

TOWN OF THATCHER, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2017

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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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Town of 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 52 through 55, Schedule of the Town's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans on page 56, Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios – Agent Pension Plans on page 57, Schedule of Town Pension Contributions on page 58, and Schedule of Agent OPEB Plans' Funding Progress on page 60, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2017, 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.

Colby J. Powell

December 27, 2017

TOWN OF THATCHER, ARIZONA
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,845,380	\$ 1,667,564	\$ 11,512,944
Restricted cash	-	80,680	80,680
Investment in joint venture	-	442,000	442,000
Receivables - net	249,492	387,553	637,045
Taxes receivable	199,514	-	199,514
Due from other governments	266,802	-	266,802
Capital assets, not being depreciated	1,085,306	248,126	1,333,432
Capital assets, being depreciated, net	<u>11,589,363</u>	<u>3,417,630</u>	<u>15,006,993</u>
Total assets	<u>23,235,857</u>	<u>6,243,553</u>	<u>29,479,410</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>1,950,270</u>	<u>178,141</u>	<u>2,128,411</u>
LIABILITIES			
Accounts payable	125,263	94,977	220,240
Accrued expenses	111,065	18,502	129,567
Refundable deposits	-	80,680	80,680
PSPRS Parker liability	115,000	-	115,000
Noncurrent liabilities			
Due within 1 year	231,248	78,513	309,761
Due in more than 1 year	<u>7,068,575</u>	<u>1,158,235</u>	<u>8,226,810</u>
Total liabilities	<u>7,651,151</u>	<u>1,430,907</u>	<u>9,082,058</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>491,573</u>	<u>98,530</u>	<u>590,103</u>
NET POSITION			
Net investment in capital assets	11,358,669	3,336,756	14,695,425
Restricted for			
Highways and streets	307,686	-	307,686
Unrestricted	<u>5,377,048</u>	<u>1,555,501</u>	<u>6,932,549</u>
Total net position	<u>\$ 17,043,403</u>	<u>\$ 4,892,257</u>	<u>\$ 21,935,660</u>

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Statement of Activities
Year Ended June 30, 2017

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		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 982,384	\$ 106,461	\$ 18,740	\$ -	\$ (857,183)	\$ -	\$ (857,183)
Public safety	2,578,612	26,662	119,820	56,436	(2,375,694)	-	(2,375,694)
Highways and streets	1,090,637	-	399,355	109,226	(582,056)	-	(582,056)
Community development	526,307	-	-	-	(526,307)	-	(526,307)
Parks and recreation	588,546	96,310	-	13,000	(479,236)	-	(479,236)
Interest on long-term debt	66,323	-	-	-	(66,323)	-	(66,323)
Total governmental activities	5,832,809	229,433	537,915	178,662	(4,886,799)	-	(4,886,799)
Business-type activities							
Sewer	370,508	293,267	-	-	-	(77,241)	(77,241)
Electric	2,546,357	2,585,708	-	-	-	39,351	39,351
Sanitation	327,955	221,440	-	-	-	(106,515)	(106,515)
Total business-type activities	3,244,820	3,100,415	-	-	-	(144,405)	(144,405)
Total primary government	\$ 9,077,629	\$ 3,329,848	\$ 537,915	\$ 178,662	(4,886,799)	(144,405)	(5,031,204)
General revenue:							
Taxes:							
Sales tax					3,113,233	63,620	3,176,853
Franchise tax					77,960	-	77,960
State urban revenue sharing					610,735	-	610,735
Share of state sales taxes					457,190	-	457,190
Share of county auto lieu taxes					276,192	-	276,192
Investment income					72,114	9,587	81,701
Miscellaneous					14,096	-	14,096
Gain on sale of assets					5,688	-	5,688
Total general revenue					4,627,208	73,207	4,700,415
Change in net position					(259,591)	(71,198)	(330,789)
Net position, beginning of year					17,302,994	4,963,455	22,266,449
Net position, end of year					\$ 17,043,403	\$ 4,892,257	\$ 21,935,660

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Grants Fund	HURF Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,542,173	\$ -	\$ 303,207	\$ 9,845,380
Accounts receivable - net	249,492	-	-	249,492
Taxes receivable	199,514	-	-	199,514
Due from other funds	181,052	-	-	181,052
Due from other governments	51,954	181,052	33,796	266,802
Total assets	10,224,185	181,052	337,003	10,742,240
LIABILITIES				
Accounts payable	95,946	-	29,317	125,263
Accrued expenses	111,065	-	-	111,065
Due to other funds	-	181,052	-	181,052
Total liabilities	207,011	181,052	29,317	417,380
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	249,492	109,226	-	358,718
FUND BALANCES				
Restricted for:				
Highways and streets	-	-	307,686	307,686
Unassigned	9,767,682	(109,226)	-	9,658,456
Total fund balances	9,767,682	(109,226)	307,686	9,966,142
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,224,185	\$ 181,052	\$ 337,003	\$ 10,742,240

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, 2017

Fund balances-total governmental funds	\$ 9,966,142
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.	12,674,669
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue	358,718
Long-term liabilities, such as net pension liabilities and notes payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(7,414,823)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>1,458,697</u>
Net position of governmental activities	<u><u>\$ 17,043,403</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, 2017

	General Fund	Grants Fund	HURF Fund	Total Governmental Funds
Revenue:				
Taxes	\$ 3,191,192	\$ -	\$ -	\$ 3,191,192
Intergovernmental	1,344,117	152,550	399,356	1,896,023
Charges for services	208,059	-	-	208,059
Interest	72,110	-	4	72,114
Other revenue	41,191	-	-	41,191
Fines and forfeitures	26,151	-	-	26,151
Licenses and permits	21,249	-	-	21,249
Total revenue	<u>4,904,069</u>	<u>152,550</u>	<u>399,360</u>	<u>5,455,979</u>
Expenditures:				
Current				
General government	762,114	-	-	762,114
Public safety	2,406,220	105,035	-	2,511,255
Highways and streets	581,355	-	107,789	689,144
Community development	510,274	-	-	510,274
Parks and recreation	497,740	13,000	-	510,740
Debt service				
Principal	233,285	-	-	233,285
Interest	101,242	-	-	101,242
Capital outlay	200,306	145,903	86,004	432,213
Total expenditures	<u>5,292,536</u>	<u>263,938</u>	<u>193,793</u>	<u>5,750,267</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(388,467)</u>	<u>(111,388)</u>	<u>205,567</u>	<u>(294,288)</u>
Other financing sources (uses):				
Sale of capital assets	5,688	-	-	5,688
Transfers	(2,162)	2,162	-	-
Total other financing sources (uses)	<u>3,526</u>	<u>2,162</u>	<u>-</u>	<u>5,688</u>
Net change in fund balances	(384,941)	(109,226)	205,567	(288,600)
Fund balances, beginning of year	10,152,623	-	102,119	10,254,742
Fund balances, end of year	<u>\$ 9,767,682</u>	<u>\$ (109,226)</u>	<u>\$ 307,686</u>	<u>\$ 9,966,142</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, 2017

Net change in fund balances-total governmental funds		\$ (288,600)
Amounts reported for governmental activities in the		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated		
Capital outlay	432,213	
Depreciation expense	<u>(690,670)</u>	(258,457)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
		111,551
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		
Town pension contributions	766,452	
Pension expense	<u>(694,426)</u>	72,026
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		233,285
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.		
PSPRS Parker liability	(115,000)	
Increase in compensated absences payable	(49,315)	
Decrease in accrued interest	<u>34,919</u>	<u>(129,396)</u>
Change in net position of governmental activities		<u>\$ (259,591)</u>

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities--Enterprise Funds			Total
	Sewer Fund	Electric Fund	Sanitation Fund	
ASSETS				
Current assets				
Cash and cash equivalents	\$ -	\$ 1,667,564	\$ -	\$ 1,667,564
Restricted cash	-	80,680	-	80,680
Investment in joint venture	-	442,000	-	442,000
Accounts receivable, net	43,452	310,089	34,012	387,553
Total current assets	43,452	2,500,333	34,012	2,577,797
Noncurrent assets				
Due from other funds	-	2,525,437	-	2,525,437
Capital assets, net of accumulated depreciation, where applicable:				
Land	248,126	-	-	248,126
Utilities systems, net	2,128,910	887,129	-	3,016,039
Automobiles and trucks, net	-	58,519	-	58,519
Equipment, net	57,743	100,007	185,322	343,072
Capital assets, net	2,434,779	1,045,655	185,322	3,665,756
Total noncurrent assets	2,434,779	3,571,092	185,322	6,191,193
Total assets	2,478,231	6,071,425	219,334	8,768,990
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	-	155,333	22,808	178,141

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Statement of Net Position - Continued
Proprietary Funds
June 30, 2017

	Business-type Activities--Enterprise Funds			Total
	Sewer Fund	Electric Fund	Sanitation Fund	
LIABILITIES				
Current liabilities				
Accounts payable	6,754	74,715	13,508	94,977
Accrued expenses	2,229	13,812	2,461	18,502
Refundable deposits	-	80,680	-	80,680
Compensated absences, current	1,486	67,885	9,142	78,513
Total current liabilities	10,469	237,092	25,111	272,672
Noncurrent liabilities				
Due to other funds	2,013,861	-	511,576	2,525,437
Note payable	-	329,000	-	329,000
Compensated absences	372	16,971	2,285	19,628
Net pension liability	-	705,948	103,659	809,607
Total noncurrent liabilities	2,014,233	1,051,919	617,520	3,683,672
Total liabilities	2,024,702	1,289,011	642,631	3,956,344
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	-	85,915	12,615	98,530
NET POSITION				
Net investment in capital assets	2,434,779	716,655	185,322	3,336,756
Unrestricted (deficit)	(1,981,250)	4,135,177	(598,426)	1,555,501
Total net position	\$ 453,529	\$ 4,851,832	\$ (413,104)	\$ 4,892,257

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, 2017

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Electric Fund	Sanitation Fund	Total
Operating revenue:				
Charges for services	\$ 293,267	\$ 2,548,952	\$ 221,440	\$ 3,063,659
Other revenue	-	36,756	-	36,756
Total operating revenue	<u>293,267</u>	<u>2,585,708</u>	<u>221,440</u>	<u>3,100,415</u>
Operating expenses:				
Cost of power	-	1,661,922	-	1,661,922
Personnel	86,231	544,534	98,454	729,219
Depreciation	147,767	73,462	37,860	259,089
Repairs and maintenance	38,519	85,674	32,341	156,534
Materials and supplies	38,629	64,930	28,649	132,208
Landfill	-	-	112,267	112,267
Insurance	26,940	31,481	17,973	76,394
Professional services	24,708	50,844	-	75,552
Other	5,641	8,122	411	14,174
Utilities	2,073	8,586	-	10,659
Total operating expenses	<u>370,508</u>	<u>2,529,555</u>	<u>327,955</u>	<u>3,228,018</u>
Operating income (loss)	<u>(77,241)</u>	<u>56,153</u>	<u>(106,515)</u>	<u>(127,603)</u>
Nonoperating revenue (expenses):				
Sales taxes	-	63,620	-	63,620
Investment income	-	9,587	-	9,587
Interest expense	-	(16,802)	-	(16,802)
Total nonoperating revenue (expenses)	<u>-</u>	<u>56,405</u>	<u>-</u>	<u>56,405</u>
Increase (decrease) in net position	<u>(77,241)</u>	<u>112,558</u>	<u>(106,515)</u>	<u>(71,198)</u>
Total net position, beginning of year	<u>530,770</u>	<u>4,739,274</u>	<u>(306,589)</u>	<u>4,963,455</u>
Total net position, end of year	<u>\$ 453,529</u>	<u>\$ 4,851,832</u>	<u>\$ (413,104)</u>	<u>\$ 4,892,257</u>

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Electric Fund	Sanitation Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 287,443	\$ 2,578,221	\$ 221,354	\$ 3,087,018
Payments to suppliers and providers of goods and services	(135,178)	(1,885,891)	(186,235)	(2,207,304)
Payments to employees	(87,071)	(530,488)	(97,626)	(715,185)
Net cash provided (used) by operating activities	<u>65,194</u>	<u>161,842</u>	<u>(62,507)</u>	<u>164,529</u>
Cash flows from noncapital financing activities:				
Borrowings paid to other funds	(57,200)	(5,307)	-	(62,507)
Borrowings received from other funds	-	-	62,507	62,507
Sales taxes received	-	63,620	-	63,620
Net cash provided (used) by noncapital financing activities	<u>(57,200)</u>	<u>58,313</u>	<u>62,507</u>	<u>63,620</u>
Cash flows from capital and related financing activities:				
Principal paid on note payable	-	(45,000)	-	(45,000)
Interest paid on note payable	-	(25,435)	-	(25,435)
Purchase of capital assets	(7,994)	-	-	(7,994)
Net cash provided (used) by capital and related financing activities	<u>(7,994)</u>	<u>(70,435)</u>	<u>-</u>	<u>(78,429)</u>
Cash flows from investing activities:				
Interest received	-	9,587	-	9,587
Net increase (decrease) in cash and cash equivalents	-	159,307	-	159,307
Cash and cash equivalents, beginning of year	-	1,588,937	-	1,588,937
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 1,748,244</u>	<u>\$ -</u>	<u>\$ 1,748,244</u>
Cash and cash equivalents	\$ -	\$ 1,667,564	\$ -	\$ 1,667,564
Restricted cash	-	80,680	-	80,680
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 1,748,244</u>	<u>\$ -</u>	<u>\$ 1,748,244</u>

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Statement of Cash Flows - *Continued*
Proprietary Funds
Year Ended June 30, 2017

	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)	\$ (77,241)	\$ 56,153	\$ (106,515)	\$ (127,603)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	147,767	73,462	37,860	259,089
Pension expense	-	62,033	9,109	71,142
Employer pension contributions	-	(44,766)	(6,573)	(51,339)
(Increase) decrease in:				
Accounts receivable	(5,824)	(11,235)	(86)	(17,145)
Increase (decrease) in:				
Accounts payable	1,332	8,401	2,870	12,603
Accrued expenses	338	182	373	893
Refundable deposits	-	3,748	-	3,748
Compensated absences payable	(1,178)	13,864	455	13,141
Net cash provided (used) by operating activities	\$ 65,194	\$ 161,842	\$ (62,507)	\$ 164,529

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

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 statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

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

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

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

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

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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

The Town reports the following major governmental funds:

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

The ***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 Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund, 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, 2017

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.

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

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

D. Cash and Investments

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

E. 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, 2017, totaled \$8,479, \$106,680, and \$9,842, respectively.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F. Capital Assets

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

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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 funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

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

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

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

K. Impact of Recently Issued Accounting Principles

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Town implemented this standard during this fiscal period.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2017. Upon implementation, it is anticipated that this Statement will cause a restatement of beginning net position of the Governmental Activities, Business-type Activities, and the proprietary funds.

In December 2015, the GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Town implemented this standard during this fiscal period.

In March 2016, the GASB issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In June 2017, the GASB issued Statement 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Credit risk

Statutes have the following requirements for credit risk:

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

Custodial credit risk

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

Concentration of credit risk

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

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

Interest rate risk

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

Foreign currency risk

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

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

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

Deposits—At June 30, 2017, the carrying amount of the Town’s total nonpooled cash in bank was \$619,289, and the bank balance was \$697,035. 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, 2017, 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>\$ 10,973,835</u>	<u>\$ 10,973,835</u>

Investments in the State Treasurer’s investment pools are valued at the pool’s share price multiplied by the number of shares the Town held. The fair value of a participant’s position in the pools approximates the value of that participant’s pool shares. The State Board of Investment provides oversight for the State Treasurer’s investment pools.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

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

Deposits	
Cash on hand	\$ 500
Cash in bank	619,289
Investments	
State Treasurer's Investment Pool	<u>10,973,835</u>
Total deposits and investments	11,593,624
Cash - restricted	<u>(80,680)</u>
Total cash and cash equivalents	<u><u>\$ 11,512,944</u></u>

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments in the governmental funds at June 30, 2017, included \$39,494 in state-shared revenue from sales taxes, \$12,460 in state-shared revenue from auto lieu taxes, \$67,115 from the U.S. Department of Homeland Security, \$4,711 from the Governor's Office of Highway Safety, \$109,226 from the Arizona Department of Transportation, and \$33,796 from the State of Arizona for HURF revenue.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 4 – INVESTMENT IN JOINT VENTURE

During the fiscal year 2014-15, 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, 2017, was as follows:

	Balance <u>July 1, 2016</u>	Increases	Decreases	Balance <u>June 30, 2017</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,085,306	\$ -	\$ -	\$ 1,085,306
Capital assets being depreciated:				
Buildings	4,535,510	-	-	4,535,510
Vehicles	1,490,315	123,932	-	1,614,247
Computers and peripherals	55,284	-	-	55,284
Light equipment	614,917	-	-	614,917
Heavy equipment	1,574,078	27,670	-	1,601,748
Infrastructure	12,166,900	280,611	-	12,447,511
Total	<u>20,437,004</u>	<u>432,213</u>	<u>-</u>	<u>20,869,217</u>
Less accumulated depreciation for:				
Buildings	(1,635,325)	(129,064)	-	(1,764,389)
Vehicles	(910,573)	(110,156)	-	(1,020,729)
Computers and peripherals	(43,142)	(3,010)	-	(46,152)
Light equipment	(505,206)	(14,595)	-	(519,801)
Heavy equipment	(1,363,611)	(60,813)	-	(1,424,424)
Infrastructure	(4,131,328)	(373,032)	-	(4,504,360)
Total	<u>(8,589,185)</u>	<u>(690,670)</u>	<u>-</u>	<u>(9,279,855)</u>
Total capital assets being depreciated, net	<u>11,847,819</u>	<u>(258,457)</u>	<u>-</u>	<u>11,589,362</u>
Governmental activities capital assets, net	<u>\$ 12,933,125</u>	<u>\$ (258,457)</u>	<u>\$ -</u>	<u>\$ 12,674,668</u>

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 5 – CAPITAL ASSETS – Continued

	Balance <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2017</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 248,126	\$ -	\$ -	\$ 248,126
Capital assets being depreciated:				
Utility systems	7,932,573	-	-	7,932,573
Automobiles and trucks	548,571	-	-	548,571
Equipment	980,646	7,994	-	988,640
Total	<u>9,461,790</u>	<u>7,994</u>	<u>-</u>	<u>9,469,784</u>
Less accumulated depreciation for:				
Utility systems	(4,746,356)	(170,177)	-	(4,916,533)
Automobiles and trucks	(465,508)	(24,544)	-	(490,052)
Equipment	(581,201)	(64,368)	-	(645,569)
Total	<u>(5,793,065)</u>	<u>(259,089)</u>	<u>-</u>	<u>(6,052,154)</u>
Total capital assets being depreciated, net	<u>3,668,725</u>	<u>(251,095)</u>	<u>-</u>	<u>3,417,630</u>
Business-type activities capital assets, net	<u>\$ 3,916,851</u>	<u>\$ (251,095)</u>	<u>\$ -</u>	<u>\$ 3,665,756</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 121,873
Public safety	119,716
Highways and streets	381,376
Parks and recreation	<u>67,705</u>
 Total governmental activities depreciation expense	 <u>\$ 690,670</u>
 Business-type activities:	
Sewer	\$ 147,767
Electric	73,462
Sanitation	<u>37,860</u>
 Total business-type activities depreciation expense	 <u>\$ 259,089</u>

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2017.

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within 1 year
Governmental activities:					
Compensated absences	\$ 239,745	\$ 49,315	\$ -	\$ 289,060	\$ 231,248
Net pension liability	5,497,729	197,034	-	5,694,763	-
Capital lease payable	53,285	-	53,285	-	-
GADA note payable	1,496,000	-	180,000	1,316,000	-
Governmental activities long-term liabilities	<u>\$ 7,286,759</u>	<u>\$ 246,349</u>	<u>\$ 233,285</u>	<u>\$ 7,299,823</u>	<u>\$ 231,248</u>
Business-type activities:					
Compensated absences	\$ 85,000	\$ 13,142	\$ -	\$ 98,142	\$ 78,514
Net pension liability	751,303	58,304	-	809,607	-
GADA note payable	374,000	-	45,000	329,000	-
Business-type activities long-term liabilities	<u>\$ 1,210,303</u>	<u>\$ 71,446</u>	<u>\$ 45,000</u>	<u>\$ 1,236,749</u>	<u>\$ 78,514</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		
2018	\$ -	\$ 62,478	\$ -	\$ 15,620	\$ -	\$ 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	104,000	49,257	26,000	12,314	130,000	61,571
2022	108,000	44,582	27,000	11,146	135,000	55,728
2023-2027	616,000	140,956	154,000	35,239	770,000	176,195
2028-2029	292,000	9,834	73,000	2,458	365,000	12,292
Total	<u>\$ 1,316,000</u>	<u>\$ 418,599</u>	<u>\$ 329,000</u>	<u>\$ 104,650</u>	<u>\$ 1,645,000</u>	<u>\$ 523,249</u>

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

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.

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 governmental funds consisted of \$181,052 loaned by the General Fund to the Grants Fund to help meet fund obligations. It is anticipated that this amount will be repaid to the General Fund once grant receivables are collected.

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 \$2,013,861 and \$511,576, respectively.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2017, 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	\$ 5,694,763	\$ 809,607	\$ 6,504,370
Deferred outflows of resources	1,950,270	178,141	2,128,411
Deferred inflows of resources	491,573	98,530	590,103
Pension expense	694,426	71,142	765,568

The Town reported \$766,452 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 website at www.azasrs.gov.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – 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	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

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

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, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 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, 2017,

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

were \$139,377. 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	Health Benefit Supplement Fund	Long-term Disability Fund
Year ended June 30,		
2017	\$ 7,240	\$ 1,810
2016	7,042	1,690
2015	7,859	1,599

During fiscal year 2016, 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, 2017, the Town reported a liability of \$2,427,607 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2016. 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, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

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, 2016. The Town’s proportion measured as of June 30, 2016, was .015040 percent, which was an increase of .000580 percent from its proportion measured as of June 30, 2015.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – 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, 2015
Actuarial roll forward date	June 30, 2016
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, 2015, 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 8.75 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 Arithmetic Expected Real Rate of Return</u>
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset class	5%	3.41%
Commodities	2%	3.84%
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 8.75 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, 2017

NOTE 9 – 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	\$ 3,095,383	\$ 2,427,607	\$ 1,892,196

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 participate in the Elected Officials Retirement Plan (EORP), or the Elected Officials Defined Contribution Retirement System (EODCRS). 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 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 PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS’s website at www.psprs.com.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – 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. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – 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 and designates a portion of certain court fees for the EORP. For the year ended June 30, 2017, statute required active EORP members with an initial membership date after July 19, 2011, to contribute 13 percent of the members’ annual covered payroll and the Town to contribute 23.5 percent of all active EORP members’ annual covered payroll. Also, statute required the Town to contribute 17.50 percent to EORP of the annual covered payroll of elected officials who were EODCRS members, in addition to the Town’s required contributions to EODCRS for these elected officials. The Town’s contributions to the pension plan for the year ended June 30, 2017, were \$7,768. No OPEB contributions were required or made for the years ended June 30, 2015, 2016, and 2017.

During fiscal year 2017, the Town paid 100 percent of EORP pension contributions from the General Fund.

Pension liability – At June 30, 2017, 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	\$	407,255
State's proportionate share of the EORP net pension liability associated with the Town		84,088
Total	\$	491,343

The net pension liability was measured as of June 30, 2016, 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 liability as of June 30, 2016, reflects a decrease in the investment rate of return actuarial assumption from 7.85 percent to 7.50 percent.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The \$7,768 reported as deferred outflows of resources related to EORP pensions resulting from town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ended June 30,		
2018	\$	19,699
2019		10,359
2020		3,428
2021		1,890
2022		-
Thereafter		-

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

EORP

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
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

Actuarial assumptions used in the June 30, 2016, 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, 2017

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The long-term expected rate of return on EORP pension plan investments was determined to be 7.50 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 arithmetic real rates of return for each major asset class are summarized in the following table:

EORP

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed Income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private Equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	<u>100%</u>	

Discount rate – At June 30, 2016, the discount rate used to measure the EORP total pension liability was 3.68 percent, which was a decrease of 1.18 from the discount rate used as of June 30, 2015. 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 of 7.50 percent was applied to periods of projected benefit payments through the year ended June 30, 2027. A municipal bond rate of 2.85 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2016, was applied to periods of projected benefit payments after June 30, 2027.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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 3.68 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 (2.86 percent) or 1 percentage point higher (4.86 percent) than the current rate:

EORP	<u>1% Decrease (2.86%)</u>	<u>Current Discount Rate (3.86%)</u>	<u>1% Increase (4.86%)</u>
Town's proportionate share of the net pension liability	\$ 474,065	\$ 407,255	\$ 351,486

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

EODCRS plan – Elected officials that are not members of EORP or ASRS participate in the EODCRS and the Elected Officials Defined Contribution Retirement System Disability Program (EODCDP). The EODCRS is a defined contribution pension plan. The EODCDP is a cost-sharing multiple-employer defined benefit disability (OPEB) plan for EODCRS members. The PSPRS Board of Trustees governs the EODCRS and EODCDP according to the provisions of A.R.S. Title 38, Chapter 5, Articles 3.1 and 3.2. Benefit terms, including contribution requirements, are established by state statute.

For the year ended June 30, 2017, active EODCRS members were required by statute to contribute 8 percent of the members’ annual covered payroll, and the Town was required by statute to contribute 6 percent of active members’ annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the Town’s contributions to the individual employee account and the earnings on those contributions. In addition, statute required active EODCRS members and the Town to each contribute at the actuarially determined rate of 0.125 percent of the members’ annual covered payroll to the EODCDP plan. For the year ended June 30, 2017, the Town recognized pension expense of \$486. The Town’s OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

EODCDP	<u>Disability Fund</u>	
Year ended June 30,		
2017	\$	20
2016		14
2015		3

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

C. Public Safety Personnel Retirement System

Plan Descriptions – 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 issues publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

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

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

PSPRS

	<u>Initial membership date:</u>	
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012</u>
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, 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% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. 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, 2017

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Employees Covered by Benefit Terms – At June 30, 2017, 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	10
Total	18

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, 2017, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	PSPRS Police
Active Members - Pension	11.65%
Town	
Pension	41.72%
Health insurance premium	0.00%

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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, 2017, were:

Pension	PSPRS Police	
Contributions Made	\$	633,833
Health Insurance Premium Benefit		
Annual OPEB cost		-
Contributions made		-

During fiscal year 2017, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

Net Pension Liability (Asset) – At June 30, 2017, the Town reported the following net pension liability:

	Net Pension Liability (Asset)	
PSPRS Police	\$	3,669,508

The net pension liability (asset) was measured as of June 30, 2016, 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, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS’ automatic cost-of-living adjustments. The statutory adjustments changed the basis for cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS plans.

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town’s net pension liabilities as a result of these changes is not known.

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

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Discount rate	7.50%
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, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50 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 arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed Income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private Equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	<u>100%</u>	

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Discount Rates – At June 30, 2016, the discount rate used to measure the PSPRS total pension liabilities was 7.50 percent, which was a decrease of 0.35 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the 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.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	\$ 6,113,739	\$ 2,454,839	\$ 3,658,900
Changes for the year			
Service Cost	135,700	-	135,700
Interest on the total pension liability	474,901	-	474,901
Changes of benefit terms	(37,400)	-	(37,400)
Differences between expected and actual experience in the measurement of the pension liability	(124,787)	-	(124,787)
Changes of assumptions or other inputs	268,925	-	268,925
Contributions-employer	-	619,120	(619,120)
Contributions-employee	-	88,964	(88,964)
Net investment income	-	16,396	(16,396)
Benefit payments, including refunds of employee	(263,800)	(263,800)	-
Administrative expense	-	(2,759)	2,759
Other changes	-	(14,990)	14,990
Net changes	453,539	442,931	10,608
Balances at June 30, 2017	\$ 6,567,278	\$ 2,897,770	\$ 3,669,508

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the Town’s Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s net pension liabilities (assets) calculated using the discount rate of 7.50 percent, as well as what the Town’s net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	1% Decrease		Current Discount Rate		1% Increase
PSPRS Police					
Rate	6.50%		7.50%		8.50%
Net pension liability	\$ 4,572,418		\$ 3,669,508		\$ 2,928,912

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

Pension Expense – For the year ended June 30, 2017, the Town recognized the following pension expense:

	Pension Expense
PSPRS Police	\$ 464,422

Pension Deferred Outflows/Inflows of Resources – At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$ 116,401		\$ 274,877
Changes of assumptions or other inputs	617,266		-
Net difference between projected and actual earnings on pension plan investments	163,829		-
Town contributions subsequent to the measurement date	633,833		-
	\$ 1,531,329		\$ 274,877
Total	\$ 1,531,329		\$ 274,877

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – 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, 2018. 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,	PSPRS Police	
2018	\$	171,882
2019		171,883
2020		169,118
2021		87,318
2022		22,418
Thereafter		-

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, 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, 2017

NOTE 9 – 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 2017 contribution requirements are as follows:

PSPRS - OPEB Contribution Requirements

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
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

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			
2017	\$ -	100%	\$ -
2016	-	100%	-
2015	9,023	100%	-

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Agent Plan OPEB Funded Status – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2017, along with the actuarial assumptions and methods used in those valuations follow.

		<u>PSPRS Police</u>
Actuarial value of assets (a)	\$	224,087
Actuarial accrued liability (b)	\$	111,823
Unfunded actuarial accrued liability (funding excess) (b) - (a)	\$	(112,264)
Funded ratio (a)/(b)		200.39%
Annual covered payroll (c)	\$	760,941
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll		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, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open
Remaining amortization period	19 years for unfunded actuarial accrued liability, 20 years for
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.40%
Projected salary increases	3.50%-7.50%
Wage growth	3.50%

TOWN OF THATCHER, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 10 – PSPRS PARKER LIABILITY

In 2011, legislators passed Senate Bill 1609, which contained several provisions meant to shore up the plans administered by PSPRS. One of those provisions was a gradual increase in member contribution rates from 7% to 11% in the elected officials' plan (EORP) and from 7.65% to 11.65% in the public safety plan (PSPRS). In August 2011, those provisions were challenged via two separate, but parallel, lawsuits—Hall for EORP and Parker for PSPRS. In November 2016, the Supreme Court upheld the lower court decision in Hall that ruled those increased member contribution rates were unconstitutional. These two lawsuits have been adjudicated separately where the Parker case was stayed (put on hold) pending the final outcome of Hall. Nevertheless, the facts and circumstances are essentially the same where both parties to Parker agreed, at the time of stay, to appropriately apply the remedies of Hall when finalized.

PSPRS members who became members of the system prior to July 20, 2011 and who paid employee contributions that exceeded 7.65% are eligible to receive a refund of those excess contributions unless they terminated and already received a refund. PSPRS has prepared a list of affected members for each employer, along with the amount of excess contributions that must be returned to them. The Town has estimated that the total amount of refunds due to employees (including applicable interest) will be \$115,000.

NOTE 11 – SUBSEQUENT EVENT

On July 1, 2017, the Town agreed to transfer all Electric Fund infrastructure to the Graham County Electric Coop. In turn, Graham County Electric Coop will maintain the infrastructure and the Town will pay for use of the infrastructure in providing electricity to the Town and its customers. The Town will continue to own and operate customer meters and will continue to bill for electricity to Town residents.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Taxes	\$ 2,975,000	\$ 2,975,000	\$ 3,191,192	\$ 216,192
Intergovernmental	1,368,354	1,368,354	1,344,117	(24,237)
Charges for services	274,370	274,370	208,059	(66,311)
Interest	20,000	20,000	72,110	52,110
Other revenue	20,000	20,000	41,191	21,191
Fines and forfeitures	50	50	26,151	26,101
Licenses and permits	17,050	17,050	21,249	4,199
Total revenue	<u>4,674,824</u>	<u>4,674,824</u>	<u>4,904,069</u>	<u>229,245</u>
Expenditures:				
Current				
General government	1,316,742	1,316,742	762,114	554,628
Public safety	2,166,429	2,166,429	2,406,220	(239,791)
Highways and streets	902,037	902,037	581,355	320,682
Community development	528,889	528,889	510,274	18,615
Parks and recreation	386,621	386,621	497,740	(111,119)
Debt service				
Principal	233,285	233,285	233,285	-
Interest	101,242	101,242	101,242	-
Capital outlay	200,306	200,306	200,306	-
Total expenditures	<u>5,835,551</u>	<u>5,835,551</u>	<u>5,292,536</u>	<u>543,015</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(1,160,727)</u>	<u>(1,160,727)</u>	<u>(388,467)</u>	<u>(313,770)</u>
Other financing sources (uses):				
Sale of capital assets	6,000	6,000	5,688	312
Transfers	(66,900)	(66,900)	(2,162)	(64,738)
Total other financing sources (uses)	<u>(60,900)</u>	<u>(60,900)</u>	<u>3,526</u>	<u>(64,426)</u>
Net change in fund balances	<u>(1,221,627)</u>	<u>(1,221,627)</u>	<u>(384,941)</u>	<u>(378,196)</u>
Fund balances, beginning of year	<u>10,152,623</u>	<u>10,152,623</u>	<u>10,152,623</u>	<u>-</u>
Fund balances, end of year	<u>\$ 8,930,996</u>	<u>\$ 8,930,996</u>	<u>\$ 9,767,682</u>	<u>\$ (378,196)</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Intergovernmental	\$ 261,800	\$ 261,800	\$ 152,550	\$ (109,250)
Expenditures:				
Current				
Public safety	102,897	102,897	105,035	(2,138)
Parks and recreation	13,000	13,000	13,000	-
Capital outlay	145,903	145,903	145,903	-
Total expenditures	261,800	261,800	263,938	(2,138)
Excess (deficiency) of revenue over (under) expenditures	-	-	(111,388)	(107,112)
Other financing sources (uses):				
Transfers	-	-	2,162	(2,162)
Net change in fund balances	-	-	(109,226)	(109,274)
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ (109,226)	\$ (109,274)

See accompanying notes to budgetary comparison schedule.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Intergovernmental	\$ 380,977	\$ 380,977	\$ 399,356	\$ 18,379
Interest	-	-	4	4
Total revenue	<u>380,977</u>	<u>380,977</u>	<u>399,360</u>	<u>18,383</u>
Expenditures:				
Current				
Highways and streets	290,730	290,730	107,789	182,941
Capital outlay	86,004	86,004	86,004	-
Total expenditures	<u>376,734</u>	<u>376,734</u>	<u>193,793</u>	<u>182,941</u>
Net change in fund balances	4,243	4,243	205,567	(164,558)
Fund balances, beginning of year	<u>102,119</u>	<u>102,119</u>	<u>102,119</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 106,362</u></u>	<u><u>\$ 106,362</u></u>	<u><u>\$ 307,686</u></u>	<u><u>\$ (164,558)</u></u>

See accompanying notes to budgetary comparison schedule.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2017

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.

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2017, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Parks/Recreation, Police, and Shop departments.

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, 2017

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2006
Town's proportion of the net pension liability	0.015040%	0.014460%	0.013757%	Information not available
Town's proportionate share of the net pension liability	\$ 2,427,607	\$ 2,252,784	\$ 2,035,552	Information not available
Town's covered-employee payroll	\$ 1,408,304	\$ 1,332,103	\$ 1,240,084	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.38%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	

Elected Officials Retirement Plan

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2006
Town's proportion of the net pension liability	0.043107%	0.043169%	0.054174%	Information not available
Town's proportionate share of the net pension liability	\$ 407,255	\$ 337,348	\$ 363,274	Information not available
State's proportionate share of the net pension liability associated with the Town	84,088	105,171	111,383	
Total	<u>\$ 491,343</u>	<u>\$ 442,519</u>	<u>\$ 474,657</u>	
Town's covered-employee payroll	\$ 33,600	\$ 36,300	\$ 49,119	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1212.07%	929.33%	739.58%	
Plan fiduciary net position as a percentage of the total pension liability	23.42%	28.32%	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, 2017

PSPRS

	Reporting Fiscal Year			2014 through 2007
	(Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability				Information not available
Service cost	\$ 135,700	\$ 129,706	\$ 132,777	
Interest on the total pension liability	474,901	440,958	381,545	
Changes of benefit terms	(37,400)	-	157,716	
Differences between expected and actual experience in the measurement of the pension liability	(124,787)	177,759	(363,187)	
Changes of assumptions or other inputs	268,925	-	835,496	
Benefit payments, including refunds of employee contributions	(263,800)	(374,248)	(397,692)	
Net change in total pension liability	453,539	374,175	746,655	
Total pension liability - beginning	6,113,739	5,739,564	4,992,909	
Total pension liability - ending (a)	<u>\$ 6,567,278</u>	<u>\$ 6,113,739</u>	<u>\$ 5,739,564</u>	
Plan fiduciary net position				
Contributions - employer	\$ 619,120	\$ 235,104	\$ 220,723	
Contributions - employee	88,964	84,677	74,365	
Net investment income	16,396	89,394	295,450	
Benefit payments, including refunds of employee contributions	(263,800)	(374,248)	(397,692)	
Administrative expense	(2,759)	(2,553)	-	
Other changes	(14,990)	43,248	(154,602)	
Net change in plan fiduciary net position	442,931	75,622	38,244	
Plan fiduciary net position - beginning	2,454,839	2,379,217	2,340,973	
Plan fiduciary net position - ending (b)	<u>\$ 2,897,770</u>	<u>\$ 2,454,839</u>	<u>\$ 2,379,217</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 3,669,508</u>	<u>\$ 3,658,900</u>	<u>\$ 3,360,347</u>	
Plan fiduciary net position as a percentage of the total pension liability	44.12%	40.15%	41.45%	
Covered-employee payroll	\$ 720,276	\$ 766,307	\$ 722,871	
Town's net pension liability (asset) as a percentage of covered-employee payroll	509.46%	477.47%	464.86%	

See accompanying notes to pension plan schedules.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Schedule of Town Pension Contributions
June 30, 2017

Arizona State Retirement System

	Reporting Fiscal Year				2013 through 2006
	2017	2016	2015	2014	
Statutorily required contribution	\$ 139,377	\$ 152,801	\$ 145,066	\$ 132,689	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(139,377)</u>	<u>(152,801)</u>	<u>(145,066)</u>	<u>(132,689)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 1,292,916</u>	<u>\$ 1,408,304</u>	<u>\$ 1,332,103</u>	<u>\$ 1,240,084</u>	
Town's contributions as a percentage of covered-employee payroll	10.78%	10.85%	10.89%	10.70%	

PSPRS

	Reporting Fiscal Year				2013 through 2006
	2017	2016	2015	2014	
Actuarially determined contribution	\$ 328,833	\$ 309,120	\$ 235,104	\$ 220,723	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(633,833)</u>	<u>(619,120)</u>	<u>(235,104)</u>	<u>(220,723)</u>	
Town's contribution deficiency (excess)	<u>\$ (305,000)</u>	<u>\$ (310,000)</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 760,941</u>	<u>\$ 720,276</u>	<u>\$ 766,307</u>	<u>\$ 722,871</u>	
Town's contributions as a percentage of covered-employee payroll	83.30%	85.96%	30.68%	30.53%	

Elected Officials Retirement Plan

	Reporting Fiscal Year				2013 through 2006
	2017	2016	2015	2014	
Statutorily required contribution	\$ 7,768	\$ 7,896	\$ 9,082	\$ 11,543	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(7,768)</u>	<u>(7,896)</u>	<u>(9,082)</u>	<u>(11,543)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 30,900</u>	<u>\$ 33,600</u>	<u>\$ 36,300</u>	<u>\$ 49,119</u>	
Town's contributions as a percentage of covered-employee payroll	25.14%	23.50%	25.02%	23.50%	

See accompanying notes to pension plan schedules.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2017

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 2015 actuarial valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market 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 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0%. In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%.
Wage growth	In 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. 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, 2017

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)
06/30/17	\$ 224,087	\$ 111,823	\$ (112,264)	200.4 %	\$ 760,941	0.00 %
06/30/16	212,057	108,269	(103,788)	195.9	720,276	0.00
06/30/15	200,218	88,300	(111,918)	226.7	766,307	0.00

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, 2017

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.