cash flows from capital and related financing activities	<u>(68,200)</u>	<u>(52,034)</u>	<u>-</u>	<u>(94,465)</u>	<u>(214,699)</u>
Net change in cash and cash equivalents	(29,983)	15,669	(19,246)	56,983	23,423
Cash and cash equivalents, including restricted cash, beginning of year	220,212	416,431	532,623	2,522,783	3,692,049
Cash and cash equivalents, including restricted cash, end of year	<u>\$ 190,229</u>	<u>\$ 432,100</u>	<u>\$ 513,377</u>	<u>\$ 2,579,766</u>	<u>\$ 3,715,472</u>
Reconciliation of operating income to net cash flows from operating activities:					
Net operating income	\$ 55,001	\$ 33,389	\$ 2,834	\$ (120,882)	\$ (29,658)
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation	79,525	45,732	-	128,478	253,735
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables	(26,730)	(2,995)	(10,833)	12,985	(27,573)
Increase/(Decrease) in accounts payable	28,327	(1,305)	(11,247)	(90,377)	(74,602)
Increase/(Decrease) in customer deposits	1,087	478	-	1,960	3,525
Increase/(Decrease) in accrued payroll and employee benefits	(1,652)	(1,370)	-	(2,254)	(5,276)
Increase/(Decrease) in compensated absences	(5,341)	(6,226)	-	5,204	(6,363)
Net cash flows from operating activities	<u>\$ 130,217</u>	<u>\$ 67,703</u>	<u>\$ (19,246)</u>	<u>\$ (64,886)</u>	<u>\$ 113,788</u>
Supplemental schedule of non-cash Financing and investing activities:					
Change in landfill closure and post-closure costs	\$ -	\$ -	\$ -	\$ 180,560	\$ 180,560

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

TOWN OF HUACHUCA CITY, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023

	<u>Volunteer Firefighters' Relief and Pension</u>
ASSETS	
Cash and cash equivalents	<u>\$ 67,286</u>
Total assets and other debits	<u><u>\$ 67,286</u></u>
LIABILITIES	
Total liabilities	<u>\$ -</u>
NET POSITION	
Held in trust for pension benefits and other purposes	<u><u>\$ 67,286</u></u>

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

TOWN OF HUACHUCA CITY, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	<u>Volunteer Firefighters' Relief and Pension</u>
Additions:	
Total Additions	<u>\$ -</u>
Deductions:	
Miscellaneous expense	<u>1,797</u>
Total Deductions	<u>1,797</u>
Net Increase (Decrease)	(1,797)
Net Position Held in Trust for Pension Benefits Beginning of Year	<u>69,083</u>
End of Year	<u><u>\$ 67,286</u></u>

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

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 1. Summary of Significant Accounting Policies

The financial statements of the Town of Huachuca City, Arizona have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Description of government-wide financial statements

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

Reporting Entity

The Town is a municipal entity governed by an elected mayor and council and provides the following services as authorized by general law: public safety, highways and streets, culture and recreation, and general administrative services. As required by accounting principles generally accepted in the United States of America, these financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations and so data from these units are combined with data of the Town, the primary government.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The Town is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units combined with the Town for financial statement presentation purposes, and the Town, are not included in any other governmental reporting entity. Consequently, the Town's financial statements include the funds of those organizational entities for which its elected governing body is financially accountable.

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

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 1. Summary of Significant Accounting Policies, Continued

Blended component units included within the reporting entity:

The **Town of Huachuca City, Arizona Municipal Property Corporation (MPC)** is governed by a three-member board appointed by the Town Council. The MPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the Town in obtaining financing for various projects of the Town. Although it is legally separate from the Town, the MPC is reported as if it were part of the primary government. The MPC debt service is reported within the governmental activities in the government-wide statements. Separate financial statements for the MPC are not prepared.

Basis of presentation – government-wide financial statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government’s utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of presentation – fund financial statements

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

The Town reports the following major governmental funds:

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

The **Streets Fund** accounts for the operation and maintenance of the Town's streets, rights of way and street lighting throughout the Town.

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

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 1. Summary of Significant Accounting Policies, Continued

The Town reports the following major enterprise funds:

The **Water Fund** accounts for the operations, maintenance, and construction of the Town-owned water system.

The **Sewer Fund** accounts for the operations, maintenance, and construction projects of the Town-owned sewer system

The **Sanitation Fund** accounts for the operations, maintenance, and capital projects of the Town-owned solid waste collection and disposal services.

The **Landfill Fund** accounts for the operations, maintenance, and construction projects of the Town-owned Landfill.

Additionally, the Town reports the following fund types:

The **Fiduciary Fund** is an agency fund which accounts for resources held by the Town on behalf of others and includes the Volunteer Firefighters Relief and Pension Trust Fund. The Volunteer Firefighters Relief and Pension Trust Fund accounts for the contributions to and earnings of the volunteer firefighters' pension trust.

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

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

Measurement focus and basis of accounting

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

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 1. Summary of Significant Accounting Policies, Continued

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

Deposits and Investments

For the purposes of the statement of cash flows, the Town considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash and cash equivalents include amounts the Town is required by Arizona Department of Environmental Quality (ADEQ) to set aside to pay for future landfill closure and post-closure costs.

All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The reported value of the state treasurer's pool is the same as the fair value of the pool shares. Investment earnings is composed of interest, dividends, and net changes in the estimated fair value of applicable investments.

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 1. Summary of Significant Accounting Policies, Continued

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 may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

Receivables and Payables

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

Inventories and Prepaid Items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories for the proprietary funds consist principally of materials used in the repair of the distribution, collection and treatment systems and are valued at the lower of cost (first-in, first-out) or market.

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capitalized assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. General government infrastructure capital assets include only those assets acquired or constructed since July 1, 2003.

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 1. Summary of Significant Accounting Policies, Continued

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. Depreciation for other property, plant, equipment, and infrastructure is computed using the straight-line method over the following estimated useful lives:

Buildings	50 years
Building improvements	20 years
Land improvements	20 years
Machinery, vehicles and equipment	8 to 15 years
Infrastructure	75 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town has one type of item that qualifies for reporting in this category. It is pension/OPEB related items reported on the government-wide financial statements. See footnote 10 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has three types of items that qualify for reporting in this category. Pension/OPEB related items reported on the government-wide financial statements. See footnote 10 for more information. Unearned revenue – lease is reported on the government-wide and governmental fund financial statements and is recognized as revenue as the lease term progresses. Another item, which arises only under a modified accrual basis of accounting, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Postemployment benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plan’s fiduciary net position of the Arizona Public Safety Personnel Retirement System (PSPRS), and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 1. Summary of Significant Accounting Policies, Continued

Net position flow assumption

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

Fund balance flow assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies

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

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

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

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 1. Summary of Significant Accounting Policies, Continued

Unassigned fund balance is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund

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

Leases and Subscription-Based Information Technology Arrangements

Lessee: The Town recognizes lease liabilities with an initial, individual value of \$5,000 or more. At the commencement of a lease, the Town initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Town determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Town] uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Town generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Town is reasonably certain to exercise.

The Town monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The Town is a lessor for a five-year noncancellable lease of a land for a cell phone tower that was prepaid by the lessee. The Town recognizes a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Town initially measures a lease receivable at the present value of payments expected to be received during the lease term.

Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 1. Summary of Significant Accounting Policies, Continued

Key estimates and judgments include how the Town determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The Town uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Town monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-based information technology arrangements: The Town recognizes a subscription liability and an intangible right-to-use subscription asset in the government-wide financial statements, when applicable. The Town recognizes subscription liabilities with an initial, individual value of \$5,000 or more. The Town uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement.

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. Property taxes not collected within 60 days subsequent to the fiscal-year end or collected in advance of the fiscal year for which they are levied are reported as deferred revenues. Cochise County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments on 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.

The County also levies various personal property taxes during the year. A lien against property assessed attaches on the first day of January preceding the assessment and levy.

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 1. Summary of Significant Accounting Policies, Continued

Compensated Absences

Compensated absences consist of paid time off, which can be used as vacation or sick leave. The Town's permanent full-time employees may accumulate up to 200 hours of vacation. If the total amount of unused vacation time reaches the maximum of 200 hours, accruals stop until the amount falls below the cap. An employee may be allowed to carry forward paid time off to of the following year if staffing shortages prevent the employee from utilizing their paid time off. Unpaid vacation time shall be paid out in a lump sum at termination of employment once the employee has satisfactorily completed six months' probation. Employees also accrue annual sick leave which may accumulate and carryforward a maximum of 240 hours. Sick leave is not paid out at termination of employment and, is therefore, excluded from the compensated absence liability. An employee taking leave for a serious illness of a family member under the Family Medical Leave Act may use the paid time off as part of the unpaid 12 week period allowed by law.

All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. For governmental funds amounts of accumulated vacation and compensatory time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, sewer fund, sanitation fund, and landfill fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Tax Abatements

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

Use of Estimates

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

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 1. Summary of Significant Accounting Policies, Continued

New Pronouncements

For the year ended June 30, 2023, the Town implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Town had no SBITAs during the year ended June 30, 2023 that required reporting under GASB statement No. 96.

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

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 22.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 24.

Note 3. Stewardship, Compliance, and Accountability

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

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 3. Stewardship, Compliance, and Accountability, Continued

2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the first of September, the expenditure limitation for the Town is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. State law requires that, prior to April 1, the Economic Estimates Commission provide the Town with a final expenditure limit for the coming fiscal year.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Council has adopted a budget transfer policy and all amendments must be done in accordance with this policy.
6. The Town has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Capital Projects, Debt Service, and Enterprise funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

Supplementary budgetary appropriations were made during the year ended June 30, 2023.

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

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2023, if any.

Deficit Fund Balance

As of June 30, 2023, the General Fund reported a fund balance deficit of \$1,941,585. The General Fund deficit decreased by \$7,979 when compared to the prior year.

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 4. Deposits and Investments

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

Cash and cash equivalents	\$ 2,919,355
Cash on hand	543
Restricted cash and cash equivalents	2,614,409
Investments	<u>671,232</u>
Total cash and investments	<u>\$ 6,205,538</u>

For purposes of its statement of cash flows, the Town considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash and cash equivalents includes amounts the Town is required to set aside to pay for future closure and post-closure costs of the Town's landfill (see Note 7).

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the Town's deposit may not be returned to it. Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover. The Town does not have a formal policy for custodial credit risk. At year end, the carrying amount of the Town's deposits was \$5,533,764 and the bank balance was \$5,734,907. The bank balance was fully covered by FDIC coverage or collateral held by the pledging financial institution in the Town's name.

Investments

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

As of June 30, 2023, the Town had investments in municipal bonds valued at \$671,232. As these investments are convertible to cash at any time, they are included with cash and cash equivalents on the financial statements.

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 4. Deposits and Investments, Continued

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323). A.R.S. 35-323 limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services. The Town invests in equity securities, certificates of deposit, US government securities, repurchase agreements, pooled investment funds established by the State Treasurer, bonds issued by the state, county, incorporated cities, towns or school districts, or cash and cash equivalents with a local financial institution. The Town's investments were rated by Standard and Poor's as follows:

Investment Type	Standard and Poor's Rating				Total
	AAA	AA	AA-	A+	
Municipal Bonds	\$ 197,757	\$ 272,450	\$ 201,025	\$ -	\$ 671,232
Total	\$ 197,757	\$ 272,450	\$ 201,025	\$ -	\$ 671,232

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Type	Investment Maturities (in Years)		
	Less than 5	More than 5	Total
Municipal Bonds	\$ 124,648	\$ 546,584	\$ 671,232
Total	\$ 124,648	\$ 546,584	\$ 671,232

Fair value measurements

As noted above, the Town holds investments that are measured at fair value on a recurring basis. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The investments, as listed above, are valued using quoted prices in active markets (Level 1 inputs).

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 5. Restricted Assets

Restricted assets at June 30, 2023 consisted of cash reserves totaling \$2,579,766 for landfill closure and post-closure costs and \$ 34,643 for Debt Service.

Note 6. Capital Assets

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

Governmental Activities:	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2023</u>
Capital assets, not being depreciated:				
Land	\$ 27,056	\$ -	\$ -	\$ 27,056
Total capital assets not being depreciated	<u>27,056</u>	<u>-</u>	<u>-</u>	<u>27,056</u>
Capital assets, being depreciated:				
Land Improvements	2,223,928	447,603	-	2,671,531
Buildings and Improvements	2,015,018	-	-	2,015,018
Infrastructure	3,135,739	-	-	3,135,739
Furniture, Equipment, Vehicles	<u>1,253,126</u>	<u>120,122</u>	<u>(14,000)</u>	<u>1,359,248</u>
Total capital assets being depreciated	<u>8,627,811</u>	<u>567,725</u>	<u>(14,000)</u>	<u>9,181,536</u>
Less accumulated depreciation for:				
Land Improvements	(1,212,293)	(56,917)	-	(1,269,210)
Buildings and Improvements	(1,220,460)	(56,433)	-	(1,276,893)
Infrastructure	(1,536,182)	(41,810)	-	(1,577,992)
Furniture, Equipment, Vehicles	<u>(1,061,128)</u>	<u>(42,876)</u>	<u>13,125</u>	<u>(1,090,879)</u>
Total accumulated depreciation	<u>(5,030,063)</u>	<u>(198,036)</u>	<u>13,125</u>	<u>(5,214,974)</u>
Total capital assets being depreciated, net	<u>3,597,748</u>	<u>369,689</u>	<u>(875)</u>	<u>3,966,562</u>
Governmental activities capital assets, net	<u>\$ 3,624,804</u>	<u>\$ 369,689</u>	<u>\$ (875)</u>	<u>\$ 3,993,618</u>

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

Governmental Activities:	
General government	\$ 16,871
Public safety	42,809
Highways and streets	62,731
Culture and recreation	<u>75,625</u>
Total depreciation expense - governmental activities	<u>\$ 198,036</u>

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 6. Capital Assets, Continued

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

Business Type Activities:	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets, not being depreciated:				
Land	\$ 251,619	\$ -	\$ -	\$ 251,619
Total capital assets not being depreciated	<u>251,619</u>	<u>-</u>	<u>-</u>	<u>251,619</u>
Capital assets, being depreciated:				
Land Improvements	294,716	-	-	294,716
Buildings and Improvements	230,032	-	-	230,032
System and Other Improvements	7,357,707	68,200	-	7,425,907
Furniture, Equipment, Vehicles	1,631,599	-	-	1,631,599
Total capital assets being depreciated	<u>9,514,054</u>	<u>68,200</u>	<u>-</u>	<u>9,582,254</u>
Less accumulated depreciation for:				
Land Improvements	(94,822)	(11,894)	-	(106,716)
Buildings and Improvements	(130,612)	(4,601)	-	(135,213)
System and Other Improvements	(3,539,665)	(109,998)	-	(3,649,663)
Furniture, Equipment, Vehicles	(778,183)	(127,242)	-	(905,425)
Total accumulated depreciation	<u>(4,543,282)</u>	<u>(253,735)</u>	<u>-</u>	<u>(4,797,017)</u>
Total capital assets being depreciated, net	<u>4,970,772</u>	<u>(185,535)</u>	<u>-</u>	<u>4,785,237</u>
Business-type activities capital assets, net	<u>\$ 5,222,391</u>	<u>\$ (185,535)</u>	<u>\$ -</u>	<u>\$ 5,036,856</u>

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

Business Type Activities:	
Water	79,525
Sewer	45,732
Landfill	128,478
Total depreciation expense - business activities	<u>\$ 253,735</u>

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 7. Landfill Closure and Post-Closure Costs

State and federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post-closure care costs will not be paid until near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and post-closure care costs as an addition to long-term liabilities on the statement of Net Position in each period based on the landfill capacity the Town used as of fiscal year end. The \$3,403,166 reported as landfill closure and post-closure care liability at year end, represents the cumulative amount reported to date based on prior closure and post-closure costs recognized. As of June 30, 2023, the estimated landfill capacity used was 75.45%, and the estimated remaining life of the landfill is 17 years. The Town will recognize the remaining estimated cost of closure and post-closure care of \$1,107,404 as the remaining estimated capacity is filled. These amounts are based on an estimate of what it would cost to perform all closure and post-closure care in 2023. Actual costs will likely vary due to inflation, changes in technology, or revisions of applicable laws and regulations.

The Town has entered into a Trust Agreement with ADEQ, which required the Town to deposit approximately \$1.9 million in September 2017 into a Trust account as a means of providing financial assurance that funds will be available when needed for closure and post-closure of the landfill. The Trust Agreement requires the Town to make annual deposits starting December 2017 until the full estimated closure and post-closure costs are held in the Trust account. As of June 30, 2023, the cash restricted for this purpose is \$2,579,766.

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TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 8. Long-Term Liabilities

The following is a summary of changes in long-term obligations for the current fiscal year:

	<u>Balance June 30, 2022</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2023</u>	<u>Current Portion</u>
Governmental Activities:					
Direct Borrowings:					
Excise Tax Revenue Bonds	\$ 329,000	\$ -	\$ (19,000)	\$ 310,000	\$ 20,000
Note payable - Lumen Technologies	31,767	-	(31,767)	-	-
Notes payable	74,840	-	(23,963)	50,877	24,933
Total direct borrowings	<u>435,607</u>	<u>-</u>	<u>(74,730)</u>	<u>360,877</u>	<u>44,933</u>
Other long-term liabilities					
Net Pension/OPEB Liability	229,011	117,764	-	346,775	-
Accrued Compensated Absences	41,500	26,585	(33,563)	34,522	27,618
Total other long-term liabilities	<u>270,511</u>	<u>144,349</u>	<u>(33,563)</u>	<u>381,297</u>	<u>27,618</u>
Total Governmental Activity Long-Term Liabilities	<u>\$ 706,118</u>	<u>\$ 144,349</u>	<u>\$ (108,293)</u>	<u>\$ 742,174</u>	<u>\$ 72,551</u>
Business-Type Activities:					
Direct Borrowings:					
Notes payable	\$ 1,630,401	\$ -	\$ (107,686)	\$ 1,522,715	\$ 100,079
Total direct borrowings	<u>1,630,401</u>	<u>-</u>	<u>(107,686)</u>	<u>1,522,715</u>	<u>100,079</u>
Other long-term liabilities					
Landfill closure and post-closure	3,222,606	180,560	-	3,403,166	-
Accrued Compensated Absences	24,343	13,846	(20,209)	17,980	14,384
Total other long-term liabilities	<u>3,246,949</u>	<u>194,406</u>	<u>(20,209)</u>	<u>3,421,146</u>	<u>14,384</u>
Total Business-Type Activity Long-Term Liabilities	<u>\$ 4,877,350</u>	<u>\$ 194,406</u>	<u>\$ (127,895)</u>	<u>\$ 4,943,861</u>	<u>\$ 114,463</u>
Total Long-Term Liabilities	<u>\$ 5,583,468</u>	<u>\$ 338,755</u>	<u>\$ (236,188)</u>	<u>\$ 5,686,035</u>	<u>\$ 187,014</u>

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

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 8. Long-Term Liabilities, Continued

Long-term debt activity for the primary government at June 30, 2023 is comprised of the following issues:

Revenue bonds payable from direct borrowings:

Governmental activities:

Excise Tax Revenue Obligation Bonds, Series 2019, due in semiannual principal and interest installments, bearing interest at 4.70%, maturing August 1, 2034, secured by the City's Excise Tax revenues.	\$ 310,000
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Notes Payable:

Governmental activities:

Note payable due in annual installments of \$26,994 through September 2024, including interest of 4.05%, secured by vehicles.	50,877
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Business-type activities:

Note payable to Water Infrastructure Finance Authority due in annual payments ranging from \$52,034 to \$54,041 including interest of 1.739%, maturing July 1, 2050.	1,176,750
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Note payable in monthly installments of \$3,314 through December, 2025, including interest of 4.70%, after which final payment of \$75,554 is due. Secured by a Catepillar Compactor.	160,107
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Note payable in monthly installments of \$3,451 through December, 2025, including interest of 4.70%, after which a final payment of \$100,331 is due. Secured by a Catepillar Tractor.	185,858
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Total notes payable	<u>1,573,592</u>
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Landfill closure and post-closure	3,403,166
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Accrued compensated absences	52,502
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Net pension/opeb liability	<u>346,775</u>
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Total long-term liabilities	5,686,035
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Less current portion:

Governmental activities	(72,551)
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Business-type activities	<u>(114,463)</u>
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Net long-term liabilities	<u>\$ 5,499,020</u>
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TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 8. Long-Term Liabilities, Continued

Excise Tax Revenue Obligation Bonds from direct placement debt service maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 20,000	\$ 14,100	\$ 34,100
2025	21,000	13,137	34,137
2026	22,000	12,126	34,126
2027	23,000	11,069	34,069
2028	24,000	9,964	33,964
2029-2033	136,000	31,584	167,584
2034-2035	64,000	3,055	67,055
Total	<u>\$ 310,000</u>	<u>\$ 95,034</u>	<u>\$ 405,034</u>

Note payable debt service maturities are as follows:

Year Ending June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 24,933	\$ 2,061	\$ 26,994	\$ 100,079	\$ 41,371	\$ 141,450
2025	25,943	1,051	26,994	103,850	34,467	138,318
2026	-	-	-	245,867	30,681	276,547
2027	-	-	-	35,587	23,659	59,246
2028	-	-	-	36,206	17,737	53,942
2029-2033	-	-	-	190,694	78,933	269,627
2034-2038	-	-	-	207,862	61,615	269,478
2039-2043	-	-	-	226,576	42,739	269,315
2044-2048	-	-	-	246,975	22,163	269,138
2049-2051	-	-	-	129,019	31,945	160,964
Total	<u>\$ 50,877</u>	<u>\$ 3,111</u>	<u>\$ 53,988</u>	<u>\$ 1,522,715</u>	<u>\$ 385,310</u>	<u>\$ 1,908,025</u>

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 9. Interfund Receivables, Payables and Transfers

As of June 30, 2023, interfund receivables and payables that resulted from various interfund transactions are as follows:

Due to	Due from			Total
	General Fund	Water Fund	Nonmajor Funds	
Landfill Fund	\$ 2,090,813	\$ 189,100	\$ 518	\$ 2,280,431
Total	\$ 2,090,813	\$ 189,100	\$ 518	\$ 2,280,431

The interfund receivables and payables were recorded to eliminate short-term deficit pooled cash balances in the various funds.

For the year ended June 30, 2023 interfund transfers consisted of the following:

Transfers Out	Transfers In	
	Grant Opportunity	Total
General Fund	\$ 11,057	\$ 11,057
Total	\$ 11,057	\$ 11,057

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

Note 10. Pensions and Other Postemployment Benefits

The Town contributes to the plan described below. The plan is a component unit of the State of Arizona. At June 30, 2023, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities
Net pension and OPEB asset	\$ 11,456
Net pension and OPEB liability	346,775
Deferred outflows of resources	231,107
Deferred inflows of resources	185,753
Pension/OPEB expense	43,450

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 10. Pensions and Other Postemployment Benefits, Continued

The Town's accrued payroll and employee benefits includes \$0 of outstanding pension and OPEB contribution amounts payable to all pension plans for the year ended June 30, 2023. Also, the Town reported \$57,101 of pension and OPEB contributions as expenditures in the governmental funds related to all pension/OPEB plans to which it contributes.

Public Safety Personnel Retirement System (PSPRS)

Plan description – The Town employees who are regularly assigned hazardous duty 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).

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at www.psprs.com.

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

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 10. Pensions and Other Postemployment Benefits, Continued

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

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

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 10. Pensions and Other Postemployment Benefits, Continued

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

Employees covered by benefit terms – At June 30, 2023, the following employees were covered by the agent plans’ benefit terms:

PSPRS - Police	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	2	2
Inactive employees entitled to but not yet receiving benefits	1	0
Active employees	4	4
Total	7	6

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. Contribution rates for the year ended June 30, 2023, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active member - Pension	Town - Pension	Town-Health insurance premium
PSPRS Police	7.65%	25.36%	0.31%
PSPRS Tier 3 risk pool	9.00%	23.78%	0.12%

Also, statute required the Town to contribute at the actuarially determined rate of 13.96 percent of the annual covered payroll of Town employees who were PSPRS Tier 3 Risk Pool members, in addition to the Town’s required contributions to the PSPRS Tier 3 Risk Pool for these employees.

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 10. Pensions and Other Postemployment Benefits, Continued

The Town's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2023, were:

PSPRS - Police	Pension	Health insurance premium benefit
PSPRS	\$ 46,384	\$ 1,664
PSPRS Tier 3 risk pool	4,746	-

Liability – At June 30, 2023, the Town reported the following assets and liabilities:

	Net pension (asset) liability	Net OPEB (asset) liability
PSPRS Police	\$ 346,775	\$ (11,456)

The net assets and net liabilities were measured as of June 30, 1899, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, changing the wage inflation from 3.5 percent to a range of 3.0 – 6.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

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

PSPRS	
Actuarial valuation date	June 30, 1899
Actuarial cost method	Entry age normal
Investment rate of return	7.2%
Wage inflation	3.0-6.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustments	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables.
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 1899, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 10. Pensions and Other Postemployment Benefits, Continued

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2 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. The target allocation and best estimate of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset class	Target allocation	Long-term expected geometric real rate of return
US public equity	24%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash - Mellon	<u>1%</u>	-0.35%
Total	<u>100%</u>	

Discount Rate –At June 30, 1899, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.2 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

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TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 10. Pensions and Other Postemployment Benefits, Continued

Changes in the Net Pension/OPEB Liability

PSPRS-Police

	Pension			Health insurance premium benefit		
	Increase (decrease)			Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2022	\$ 1,512,682	\$ 1,283,671	\$ 229,011	\$ 31,073	\$ 48,158	\$ (17,085)
Changes for the year:						
Service cost	42,847	-	42,847	1,664	-	1,664
Interest on total pension/OPEB liability	111,457	-	111,457	2,390	-	2,390
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience in the measurement of the pension/OPEB liability	(14,797)	-	(14,797)	409	-	409
Changes of assumptions	3,639	-	3,639	(114)	-	(114)
Contributions - employer	-	59,393	(32,144)	-	663	(663)
Contributions - employee	-	18,222	(17,971)	-	-	-
Net investment income	-	(51,308)	51,308	-	(1,909)	1,909
Benefit payments, including refunds of employee contributions	(57,429)	(57,429)	-	-	-	-
Plan administrative expenses	-	(925)	925	-	(34)	34
Net changes	85,717	(32,047)	117,764	4,349	(1,280)	5,629
Balances at June 30, 2023	\$ 1,598,399	\$ 1,251,624	\$ 346,775	\$ 35,422	\$ 46,878	\$ (11,456)

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 10. Pensions and Other Postemployment Benefits, Continued

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the Town's net pension/OPEB (asset) liability calculated using the discount rate of 7.2 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 or 1 percentage point higher than the current rate:

	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
PSPRS-Police			
Net pension (asset) / liability	\$ 563,442	\$ 346,775	\$ 167,860
Net OPEB (asset)/ liability	(6,912)	(11,456)	(15,278)

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

Expense – For the year ended June 30, 2023, the Town recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
PSPRS Police	\$ 44,469	\$ (4,726)

Deferred outflows/inflows of resources –At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Be	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred In of Resou
Differences between expected and actual experience	\$ 133,662	\$ 173,386	\$ 708	\$ 1
Changes in assumptions	22,537	-	153	
Net difference between projected and actual earnings on pension/OPEB plan investments	20,336	-	917	
Contributions subsequent to the measurement date	51,130	-	1,664	
Total	\$ 227,665	\$ 173,386	\$ 3,442	\$ 1

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 10. Pensions and Other Postemployment Benefits, Continued

The amounts reported as deferred outflows of resources related to PSPRS 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions and OPEB will be recognized in pension expense as follows:

Year Ended June 30	PSPRS Police	
	Pension	Health Insurance Premium Benefit
2024	\$ (741)	\$ (5,303)
2025	5,984	(3,254)
2026	(31,238)	(3,229)
2027	29,144	1,197
2028	-	-
Thereafter	-	-

Note 11. Deferred Compensation

The Town's employees (other than volunteer firemen and police officers) are covered under a defined contribution pension plan (401(k) plan), which provides retirement benefits for all of the Town's full-time employees. The plan is administered by John Hancock. The provisions of the plan were established by a pension board of the Town's council, which may amend the plan's provisions as necessary.

Employees are required to complete a six-month probationary period and attain permanent status before a certificate in the pension fund is issued. Once a certificate is issued in an employee's name, 5% of the employee's gross wages per pay period for the previous five months of employment are deposited in the pension fund. Upon completion of one year's service, all funds deposited on behalf of employees are 100% vested.

Withdrawals from the pension fund must meet the following criteria in accordance with the Equitable Life Insurance policy:

- a. Termination of employment, or
- b. Unforeseen emergencies, i.e., medical, dental, death, accident or other types of emergencies

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 11. Deferred Compensation, Continued

Employees may deposit funds from their paychecks, up to predetermined amounts or one-third of their annual wages, whichever is less. Employees may be authorized to withdraw these deposited funds for the specified reasons noted above. A written request to do so must be submitted to the Pension Board for its determination. Equity Life Insurance requires that a balance of \$300 remain in an account prior to any withdrawals and in order to have an active certificate.

Note 12. Firefighters' Relief and Pension Fund

The Volunteer Firefighters' Relief and pension Fund (VFRPF) is a defined contribution plan to provide pensions to volunteer firefighters only. State statute requires that after a volunteer firefighter has 20 years of service, he or she is entitled to a monthly pension, the amount of which is determined by the board of trustees of the VFRPF, not to exceed \$150, as determined by the board of trustees. If an employee resigns before completing 20 years of service, he or she is entitled to a refund of his or her contributions only. He or she is not entitled to any part of the employer's contributions, the amounts received from the State or earnings on any of the contributions. No contributions were made for the year ended June 30, 2023 as funds were available to provide for future benefits.

Note 13. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

The Town is a member of the Arizona Municipal Risk Retention Pool (AMRRP), a public entity risk pool currently operating as a common risk management and insurance program for Arizona municipalities. The Town pays an annual premium to AMRRP for its general insurance coverage. The Agreement for Formation of the AMRRP provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial companies for excess claims for each insured event.

The Town is also a member of the Arizona Municipal Workers Compensation Pool (AMWCP), a public entity risk pool. The pool provides member cities with workers' compensation coverage, as required by law, and risk management services. The Town is responsible for paying premiums based on an experience rating formula that allocates pool expenditures and liabilities among the members.

The Town carries commercial insurance for other risks of loss. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year nor the three prior years.

TOWN OF HUACHUCA CITY, ARIZONA
Notes to the Financial Statements
June 30, 2023

Note 14. Contingent Liabilities and Significant Commitments

Federal grants: In the normal course of operations, the Town receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed by Town officials to be material.

Litigation: The Town is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Each year, the Town may receive notices of claims for damages occurring. The filing of such claims commences a statutory period for initiating a lawsuit against the Town arising therefrom. The Town has comprehensive general liability insurance with Arizona Municipal Risk Retention Pool. The Town is not aware of any litigation that might result in a materially adverse outcome.

REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF HUACHUCA CITY, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios
June 30, 2023

PSPRS - Pension

Reporting Fiscal Year
(Measurement Date)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
	(2022)	(2021)	(2020)	(2019)	(2018)	(2017)	(2016)	(2015)	(2014)
Total pension liability									
Service cost	\$ 42,847	41,674	47,409	\$ 60,962	\$ 64,002	\$ 77,901	\$ 76,816	\$ 69,307	\$ 51,492
Interest on total pension liability	111,457	110,430	81,502	91,300	88,347	82,472	64,911	45,503	35,530
Changes of benefit terms	-	-	-	-	-	19,415	111,340	-	(1,914)
Difference between expected and actual experience of the total net pension liability	(14,797)	(82,341)	320,342	(245,647)	(121,224)	(102,344)	(15,802)	128,678	19,856
Changes of assumptions	3,639	-	-	18,877	-	-	-	-	13,167
Benefit payments, including refunds of employee contributions	(57,429)	(56,303)	(38,162)	(20,377)	(19,976)	(18,497)	44,176	-	-
Net change in total pension liability	85,717	13,460	411,091	(94,885)	11,149	101,936	281,441	243,488	118,131
Total pension liability - beginning	1,512,682	1,499,222	1,088,131	1,183,016	1,171,867	1,069,931	788,490	545,002	426,871
Total pension liability - ending (a)	\$ 1,598,399	\$ 1,512,682	1,499,222	\$ 1,088,131	\$ 1,183,016	\$ 1,171,867	\$ 1,069,931	\$ 788,490	\$ 545,002
Plan fiduciary net position									
Contributions - employer	\$ 59,393	32,144	54,503	\$ 60,931	\$ 78,110	\$ 59,415	\$ 65,465	\$ 66,642	\$ 66,189
Contributions - employee	18,222	17,971	20,694	20,201	24,618	35,965	41,048	37,135	33,116
Net investment income	(51,308)	279,225	12,533	48,166	54,497	80,385	3,376	13,985	31,663
Benefit payments, including refunds of employee contributions	(57,429)	(56,303)	(38,162)	(20,377)	(19,976)	(18,497)	-	-	-
Pension Plan Administrative Expense	(925)	(1,312)	(1,022)	(1,837)	(1,529)	(1,111)	(886)	(727)	-
Hall/Parker settlement	-	-	-	-	(51,583)	-	-	-	-
Other (net transfer)	-	-	-	(967)	7	(24,431)	33,985	79,324	(8,282)
Net change in plan fiduciary net position	(32,047)	271,725	48,546	106,117	84,144	131,726	142,988	196,359	122,686
Plan fiduciary net position - beginning	1,283,671	1,011,946	963,400	857,283	773,139	641,413	498,425	302,066	191,583
Plan fiduciary net position - ending (b)	\$ 1,251,624	1,283,671	1,011,946	\$ 963,400	\$ 857,283	\$ 773,139	\$ 641,413	\$ 498,425	\$ 314,269
Net pension liability - ending (a) - (b)	\$ 346,775	\$ 229,011	\$ 487,276	\$ 124,731	\$ 325,733	\$ 398,728	\$ 428,518	\$ 290,065	\$ 230,733
Plan fiduciary net position as a percentage of the total pension liability	78.30%	84.86%	67.50%	88.54%	72.47%	65.97%	59.95%	63.21%	57.66%
Covered valuation payroll	\$ 212,622	\$ 210,507	\$ 219,003	\$ 244,622	\$ 297,963	\$ 301,941	\$ 354,318	\$ 336,066	\$ 325,471
Net pension liability as a percentage of covered-employee payroll	163.09%	108.79%	222.50%	50.99%	109.32%	132.05%	120.94%	86.31%	70.89%

Note: The Town implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

TOWN OF HUACHUCA CITY, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios
June 30, 2023

PSPRS-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)					
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability						
Service cost	\$ 1,664	\$ 1,623	\$ 1,914	\$ 1,341	\$ 1,311	\$ 1,902
Interest on total OPEB liability	2,390	2,094	2,719	2,827	2,439	3,564
Changes of benefit terms*	-	-	-	-	-	38
Difference between expected and actual experience of the total net OPEB liability	409	293	(12,394)	(6,557)	804	(17,131)
Changes of assumptions or other inputs	(114)	-	-	358	-	(2,647)
Net change in total OPEB liability	4,349	4,010	(7,761)	(2,031)	4,554	(14,274)
Total OPEB liability - beginning	31,073	27,063	34,824	36,855	32,301	46,575
Total OPEB liability - ending (a)	<u>\$ 35,422</u>	<u>\$ 31,073</u>	<u>\$ 27,063</u>	<u>\$ 34,824</u>	<u>\$ 36,855</u>	<u>\$ 32,301</u>
Plan fiduciary net position						
Contributions - employer	\$ 663	\$ 1,543	\$ 1,433	\$ 1,206	\$ 2,221	\$ 2,862
Contributions - employee	-	-	-	-	-	-
Net investment income	(1,909)	10,092	440	1,704	1,932	2,674
Administrative expense	(34)	(41)	(36)	(29)	(29)	(24)
Net change in plan fiduciary net position	(1,280)	11,594	1,837	3,848	4,124	5,512
Plan fiduciary net position - beginning	48,158	36,564	34,727	30,879	26,755	21,243
Plan fiduciary net position - ending (b)	<u>\$ 46,878</u>	<u>\$ 48,158</u>	<u>\$ 36,564</u>	<u>\$ 34,727</u>	<u>\$ 30,879</u>	<u>\$ 26,755</u>
Net OPEB liability - ending (a) - (b)	<u>\$ (11,456)</u>	<u>\$ (17,085)</u>	<u>\$ (9,501)</u>	<u>\$ 97</u>	<u>\$ 5,976</u>	<u>\$ 5,546</u>
Plan fiduciary net position as a percentage of the total OPEB liability	132.34%	154.98%	135.11%	99.72%	83.79%	82.83%
Covered employee payroll	\$ 212,622	\$ 210,507	\$ 219,003	\$ 244,622	\$ 297,963	\$ 301,941
Net OPEB liability as a percentage of covered-employee payroll	-5.39%	-8.12%	-4.34%	0.04%	2.01%	1.84%

Note: The Town implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

TOWN OF HUACHUCA CITY, ARIZONA
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2023

PSPRS-Pensions

	Reporting Fiscal Year (Measurement Date)									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 46,384	\$ 59,393	\$ 32,144	\$ 54,503	\$ 60,931	\$ 78,110	\$ 59,415	\$ 65,465	\$ 66,642	\$ 66,189
Contributions in relation to the actuarially determined contribution	\$ (46,384)	\$ (59,393)	\$ (32,144)	\$ (54,503)	\$ (60,931)	\$ (78,110)	\$ (59,415)	\$ (65,465)	\$ (66,642)	\$ (66,189)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 215,862	\$ 212,622	\$ 210,507	\$ 219,003	\$ 244,622	\$ 297,963	\$ 301,941	\$ 354,318	\$ 336,066	\$ 325,471
Contributions as a percentage of covered-employee payroll	21.49%	27.93%	15.27%	24.89%	24.91%	26.21%	19.68%	18.48%	19.83%	20.34%

PSPRS-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)						
	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 1,664	\$ 663	\$ 1,543	\$ 1,433	\$ 1,206	\$ 2,221	\$ 2,862
Contributions in relation to the actuarially determined contribution	\$ (1,664)	\$ (663)	\$ (1,543)	\$ (1,433)	\$ (1,206)	\$ (2,221)	\$ (2,862)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 215,862	\$ 212,622	\$ 210,507	\$ 219,003	\$ 244,622	\$ 297,963	\$ 301,941
Contributions as a percentage of covered-employee payroll		0.77%	0.31%	0.73%	0.65%	0.49%	0.75% #

Note: The Town implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

TOWN OF HUACHUCA CITY, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2023

Note 1. Actuarially Determined Contribution Rates

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2021 actuarial valuation	16 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006–June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF HUACHUCA CITY, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2023

Note 2. Factors that Affect Trends

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

These changes 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 increased 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.

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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUNDS:

- The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except for those accounted for in another fund.
- The **Streets Fund** accounts for the operation and maintenance of the Town's streets, rights of way and street lighting throughout the Town.
- The **Grant Opportunity Fund** is used to account for federal and state grants and other contributions that are restricted for specific use.

TOWN OF HUACHUCA CITY, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2023

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
REVENUES:				
Taxes:				
City sales tax	\$ 345,450	\$ 345,450	\$ 386,355	\$ 40,905
Property taxes	98,754	98,754	98,448	(306)
Franchise taxes	20,604	20,604	19,473	(1,131)
Total taxes	<u>464,808</u> #	<u>464,808</u>	<u>504,276</u>	<u>39,468</u>
Fines and forfeitures	122,200	122,200	79,626	(42,574)
Licenses and permits	24,100	24,100	20,172	(3,928)
Intergovernmental:				
State sales tax	232,737	232,737	240,061	7,324
Auto lieu tax	109,768	109,768	97,292	(12,476)
Urban revenue sharing	313,832	313,832	308,075	(5,757)
Other intergovernmental revenues	<u>1,225,000</u>	<u>1,225,000</u>	<u>49,015</u>	<u>(1,175,985)</u>
Total intergovernmental	<u>1,881,337</u>	<u>1,881,337</u>	<u>694,443</u>	<u>(1,186,894)</u>
Charges for services	19,700	19,700	22,076	2,376
Investment earnings	31,000	31,000	35,410	4,410
Other revenues:				
Landfill land lease	702,000	702,000	702,000	-
Contributions	21,000	21,000	3,710	(17,290)
Miscellaneous	<u>130,601</u>	<u>130,601</u>	<u>185,983</u>	<u>55,382</u>
Total other revenues	<u>853,601</u>	<u>853,601</u>	<u>891,693</u>	<u>38,092</u>
Total revenues	<u>3,396,746</u>	<u>3,396,746</u>	<u>2,247,696</u>	<u>(1,149,050)</u>
EXPENDITURES:				
General government				
Mayor and council	68,050	68,050	56,197	11,853
Administration	602,789	602,789	413,152	189,637
Information systems	107,652	107,652	49,682	57,970
Animal shelter	1,000	1,000	-	1,000
Public works administration	115,053	115,053	56,619	58,434
City bus	124,016	124,016	97,850	26,166
Building inspector	78,000	78,000	54,070	23,930
Contingency	<u>90,439</u>	<u>90,439</u>	<u>46,394</u>	<u>44,045</u>
Total general government	<u>1,186,999</u>	<u>1,186,999</u>	<u>773,964</u>	<u>413,035</u>

(Continued)

TOWN OF HUACHUCA CITY, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2023

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Public safety				
Police department	1,217,609	1,217,609	694,446	523,163
Fire department	624,711	624,711	412,948	211,763
City magistrate	83,264	83,264	67,421	15,843
Total public safety	<u>1,925,584</u>	<u>1,925,584</u>	<u>1,174,815</u>	<u>750,769</u>
Culture and recreation				
Parks	19,600	19,600	10,737	8,863
Swimming pool	44,331	44,331	38,382	5,949
Library	214,593	214,593	167,496	47,097
Senior citizens' center	32,068	32,068	4,015	28,053
Total culture and recreation	<u>310,592</u>	<u>310,592</u>	<u>220,630</u>	<u>89,962</u>
Capital outlay	19,977	19,977	11,698	8,279
Debt service:				
Principal	55,135	55,135	47,763	7,372
Interest	18,459	18,459	18,459	-
Total debt service	<u>73,594</u>	<u>73,594</u>	<u>77,920</u>	<u>15,651</u>
Total expenditures	<u>3,516,746</u>	<u>3,516,746</u>	<u>2,247,329</u>	<u>1,269,417</u>
Excess of revenues over (under) expenditures	<u>(120,000)</u>	<u>(120,000)</u>	<u>367</u>	<u>120,367</u>
Other financing sources (uses):				
Debt proceeds	-	-	-	-
Sale of capital assets	110,000	110,000	16,356	(93,644)
Gain/(loss) on investments	10,000	10,000	2,313	(7,687)
Transfer to other funds	-	-	(11,057)	(11,057)
Total other financing sources (uses)	<u>120,000</u>	<u>120,000</u>	<u>7,612</u>	<u>(112,388)</u>
Net change in fund balance	-	-	7,979	7,979
Fund balance, beginning of year	<u>(1,949,564)</u>	<u>(1,949,564)</u>	<u>(1,949,564)</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (1,949,564)</u></u>	<u><u>\$ (1,949,564)</u></u>	<u><u>\$ (1,941,585)</u></u>	<u><u>\$ 7,979</u></u>

TOWN OF HUACHUCA CITY, ARIZONA
STREETS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 187,042	\$ 187,042	\$ 155,145	\$ (31,897)
Miscellaneous	70,000	70,000	-	(70,000)
Total revenues	<u>257,042</u>	<u>257,042</u>	<u>155,145</u>	<u>(31,897)</u>
EXPENDITURES:				
Highways and streets	357,042	357,042	18,622	338,420
Capital outlay	50,000	50,000	-	50,000
Total expenditures	<u>407,042</u>	<u>407,042</u>	<u>18,622</u>	<u>388,420</u>
Excess of revenues over (under) expenditures	<u>(150,000)</u>	<u>(150,000)</u>	<u>136,523</u>	<u>286,523</u>
Net change in fund balance	(150,000)	(150,000)	136,523	286,523
Fund balance, beginning of year	<u>1,454,081</u>	<u>1,454,081</u>	<u>1,454,081</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,304,081</u></u>	<u><u>\$ 1,304,081</u></u>	<u><u>\$ 1,590,604</u></u>	<u><u>\$ 286,523</u></u>

TOWN OF HUACHUCA CITY, ARIZONA
GRANT OPPORTUNITY FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2023

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenue	\$ 449,420	\$ 449,420	\$ 420,823	\$ (28,597)
Contributions	4,000	4,000	7,850	3,850
Total revenues	<u>453,420</u>	<u>453,420</u>	<u>428,673</u>	<u>(24,747)</u>
EXPENDITURES				
Community development	449,420	449,420	431,880	17,540
Culture and recreation	4,000	4,000	2,293	1,707
Total expenditures	<u>453,420</u>	<u>453,420</u>	<u>434,173</u>	<u>19,247</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(5,500)</u>	<u>(5,500)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	11,057	11,057
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>11,057</u>	<u>11,057</u>
Net change in fund balances	-	-	5,557	5,557
Fund balance, beginning of year	<u>5,374</u>	<u>5,374</u>	<u>5,374</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 5,374</u></u>	<u><u>\$ 5,374</u></u>	<u><u>\$ 10,931</u></u>	<u><u>\$ 5,557</u></u>

SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS AND
BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

- The **Police Grants Fund** is used to account for federal and state grants and contributions that are restricted for police.
- The **ARPA Fund** accounts for the funds received as a result of the American Rescue Plan Act.

TOWN OF HUACHUCA CITY, ARIZONA
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2023

	<u>Special Revenue Funds</u>		<u>Total Non-major Funds</u>
	<u>Police Grants</u>	<u>ARPA</u>	
ASSETS			
Cash and investments	\$ 3,187	\$ 579,790	\$ 582,977
Total assets	<u>\$ 3,187</u>	<u>\$ 579,790</u>	<u>\$ 582,977</u>
LIABILITIES			
Liabilities:			
Due to other funds	\$ 518	\$ -	\$ 518
Total liabilities	<u>518</u>	<u>-</u>	<u>518</u>
FUND BALANCES			
Restricted for:			
General government	-	579,790	579,790
Public safety	2,669	-	2,669
Total fund balances	<u>2,669</u>	<u>579,790</u>	<u>582,459</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,187</u>	<u>\$ 579,790</u>	<u>\$ 582,977</u>

TOWN OF HUACHUCA CITY, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue Funds		Total
	Police Grants	ARPA	Non-major Funds
REVENUES			
Intergovernmental revenue	\$ 15,158	\$ 289,895	\$ 305,053
Total revenues	15,158	289,895	305,053
EXPENDITURES			
Public safety	13,792	-	13,792
Total expenditures	13,792	-	13,792
Excess of revenues over (under) expenditures	1,366	289,895	291,261
Net change in fund balances	1,366	289,895	291,261
Fund balances (deficits), beginning of year	1,303	289,895	291,198
Fund balances (deficits), end of year	\$ 2,669	\$ 579,790	\$ 582,459

TOWN OF HUACHUCA CITY, ARIZONA
POLICE GRANTS
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2023

	Budgeted Amounts			Variance Favorable (Unfavorable)
	Original	Final	Actual	
REVENUES				
Intergovernmental revenue	\$ 70,340	\$ 70,340	\$ 15,158	\$ (55,182)
Total revenues	<u>70,340</u>	<u>70,340</u>	<u>15,158</u>	<u>(55,182)</u>
EXPENDITURES				
Public safety	70,340	70,340	13,792	56,548
Total expenditures	<u>70,340</u>	<u>70,340</u>	<u>13,792</u>	<u>56,548</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,366</u>	<u>1,366</u>
Net change in fund balances	-	-	1,366	1,366
Fund balance, beginning of year	<u>1,303</u>	<u>1,303</u>	<u>1,303</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,303</u>	<u>\$ 1,303</u>	<u>\$ 2,669</u>	<u>\$ 1,366</u>

TOWN OF HUACHUCA CITY, ARIZONA
ARPA
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 579,790	\$ 289,895	\$ 289,895	\$ -
Total revenues	<u>579,790</u>	<u>289,895</u>	<u>289,895</u>	<u>-</u>
EXPENDITURES:				
General government	579,790	579,790	-	579,790
Total expenditures	<u>579,790</u>	<u>579,790</u>	<u>-</u>	<u>579,790</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(289,895)</u>	<u>289,895</u>	<u>579,790</u>
Net change in fund balance	-	(289,895)	289,895	579,790
Fund balance, beginning of year	<u>289,895</u>	<u>289,895</u>	<u>289,895</u>	<u>-</u>
Fund balance, end of year	<u>\$ 289,895</u>	<u>\$ -</u>	<u>\$ 579,790</u>	<u>\$ 579,790</u>

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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HINTONBURDICK
CPAs & ADVISORS

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

The Honorable Mayor and
Town Council
Town of Huachuca City, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Huachuca City, Arizona as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town of Huachuca City, Arizona's basic financial statements, and have issued our report thereon dated August 23, 2024.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control that we consider to be a material weakness.

2023-001 Misstatements and Reconciliations

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Huachuca City, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

2018-003 General Fund Deficit and Interfund Payables (reissued)

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.

HintonBurdick, PLLC

Gilbert, Arizona

August 23, 2024



Independent Auditors' Report on State Legal Compliance

The Honorable Mayor and
Town Council
Town of Huachuca City, Arizona

We have audited the basic financial statements of the Town of Huachuca City, Arizona for the year ended June 30, 2023, and have issued our report thereon dated August 23, 2024. Our audit also included test work on the Town of Huachuca City's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

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

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

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

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

In our opinion, the Town of Huachuca City complied, in all material respects, with the requirements identified above for the year ended June 30, 2023.

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

HintonBurdick, PLLC
Gilbert, Arizona
August 23, 2024

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