TOWN OF PARKER, ARIZONA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018
WITH REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

TOWN OF PARKER, ARIZONA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018
WITH REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS STRATEGISTS

TOWN OF PARKER, ARIZONA

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2018
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THE WESLEY PEACHTREE GROUP
CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Town Council
Town of Parker, 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 Parker, Arizona (the "Town"), as of and for the year ended June 30, 2018, 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

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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, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2018, 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.

Change in Accounting Principle

As described in *Note 12,* the Town implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for the year ended June 30, 2018, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information as listed in the table of contents, schedule of proportionate share of the net OPEB pension liability, schedules of changes in the net pension and OPEB (asset) liability and related ratios, schedules of OPEB contributions, notes to the pension schedules, schedule of agent OPEB plans' funding progress, 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The financial statements of the prior period, ending June 30, 2017, were audited by a predecessor auditor. The audit report was dated February 7, 2018 in which the firm expressed an unmodified opinion. Other matters disclosed were required supplementary information relating to generally accepted accounting principles (GAAP) and the opinion expressed on the nonmajor fund financial statements, which were not required.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 3, 2019, 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.

The Wesley Peachtree Group

June 3, 2019

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Parker, Arizona (the "Town") we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net position) by $9.2 million at the close of the fiscal year.
- Total net position increased by $468,509.
- Governmental revenues exceeded expenses by $472,954.
- Business-type expenses exceeded total business-type revenues by ($4,445).
- Total revenues from all sources were $6.0 million.
- The total cost of all Town programs was $5.5 million.
- The general fund reported a change in fund balance of $12,313.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was $1,433,957 or 46% of total General Fund expenditures, excluding transfers.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the Town as a whole; (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the Government-wide statements by providing information about the Town's most significant funds; and (3) Notes to the financial statements.

Reporting on the Town as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the Town's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

These two statements report the Town's net position and changes in them. Net position, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or condition of the Town's roads to accurately assess the overall health of the Town.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works, culture and recreation, contingencies, and interest on long-term debt. Sales tax, federal grants, intergovernmental revenues and charges for services finance most of these activities.

- Proprietary activities/Business-type activities – The Town charges a fee to customers that is intended to cover all or most of the cost of the services provided.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 3.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by $9.2 million as of June 30, 2018 as shown in the following condensed statement of net position. The Town has chosen to account for its water distribution operations in a separate enterprise fund which is shown as Business Activities in this condensed statement.

Town of Parker
Statements of Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Current and other assets	$ 5,216,324	$ 5,148,299	$ 1,581,602	$ 1,560,907	$ 6,797,926	$ 6,709,206
Capital assets	5,314,509	5,172,719	2,158,253	2,265,626	7,472,762	7,438,345
Total assets	10,530,833	10,321,018	3,739,855	3,826,533	14,270,688	14,147,551
Deferred outflows of resources	711,458	872,850	41,408	51,281	752,866	924,131
Long-term liabilities outstanding	4,245,950	4,724,583	422,228	486,281	4,668,178	5,210,864
Other liabilities	462,756	478,806	109,227	144,844	571,983	623,650
Total liabilities	4,708,706	5,203,389	531,455	631,125	5,240,161	5,834,514
Deferred inflows of resources	538,614	512,329	46,900	44,637	585,514	556,966
Net position:						
Net investment in capital assets	4,188,371	3,637,734	1,958,253	2,030,626	6,146,624	5,668,360
Restricted	2,993,115	2,987,033	-	-	2,993,115	2,987,033
Unrestricted	(1,186,515)	(1,146,617)	1,244,655	1,171,426	58,140	24,809
Total net position	**$ 5,994,971**	**$ 5,478,150**	**$ 3,202,908**	**$ 3,202,052**	**$ 9,197,879**	**$ 8,680,202**

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

Governmental Activities

The cost of all Governmental activities this year was $4,797,396, an increase of $485,777 over last fiscal year. This is primarily due to an increase in culture and recreation and general government. As shown on the Statement of Changes in Net Position below, $550,355 of this cost was paid for by those who directly benefited from the programs; $1,910,905 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid, donations, and fees for services were $2,461,260. General taxes, investment earnings, and other general revenues totaled $2,809,090.

The Town's programs include: General Government, Public Safety, Public Works, and Culture and Recreation. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the Town's general taxes support each of the Town's programs.

Town of Parker
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenues:						
Program revenues:						
Charges for services	$ 550,355	$ 441,690	$ 682,931	$ 605,760	$ 1,233,286	$ 1,047,450
Operating grants and contributions	1,910,905	1,769,005	-	-	1,910,905	1,769,005
Capital grants and contributions	-	-	-	-	-	-
Total program revenues	2,461,260	2,210,695	682,931	605,760	3,144,191	2,816,455
General revenues:						
Taxes	2,365,545	1,998,807	-	-	2,365,545	1,998,807
State revenue sharing	374,799	372,656	-	-	374,799	372,656
Other revenue	68,746	23,501	-	-	68,746	23,501
Total general revenues	2,809,090	2,394,964	-	-	2,809,090	2,394,964
Total revenues	5,270,350	4,605,659	682,931	605,760	5,953,281	5,211,419
Expenses:						
General government	939,183	831,229	-	-	939,183	831,229
Public safety	1,391,837	1,288,134	-	-	1,391,837	1,288,134
Public works	1,181,833	1,088,673	-	-	1,181,833	1,088,673
Culture and recreation	1,220,777	1,036,035	-	-	1,220,777	1,036,035
Interest	63,766	67,548	-	-	63,766	67,548
Utility enterprise fund	-	-	687,376	702,686	687,376	702,686
Total expenses	4,797,396	4,311,619	687,376	702,686	5,484,772	5,014,305
Increase/(Decrease) in net position	472,954	294,040	(4,445)	(96,926)	468,509	197,114
Net position, *beginning*	5,478,150	5,184,110	3,202,052	3,298,978	8,680,202	8,483,088
Net effect of prior period adjustment	43,867	-	5,301	-	49,168	-
Net position, *beginning (restated)*	5,522,017	5,184,110	3,207,353	3,298,978	8,729,370	8,483,088
Net position, *ending*	**$ 5,994,971**	**$ 5,478,150**	**$ 3,202,908**	**$ 3,202,052**	**$ 9,197,879**	**$ 8,680,202**

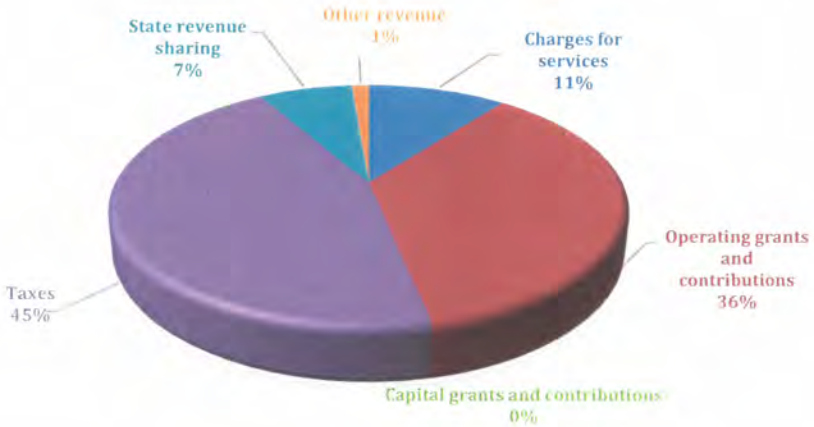
MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

Total resources available during the year to finance governmental operations were $10.8 million consisting of net position at July 1, 2017 of $5.5 million, program revenues of $2.5 million and general revenues of $2.8 million. Total governmental activities' expenditures during the year were $4.8 million; thus, governmental net position increased to $6 million.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all government activities.

Expenses and Program Revenues – Governmental Activities (in Thousands)

Revenue By Source- Governmental Activities



MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

Business-Type Activities

Net position of the business-type activities at June 30, 2018, as reflected in the Statement of Net Position were $3.2 million. The cost of providing all Proprietary (Business Type) activities this year was $687,376. As shown in the Statement of Changes in Net Position, the amounts paid by users of the system were $682,931 and there was $0 subsidized by capital grants and contributions. The net position decreased by ($4,445).

Expenses and Program Revenues - Business-type Activities
(in Thousands)

Revenue By Source - Business-type Activities

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of $4,753,092, an increase of $86,197 in comparison with the prior year. Approximately, 30.17% of this total amount, $1,433,957 constitutes unassigned, which is available for new spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted or assigned to be used; 1) to pay for capital improvements; or 2) for a variety of other restricted purposes.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance in the general fund was $1,433,957, while total fund balance is $1,516,043. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 46.23% of total general fund expenditures, while total fund balance represents 48.87% of the same amount.

During the year, the Town's general fund balance increased by $12,313.

The highway user revenue fund has a total fund balance of $2,502,748, all of which is restricted for road and street construction and improvements. The net decrease in the fund balance during the current year was $37,151. The decrease in the fund balance resulted in expending previous year's revenues for current projects.

General Fund Budgetary Highlights

The final actual expenditures for the General Fund, excluding transfers, at year-end were $420,710 less than appropriations. The budget-to-actual variance in appropriations was the result primarily of budgeted contingencies and capital outlays that were not spent. There were no budget amendments or supplemental appropriations made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS *(Continued)*

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2018, net capital assets of the government activities totaled $5.3 million and the net capital assets of the business-type activities totaled $2.2 million. Depreciation on capital assets is recognized in the Government-wide financial statements. *(See note 7 to the financial statements.)*

Debt

At year-end, the Town had $4,245,950 in governmental type debt, and $422,228 in proprietary debt. The debt is a liability of the government and amounts to $1,460 per capita. During the current fiscal year, the Town's total long-term liabilities decreased by $542,686.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2018/2019, the Town Council and management remained cautious as to the growth of revenues and expenditures primarily due to past economic trends. Overall General fund operating expenditures were budgeted conservatively.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town, 1314 11th Street, Parker, AZ 85344.

BASIC FINANCIAL STATEMENTS

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

TOWN OF PARKER, ARIZONA

STATEMENT OF NET POSITION
JUNE 30,2018

	Governmental Activities	Business-Type Activities	Total
Assets-			
Cash and investments	$ 4,382,163	$ 683,581	$ 5,065,744
Cash held by trustee	232,543	42,600	275,143
Designated cash and investments:			
Capital replacement	-	652,000	652,000
Receivables (net of allowance)	579,605	81,155	660,760
Inventory	-	67,774	67,774
Restricted cash and investments:			
Customer deposits	22,013	54,492	76,505
Non-depreciable capital assets	1,438,917	42,314	1,481,231
Depreciable capital assets, *net*	3,875,592	2,115,939	5,991,531
Total assets	10,530,833	3,739,855	14,270,688
Deferred Outflows of Resources-			
Deferred outflows related to pensions	711,458	41,408	752,866
Total deferred outflows of resources	711,458	41,408	752,866
Liabilities-			
Current liabilities:			
Accounts payable	139,330	10,377	149,707
Accrued payroll and related taxes	66,877	1,758	68,635
Customer deposits	22,013	54,492	76,505
Interest payable	34,536	2,600	37,136
Matured bonds payable	200,000	40,000	240,000
Noncurrent liabilities:			
Due within one year	186,161	5,119	191,280
Due in more than one year	4,059,789	417,109	4,476,898
Total liabilities	4,708,706	531,455	5,240,161
Deferred Inflows of Resources-			
Deferred inflows related to pensions	538,614	46,900	585,514
Total deferred inflows of resources	538,614	46,900	585,514
Net Position			
Net investment in capital assets	4,188,371	1,958,253	6,146,624
Restricted for:			
Highways and streets	2,502,749	-	2,502,749
Capital projects and other	490,366	-	490,366
Unrestricted	(1,186,515)	1,244,655	58,140
Total net position	$ 5,994,971	$ 3,202,908	$ 9,197,879

The accompanying notes are an integral part of these financial statements.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
General government	$ 939,183	$ 49,247	$ -	$ -	$ (889,936)	$ -	$ (889,936)
Public safety	1,391,837	170,212	69,363	-	(1,152,262)	-	(1,152,262)
Public works	1,181,833	194,411	1,308,544	-	321,122	-	321,122
Culture and recreation	1,220,777	136,485	532,998	-	(551,294)	-	(551,294)
Interest	63,766	-	-	-	(63,766)	-	(63,766)
Total governmental activities	4,797,396	$ 550,355	$ 1,910,905	$ -	$ (2,336,136)	-	(2,336,136)
Business-type activities:							
Utility enterprise fund	687,376	682,931	-	-	-	(4,445)	(4,445)
Total business-type activities	687,376	682,931	-	-	-	(4,445)	(4,445)
Total primary government	**$ 5,484,772**	**$ 1,233,286**	**$ 1,910,905**	**$ -**	**$ (2,336,136)**	**$ (4,445)**	**$ (2,340,581)**
General Revenues:							
Taxes:							
City sales tax					$ 1,646,922	$ -	$ 1,646,922
Franchise tax					117,699	-	117,699
Auto lieu tax (unrestricted)					316,115	-	316,115
State sales tax (unrestricted)					284,809	-	284,809
Urban revenue sharing (unrestricted)					374,799	-	374,799
Investment earnings					48,084	-	48,084
Special Item:							
Gain on sale of land					20,662	-	20,662
Total general revenues & special items					2,809,090	-	2,809,090
Change in net position					472,954	(4,445)	468,509
Net position - beginning of the year, *as restated*					5,522,017	3,207,353	8,729,370
Net position - end of the year					$ 5,994,971	$ 3,202,908	$ 9,197,879

The accompanying notes are an integral part of these financial statements.

TOWN OF PARKER, ARIZONA

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	2018			
	General	Highway User Revenue Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 1,348,062	$ 2,413,615	$ 620,486	$ 4,382,163
Cash held by trustee	-	-	232,543	232,543
Receivables				
Taxes	281,659	-	-	281,659
Due from other governments	-	111,158	141,907	253,065
Other	44,881	-	-	44,881
Due from other funds	-	-	13,763	13,763
Restricted assets - customer deposits	22,013	-	-	22,013
Total assets	**$ 1,696,615**	**$ 2,524,773**	**$ 1,008,699**	**$ 5,230,087**
LIABILITIES:				
Accounts payable	$ 84,571	$ 18,915	$ 35,846	$ 139,332
Accrued payroll and related taxes	60,225	3,109	3,543	66,877
Accrued interest	-	-	35,010	35,010
Due to other funds	13,763	-	-	13,763
Customer deposits	22,013	-	-	22,013
Matured debt principal payable	-	-	200,000	200,000
Total current liabilities	180,572	22,024	274,399	476,995
FUND BALANCES:				
Nonspendable				
Bequest fund	9,417		-	9,417
Restricted				
Highways	-	2,502,749	-	2,502,749
Public safety	72,669	-	-	72,669
Tourism	-	-	97,940	97,940
Capital projects	-	-	310,340	310,340
Assigned				
Aging services	-	-	222,033	222,033
Public safety	-	-	15,306	15,306
Library services	-	-	-	-
Budget policy reservation	-	-	88,681	88,681
Unassigned	1,433,957	-	-	1,433,957
Total fund balances	1,516,043	2,502,749	734,300	4,753,092
Total liabilities and net assets	**$ 1,696,615**	**$ 2,524,773**	**$ 1,008,699**	**$ 5,230,087**

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total governmental fund balances		$ 4,753,092
Amount 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		
Governmental capital assets	10,200,412	
Accumulated depreciation	(4,885,903)	$ 5,314,509
Some liabilities, including notes payable, bonds payable, and capital leases, are not due and payable in the current period		
Bonds payable	(925,000)	
Loans payable	(345,000)	
Issuance premium	(6,429)	
Capital leases	(29,709)	
Interest payable	475	
Compensated absences	(121,451)	
Net pension liability	(2,818,360)	
		$ (4,245,474)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows	711,458	
Deferred inflows	(538,614)	
		$ 172,844
		$ 5,994,971

The accompanying notes are an integral part of these financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	2018			
	General	Highway User Revenue Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 1,637,352	$ -	$ 127,269	$ 1,764,621
Licenses and permits	75,842	-	-	75,842
Intergovernmental revenue	975,863	1,255,836	617,198	2,848,897
Charges for services	26,596	-	-	26,596
Fines and forfeits	86,576	-	-	86,576
Investment earnings	48,083	-	-	48,083
Sanitation revenue	186,855	-	-	186,855
Miscellaneous earnings	57,569	26,814	127,834	212,217
Total revenues	**$ 3,094,736**	**$ 1,282,650**	**$ 872,301**	**$ 5,249,687**
EXPENDITURES				
Current				
General government	$ 797,929	$ -	$ 105,956	$ 903,885
Public safety	1,288,073	-	59,892	1,347,965
Public works	284,583	696,500	-	981,083
Culture and recreation	492,956	-	450,207	943,163
Health Department	-	-	145,440	145,440
Debt services				
Principal	-	-	200,000	200,000
Interest and fiscal charges	-	-	65,060	65,060
Contingencies	-	-	-	-
Capital outlay	238,377	623,301	13,483	875,161
Total expenditures	3,101,918	1,319,801	1,040,038	5,461,757
Excess of revenues Over (Under) expenditures	(7,182)	(37,151)	(167,737)	(212,070)
Other Financing Sources (Uses):				
Sale of land	298,267	-	-	298,267
Transfers out	(278,772)	-	-	(278,772)
Transfers in	-	-	278,772	278,772
Total other financing sources	19,495	-	278,772	298,267
Net change in fund balances	12,313	(37,151)	111,035	86,197
Fund balance, beginning of year	1,503,731	2,539,899	623,265	4,666,895
Fund balance, end of the year	**$ 1,516,044**	**$ 2,502,748**	**$ 734,300**	**$ 4,753,092**

The accompanying notes are an integral part of these financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ 86,197
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period		
Capital outlay	$ 875,161	
Depreciation expense	(401,336)	
		473,825
In the statement of activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold		
Book value of capital assets sold		(277,605)
Repayment of long-term debt principal is an expenditure in the governmental funds but decreases long-term liabilities in the Statement of Net Position		228,027
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are amortized in the Statement of Activities		
Amortization of bond premiums and discounts - net		820
Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pension, is reported in the Statement of Activities		
Pension contributions	238,393	
Pension expense	(250,450)	
		(12,057)
Compensated absences 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		(26,728)
Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the Statement of Activities		475
Change in net position of governmental activities		**$ 472,954**

The accompanying notes are an integral part of these financial statements.

TOWN OF PARKER, ARIZONA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018

	Utility Enterprise Fund
Assets-	
Current Assets:	
Cash and cash equivalents	$ 683,581
Cash held by trustee	42,600
Designated cash and investments:	
Capital replacement	652,000
Accounts receivable, net of allowance	81,155
Inventory	67,774
Total current assets	1,527,110
Noncurrent Assets:	
Restricted cash:	
Customer deposits	54,492
Capital assets, non-depreciable	42,314
Capital assets, depreciable, net	2,115,939
Total noncurrent assets	2,212,745
Total assets	3,739,855
Deferred Outflows of Resources-	
Deferred outflows related to pensions	41,408
Total deferred outflows of resources	41,408
Liabilities-	
Current liabilities:	
Accounts payable	10,377
Accrued payroll and related taxes	1,758
Accrued interest	2,600
Matured debt principal payable	40,000
Customer deposits	54,492
Compensated absences	5,119
Total current liabilities	114,346
Noncurrent liabilities:	
Notes payable	160,000
Net pension liabilities	257,109
Total noncurrent liabilities	417,109
Total liabilities	531,455
Deferred Inflows of Resources-	
Deferred inflows related to pensions	46,900
Total deferred inflows of resources	46,900
Net Position	
Net investment in capital assets	1,958,253
Unrestricted - designated for capital reserve	652,000
Unrestricted	592,655
Total net position	**$ 3,202,908**

The accompanying notes are an integral part of these financial statements.

TOWN OF PARKER, ARIZONA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Utility Enterprise Fund
Operating Revenues	
Water services	$ 640,374
Tap and turn-on fees	19,851
Penalties	10,785
Miscellaneous	11,921
Total operating revenues	682,931
Operating Expenses	
Cost of sales and services	529,832
Depreciation	152,354
Total operating expenses	682,186
Operating income loss	745
Non-Operating Revenues (Expenses)	
Interest expense	(5,190)
Total non-operating revenue	(5,190)
Change in net position	(4,445)
Total net position, beginning of the year, as restated	3,207,353
Total net position, end of the year	**$ 3,202,908**

The accompanying notes are an integral part of these financial statements.

TOWN OF PARKER, ARIZONA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS TYPES
FOR THE YEAR ENDED JUNE 30, 2018

	Utility Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers and users	$ 663,720
Cash paid to suppliers	(367,018)
Cash paid to employees	(248,221)
Cash flows from operating activities	48,481
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal paid on capital debt	(35,000)
Interest paid on capital debt	(5,513)
Cash flows from capital and related financing activities	(40,513)
Net change in cash and cash equivalents	7,968
Cash and cash equivalents, including restricted cash, beginning of year	1,424,705
Cash and cash equivalents, including restricted cash, end of year	$ 1,432,673
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:	
Net operating income (loss)	$ 745
Adjustments to reconcile net income/loss to net cash provided by operating activities:	
Depreciation expense	152,355
Pension expense	(18,013)
Employer pension contributions	(34,744)
Changes in operating assets and liabilities:	
Increase in receivables	(9,671)
Increase in inventory	(3,056)
Decrease in accounts payable	(28,524)
Decrease in accrued payroll and related taxes	(14,161)
Increase in customer deposits	2,380
Increase in compensated absences	1,170
Net cash flows provided by operating activities	**$ 48,481**

The accompanying notes are an integral part of these financial statements.

1. DESCRIPTION OF THE ORGANIZATION:

Reporting entity

The Town (government) is a municipal corporation incorporated on June 7, 1948 under Arizona Revised Statute Chapter 9, Section 101 and is governed by an elected mayor and five-member council (council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the Government-wide financial statements to emphasize that it is legally separate from the government.

The following is a brief review of the component units included in defining the government's reporting entity. There are no discretely presented component units, one blended component unit, and one joint venture.

Blended component unit. The Town Municipal Property Corporation (MPC), non-profit corporation, was created by the Town in 1998 primarily for the purpose of financing the costs of electric distribution to serve current and future development in Parker South. The MPC is governed by a Board of Directors appointed by the Town Council. For financial reporting purposes, transactions are included as if it were part of the government's operations.

Joint Venture. The Colorado River Sewage System Joint Venture is a sewage disposal system that carries out the collection, purification, and disposal of sewage and industrial waste for the Town and Colorado River Indian Tribes. The Joint Venture is controlled by a Board of Directors, composed of five members: two selected by the Town, two by the Tribes, and the fifth member is selected by the other four members with approval of the Secretary of the Interior or delegate. In accordance with terms of the Joint Venture agreement, on or prior to May 1 each year, the manager of the Joint Venture will prepare and submit a budget to the Board of Directors for approval and authorization. Funding is provided by user fees.

Description of Government-wide financial statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on

1. DESCRIPTION OF THE ORGANIZATION:

Description of Government-wide financial statements – (continued)

all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of presentation – Government-wide financial statements

While separate Government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from Government-wide financial statements.

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. 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. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *(Continued)*

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Highway user revenue fund is used to account for the government's share of motor fuel tax revenues and lottery proceeds which are restricted for maintaining, repairing, and upgrading streets.

The government reports the following major enterprise funds:

The Utility enterprise fund accounts for provision of water distribution to the residents and commercial users of the government.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the Government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the Government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *(Continued)*

Measurement focus and basis of accounting – The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes, state shared revenues, intergovernmental grants and aid, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *(Continued)*

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance:

Cash and investments – The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.

A pooled cash account and a pooled investment account are maintained for all Town funds. The pooling of funds provides the Town the ability to maximize earnings by investing larger amounts of idle cash for longer periods of time. The investments are invested primarily with the Arizona State Treasurer's Local Government Investment Pool.

Investments are stated at fair value. The fair value of each share in the Local Government Investment Pool is equal to $1. Interest earnings, and correspondingly, interest expense for those funds with negative balances, are not allocated to the various funds.

Receivables – Accounts receivable consists primarily of utility service charges for water and garbage services and miscellaneous receivables from various sources.

During the course of operations, individual funds within the Town's pooled cash accounts may borrow money from other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet of fund financial statements and are eliminated in the preparation of the Government-wide financial statements.

Inventories and prepaid items – Inventories are valued at the lower of cost (first-in, first-out method) or market, and consist of water works supplies in the Utility Enterprise Fund. Inventory items in other funds are not significant and are recorded as expenditures at the time of purchase. Therefore, the inventory items in the funds other than the Utility Enterprise Fund are not included in the balances sheets for those funds.

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.

Capital assets – Capital assets, which include property, plant, equipment, and infrastructure (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the Government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *(Continued)*

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: *(Continued)*

Capital assets* – *(continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	20 to 40 years
Building improvements	20 years
Infrastructure	30-75 years
Equipment	5 to 10 years
Vehicles	5 to 10 years

Deferred outflows/inflows of resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one type of item that qualifies for reporting in this category. It is pension and other postemployment benefits related items reported on the government-wide financial statements. See footnote 12 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. It is pension and other post-employment benefits related items reported on the Government-wide financial statements. See footnote 13 for more information.

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 OPEB expense, information about the pension plans fiduciary net position and additions to/deductions from the plan's 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.

Net position flow assumption – Sometimes the government 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 government's policy to con-

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *(Continued)*

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance: ***(Continued)***

sider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. Intent can be expressed by the governing council (council) or by an official or body to which the council delegates the authority. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *(Continued)*

Revenues and expenditures/expenses:

Program revenues - Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Compensated absences – Employees can earn vacation time at the rate of ten days per year for the first five years, 15 days per year after five years of service through nine years, and 20 days per year after ten years of service. The maximum permissible accumulation is 20 days of vacation for ten years of service or less, and 25 days for employees with more than ten years of service. At termination, employees are paid for any accumulated vacation up to the maximum accumulation. For governmental activities, compensated absences are liquidated by the general fund.

Employees earn health leave at the rate of 12 days per year. The maximum accumulation is 24 days. Health leave is not a form of additional vacation time and upon termination, the accumulated health leave is not paid out to the employee. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Proprietary funds operating and nonoperating revenues and expenses – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of estimates–

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the Government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 15.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the Government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for Government-wide statements. The details of these differences are reported in the reconciliation on page 17.

4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the government. The use of budgets and monitoring of equity status facilitate the government's compliance with legal requirements.

Budgets and budgetary accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental. All annual appropriations lapse at year-end. The council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.

2. Public hearings are conducted to obtain taxpayer comment.

3. Prior to the third Monday in August, the expenditure limitation for the government is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total government expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).

4. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY: *(Continued)*

Budgets and budgetary accounting

4. State law requires that, prior to April 1, the Economic Estimates Commission provides the government with a final expenditure limit for the coming fiscal year.

5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. Budgets are adopted for the General, Special Revenue, Debt Service, Capital Projects, and Utility Enterprise Fund. The Town Manager, subject to council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without council approval.

6. The government has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Debt Service, Capital Projects, and Enterprise Funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The government is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the government 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 government complied with this law during the year.

No supplementary budgetary appropriations were made during the year.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the government.

Expenditures over appropriations

Expenditures may not legally exceed budgeted appropriations at the fund level. No funds incurred expenditures in excess of budget appropriations for the year ended June 30, 2018.

Deficit fund balances

At the end of fiscal year June 30, 2018, none of the Town's funds had a deficit fund balance.

Highway user revenue funds

Highway user revenue fund monies received by the government pursuant to title 28, chapter 18, article 2 and other dedicated state transportation revenues received during the current fiscal year have been used solely for authorized transportation purposes.

5. DEPOSITS AND INVESTMENTS:

Deposits and investments of the government at June 30, 2018 consist of the following:

Deposits:	
Cash on hand	$ 2,523
Cash in the bank	2,553,131
Cash held by trustee	275,143
Investments:	
State Treasurer's Investment Pool	3,238,594
Total deposits and investments	**$ 6,069,391**

A reconciliation of cash and investments as shown on the statement of net position is as follows:

Cash and cash equivalents	$ 5,065,743
Cash held by trustee	275,143
Designated cash - capital replcement (utility fund)	652,000
Restricted cash	76,505
	$ 6,069,391

Deposits:

Custodial credit risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The government does not have a formal policy for custodial credit risk. As of June 30, 2018 $0 of the government's bank balance of $3,058,718 was exposed to custodial credit risk because it was either insured by FDIC insurance or collateralized by securities held by a pledging financial institutions' trust department.

5. DEPOSITS AND INVESTMENTS: *(Continued)*

Cash held by trustee

As of June 30, 2018, the Town has provided funds of $275,143 to a bond paying agent. The total amount of $275,143 represents amounts due for bond payments subsequent to year end.

Investments

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of $100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P1" by Moody's Investors or "A1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than $100,000, procedures as specified by local ordinance or resolution must be followed.

As of June 30, 2018, the government had the following investments, ratings, and maturities:

Inestment Type	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Arizona State Treaurer's Local Government Investment Pool 5	3,238,594	AAA f/S1+	22 days
Total fair value	**$ 3,238,594**		

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.
(2) Interest rate risk is estimated using the weighted average days to maturity.

5. DEPOSITS AND INVESTMENTS: *(Continued)*

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The government's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35-323). A.R.S. 35-323 requires that the government's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The government's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323). A.R.S. 35-323 limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

Fair value measurements

As noted above, the Town holds investments that are measured at fair value on a recurring basis. The Town categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The state treasurer's pool, as listed above, is valued using quoted prices in active markets (Level 1 inputs).

6. RECEIVABLES:

Intergovernmental receivables consist principally of amounts due from the State of Arizona for various taxes, shared revenues, and highway user revenues. Other Accounts Receivable in the General Fund consists principally of sanitation receivables. Receivables in the proprietary fund are service billings receivable and are shown net of an allowance for doubtful accounts of $10,505.

7. CAPITAL ASSETS:

The following table summarizes the changes to capital assets for governmental activities during the year:

Governmental Activities:	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 1,663,296	$ 53,227	$ (277,606)	$ 1,438,917
Construction in progress	160,601	-	(160,601)	-
Total capital assets, not being depreciated	1,823,897	53,227	(438,207)	1,438,917
Capital assets being depreciated:				
Buildings and improvements	1,892,487	140,287	-	2,032,774
Equipment and vehicles	1,979,958	119,601	-	2,099,559
Infrastructure	3,960,942	668,218	-	4,629,160
Total capital assets being depreciated	7,833,387	928,106	-	8,761,493
Less accumulated depreciation for:				
Buildings and improvements	(981,143)	(59,309)	-	(1,040,452)
Equipment and vehicles	(1,646,751)	(108,528)	-	(1,755,279)
Infrastructure	(1,856,671)	(233,499)	-	(2,090,170)
Total accumulated depreciation	(4,484,565)	(401,336)	-	(4,885,901)
Total capital assets being depreciated, net	3,348,822	526,770	-	3,875,592
Governmental activities capital assets, net	**$ 5,172,719**	**$ 579,997**	**$ (438,207)**	**$ 5,314,509**

Depreciation expense was charged to the functions/programs of the Town as follows:

Governmental Activities:	
General government	$ 32,437
Public safety	42,802
Public works/streets	196,771
Culture & recreation	129,326
Total depreciation expense - government activities	**$ 401,336**

7. CAPITAL ASSETS: *(Continued)*

The following table summarizes the changes to capital assets for business-type activities during the year:

Business-Type Activities:	**Balance June 30, 2017**	**Additions**	**Deletions**	**Balance June 30, 2018**
Capital assets, not being depreciated:				
Land	$ 42,314	$ -	$ -	$ 42,314
Total capital assets, not being depreciated	42,314	-	-	42,314
Capital assets being depreciated:				
Buildings and improvements	380,496	32,255	-	412,751
Equipment and vehicles	85,746	-	-	85,746
Infrastructure	4,944,450	12,726	-	4,957,176
Total capital assets being depreciated	5,410,692	44,981	-	5,455,673
Less accumulated depreciation for:				
Buildings and improvements	(248,965)	(10,176)	-	(259,141)
Equipment and vehicles	(82,747)	(999)	-	(83,746)
Infrastructure	(2,855,668)	(141,179)	-	(2,996,847)
Total accumulated depreciation	(3,187,380)	(152,354)	-	(3,339,734)
Total capital assets being depreciated, net	2,223,312	(107,373)	-	2,115,939
Business-type activities capital assets, net	**$ 2,265,626**	**$ (107,373)**	**$ -**	**$ 2,158,253**

Depreciation expense was charged to the functions/programs of the Town as follows:

Business-Type Activities:	
Utility enterprise fund	$ 152,354
Total depreciation expense - business-type activities	**$ 152,354**

8. LONG-TERM DEBT:

The following is a summary of changes in long-term obligations for the year ended June 30, 2018:

Governmental Activities:	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Current Portion
Revenue Bonds - Series 2013A	$ 1,090,000	$ -	$ (165,000)	$ 925,000	$ -
Loans payable					
GADA loan	380,000	-	(35,000)	345,000	35,000
Premium on GADA loan	7,249	-	(820)	6,429	-
Total loans payable	387,249	-	(35,820)	351,429	35,000
Capital leases	57,736	-	(28,027)	29,709	29,709
Accrued compensated absences	94,725	26,727	-	121,452	121,452
Net pension liability	3,094,873	-	(201,479)	2,893,394	-
Total other long-term debt	3,247,334	26,727	(229,506)	3,044,555	151,161
Total governmental activities	4,724,583	26,727	(430,326)	4,320,984	186,161
Business-Type Activities:					
Revenue Bonds - Series 2013B	$ 200,000	$ -	$ (40,000)	$ 160,000	$ -
Accrued compensated absences	3,949	1,170	-	5,119	5,119
Net pension liability	282,332	-	(18,378)	263,954	-
Total business-type activities	486,281	1,170	(58,378)	429,073	5,119
Total long-term liabilities	**$ 5,210,864**	**$ 27,897**	**$ (488,704)**	**$ 4,750,057**	**$ 191,280**

For governmental activities, compensated absences and the net pension liability are generally liquidated by the general fund.

8. LONG-TERM DEBT: *(Continued)*

The following is a listing of long-term debt outstanding as of June 30, 2018:

Loans Payable:	
Governmental Activities:	
Greater Arizona Development Authority (GADA) loan, due in annual principal and semi-annual interest installments ranging from $35,000 to $50,000, bearing interest at 4.0% to 5.0% maturing August 1, 2026.	$ 345,000
Total loans payable	345,000
Bonds Payable:	
Governmental Activities:	
Excise Tax Revenue Bond, Series 2013A, due in annual principal and semi-annual interest installments ranging from $165,000 to $200,000, bearing interest at 2.06% to 5.0%, maturing July 1, 2023.	925,000
Business-Type Activities:	
Excise Tax Revnue Bond, Series 2013B, due in annual principal and semi-annual interest installments of $40,000, bearing interest at 1.3% to 3.07%, maturing July 1, 2022.	160,000
Total bonds payable	1,085,000
Leases Payable:	
Leases payable in annual installments through October 3, 2018 bearing interet at 6.0%.	29,709
Total leases payable	29,709
Accrued Compensated Absences	126,571
Bond Premiums and Discounts, net	6,429
Net Pension Liability	3,075,469
Total Long-term Debt	4,668,178
Less Current Portion:	
Business-type Activities	(5,119)
Governmental-type Activities	(186,161)
Total net position	**$4,476,898**

8. LONG-TERM DEBT: *(Continued)*

Long-term debt service requirements to maturity are as follows:

Fiscal Year Ending	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2019	$ 35,000	$ 61,571	$ -	$ -
2020	205,000	54,011	40,000	3,902
2021	215,000	45,378	40,000	2,898
2022	225,000	35,665	40,000	1,800
2023	235,000	24,879	40,000	614
2024-2028	355,000	24,359	-	-
Total	**$ 1,270,000**	**$ 245,863**	**$ 160,000**	**$ 9,214**

9. CAPITAL LEASES:

The Town has entered into lease agreements that are considered capital leases in accordance with Financial Accounting Standards Board ASC 840-30-25. The lease is shown in the governmental activities of the government-wide statements. The total amount of equipment capitalized under the lease is $127,253 and accumulated depreciation is $44,539. Amortization on the asset is included in depreciation expense.

The following is an annual schedule of future minimum lease payments with an interest rate of 6.0% under the capital lease, together with the present value of net minimum lease payments:

Year Ending June 30	
2019	$ 31,492
Total remaining minimum lease payments	31,492
Less amount representing interest	(1,783)
Present value of net remaining minimum lease payments	**$ 29,709**

10. INTERFUND RECEIVABLES, PAYABLES AND TRANSFER:

As of June 30, 2018, interfund receivables and payable that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	$ -	$ 13,763
Nonmajor funds	13,763	-
Total	**$ 13,763**	**$ 13,763**

Interfund balances resulted from the time lag between the dates that (1) Interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers for the fiscal year ended June 30, 2018 are as follows:

	Transfers Out		
Transfers In	General Fund	Nonmajor Funds	Total
General Fund	$ -	$ -	$ -
Nonmajor Funds	278,772	-	278,772
Total	**$ 278,772**	**$ -**	**$ 278,772**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The Town transferred $278,772 out of the general fund into the debt service fund during the fiscal year to provide resources for debt service payments.

11. WASTE BILLING AGREEMENT:

The government has entered into an agreement with a privately-owned waste disposal company whereby the government bills and collects disposal customers for services provided. The government receives ten percent of the collections and remits the balance to the disposal company. These amounts are recorded in the general fund.

12. RETIREMENT AND PENSION PLANS:

The Town contributes to the Arizona State Retirement System and Public Safety Personnel Retirement System plans described below. The plans are component units of the State of Arizona. At June 30, 2018, the Town reported the following aggregate amounts related to pensions and OPEB for plans to which it contributes:

Statement of Net position and Statement of Activities	ASRS	PSPRS	Combined Total	Governmental Activities	Business-Type Activities
Net pension and OPEB (assets) liabilities	$1,864,693	$1,210,776	$3,075,469	$ 2,818,360	$ 257,109
Deferred outflows of resources	$ 303,605	$ 449,261	$ 752,866	$ 711,458	$ 41,408
Deferred inflows of resources	$ 122,707	$ 462,807	$ 585,514	$ 538,614	$ 46,900
Pension and OPEB expense	$ 47,454	$ 224,952	$ 272,406	$ 250,450	$ 21,956

The Town reported $272,406 of pension expenditures in all funds and $250,450 in governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description – The Town employees not covered by other pension plan described below participate in the Arizona State Retirement Systems (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 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.

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

12. RETIREMENT AND PENSION PLANS: *(Continued)*

	Initial Membership Date Before July 1, 2011	Initial Membership Date 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 consecutive months of last 120 months	Highest 60 consecutive 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 Benefits – Health insurance premiums 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 $150 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.

12. RETIREMENT AND PENSION PLANS: *(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, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.50 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.50 percent (10.90 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 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 9.49 percent (9.26 percent for retirement, 0.10 percent for health insurance premium benefit, and 0.13 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 for the current fiscal year, which were equal to the required contributions, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2018	$ 125,869	$ 6,539	$ 1,635

Pension liability – At June 30, 2018, the Town reported a liability of $1,864,693 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2018 reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The Town's proportion measured as of June 30, 2017, was .01197%, which was an increase of 0.00070 percent from its proportion measured as of June 30, 2016.

12. RETIREMENT AND PENSION PLANS: *(Continued)*

Pension expense and deferred outflows/ inflows of resources – For the year ended June 30, 2018; the Town recognized pension expense for ASRS of $47,454. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 55,914
Changes in assumptions	80,988	55,758
Net difference between projected and actual earnings on pension plan investments	13,387	-
Changes in proportion and differences between contributions and proportional share of contributions	83,361	11,035
Contributions subsequent to the measurement date	125,869	-
Total	**$ 303,605**	**$ 122,707**

The $125,869 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ended June 30,	Retirement Fund
2018	$ (45,995)
2019	113,971
2020	29,947
2021	(42,893)
2022	-
	$ 55,030

12. RETIREMENT AND PENSION PLANS: *(Continued)*

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

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actual cost method	Entry Age Normal
Investment rate of return	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2016, valuation was based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.70 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	58%	6.73%	3.87%
Fixed Income	25%	3.70%	0.91%
Commodities	2%	3.84%	0.08%
Multi-asset	5%	3.41%	0.17%
Real Estate	10%	4.25%	0.42%
Total	100%		5.45%
	Inflation		3.25%
	Expected arithmetic nominal return		8.70%

12. RETIREMENT AND PENSION PLANS: *(Continued)*

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.70 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of the net pension liability (asset)	$ 2,393,366	$ 1,864,693	$ 1,422,942

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

Public Safety Personnel Retirement System (PSPRS)

Plan description – Town police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement (PSPRS). The PSPRS administers agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium (OPEB) plan (agent plans) A nine-member board, known as the Board of Trustees, and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

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

Benefits provided – The PSPRS 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 monthly compensation, and service credit as follows:

12. RETIREMENT AND PENSION PLANS: *(Continued)*

	Initial Membership Date Before January 1, 2012	Initial Membership Date On or After January 1, 2012 and On or Before June 30, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	Between 15 to 25 years, age 52.5 25 years, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years months
Benefit percent		
Normal Retirement	50% less 4.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	Average monthly benefit compensation times multiplier that varies from 1.5% to 2.5% OR 62% less 4% for each year of credited service below 25 years OR 2.5% for each year of credited service over 25 years not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability	90% for the first 60 months then reduced to either 62.5% or normal retirement, which ever is greater	
Retirement Ordinary Disability	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credit service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Employees who become a member on or after July 1, 2017 will have a choice of enrolling in the defined benefit plan or in a new defined contribution plan. Benefits are available on the

12. RETIREMENT AND PENSION PLANS: *(Continued)*

PSPRS website. Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. In addition, Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees covered by benefit terms – At June 30, 2018, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS - Police	
	Pension	OPEB
Inactive employees or beneficiaries currently receiving benefits	4	4
Inactive employees entitled to but not yet receiving benefits	6	0
Active employees	9	9
Total	19	13

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for 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. For the year ended June 30, 2018, active PSPSR members were required by statute to contribute 11.65 percent of their annual covered salary to the PSPRS and the Town was required to contribute 30.23 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statue. The health insurance premium portion of the contribution rate was actuarially set at 0.00 percent.

In addition, statute required the Town to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to PSPRS would typically fill.

The Town's contributions to the pension and OPEB plans for the year ended June 30, 2018, were:

Pension-	
Contributions made	$125,869
Health insurance premium benefit-	
Contributions made	$ 6,539
Long-term disability-	
Contributions made	$ 1,635

12. RETIREMENT AND PENSION PLANS: *(Continued)*

Pension/OPEB liability (asset) – At June 30, 2018, the Town reported a net pension/OPEB liability (and asset) as follows:

	Net Pension/OPEB (asset) liability 2017
Pension	$ 1,292,655
Health insurance premium benefit	$ (81,879)

The net pension and OPEB (assets) liabilities measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results on an actuarial experience study for the 5-year period ended June 30, 2017. The change in the Town's net pension and OPEB (assets) liabilities as a result of these changes is not known.

Pension actuarial assumptions – The significant actuarial assumptions used to measure the total pension and OPEB (asset) liability are as follows:

Actuarial valuation date	June 30, 2017
Actual cost method	Individual Entry Age Normal
Investment rate of return	7.40%
Projected salary increases	3.5% to 7.5% (Not applicable for OPEB)
Inflation	2.5% (Not applicable for OPEB)
Permanent benefit increase	Included (Not applicable for OPEB)
Mortality rates	RP-2014 mortality tables projected backwards 1 year to 2013 with MP-2014 (110% of female healthy annuitant mortality table). Future mortality improvements are assumed each year using 75% of scale MP-2016.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

12. RETIREMENT AND PENSION PLANS: *(Continued)*

The long-term expected rate of return on PSPRS pension and OPEB plan investments was determined to be 7.40 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension and OPEB plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of geometrical real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. equity	16.00%	7.60%
Non-U.S. equity	14.00%	8.70%
Private equity	12.00%	6.75%
Fixed Income	5.00%	1.25%
Credit opportunities	16.00%	5.83%
Absolute return	2.00%	3.75%
GTAA	10.00%	3.96%
Real assets	9.00%	4.52%
Real estate	10.00%	3.75%
Risk parity	4.00%	5.00%
Short term investments	2.00%	0.25%
Total	100.00%	

Discount Rate – At June 30, 2017, the discount rate used to measure the PSPRS total pension and OPEB (assets) liabilities was 7.40 percent, which was a decrease of 0.10 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine this 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 actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension and OPEB (asset) liability.

12. RETIREMENT AND PENSION PLANS: *(Continued)*

Changes in the Net Pension and OPEB Liability (Assets)

	Pension			OPEB		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at June 30, 2017	$ 3,794,308	$ 2,236,194	$ 1,558,114	$ 87,735	$ 137,503	$ (49,768)
Changes for the year:						
Service cost	121,291	-	121,291	2,643	-	2,643
Interest on total liability	283,781	-	283,781	6,664	-	6,664
Changes of benefit terms	41,467	-	41,467	792	-	792
Difference between expected and actual experience in the measurement of the liability	(304,246)	-	(304,246)	(22,695)	-	(22,695)
Changes of assumptions	67,732	-	67,732	(3,483)	-	(3,483)
Contributions - employer	-	149,797	(149,797)	-	-	-
Contributions - employee	-	60,602	(60,602)	-	-	-
Net investment income	-	267,825	(267,825)	-	16,176	(16,176)
Benefit payments, includng refunds of employee contributions	(142,410)	(142,410)	-	(413)	(413)	-
Plan administrative expenses	-	(2,770)	2,770	-	(144)	144
Other changes*	-	30	(30)	-	-	-
Net changes	67,615	333,074	(265,459)	(16,492)	15,619	(32,111)
Balances at June 30, 2018	**$ 3,861,923**	**$ 2,569,268**	**$ 1,292,655**	**$ 71,243**	**$ 153,122**	**$ (81,879)**

Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

Sensitivity of the proportionate share of the net pension liability (asset) to changes in the discount rate – The following table presents the Town's net pension and OPEB liability (asset) calculated using the discount rate noted above (7.40 percent), as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate:

	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
Proportionate share of the Net pension (asset)/liability	$ 1,821,876	$ 1,292,655	$ 866,188
Proportionate share of the OPEB (asset)/liability	$ (71,920)	$ (81,879)	$ (90,090)

12. RETIREMENT AND PENSION PLANS: *(Continued)*

Pension and OPEB plan fiduciary net position – Detailed information about the pension and OPEB plan's fiduciary net position is available in the separately issued PSPRS financial report.

Pension and OPEB expense and deferred outflows/in-flows of resources – For the year ended June 30, 2018, the Town recognized pension and OPEB expense for PSPRS of $218,760 and OPEB expenses of $3,868 and $2,324 for health insurance benefit and long-term disability, respectively. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 440,307	$ -	$ 19,506
Changes in assumptions	244,414	-	-	2,994
Net differences between projected and actual earnings on pension plan investments	31,470	-	4,707	-
Contributions subsequent to the measurement date	168,670	-	-	-
Balances at June 30, 2018	**$ 444,554**	**$ 440,307**	**$ 4,707**	**$ 22,500**

12. RETIREMENT AND PENSION PLANS: *(Continued)*

The $168,670 reported as deferred outflows of resources related to PSPRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources	
	Pension	OPEB
2019	$ 244	$ 4,855
2020	(34,162)	4,855
2021	(40,813)	4,855
2022	(63,673)	4,854
2023	(26,019)	3,678
Thereafter	-	4,110
	$ (164,423)	**$ 27,207**

Beginning Net Position Restatement – The implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions,* represents a change in accounting principle. Net position as of July 1, 2017, has been restated as follows for this change in accounting principle:

	Statement of Activities
Net position, June 30, 2017, as previously reported	$ 5,478,150
Net OPEB asset	49,168
Net position, July 1, 2017, as restated	**$ 5,527,318**

13. RISK MANAGEMENT:

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The government's insurance protection is provided by the Arizona Municipal Risk Retention Pool, which provides a comprehensive municipal coverage program including property, general liability, public official's liability, automobile liability, and physical damage, bonds, and crime, of which the government is a participating member. The basic coverage program is standard for all participants and deemed to be appropriate by the governing board of the AMRRP. Individual limits are determined by the Council and staff.

The limit for basic coverage is for $13,000,000 per occurrence on a claims made basis. The Arizona Municipal Risk Retention Pool is structured such that member's premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its member's additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

14. CONTINGENT LIABILITIES AND COMMITMENTS:

The government is a party to a number of legal actions arising in the ordinary course of its operations. In the opinion of government management, the government has adequate legal defenses regarding each of these actions and does not believe that they will have a material adverse effect on the government's financial position at June 30, 2018.

15. SUBSEQUENT EVENTS:

The date through which subsequent events have been evaluated is June 3, 2019, the date in which the financial statements were available for issuance.

REQUIRED SUPPLEMENTAL INFORMATION

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

TOWN OF PARKER, ARIZONA

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS STRATEGISTS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COST SHARING PENSION PLANS

JUNE 30, 2018

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.119700%	0.011270%	0.011180%	0.012245%
Proportionate share of the net pension liability (asset)	$1,864,693	$1,819,091	$1,742,209	$1,811,908
Covered employee payroll	$1,167,616	$1,086,293	$1,127,705	$1,069,342
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	159.70%	167.46%	154.49%	169.44%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%

Note: In accordance with GASB68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension plan schedules.

TOWN OF PARKER, ARIZONA

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS STRATEGISTS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS – AGENT PENSION PLANS

JUNE 30, 2018

	REPORTING FISCAL YEAR (MEASUREMENT DATE)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total Pension Liability				
Service Cost	$ 121,291	$ 115,482	$ 106,079	$ 113,071
Interest on total pnesion liability	283,781	276,470	267,315	222,131
Changes of benefit terms	41,467	36,714	-	77,023
Difference between expected and actual experience of the total net pension liability	(304,246)	(179,504)	(120,259)	(117,780)
Changes of assumptions	67,732	152,177	-	430,537
Benefit payments, including refunds of employee contributions	(142,410)	(142,410)	(140,003)	(151,789)
Net change in total pension liability	67,615	258,929	113,132	573,193
Total pension liability - beginning	3,794,308	3,535,379	3,422,247	2,849,054
Total pension liability - ending (a)	**$ 3,861,923**	**$ 3,794,308**	**$ 3,535,379**	**$ 3,422,247**
Plan fiduciary net position				
Contributions - employer	$ 149,797	$ 170,633	$ 105,408	$ 102,938
Contributions - employee	60,602	69,385	62,615	57,280
Net investment income	267,825	12,736	76,660	254,035
Benefit payments, including refunds of employee contributions	(142,410)	(142,410)	(140,003)	(151,789)
Pension plan adminstrative expense	(2,770)	(2,233)	(2,247)	-
Other (net transfer)	30	(39,381)	(1,662)	(48,346)
Net change in plan fiduciary net position	333,074	68,730	100,771	214,118
Total pension liability - beginning	2,236,194	2,167,464	2,066,693	1,852,575
Total pension liability - ending (b)	**$ 2,569,268**	**$ 2,236,194**	**$ 2,167,464**	**$ 2,066,693**
Net pension liability - ending (a) - (b)	**$ 1,292,655**	**$ 1,558,114**	**$ 1,367,915**	**$ 1,355,554**

Note: In accordance with GASB68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension plan schedules.

TOWN OF PARKER, ARIZONA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS

JUNE 30, 2018

Arizona State Retirement System

	REPORTING FISCAL YEAR (MEASUREMENT DATE)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Actuarially determined contribution	$ 125,869	$ 114,504	$ 112,188	$ 118,111
Actual contributions	125,869	114,504	112,188	118,111
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$1,167,616	$1,086,293	$1,127,705	$1,069,342
Actual Contributions as a percentage of covered employee payroll	10.78%	10.54%	9.95%	11.05%

Note: In accordance with GASB68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

Public Safety Personnel Retirement System

	REPORTING FISCAL YEAR (MEASUREMENT DATE)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Actuarially determined contribution	$ 149,797	$ 170,633	$ 105,408	$ 102,938
Actual contributions	(149,797)	(170,633)	(105,408)	(102,938)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 528,502	$ 595,471	$ 558,439	$ 544,041
Actual Contributions as a percentage of covered employee payroll	28.34%	28.66%	18.88%	18.92%

Note: In accordance with GASB68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension plan schedules.

TOWN OF PARKER, ARIZONA

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS STRATEGISTS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET) AND RELATED RATIOS

JUNE 30, 2018

	Reporting Fiscal Year (Measurement Date) 2018 (2017)
Total Pension Liability	
Service Cost	$ 2,643
Interest on total pnesion liability	6,664
Changes of benefit terms	792
Difference between expected and actual experience of the total net pension liability	22,695
Changes of assumptions	(3,483)
Benefit payments, including refunds of employee contributions	(413)
Net change in total pension liability	(16,492)
Total pension liability - beginning	87,735
Total pension liability - ending (a)	**$ 71,243**
Plan fiduciary net position	
Contributions - employer	$ -
Contributions - employee	-
Net investment income	16,176
Benefit payments, including refunds of employee contributions	(413)
Pension plan adminstrative expense	(144)
Other (net transfer)	-
Net change in plan fiduciary net position	15,619
Total pension liability - beginning	137,503
Total pension liability - ending (b)	**$ 153,122**
Net pension liability - ending (a) - (b)	**$ (81,879)**
Plan fiduciary net position as a percentage of the total OPEB liability	214.93%
Covered payroll	$ 528,502
Net OPEB liability as a percentage of covered valuation payroll	(15.49%)

See accompanying notes to pension plan schedules.

TOWN OF PARKER, ARIZONA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS

JUNE 30, 2018

	REPORTING FISCAL YEAR (MEASUREMENT DATE)
	2018 (2017)
Actuarially determined contribution	$ -
Actual contributions	-
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 528,502
Actual Contributions as a percentage of covered employee payroll	0.00%

See accompanying notes to pension plan schedules.

1. ACTUARIALLY DETERMINED CONTRIBUTION RATES:

Actuarially 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	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed excess
Remaining Amortization Period	21 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2015 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2015 actuarial valuation, the projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%.
Wage growth	In the 2015 actuarial valuation, wage growth was decreased from 4.5% to 4.0%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females)

TOWN OF PARKER, ARIZONA

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS STRATEGISTS

JUNE 30, 2018

Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	Unfunded AAL as a Percentage of Covered Payroll [(b)-(a)]/(c)
2015	$ 140,327	$ 77,595	$ (62,732)	180.85%	$ 558,439	0.00%
2016	$ 149,116	$ 87,735	$ (61,381)	169.96%	$ 595,574	0.00%
2017	$ 158,677	$ 71,243	$ (87,434)	222.73%	$ 528,502	0.00%
2018	$ 165,442	$ 76,288	$ 89,154	216.86%	$ 428,540	0.00%

BUDGETARY COMPARISON SCHEDULES FOR THE FOLLOWING MAJOR FUNDS:

General Fund

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for a particular purpose.

- *The Highway User Revenue Fund* is used to account for revenue sources that are legally restricted for road construction and maintenance.

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Taxes	$ 1,459,000	$ 1,459,000	$ 1,637,352	$ 178,352
Licenses and permits	91,200	91,200	75,842	(15,358)
Intergovernmental revenue	901,558	901,558	975,863	74,305
Charges for services	39,000	39,000	26,596	(12,404)
Fines and forfeits	109,900	109,900	86,576	(23,324)
Investment earnings	6,005	6,005	48,083	42,078
Sanitation revenue	190,000	190,000	186,855	(3,145)
Miscellaneous earnings	1,378,900	1,378,900	57,569	(1,321,331)
Total revenues	$ 4,175,563	$ 4,175,563	$ 3,094,736	$(1,080,827)
EXPENDITURES				
Current				
General government				
Mayor and town council	$ 38,300	$ 38,300	$ 35,501	$ 2,799
Magistrate	136,422	136,422	108,151	28,271
Town office	272,220	272,220	316,198	(43,978)
Attorney	150,000	150,000	110,556	39,444
Building maintenance	99,282	99,282	64,682	34,600
Finance	220,345	220,345	160,258	60,087
Elections	10,250	10,250	583	9,667
Outside agencies	2,000	2,000	2,000	-
Total general government	928,819	928,819	797,929	130,890
Public safety				
Police	1,216,025	1,216,025	1,158,916	57,109
Building regulation and inspection	107,670	107,670	94,289	13,381
Animal control	65,455	65,455	34,868	30,587
Total public safety	1,389,150	1,389,150	1,288,073	101,077
Public works				
Waste collection and disposal	182,500	182,500	181,177	1,323
Cemetery	108,397	108,397	103,406	4,991
Total public works	$ 290,897	$ 290,897	$ 284,583	$ 6,314

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Culture and Recreation				
Parks	$ 209,227	$ 209,227	$ 222,224	$ (12,997)
Swimming pool	7,600	7,600	4,410	3,190
Library	214,526	214,526	182,624	31,902
Other recreation	19,500	19,500	9,239	10,261
Senior citizens	87,360	87,360	74,459	12,901
Total culture and recreation	538,213	538,213	492,956	45,257
Debt Service				
Principal	30,000	30,000	31,492	(1,492)
Total debt service	30,000	30,000	31,492	(1,492)
				-
Contingencies	259,983	259,983	166,538	93,445
Capital outlay	85,566	85,566	40,347	45,219
Total expenditures	3,522,628	3,522,628	3,101,918	420,710
Excess of revenues over (under) expenditures	652,935	652,935	(7,182)	(660,117)
Other Financing Sources (Uses):				
Sale of capital assets	1,300,000	1,300,000	298,267	(1,001,733)
Transfers out	(1,380,000)	(1,380,000)	(278,772)	1,101,228
Transfers in	-	-	-	-
Total other financing sources	(80,000)	(80,000)	19,495	99,495
NET CHANGE IN FUND BALANCE	572,935	572,935	12,313	(560,622)
Fund balance, beginning of year	3,152,842	3,152,842	1,503,731	(1,649,111)
Fund balance, end of year	**$ 3,725,777**	**$ 3,725,777**	**$ 1,516,044**	**$(2,209,733)**

TOWN OF PARKER, ARIZONA

HIGHWAY USER REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenue	$1,192,008	$ 1,192,008	$ 1,255,836	$ 63,828
Miscellaneous earnings	-	-	26,814	26,814
Total revenues	1,192,008	1,192,008	1,282,650	90,642
EXPENDITURES				
Current				
Public works	671,556	671,556	696,500	(24,944)
Contingencies	605,752	605,752	12,531	593,221
Capital outlay	916,200	916,200	610,769	305,431
Total expenditures	2,193,508	2,193,508	1,319,800	873,708
Excess of revenue and other sources over (under) expenditures and other uses	(1,001,500)	(1,001,500)	(37,150)	964,350
Other Financing Sources (Uses):				
Total other financing sources (uses):	-	-	-	-
Net change in fund balance	(1,001,500)	(1,001,500)	(37,150)	964,350
Fund balance, beginning of year	1,670,739	1,670,739	2,539,899	869,160
Fund balance, end of year	**$ 669,239**	**$ 669,239**	**$ 2,502,749**	**$ 1,833,510**

SUPPLEMENTARY INFORMATION COMBINING STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- Bed Tax Fund – This fund is used to account for the receipts and expenses of bed taxes.
- Local Transportation Assistance – This fund is used to account for the government's portion of the State lottery distributions that are restricted for use for highways and streets.
- School Resource Officer Fund – This fund is used to account for grant money spent on expenses relating to the officer covering schools.
- Police Grant Fund – This fund is used to account for police grants and related expenses.
- Library Grant C-070 Fund – This fund is used to account for grants and donations received to be spent on library related expenses.
- Congregate Meals Fund – This fund is used to account for revenues and expenditures related to congregate meals for senior center.
- Home Delivered Meals Fund – This fund is used to account for grants received to assist in home delivered meals to senior citizens.
- Health Department Fund – This fund is used to account for revenues and expenditures related to providing employment for the healthy people healthy communities project.

Capital Project Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

- Impact Fee Fund – This fund is used to account for revenues and expenditures that are restricted to the development of Parker South.
- GADA Fund – This fund is used to account for improvements for Parker South.
- CDBG Fund – This fund is used to account for CDBG funding and other related grants.

Debt Service Fund

- Debt Service Fund – This fund accounts for the accumulation of resources for, and the payment of current and future debt service requirements for governmental debt principal and interest.

TOWN OF PARKER, ARIZONA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	SPECIAL REVENUE				
	Bed Tax Fund	Local Transportation Assistance Fund	School Resource Officer Fund	Police Grant Fund	Library Grant C-070 Fund
ASSETS:					
Cash	$ 108,439	$ -	$ 3,385	$ 11,030	(11,381)
Cash held by trustee	-	-	-	-	-
Due from other governments	-	-	1,410	-	-
Due from other funds	-	-	-	-	13,712
Total assets	$ 108,439	$ -	$ 4,795	$ 11,030	$ 2,331
Liabilities:					
Accounts payable	$ 10,499	$ -	$ -	$ -	2,277
Accrued payroll and related taxes	-	-	519	-	54
Accrued interest	-	-	-	-	-
Due to other funds	-	-	-	-	-
Matured debt principal payable	-	-	-	-	-
Total current liabilities	10,499	-	519	-	2,331
Fund Balances:					
Restricted For:					
Tourism	97,940	-	-	-	-
Capital projects	-	-	-	-	-
Assigned					
Aging services	-	-	-	-	-
Public safety	-	-	4,276	11,030	-
Library services	-	-	-	-	-
Health Department	-	-	-	-	-
Total fund balances	97,940	-	4,276	11,030	-
Total liabilities and fund balance	**$ 108,439**	**$ -**	**$ 4,795**	**$ 11,030**	**$ 2,331**

TOWN OF PARKER, ARIZONA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018
(Continued)

	SPECIAL REVENUE			CAPITAL PROJECTS				
	Congregate Meals Fund	Home Delivered Meals Fund	Health Department	Impact Fees	GADA Fund	CDBG Fund	Debt Service Fund	Total
ASSETS:								
Cash	$ 143,970	$ 86,961	$ (39,699)	$ 3,404	$ 292,002	19,959	$ 2,416	620,486
Cash held by trustee	-	-	-	-	-	-	232,543	232,543
Due from other governments	-	-	140,497	-	-	-	-	141,907
Due from other funds	-	-	-	-	-	-	51	13,763
Total assets	**$ 143,970**	**$ 86,961**	**$ 100,798**	**$ 3,404**	**$ 292,002**	**$ 19,959**	**$ 235,010**	**$ 1,008,699**
Liabilities:								
Accounts payable	$ 3,150	$ 3,936	$ 10,959	$ -	$ -	5,025	$ -	35,846
Accrued payroll and related taxes	1,124	688	1,158	-	-	-	-	3,543
Accrued interest	-	-	-	-	-	-	35,010	35,010
Due to other funds	-	-	-	-	-	-	-	-
Matured debt principal payable	-	-	-	-	-	-	200,000	200,000
Total current liabilities	4,274	4,624	12,117	-	-	5,025	235,010	274,399
Fund Balances:								
Restricted For:								
Tourism	-	-	-	-	-	-	-	97,940
Capital projects	-	-	-	3,404	292,002	14,934	-	310,340
Assigned								
Aging services	139,696	82,337	-	-	-	-	-	222,033
Public safety	-	-	-	-	-	-	-	15,306
Library services								-
Health Department	-	-	88,681	-	-	-	-	88,681
Total fund balances	139,696	82,337	88,681	3,404	292,002	14,934	-	734,300
Total liabilities and fund balance	**$ 143,970**	**$ 86,961**	**$ 100,798**	**$ 3,404**	**$ 292,002**	**$ 19,959**	**$ 235,010**	**$ 1,008,699**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE				
	Bed Tax Fund	Local Transportation Assistance Fund	School Resource Officer Fund	Police Grant Fund	Library Grant C-070 Fund
REVENUES					
Taxes	$ 127,269	$ -	$ -	$ -	$ -
Intergovernmental revenue	-	-	48,536	20,085	12,634
Miscellaneous earnings	-	-	-	-	9,469
Total revenues	127,269	-	48,536	20,085	22,103
EXPENDITURES					
Current					
General government	105,956	-	-	-	-
Public safety	-	-	50,837	9,055	-
Culture and recreation	-	-	-	-	60,793
Health Department	-	-	-	-	-
Debt services					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	
Capital Outlay					3,058
Total expenditures	105,956	-	50,837	9,055	63,851
Excess of revenues Over (Under) expenditures	21,313	-	(2,301)	11,030	(41,748)
Other Financing Sources (Uses):					
Transfers out	-	-	-	-	-
Transfers in	-	-	-	-	13,712
Total other financing sources	-	-	-	-	13,712
Net change in fund balances	21,313	-	(2,301)	11,030	(28,036)
Fund balance (deficit), beginning of year	76,627	-	6,577	-	28,036
Fund balance (deficit), end of the year	**$ 97,940**	**$ -**	**$ 4,276**	**$ 11,030**	**$ -**

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

	SPECIAL REVENUE			CAPITAL PROJECTS				
	Congregate Meals Fund	Home Delivered Meals Fund	Health Department	Impact Fees	GADA Fund	CDBG Fund	Debt Service Fund	Total
REVENUES								
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	-	127,269
Intergovernmental revenue	122,025	153,561	234,998	-	-	25,359	-	617,198
Miscellaneous earnings	54,806	63,559	-	-	-	-	-	127,834
Total revenues	176,831	217,120	234,998	-	-	25,359	-	872,301
EXPENDITURES								
Current								
General government	-	-	-	-	-	-	-	105,956
Public safety	-	-		-	-	-	-	59,892
Culture and recreation	180,430	208,107	877	-	-	-	-	450,207
Health Department	-	-	145,440	-	-	-	-	145,440
Debt services								
Principal	-	-	-	-	-	-	200,000	200,000
Interest and fiscal charges	-	-	-	-	-	-	65,060	65,060
Capital Outlay	-	-	-	-	-	10,425	-	13,483
Total expenditures	180,430	208,107	146,317	-	-	10,425	265,060	1,040,038
Excess of revenues Over (Under) expenditures	(3,599)	9,013	88,681	-	-	14,934	(265,060)	(167,737)
Other Financing Sources (Uses):								
Transfers out	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	265,009	278,721
Total other financing sources	-	-	-	-	-	-	265,009	278,721
Net change in fund balances	(3,599)	9,013	88,681	-	-	14,934	-	111,035
Fund balance (deficit), beginning of year	143,295	73,324	-	3,404	292,002	-	-	623,265
Fund balance (deficit), end of the year	**$ 139,696**	**$ 82,337**	**$ 88,681**	**$ 3,404**	**$ 292,002**	**$ 14,934**	**$ -**	**$ 734,300**

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

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

The Honorable Mayor and Town Council
Town of Parker, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Parker, Arizona (the Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Parker's basic financial statements, and have issued our report thereon dated June 3, 2019.

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) to determine the 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. We consider the deficiency described in our separate findings and recommendations letter dated June 3, 2019 to be material weaknesses.

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None noted.

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. We consider the deficiency described in our separate findings and recommendations letter dated June 3, 2019 to be a significant deficiency.

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. We identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

2018-01
Significant audit entries were necessary in order to properly present the financial statements in accordance with Generally Accepted Accounting Principles.

2018-02
Based upon test work performed, it was identified that the Town had insufficient written policies and procedures for internal controls and lack of oversight and monitoring of policies and procedures currently in place.

2018-003
The Town maintained inadequate records related to grant revenues and expenditures.

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 determination of financial statement amounts. 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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.

The Wesley Peachtree Group
Certified Public Accountants

June 3, 2019

THE WESLEY PEACHTREE GROUP
CERTIFIED PUBLIC ACCOUNTANTS
AND BUSINESS STRATEGISTS

INDEPENDENT AUDITORS' REPORT ON STATE LEGAL COMPLIANCE

The Honorable Mayor and Town Council
Parker, Arizona

We have audited the basic financial statements of the Town of Parker, Arizona (the Town), for the year ended June 30, 2018, and have issued our report thereon dated June 3, 2019. Our audit also included test work on the Town's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution, including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the Town is responsible for the Town's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The Town has established separate funds to account for Highway User Revenue fund and Local Transportation Assistance funds. Highway user revenue fund monies received by the Town pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the Town's compliance with annual expenditure limitations has been issued separately with the Town's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

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In our opinion, the Town complied, in all material respects, with the requirements identified above for the year ended June 30, 2018.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statues as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

The Wesley Peachtree Group

June 3, 2019

Certified Public Accountants

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