

**TOWN OF THATCHER, ARIZONA**

Annual Financial Statements  
and Independent Auditors' Report  
June 30, 2023



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## Independent Auditors' Report

To the Town Council of  
Town of Thatcher, AZ

### 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 (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 as of June 30, 2023 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town 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.

#### Other Matters

##### ***Compliance Over 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 noncompliance with the used of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance with the aforementioned indenture described in the Other Matter paragraph is intended solely for the information and use of the Arizona State Legislature, 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.

## **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'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.

## **Auditors' 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 auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS 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'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's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement 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. Our opinions on the basic financial statements are not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Tempe, Arizona  
February 1, 2024

**TOWN OF THATCHER, ARIZONA**  
**Statement of Net Position**  
**June 30, 2023**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,809,704	\$ 1,717,048	\$ 5,526,752
Restricted cash	-	134,541	134,541
Investments	5,972,399	-	5,972,399
Deposits with SPPA	-	488,500	488,500
Receivables - net	193,285	702,205	895,490
Taxes receivable	633,639	-	633,639
Due from other governments	268,422	-	268,422
Leases receivable	877,105	-	877,105
Prepaid items	18,852	286,611	305,463
Net other postemployment benefits asset	207,747	23,217	230,964
Capital assets, not being depreciated	3,416,405	248,126	3,664,531
Capital assets, being depreciated, net	16,426,599	2,153,889	18,580,488
<b>Total assets</b>	<b>31,824,157</b>	<b>5,754,137</b>	<b>37,578,294</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions and other postemployment benefits	2,420,145	133,737	2,553,882
<b>LIABILITIES</b>			
Accounts payable	318,368	273,106	591,474
Accrued expenses	82,752	9,663	92,415
Grant advance	456,275	-	456,275
Refundable deposits	-	134,541	134,541
Noncurrent liabilities			
Due within 1 year	341,774	73,653	415,427
Due in more than 1 year	5,577,711	898,557	6,476,268
<b>Total liabilities</b>	<b>6,776,880</b>	<b>1,389,520</b>	<b>8,166,400</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to leases	748,480	-	748,480
Deferred inflows related to pensions and other postemployment benefits	138,485	32,765	171,250
<b>Total deferred inflows of resources</b>	<b>886,965</b>	<b>32,765</b>	<b>919,730</b>
<b>NET POSITION</b>			
Net investment in capital assets	18,583,364	2,183,913	20,767,277
Restricted for			
Other postemployment benefits	207,747	23,217	230,964
Opioid settlement	4,512	-	4,512
GFOAZ Internship	2,520	-	2,520
Unrestricted	7,782,314	2,258,459	10,040,773
<b>Total net position</b>	<b>\$ 26,580,457</b>	<b>\$ 4,465,589</b>	<b>\$ 31,046,046</b>

*See accompanying notes to financial statements.*



**TOWN OF THATCHER, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2023**

Functions / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities							
General government	\$ 1,202,431	\$ 154,494	\$ 440,174	\$ -	\$ (607,763)	\$ -	\$ (607,763)
Public safety	3,427,728	37,295	566,472	112,483	(2,711,478)	-	(2,711,478)
Highways and streets	2,031,947	-	-	493,359	(1,538,588)	-	(1,538,588)
Community development	517,777	-	-	-	(517,777)	-	(517,777)
Parks and recreation	861,474	55,315	-	-	(806,159)	-	(806,159)
Interest on long-term debt	71,425	-	-	-	(71,425)	-	(71,425)
<b>Total governmental activities</b>	<b>8,112,782</b>	<b>247,104</b>	<b>1,006,646</b>	<b>605,842</b>	<b>(6,253,190)</b>	<b>-</b>	<b>(6,253,190)</b>
Business-type activities							
Sewer	524,609	492,307	-	-	-	(32,302)	(32,302)
Electric	5,747,657	5,503,330	-	-	-	(244,327)	(244,327)
Sanitation	446,998	395,231	-	-	-	(51,767)	(51,767)
<b>Total business-type activities</b>	<b>6,719,264</b>	<b>6,390,868</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(328,396)</b>	<b>(328,396)</b>
<b>Total primary government</b>	<b>\$ 14,832,046</b>	<b>\$ 6,637,972</b>	<b>\$ 1,006,646</b>	<b>\$ 605,842</b>	<b>(6,253,190)</b>	<b>(328,396)</b>	<b>(6,581,586)</b>
<b>General revenue:</b>							
Taxes:							
Sales tax					5,020,027	136,417	5,156,444
Franchise tax					32,337	-	32,337
State urban revenue sharing					1,007,315	-	1,007,315
Share of state sales taxes					784,929	-	784,929
Share of county auto lieu taxes					368,770	-	368,770
Investment earnings					238,541	-	238,541
Miscellaneous					63,746	-	63,746
Gain on sale of assets					60,650	2,100	62,750
<b>Transfers</b>					<b>118,222</b>	<b>(118,222)</b>	<b>-</b>
Total general revenue and transfers					7,694,537	20,295	7,714,832
Change in net position					1,441,347	(308,101)	1,133,246
Net position, beginning of year, as restated					25,139,110	4,773,690	29,912,800
Net position, end of year					\$ 26,580,457	\$ 4,465,589	\$ 31,046,046

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

	General Fund	Grants Fund	HURF Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,386,967	\$ 422,737	\$ -	\$ 3,809,704
Investments	5,972,399	-	-	5,972,399
Accounts receivable - net	193,285	-	-	193,285
Taxes receivable	633,639	-	-	633,639
Due from other governments	116,723	115,404	36,295	268,422
Leases receivable	877,105	-	-	877,105
Prepaid items	17,883	-	969	18,852
Due from other funds	117,468	-	-	117,468
<b>Total assets</b>	<u>11,315,469</u>	<u>538,141</u>	<u>37,264</u>	<u>11,890,874</u>
<b>LIABILITIES</b>				
Accounts payable	232,223	71,645	14,500	318,368
Accrued liabilities	80,120	2,632	-	82,752
Grant advance	-	456,275	-	456,275
Due to other funds	-	-	117,468	117,468
<b>Total liabilities</b>	<u>312,343</u>	<u>530,552</u>	<u>131,968</u>	<u>974,863</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - special assessments	120,991	-	-	120,991
Unavailable revenue - intergovernmental	45,377	96,724	-	142,101
Deferred inflows related to leases	748,480	-	-	748,480
<b>Total deferred inflows of resources</b>	<u>914,848</u>	<u>96,724</u>	<u>-</u>	<u>1,011,572</u>
<b>FUND BALANCES</b>				
Nonspendable	146,508	-	-	146,508
Restricted for:				
Opioid settlement	-	4,512	-	4,512
GFOAZ Internship	-	2,520	-	2,520
Unassigned (deficit)	9,941,770	(96,167)	(94,704)	9,750,899
<b>Total fund balances</b>	<u>10,088,278</u>	<u>(89,135)</u>	<u>(94,704)</u>	<u>9,904,439</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 11,315,469</u>	<u>\$ 538,141</u>	<u>\$ 37,264</u>	<u>\$ 11,890,874</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, 2023**

Fund balances-total governmental funds		\$ 9,904,439
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		19,843,004
<p>Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>		263,092
<p>Net pension/OPEB assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.</p>		207,747
<p>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.</p>		
<p style="padding-left: 20px;">Compensated absences</p>	(278,125)	
<p style="padding-left: 20px;">Notes payable</p>	(680,000)	
<p style="padding-left: 20px;">Leases payable</p>	(579,640)	
<p style="padding-left: 20px;">Net pension/OPEB liability</p>	(4,381,720)	
	(5,919,485)	
<p>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.</p>		2,281,660
<b>Net position of governmental activities</b>		<b>\$ 26,580,457</b>

*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, 2023**

	General Fund	Grants Fund	HURF Fund	Total Governmental Funds
<b>Revenue:</b>				
Taxes	\$ 5,052,364	\$ -	\$ -	\$ 5,052,364
Intergovernmental	2,589,246	594,440	493,360	3,677,046
Investment earnings	238,541	-	-	238,541
Charges for services	127,773	-	-	127,773
Other revenue	84,905	-	-	84,905
Licenses and permits	82,289	-	-	82,289
Fines and forfeitures	37,005	-	-	37,005
<b>Total revenue</b>	<u>8,212,123</u>	<u>594,440</u>	<u>493,360</u>	<u>9,299,923</u>
<b>Expenditures:</b>				
Current				
General government	1,051,470	-	-	1,051,470
Public safety	4,331,353	122,066	-	4,453,419
Highways and streets	794,682	-	588,496	1,383,178
Community development	499,204	-	-	499,204
Parks and recreation	717,802	-	-	717,802
Debt service				
Principal	280,782	-	-	280,782
Interest	71,425	-	-	71,425
Capital outlay	1,823,744	140,527	40,172	2,004,443
<b>Total expenditures</b>	<u>9,570,462</u>	<u>262,593</u>	<u>628,668</u>	<u>10,461,723</u>
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<u>(1,358,339)</u>	<u>331,847</u>	<u>(135,308)</u>	<u>(1,161,800)</u>
<b>Other financing sources (uses):</b>				
Lease agreements	575,818	-	-	575,818
Sale of capital assets	60,650	-	-	60,650
Transfers	539,204	(420,982)	-	118,222
<b>Total other financing sources (uses)</b>	<u>1,175,672</u>	<u>(420,982)</u>	<u>-</u>	<u>754,690</u>
<b>Net change in fund balances</b>	(182,667)	(89,135)	(135,308)	(407,110)
Fund balances, beginning of year	10,270,945	-	40,604	10,311,549
<b>Fund balances (deficits), end of year</b>	<u>\$ 10,088,278</u>	<u>\$ (89,135)</u>	<u>\$ (94,704)</u>	<u>\$ 9,904,439</u>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Reconciliation of the Statement of Revenue, Expenditures,**  
**and Changes in Fund Balances to the Statement of Activities**  
**Governmental Funds**  
**Year Ended June 30, 2023**

Net change in fund balances-total governmental funds \$ (407,110)

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	2,004,443	
Depreciation/amortization expense	(1,190,596)	
		813,847

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

Unavailable revenues		75,334
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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	1,872,462	
Pension/OPEB expense	(630,463)	
		1,241,999

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	280,782	
Leases payable	(575,818)	
		(295,036)

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.

Decrease in compensated absences payable		12,313
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<b>Change in net position of governmental activities</b>		<b>\$ 1,441,347</b>
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*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2023**

	Business-type Activities--Enterprise Funds			Total
	Sewer Fund	Electric Fund	Sanitation Fund	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ -	\$ 1,717,048	\$ -	\$ 1,717,048
Restricted cash	-	134,541	-	134,541
Deposits with SPPA	-	488,500	-	488,500
Accounts receivable, net	51,860	602,629	47,716	702,205
Prepaid items	2,906	281,768	1,937	286,611
<b>Total current assets</b>	<b>54,766</b>	<b>3,224,486</b>	<b>49,653</b>	<b>3,328,905</b>
Noncurrent assets				
Due from other funds	-	2,189,786	-	2,189,786
Net other postemployment benefits asset	3,423	15,819	3,975	23,217
Capital assets, net of accumulated depreciation/amortization, where applicable:				
Land	248,126	-	-	248,126
Utilities systems, net	1,598,355	75,254	-	1,673,609
Automobiles and trucks, net	60,043	72,694	-	132,737
Equipment, net	44,079	90,927	212,537	347,543
Capital assets, net	1,950,603	238,875	212,537	2,402,015
<b>Total noncurrent assets</b>	<b>1,954,026</b>	<b>2,444,480</b>	<b>216,512</b>	<b>4,615,018</b>
<b>Total assets</b>	<b>2,008,792</b>	<b>5,668,966</b>	<b>266,165</b>	<b>7,943,923</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions and other postemployment benefits	19,714	91,126	22,897	133,737

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Net Position - Continued**  
**Proprietary Funds**  
**June 30, 2023**

	Business-type Activities--Enterprise Funds			Total
	Sewer Fund	Electric Fund	Sanitation Fund	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	1,393	253,972	17,741	273,106
Accrued expenses	2,124	6,010	1,529	9,663
Refundable deposits	-	134,541	-	134,541
Due to other funds	-	-	-	-
Leases payable, current	7,133	4,387	-	11,520
Note payable, current	-	-	-	-
Compensated absences, current	8,850	42,279	11,004	62,133
<b>Total current liabilities</b>	<b>19,500</b>	<b>441,189</b>	<b>30,274</b>	<b>490,963</b>
<b>Noncurrent liabilities</b>				
Due to other funds	1,389,393	-	800,393	2,189,786
Leases payable	25,814	10,768	-	36,582
Note payable	-	170,000	-	170,000
Compensated absences	2,213	10,570	2,751	15,534
Net pension and other postemployment benefits liability	99,713	460,915	115,813	676,441
<b>Total noncurrent liabilities</b>	<b>1,517,133</b>	<b>652,253</b>	<b>918,957</b>	<b>3,088,343</b>
<b>Total liabilities</b>	<b>1,536,633</b>	<b>1,093,442</b>	<b>949,231</b>	<b>3,579,306</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions and other postemployment benefits	4,830	22,325	5,610	32,765
<b>NET POSITION</b>				
Net investment in capital assets	1,917,656	53,720	212,537	2,183,913
Restricted for OPEB	3,423	15,819	3,975	23,217
Unrestricted (deficit)	(1,434,036)	4,574,786	(882,291)	2,258,459
<b>Total net position</b>	<b>\$ 487,043</b>	<b>\$ 4,644,325</b>	<b>\$ (665,779)</b>	<b>\$ 4,465,589</b>

*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, 2023**

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Electric Fund	Sanitation Fund	Total
<b>Operating revenue:</b>				
Charges for services	\$ 492,307	\$ 5,497,241	\$ 395,231	\$ 6,384,779
Other revenue	-	6,089	-	6,089
<b>Total operating revenue</b>	<u>492,307</u>	<u>5,503,330</u>	<u>395,231</u>	<u>6,390,868</u>
<b>Operating expenses:</b>				
Cost of power	-	4,915,288	-	4,915,288
Personnel	149,317	508,861	131,826	790,004
Depreciation and amortization	158,126	48,231	59,717	266,074
Repairs and maintenance	72,193	76,981	44,751	193,925
Landfill	-	-	157,633	157,633
Materials and supplies	36,261	67,996	33,496	137,753
Professional services	69,697	56,269	-	125,966
Insurance	28,703	33,557	19,127	81,387
Other	4,541	17,291	448	22,280
Utilities	3,919	12,938	-	16,857
<b>Total operating expenses</b>	<u>522,757</u>	<u>5,737,412</u>	<u>446,998</u>	<u>6,707,167</u>
<b>Operating income (loss)</b>	<u>(30,450)</u>	<u>(234,082)</u>	<u>(51,767)</u>	<u>(316,299)</u>
<b>Nonoperating revenue (expenses):</b>				
Interest expense	(1,852)	(10,245)	-	(12,097)
Gain on disposition of assets	-	2,100	-	2,100
Sales taxes	-	136,417	-	136,417
<b>Total nonoperating revenue (expenses)</b>	<u>(1,852)</u>	<u>128,272</u>	<u>-</u>	<u>126,420</u>
<b>Income (loss) before contributions and transfers</b>	<u>(32,302)</u>	<u>(105,810)</u>	<u>(51,767)</u>	<u>(189,879)</u>
Transfers	<u>(40,000)</u>	<u>(78,222)</u>	<u>-</u>	<u>(118,222)</u>
<b>Increase (decrease) in net position</b>	<u>(72,302)</u>	<u>(184,032)</u>	<u>(51,767)</u>	<u>(308,101)</u>
Total net position (deficit), beginning of year	<u>559,345</u>	<u>4,828,357</u>	<u>(614,012)</u>	<u>4,773,690</u>
<b>Total net position (deficit), end of year</b>	<u>\$ 487,043</u>	<u>\$ 4,644,325</u>	<u>\$ (665,779)</u>	<u>\$ 4,465,589</u>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2023**

	Business-type Activities--Enterprise Funds			Total
	Sewer Fund	Electric Fund	Sanitation Fund	
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 490,358	\$ 5,486,614	\$ 392,942	\$ 6,369,914
Payments to suppliers and providers of goods and services	(233,541)	(5,502,211)	(262,294)	(5,998,046)
Payments to employees	(139,785)	(527,982)	(126,106)	(793,873)
<b>Net cash provided (used) by operating activities</b>	<u>117,032</u>	<u>(543,579)</u>	<u>4,542</u>	<u>(422,005)</u>
<b>Cash flows from noncapital financing activities:</b>				
Borrowings paid to other funds	(49,571)	-	-	(49,571)
Borrowings received from other funds	-	43,921	5,650	49,571
Interfund transfers	(40,000)	(78,222)	-	(118,222)
Sales taxes received	-	136,417	-	136,417
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(89,571)</u>	<u>102,116</u>	<u>5,650</u>	<u>18,195</u>
<b>Cash flows from capital and related financing activities:</b>				
Principal paid on note payable	-	(29,000)	-	(29,000)
Principal paid on leases payable	(6,198)	(4,257)	-	(10,455)
Interest paid	(1,852)	(10,245)	-	(12,097)
Proceeds from the sale of capital assets	-	2,100	-	2,100
Purchase of capital assets	(19,411)	-	(10,192)	(29,603)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(27,461)</u>	<u>(41,402)</u>	<u>(10,192)</u>	<u>(79,055)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	-	(482,865)	-	(482,865)
Cash and cash equivalents, beginning of year	-	2,334,454	-	2,334,454
<b>Cash and cash equivalents, end of year</b>	<u>\$ -</u>	<u>\$ 1,851,589</u>	<u>\$ -</u>	<u>\$ 1,851,589</u>
Cash and cash equivalents	\$ -	\$ 1,717,048	\$ -	\$ 1,717,048
Restricted cash	-	134,541	-	134,541
<b>Cash and cash equivalents, end of year</b>	<u>\$ -</u>	<u>\$ 1,851,589</u>	<u>\$ -</u>	<u>\$ 1,851,589</u>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Cash Flows - Continued**  
**Proprietary Funds**  
**Year Ended June 30, 2023**

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Electric Fund	Sanitation Fund	Total
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (30,450)	\$ (234,082)	\$ (51,767)	\$ (316,299)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation/amortization	158,126	48,231	59,717	266,074
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Deposits with SPPA	-	(46,500)	-	(46,500)
Accounts receivable	(1,949)	(23,015)	(2,289)	(27,253)
Prepaid items	(2,906)	(281,768)	(1,937)	(286,611)
Net pension and other postemployment benefits asset	(622)	(2,874)	(722)	(4,218)
Deferred outflows of resources related to pensions and other postemployment benefits	358	1,653	415	2,426
Accounts payable	(17,617)	(4,240)	(7,570)	(29,427)
Accrued expenses	1,007	994	386	2,387
Refundable deposits	-	6,299	-	6,299
Compensated absences payable	8,525	(20,115)	5,334	(6,256)
Net pension and other postemployment benefits liability	25,324	117,061	29,414	171,799
Deferred inflows of resources related to pensions and other postemployment benefits	(22,764)	(105,223)	(26,439)	(154,426)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 117,032</u>	<u>\$ (543,579)</u>	<u>\$ 4,542</u>	<u>\$ (422,005)</u>

**Noncash investing, capital, and noncapital financing activities:** For the year ending June 30, 2023, the Sewer Fund acquired the right to use a vehicle under the terms of a lease agreement. The value of the right to use asset is \$39,145.

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

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

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

**A. 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, 2023**

***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, 2023**

***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, 2023**

**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, 2023, totaled \$16,008, \$169,531, and \$14,391, respectively.

**F. Prepaid Items**

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

**G. Capital Assets**

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

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation/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.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

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

**H. Fund Balance Classifications**

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

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

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

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

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.

**I. Net Position**

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred



**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

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

outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

*Restricted* net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

*Unrestricted* net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

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

**J. Investment Income**

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

**K. 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, 2023**

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

**L. 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.

**M. 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.

**N. 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, 2023.

**O. 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, 2023**

***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, 2023**

**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, 2023, the carrying amount of the Town’s total nonpooled cash in bank was \$1,664,708, and the bank balance was \$2,111,655. Of this amount, \$250,000 was insured by FDIC.

At June 30, 2023, \$1,861,655 of the Town’s bank balance was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 58,652
Uninsured with collateral held by the pledging financial institution	1,803,003
	\$ 1,861,655

*Investments*—The Town had total investments of \$6,025,500 at June 30, 2023. The Town categorizes certain investments measured at fair value within the fair value hierarchy established by generally accepted accounting principles as follows:

Investment	Amount	Fair value measurement using	
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Certificates of deposit	\$ 3,563,753	\$ 3,563,753	\$ -
U.S. Treasury securities	1,667,965	1,667,965	-
Corporate bonds	492,151	492,151	-
U.S. agency securities	248,530	248,530	-
Money market funds	53,101	53,101	-
	\$ 6,025,500	\$ 6,025,500	\$ -

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

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

The Town also had investments of \$3,942,984 in the State Treasurer’s investment pools measured at fair value. 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.

*Credit risk*—The Town follows the State statutes as part of its policy for credit risk. At June 30, 2023, credit risk for the Town’s investments was as follows:

Investment	Rating Organization	Credit Rating	Reported Amount	Fair Value
Arizona LGIP Pool 5	S&P	AAA	\$ 3,942,984	\$ 3,942,984
Corporate bonds	S&P	A-1	492,151	492,151
U.S. agency securities	S&P	A-1+	248,530	248,530
			<u>\$ 4,683,665</u>	<u>\$ 4,683,665</u>

*Custodial credit risk*—For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the Town will not be able to recover the value of its investments or collateral securities that are in an outside party’s possession. The Town follows State statutes as part of its policy for custodial credit risk.

*Interest rate risk*—The Town follows State statutes as part of its policy for interest rate risk. At June 30, 2023, the Town had the following investments in debt securities:

Investment	Amount	Investment maturities	
		Year	1-5 years
Arizona LGIP Pool 5	\$ 3,942,984	\$ 3,942,984	\$ -
Certificates of deposit	3,563,753	487,779	3,075,974
U.S. Treasury securities	1,667,965	496,772	1,171,193
Corporate bonds	492,151	244,348	247,803
U.S. agency securities	248,530	-	248,530
Money market funds	53,101	53,101	-
	<u>\$ 9,968,484</u>	<u>\$ 5,224,984</u>	<u>\$ 4,743,500</u>

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

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

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

Cash, deposits, and investments:	
Cash on hand	\$          500
Cash in bank	1,664,708
Investments	<u>3,996,085</u>
Total cash, deposits, and investments	5,661,293
Restricted cash	<u>(134,541)</u>
Total cash and cash equivalents	<u><u>\$  5,526,752</u></u>

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

Amounts due from other governments in the governmental funds at June 30, 2023, included \$30,860 in state-shared revenue from sales taxes, \$16,867 in state-shared revenue from auto lieu taxes, \$45,377 from the Central Jackson Heights Fire District, \$20,888 from the City of Safford for shared court costs, \$2,731 from the Town of Pima for shared court costs, \$14,160 from the Arizona Department of Homeland Security, \$4,520 from the Governor’s Office of Highway Safety, \$96,724 from the Arizona Department of Emergency and Military Affairs, and \$36,295 from the State of Arizona for HURF revenue.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

***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, 2023, the Town recognized total lease-related revenues of \$8,515 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, 2023, the Town recognized total lease-related revenues of \$18,102 of interest and \$17,432 of rents from this lease.

***NOTE 5 – DEPOSITS WITH SPPA***

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). During the current fiscal year, the Town contributed an additional \$46,500. 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, 2023**

**NOTE 6 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022 <u>as restated</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, 2023 <u></u>
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 2,678,646	\$ 307,267	\$ -	\$ 2,985,913
Construction in progress	-	430,492	-	430,492
<b>Total capital assets not being depreciated/amortized</b>	<u>2,678,646</u>	<u>737,759</u>	<u>-</u>	<u>3,416,405</u>
Capital assets being depreciated/amortized:				
Buildings	4,768,209	-	-	4,768,209
Vehicles	2,201,645	-	(412,557)	1,789,088
Computers and peripherals	75,288	5,213	(35,919)	44,582
Light equipment	1,091,804	197,587	(39,271)	1,250,120
Heavy equipment	1,617,383	287,666	-	1,905,049
Infrastructure	19,582,017	200,400	-	19,782,417
Intangibles:				
Right-to-use lease assets:				
Automobiles and trucks	185,448	575,818	-	761,266
<b>Total</b>	<u>29,521,794</u>	<u>1,266,684</u>	<u>(487,747)</u>	<u>30,300,731</u>
Less accumulated depreciation/amortization for:				
Buildings	(2,423,676)	(136,973)	-	(2,560,649)
Vehicles	(1,690,995)	(176,558)	412,557	(1,454,996)
Computers and peripherals	(63,452)	(4,497)	35,919	(32,030)
Light equipment	(574,766)	(69,016)	39,271	(604,511)
Heavy equipment	(1,472,701)	(45,670)	-	(1,518,371)
Infrastructure	(6,923,163)	(646,397)	-	(7,569,560)
Intangibles:				
Right-to-use lease assets:				
Automobiles and trucks	(22,530)	(111,485)	-	(134,015)
<b>Total</b>	<u>(13,171,283)</u>	<u>(1,190,596)</u>	<u>487,747</u>	<u>(13,874,132)</u>
<b>Total capital assets being depreciated/amortized, net</b>	<u>16,350,511</u>	<u>76,088</u>	<u>-</u>	<u>16,426,599</u>
Governmental activities capital assets, net	<u>\$ 19,029,157</u>	<u>\$ 813,847</u>	<u>\$ -</u>	<u>\$ 19,843,004</u>



**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 6 – CAPITAL ASSETS – Continued**

	Balance July 1, 2022	Increases	Decreases	Balance June 30, 2023
Business-type activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 248,126	\$ -	\$ -	\$ 248,126
Capital assets being depreciated/amortized:				
Utility systems	5,979,721	-	-	5,979,721
Automobiles and trucks	833,268	-	(36,973)	796,295
Equipment	1,291,788	29,603	-	1,321,391
Intangibles:				
Right-to-use lease assets:				
Automobiles and trucks	22,202	39,145	-	61,347
<b>Total</b>	<u>8,126,979</u>	<u>68,748</u>	<u>(36,973)</u>	<u>8,158,754</u>
Less accumulated depreciation/amortization for:				
Utility systems	(4,172,060)	(134,052)	-	(4,306,112)
Automobiles and trucks	(706,260)	(40,671)	36,973	(709,958)
Equipment	(894,114)	(79,734)	-	(973,848)
Intangibles:				
Right-to-use lease assets:				
Automobiles and trucks	(3,330)	(11,617)	-	(14,947)
<b>Total</b>	<u>(5,775,764)</u>	<u>(266,074)</u>	<u>36,973</u>	<u>(6,004,865)</u>
<b>Total capital assets being depreciated/amortized, net</b>	<u>2,351,215</u>	<u>(197,326)</u>	<u>-</u>	<u>2,153,889</u>
Business-type activities capital assets, net	<u>\$ 2,599,341</u>	<u>\$ (197,326)</u>	<u>\$ -</u>	<u>\$ 2,402,015</u>

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

***NOTE 6 – CAPITAL ASSETS – Continued***

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 158,188
Public safety	246,731
Highways and streets	648,256
Community development	7,339
Parks and recreation	<u>130,082</u>
 Total governmental activities depreciation/amortization expense	 <u><u>\$ 1,190,596</u></u>
 Business-type activities:	
Sewer	\$ 158,126
Electric	48,231
Sanitation	<u>59,717</u>
 Total business-type activities depreciation/amortization expense	 <u><u>\$ 266,074</u></u>

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 7 – LONG-TERM LIABILITIES**

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2023.

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due within 1 year
Governmental activities:					
Compensated absences	\$ 290,438	\$ -	\$ 12,313	\$ 278,125	\$ 222,500
Note payable from direct borrowing and direct placement	796,000	-	116,000	680,000	-
Leases payable	168,604	575,818	164,782	579,640	119,274
Net pension and other postemployment benefits liability	<u>4,019,726</u>	<u>361,994</u>	<u>-</u>	<u>4,381,720</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 5,274,768</u>	<u>\$ 937,812</u>	<u>\$ 293,095</u>	<u>\$ 5,919,485</u>	<u>\$ 341,774</u>
Business-type activities:					
Compensated absences	\$ 83,923	\$ -	\$ 6,256	\$ 77,667	\$ 62,133
Note payable from direct borrowing and direct placement	199,000	-	29,000	170,000	-
Leases payable	19,412	39,145	10,455	48,102	11,520
Net pension and other postemployment benefits liability	<u>504,642</u>	<u>171,798</u>	<u>-</u>	<u>676,440</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 806,977</u>	<u>\$ 210,943</u>	<u>\$ 45,711</u>	<u>\$ 972,209</u>	<u>\$ 73,653</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, 2023**

**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
2024	\$ -	\$ 34,405	\$ -	\$ 8,601	\$ -	\$ 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	144,000	8,600	36,000	2,150	180,000	10,750
2029	148,000	1,234	37,000	308	185,000	1,542
Total	<u>\$ 680,000</u>	<u>\$ 111,195</u>	<u>\$ 170,000</u>	<u>\$ 27,798</u>	<u>\$ 850,000</u>	<u>\$ 138,993</u>

Leases – The Town has acquired vehicles under the provisions of various lease agreements. All the lease agreements have 60-month terms.

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	\$ 761,266	\$ 61,347
Less: accumulated amortization	<u>(134,015)</u>	<u>(14,947)</u>
Carrying value	<u>\$ 627,251</u>	<u>\$ 46,400</u>

The following schedule details minimum lease payments to maturity for the Town’s leases payable at June 30, 2023:

Year Ending June 30,	Leases payable					
	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 119,274	\$ 50,325	\$ 11,520	\$ 2,285	\$ 130,794	\$ 52,610
2025	130,947	39,203	12,122	1,683	143,069	40,886
2026	143,049	26,826	12,757	1,048	155,806	27,874
2027	135,825	13,309	10,211	404	146,036	13,713
2028	50,546	2,241	1,492	11	52,038	2,252
Total	<u>\$ 579,640</u>	<u>\$ 131,904</u>	<u>\$ 48,102</u>	<u>\$ 5,431</u>	<u>\$ 627,742</u>	<u>\$ 137,335</u>

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

***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 \$117,468 loaned by the General Fund to the HURF Fund 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 \$1,389,393 and \$800,393, respectively.

During the fiscal year, the Town transferred \$40,000 from the Sewer Fund to the General Fund to cover general expenditures of the Town. The Electric Fund transferred \$78,222 to the General Fund to cover a portion of the Reay Lane project. The Grants Fund transferred \$434,174 to the General Fund to cover general expenditures of the American Rescue Plan Act (ARPA) funding during the year. The General Fund transferred \$13,192 to the Grants Fund to cover expenditures incurred in the Grants Fund not reimbursable under grant agreements.

***NOTE 10 – RESTATEMENT OF BEGINNING BALANCES***

The Town reclassified \$132,439 of prior period right-of-way acquisitions from Infrastructure capital assets to Land capital assets in Governmental Activities.

In addition, the Town decreased Infrastructure capital assets by \$161,971. The original \$161,971 expenditure was a return of grant funds to the State of Arizona and should not have been recorded as a capital asset. The result is a reduction of net position of the Governmental Activities of \$161,971.

Additional adjustments of \$8,112 were made to beginning accumulated depreciation based on these combined adjustments. The net result of the total combined adjustments was a decrease in capital assets and net position of the Governmental Activities of \$153,859.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

***NOTE 11 – 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, 2023, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

<b>Statement of Net Position and Statement of Activities</b>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net pension/OPEB assets	\$ 207,747	\$ 23,217	\$ 230,964
Net pension/OPEB liabilities	4,381,720	676,440	5,058,160
Deferred outflows of resources related to pension and OPEB	2,420,145	133,738	2,553,883
Deferred inflows of resources related to pension and OPEB	138,485	32,766	171,251
Pension and OPEB expense	630,463	77,975	708,438

The Town reported \$1,872,462 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

**A. Arizona State Retirement System**

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

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

***NOTE 11 – 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, 2023**

***NOTE 11 – 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, 2023, statute required active ASRS members to contribute at the actuarially determined rate of 12.171 percent (12.03 percent for retirement and 0.14 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.17 percent (11.92 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.14 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 9.68 percent (9.62 percent for retirement and 0.06 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, 2023, were \$234,671, \$2,122, and \$2,730, respectively.

During fiscal year 2023, 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, 2023, the Town reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	<b>Net Pension/OPEB</b>
	<b>(Asset) Liability</b>
	<hr/>
Pension	\$ 2,595,233
Health insurance premium benefit	(89,128)
Long-term disability	1,469



**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

***NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The net asset and net liabilities were measured as of June 30, 2022. 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, 2021, to the measurement date of June 30, 2022.

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, 2022. The Town’s proportions measured as of June 30, 2022, and the change from its proportions measured as of June 30, 2021, were:

	<u>Proportion June 30, 2022</u>	<u>Increase (decrease) from June 30, 2021</u>
Pension	0.01590%	0.00118%
Health insurance premium benefit	0.01597%	0.00100%
Long-term disability	0.01591%	0.00106%

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

	<u>Pension/OPEB Expense</u>
Pension	\$ 312,065
Health insurance premium benefit	(13,319)
Long-term disability	584

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

	<b>Pension</b>		<b>Health Insurance Premium Benefit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 22,113	\$ -	\$ -	\$ 45,486
Changes of assumptions or other inputs	128,806	-	1,447	2,431
Net difference between projected and actual earnings on pension plan investments	-	68,361	-	3,002
Changes in proportion and differences between Town contributions and proportionate share of contributions	119,163	-	50	1,161
Town contributions subsequent to the measurement date	234,671	-	2,122	-
<b>Total</b>	<b>\$ 504,753</b>	<b>\$ 68,361</b>	<b>\$ 3,619</b>	<b>\$ 52,080</b>
	<b>Long-Term Disability</b>			
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>		
Differences between expected and actual experience	\$ 765	\$ 1,369		
Changes of assumptions or other inputs	800	3,586		
Net difference between projected and actual earnings on pension plan investments	-	46		
Changes in proportion and differences between Town contributions and proportionate share of contributions	719	335		
Town contributions subsequent to the measurement date	2,730	-		
<b>Total</b>	<b>\$ 5,014</b>	<b>\$ 5,336</b>		

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 11 – 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, 2024. 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>
2024	\$ 185,837	\$ (13,850)	\$ (231)
2025	25,160	(15,052)	(313)
2026	(118,691)	(16,490)	(657)
2027	109,415	(2,695)	(91)
2028	-	(2,496)	(702)
Thereafter	-	-	(1,058)

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

**ASRS**

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
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, 2021, 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, 2023**

***NOTE 11 – 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. 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>
Equity	50%	3.90%
Fixed income - credit	20%	5.30%
Fixed income - interest rate sensitive	10%	-0.20%
Real Estate	20%	6.00%
Total	<u>100%</u>	

**Discount Rate** – At June 30, 2022, 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, 2023**

**NOTE 11 – 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:

	<b>1% Decrease (6.0%)</b>	<b>Current Discount Rate (7.0%)</b>	<b>1% Increase (8.0%)</b>
<b>Town's Proportionate share of the</b>			
Net pension liability	\$ 3,829,189	\$ 2,595,233	\$ 1,566,306
Net insurance premium benefit liability (asset)	(64,088)	(89,128)	(110,374)
Net long-term disability liability	2,436	1,469	533

**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](http://www.psprs.com).

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 11 – 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
<b>Retirement and Disability</b>		
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
<b>Benefit percentage</b>		
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
<b>Survivor Benefit</b>		
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, 2023**

***NOTE 11 – 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, 2023, 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 70.42 percent of all active EORP members’ annual covered payroll. Also, statute required the Town to contribute 58.39 percent to EORP of the annual covered payroll of elected officials who were ASRS members and 64.42 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 48.58 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, 2023, were \$22,728 and \$0, respectively.

During fiscal year 2023, the Town paid 100 percent of EORP pension contributions from the General Fund.

**Liability** – At June 30, 2023, 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	\$	270,003
State's proportionate share of the EORP net pension liability associated with the Town		13,124
Total	\$	283,127

The Town also reported an asset of \$7,681 for its proportionate share of EORP’s net OPEB asset.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

***NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The net asset and net liability were measured as of June 30, 2022, and the total liability used to calculate the net asset or net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, decreasing the wage inflation from 3.75 percent to 3.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

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, 2022. 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, 2022. The Town’s proportion measured as of June 30, 2022, and the change from its proportions measured as of June 30, 2021, were:

	<u>Proportion</u> <u>June 30, 2022</u>	<u>Increase (decrease)</u> <u>from June 30, 2021</u>
Pension	0.03999%	-0.00262%
Health insurance premium benefit	0.05972%	-0.00312%

**Expense** – For the year ended June 30, 2023, the Town recognized pension and OPEB expense for EORP of \$10,511 and \$2,064, respectively, and revenue of \$7,685 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, 2023**

***NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

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

	<b>Pension</b>		<b>Health Insurance Premium Benefit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 2,438	\$ -	\$ 140	\$ 345
Changes of assumptions or other inputs	-	-	308	-
Net difference between projected and actual earnings on pension plan investments	-	-	125	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	8,479	2,977	-
Town contributions subsequent to the measurement date	22,728	-	-	-
<b>Total</b>	<b>\$ 25,166</b>	<b>\$ 8,479</b>	<b>\$ 3,550</b>	<b>\$ 345</b>

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 11 – 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, 2024. 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>
2024	\$ (7,988)	\$ 3,963
2025	23	6
2026	(1,149)	(138)
2027	3,073	373

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

**EORP**

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.20%
Wage inflation	3.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubG-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

***NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The long-term expected rate of return on EORP plan investments was determined to be 7.20 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:

<b>EORP Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Geometric Real Rate of Return</b>
U.S. public equity	24%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash - Mellon	1%	-0.35%
Total	100%	

**Discount rates** – At June 30, 2022, the discount rate used to measure the EORP total pension liability and total OPEB liability was 7.2 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. The projection of cash flows used to determine 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, 2023**

**NOTE 11 – 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 7.2 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 (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

	<b>1% Decrease (6.2%)</b>	<b>Current Discount Rate (7.2%)</b>	<b>1% Increase (8.2%)</b>
Town's proportionate share of the net pension liability	\$ 308,246	\$ 270,003	\$ 237,245
Town's proportionate share of the net OPEB (asset)	(7,044)	(7,681)	(8,236)

**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, 2023, 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, 2023, the Town recognized pension expense of \$1,854.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

***NOTE 11 – 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](http://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, 2023**

***NOTE 11 – 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
<b>Retirement and Disability</b>		
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
<b>Benefit percentage</b>		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited services over 20 years, 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	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job	

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, 2023**

**NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

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

	<b>PSPRS Police</b>	
	<b>Pension</b>	<b>Health</b>
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, 2023, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	<b>Active Member- Pension</b>	<b>Town-Pension</b>	<b>Town-Health Insurance Premium Benefit</b>
PSPRS Police	7.65% - 11.65%	45.31%	0.00%

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

***NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The Town’s contributions to the plans for the year ended June 30, 2023, were:

	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
PSPRS Police	\$ 1,680,208	\$ -
PSPRS Tier 3 Risk Pool	-	-

During fiscal year 2023, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

**Liability** – At June 30, 2023, the Town reported the following asset and liability:

	<u>Net Pension (Asset) Liability</u>	<u>Net OPEB (Asset) Liability</u>
PSPRS Police	\$ 2,191,456	\$ (134,156)

The net assets and net liabilities were measured as of June 30, 2023, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, changing the wage inflation from 3.5 percent to a range of 3.0 – 6.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.



**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 11 – 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, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.20%
Wage inflation	3.00 - 6.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubG-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment 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%	3.49%
International public equity	16%	4.47%
Global private equity	20%	7.18%
Other assets (capital appreciation)	7%	4.83%
Core bonds	2%	0.45%
Private credit	20%	5.10%
Diversifying strategies	10%	2.68%
Cash - Mellon	1%	-0.35%
Private equity	0%	0.00%
Non-U.S. equity	0%	0.00%
U.S. equity	0%	0.00%
Total	<u>100%</u>	

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Discount Rates** – At June 30, 2022, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.2 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2021. The projection of cash flows used to determine 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)**

	<b>Pension</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
Balances at June 30, 2022	\$ 9,385,861	\$ 7,058,014	\$ 2,327,847
Changes for the year			
Service Cost	127,036	-	127,036
Interest on the total liability	681,371	-	681,371
Differences between expected and actual experience in the measurement of the liability	17,759	-	17,759
Changes of assumptions or other inputs	108,901	-	108,901
Contributions-employer	-	1,301,698	(1,301,698)
Contributions-employee	-	57,030	(57,030)
Net investment income	-	(282,177)	282,177
Benefit payments, including refunds of employee contributions	(358,085)	(358,085)	-
Administrative expense	-	(5,093)	5,093
Net changes	576,982	713,373	(136,391)
Balances at June 30, 2023	\$ 9,962,843	\$ 7,771,387	\$ 2,191,456

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

**NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

	<b>Health Insurance Premium Benefit</b>		
	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB (Asset) Liability (a) - (b)</b>
Balances at June 30, 2022	\$ 120,714	\$ 293,369	\$ (172,655)
Changes for the year			
Service Cost	3,118	-	3,118
Interest on the total liability	8,912	-	8,912
Differences between expected and actual experience in the measurement of the liability	13,682	-	13,682
Changes of assumptions or other inputs	991	-	991
Net investment income	-	(11,590)	11,590
Benefit payments, including refunds of employee contributions	(3,504)	(3,504)	-
Administrative expense	-	(206)	206
Net changes	23,199	(15,300)	38,499
Balances at June 30, 2023	\$ 143,913	\$ 278,069	\$ (134,156)

**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 7.2 percent, as well as what the Town’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

	<b>1% Decrease (6.2%)</b>	<b>Current Discount Rate (7.2%)</b>	<b>1% Increase (8.2%)</b>
PSPRS Police			
Net pension (asset) liability	\$ 3,572,391	\$ 2,191,456	\$ 1,065,269
Net OPEB (asset) liability	(116,690)	(134,156)	(148,830)

**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, 2023**

**NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

	<b>Pension Expense</b>		<b>OPEB Expense</b>
PSPRS Police	\$ 417,057	\$	(12,839)

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

	<b>Pension</b>		<b>Health Insurance Premium Benefit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 56,923	\$ 13,782	\$ 12,272	\$ 22,867
Changes of assumptions or other inputs	123,004	-	1,118	-
Net difference between projected and actual earnings on pension plan investments	133,899	-	4,356	-
Town contributions subsequent to the measurement date	1,680,208	-	-	-
<b>Total</b>	<b>\$ 1,994,034</b>	<b>\$ 13,782</b>	<b>\$ 17,746</b>	<b>\$ 22,867</b>

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2023**

***NOTE 11 – 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<b>PSPRS Police</b>	
	<b>Pension</b>	<b>Health</b>
2024	\$ 127,965	\$ (6,754)
2025	34,337	(5,709)
2026	(29,008)	768
2027	166,750	6,574
2028	-	-
Thereafter	-	-

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**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue:</b>				
Taxes	\$ 4,360,000	\$ 4,360,000	\$ 5,052,364	\$ 692,364
Intergovernmental	2,536,603	2,536,603	2,589,246	52,643
Investment earnings	15,000	15,000	238,541	223,541
Charges for services	98,100	98,100	127,773	29,673
Other revenue	200	200	84,906	84,706
Licenses and permits	67,050	67,050	82,289	15,239
Fines and forfeitures	50	50	37,005	36,955
<b>Total revenue</b>	<b>7,077,003</b>	<b>7,077,003</b>	<b>8,212,124</b>	<b>1,135,121</b>
<b>Expenditures:</b>				
Mayor and council	318,479	318,479	278,718	39,761
Administration	405,511	405,511	450,928	(45,417)
Magistrate	418,486	418,486	413,583	4,903
Parks and recreation	660,281	660,281	851,811	(191,530)
Police	2,327,903	2,327,903	2,959,903	(632,000)
Fire	216,320	216,320	245,119	(28,799)
Shop	339,298	339,298	340,839	(1,541)
Streets	1,145,024	1,145,024	1,322,785	(177,761)
Town Engineer	490,881	490,881	507,347	(16,466)
Miscellaneous	-	-	2,112,389	(2,112,389)
Infrastructure	-	-	87,041	(87,041)
<b>Total expenditures</b>	<b>6,322,183</b>	<b>6,322,183</b>	<b>9,570,463</b>	<b>(3,248,280)</b>
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<b>754,820</b>	<b>754,820</b>	<b>(1,358,339)</b>	<b>(2,113,159)</b>
<b>Other financing sources (uses):</b>				
Lease agreements	-	-	575,818	575,818
Sale of capital assets	50,000	50,000	60,650	10,650
Transfers	-	-	539,204	539,204
<b>Total other financing sources (uses)</b>	<b>50,000</b>	<b>50,000</b>	<b>1,175,672</b>	<b>1,125,672</b>
<b>Net change in fund balances</b>	<b>804,820</b>	<b>804,820</b>	<b>(182,667)</b>	<b>(987,487)</b>
Fund balance, beginning of year	10,270,945	10,270,945	10,270,945	-
<b>Fund balance, end of year</b>	<b>\$ 11,075,765</b>	<b>\$ 11,075,765</b>	<b>\$ 10,088,278</b>	<b>\$ (987,487)</b>

*See accompanying notes to budgetary comparison schedule.*



**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Grants Fund**  
**Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue:</b>				
Intergovernmental	\$ 117,500	\$ 117,500	\$ 594,439	\$ 476,939
<b>Expenditures:</b>				
Grants	117,500	117,500	262,593	(145,093)
<b>Excess (deficiency) of revenue         over (under) expenditures</b>	-	-	331,846	331,846
<b>Other financing sources (uses):</b>				
Transfers	-	-	(420,982)	(420,982)
<b>Net change in fund balances</b>	-	-	(89,136)	(89,136)
Fund balance, beginning of year	-	-	-	-
<b>Fund balance (deficit), end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (89,136)</u>	<u>\$ (89,136)</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**HURF Fund**  
**Year Ended June 30, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue:</b>				
Intergovernmental	\$ 542,563	\$ 542,563	\$ 493,360	\$ (49,203)
<b>Expenditures:</b>				
Highways and streets	542,578	542,578	628,668	(86,090)
<b>Net change in fund balances</b>	(15)	(15)	(135,308)	(135,293)
Fund balance, beginning of year	40,604	40,604	40,604	-
<b>Fund balance (deficit), end of year</b>	<u>\$ 40,589</u>	<u>\$ 40,589</u>	<u>\$ (94,704)</u>	<u>\$ (135,293)</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2023**

***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, 2023, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Administration, Parks and recreation, Police, Fire, Shop, Streets, Town Engineer, Miscellaneous, and Infrastructure departments in the General Fund, the Highways and streets department in the HURF Fund, and the Grants department in the Grants 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, 2023**

**ASRS-Pension**

	Reporting Fiscal Year (Measurement Date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014
Town's proportion of the net pension liability	0.015900%	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	\$ 2,595,233	\$ 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	\$ 1,929,823	\$ 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 proportionate share of the net pension liability as a percentage of its covered payroll	134.48%	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	74.26%	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)						2017 through 2014
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Town's proportion of the net OPEB (asset)	0.015970%	0.014970%	0.015030%	0.015720%	0.015120%	0.014050%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ (89,128)	\$ (72,935)	\$ (10,641)	\$ (4,344)	\$ (5,445)	\$ (7,649)	
Town's covered payroll	\$ 1,929,823	\$ 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	-4.62%	-4.40%	-0.66%	-0.27%	-0.34%	-0.54%	
Plan fiduciary net position as a percentage of the total OPEB liability	137.79%	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, 2023**

**ASRS-Long-Term Disability**

	Reporting Fiscal Year (Measurement Date)						2017 through 2014
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Town's proportion of the net OPEB (asset)	0.015910%	0.014850%	0.014880%	0.015740%	0.015960%	0.014350%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ 1,469	\$ 3,065	\$ 11,288	\$ 10,254	\$ 8,339	\$ 5,202	
Town's covered payroll	\$ 1,929,823	\$ 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	0.08%	0.18%	0.70%	0.63%	0.52%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	95.40%	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, 2023**

**EORP-Pension**

	Reporting Fiscal Year (Measurement Date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014
Town's proportion of the net pension liability	0.039993%	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	\$ 270,003	\$ 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	13,124	26,065	30,263	28,992	67,203	98,479	84,088	105,171	111,383	
Total	<u>\$ 283,127</u>	<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	\$ 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	743.81%	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	32.01%	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)						
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2014
Town's proportion of the net OPEB (asset)	0.05972%	0.06284%	0.13633%	0.13633%	0.37068%	0.35636%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ (7,681)	\$ (10,021)	\$ (13,681)	\$ (13,353)	\$ (38,306)	\$ (32,450)	
Town's covered payroll	\$ 36,300	\$ 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	-21.16%	-27.61%	-78.63%	-34.24%	-178.58%	-105.02%	
Plan fiduciary net position as a percentage of the total OPEB liability	198.38%	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, 2023**

**PSPRS - Police**

	Reporting Fiscal Year (Measurement Date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
Total pension liability										Information not available
Service cost	\$ 127,036	\$ 149,335	\$ 153,006	\$ 174,836	\$ 164,486	\$ 168,777	\$ 135,700	\$ 129,706	\$ 132,777	
Interest on the total pension liability	681,371	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	17,759	23,452	(34,457)	48,208	341,875	50,410	(124,787)	177,759	(363,187)	
Changes of assumptions or other inputs	108,901	-	-	206,646	-	218,719	268,925	-	835,496	
Benefit payments, including refunds of employee contributions	(358,085)	(798,826)	(279,339)	(273,862)	(283,957)	(263,800)	(263,800)	(374,248)	(397,692)	
Net change in total pension liability	576,982	38,092	487,018	758,220	761,239	774,014	453,539	374,175	746,655	
Total pension liability - beginning	9,385,861	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>\$ 9,962,843</u>	<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	\$ 1,301,698	\$ 577,235	\$ 306,254	\$ 392,623	\$ 1,397,868	\$ 591,829	\$ 619,120	\$ 235,104	\$ 220,723	
Contributions - employee	57,030	59,702	68,931	72,001	70,316	83,833	88,964	84,677	74,365	
Net investment income	(282,177)	1,545,693	83,512	278,075	294,227	379,550	16,396	89,394	295,450	
Benefit payments, including refunds of employee contributions	(358,085)	(798,826)	(279,339)	(273,862)	(283,957)	(263,800)	(263,800)	(374,248)	(397,692)	
Hall/Parker Settlement	-	-	-	-	(113,629)	-	-	-	-	
Administrative expense	(5,093)	(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	713,373	1,376,485	173,371	463,002	1,359,695	787,691	442,931	75,622	38,244	
Plan fiduciary net position - beginning	7,058,014	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>\$ 7,771,387</u>	<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>\$ 2,191,456</u>	<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	78.00%	75.20%	60.78%	62.16%	62.27%	50.20%	44.12%	40.15%	41.45%	
Covered payroll	\$ 700,169	\$ 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	312.99%	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, 2023**

**PSPRS OPEB - Police**

	Reporting Fiscal Year (Measurement Date)						
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
Total OPEB liability							
Service cost	\$ 3,118	\$ 3,678	\$ 3,529	\$ 2,358	\$ 2,442	\$ 2,663	Information not available
Interest on the total OPEB liability	8,912	10,872	10,267	10,954	8,232	8,144	
Differences between expected and actual experience in the measurement of the OPEB liability	13,682	(37,338)	288	(20,987)	29,108	(642)	
Changes of assumptions or other inputs	991	-	-	1,870	-	(4,586)	
Benefit payments	(3,504)	(3,505)	(4,593)	(4,683)	(3,601)	(2,025)	
Net change in total OPEB liability	23,199	(26,293)	9,491	(10,488)	36,181	3,554	
Total OPEB liability - beginning	120,714	147,007	137,516	148,004	111,823	108,269	
Total OPEB liability - ending (a)	<u>\$ 143,913</u>	<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	\$ (11,590)	\$ 64,241	\$ 2,963	\$ 12,223	\$ 15,027	\$ 22,926	
Benefit payments	(3,504)	(3,505)	(4,593)	(4,683)	(3,601)	(2,025)	
Administrative expense	(206)	(264)	(241)	(211)	(229)	(202)	
Net change in plan fiduciary net position	(15,300)	60,472	(1,871)	7,329	11,197	20,699	
Plan fiduciary net position - beginning	293,369	232,897	234,768	227,439	216,242	195,543	
Plan fiduciary net position - ending (b)	<u>\$ 278,069</u>	<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>\$ (134,156)</u>	<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	193.22%	243.03%	158.43%	170.72%	153.67%	193.38%	
Covered payroll	\$ 700,169	\$ 677,585	\$ 834,221	\$ 860,450	\$ 842,221	\$ 760,941	
Town's net OPEB (asset) liability as a percentage of covered payroll	-19.16%	-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, 2023**

**ASRS-Pension**

	Reporting Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 234,671	\$ 227,258	\$ 192,785	\$ 184,250	\$ 184,357	\$ 173,165	\$ 153,432	\$ 152,801	\$ 145,066	\$ 132,689
Town's contributions in relation to the statutorily required contribution	<u>(234,671)</u>	<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>	<u>\$ -</u>
Town's covered payroll	<u>\$ 1,978,274</u>	<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>	<u>\$ 1,408,304</u>	<u>\$ 1,332,103</u>	<u>\$ 1,240,084</u>
Town's contributions as a percentage of covered payroll	11.86%	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 2014
	2023	2022	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 2,122	\$ 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>(2,122)</u>	<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>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,978,274</u>	<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	0.11%	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, 2023**

**ASRS-Long-Term Disability**

	Reporting Fiscal Year							2016 through 2014
	2023	2022	2021	2020	2019	2018	2017	
Statutorily required contribution	\$ 2,730	\$ 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>(2,730)</u>	<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>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,978,274</u>	<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	0.14%	0.18%	0.18%	0.17%	0.16%	0.16%	0.14%	

**PSPRS - Police**

	Reporting Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 380,208	\$ 301,698	\$ 275,711	\$ 306,254	\$ 392,623	\$ 1,397,868	\$ 591,829	\$ 619,120	\$ 235,104	\$ 220,723
Town's contributions in relation to the actuarially determined contribution	<u>(1,680,208)</u>	<u>(1,301,698)</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>\$ (1,300,000)</u>	<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>\$ 834,778</u>	<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	45.55%	39.73%	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, 2023**

**PSPRS OPEB - Police**

	Reporting Fiscal Year							2016 through 2014
	2023	2022	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)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 834,778	\$ 759,295	\$ 677,585	\$ 834,221	\$ 860,449	\$ 842,221	\$ 760,941	
Town's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	

**EORP-Pension**

	Reporting Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 22,728	\$ 22,537	\$ 19,633	\$ 9,516	\$ 5,672	\$ 5,041	\$ 7,262	\$ 7,896	\$ 9,082	\$ 11,543
Town's contributions in relation to the statutorily required contribution	(22,728)	(22,537)	(19,633)	(9,516)	(5,672)	(5,041)	(7,262)	(7,896)	(9,082)	(11,543)
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 36,300	\$ 36,300	\$ 36,300	\$ 17,400	\$ 39,000	\$ 21,450	\$ 30,900	\$ 33,600	\$ 36,300	\$ 49,119
Town's contributions as a percentage of covered payroll	62.61%	62.09%	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 2023 through 2017. Information for fiscal years 2016 through 2014 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, 2023**

***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 2021 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%
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 and EORP 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 and EORP also reduced those members’ employee contribution rates.

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension/OPEB plan schedules**  
**June 30, 2023**

***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 increased the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. 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.

The fiscal year 2019 (measurement date 2018) pension liability for EORP reflects the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also, the EORP liability and required pension contributions for fiscal year 2019 reflect a statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate the liability thereby reducing the total pension liability.

**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***

Independent Auditors' Report

To the Town Council of  
Town of Thatcher, AZ

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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Thatcher, AZ (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated .

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001, that we consider to be a significant deficiency.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town'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 matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-002.

### **The Town's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Town's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Town'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.

*Baker Tilly US, LLP*

Tempe, Arizona  
February 1, 2024

# Town of Thatcher

Schedule of Findings and Responses  
Year Ended June 30, 2023

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## Financial Statement Findings Required to be Reported in Accordance With *Government Auditing Standards*

### Finding 2023-001: Capital Assets

*Criteria:* The Town should implement policies and procedures to thoroughly review and update the detailed capital asset records/listing of the Town. The procedures should be done at least annually. Items to be reviewed should include the cost basis of each asset, the purchase date, the placed in-service date (if applicable), the depreciable life (if applicable), and the classification. In addition, the review may include an annual inventory of the Town's capital assets.

*Condition:* For fiscal year 2023, no formal procedures had been implemented at the Town to thoroughly review the capital asset listing of the Town. Not having these procedures was instrumental in causing the capital asset listing of the Town to require adjustment/correction.

*Cause:* Formal annual reviews of the capital asset listing were not being performed by the Town. Such reviews and updates help ensure accuracy of the capital asset records/listing.

*Effect:* As a result, there were items on the asset listing needing correction/adjustment. For example, one asset was classified as depreciable, when, after further review, should not have been. Another item on the listing should have been removed from the listing in fiscal year 19-20 when the project scope was changed and refunded to the Town. In all, it was found that the listing required restatement in the amount of \$153,859.

*Recommendation:* It is recommended that the Town put into place formal procedures to review the cost basis of each asset, the purchase date, the placed in-service date (if applicable), the depreciable life (if applicable), and the classification of individual capital assets at least annually. Additionally, we recommend that the Town perform an inventory of assets at least annually.

*Management's Response:* Management concurs with the recommendation and will implement formal procedures to thoroughly review and update the capital asset listing and perform an inventory of all capital assets of the Town at least annually.

### Finding 2023-002: Departmental Budgets

Repeat finding of 2022-001.

*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, Parks and recreation, Police, Fire, Shop, Streets, and Town Engineer departments in the General Fund. Additionally, the Highways and streets department in the HURF Fund and Public Safety department in the Grants Fund exceeded budgeted expenditures.

*Cause:* Proper procedures were not in effect to ensure that Town expenditures did not exceed budgeted amounts.

*Effect:* As a result, the Town's actual expenditures exceeded budgeted amounts within those listed departments.

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



# Town of Thatcher

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Schedule of Findings and Responses  
Year Ended June 30, 2023

*Management's 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 the implementation of these procedures. The Town expects to have these procedures in place by June 30, 2024.

## Summary of Prior Year Audit Findings

The finding from the year ended June 30, 2022 included in the schedule of findings and questioned costs is discussed below. The finding is numbered consistently with the number assigned in the schedule.

## Noncompliance Finding

### Finding: 2022-001 – Departmental Budgets (Repeated as finding 2023-001)

*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.

*Cause:* Proper procedures were not in effect to ensure that Town expenditures did not exceed budgeted amounts.

*Effect:* As a result, the Town's actual expenditures exceeded budgeted amounts within those listed departments.

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

*Management's 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.

*Current Status:* Not Corrected.