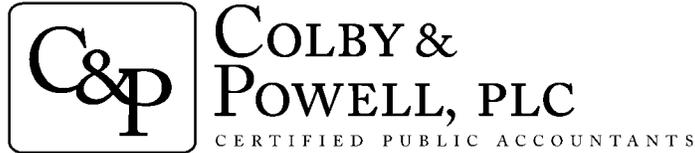


**TOWN OF THATCHER, ARIZONA**

Annual Financial Statements  
and Independent Auditors' Report  
June 30, 2014

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## **INDEPENDENT AUDITORS' REPORT**

To the Town Council  
Town of Thatcher, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Thatcher, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Thatcher, Arizona, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information and schedule of funding progress on pages 29 to 32 and 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2015, on our consideration of the Town of Thatcher, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Thatcher, Arizona's internal control over financial reporting and compliance.

**Other Reporting Required by Arizona Revised Statutes**

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

*Colby & Powell*

March 19, 2015

**TOWN OF THATCHER, ARIZONA**  
**Statement of Net Position**  
**June 30, 2014**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,128,531	\$ 1,678,371	\$ 12,806,902
Receivables - net	186,475	303,005	489,480
Taxes receivable	224,731	-	224,731
Due from other governments	95,410	-	95,410
Restricted cash	-	73,637	73,637
Capital assets, not being depreciated	1,085,306	248,126	1,333,432
Capital assets, being depreciated, net	<u>10,796,731</u>	<u>3,947,584</u>	<u>14,744,315</u>
<b>Total assets</b>	<u>23,517,184</u>	<u>6,250,723</u>	<u>29,767,907</u>
<b>LIABILITIES</b>			
Accounts payable	74,964	214,893	289,857
Accrued expenses	80,882	9,042	89,924
Interest payable	1,863	-	1,863
Refundable deposits	-	73,637	73,637
Noncurrent liabilities			
Due within 1 year	252,659	44,124	296,783
Due in more than 1 year	<u>1,774,919</u>	<u>406,031</u>	<u>2,180,950</u>
<b>Total liabilities</b>	<u>2,185,287</u>	<u>747,727</u>	<u>2,933,014</u>
<b>NET POSITION</b>			
Net investment in capital assets	10,046,790	3,800,710	13,847,500
Restricted for			
Highways and streets	311,921	-	311,921
Unrestricted	<u>10,973,186</u>	<u>1,702,286</u>	<u>12,675,472</u>
<b>Total net position</b>	<u>\$ 21,331,897</u>	<u>\$ 5,502,996</u>	<u>\$ 26,834,893</u>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2014**

Functions / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities							
General government	\$ 886,875	\$ 51,029	\$ -	\$ -	\$ (835,846)	\$ -	\$ (835,846)
Public safety	2,016,464	85,031	92,618	-	(1,838,815)	-	(1,838,815)
Highways and streets	847,060	149,299	351,695	255,000	(91,066)	-	(91,066)
Community development	536,266	-	-	-	(536,266)	-	(536,266)
Parks and recreation	388,739	118,141	-	168,388	(102,210)	-	(102,210)
Interest on long-term debt	90,073	-	-	-	(90,073)	-	(90,073)
<b>Total governmental activities</b>	<b>4,765,477</b>	<b>403,500</b>	<b>444,313</b>	<b>423,388</b>	<b>(3,494,276)</b>	<b>-</b>	<b>(3,494,276)</b>
Business-type activities							
Sewer	329,792	302,933	-	50,000	-	23,141	23,141
Electric	2,289,622	2,370,918	-	-	-	81,296	81,296
Sanitation	295,329	221,878	-	-	-	(73,451)	(73,451)
<b>Total business-type activities</b>	<b>2,914,743</b>	<b>2,895,729</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>30,986</b>	<b>30,986</b>
<b>Total primary government</b>	<b>\$ 7,680,220</b>	<b>\$ 3,299,229</b>	<b>\$ 444,313</b>	<b>\$ 473,388</b>	<b>(3,494,276)</b>	<b>30,986</b>	<b>(3,463,290)</b>
<b>General revenue:</b>							
Taxes:							
Sales tax					3,307,194	-	3,307,194
Franchise tax					77,066	-	77,066
Share of state sales taxes					423,463	-	423,463
Share of county auto lieu taxes					250,016	-	250,016
State urban revenue sharing					542,266	-	542,266
Investment income					22,292	3,645	25,937
Miscellaneous					3,269	-	3,269
Total general revenue					4,625,566	3,645	4,629,211
Change in net position					1,131,290	34,631	1,165,921
Net position, beginning of year					20,200,607	5,468,365	25,668,972
Net position, end of year					\$ 21,331,897	\$ 5,502,996	\$ 26,834,893

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	General Fund	Grants Fund	HURF/LTAF Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 10,845,397	\$ 3,392	\$ 279,742	\$ 11,128,531
Accounts receivable - net	186,475	-	-	186,475
Taxes receivable	224,731	-	-	224,731
Due from other governments	47,224	16,007	32,179	95,410
<b>Total assets</b>	<u>11,303,827</u>	<u>19,399</u>	<u>311,921</u>	<u>11,635,147</u>
<b>LIABILITIES</b>				
Accounts payable	74,964	-	-	74,964
Accrued expenses	80,882	-	-	80,882
<b>Total liabilities</b>	<u>155,846</u>	<u>-</u>	<u>-</u>	<u>155,846</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	186,475	6,485	-	192,960
<b>FUND BALANCES</b>				
Restricted for:				
Highways and streets	-	-	311,921	311,921
Unassigned	10,961,506	12,914	-	10,974,420
<b>Total fund balances</b>	<u>10,961,506</u>	<u>12,914</u>	<u>311,921</u>	<u>11,286,341</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 11,303,827</u>	<u>\$ 19,399</u>	<u>\$ 311,921</u>	<u>\$ 11,635,147</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, 2014**

Fund balances--total governmental funds	\$ 11,286,341
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	11,882,037
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	192,960
Some liabilities, including notes payable, are not due and payable in the current period and therefore, are not reported in the funds	<u>(2,029,441)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 21,331,897</u></u>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2014**

	General Fund	Grants Fund	HURF/LTAF Fund	Total Governmental Funds
<b>Revenue:</b>				
Taxes	\$ 3,384,261	\$ -	\$ -	\$ 3,384,261
Intergovernmental	1,215,745	259,881	351,695	1,827,321
Charges for services	180,396	-	-	180,396
Fines and forfeitures	50,785	-	-	50,785
Licenses and permits	22,364	-	-	22,364
Interest	22,100	-	192	22,292
Other revenue	7,777	-	-	7,777
<b>Total revenue</b>	<u>4,883,428</u>	<u>259,881</u>	<u>351,887</u>	<u>5,495,196</u>
<b>Expenditures:</b>				
Current				
General government	768,161	-	-	768,161
Public safety	1,824,481	66,036	-	1,890,517
Highways and streets	525,810	-	34,908	560,718
Community development	536,878	-	-	536,878
Parks and recreation	368,428	-	-	368,428
Debt service				
Principal	174,605	-	-	174,605
Interest	90,764	-	-	90,764
Capital outlay	698,082	217,923	246,389	1,162,394
<b>Total expenditures</b>	<u>4,987,209</u>	<u>283,959</u>	<u>281,297</u>	<u>5,552,465</u>
<b>Net change in fund balances</b>	(103,781)	(24,078)	70,590	(57,269)
Fund balances, beginning of year	11,065,287	36,992	241,331	11,343,610
<b>Fund balances, end of year</b>	<u>\$ 10,961,506</u>	<u>\$ 12,914</u>	<u>\$ 311,921</u>	<u>\$ 11,286,341</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, 2014**

Net change in fund balances--total governmental funds \$ (57,269)

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

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities the cost of  
those assets is allocated over their estimated useful  
lives and reported as depreciation expense.

Capital outlay	1,162,394	
Depreciation expense	(555,556)	
		606,838

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

Noncash contribution	255,000	
Revenues unavailable in the current year	155,784	
Prior year's revenue available in the current year	(9,213)	
		401,571

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.

174,605

Some expenses reported in the Statement of Activities  
do not require the use of current financial resources  
and therefore, are not reported as expenditures in  
governmental funds.

Decrease in interest payable	691	
Decrease in compensated absences payable	4,854	
		5,545

**Change in net position of governmental activities \$ 1,131,290**

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Business-type Activities--Enterprise Funds			Total
	Sewer Fund	Electric Fund	Sanitation Fund	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ -	\$ 1,678,371	\$ -	\$ 1,678,371
Accounts receivable - net	34,145	235,414	33,446	303,005
Due from other funds	-	2,551,991	-	2,551,991
<b>Total current assets</b>	<b>34,145</b>	<b>4,465,776</b>	<b>33,446</b>	<b>4,533,367</b>
Noncurrent assets				
Restricted cash	-	73,637	-	73,637
Capital assets, net of accumulated depreciation, where applicable:				
Land	248,126	-	-	248,126
Utilities systems, net	2,475,509	991,752	-	3,467,261
Automobiles and trucks, net	-	135,761	-	135,761
Equipment, net	-	39,724	304,838	344,562
Capital assets, net	<u>2,723,635</u>	<u>1,167,237</u>	<u>304,838</u>	<u>4,195,710</u>
<b>Total noncurrent assets</b>	<b>2,723,635</b>	<b>1,240,874</b>	<b>304,838</b>	<b>4,269,347</b>
<b>Total assets</b>	<b>2,757,780</b>	<b>5,706,650</b>	<b>338,284</b>	<b>8,802,714</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	1,586	200,445	12,862	214,893
Accrued expenses	-	7,803	1,239	9,042
Refundable deposits	-	73,637	-	73,637
Due to other funds	2,192,719	-	359,272	2,551,991
Compensated absences, current	-	39,754	4,370	44,124
<b>Total current liabilities</b>	<b>2,194,305</b>	<b>321,639</b>	<b>377,743</b>	<b>2,893,687</b>
<b>Noncurrent liabilities</b>				
Note payable	-	395,000	-	395,000
Compensated absences	-	9,939	1,092	11,031
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>404,939</b>	<b>1,092</b>	<b>406,031</b>
<b>Total liabilities</b>	<b>2,194,305</b>	<b>726,578</b>	<b>378,835</b>	<b>3,299,718</b>
<b>Net position</b>				
Net investment in capital assets	2,723,635	772,237	304,838	3,800,710
Unrestricted (deficit)	<u>(2,160,160)</u>	<u>4,207,835</u>	<u>(345,389)</u>	<u>1,702,286</u>
<b>Total net position</b>	<b>\$ 563,475</b>	<b>\$ 4,980,072</b>	<b>\$ (40,551)</b>	<b>\$ 5,502,996</b>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Revenue, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2014**

	Business-type Activities--Enterprise Funds			Total
	Sewer Fund	Electric Fund	Sanitation Fund	
<b>Operating revenue:</b>				
Charges for services	\$ 302,933	\$ 2,308,062	\$ 221,878	\$ 2,832,873
Other revenue	-	62,856	-	62,856
<b>Total operating revenue</b>	<u>302,933</u>	<u>2,370,918</u>	<u>221,878</u>	<u>2,895,729</u>
<b>Operating expenses:</b>				
Cost of power	-	1,390,212	-	1,390,212
Personnel	54,736	465,656	82,264	602,656
Repairs and maintenance	60,787	162,684	18,407	241,878
Depreciation	137,010	67,782	29,676	234,468
Professional services	30,909	100,641	-	131,550
Materials and supplies	21,521	43,336	43,665	108,522
Landfill	-	-	107,606	107,606
Insurance	19,969	23,324	13,320	56,613
Other	3,030	9,492	391	12,913
Utilities	1,830	7,379	-	9,209
<b>Total operating expenses</b>	<u>329,792</u>	<u>2,270,506</u>	<u>295,329</u>	<u>2,895,627</u>
<b>Operating income (loss)</b>	<u>(26,859)</u>	<u>100,412</u>	<u>(73,451)</u>	<u>102</u>
<b>Nonoperating revenue (expenses):</b>				
Investment income	-	3,645	-	3,645
Interest expense	-	(19,116)	-	(19,116)
<b>Total nonoperating revenue (expenses)</b>	<u>-</u>	<u>(15,471)</u>	<u>-</u>	<u>(15,471)</u>
<b>Income (loss) before contributions and transfers</b>	(26,859)	84,941	(73,451)	(15,369)
Capital contributions	50,000	-	-	50,000
<b>Increase (decrease) in net position</b>	23,141	84,941	(73,451)	34,631
Total net position, beginning of year	540,334	4,895,131	32,900	5,468,365
<b>Total net position, end of year</b>	<u>\$ 563,475</u>	<u>\$ 4,980,072</u>	<u>\$ (40,551)</u>	<u>\$ 5,502,996</u>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2014**

	Business-type Activities--Enterprise Funds			Total
	Sewer Fund	Electric Fund	Sanitation Fund	
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 296,669	\$ 2,379,786	\$ 218,580	\$ 2,895,035
Payments to suppliers and providers of goods and services	(150,534)	(1,837,815)	(212,787)	(2,201,136)
Payments to employees	(51,750)	(324,839)	(52,136)	(428,725)
<b>Net cash provided (used) by operating activities</b>	<u>94,385</u>	<u>217,132</u>	<u>(46,343)</u>	<u>265,174</u>
<b>Cash flows from noncapital financing activities:</b>				
Borrowings received from other funds	-	-	239,409	239,409
Borrowings repaid to other funds	(87,359)	(152,050)	-	(239,409)
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(87,359)</u>	<u>(152,050)</u>	<u>239,409</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>				
Purchase of capital assets	(7,026)	(101,807)	(193,066)	(301,899)
Principal paid on note payable	-	(20,000)	-	(20,000)
Interest paid on note payable	-	(19,116)	-	(19,116)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(7,026)</u>	<u>(140,923)</u>	<u>(193,066)</u>	<u>(341,015)</u>
<b>Cash flows from investing activities:</b>				
Interest received	-	3,645	-	3,645
<b>Net increase (decrease) in cash and cash equivalents</b>	-	(72,196)	-	(72,196)
Cash and cash equivalents, beginning of year	-	1,824,204	-	1,824,204
<b>Cash and cash equivalents, end of year</b>	<u>\$ -</u>	<u>\$ 1,752,008</u>	<u>\$ -</u>	<u>\$ 1,752,008</u>
Cash and cash equivalents	\$ -	\$ 1,678,371	\$ -	\$ 1,678,371
Restricted cash	-	73,637	-	73,637
<b>Cash and cash equivalents, end of year</b>	<u>\$ -</u>	<u>\$ 1,752,008</u>	<u>\$ -</u>	<u>\$ 1,752,008</u>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Cash Flows - *Continued***  
**Proprietary Funds**  
**Year Ended June 30, 2014**

	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)	\$ (26,859)	\$ 100,412	\$ (73,451)	\$ 102
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	137,010	67,782	29,676	234,468
(Increase) decrease in:				
Accounts receivable	(6,264)	9,330	(3,298)	(232)
Increase (decrease) in:				
Accounts payable	(9,502)	31,357	(2,488)	19,367
Accrued expenses	-	1,791	265	2,056
Refundable deposits	-	(462)	-	(462)
Compensated absences payable	-	6,922	2,953	9,875
<b>Net cash provided (used) by operating activities</b>	<b>\$ 94,385</b>	<b>\$ 217,132</b>	<b>\$ (46,343)</b>	<b>\$ 265,174</b>

**Noncash investing, capital, and noncapital financing activities:** For the year ending June 30, 2014, a developer contributed \$50,000 in sewer infrastructure to the Town.

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

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

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

**A. Reporting Entity**

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

**B. Basis of Presentation**

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

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

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

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

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

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

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

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

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

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major enterprise funds:

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

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

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

**C. Basis of Accounting**

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

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

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

**D. Cash and Investments**

For purposes of its statement of cash flows, the Town considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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

**E. Allowance for Uncollectible Accounts**

Allowances for uncollectible accounts receivable in the Sewer Fund, Electric Fund, and Sanitation Fund are estimated by the Town. The amounts recorded as uncollectible in the Sewer, Electric, and Sanitation Funds at June 30, 2014, totaled \$10,024, \$97,652, and \$10,050, respectively.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

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

**F. Capital Assets**

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

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

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

**G. Fund Balance Reporting**

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

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

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

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

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

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

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

**H. Investment Income**

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

**I. Compensated Absences**

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

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

**K. Impact of Recently Issued Accounting Principles**

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

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

support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Upon implementation, it is anticipated that this Statement will cause a restatement of beginning net position of the Governmental Activities, Business-type Activities, and the proprietary funds.

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

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

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

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

*Deposits*—At June 30, 2014, the carrying amount of the Town’s total nonpooled cash in bank was \$4,023,707, and the bank balance was \$4,091,685. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held by the Town or its agent in the Town’s name.

*Investments*—At June 30, 2014, the investments consisted of the following.

<u>Investment</u>	<u>Rating Organization</u>	<u>Credit Rating</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Arizona LGIP Pool 5	S&P	AAA	<u>\$ 8,853,030</u>	<u>\$ 8,853,030</u>

The State Board of Investment provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant’s position in the pool approximates the value of that

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

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

participant’s pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

**NOTE 3 – DUE FROM OTHER GOVERNMENTS**

Amounts due from other governments in the governmental funds at June 30, 2014, included \$35,954 in state-shared revenue from sales taxes, \$11,270 in state-shared revenue from auto lieu taxes, \$15,082 from the U.S. Department of Homeland Security, \$925 from the Governor’s Office of Highway Safety, and \$32,179 from the State of Arizona for HURF revenue.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,085,306	\$ -	\$ -	\$ 1,085,306
Capital assets being depreciated:				
Buildings	4,222,906	275,696	-	4,498,602
Vehicles	1,291,388	52,858	-	1,344,246
Computers and peripherals	38,519	-	-	38,519
Light equipment	527,135	77,295	-	604,430
Heavy equipment	1,478,405	-	-	1,478,405
Infrastructure	9,121,941	1,011,545	-	10,133,486
<b>Total</b>	<b>16,680,294</b>	<b>1,417,394</b>	<b>-</b>	<b>18,097,688</b>
Less accumulated depreciation for:				
Buildings	(1,267,368)	(112,888)	-	(1,380,256)
Vehicles	(593,168)	(97,882)	-	(691,050)
Computers and peripherals	(37,802)	(717)	-	(38,519)
Light equipment	(441,474)	(22,227)	-	(463,701)
Heavy equipment	(1,185,906)	(57,008)	-	(1,242,914)
Infrastructure	(3,219,683)	(264,834)	-	(3,484,517)
<b>Total</b>	<b>(6,745,401)</b>	<b>(555,556)</b>	<b>-</b>	<b>(7,300,957)</b>
<b>Total capital assets       being depreciated, net</b>	<b>9,934,893</b>	<b>861,838</b>	<b>-</b>	<b>10,796,731</b>
Governmental activities capital assets, net	<u>\$ 11,020,199</u>	<u>\$ 861,838</u>	<u>\$ -</u>	<u>\$ 11,882,037</u>

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 4 – CAPITAL ASSETS – Continued**

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 248,126	\$ -	\$ -	\$ 248,126
Capital assets being depreciated:				
Utility systems	7,755,614	50,000	-	7,805,614
Automobiles and trucks	511,598	230,038	-	741,636
Equipment	610,530	71,861	-	682,391
<b>Total</b>	<u>8,877,742</u>	<u>351,899</u>	<u>-</u>	<u>9,229,641</u>
Less accumulated depreciation for:				
Utility systems	(4,244,142)	(164,768)	-	(4,408,910)
Automobiles and trucks	(385,293)	(35,562)	-	(420,855)
Equipment	(418,154)	(34,138)	-	(452,292)
<b>Total</b>	<u>(5,047,589)</u>	<u>(234,468)</u>	<u>-</u>	<u>(5,282,057)</u>
<b>Total capital assets       being depreciated, net</b>	<u>3,830,153</u>	<u>117,431</u>	<u>-</u>	<u>3,947,584</u>
Business-type activities capital assets, net	<u>\$ 4,078,279</u>	<u>\$ 117,431</u>	<u>\$ -</u>	<u>\$ 4,195,710</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 119,657
Public safety	128,097
Highways and streets	287,054
Parks and recreation	<u>20,748</u>
Total governmental activities depreciation expense	<u>\$ 555,556</u>
Business-type activities:	
Sewer	\$ 137,010
Electric	67,782
Sanitation	<u>29,676</u>
Total business-type activities depreciation expense	<u>\$ 234,468</u>

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 5 – LONG-TERM LIABILITIES**

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2014.

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due within 1 year
Governmental activities:					
Compensated absences	\$ 197,185	\$ -	\$ 4,854	\$ 192,331	\$ 153,865
Capital lease payable	349,852	-	94,605	255,247	98,794
GADA note payable	<u>1,660,000</u>	<u>-</u>	<u>80,000</u>	<u>1,580,000</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 2,207,037</u>	<u>\$ -</u>	<u>\$ 179,459</u>	<u>\$ 2,027,578</u>	<u>\$ 252,659</u>
Business-type activities:					
Compensated absences	\$ 45,280	\$ 9,875	\$ -	\$ 55,155	\$ 44,124
GADA note payable	<u>415,000</u>	<u>-</u>	<u>20,000</u>	<u>395,000</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 460,280</u>	<u>\$ 9,875</u>	<u>\$ 20,000</u>	<u>\$ 450,155</u>	<u>\$ 44,124</u>

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

Year Ending June 30,	GADA Note payable				Total	
	Governmental Activities		Business-type Activities		Principal	Interest
	Principal	Interest	Principal	Interest		
2015	\$ -	\$ 73,798	\$ -	\$ 18,450	\$ -	\$ 92,248
2016	80,000	69,765	20,000	17,441	100,000	87,206
2017	88,000	66,132	22,000	16,533	110,000	82,665
2018	92,000	62,478	23,000	15,620	115,000	78,098
2019	96,000	57,865	24,000	14,466	120,000	72,331
2020-2024	540,000	221,466	135,000	55,367	675,000	276,833
2025-2029	<u>684,000</u>	<u>76,790</u>	<u>171,000</u>	<u>19,197</u>	<u>855,000</u>	<u>95,987</u>
Total	<u>\$ 1,580,000</u>	<u>\$ 628,294</u>	<u>\$ 395,000</u>	<u>\$ 157,074</u>	<u>\$ 1,975,000</u>	<u>\$ 785,368</u>

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

***NOTE 5 – LONG-TERM LIABILITIES – Continued***

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

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

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Fire truck	\$ 651,330
Less: accumulated depreciation	<u>(209,873)</u>
Carrying value	<u><u>\$ 441,457</u></u>

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

***NOTE 5 – LONG-TERM LIABILITIES – Continued***

The following schedule details debt service requirements to maturity for the Town’s capital lease payable at June 30, 2014:

Year Ending June 30	Governmental Activities
2015	\$ 108,904
2016	108,904
2017	54,452
Total minimum lease payments	272,260
Less amount representing interest	(17,013)
Present value of net minimum lease payments	\$ 255,247

***NOTE 6 – 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 7 – RETIREMENT PLANS***

Plan Descriptions – The Town contributes to the two plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees’ average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee’s monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree’s health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and dependents.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

***NOTE 7 – RETIREMENT PLANS – Continued***

The *Arizona State Retirement System* (ASRS) administers cost-sharing multiple-employer defined benefit pension, health insurance premium, and long-term disability plans that cover employees of the State of Arizona and participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The system issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Arizona State Retirement System, 3300 N. Central Ave., P.O. Box 33910, Phoenix, Arizona, 85067-3910 or by calling (602) 240-2000 or 1 (800) 621-3778.

The *Public Safety Personnel Retirement System* (PSPRS) administers agent multiple-employer defined benefit pension and health insurance premium plans that cover public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

The *Elected Officials' Retirement Plan* (EORP) administers cost-sharing multiple-employer defined benefit pension and health insurance premium plans that cover State of Arizona and County elected officials and judges, and elected officials of participating municipalities. The EORP is governed by The Board of Trustees of PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. Because the health insurance premium plan benefit of the EORP is not established as a formal trust, it is reported in accordance with GASB Statement No. 45 as an agent multiple-employer plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer defined benefit plan. EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials' Retirement Plan, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

**Funding Policy** – The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates for both ASRS and PSPRS.

**Cost-sharing plans** – For the year ended June 30, 2014, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2014, 2013,

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 7 – RETIREMENT PLANS – Continued**

and 2012, were \$133,050, \$128,611, and \$113,758, respectively, which were equal to the required contributions for the year.

*Agent plans* – For the year ended June 30, 2014, active PSPRS members were required by statute to contribute 10.35 percent of the members’ annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 31.82 percent, of which 1.10 percent was the health insurance premium portion. Active EORP members were required by statute to contribute 13.00 percent of the members’ annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 23.50 percent, of which 1.50 percent was the health insurance premium portion.

The contribution requirements for the year ended June 30, 2014, were established by the June 30, 2012 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on 1) the plans as understood by the Town of Thatcher, Arizona and plan members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the Town and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used to establish the fiscal year 2014 contribution requirements are as follows:

Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	24 years for underfunded actuarial liability, 20 years for overfunded
Asset valuation method	7-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases	5.00% - 9.00%
Payroll growth	5.00%

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 7 – RETIREMENT PLANS – Continued**

Trend Information – Annual pension cost information for the current and two preceding years follows for each of the agent plans.

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<b>PSPRS</b>				
Pension	2014	\$ 217,701	100 %	\$ -
	2013	189,016	100	-
	2012	148,302	100	-
Health Insurance	2014	\$ 7,005	100 %	\$ -
	2013	8,399	100	-
	2012	8,119	100	-
<b>EORP</b>				
Pension	2014	\$ 12,308	100 %	\$ -
	2013	14,687	100	-
	2012	13,205	100	-
Health Insurance	2014	\$ 185	100 %	\$ -
	2013	220	100	-
	2012	198	100	-

Schedules of Funded Status – Following are the schedules of funded status for PSPRS as of the most recent valuation date, June 30, 2014, and the previous two fiscal years. The fiscal year 2014 actuarial methods and assumptions used for the schedules are not significantly different than the fiscal year 2013 actuarial methods and assumptions as described on page above. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, the EORP is reported for such purposes as an agent multiple-employer plan. The Board of Trustees obtains an actuarial valuation for the EORP on

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2014**

**NOTE 7 – RETIREMENT PLANS – Continued**

its statutory basis as a cost-sharing plan and, therefore, actuarial information for the Town of Thatcher, Arizona, as a participating government, is not available.

**Pension**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2014	\$ 2,412,671	\$ 5,739,564	\$ 3,326,893	42.0 %	\$ 722,872	460.2 %
6/30/2013	2,618,461	4,992,909	2,374,448	52.4	706,206	336.2
6/30/2012	2,507,668	4,531,729	2,024,061	55.3	577,651	350.4

**Health Insurance**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2014	\$ 183,818	\$ 78,755	\$ (105,063)	233.4 %	\$ 722,872	0.0 %
6/30/2013	-	98,104	98,104	0.0	706,206	13.9
6/30/2012	-	79,421	79,421	0.0	577,651	13.7

**NOTE 8 – INTERFUND BALANCES AND ACTIVITY**

Interfund receivables and payables of the business-type funds consisted of amounts loaned by the Electric Fund to the Sewer and Sanitation Funds to help meet fund obligations. The amounts payable from the Sewer and Sanitations Funds to the Electric Fund at year end were \$2,192,719 and \$359,272, respectively.

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue:</b>				
Taxes	\$ 2,600,000	\$ 2,600,000	\$ 3,384,261	\$ 784,261
Intergovernmental	1,199,778	1,199,778	1,215,745	15,967
Charges for services	143,750	143,750	180,396	36,646
Fines and forfeitures	50	50	50,785	50,735
Licenses and permits	16,550	16,550	22,364	5,814
Interest	25,000	25,000	22,100	(2,900)
Other revenue	10,200	10,200	7,777	(2,423)
<b>Total revenue</b>	<u>3,995,328</u>	<u>3,995,328</u>	<u>4,883,428</u>	<u>888,100</u>
<b>Expenditures:</b>				
Current				
General government	757,268	757,268	768,161	(10,893)
Public safety	1,908,031	1,908,031	1,824,481	83,550
Highways and streets	571,009	571,009	525,810	45,199
Community development	306,146	306,146	536,878	(230,732)
Parks and recreation	359,495	359,495	368,428	(8,933)
Debt service				
Principal	-	-	174,605	(174,605)
Interest	-	-	90,764	(90,764)
Capital outlay	1,785,000	1,785,000	698,082	1,086,918
<b>Total expenditures</b>	<u>5,686,949</u>	<u>5,686,949</u>	<u>4,987,209</u>	<u>699,740</u>
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<u>(1,691,621)</u>	<u>(1,691,621)</u>	<u>(103,781)</u>	<u>1,587,840</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	6,000	6,000	-	(6,000)
Transfer out	(270,000)	(270,000)	-	270,000
<b>Total other financing sources (uses)</b>	<u>(264,000)</u>	<u>(264,000)</u>	<u>-</u>	<u>264,000</u>
<b>Net change in fund balances</b>	<u>(1,955,621)</u>	<u>(1,955,621)</u>	<u>(103,781)</u>	<u>1,851,840</u>
Fund balances, beginning of year	<u>11,065,287</u>	<u>11,065,287</u>	<u>11,065,287</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 9,109,666</u></u>	<u><u>\$ 9,109,666</u></u>	<u><u>\$ 10,961,506</u></u>	<u><u>\$ 1,851,840</u></u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Grants Fund**  
**Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue:</b>				
Intergovernmental	\$ 855,500	\$ 855,500	\$ 259,881	\$ (595,619)
<b>Expenditures:</b>				
Current				
Public safety	-	-	66,036	(66,036)
Capital outlay	925,500	925,500	217,923	707,577
<b>Total expenditures</b>	925,500	925,500	283,959	641,541
<b>Net change in fund balances</b>	(70,000)	(70,000)	(24,078)	45,922
Fund balances, beginning of year	36,992	36,992	36,992	-
<b>Fund balances, end of year</b>	<u>\$ (33,008)</u>	<u>\$ (33,008)</u>	<u>\$ 12,914</u>	<u>\$ 45,922</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**HURF/LTAF Fund**  
**Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue:</b>				
Intergovernmental	\$ 347,000	\$ 347,000	\$ 351,695	\$ 4,695
Interest	-	-	192	192
<b>Total revenue</b>	<u>347,000</u>	<u>347,000</u>	<u>351,887</u>	<u>4,887</u>
<b>Expenditures:</b>				
Current				
Highways and streets	25,000	25,000	34,908	(9,908)
Capital outlay	<u>347,000</u>	<u>347,000</u>	<u>246,389</u>	<u>100,611</u>
<b>Total expenditures</b>	<u>372,000</u>	<u>372,000</u>	<u>281,297</u>	<u>90,703</u>
<b>Net change in fund balances</b>	(25,000)	(25,000)	70,590	95,590
Fund balances, beginning of year	<u>241,331</u>	<u>241,331</u>	<u>241,331</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 216,331</u></u>	<u><u>\$ 216,331</u></u>	<u><u>\$ 311,921</u></u>	<u><u>\$ 95,590</u></u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2014**

***NOTE 1 – BUDGETING AND BUDGETARY CONTROL***

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

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

***NOTE 2 – BUDGETARY BASIS OF ACCOUNTING***

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

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**June 30, 2014**

**Pension**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2014	\$ 2,412,671	\$ 5,739,564	\$ 3,326,893	42.0 %	\$ 722,872	460.2 %
6/30/2013	2,618,461	4,992,909	2,374,448	52.4	706,206	336.2
6/30/2012	2,507,668	4,531,729	2,024,061	55.3	577,651	350.4

**Health Insurance**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2014	\$ 183,818	\$ 78,755	\$ (105,063)	233.4 %	\$ 722,872	0.0 %
6/30/2013	-	98,104	98,104	0.0	706,206	13.9
6/30/2012	-	79,421	79,421	0.0	577,651	13.7