

TOWN OF THATCHER, ARIZONA

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

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Thatcher, Arizona

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Thatcher, Arizona, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Thatcher, Arizona's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Thatcher, Arizona's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Thatcher, Arizona's internal control over financial reporting and compliance.

Compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies

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

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

Colby & Powell

February 27, 2023

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,557,847	\$ 2,206,212	\$ 11,764,059
Restricted cash	-	128,242	128,242
Investment in joint venture	-	442,000	442,000
Receivables - net	222,703	674,952	897,655
Taxes receivable	634,145	-	634,145
Due from other governments	221,385	-	221,385
Leases receivable	895,564	-	895,564
Net other postemployment benefits asset	236,611	18,999	255,610
Capital assets, not being depreciated	2,546,207	248,126	2,794,333
Capital assets, being depreciated, net	<u>16,636,809</u>	<u>2,351,215</u>	<u>18,988,024</u>
Total assets	<u>30,951,271</u>	<u>6,069,746</u>	<u>37,021,017</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	<u>1,972,162</u>	<u>136,163</u>	<u>2,108,325</u>
LIABILITIES			
Accounts payable	180,658	302,533	483,191
Accrued expenses	67,691	7,276	74,967
Refundable deposits	-	128,242	128,242
Noncurrent liabilities			
Due within 1 year	265,804	71,395	337,199
Due in more than 1 year	<u>5,008,964</u>	<u>735,582</u>	<u>5,744,546</u>
Total liabilities	<u>5,523,117</u>	<u>1,245,028</u>	<u>6,768,145</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to leases	783,988	-	783,988
Deferred inflows related to pensions and other postemployment benefits	<u>1,323,359</u>	<u>187,191</u>	<u>1,510,550</u>
Total deferred inflows of resources	<u>2,107,347</u>	<u>187,191</u>	<u>2,294,538</u>
NET POSITION			
Net investment in capital assets	18,218,412	2,380,929	20,599,341
Restricted for			
Highways and streets	40,604	-	40,604
Unrestricted	<u>7,033,953</u>	<u>2,392,761</u>	<u>9,426,714</u>
Total net position	<u>\$ 25,292,969</u>	<u>\$ 4,773,690</u>	<u>\$ 30,066,659</u>

See accompanying notes to financial statements.

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

Functions / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities							
General government	\$ 1,291,302	\$ 206,657	\$ 868,348	\$ -	\$ (216,297)	\$ -	\$ (216,297)
Public safety	2,998,005	23,715	455,083	-	(2,519,207)	-	(2,519,207)
Highways and streets	1,615,875	-	-	881,850	(734,025)	-	(734,025)
Community development	411,653	-	-	-	(411,653)	-	(411,653)
Parks and recreation	737,514	54,071	3,800	-	(679,643)	-	(679,643)
Interest on long-term debt	49,717	-	-	-	(49,717)	-	(49,717)
Total governmental activities	7,104,066	284,443	1,327,231	881,850	(4,610,542)	-	(4,610,542)
Business-type activities							
Sewer	464,538	443,916	-	30,570	-	9,948	9,948
Electric	4,942,118	4,767,577	-	-	-	(174,541)	(174,541)
Sanitation	414,882	388,910	-	-	-	(25,972)	(25,972)
Total business-type activities	5,821,538	5,600,403	-	30,570	-	(190,565)	(190,565)
Total primary government	\$ 12,925,604	\$ 5,884,846	\$ 1,327,231	\$ 912,420	(4,610,542)	(190,565)	(4,801,107)
General revenue:							
Taxes:							
Sales tax					4,646,514	116,775	4,763,289
Franchise tax					18,177	-	18,177
State urban revenue sharing					687,981	-	687,981
Share of state sales taxes					738,395	-	738,395
Share of county auto lieu taxes					362,190	-	362,190
Investment income					50,842	-	50,842
Miscellaneous					96,886	-	96,886
Gain on sale of assets					16,070	-	16,070
Transfers					79,086	(79,086)	-
Total general revenue and transfers					6,696,141	37,689	6,733,830
Change in net position					2,085,599	(152,876)	1,932,723
Net position, beginning of year, as restated					23,207,370	4,926,566	28,133,936
Net position, end of year					\$ 25,292,969	\$ 4,773,690	\$ 30,066,659

See accompanying notes to financial statements.

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

	General Fund	Grants Fund	HURF Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 9,557,847	\$ -	\$ -	\$ 9,557,847
Accounts receivable - net	222,703	-	-	222,703
Taxes receivable	634,145	-	-	634,145
Due from other governments	128,555	45,087	47,743	221,385
Leases receivable	895,564	-	-	895,564
Due from other funds	27,702	-	-	27,702
Total assets	<u>11,466,516</u>	<u>45,087</u>	<u>47,743</u>	<u>11,559,346</u>
LIABILITIES				
Accounts payable	156,134	23,644	880	180,658
Accrued liabilities	67,691	-	-	67,691
Due to other funds	-	21,443	6,259	27,702
Total liabilities	<u>223,825</u>	<u>45,087</u>	<u>7,139</u>	<u>276,051</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	142,115	-	-	142,115
Unavailable revenue - intergovernmental	45,643	-	-	45,643
Deferred inflows related to leases	783,988	-	-	783,988
Total deferred inflows of resources	<u>971,746</u>	<u>-</u>	<u>-</u>	<u>971,746</u>
FUND BALANCES				
Restricted for:				
Highways and streets	-	-	40,604	40,604
Unassigned	10,270,945	-	-	10,270,945
Total fund balances	<u>10,270,945</u>	<u>-</u>	<u>40,604</u>	<u>10,311,549</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,466,516</u>	<u>\$ 45,087</u>	<u>\$ 47,743</u>	<u>\$ 11,559,346</u>

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, 2022

Fund balances-total governmental funds		\$ 10,311,549
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		19,183,016
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		187,758
Net pension/OPEB assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.		236,611
Liabilities, such as net pension/OPEB liabilities and notes payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.		
Compensated absences	(290,438)	
Notes payable	(796,000)	
Leases payable	(168,604)	
Net pension/OPEB liability	<u>(4,019,726)</u>	
		(5,274,768)
Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.		<u>648,803</u>
Net position of governmental activities		<u><u>\$ 25,292,969</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, 2022

	General Fund	Grants Fund	HURF Fund	Total Governmental Funds
Revenue:				
Taxes	\$ 4,664,690	\$ -	\$ -	\$ 4,664,690
Intergovernmental	2,096,631	1,214,777	527,432	3,838,840
Charges for services	149,012	-	-	149,012
Other revenue	119,881	-	-	119,881
Licenses and permits	111,716	-	-	111,716
Fines and forfeitures	23,715	-	-	23,715
Interest	50,842	-	-	50,842
	Total revenue	1,214,777	527,432	8,958,696
Expenditures:				
Current				
General government	1,155,649	-	-	1,155,649
Public safety	3,824,769	-	-	3,824,769
Highways and streets	761,731	-	299,462	1,061,193
Community development	453,439	-	-	453,439
Parks and recreation	673,625	-	-	673,625
Debt service				
Principal	128,844	-	-	128,844
Interest	49,717	-	-	49,717
Capital outlay	1,141,493	287,020	145,399	1,573,912
	Total expenditures	287,020	444,861	8,921,148
	Excess (deficiency) of revenue over (under) expenditures	927,757	82,571	37,548
Other financing sources (uses):				
Lease agreements	185,448	-	-	185,448
Sale of capital assets	16,070	-	-	16,070
Transfers	1,048,810	(927,757)	(41,967)	79,086
	Total other financing sources (uses)	(927,757)	(41,967)	280,604
	Net change in fund balances	-	40,604	318,152
Fund balances, beginning of year, as restated	9,993,397	-	-	9,993,397
Fund balances, end of year	\$ 10,270,945	\$ -	\$ 40,604	\$ 10,311,549

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, 2022

Net change in fund balances-total governmental funds \$ 318,152

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

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

Capital outlay	1,573,912	
Depreciation/amortization expense	(1,000,403)	
		573,509

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

Unavailable revenues	26,449	
Developer contributed assets	109,364	
		135,813

Town pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Town pension/OPEB contributions	1,551,526	
Pension/OPEB expense	(436,329)	
		1,115,197

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

Debt principal repaid	128,844	
Leases payable	(185,448)	
		(56,604)

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.

Increase in compensated absences payable		(468)

Change in net position of governmental activities		\$ 2,085,599

See accompanying notes to financial statements.

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

	Business-type Activities--Enterprise Funds			Total
	Sewer Fund	Electric Fund	Sanitation Fund	
ASSETS				
Current assets				
Cash and cash equivalents	\$ -	\$ 2,206,212	\$ -	\$ 2,206,212
Restricted cash	-	128,242	-	128,242
Investment in joint venture	-	442,000	-	442,000
Accounts receivable, net	49,911	579,614	45,427	674,952
Total current assets	49,911	3,356,068	45,427	3,451,406
Noncurrent assets				
Due from other funds	-	2,233,707	-	2,233,707
Net other postemployment benefits asset	2,801	12,945	3,253	18,999
Capital assets, net of accumulated depreciation/amortization, where applicable:				
Land	248,126	-	-	248,126
Utilities systems, net	1,727,980	79,681	-	1,807,661
Automobiles and trucks, net	42,134	103,746	-	145,880
Equipment, net	31,933	103,679	262,062	397,674
Capital assets, net	2,050,173	287,106	262,062	2,599,341
Total noncurrent assets	2,052,974	2,533,758	265,315	4,852,047
Total assets	2,102,885	5,889,826	310,742	8,303,453
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions and other postemployment benefits	20,072	92,779	23,312	136,163

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Statement of Net Position - Continued
Proprietary Funds
June 30, 2022

	Business-type Activities--Enterprise Funds			Total
	Sewer Fund	Electric Fund	Sanitation Fund	
LIABILITIES				
Current liabilities				
Accounts payable	19,010	258,212	25,311	302,533
Accrued expenses	1,117	5,016	1,143	7,276
Refundable deposits	-	128,242	-	128,242
Leases payable, current	-	4,257	-	4,257
Compensated absences, current	2,030	58,371	6,737	67,138
Total current liabilities	22,157	454,098	33,191	509,446
Noncurrent liabilities				
Due to other funds	1,438,964	-	794,743	2,233,707
Leases payable	-	15,155	-	15,155
Note payable	-	199,000	-	199,000
Compensated absences	508	14,593	1,684	16,785
Net pension and other postemployment benefits liability	74,389	343,854	86,399	504,642
Total noncurrent liabilities	1,513,861	572,602	882,826	2,969,289
Total liabilities	1,536,018	1,026,700	916,017	3,478,735
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions and other postemployment benefits	27,594	127,548	32,049	187,191
NET POSITION				
Net investment in capital assets	2,050,173	68,694	262,062	2,380,929
Unrestricted (deficit)	(1,490,828)	4,759,663	(876,074)	2,392,761
Total net position	\$ 559,345	\$ 4,828,357	\$ (614,012)	\$ 4,773,690

See accompanying notes to financial statements.

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TOWN OF THATCHER, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2022

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Electric Fund	Sanitation Fund	Total
Operating revenue:				
Charges for services	\$ 443,916	\$ 4,710,441	\$ 388,910	\$ 5,543,267
Other revenue	-	57,136	-	57,136
Total operating revenue	<u>443,916</u>	<u>4,767,577</u>	<u>388,910</u>	<u>5,600,403</u>
Operating expenses:				
Cost of power	-	4,150,014	-	4,150,014
Personnel	102,801	507,127	102,249	712,177
Depreciation and amortization	152,294	45,151	62,689	260,134
Materials and supplies	47,221	66,117	45,290	158,628
Landfill	-	-	149,213	149,213
Repairs and maintenance	49,809	60,433	26,529	136,771
Insurance	42,810	50,074	28,562	121,446
Professional services	62,371	29,494	-	91,865
Other	4,542	11,982	350	16,874
Utilities	2,690	10,351	-	13,041
Total operating expenses	<u>464,538</u>	<u>4,930,743</u>	<u>414,882</u>	<u>5,810,163</u>
Operating income (loss)	<u>(20,622)</u>	<u>(163,166)</u>	<u>(25,972)</u>	<u>(209,760)</u>
Nonoperating revenue (expenses):				
Sales taxes	-	116,775	-	116,775
Interest expense	-	(11,375)	-	(11,375)
Total nonoperating revenue (expenses)	<u>-</u>	<u>105,400</u>	<u>-</u>	<u>105,400</u>
Income (loss) before contributions and transfers	<u>(20,622)</u>	<u>(57,766)</u>	<u>(25,972)</u>	<u>(104,360)</u>
Capital contributions	30,570	-	-	30,570
Transfers	-	(79,086)	-	(79,086)
Increase (decrease) in net position	<u>9,948</u>	<u>(136,852)</u>	<u>(25,972)</u>	<u>(152,876)</u>
Total net position, beginning of year	<u>549,397</u>	<u>4,965,209</u>	<u>(588,040)</u>	<u>4,926,566</u>
Total net position, end of year	<u><u>\$ 559,345</u></u>	<u><u>\$ 4,828,357</u></u>	<u><u>\$ (614,012)</u></u>	<u><u>\$ 4,773,690</u></u>

See accompanying notes to financial statements.

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

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Electric Fund	Sanitation Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 445,160	\$ 4,733,032	\$ 389,420	\$ 5,567,612
Payments to suppliers and providers of goods and services	(189,222)	(4,633,129)	(238,385)	(5,060,736)
Payments to employees	(102,699)	(476,984)	(113,765)	(693,448)
Net cash provided (used) by operating activities	<u>153,239</u>	<u>(377,081)</u>	<u>37,270</u>	<u>(186,572)</u>
Cash flows from noncapital financing activities:				
Borrowings paid to other funds	(80,134)	-	(6,934)	(87,068)
Borrowings received from other funds	-	87,068	-	87,068
Interfund transfers	-	(79,086)	-	(79,086)
Sales taxes received	-	116,775	-	116,775
Net cash provided (used) by noncapital financing activities	<u>(80,134)</u>	<u>124,757</u>	<u>(6,934)</u>	<u>37,689</u>
Cash flows from capital and related financing activities:				
Principal paid on note payable	-	(28,000)	-	(28,000)
Principal paid on leases payable	-	(2,790)	-	(2,790)
Interest paid	-	(11,375)	-	(11,375)
Purchase of capital assets	(73,105)	(41,707)	(30,336)	(145,148)
Net cash provided (used) by capital and related financing activities	<u>(73,105)</u>	<u>(83,872)</u>	<u>(30,336)</u>	<u>(187,313)</u>
Net increase (decrease) in cash and cash equivalents	<u>-</u>	<u>(336,196)</u>	<u>-</u>	<u>(336,196)</u>
Cash and cash equivalents, beginning of year	<u>-</u>	<u>2,670,650</u>	<u>-</u>	<u>2,670,650</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 2,334,454</u>	<u>\$ -</u>	<u>\$ 2,334,454</u>
Cash and cash equivalents	\$ -	\$ 2,206,212	\$ -	\$ 2,206,212
Restricted cash	<u>-</u>	<u>128,242</u>	<u>-</u>	<u>128,242</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ 2,334,454</u>	<u>\$ -</u>	<u>\$ 2,334,454</u>

See accompanying notes to financial statements.

TOWN OF THATCHER, ARIZONA
Statement of Cash Flows - Continued
Proprietary Funds
Year Ended June 30, 2022

	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)	\$ (20,622)	\$ (163,166)	\$ (25,972)	\$ (209,760)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	152,294	45,151	62,689	260,134
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	1,244	(38,275)	510	(36,521)
Prepays	8,819	10,292	5,880	24,991
Net pension and other postemployment benefits asset	(2,392)	(11,057)	(2,778)	(16,227)
Deferred outflows of resources related to pensions and other postemployment benefits	(1,188)	(5,488)	(1,379)	(8,055)
Accounts payable	16,297	(242,329)	11,364	(214,668)
Accrued expenses	359	969	304	1,632
Refundable deposits	-	3,730	-	3,730
Compensated absences payable	(257)	29,174	(11,820)	17,097
Net pension and other postemployment benefits liability	(23,916)	(110,549)	(27,778)	(162,243)
Deferred inflows of resources related to pensions and other postemployment benefits	22,601	104,467	26,250	153,318
Net cash provided (used) by operating activities	<u>\$ 153,239</u>	<u>\$ (377,081)</u>	<u>\$ 37,270</u>	<u>\$ (186,572)</u>

Noncash investing, capital, and noncapital financing activities: For the year ending June 30, 2022, the Electric Fund acquired the right to use a vehicle under the terms of a lease agreement. The value of the right to use asset is \$22,202.

For the year ending June 30, 2022, the Sewer Fund was contributed capital assets in the amount of \$30,570 from a developer.

See accompanying notes to financial statements.

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

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).

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

A. Reporting Entity

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

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

for which the Town Council has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Basis of Accounting

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

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

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The Town's major revenue sources that are susceptible to accrual are 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.

All investments are stated at fair value.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, 2022, totaled \$16,008, \$169,532, and \$14,391, respectively.

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/amortization 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
Intangibles:			
Right-to-use lease assets:			
Vehicles	5,000	Straight-line	5

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

G. Fund Balance Classifications

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

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

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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

K. Postemployment Benefits

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

L. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

Expenditures may not legally exceed budgeted appropriations at the department level. The individual budgetary comparison schedules as listed in the table of contents present all major governmental funds which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2022.

M. Leases

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

As lessor, the Town recognizes lease receivables with an initial, individual value of \$10,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the Town charges the lessee) and the implicit rate cannot be determined, the Town uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The Town's estimated incremental borrowing rate is calculated as described above.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Credit risk

Statutes have the following requirements for credit risk:

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

Custodial credit risk

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

Concentration of credit risk

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

Interest rate risk

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

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, 2022, the carrying amount of the Town’s total nonpooled cash in bank was \$2,314,199, and the bank balance was \$2,890,748. Of the bank balance, \$1,233,769 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, 2022, 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>
First American Funds - Government Obligations	S&P	AAA	<u>\$ 1,017,450</u>	<u>\$ 1,017,450</u>
Arizona LGIP Pool 5	S&P	AAA	<u>\$ 8,560,152</u>	<u>\$ 8,560,152</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, 2022

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	1,330,430
Certificates of deposit	983,769
Investments	
FAF - Government Obligations	1,017,450
State Treasurer's Investment Pool	8,560,152
Total deposits and investments	11,892,301
Cash - restricted	(128,242)
Total cash and cash equivalents	\$ 11,764,059

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments in the governmental funds at June 30, 2022, included \$27,693 in state-shared revenue from sales taxes, \$15,354 in state-shared revenue from auto lieu taxes, \$45,643 from the Central Jackson Heights Fire District, \$35,731 from the City of Safford for shared court costs, \$4,134 from the Town of Pima for shared court costs, \$14,518 from the Arizona Department of Homeland Security, \$119 from the Governor's Office of Highway Safety, \$30,450 from the Arizona Department of Housing, and \$47,743 from the State of Arizona for HURF revenue.

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

NOTE 4 – LEASE RECEIVABLES

The Town leases commercial building space to a third party under the terms of a lease agreement. The lease began in August 2017 and continues until July 2037. The monthly lease payment is \$2,000 and is reviewed every 5 years and may be adjusted up or down based on mutual agreement by both parties.

During the fiscal year ended June 30, 2022, the Town recognized total lease-related revenues of \$8,972 of interest and \$18,076 of rents from this lease.

The Town leases land to a third party under the terms of a lease agreement. The lease began in December 2017 and provides for a five-year initial lease period with 6 addition 5-year renewal periods. The monthly lease payment at the initial date was \$1,530 and is automatically increased by 3% each year.

During the fiscal year ended June 30, 2022, the Town recognized total lease-related revenues of \$18,180 of interest and \$17,432 of rents from this lease.

NOTE 5 – 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.

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

NOTE 6 – CAPITAL ASSETS

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

	Balance <u>July 1, 2021</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2022</u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 2,320,669	\$ 225,538	\$ -	\$ 2,546,207
Construction in progress	1,038,877	-	(1,038,877)	-
Total capital assets not being depreciated/amortized	<u>3,359,546</u>	<u>225,538</u>	<u>(1,038,877)</u>	<u>2,546,207</u>
Capital assets being depreciated/amortized:				
Buildings	4,598,107	170,102	-	4,768,209
Vehicles	2,245,447	-	(43,802)	2,201,645
Computers and peripherals	75,288	-	-	75,288
Light equipment	981,775	110,029	-	1,091,804
Heavy equipment	1,552,425	64,958	-	1,617,383
Infrastructure	17,910,350	1,966,077	-	19,876,427
Intangibles:				
Right-to-use lease assets:				
Automobiles and trucks	-	185,448	-	185,448
Total	<u>27,363,392</u>	<u>2,496,614</u>	<u>(43,802)</u>	<u>29,816,204</u>
Less accumulated depreciation/amortization for:				
Buildings	(2,290,669)	(133,007)	-	(2,423,676)
Vehicles	(1,550,380)	(184,417)	43,802	(1,690,995)
Computers and peripherals	(58,951)	(4,501)	-	(63,452)
Light equipment	(532,879)	(41,887)	-	(574,766)
Heavy equipment	(1,452,131)	(20,570)	-	(1,472,701)
Infrastructure	(6,337,785)	(593,490)	-	(6,931,275)
Intangibles:				
Right-to-use lease assets:				
Automobiles and trucks	-	(22,530)	-	(22,530)
Total	<u>(12,222,795)</u>	<u>(1,000,402)</u>	<u>43,802</u>	<u>(13,179,395)</u>
Total capital assets being depreciated/amortized, net	<u>15,140,597</u>	<u>1,496,212</u>	<u>-</u>	<u>16,636,809</u>
Governmental activities capital assets, net	<u>\$ 18,500,143</u>	<u>\$ 1,721,750</u>	<u>\$ (1,038,877)</u>	<u>\$ 19,183,016</u>

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

NOTE 6 – CAPITAL ASSETS – Continued

	Balance July 1, 2021	Increases	Decreases	Balance June 30, 2022
Business-type activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 248,126	\$ -	\$ -	\$ 248,126
Capital assets being depreciated/amortized:				
Utility systems	5,876,046	103,675	-	5,979,721
Automobiles and trucks	833,268	-	-	833,268
Equipment	1,219,745	72,043	-	1,291,788
Intangibles:				
Right-to-use lease assets:				
Automobiles and trucks	-	22,202	-	22,202
Total	<u>7,929,059</u>	<u>197,920</u>	<u>-</u>	<u>8,126,979</u>
Less accumulated depreciation/amortization for:				
Utility systems	(4,040,430)	(131,630)	-	(4,172,060)
Automobiles and trucks	(665,589)	(40,671)	-	(706,260)
Equipment	(809,611)	(84,503)	-	(894,114)
Intangibles:				
Right-to-use lease assets:				
Automobiles and trucks	-	(3,330)	-	(3,330)
Total	<u>(5,515,630)</u>	<u>(260,134)</u>	<u>-</u>	<u>(5,775,764)</u>
Total capital assets being depreciated/amortized, net	<u>2,413,429</u>	<u>(62,214)</u>	<u>-</u>	<u>2,351,215</u>
Business-type activities capital assets, net	<u>\$ 2,661,555</u>	<u>\$ (62,214)</u>	<u>\$ -</u>	<u>\$ 2,599,341</u>

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

NOTE 6 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 151,401
Public safety	183,720
Highways and streets	577,434
Parks and recreation	<u>87,847</u>
 Total governmental activities depreciation/amortization expense	 <u><u>\$ 1,000,402</u></u>
 Business-type activities:	
Sewer	\$ 152,294
Electric	45,151
Sanitation	<u>62,689</u>
 Total business-type activities depreciation/amortization expense	 <u><u>\$ 260,134</u></u>

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

NOTE 7 – LONG-TERM LIABILITIES

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

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within 1 year
Governmental activities:					
Compensated absences	\$ 289,970	\$ 468	\$ -	\$ 290,438	\$ 232,350
Note payable from direct borrowing and direct placement	908,000	-	112,000	796,000	-
Leases payable	-	185,448	16,844	168,604	33,454
Net pension and other postemployment benefits liability	<u>5,877,788</u>	<u>-</u>	<u>1,858,062</u>	<u>4,019,726</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 7,075,758</u>	<u>\$ 185,916</u>	<u>\$ 1,986,906</u>	<u>\$ 5,274,768</u>	<u>\$ 265,804</u>
Business-type activities:					
Compensated absences	\$ 66,826	\$ 17,097	\$ -	\$ 83,923	\$ 67,138
Note payable from direct borrowing and direct placement	227,000	-	28,000	199,000	-
Leases payable	-	22,202	2,790	19,412	4,257
Net pension and other postemployment benefits liability	<u>666,885</u>	<u>-</u>	<u>162,243</u>	<u>504,642</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 960,711</u>	<u>\$ 39,299</u>	<u>\$ 193,033</u>	<u>\$ 806,977</u>	<u>\$ 71,395</u>

Note payable from direct borrowing and direct placement – 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 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 within 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.

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

NOTE 7 – LONG-TERM LIABILITIES – Continued

The following details the debt service requirements to maturity for the GADA note:

Year Ending June 30,	Note payable from direct borrowing and direct placement					
	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ -	\$ 39,595	\$ -	\$ 9,899	\$ -	\$ 49,494
2024	116,000	34,405	29,000	8,601	145,000	43,006
2025	124,000	28,756	31,000	7,189	155,000	35,945
2026	128,000	22,466	32,000	5,617	160,000	28,083
2027	136,000	15,734	34,000	3,933	170,000	19,667
2028-2029	292,000	9,834	73,000	2,458	365,000	12,292
Total	<u>\$ 796,000</u>	<u>\$ 150,790</u>	<u>\$ 199,000</u>	<u>\$ 37,697</u>	<u>\$ 995,000</u>	<u>\$ 188,487</u>

Leases – The Town has acquired vehicles under the provisions of various lease agreements. All of the lease agreements have 60-month terms and started in the year ending June 30, 2022.

The total amount of lease assets and the related accumulated amortization are as follows:

	Governmental Activities	Business-type Activities
Total intangible right-to-use lease assets	\$ 185,448	\$ 22,202
Less: accumulated amortization	<u>(22,530)</u>	<u>(3,330)</u>
Carrying value	<u>\$ 162,918</u>	<u>\$ 18,872</u>

The following schedule details minimum lease payments to maturity for the Town’s leases payable at June 30, 2022:

Year Ending June 30,	Leases payable					
	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 33,454	\$ 9,528	\$ 4,257	\$ 528	\$ 37,711	\$ 10,056
2024	35,516	7,466	4,387	398	39,903	7,864
2025	37,742	5,240	4,522	263	42,264	5,503
2026	40,149	2,833	4,661	124	44,810	2,957
2027	21,743	498	1,585	10	23,328	508
Total	<u>\$ 168,604</u>	<u>\$ 25,565</u>	<u>\$ 19,412</u>	<u>\$ 1,323</u>	<u>\$ 188,016</u>	<u>\$ 26,888</u>

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

NOTE 8 – 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 9 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables of the governmental funds consisted of \$27,702 loaned by the General Fund to the Grants and HURF Funds to help meet fund obligations. It is anticipated that this amount will be repaid to the General Fund once 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 \$1,438,964 and \$794,743, respectively.

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2022, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net pension/OPEB assets	\$ 226,590	\$ 18,999	\$ 245,589
Net pension/OPEB liabilities	4,019,726	504,642	4,524,368
Deferred outflows of resources related to pension and OPEB	1,972,162	136,163	2,108,325
Deferred inflows of resources related to pension and OPEB	1,323,359	187,191	1,510,550
Pension and OPEB expense	436,329	27,938	464,267

The Town reported \$1,551,526 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

A. Arizona State Retirement System

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

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

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

*With actuarially reduced benefits.

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 percent for long-term disability) of the active members’ annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 10.22 percent (10.13 percent for retirement and 0.09 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2022, were \$227,258, \$3,896, and \$3,564, respectively.

During fiscal year 2022, the Town paid for ASRS pension and OPEB contributions as follows: 73.95 percent from the General Fund, 3.84 percent from the Sewer Fund, 17.75 percent from the Electric Fund, and 4.46 percent from the Sanitation Fund.

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

	Net Pension/OPEB
	(Asset) Liability
	<hr/>
Pension	\$ 1,934,143
Health insurance premium benefit	(72,935)
Long-term disability	3,065

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

The Town’s proportion of the net asset or net liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2021. The Town’s proportions measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

	<u>Proportion June 30, 2021</u>	<u>Increase (decrease) from June 30, 2020</u>
Pension	0.01472%	0.00001%
Health insurance premium benefit	0.01497%	-0.00006%
Long-term disability	0.01485%	-0.00003%

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

	<u>Pension/OPEB Expense</u>
Pension	\$ 113,331
Health insurance premium benefit	(8,382)
Long-term disability	2,297

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,484	\$ -	\$ -	\$ 25,294
Changes of assumptions or other inputs	251,744	-	3,616	2,949
Net difference between projected and actual earnings on pension plan investments	-	612,804	-	27,055
Changes in proportion and differences between Town contributions and proportionate share of contributions	851	43,837	80	3
Town contributions subsequent to the measurement date	<u>227,258</u>	<u>-</u>	<u>3,896</u>	<u>-</u>
Total	<u>\$ 509,337</u>	<u>\$ 656,641</u>	<u>\$ 7,592</u>	<u>\$ 55,301</u>
	Long-Term Disability			
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Differences between expected and actual experience	\$ 885	\$ 250		
Changes of assumptions or other inputs	980	3,862		
Net difference between projected and actual earnings on pension plan investments	-	2,123		
Changes in proportion and differences between Town contributions and proportionate share of contributions	338	404		
Town contributions subsequent to the measurement date	<u>3,564</u>	<u>-</u>		
Total	<u>\$ 5,767</u>	<u>\$ 6,639</u>		

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2023	\$ (35,640)	\$ (12,089)	\$ (578)
2024	7,347	(11,593)	(540)
2025	(135,092)	(12,719)	(617)
2026	(211,177)	(14,067)	(938)
2027	-	(1,137)	(414)
Thereafter	-	-	(1,349)

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

ASRS

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

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

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

Discount Rate – At June 30, 2021, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.0 percent, as well as what the Town’s proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Town's Proportionate share of the			
Net pension liability	\$ 3,042,244	\$ 1,934,143	\$ 1,010,292
Net insurance premium benefit liability (asset)	(48,291)	(72,935)	(93,891)
Net long-term disability liability	3,992	3,065	2,169

Plan Fiduciary Net Position – Detailed information about the plans’ 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. The EORP pension and OPEB plans were 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, 2022

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	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 of service, any age 10 years, age 62 5 years, age 65 5 years, any 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 consecutive months of last 10 years
Benefit percentage		
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 inflation. 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, 2022

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 8 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 7 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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, 2022, statute required active EORP members to contribute 7 or 13 percent of the members’ annual covered payroll and the Town to contribute at the actuarially determined rate of 61.43 percent of all active EORP members’ annual covered payroll. Also, statute required the Town to contribute 49.21 percent to EORP of the annual covered payroll of elected officials who were ASRS members and 55.43 percent to EORP of the annual covered payroll of elected officials who were EODCRS members, in addition to the Town’s required contributions to ASRS and EODCRS for these elected officials. In addition, statute required the Town to contribute 41.59 percent of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the EORP would typically fill. The Town’s contributions to the pension and health insurance premium benefit plans for the year ended June 30, 2022, were \$19,604 and \$0, respectively.

During fiscal year 2022, the Town paid 100 percent of EORP pension contributions from the General Fund.

Liability – At June 30, 2022, 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	\$	259,314
State's proportionate share of the EORP net pension liability associated with the Town		26,065
Total	<u>\$</u>	<u>285,379</u>

The Town also reported an asset of \$10,021 for its proportionate share of EORP’s net OPEB asset.

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net asset and net liability were measured as of June 30, 2021, and the total liability used to calculate the net asset or net liability was determined by an actuarial valuation as of that date.

The Town’s proportion of the net pension liability was based on the Town’s required contributions to the pension plan relative to the total of all participating employers’ required contributions for the year ended June 30, 2021. The Town’s proportion of the net OPEB asset was based on the Town’s present value of benefits relative to the total of all participating employers’ present value of benefits for the year ended June 30, 2021. The Town’s proportion measured as of June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

	<u>Proportion June 30, 2021</u>	<u>Increase (decrease) from June 30, 2020</u>
Pension	0.04261%	-0.00456%
Health insurance premium benefit	0.06284%	-0.08041%

Expense – For the year ended June 30, 2022, the Town recognized pension and OPEB expense for EORP of \$5,781 and \$8,876, respectively, and revenue of \$6,151 for the Town’s proportionate share of the State’s appropriation to EORP and the designated court fees.

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,451	\$ -	\$ 851
Changes of assumptions or other inputs	-	13,212	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-	1,567
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	15,119	5,578	232
Town contributions subsequent to the measurement date	19,604	-	-	-
Total	\$ 19,604	\$ 31,782	\$ 5,578	\$ 2,650

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to EORP pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
2023	\$ (21,282)	\$ 1,750
2024	(2,751)	2,103
2025	(3,249)	(386)
2026	(4,500)	(538)

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

EORP

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.75% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubG-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The long-term expected rate of return on EORP plan investments was determined to be 7.30 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

Discount rates – At June 30, 2021, the discount rate used to measure the EORP total pension liability and total OPEB liability was 7.3 percent. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the Town’s proportionate share of the EORP net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the Town’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.3 percent, as well as what the Town’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
Town's proportionate share of the net pension liability	\$ 297,972	\$ 259,314	\$ 226,136
Town's proportionate share of the net OPEB (asset)	(9,405)	(10,021)	(10,559)

Plan fiduciary net position – Detailed information about the plans’ 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. The EODCDP is not further disclosed because of its relative insignificance to the Town’s financial statements.

For the year ended June 30, 2022, 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. For the year ended June 30, 2022, the Town recognized pension expense of \$1,692.

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

C. Public Safety Personnel Retirement System

Plan Descriptions – Town police officers participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A 9-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

The PSPRS issues 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, 2022

NOTE 10 – 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:

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

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

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

Employees Covered by Benefit Terms – At June 30, 2022, the following employees were covered by the agent plans’ benefit terms:

	PSPRS Police	
	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	8	8
Inactive employees entitled to but not yet receiving benefits	1	1
Active employees	8	8
Total	17	17

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2022, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member- Pension	Town-Pension	Town-Health Insurance Premium Benefit
PSPRS Police	7.65% - 11.65%	40.48%	0.00%

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	Pension	Health Insurance Premium Benefit
PSPRS Police	\$ 307,575	\$ -

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

Liability – At June 30, 2022, the Town reported the following asset and liability:

	Net Pension (Asset) Liability	Net OPEB (Asset) Liability
PSPRS Police	\$ 2,327,847	\$ (172,655)

The net assets and net liabilities were measured as of June 30, 2021, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

PSPRS

Actuarial valuation date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubG-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Discount Rates – At June 30, 2021, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the Net Pension/OPEB Liability (Asset)

	Pension		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2021	\$ 9,347,769	\$ 5,681,529	\$ 3,666,240
Changes for the year			
Service Cost	149,335	-	149,335
Interest on the total liability	664,131	-	664,131
Differences between expected and actual experience in the measurement of the liability	23,452	-	23,452
Contributions-employer	-	577,235	(577,235)
Contributions-employee	-	59,702	(59,702)
Net investment income	-	1,545,693	(1,545,693)
Benefit payments, including refunds of employee contributions	(798,826)	(798,826)	-
Administrative expense	-	(7,319)	7,319
Net changes	38,092	1,376,485	(1,338,393)
Balances at June 30, 2022	\$ 9,385,861	\$ 7,058,014	\$ 2,327,847

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

	Health Insurance Premium Benefit		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at June 30, 2021	\$ 147,007	\$ 232,897	\$ (85,890)
Changes for the year			
Service Cost	3,678	-	3,678
Interest on the total liability	10,872	-	10,872
Differences between expected and actual experience in the measurement of the liability	(37,338)	-	(37,338)
Changes of assumptions or other inputs	-	-	-
Net investment income	-	64,241	(64,241)
Benefit payments, including refunds of employee contributions	(3,505)	(3,505)	-
Administrative expense	-	(264)	264
Net changes	<u>(26,293)</u>	<u>60,472</u>	<u>(86,765)</u>
Balances at June 30, 2022	<u>\$ 120,714</u>	<u>\$ 293,369</u>	<u>\$ (172,655)</u>

Sensitivity of the Town’s Net Pension/OPEB Liability to Changes in the Discount Rate – The following table presents the Town’s net pension/OPEB (assets) liabilities calculated using the discount rate of 7.3 percent, as well as what the Town’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	1% Decrease (6.3%)	Current Discount Rate (7.3%)	1% Increase (8.3%)
PSPRS Police			
Net pension (asset) liability	\$ 3,642,578	\$ 2,327,847	\$ 1,257,296
Net OPEB (asset) liability	(157,033)	(172,655)	(185,717)

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

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	Pension Expense		OPEB Expense	
PSPRS Police	\$ 366,408	\$	(17,893)	

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

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 130,326	\$ 20,673	\$ 7,510	\$ 36,491
Changes of assumptions or other inputs	114,287	-	748	661
Net difference between projected and actual earnings on pension plan investments	-	672,146	-	27,565
Town contributions subsequent to the measurement date	1,307,575	-	-	-
Total	\$ 1,552,188	\$ 692,819	\$ 8,258	\$ 64,717

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

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	PSPRS Police	
	Pension	Health
2023	\$ 13,745	\$ (14,035)
2024	(70,450)	(16,997)
2025	(164,078)	(15,952)
2026	(227,423)	(9,475)
2027	-	-
Thereafter	-	-

NOTE 11 – CHANGE IN ACCOUNTING PRINCIPLE

Net position/fund balance as of July 1, 2021, has been restated as follows for the implementation of GASB Statement No. 87, *Leases*, as amended.

	Governmental Activities	General Fund
Net position /fund balance as previously reported at June 30, 2021	\$ 23,113,993	\$ 9,900,020
Prior period adjustments- implementation of GASB 87:		
Lease receivables	912,874	912,874
Deferred inflows related to leases	(819,497)	(819,497)
Total prior period adjustment	93,377	93,377
Net position/fund balance as restated, July 1, 2021	\$ 23,207,370	\$ 9,993,397

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REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Taxes	\$ 4,033,000	\$ 4,033,000	\$ 4,664,690	\$ 631,690
Intergovernmental	1,904,915	1,904,915	2,096,631	191,716
Charges for services	183,151	183,151	149,012	(34,139)
Other revenue	20,200	20,200	119,881	99,681
Licenses and permits	31,550	31,550	111,716	80,166
Fines and forfeitures	50	50	23,715	23,665
Interest	25,000	25,000	50,842	25,842
Total revenue	6,197,866	6,197,866	7,216,487	1,018,621
Expenditures:				
Mayor and council	305,494	305,494	299,063	6,431
Administration	444,630	444,630	641,763	(197,133)
Magistrate	343,412	343,412	369,747	(26,335)
Parks and recreation	633,989	633,989	1,172,730	(538,741)
Police	2,346,320	2,846,320	2,461,942	384,378
Fire	199,220	199,220	148,360	50,860
Shop	326,671	326,671	376,845	(50,174)
Streets	820,811	820,811	1,047,060	(226,249)
Town Engineer	418,946	418,946	492,703	(73,757)
Contingency	7,937,933	7,437,933	1,179,054	6,258,879
Total expenditures	13,777,426	13,777,426	8,189,267	5,588,159
Excess (deficiency) of revenue over (under) expenditures	(7,579,560)	(7,579,560)	(972,780)	6,606,780
Other financing sources (uses):				
Lease agreements	-	-	185,448	185,448
Sale of capital assets	50,000	50,000	16,070	(33,930)
Transfers	-	-	1,048,810	1,048,810
Total other financing sources (uses)	50,000	50,000	1,250,328	1,200,328
Net change in fund balances	(7,529,560)	(7,529,560)	277,548	7,807,108
Fund balances, beginning of year	9,993,397	9,993,397	9,993,397	-
Fund balances, end of year	\$ 2,463,837	\$ 2,463,837	\$ 10,270,945	\$ 7,807,108

See accompanying notes to budgetary comparison schedule.

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Intergovernmental	\$ 365,552	\$ 365,552	\$ 1,214,777	\$ 849,225
Expenditures:				
Capital outlay	365,052	365,052	287,020	78,032
Excess (deficiency) of revenue over (under) expenditures	<u>500</u>	<u>500</u>	<u>927,757</u>	<u>927,257</u>
Other financing sources (uses):				
Transfers	-	-	(927,757)	(927,757)
Net change in fund balances	500	500	-	(500)
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ 500</u>	<u>\$ 500</u>	<u>\$ -</u>	<u>\$ (500)</u>

See accompanying notes to budgetary comparison schedule.

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue:				
Intergovernmental	\$ 442,591	\$ 442,591	\$ 527,432	\$ 84,841
Expenditures:				
Highways and streets	442,606	442,606	444,861	(2,255)
Excess (deficiency) of revenue over (under) expenditures	(15)	(15)	82,571	82,586
Other financing sources (uses):				
Transfers	-	-	(41,967)	(41,967)
Net change in fund balances	(15)	(15)	40,604	40,619
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ (15)</u>	<u>\$ (15)</u>	<u>\$ 40,604</u>	<u>\$ 40,619</u>

See accompanying notes to budgetary comparison schedule.

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

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, 2022, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Administration, Magistrate, Parks and recreation, Shop, Streets, and Town Engineer departments in the General Fund and the Highways and streets department in the HURF Fund.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2022

ASRS-Pension

	Reporting Fiscal Year (Measurement Date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Town's proportion of the net pension liability	0.014720%	0.014710%	0.015640%	0.015980%	0.014590%	0.015040%	0.014460%	0.013757%	Information not available
Town's proportionate share of the net pension liability	\$ 1,934,143	\$ 2,548,731	\$ 2,275,802	\$ 2,228,648	\$ 2,272,838	\$ 2,427,607	\$ 2,252,784	\$ 2,035,552	
Town's covered payroll	\$ 1,658,223	\$ 1,609,562	\$ 1,630,776	\$ 1,588,670	\$ 1,423,302	\$ 1,408,304	\$ 1,332,103	\$ 1,240,084	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	116.64%	158.35%	139.55%	140.28%	159.69%	172.38%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.24%	73.40%	69.92%	64.27%	68.35%	69.49%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)					
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Town's proportion of the net OPEB (asset)	0.014970%	0.015030%	0.015720%	0.015120%	0.014050%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ (72,935)	\$ (10,641)	\$ (4,344)	\$ (5,445)	\$ (7,649)	
Town's covered payroll	\$ 1,658,223	\$ 1,609,562	\$ 1,630,776	\$ 1,588,670	\$ 1,423,302	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	-4.40%	-0.66%	-0.27%	-0.34%	-0.54%	
Plan fiduciary net position as a percentage of the total OPEB liability	130.24%	104.33%	101.62%	102.20%	103.57%	

See accompanying notes to pension plan schedules.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2022

ASRS-Long-Term Disability

	Reporting Fiscal Year (Measurement Date)					
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2013
Town's proportion of the net OPEB (asset)	0.014850%	0.014880%	0.015740%	0.015960%	0.014350%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ 3,065	\$ 11,288	\$ 10,254	\$ 8,339	\$ 5,202	
Town's covered payroll	\$ 1,658,223	\$ 1,609,562	\$ 1,630,776	\$ 1,588,670	\$ 1,423,302	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.18%	0.70%	0.63%	0.52%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	90.38%	68.01%	72.85%	77.83%	84.44%	

See accompanying notes to pension plan schedules.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2022

EORP-Pension

	Reporting Fiscal Year (Measurement Date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Town's proportion of the net pension liability	0.042611%	0.047175%	0.046513%	0.062461%	0.038940%	0.043107%	0.043169%	0.054174%	Information not available
Town's proportionate share of the net pension liability	\$ 259,314	\$ 318,414	\$ 308,464	\$ 393,590	\$ 474,494	\$ 407,255	\$ 337,348	\$ 363,274	
State's proportionate share of the net pension liability associated with the Town	26,065	30,263	28,992	67,203	98,479	84,088	105,171	111,383	
Total	<u>\$ 285,379</u>	<u>\$ 348,677</u>	<u>\$ 337,456</u>	<u>\$ 460,793</u>	<u>\$ 572,973</u>	<u>\$ 491,343</u>	<u>\$ 442,519</u>	<u>\$ 474,657</u>	
Town's covered payroll	\$ 36,300	\$ 17,400	\$ 39,000	\$ 21,450	\$ 30,900	\$ 33,600	\$ 36,300	\$ 49,119	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	714.36%	1829.97%	790.93%	1834.92%	1535.58%	1212.07%	929.33%	739.58%	
Plan fiduciary net position as a percentage of the total pension liability	36.28%	29.80%	30.14%	30.36%	17.16%	23.42%	28.32%	31.91%	

EORP-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)					
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Town's proportion of the net OPEB (asset)	0.06284%	0.13633%	0.13633%	0.37068%	0.35636%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ (10,021)	\$ (13,681)	\$ (13,353)	\$ (38,306)	\$ (32,450)	
Town's covered payroll	\$ 36,300	\$ 17,400	\$ 39,000	\$ 21,450	\$ 30,900	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	-27.61%	-78.63%	-34.24%	-178.58%	-105.02%	
Plan fiduciary net position as a percentage of the total OPEB liability	231.29%	169.89%	169.75%	177.16%	164.84%	

See accompanying notes to pension plan schedules.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2022

PSPRS - Police

	Reporting Fiscal Year (Measurement Date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability									Information not available
Service cost	\$ 149,335	\$ 153,006	\$ 174,836	\$ 164,486	\$ 168,777	\$ 135,700	\$ 129,706	\$ 132,777	
Interest on the total pension liability	664,131	647,808	602,392	538,835	488,982	474,901	440,958	381,545	
Changes of benefit terms	-	-	-	-	110,926	(37,400)	-	157,716	
Differences between expected and actual experience in the measurement of the pension liability	23,452	(34,457)	48,208	341,875	50,410	(124,787)	177,759	(363,187)	
Changes of assumptions or other inputs	-	-	206,646	-	218,719	268,925	-	835,496	
Benefit payments, including refunds of employee contributions	(798,826)	(279,339)	(273,862)	(283,957)	(263,800)	(263,800)	(374,248)	(397,692)	
Net change in total pension liability	38,092	487,018	758,220	761,239	774,014	453,539	374,175	746,655	
Total pension liability - beginning	9,347,769	8,860,751	8,102,531	7,341,292	6,567,278	6,113,739	5,739,564	4,992,909	
Total pension liability - ending (a)	<u>\$ 9,385,861</u>	<u>\$ 9,347,769</u>	<u>\$ 8,860,751</u>	<u>\$ 8,102,531</u>	<u>\$ 7,341,292</u>	<u>\$ 6,567,278</u>	<u>\$ 6,113,739</u>	<u>\$ 5,739,564</u>	
Plan fiduciary net position									
Contributions - employer	\$ 577,235	\$ 306,254	\$ 392,623	\$ 1,397,868	\$ 591,829	\$ 619,120	\$ 235,104	\$ 220,723	
Contributions - employee	59,702	68,931	72,001	70,316	83,833	88,964	84,677	74,365	
Net investment income	1,545,693	83,512	278,075	294,227	379,550	16,396	89,394	295,450	
Benefit payments, including refunds of employee contributions	(798,826)	(279,339)	(273,862)	(283,957)	(263,800)	(263,800)	(374,248)	(397,692)	
Hall/Parker Settlement	-	-	-	(113,629)	-	-	-	-	
Administrative expense	(7,319)	(5,987)	(5,835)	(5,178)	(3,758)	(2,759)	(2,553)	-	
Other changes	-	-	-	48	37	(14,990)	43,248	(154,602)	
Net change in plan fiduciary net position	1,376,485	173,371	463,002	1,359,695	787,691	442,931	75,622	38,244	
Plan fiduciary net position - beginning	5,681,529	5,508,158	5,045,156	3,685,461	2,897,770	2,454,839	2,379,217	2,340,973	
Plan fiduciary net position - ending (b)	<u>\$ 7,058,014</u>	<u>\$ 5,681,529</u>	<u>\$ 5,508,158</u>	<u>\$ 5,045,156</u>	<u>\$ 3,685,461</u>	<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>\$ 2,327,847</u>	<u>\$ 3,666,240</u>	<u>\$ 3,352,593</u>	<u>\$ 3,057,375</u>	<u>\$ 3,655,831</u>	<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	75.20%	60.78%	62.16%	62.27%	50.20%	44.12%	40.15%	41.45%	
Covered payroll	\$ 677,585	\$ 834,221	\$ 860,450	\$ 842,221	\$ 760,941	\$ 720,276	\$ 766,307	\$ 722,871	
Town's net pension (asset) liability as a percentage of covered payroll	343.55%	439.48%	389.63%	363.01%	480.44%	509.46%	477.47%	464.86%	

See accompanying notes to pension plan schedules.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Schedule of Changes in the Town's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2022

PSPRS OPEB - Police

	Reporting Fiscal Year (Measurement Date)					
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Total OPEB liability						
Service cost	\$ 3,678	\$ 3,529	\$ 2,358	\$ 2,442	\$ 2,663	Information not available
Interest on the total OPEB liability	10,872	10,267	10,954	8,232	8,144	Information not available
Differences between expected and actual experience in the measurement of the OPEB liability	(37,338)	288	(20,987)	29,108	(642)	
Changes of assumptions or other inputs	-	-	1,870	-	(4,586)	
Benefit payments	(3,505)	(4,593)	(4,683)	(3,601)	(2,025)	
Net change in total OPEB liability	(26,293)	9,491	(10,488)	36,181	3,554	
Total OPEB liability - beginning	147,007	137,516	148,004	111,823	108,269	
Total OPEB liability - ending (a)	<u>\$ 120,714</u>	<u>\$ 147,007</u>	<u>\$ 137,516</u>	<u>\$ 148,004</u>	<u>\$ 111,823</u>	
Plan fiduciary net position						
Net investment income	\$ 64,241	\$ 2,963	\$ 12,223	\$ 15,027	\$ 22,926	
Benefit payments	(3,505)	(4,593)	(4,683)	(3,601)	(2,025)	
Administrative expense	(264)	(241)	(211)	(229)	(202)	
Net change in plan fiduciary net position	60,472	(1,871)	7,329	11,197	20,699	
Plan fiduciary net position - beginning	232,897	234,768	227,439	216,242	195,543	
Plan fiduciary net position - ending (b)	<u>\$ 293,369</u>	<u>\$ 232,897</u>	<u>\$ 234,768</u>	<u>\$ 227,439</u>	<u>\$ 216,242</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (172,655)</u>	<u>\$ (85,890)</u>	<u>\$ (97,252)</u>	<u>\$ (79,435)</u>	<u>\$ (104,419)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	243.03%	158.43%	170.72%	153.67%	193.38%	
Covered payroll	\$ 677,585	\$ 834,221	\$ 860,450	\$ 842,221	\$ 760,941	
Town's net OPEB (asset) liability as a percentage of covered payroll	-25.48%	-10.30%	-11.30%	-9.43%	-13.72%	

See accompanying notes to pension plan schedules.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2022

ASRS-Pension

	Reporting Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 227,258	\$ 192,785	\$ 184,250	\$ 184,357	\$ 173,165	\$ 153,432	\$ 152,801	\$ 145,066	\$ 132,689	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(227,258)</u>	<u>(192,785)</u>	<u>(184,250)</u>	<u>(184,357)</u>	<u>(173,165)</u>	<u>(153,432)</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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 1,929,823	\$ 1,658,223	\$ 1,609,562	\$ 1,630,776	\$ 1,588,670	\$ 1,423,302	\$ 1,408,304	\$ 1,332,103	\$ 1,240,084	
Town's contributions as a percentage of covered payroll	11.78%	11.63%	11.45%	11.30%	10.90%	10.78%	10.85%	10.89%	10.70%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year						2016 through 2013
	2021	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 3,896	\$ 6,402	\$ 7,871	\$ 7,441	\$ 6,491	\$ 7,562	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(3,896)</u>	<u>(6,402)</u>	<u>(7,871)</u>	<u>(7,441)</u>	<u>(6,491)</u>	<u>(7,562)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 1,929,823	\$ 1,658,223	\$ 1,609,562	\$ 1,630,776	\$ 1,588,670	\$ 1,423,302	
Town's contributions as a percentage of covered payroll	0.20%	0.39%	0.49%	0.46%	0.41%	0.53%	

See accompanying notes to pension plan schedules.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2022

ASRS-Long-Term Disability

	Reporting Fiscal Year						2016 through 2013
	2021	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 3,564	\$ 2,967	\$ 2,732	\$ 2,616	\$ 2,533	\$ 1,951	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(3,564)</u>	<u>(2,967)</u>	<u>(2,732)</u>	<u>(2,616)</u>	<u>(2,533)</u>	<u>(1,951)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,929,823</u>	<u>\$ 1,658,223</u>	<u>\$ 1,609,562</u>	<u>\$ 1,630,776</u>	<u>\$ 1,588,670</u>	<u>\$ 1,423,302</u>	
Town's contributions as a percentage of covered payroll	0.18%	0.18%	0.17%	0.16%	0.16%	0.14%	

PSPRS - Police

	Reporting Fiscal Year									2013
	2021	2021	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 307,575	\$ 275,711	\$ 306,254	\$ 392,623	\$ 1,397,868	\$ 591,829	\$ 619,120	\$ 235,104	\$ 220,723	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(1,307,575)</u>	<u>(525,711)</u>	<u>(306,254)</u>	<u>(392,623)</u>	<u>(1,397,868)</u>	<u>(591,829)</u>	<u>(619,120)</u>	<u>(235,104)</u>	<u>(220,723)</u>	
Town's contribution deficiency (excess)	<u>\$ (1,000,000)</u>	<u>\$ (250,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 759,295</u>	<u>\$ 677,585</u>	<u>\$ 834,221</u>	<u>\$ 860,449</u>	<u>\$ 842,221</u>	<u>\$ 760,941</u>	<u>\$ 720,276</u>	<u>\$ 766,307</u>	<u>\$ 722,871</u>	
Town's contributions as a percentage of covered payroll	40.51%	40.69%	36.71%	45.63%	165.97%	77.78%	85.96%	30.68%	30.53%	

See accompanying notes to pension plan schedules.

TOWN OF THATCHER, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2022

PSPRS OPEB - Police

	Reporting Fiscal Year						2016 through 2013
	2021	2021	2020	2019	2018	2017	
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Information not available
Town's contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 759,295</u>	<u>\$ 677,585</u>	<u>\$ 834,221</u>	<u>\$ 860,449</u>	<u>\$ 842,221</u>	<u>\$ 760,941</u>	
Town's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	

EORP-Pension

	Reporting Fiscal Year									
	2021	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 19,604	\$ 19,633	\$ 9,516	\$ 5,672	\$ 5,041	\$ 7,262	\$ 7,896	\$ 9,082	\$ 11,543	Information not available
Town's contributions in relation to the statutorily required contribution	(19,604)	(19,633)	(9,516)	(5,672)	(5,041)	(7,262)	(7,896)	(9,082)	(11,543)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 33,600</u>	<u>\$ 36,300</u>	<u>\$ 17,400</u>	<u>\$ 39,000</u>	<u>\$ 21,450</u>	<u>\$ 30,900</u>	<u>\$ 33,600</u>	<u>\$ 36,300</u>	<u>\$ 49,119</u>	
Town's contributions as a percentage of covered payroll	58.35%	54.09%	54.69%	14.54%	23.50%	23.50%	23.50%	25.02%	23.50%	

The Town was not required and did not contribute to the EORP health insurance premium benefit plan for fiscal years 2022 through 2017. Information for fiscal years 2016 through 2013 is not available.

See accompanying notes to pension plan schedules.

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

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2020 actuarial valuation	18 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.0%–8.0% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 – FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members’ employee contribution rates.

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

NOTE 2 – FACTORS THAT AFFECT TRENDS - Continued

These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2019 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date.

These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

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REPORTS AND SCHEDULES REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS AND
UNIFORM GUIDANCE



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Town Council
Town of Thatcher, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Thatcher, Arizona, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town of Thatcher, Arizona's, basic financial statements, and have issued our report thereon dated February 27, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

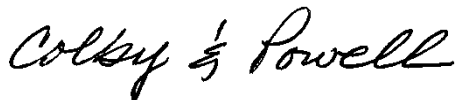
As part of obtaining reasonable assurance about whether the Town of Thatcher, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item **2022-001**.

Town of Thatcher, Arizona's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



February 27, 2023



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the City Council
Town of Thatcher, Arizona

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Town of Thatcher, Arizona's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Town of Thatcher, Arizona's major federal programs for the year ended June 30, 2022. Town of Thatcher, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Town of Thatcher, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Town of Thatcher, Arizona and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Town of Thatcher, Arizona's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Town of Thatcher, Arizona's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Town of Thatcher, Arizona's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Town of Thatcher, Arizona's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Town of Thatcher, Arizona's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Town of Thatcher, Arizona's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Town of Thatcher, Arizona's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

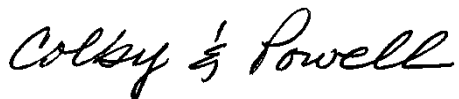
Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



February 27, 2023

Town of Thatcher, Arizona
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Federal Grantor or/Pass Through Grant or/ Program Title	Federal CFDA Number	Pass Through Identifying Number	Federal Expenditures
U.S. Department of the Treasury			
Passed through Arizona Office of the Governor			
COVID-Coronavirus State and Local Fiscal Recovery Funds	21.027	AZ0057	\$ 868,348
U.S. Department of Transportation (DOT)			
Passed through Arizona Governor's Office of Highway Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	2022-AL-042	1,676
State and Community Highway Safety	20.600	2021-PT-069	1,940
Total U.S. Department of Transportation (DOT)			<u>3,616</u>
U.S. Department of Homeland Security			
Passed through Arizona Department of Homeland Security			
Homeland Security Grant Program	97.067	210427-01	20,018
Homeland Security Grant Program	97.067	200419-01	76,544
Total U.S. Department of Homeland Security			<u>96,562</u>
U.S. Department of Housing and Urban Development (HUD)			
Passed through Arizona Department of Housing			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	125-21	245,053
Total Federal Assistance			<u>\$ 1,213,579</u>

The accompanying notes are an integral part of this schedule.

Town of Thatcher, Arizona
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Town of Thatcher, Arizona under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Thatcher, Arizona, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Thatcher, Arizona.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual/accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Thatcher, Arizona has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Town of Thatcher, Arizona
Schedule of Findings and Questioned Costs
June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> No
Noncompliance material to financial statements noted?	_____ <u>X</u> Yes	_____ No

Federal Awards

Internal control over major federal programs:		
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> No

Type of auditor's report issued on compliance for major federal programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____ <u>X</u> Yes	_____ No

Identification of major federal programs:

CFDA Number	Name of Federal Program
21.027	COVID-Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs:		\$750,000
Auditee qualified as low-risk auditee?	_____ Yes	_____ <u>X</u> No

<u>Federal Award Findings and Questioned Costs</u>	None
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Town of Thatcher, Arizona
Schedule of Findings and Questioned Costs
June 30, 2022

Item: 2022-001 (Repeat finding)

Subject: Departmental budgets

Criteria: Arizona Revised Statutes do not allow budgeted expenditures to be exceeded at the department level.

Condition: Actual expenditures exceeded budgeted expenditures at the department level (the legal level of budgetary control) in the Administration, Magistrate, Parks and recreation, Shop, Streets, and Town Engineer departments in the General Fund and the Highways and streets department in the HURF Fund.

Recommendation: Management should periodically review and reconcile actual departmental expenditures with approved budgeted expenditures.

Response: The Town will implement procedures to periodically review and reconcile actual departmental expenditures with approved budgeted expenditures. If an increase is needed to a department budget, staff will present the decision to the Town Council for consideration. The Town Manager is responsible for implementation of these procedures. The Town expects to have these procedures in place by June 30, 2023.

Town of Thatcher, Arizona
Summary Schedule of Prior Year Audit Findings
June 30, 2022

The status of audit findings from the prior year is as follows:

Item: 2021-001

Subject: Credit card expenditures

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

Views of Responsible Officials and Planned Corrective Action: Management agrees with this finding and will ensure that all credit card receipts and other documentation is reconciled with the credit card statements prior to making payment to the credit card company. All documentation will then be retained in accordance with the Town's record retention policies. It is anticipated that management will have this completed by the end of the current fiscal year.

Item: 2021-002 (Repeated as finding 2022-001)

Subject: Departmental budgets

Condition: Actual expenditures exceeded budgeted expenditures at the department level (the legal level of budgetary control) in the Administration, Parks and recreation, Shop departments in the General Fund and the Highways and streets department in the HURF Fund.

Views of Responsible Officials and Planned Corrective Action: Management agrees with this finding and will implement procedures to periodically review and reconcile actual departmental expenditures with approved budgeted expenditures.

Item: 2021-003

Subject: Timeliness of annual financial reporting

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

Views of Responsible Officials and Planned Corrective Action: Management agrees with this finding and will ensure that financial records and reconciliations are complete and ready for audit within a reasonable time period to allow for the completion of the annual audit within the allowed time requirement. It is anticipated that management will work to have the audit completed timely for the next fiscal year.