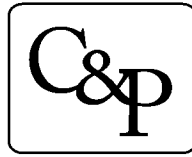


TOWN OF THATCHER, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2015

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COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Thatcher, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Thatcher, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Thatcher, Arizona, as of June 30, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2015, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement Nos. 68 and 71. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

The Town of Thatcher, Arizona has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 47 through 50, Schedule of the Town's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans on page 51, Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios – Agent Pension Plans on page 52, Schedule of Town Pension Contributions on page 53, and Schedule of Agent OPEB Plans' Funding Progress on page 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the

information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2016, on our consideration of the Town of Thatcher, 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 the Town of Thatcher, Arizona's internal control over financial reporting and compliance.

Other Reporting Required by Arizona Revised Statutes

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



February 8, 2016

TOWN OF THATCHER, ARIZONA
Statement of Net Position
June 30, 2015

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash and cash equivalents	\$ 11,001,031	\$ 1,372,215	\$ 12,373,246
Investment in joint venture	-	442,000	442,000
Receivables - net	275,909	318,268	594,177
Taxes receivable	142,702	-	142,702
Due from other governments	95,168	-	95,168
Restricted cash	-	76,912	76,912
Capital assets, not being depreciated	1,085,306	248,126	1,333,432
Capital assets, being depreciated, net	<u>11,826,268</u>	<u>3,856,642</u>	<u>15,682,910</u>
Total assets	<u>24,426,384</u>	<u>6,314,163</u>	<u>30,740,547</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>1,227,671</u>	<u>98,057</u>	<u>1,325,728</u>
LIABILITIES			
Accounts payable	179,858	93,240	273,098
Accrued expenses	84,680	10,942	95,622
Interest payable	1,142	-	1,142
Refundable deposits	-	76,912	76,912
Noncurrent liabilities			
Due within 1 year	284,256	55,513	339,769
Due in more than 1 year	<u>6,674,806</u>	<u>1,066,802</u>	<u>7,741,608</u>
Total liabilities	<u>7,224,742</u>	<u>1,303,409</u>	<u>8,528,151</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>642,642</u>	<u>118,723</u>	<u>761,365</u>
NET POSITION			
Net investment in capital assets	10,889,121	3,730,768	14,619,889
Restricted for			
Highways and streets	209,059	-	209,059
Fire equipment	132,000	-	132,000
Unrestricted	<u>6,556,491</u>	<u>1,259,320</u>	<u>7,815,811</u>
Total net position	<u>\$ 17,786,671</u>	<u>\$ 4,990,088</u>	<u>\$ 22,776,759</u>

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Statement of Activities
Year Ended June 30, 2015

Functions / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities							
General government	\$ 1,083,165	\$ 48,034	\$ 33,015	\$ -	\$ (1,002,116)	\$ -	\$ (1,002,116)
Public safety	2,558,142	60,294	54,294	200,875	(2,242,679)	-	(2,242,679)
Highways and streets	1,005,801	132,904	347,629	573,643	48,375	-	48,375
Community development	372,226	-	-	-	(372,226)	-	(372,226)
Parks and recreation	476,635	107,335	-	-	(369,300)	-	(369,300)
Interest on long-term debt	82,654	-	-	-	(82,654)	-	(82,654)
Total governmental activities	5,578,623	348,567	434,938	774,518	(4,020,600)	-	(4,020,600)
Business-type activities							
Sewer	315,135	286,992	-	74,000	-	45,857	45,857
Electric	2,354,989	2,465,014	-	45,000	-	155,025	155,025
Sanitation	305,503	220,708	-	-	-	(84,795)	(84,795)
Total business-type activities	2,975,627	2,972,714	-	119,000	-	116,087	116,087
Total primary government	\$ 8,554,250	\$ 3,321,281	\$ 434,938	\$ 893,518	(4,020,600)	116,087	(3,904,513)
General revenue:							
Taxes:							
Sales tax					3,067,718	59,516	3,127,234
Franchise tax					73,849	-	73,849
Share of state sales taxes					444,606	-	444,606
Share of county auto lieu taxes					257,841	-	257,841
State urban revenue sharing					588,938	-	588,938
Investment income					14,214	1,797	16,011
Miscellaneous					1,370	-	1,370
Total general revenue					4,448,536	61,313	4,509,849
Change in net position					427,936	177,400	605,336
Net position, beginning of year, as restated					17,358,735	4,812,688	22,171,423
Net position, end of year					\$ 17,786,671	\$ 4,990,088	\$ 22,776,759

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	Grants Fund	HURF/LTAF Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 10,686,265	\$ 120,506	\$ 194,260	\$ 11,001,031
Accounts receivable - net	275,909	-	-	275,909
Taxes receivable	142,702	-	-	142,702
Due from other governments	50,370	13,014	31,784	95,168
Total assets	11,155,246	133,520	226,044	11,514,810
LIABILITIES				
Accounts payable	162,873	-	16,985	179,858
Accrued expenses	84,680	-	-	84,680
Total liabilities	247,553	-	16,985	264,538
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	275,909	7,903	-	283,812
FUND BALANCES				
Restricted for:				
Highways and streets	-	-	209,059	209,059
Fire equipment	-	132,000	-	132,000
Unassigned	10,631,784	(6,383)	-	10,625,401
Total fund balances	10,631,784	125,617	209,059	10,966,460
Total liabilities, deferred inflows of resources, and fund balances	\$ 11,155,246	\$ 133,520	\$ 226,044	\$ 11,514,810

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2015

Fund balances-total governmental funds	\$ 10,966,460
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.	12,911,574
Some receivables are not available to pay for current-period expenditures and therefore, are unavailable in the funds.	283,812
Long-term liabilities, such as net pension liabilities and bonds payable are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(6,960,204)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>585,029</u>
Net position of governmental activities	<u><u>\$ 17,786,671</u></u>

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	General Fund	Grants Fund	HURF/LTAF Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenue:				
Taxes	\$ 3,141,567	\$ -	\$ -	\$ 3,141,567
Intergovernmental	1,291,385	254,440	347,627	1,893,452
Charges for services	154,035	-	-	154,035
Other revenue	44,843	-	-	44,843
Fines and forfeitures	39,804	-	-	39,804
Licenses and permits	21,134	-	-	21,134
Interest	14,126	-	88	14,214
	<u>4,706,894</u>	<u>254,440</u>	<u>347,715</u>	<u>5,309,049</u>
Expenditures:				
Current				
General government	821,269	-	-	821,269
Public safety	1,890,269	112,490	-	2,002,759
Highways and streets	643,735	-	29,409	673,144
Community development	365,044	-	-	365,044
Parks and recreation	422,964	-	-	422,964
Debt service				
Principal	182,794	-	-	182,794
Interest	83,375	-	-	83,375
Capital outlay	627,166	29,247	421,168	1,077,581
	<u>5,036,616</u>	<u>141,737</u>	<u>450,577</u>	<u>5,628,930</u>
Net change in fund balances	(329,722)	112,703	(102,862)	(319,881)
Fund balances, beginning of year	10,961,506	12,914	311,921	11,286,341
Fund balances, end of year	<u>\$ 10,631,784</u>	<u>\$ 125,617</u>	<u>\$ 209,059</u>	<u>\$ 10,966,460</u>

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2015

Net change in fund balances-total governmental funds		\$ (319,881)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Current year capital acquisitions	1,077,581	
Current year depreciation expense	<u>(621,687)</u>	455,894
Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		
Noncash contribution	573,643	
State appropriation to EORP	33,015	
Revenues unavailable in the current year	283,812	
Revenues unavailable in the prior year	<u>(192,960)</u>	697,510
Town pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Town pension contributions	331,350	
PSPRS health insurance transfer	(154,602)	
Pension expense	<u>(731,821)</u>	(555,073)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Debt principal repaid		182,794
Some 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.		
Decrease in interest payable	721	
Increase in compensated absences payable	<u>(34,029)</u>	(33,308)
Change in net position of governmental activities		<u><u>\$ 427,936</u></u>

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities--Enterprise Funds			Total
	Sewer Fund	Electric Fund	Sanitation Fund	
ASSETS				
Current assets				
Cash and cash equivalents	\$ -	\$ 1,372,215	\$ -	\$ 1,372,215
Investment in joint venture	-	442,000	-	442,000
Accounts receivable - net	37,640	245,965	34,663	318,268
Due from other funds	-	2,489,341	-	2,489,341
Total current assets	37,640	4,549,521	34,663	4,621,824
Noncurrent assets				
Restricted cash	-	76,912	-	76,912
Capital assets, net of accumulated depreciation, where applicable:				
Land	248,126	-	-	248,126
Utilities systems, net	2,419,504	973,545	-	3,393,049
Automobiles and trucks, net	-	159,859	-	159,859
Equipment, net	-	39,724	264,010	303,734
Capital assets, net	2,667,630	1,173,128	264,010	4,104,768
Total noncurrent assets	2,667,630	1,250,040	264,010	4,181,680
Total assets	2,705,270	5,799,561	298,673	8,803,504
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	-	85,505	12,552	98,057
LIABILITIES				
Current liabilities				
Accounts payable	6,423	73,852	12,965	93,240
Accrued expenses	-	9,409	1,533	10,942
Refundable deposits	-	76,912	-	76,912
Due to other funds	2,089,515	-	399,826	2,489,341
Compensated absences, current	-	48,707	6,806	55,513
Total current liabilities	2,095,938	208,880	421,130	2,725,948
Noncurrent liabilities				
Note payable	-	374,000	-	374,000
Compensated absences	-	12,177	1,701	13,878
Net pension liability	-	592,016	86,908	678,924
Total noncurrent liabilities	-	978,193	88,609	1,066,802
Total liabilities	2,095,938	1,187,073	509,739	3,792,750
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	-	103,525	15,198	118,723
NET POSITION				
Net investment in capital assets	2,667,630	799,128	264,010	3,730,768
Unrestricted (deficit)	(2,058,298)	3,795,340	(477,722)	1,259,320
Total net position	\$ 609,332	\$ 4,594,468	\$ (213,712)	\$ 4,990,088

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Electric Fund	Sanitation Fund	Total
Operating revenue:				
Charges for services	\$ 286,992	\$ 2,415,666	\$ 220,708	\$ 2,923,366
Other revenue	-	49,348	-	49,348
Total operating revenue	<u>286,992</u>	<u>2,465,014</u>	<u>220,708</u>	<u>2,972,714</u>
Operating expenses:				
Cost of power	-	1,448,761	-	1,448,761
Personnel	58,479	490,331	86,807	635,617
Depreciation	137,335	71,166	40,828	249,329
Repairs and maintenance	47,695	155,200	21,816	224,711
Landfill	-	-	112,268	112,268
Materials and supplies	18,777	55,018	26,957	100,752
Professional services	23,984	65,791	-	89,775
Insurance	24,850	28,986	16,566	70,402
Other	2,169	13,242	261	15,672
Utilities	1,846	7,758	-	9,604
Total operating expenses	<u>315,135</u>	<u>2,336,253</u>	<u>305,503</u>	<u>2,956,891</u>
Operating income (loss)	<u>(28,143)</u>	<u>128,761</u>	<u>(84,795)</u>	<u>15,823</u>
Nonoperating revenue (expenses):				
Sales taxes	-	59,516	-	59,516
Investment income	-	1,797	-	1,797
Interest expense	-	(18,736)	-	(18,736)
Total nonoperating revenue (expenses)	<u>-</u>	<u>42,577</u>	<u>-</u>	<u>42,577</u>
Income (loss) before contributions and transfers	<u>(28,143)</u>	<u>171,338</u>	<u>(84,795)</u>	<u>58,400</u>
Capital contributions	74,000	45,000	-	119,000
Increase (decrease) in net position	<u>45,857</u>	<u>216,338</u>	<u>(84,795)</u>	<u>177,400</u>
Total net position, beginning of year, as restated	<u>563,475</u>	<u>4,378,130</u>	<u>(128,917)</u>	<u>4,812,688</u>
Total net position, end of year	<u>\$ 609,332</u>	<u>\$ 4,594,468</u>	<u>\$ (213,712)</u>	<u>\$ 4,990,088</u>

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities--Enterprise Funds			Total
	Sewer Fund	Electric Fund	Sanitation Fund	
Cash flows from operating activities:				
Receipts from customers	\$ 283,497	\$ 2,457,738	\$ 219,491	\$ 2,960,726
Payments to suppliers and providers of goods and services	(118,137)	(2,036,957)	(205,858)	(2,360,952)
Payments to employees	(54,826)	(333,832)	(54,187)	(442,845)
Net cash provided (used) by operating activities	<u>110,534</u>	<u>86,949</u>	<u>(40,554)</u>	<u>156,929</u>
Cash flows from noncapital financing activities:				
Borrowings received from other funds	-	62,650	40,554	103,204
Borrowings repaid to other funds	(103,204)	-	-	(103,204)
Sales taxes received	-	59,516	-	59,516
Net cash provided (used) by noncapital financing activities	<u>(103,204)</u>	<u>122,166</u>	<u>40,554</u>	<u>59,516</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(7,330)	(32,057)	-	(39,387)
Principal paid on note payable	-	(21,000)	-	(21,000)
Interest paid on note payable	-	(18,736)	-	(18,736)
Net cash provided (used) by capital and related financing activities	<u>(7,330)</u>	<u>(71,793)</u>	<u>-</u>	<u>(79,123)</u>
Cash flows from investing activities:				
Investment in joint venture	-	(442,000)	-	(442,000)
Interest received	-	1,797	-	1,797
Net cash provided (used) by investing activities	<u>-</u>	<u>(440,203)</u>	<u>-</u>	<u>(440,203)</u>
Net increase (decrease) in cash and cash equivalents	<u>-</u>	<u>(302,881)</u>	<u>-</u>	<u>(302,881)</u>
Cash and cash equivalents, beginning of year	<u>-</u>	<u>1,752,008</u>	<u>-</u>	<u>1,752,008</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 1,449,127</u>	<u>\$ -</u>	<u>\$ 1,449,127</u>
Cash and cash equivalents	\$ -	\$ 1,372,215	\$ -	\$ 1,372,215
Restricted cash	<u>-</u>	<u>76,912</u>	<u>-</u>	<u>76,912</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 1,449,127</u>	<u>\$ -</u>	<u>\$ 1,449,127</u>

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Statement of Cash Flows - *Continued*
Proprietary Funds
Year Ended June 30, 2015

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Electric Fund	Sanitation Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (28,143)	\$ 128,761	\$ (84,795)	\$ 15,823
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	137,335	71,166	40,828	249,329
Pension expense	-	46,398	6,811	53,209
Employer pension contributions	-	(38,304)	(5,623)	(43,927)
(Increase) decrease in:				
Accounts receivable	(3,495)	(10,551)	(1,217)	(15,263)
Increase (decrease) in:				
Accounts payable	4,837	(126,593)	103	(121,653)
Accrued expenses	-	1,606	294	1,900
Refundable deposits	-	3,275	-	3,275
Compensated absences payable	-	11,191	3,045	14,236
Net cash provided (used) by operating activities	<u>\$ 110,534</u>	<u>\$ 86,949</u>	<u>\$ (40,554)</u>	<u>\$ 156,929</u>

Noncash investing, capital, and noncapital financing activities: For the year ending June 30, 2015, a developer contributed \$74,000 in sewer infrastructure and \$45,000 in electric infrastructure to the Town.

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Town is a general purpose local government that is governed by a separately elected Town Council. The accompanying financial statements present the activities of the Town.

B. Basis of Presentation

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

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

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided,
- operating grants and contributions, and
- capital grants and contributions.

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

TOWN OF THATCHER, ARIZONA
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

Fund financial statements—provide information about the Town’s funds. Separate statements are presented for the governmental and proprietary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All governmental and enterprise funds of the Town are reported as major funds.

Proprietary fund operating revenues, such as charges for services, result from transactions associated with the fund’s principal activity in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues.

The Town reports the following major governmental funds:

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

The ***Grants Fund*** accounts for financial resources received from various entities. Restrictions on the use of these resources are derived from the agreements from which the resources were provided.

The ***HURF/LTAF Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund and Arizona Lottery proceeds, which is legally restricted to expenditures for authorized transportation purposes.

The Town reports the following major enterprise funds:

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

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Basis of Accounting

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

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Investments

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.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the Sewer Fund, Electric Fund, and Sanitation Fund are estimated by the Town. The amounts recorded as uncollectible in the Sewer, Electric, and Sanitation Funds at June 30, 2015, totaled \$9,167, \$96,299, and \$9,171, respectively.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F. Capital Assets

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 5,000	N/A	N/A
Buildings	5,000	Straight-line	50
Other long-term assets	5,000	Straight-line	50
Infrastructure	5,000	Straight-line	50
Heavy equipment	5,000	Straight-line	15
Light equipment	5,000	Straight-line	10
Vehicles	5,000	Straight-line	10
Computers and peripherals	5,000	Straight-line	5

G. Fund Balance Reporting

The Governmental Accounting Standards Board (GASB) Statement No. 54 requires fund balances to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as fund balance associated with inventories, prepaids, long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution provisions or enabling legislation, or external resource providers,
3. *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the town council,
4. *Assigned* fund balances are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the Town’s governmental funds and includes all spendable amounts not contained in other classifications.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Town's policy for committed fund balances is through formal resolutions passed through the elected town council. The process of rescinding a committed fund balance requires the same process.

The Town's policy for assigned fund balances is through motions passed by the elected town council. Assigned fund balances do not require a formal resolution.

When expenditures incur for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the Town's policy is to apply the expenditure first to restricted, and then to unrestricted in the following order of committed, assigned, and then unassigned.

H. Investment Income

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

I. Compensated Absences

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

Employees may accumulate up to 800 hours of combined vacation and sick leave. Upon termination of employment, all unused vacation and sick leave benefits are paid to employees. Accordingly, vacation and sick leave benefits are accrued as a liability in the financial statements.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet 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 periods) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and or balance sheet 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 not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

K. Impact of Recently Issued Accounting Principles

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Town implemented this standard during this fiscal period. See the subsequent notes for further details.

In November 2013, the GASB issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The Town implemented this standard during this fiscal period. See the subsequent notes for further details.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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June 30, 2015

NOTE 2 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer’s investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

The Town has not formally adopted deposit and investment policies that limit the Town’s allowable deposits or investments and which address the specific types of risk to which the Town is exposed such as interest rate risk, credit risk, and custodial credit risk.

Restricted cash—Restricted cash in the Electric Fund consists of cash restricted for refundable deposits.

Deposits—At June 30, 2015, the carrying amount of the Town’s total nonpooled cash in bank was \$1,571,772, and the bank balance was \$1,599,735. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held by the Town or its agent in the Town’s name.

Investments—At June 30, 2015, the investments consisted of the following.

<u>Investment</u>	<u>Rating Organization</u>	<u>Credit Rating</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Arizona LGIP Pool 5	S&P	AAA	<u>\$ 10,871,782</u>	<u>\$ 10,871,782</u>

The State Board of Investment provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments in the governmental funds at June 30, 2015, included \$38,727 in state-shared revenue from sales taxes, \$11,643 in state-shared revenue from auto lieu taxes, \$7,903 from the U.S. Department of Homeland Security, \$5,111 from the Governor’s Office of Highway Safety, and \$31,784 from the State of Arizona for HURF revenue.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 4 – INVESTMENT IN JOINT VENTURE

During the fiscal year, the Town contributed \$442,000 (of which \$353,000 power contract security deposit and \$89,000 SPPA working capital) to Southwest Public Power Agency, Inc (SPPA). SPPA aids a joint venture in which SPPA is an agent for a number of public entities, including the Town, to act on behalf of its members in (i) operating a power pool, and (ii) managing power supply contracts; and (iii) fulfilling contract obligations related to the purchase capacity and energy for a 25 year period beginning on January 1, 2015.

Financial statements of SPPA can be provided by the Town upon request.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,085,306	\$ -	\$ -	\$ 1,085,306
Total capital assets not being depreciated	<u>1,085,306</u>	<u>-</u>	<u>-</u>	<u>1,085,306</u>
Capital assets being depreciated:				
Buildings	4,498,602	-	-	4,498,602
Vehicles	1,344,246	96,450	-	1,440,696
Computers and peripherals	38,519	16,765	-	55,284
Light equipment	604,430	5,173	-	609,603
Heavy equipment	1,478,405	95,673	-	1,574,078
Infrastructure	10,133,486	1,437,163	-	11,570,649
Total	<u>18,097,688</u>	<u>1,651,224</u>	<u>-</u>	<u>19,748,912</u>
Less accumulated depreciation for:				
Buildings	(1,380,256)	(126,673)	-	(1,506,929)
Vehicles	(691,050)	(107,352)	-	(798,402)
Computers and peripherals	(38,519)	(1,613)	-	(40,132)
Light equipment	(463,701)	(24,380)	-	(488,081)
Heavy equipment	(1,242,914)	(59,951)	-	(1,302,865)
Infrastructure	(3,484,517)	(301,718)	-	(3,786,235)
Total	<u>(7,300,957)</u>	<u>(621,687)</u>	<u>-</u>	<u>(7,922,644)</u>
Total capital assets being depreciated, net	<u>10,796,731</u>	<u>1,029,537</u>	<u>-</u>	<u>11,826,268</u>
Governmental activities capital assets, net	<u>\$ 11,882,037</u>	<u>\$ 1,029,537</u>	<u>\$ -</u>	<u>\$ 12,911,574</u>

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 5 – CAPITAL ASSETS – Continued

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 248,126	\$ -	\$ -	\$ 248,126
Total capital assets not being depreciated	<u>248,126</u>	<u>-</u>	<u>-</u>	<u>248,126</u>
Capital assets being depreciated:				
Utility systems	7,805,614	126,959	-	7,932,573
Automobiles and trucks	741,636	-	-	741,636
Equipment	682,391	31,428	-	713,819
Total	<u>9,229,641</u>	<u>158,387</u>	<u>-</u>	<u>9,388,028</u>
Less accumulated depreciation for:				
Utility systems	(4,408,910)	(167,268)	-	(4,576,178)
Automobiles and trucks	(420,855)	(45,655)	-	(466,510)
Equipment	(452,292)	(36,406)	-	(488,698)
Total	<u>(5,282,057)</u>	<u>(249,329)</u>	<u>-</u>	<u>(5,531,386)</u>
Total capital assets being depreciated, net	<u>3,947,584</u>	<u>(90,942)</u>	<u>-</u>	<u>3,856,642</u>
Business-type activities capital assets, net	<u>\$ 4,195,710</u>	<u>\$ (90,942)</u>	<u>\$ -</u>	<u>\$ 4,104,768</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 118,672
Public safety	133,125
Highways and streets	322,419
Parks and recreation	<u>47,471</u>
Total governmental activities depreciation expense	<u>\$ 621,687</u>
Business-type activities:	
Sewer	\$ 137,335
Electric	71,166
Sanitation	<u>40,828</u>
Total business-type activities depreciation expense	<u>\$ 249,329</u>

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2015.

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due within 1 year
Governmental activities:					
Compensated absences	\$ 192,331	\$ 34,029	\$ -	\$ 226,360	\$ 181,088
Net pension liability	4,293,861	786,388	-	5,080,249	-
Capital lease payable	255,247	-	98,794	156,453	103,168
GADA note payable	1,580,000	-	84,000	1,496,000	-
Governmental activities long-term liabilities	<u>\$ 6,321,439</u>	<u>\$ 820,417</u>	<u>\$ 182,794</u>	<u>\$ 6,959,062</u>	<u>\$ 284,256</u>
Business-type activities:					
Compensated absences	\$ 55,155	\$ 14,236	\$ -	\$ 69,391	\$ 55,513
Net pension liability	734,564	-	55,640	678,924	-
GADA note payable	395,000	-	21,000	374,000	-
Business-type activities long-term liabilities	<u>\$ 1,184,719</u>	<u>\$ 14,236</u>	<u>\$ 76,640</u>	<u>\$ 1,122,315</u>	<u>\$ 55,513</u>

In April 2008, the Town entered into a note agreement with the Greater Arizona Development Authority (GADA) in the amount of \$2,500,000. The note is secured by state-shared revenues. Payments of interest are due semiannually on February 1 and August 1 beginning on February 1, 2009. Payments of principal are due annually beginning on August 1, 2009 with the note maturing on August 1, 2029. Annual interest rates range from 4.50 to 5.00 percent. The following details the debt service requirements to maturity:

Year Ending June 30,	GADA Note payable				Total	
	Governmental Activities		Business-type Activities			
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ -	\$ 69,765	\$ -	\$ 17,441	\$ -	\$ 87,206
2017	88,000	66,132	22,000	16,533	110,000	82,665
2018	92,000	62,478	23,000	15,620	115,000	78,098
2019	96,000	57,865	24,000	14,466	120,000	72,331
2020	100,000	53,627	25,000	13,407	125,000	67,034
2021-2025	564,000	196,595	141,000	49,149	705,000	245,744
2026-2030	556,000	48,034	139,000	12,008	695,000	60,042
Total	<u>\$ 1,496,000</u>	<u>\$ 554,496</u>	<u>\$ 374,000</u>	<u>\$ 138,624</u>	<u>\$ 1,870,000</u>	<u>\$ 693,120</u>

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 6 – LONG-TERM LIABILITIES – Continued

The note proceeds were split between the Electric Fund and the General Fund. The proceeds going to the Electric Fund were used to purchase a portion of the electrical system located with the Town limits. The proceeds going to the General Fund were used to purchase a commercial building. Each fund will pay its proportionate share of the debt service expenditures in future periods as the debt service payment become due.

Capital leases – The Town has acquired vehicles and equipment under the provisions of long-term lease agreements classified as a capital lease for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Fire truck	\$ 651,330
Less: accumulated depreciation	<u>(253,295)</u>
Carrying value	<u><u>\$ 398,035</u></u>

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 6 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the Town’s capital lease payable at June 30, 2015:

Year Ending June 30	Governmental Activities
2016	\$ 108,904
2017	54,452
Total minimum lease payments	163,356
Less amount representing interest	(6,903)
Present value of net minimum lease payments	\$ 156,453

NOTE 7 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all such risks of loss, including workers’ compensation and employees’ health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables of the business-type funds consisted of amounts loaned by the Electric Fund to the Sewer and Sanitation Funds to help meet fund obligations. The amounts payable from the Sewer and Sanitations Funds to the Electric Fund at year end were \$2,089,515 and \$399,826, respectively.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	Governmental Activities	Business-type Activities
Net position as previously reported at June 30, 2014	<u>\$ 21,331,897</u>	<u>\$ 5,502,996</u>
Prior period adjustments-implementation of GASB 68:		
Net pension liability (measurement date as of June 30, 2013)	(4,293,861)	(734,564)
Deferred outflows-Town contributions made during fiscal year 2014	<u>320,699</u>	<u>44,256</u>
Total prior period adjustment	<u>(3,973,162)</u>	<u>(690,308)</u>
Net position, as restated, July 1, 2014	<u>\$ 17,358,735</u>	<u>\$ 4,812,688</u>
	Electric Fund	Sanitation Fund
Net position as previously reported at June 30, 2014	<u>\$ 4,980,072</u>	<u>\$ (40,551)</u>
Prior period adjustments-implementation of GASB 68:		
Net pension liability (measurement date as of June 30, 2013)	(640,533)	(94,031)
Deferred outflows-Town contributions made during fiscal year 2014	<u>38,591</u>	<u>5,665</u>
Total prior period adjustment	<u>(601,942)</u>	<u>(88,366)</u>
Net position, as restated, July 1, 2014	<u>\$ 4,378,130</u>	<u>\$ (128,917)</u>

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2015, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net pension liabilities	\$ 5,080,249	\$ 678,924	\$ 5,759,173
Deferred outflows of resources	1,227,671	98,057	1,325,728
Deferred inflows of resources	642,642	118,723	761,365
Pension expense	731,821	53,209	785,030

The Town reported \$85,557 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

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

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

ASRS	Retirement	
	<u>Initial membership date:</u>	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members’ annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members’ annual covered payroll. The Town’s contributions to the pension plan for the year ended June 30, 2015,

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

were \$131,700. The Town’s contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS	<u>Health Benefit Supplement Fund</u>	<u>Long-term Disability Fund</u>
Year ended June 30,		
2015	\$ 7,263	\$ 1,453
2014	6,918	2,767
2013	6,921	2,884

During fiscal year 2015, the Town paid for ASRS pension and OPEB contributions as follows: 66.65 percent from the General Fund, 29.08 percent from the Electric Fund, and 4.27 percent from the Sanitation Fund.

Pension Liability – At June 30, 2015, the Town reported a liability of \$2,035,552 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The Town’s proportion of the net pension liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2014. The Town’s proportion measured as of June 30, 2014, was .013757 percent, which was an increase of .000509 from its proportion measured as of June 30, 2013.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2015, the Town recognized pension expense for ASRS of \$159,532. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 103,453	\$ -
Net difference between projected and actual earnings on pension plan investments	-	355,955
Changes in proportion and differences between Town contributions and proportionate share of contributions	58,841	-
Town contributions subsequent to the measurement date	<u>131,700</u>	<u>-</u>
Total	<u>\$ 293,994</u>	<u>\$ 355,955</u>

The \$131,700 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ended June 30,		
2016	\$	(18,426)
2017		(18,426)
2018		(67,820)
2019		(88,989)
2020		-
Thereafter		-

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

ASRS

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equity	63%	7.03%
Fixed income	25%	3.20%
Real estate	8%	4.50%
Commodities	4%	4.75%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's proportionate share of the net pension liability	\$ 2,572,833	\$ 2,035,552	\$ 1,744,050

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

B. Elected Officials’ Retirement Plan

Plan Description – Elected officials and judges participate in the Elected Officials Retirement Plan (EORP). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The EORP issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on PSPRS’s Web site at www.psprs.com.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Benefits Provided – The EORP 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 yearly compensation, and service credit as follows:

EORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 10 years age 62 5 years age 65 5 years and age* any years and age if disabled	10 years age 62 5 years age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 months of last 120 months
Benefit percent		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor Benefit		
Retired Members	75% of retired member's benefit	50% of retired member's benefit
Active Members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

*With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Contributions – State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability. For the year ended June 30, 2015, active EORP members were required by statute to contribute 13 percent of the members’ annual covered payroll, and the Town was required to contribute a designated portion of certain court fees and 25.13 percent (23.5 percent for retirement and 1.63 percent for health insurance premium benefit) of active EORP members’ annual covered payroll. The Town’s contributions to the pension plan for the year ended June 30, 2015, were \$8,531. The Town’s contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

EORP	<u>Health Insurance Fund</u>	
Year ended June 30,		
2015	\$	599
2014		185
2013		220

During fiscal year 2015, the Town paid for EORP pension and OPEB contributions entirely from the General Fund.

Pension liability – At June 30, 2015, the Town reported a liability for its proportionate share of the EORP’s net pension liability that reflected a reduction for the Town’s proportionate share of the State’s appropriation for EORP. The amount the Town recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the EORP net pension liability	\$	363,274
State's proportionate share of the EORP net pension liability associated with the Town		111,383
Total	<u>\$</u>	<u>474,657</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, for the June 30, 2014, actuarial valuation, the plan changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

EORP

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.25%
Inflation	4.00%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table projected to 2025 with projection scale AA

The long-term expected rate of return on EORP pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed Income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

Discount rate – The discount rate used to measure the EORP total pension liability was 5.67 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

of 7.85 percent was applied to periods of projected benefit payments through the year ended June 30, 2030. A municipal bond rate of 4.29 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2014, was applied to periods of projected benefit payments after June 30, 2030.

Sensitivity of the Town’s proportionate share of the EORP net pension liability to changes in the discount rate – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 5.67 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.67 percent) or 1 percentage point higher (6.67 percent) than the current rate:

EORP	1% Decrease (4.67%)	Current Discount Rate (5.67%)	1% Increase (6.67%)
Town's proportionate share of the net pension liability	\$ 424,092	\$ 363,274	\$ 311,922

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued EORP financial report.

C. Public Safety Personnel Retirement System

Plan Description – Town police employees participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-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.

The PSPRS issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at www.psprs.com.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Benefits Provided – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms.

Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 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 services over 20 years, not to exceed 80%	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% of retired member's pension benefit	
Active Members	80% if accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job	

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

TOWN OF THATCHER, ARIZONA

Notes to Financial Statements

June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2015, the following employees were covered by the agent pension plans’ benefit terms:

	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	1
Active employees	11
Total	19

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS Police
Active Members - Pension	11.05%
Town Pension	30.68%
Health insurance premium benefit	1.17%

For the agent plans, 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, 2015, were:

Pension	PSPRS Police
Contributions Made	\$ 235,046
Health Insurance Premium Benefit	
Annual OPEB cost	9,023
Contributions made	9,023

During fiscal year 2015, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Net Pension Liability (Asset) – At June 30, 2015, the Town reported the following net pension liability:

	Net Pension Liability (Asset)
PSPRS Police	\$ 3,360,347

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions:

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

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

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0%-8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

TOWN OF THATCHER, ARIZONA

Notes to Financial Statements

June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed Income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

Pension Discount Rates – The following discount rates were used to measure the total pension liabilities:

<u>PSPRS Police</u>	
Discount rates	7.85%

The projection of cash flows used to determine the PSPRS discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension Liability (Asset)

PSPRS	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	\$ 4,992,909	\$ 2,340,973	\$ 2,651,936
Changes for the year			
Service Cost	132,777	-	132,777
Interest on the total pension liability	381,545	-	381,545
Changes of benefit terms	157,716	-	157,716
Differences between expected and actual experience in the measurement of the pension liability	(363,187)	-	(363,187)
Changes of assumptions or other inputs	835,496	-	835,496
Contributions-employer	-	220,723	(220,723)
Contributions-employee	-	74,365	(74,365)
Net investment income	-	295,450	(295,450)
Benefit payments, including refunds of employee contributions	(397,692)	(397,692)	-
Other changes	-	(154,602)	154,602
Net changes	746,655	38,244	708,411
Balances at June 30, 2015	\$ 5,739,564	\$ 2,379,217	\$ 3,360,347

Sensitivity of the Town’s Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s net pension liabilities calculated using the discount rates noted above, as well as what the Town’s net pension 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:

PSPRS	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 4,082,971	\$ 3,360,347	\$ 2,763,287

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

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense – For the year ended June 30, 2015, the Town recognized the following pension expense:

	Pension Expense	
PSPRS Police	\$	484,804

Pension Deferred Outflows/Inflows of Resources – At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS	Deferred Outflows of Resources	Deferred Inflows of Resources	
Differences between expected and actual experience	\$ -	\$ 299,180	
Changes of assumptions or other inputs	688,251	-	
Net difference between projected and actual earnings on pension plan investments	-	99,343	
Town contributions subsequent to the measurement date	235,046	-	
	235,046	-	
Total	\$ 923,297	\$ 398,523	

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	<u>PSPRS Police</u>	
2016	\$	58,402
2017		58,402
2018		58,402
2019		58,402
2020		56,120
Thereafter		-

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Projections of benefits are based on (1) the plans as understood by the Town and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements are as follows:

PSPRS - OPEB Contribution Requirements

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.5%

Agent Plan OPEB Trend Information – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Year ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2015	\$ 9,023	100%	\$ (111,918)
2014	7,005	100%	(105,063)
2013	8,399	0%	98,104

Agent Plan OPEB Funded Status – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2015

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

		<u>PSPRS Police</u>
Actuarial value of assets (a)	\$	200,218
Actuarial accrued liability (b)	\$	88,300
Unfunded actuarial accrued liability (funding excess) (b) - (a)	\$	(111,918)
Funded ratio (a)/(b)		226.75%
Annual covered payroll (c)	\$	766,307
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)		0.00%

The actuarial methods and assumptions for the most recent valuation date are as follows:

PSPRS - OPEB Funded Status

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%-8%
Wage growth	4%

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Taxes	\$ 3,120,750	\$ 3,120,750	\$ 3,141,567	\$ 20,817
Intergovernmental	1,279,523	1,279,523	1,291,385	11,862
Charges for services	143,750	143,750	154,035	10,285
Fines and forfeitures	50	50	39,804	39,754
Licenses and permits	16,550	16,550	21,134	4,584
Interest	10,000	10,000	14,126	4,126
Other revenue	10,200	10,200	44,843	34,643
Total revenue	4,580,823	4,580,823	4,706,894	126,071
Expenditures:				
Current				
General government	821,269	821,269	821,269	-
Public safety	1,957,700	1,957,700	1,890,269	67,431
Highways and streets	974,081	974,081	643,735	330,346
Community development	365,044	365,044	365,044	-
Parks and recreation	422,964	422,964	422,964	-
Debt service				
Principal	182,794	182,794	182,794	-
Interest	83,375	83,375	83,375	-
Capital outlay	779,598	779,598	627,166	152,432
Total expenditures	5,586,825	5,586,825	5,036,616	550,209
Excess (deficiency) of revenue over (under) expenditures	(1,006,002)	(1,006,002)	(329,722)	(424,138)
Other financing sources (uses):				
Sale of capital assets	6,000	6,000	-	6,000
Transfer out	(54,627)	(54,627)	-	(54,627)
Total other financing sources (uses)	(48,627)	(48,627)	-	(48,627)
Net change in fund balances	(1,054,629)	(1,054,629)	(329,722)	(472,765)
Fund balances, beginning of year	10,961,506	10,961,506	10,961,506	-
Fund balances, end of year	\$ 9,906,877	\$ 9,906,877	\$ 10,631,784	\$ (472,765)

See accompanying notes to budgetary comparison schedule.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Intergovernmental	\$ 989,000	\$ 989,000	\$ 254,440	(734,560)
Expenditures:				
Current				
Public safety	959,753	959,753	112,490	847,263
Capital outlay	29,247	29,247	29,247	-
Total expenditures	989,000	989,000	141,737	847,263
Net change in fund balances	-	-	112,703	(1,581,823)
Fund balances, beginning of year	12,914	12,914	12,914	-
Fund balances, end of year	\$ 12,914	\$ 12,914	\$ 125,617	\$ (1,581,823)

See accompanying notes to budgetary comparison schedule.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF/LTAF Fund
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Intergovernmental	\$ 433,538	\$ 433,538	\$ 347,627	(85,911)
Interest	-	-	88	88
Total revenue	<u>433,538</u>	<u>433,538</u>	<u>347,715</u>	<u>(85,823)</u>
Expenditures:				
Current				
Highways and streets	45,370	45,370	29,409	15,961
Capital outlay	<u>421,168</u>	<u>421,168</u>	<u>421,168</u>	<u>-</u>
Total expenditures	<u>466,538</u>	<u>466,538</u>	<u>450,577</u>	<u>15,961</u>
Net change in fund balances	(33,000)	(33,000)	(102,862)	(101,784)
Fund balances, beginning of year	<u>311,921</u>	<u>311,921</u>	<u>311,921</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 278,921</u></u>	<u><u>\$ 278,921</u></u>	<u><u>\$ 209,059</u></u>	<u><u>\$ (101,784)</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2015

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

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

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The Town's budget is prepared on a basis consistent with generally accepted accounting principles.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension Liability
Cost-Sharing Pension Plans
June 30, 2015

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Town's proportion of the net pension liability	0.013757%	Information
Town's proportionate share of the net pension liability	\$ 2,035,552	not available
Town's covered-employee payroll	\$ 1,210,478	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	168.16%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

Elected Officials Retirement Plan

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Town's proportion of the net pension liability	0.054174%	Information
Town's proportionate share of the net pension liability	\$ 363,274	not available
State's proportionate share of the net pension liability associated with the Town	111,383	
Total	<u>\$ 474,657</u>	
Town's covered-employee payroll	<u>\$ 36,300</u>	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1000.75%	
Plan fiduciary net position as a percentage of the total pension liability	31.91%	

See accompanying notes to pension plan schedules.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension Liability (Asset) and Related Ratios
Agent Pension Plans
June 30, 2015

PSPRS

	<u>Reporting Fiscal Year</u> <u>(Measurement Date)</u>	
	<u>2015</u> <u>(2014)</u>	<u>2014 through</u> <u>2006</u>
Total pension liability		Information not available
Service cost	\$ 132,777	
Interest on the total pension liability	381,545	
Changes of benefit terms	157,716	
Differences between expected and actual experience in the measurement of the pension liability	(363,187)	
Changes of assumptions or other inputs	835,496	
Benefit payments, including refunds of employee contributions	<u>(397,692)</u>	
Net change in total pension liability	746,655	
Total pension liability - beginning	<u>4,992,909</u>	
Total pension liability - ending (a)	<u><u>\$ 5,739,564</u></u>	
Plan fiduciary net position		
Contributions - employer	\$ 220,723	
Contributions - employee	74,365	
Net investment income	295,450	
Benefit payments, including refunds of employee contributions	(397,692)	
Administrative expense	-	
Other changes	<u>(154,602)</u>	
Net change in plan fiduciary net position	38,244	
Plan fiduciary net position - beginning	<u>2,340,973</u>	
Plan fiduciary net position - ending (b)	<u><u>\$ 2,379,217</u></u>	
Town's net pension liability (asset) - ending (a) - (b)	<u><u>\$ 3,360,347</u></u>	
Plan fiduciary net position as a percentage of the total pension liability	41.45%	
Covered-employee payroll	\$ 722,872	
Town's net pension liability (asset) as a percentage of covered- employee payroll	464.86%	

See accompanying notes to pension plan schedules.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Schedule of Town Pension Contributions
June 30, 2015

Arizona State Retirement System

	<u>Reporting Fiscal Year</u>		2013 through 2006
	2015	2014	
Statutorily required contribution	\$ 131,700	\$ 132,689	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(131,700)</u>	<u>(132,689)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 1,210,478	\$ 1,240,084	
Town's contributions as a percentage of covered-employee payroll	10.88%	10.70%	

PSPRS

	<u>Reporting Fiscal Year</u>		2013 through 2006
	2015	2014	
Actuarially determined contribution	\$ 235,046	\$ 220,723	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(235,046)</u>	<u>(220,723)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 766,307	\$ 722,872	
Town's contributions as a percentage of covered-employee payroll	30.68%	30.53%	

Elected Officials Retirement Plan

	<u>Reporting Fiscal Year</u>		2013 through 2006
	2015	2014	
Statutorily required contribution	\$ 8,531	\$ 11,543	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(8,531)</u>	<u>(11,543)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 36,300	\$ 49,119	
Town's contributions as a percentage of covered-employee payroll	23.50%	23.50%	

See accompanying notes to pension plan schedules.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2015

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2013 actuarial valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	In 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%
Wage growth	In 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

Health Insurance Premium Benefit - PSPRS

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
06/30/15	\$ 200,218	\$ 88,300	\$ (111,918)	226.7 %	\$ 766,307	0.00 %
06/30/14	183,818	78,755	(105,063)	233.4	722,872	0.00
06/30/13	-	98,104	98,104	0.0	706,206	13.89

See accompanying notes to schedule of agent OPEB plans' funding progress.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Notes to Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

NOTE 1 – FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plan transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from the plan's Pension Fund to the new Health Insurance Fund.