

# TOWN OF PARKER, ARIZONA



**FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016  
WITH REPORT OF  
CERTIFIED PUBLIC ACCOUNTANTS**

TOWN OF PARKER, ARIZONA

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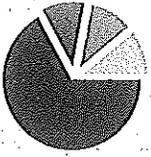
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**Independent Auditors' Report**

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, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Parker, Arizona, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Parker, Arizona'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 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 nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2017, on our consideration of the Town of Parker, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an

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

*Hinton Burdick, PLLC*

HintonBurdick, PLLC

Flagstaff, Arizona

January 25, 2017

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Parker, 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, 2016. Please read it in conjunction with the accompanying basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- Total assets exceed total liabilities (net position) by \$8.5 million at the close of the fiscal year.
- Total net position increased by \$106,382
- Governmental revenues exceeded expenses by \$171,396.
- Business-type expenses exceeded total business-type revenues by (\$65,014).
- Total revenues from all sources were \$5.3 million.
- The total cost of all Town programs was \$5.2 million.
- The general fund reported a change in fund balance of \$256,463.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was 1,054,850 or 38.50% 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. (3) Notes to the financial statements.

#### **Reporting 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.

These two statements report the Town's net position and changes in them. Net position, the difference between assets and liabilities, are 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 2.
- 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 \$8.5 million as of June 30, 2016 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	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Current and other assets	\$ 5,704,102	\$ 5,475,202	\$ 1,492,432	\$ 1,440,962	\$ 7,196,534	\$ 6,916,164
Capital assets	4,356,071	4,779,185	2,418,406	2,570,106	6,774,477	7,349,291
Total assets	<u>10,060,173</u>	<u>10,254,387</u>	<u>3,910,838</u>	<u>4,011,068</u>	<u>13,971,011</u>	<u>14,265,455</u>
Deferred outflows of resources	646,193	639,445	21,587	28,450	667,780	667,895
Long-term liabilities outstanding	4,617,348	4,882,126	480,351	527,349	5,097,699	5,409,475
Other liabilities	442,139	548,725	116,010	103,818	558,149	652,543
Total liabilities	<u>5,059,487</u>	<u>5,430,851</u>	<u>596,361</u>	<u>631,167</u>	<u>5,655,848</u>	<u>6,062,018</u>
Deferred inflows of resources	462,769	450,267	37,086	44,359	499,855	494,626
Net position:						
Net investment in capital assets	2,683,002	2,886,402	2,148,406	2,265,106	4,831,408	5,151,508
Restricted	3,194,723	3,091,154	-	-	3,194,723	3,091,154
Unrestricted	(693,615)	(964,842)	1,150,572	1,098,886	456,957	134,044
Total net position	<u>\$ 5,184,110</u>	<u>\$ 5,012,714</u>	<u>\$ 3,298,978</u>	<u>\$ 3,363,992</u>	<u>\$ 8,483,088</u>	<u>\$ 8,376,706</u>

### Governmental Activities

The cost of all Governmental activities this year was \$4,496,310, a decrease of \$102,304 over last fiscal year. This is primarily due to a decrease in public safety and public works. As shown on the Statement of Changes in Net Position on the following page, \$534,838 of this cost was paid for by those who directly benefited from the programs; \$1,655,114 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 \$2,189,952. General taxes, investment earnings, and other general revenues totaled \$2,477,754.

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.

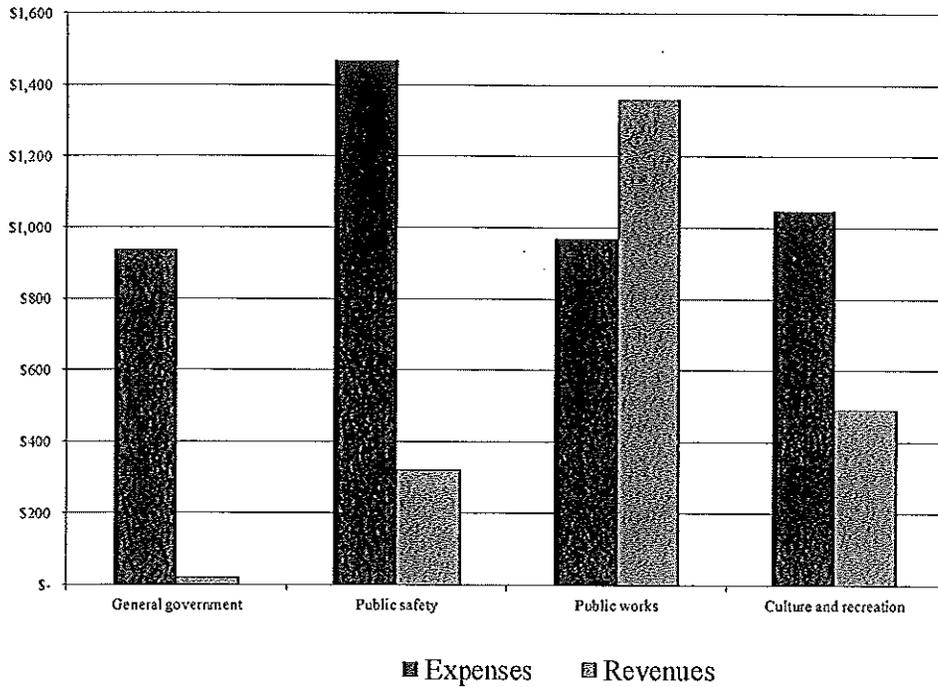
**Town of Parker  
Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 534,838	\$ 513,182	\$ 593,994	\$ 581,987	\$ 1,128,832	\$ 1,095,169
Operating grants and contributions	1,627,784	1,362,302	-	-	1,627,784	1,362,302
Capital grants and contributions	27,330	1,080	-	-	27,330	1,080
<b>General revenues:</b>						
Taxes	1,981,689	1,950,009	-	-	1,981,689	1,950,009
State revenue sharing	371,193	373,216	-	-	371,193	373,216
Other revenue	124,872	94,179	-	-	124,872	94,179
<b>Total revenues</b>	<b>4,667,706</b>	<b>4,293,968</b>	<b>593,994</b>	<b>581,987</b>	<b>5,261,700</b>	<b>4,875,955</b>
<b>Expenses:</b>						
General government	936,912	943,066	-	-	936,912	943,066
Public safety	1,467,836	1,523,598	-	-	1,467,836	1,523,598
Public works	967,084	1,023,394	-	-	967,084	1,023,394
Culture and recreation	1,047,815	1,025,411	-	-	1,047,815	1,025,411
Interest	76,663	83,145	-	-	76,663	83,145
Utility enterprise fund	-	-	659,008	643,168	659,008	643,168
<b>Total expenses</b>	<b>4,496,310</b>	<b>4,598,614</b>	<b>659,008</b>	<b>643,168</b>	<b>5,155,318</b>	<b>5,241,782</b>
(Decrease) / Increase in net position	171,396	(304,646)	(65,014)	(61,181)	106,382	(365,827)
Net position, beginning as restated	5,012,714	7,852,385	3,363,992	3,692,391	8,376,706	11,544,776
Restatement adjustment	-	(2,535,025)	-	(267,218)	-	(2,802,243)
<b>Net position, ending</b>	<b>\$ 5,184,110</b>	<b>\$ 5,012,714</b>	<b>\$ 3,298,978</b>	<b>\$ 3,363,992</b>	<b>\$ 8,483,088</b>	<b>\$ 8,376,706</b>

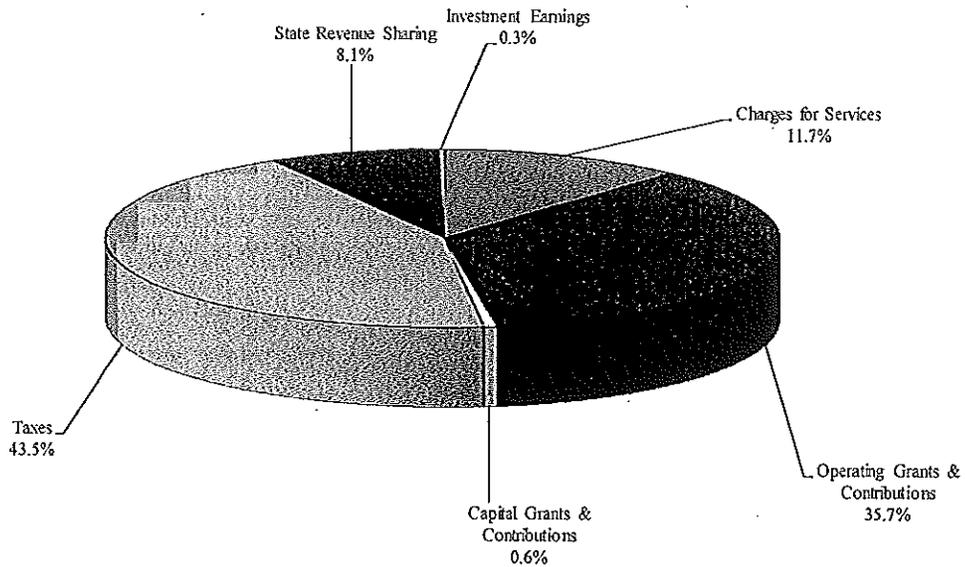
Total resources available during the year to finance governmental operations were \$9.6 million consisting of net position at July 1, 2015 of \$5.0 million, program revenues of \$2.2 million and general revenues of \$2.5 million. Total governmental activities during the year were \$4.5 million; thus governmental net position increased to \$5.2 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)



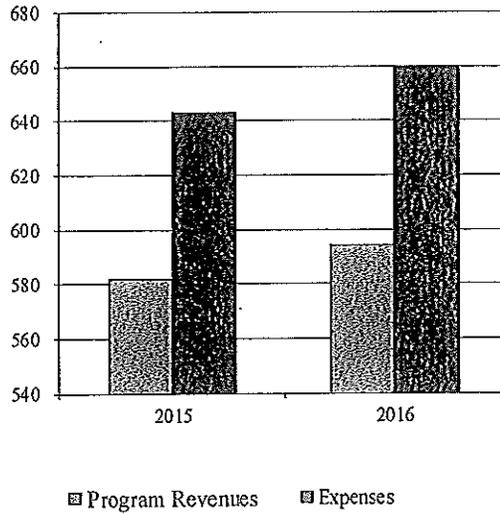
**Revenue By Source - Governmental Activities**



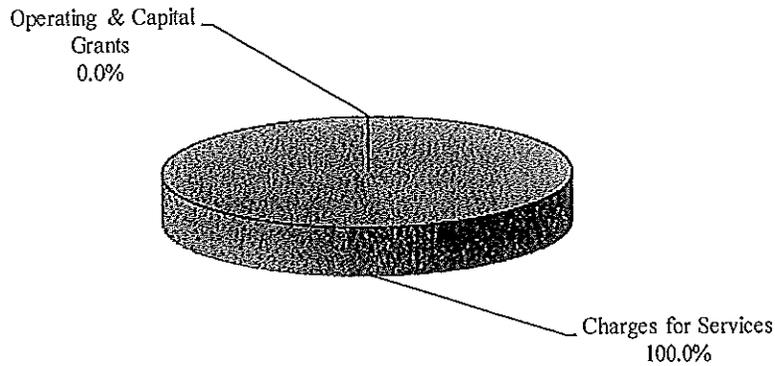
### Business Type Activities

Net position of the business type activities at June 30, 2016, as reflected in the Statement of Net Position were \$3.3 million. The cost of providing all Proprietary (Business Type) activities this year was \$659,008. As shown in the Statement of Changes in Net Position, the amounts paid by users of the system were \$593,994 and there was \$0 subsidized by capital grants and contributions. The net position decreased by (\$65,014).

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



Revenue By Source - Business-type Activities



## **Financial Analysis of the Government's Funds**

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

Governmental funds – The focus of the Town of Parker's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the Town of Parker'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 of Parker's governmental funds reported combined ending fund balances of \$5,261,963, an increase of \$335,155 in comparison with the prior year. Approximately, 20.05% of this total amount, \$1,054,850 constitutes unassigned, which is available for new spending at the government's discretion. The remainder of the fund balance is 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 of Parker. At the end of the current fiscal year, unassigned fund balance in the general fund was \$1,054,850, while total fund balance is \$1,852,842. 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 38.5% of total general fund expenditures, while total fund balance represents 67.63% of the same amount.

During the year, the Town of Parker's general fund balance increased by \$256,463.

The highway user revenue fund has a total fund balance of \$2,732,739, all of which is restricted for road and street construction and improvements. The net increase in the fund balance during the current year was \$91,121. The increase in the fund balance resulted from revenues being accumulated for future projects.

### **General Fund Budgetary Highlights**

The final actual expenditures for the General Fund, excluding transfers, at year-end were \$625,121 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.

## **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 2016, net capital assets of the government activities totaled \$4.4 million and the net capital assets of the business-type activities totaled \$2.4 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

### **Debt**

At year-end, the Town had \$4,617,348 in governmental type debt, and \$480,352 in proprietary debt. The debt is a liability of the government and amounts to \$1,668 per capita. During the current fiscal year, the Town's total long term liabilities decreased by \$311,775.

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the Town Budget for fiscal year 2016/2017, 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 of Parker, 1314 11<sup>th</sup> Street, Parker, AZ 85344.

**BASIC FINANCIAL STATEMENTS**

**TOWN OF PARKER, ARIZONA**  
**Statement of Net Position**  
**June 30, 2016**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and investments	\$ 5,198,673	\$ 726,217	\$ 5,924,890
Cash held by trustee	187,314	38,179	225,493
Designated cash and investments:			
Capital replacement	-	558,000	558,000
Receivables (net of allowance)	245,487	66,954	312,441
Inventory	-	53,670	53,670
Restricted cash and investments:			
Customer deposits	72,628	49,412	122,040
Non-depreciable capital assets	1,726,153	42,314	1,768,467
Depreciable capital assets, net	2,629,918	2,376,092	5,006,010
Total assets	<u>10,060,173</u>	<u>3,910,838</u>	<u>13,971,011</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	646,193	21,587	667,780
Total deferred outflows of resources	<u>646,193</u>	<u>21,587</u>	<u>667,780</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	123,814	16,931	140,745
Accrued payroll and related taxes	58,383	11,487	69,870
Customer deposits	72,628	49,413	122,041
Interest payable	27,314	3,179	30,493
Matured bonds payable	160,000	35,000	195,000
<b>Noncurrent liabilities</b>			
Due within one year	109,769	4,737	114,506
Due in more than one year	4,507,579	475,614	4,983,193
Total liabilities	<u>5,059,487</u>	<u>596,361</u>	<u>5,655,848</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	462,769	37,086	499,855
Total deferred inflows of resources	<u>462,769</u>	<u>37,086</u>	<u>499,855</u>
<b>Net Position</b>			
Net investment in capital assets	2,683,002	2,148,406	4,831,408
Restricted for:			
Highways and streets	2,732,739	-	2,732,739
Capital projects and other	461,984	-	461,984
Unrestricted	(693,615)	1,150,572	456,957
Total net position	<u>\$ 5,184,110</u>	<u>\$ 3,298,978</u>	<u>\$ 8,483,088</u>

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

**TOWN OF PARKER, ARIZONA**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 936,912	\$ 20,213	\$ -	\$ -	\$ (916,699)	\$ -	\$ (916,699)
Public safety	1,467,836	254,990	65,160	-	(1,147,686)	-	(1,147,686)
Public works	967,084	199,173	1,160,423	-	392,512	-	392,512
Culture and recreation	1,047,815	60,462	402,201	27,330	(557,822)	-	(557,822)
Interest	76,663	-	-	-	(76,663)	-	(76,663)
Total governmental activities	4,496,310	534,838	1,627,784	27,330	(2,306,358)	-	(2,306,358)
<b>Business-type activities:</b>							
Utility enterprise fund	659,008	593,994	-	-	-	(65,014)	(65,014)
Total business-type activities	659,008	593,994	-	-	-	(65,014)	(65,014)
Total primary government	\$ 5,155,318	\$ 1,128,832	\$ 1,627,784	\$ 27,330			
<b>General Revenues:</b>							
Taxes:							
City sales tax					1,314,820	-	1,314,820
Franchise tax					109,076	-	109,076
Auto lieu tax (unrestricted)					274,007	-	274,007
State sales tax (unrestricted)					283,786	-	283,786
Urban revenue sharing (unrestricted)					371,193	-	371,193
Investment earnings					12,478	-	12,478
Gain on sale of assets					112,394	-	112,394
Total general revenues & transfers					2,477,754	-	2,477,754
Change in net position					171,396	(65,014)	106,382
Net position - beginning					5,012,714	3,563,992	8,376,706
Net position - ending					\$ 5,184,110	\$ 3,298,978	\$ 8,483,088

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

**TOWN OF PARKER, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

Assets	General	Highway User Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash	\$ 1,854,875	\$ 2,648,968	\$ 694,830	\$ 5,198,673
Cash held by trustee	-	-	187,314	187,314
Receivables				
Taxes	76,407	-	-	76,407
Due from other governments	34,395	104,840	9,146	148,381
Other	20,699	-	-	20,699
Due from other funds	7,305	-	-	7,305
Restricted assets - customer deposits	72,628	-	-	72,628
<b>Total assets</b>	<b><u>\$ 2,066,309</u></b>	<b><u>\$ 2,753,808</u></b>	<b><u>\$ 891,290</u></b>	<b><u>\$ 5,711,407</u></b>
<b>Liabilities</b>				
Accounts payable	\$ 100,362	\$ 13,656	\$ 9,796	\$ 123,814
Accrued payroll and related taxes	40,477	7,413	10,493	58,383
Accrued interest	-	-	27,314	27,314
Due to other funds	-	-	7,305	7,305
Customer deposits	72,628	-	-	72,628
Matured debt principal payable	-	-	160,000	160,000
<b>Total liabilities</b>	<b><u>213,467</u></b>	<b><u>21,069</u></b>	<b><u>214,908</u></b>	<b><u>449,444</u></b>
<b>Fund Balances</b>				
Nonspendable				
Bequest fund	9,600	-	-	9,600
Restricted				
Highways	-	2,732,739	-	2,732,739
Public safety	63,592	-	-	63,592
Tourism	-	-	93,386	93,386
Capital projects	-	-	295,406	295,406
Assigned				
Aging services	-	-	262,893	262,893
Public safety	-	-	8,617	8,617
Library services	-	-	16,080	16,080
Budget policy reservation	724,800	-	-	724,800
Unassigned	1,054,850	-	-	1,054,850
<b>Total fund balances</b>	<b><u>1,852,842</u></b>	<b><u>2,732,739</u></b>	<b><u>676,382</u></b>	<b><u>5,261,963</u></b>
<b>Total Liabilities and fund balances</b>	<b><u>\$ 2,066,309</u></b>	<b><u>\$ 2,753,808</u></b>	<b><u>\$ 891,290</u></b>	<b><u>\$ 5,711,407</u></b>

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

**TOWN OF PARKER, ARIZONA**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**  
**For the Year Ended June 30, 2016**

Total governmental fund balances	\$	5,261,963
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 8,435,290	
Accumulated depreciation	<u>(4,079,219)</u>	4,356,071
Some liabilities, including notes payable, bonds payable, and capital leases, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	(1,250,000)	
Loans payable	(415,000)	
Issuance premium	(8,069)	
Compensated absences	(74,769)	
Net pension liability	<u>(2,869,510)</u>	(4,617,348)
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	646,193	
Deferred inflows	<u>(462,769)</u>	183,424
Total net position of governmental activities	\$	<u><u>5,184,110</u></u>

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

**TOWN OF PARKER, ARIZONA**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2016**

REVENUES	General Fund	Highway User Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Taxes	\$ 1,344,344	\$ -	\$ 79,552	\$ 1,423,896
Licenses and permits	127,083	-	-	127,083
Intergovernmental revenue	928,986	1,129,411	381,364	2,439,761
Charges for services	25,863	-	-	25,863
Fines and forfeits	125,203	-	-	125,203
Investment earnings	12,478	-	-	12,478
Sanitation revenue	176,211	-	-	176,211
Miscellaneous earnings	132,462	500	90,085	223,047
<b>Total revenues</b>	<b>2,872,630</b>	<b>1,129,911</b>	<b>551,001</b>	<b>4,553,542</b>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	691,649	-	79,049	770,698
Public safety	1,178,286	-	60,990	1,239,276
Public works	241,658	482,101	9,383	733,142
Culture and recreation	444,189	-	383,017	827,206
<b>Debt service</b>				
Principal	28,894	-	190,000	218,894
Interest and fiscal charges	1,734	-	76,080	77,814
Contingencies	32,855	-	-	32,855
Capital outlay	120,314	556,689	31,499	708,502
<b>Total expenditures</b>	<b>2,739,579</b>	<b>1,038,790</b>	<b>830,018</b>	<b>4,608,387</b>
Excess of revenues Over (Under) expenditures	133,051	91,121	(279,017)	(54,845)
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	390,000	-	-	390,000
Transfers out	(266,588)	-	-	(266,588)
Transfers in	-	-	266,588	266,588
<b>Total other financing     Sources (Uses)</b>	<b>123,412</b>	<b>-</b>	<b>266,588</b>	<b>390,000</b>
<b>Net change in fund balances</b>	<b>256,463</b>	<b>91,121</b>	<b>(12,429)</b>	<b>335,155</b>
Fund balance, beginning of year	1,596,379	2,641,618	688,811	4,926,808
Fund balance, end of year	<u>\$ 1,852,842</u>	<u>\$ 2,732,739</u>	<u>\$ 676,382</u>	<u>\$ 5,261,963</u>

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

**TOWN OF PARKER, ARIZONA**  
**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, 2016**

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

Net change in fund balances - total governmental funds	\$	335,155
<p>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.</p>		
Capital outlay	\$	176,174
Depreciation expense		<u>(321,680)</u>
		(145,506)
<p>Governmental funds report the gross proceeds from the sale of capital assets as revenue. However, in the statement of activities, the gain on the sale of capital assets is reported net of its net book value.</p>		
		(277,606)
<p>Repayment of long-term debt principal is an expenditure in the governmental funds but decreases long-term liabilities in the statement of net position.</p>		
		218,894
<p>Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred are amortized in the statement of activities.</p>		
Amortization of bond premiums and discounts - net		820
<p>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 pensions, is reported in the Statement of Activities.</p>		
Pension contributions	\$	271,330
Pension expense		<u>(232,802)</u>
		38,528
<p>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.</p>		
		779
<p>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.</p>		
		332
Change in net position of governmental activities	\$	<u><u>171,396</u></u>

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

**TOWN OF PARKER, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	<u>Utility Enterprise Fund</u>
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 726,217
Cash held by trustee	38,179
Designated cash:	
Capital replacement	558,000
Accounts receivable, net of allowance	66,954
Inventory	<u>53,670</u>
Total current assets	<u>1,443,020</u>
<b>Noncurrent Assets:</b>	
Restricted cash:	
Customer deposits	49,412
Capital assets, non-depreciable	42,314
Capital assets, depreciable, net	<u>2,376,092</u>
Total noncurrent assets	<u>2,467,818</u>
Total assets	<u>3,910,838</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pensions	<u>21,587</u>
Total deferred outflows of resources	<u>21,587</u>
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Accounts payable	16,931
Accrued payroll and related taxes	11,487
Accrued interest	3,179
Matured debt principal payable	35,000
Customer deposits	49,413
Compensated absences	<u>4,737</u>
Total current liabilities	<u>120,747</u>
<b>Noncurrent liabilities:</b>	
Notes payable	235,000
Net pension liability	<u>240,614</u>
Total noncurrent liabilities	<u>475,614</u>
Total liabilities	<u>596,361</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	<u>37,086</u>
Total deferred inflows of resources	<u>37,086</u>
<b>Net Position</b>	
Net investment in capital assets	2,148,406
Unrestricted - designated for capital reserve	558,000
Unrestricted	<u>592,572</u>
Total net position	<u>\$ 3,298,978</u>

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

**TOWN OF PARKER, ARIZONA**  
**Statement Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<u>Utility Enterprise Fund</u>
<b>Operating Revenues</b>	
Water services	\$ 556,861
Tap and turn-on fees	24,828
Penalties	11,346
Miscellaneous	959
Total operating revenues	<u>593,994</u>
<b>Operating Expenses</b>	
Cost of sales and services	497,542
Depreciation	151,700
Total operating expenses	<u>649,242</u>
Operating income (loss)	<u>(55,248)</u>
<b>Non-operating Revenues (Expenses)</b>	
Interest expense	<u>(9,766)</u>
Total non-operating revenue (expense)	<u>(9,766)</u>
Change in net position	(65,014)
Total net position, beginning of year	<u>3,363,992</u>
Total net position, end of year	<u>\$ 3,298,978</u>

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

**TOWN OF PARKER, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Fund Types**  
**For the Year Ended June 30, 2016**

	Utility Enterprise Fund
<b>Cash Flows From Operating Activities:</b>	
Cash received from customers and users	\$ 599,139
Cash paid to suppliers	(327,040)
Cash paid to employees	(174,412)
Cash flows from operating activities:	97,687
<b>Cash Flows From Capital and Related Financing Activities:</b>	
Principal paid on capital debt	(35,000)
Interest paid on capital debt	(9,994)
Cash flows from capital and related financing activities	(44,994)
Net change in cash and cash equivalents	52,693
Cash and cash equivalents, including restricted cash, beginning of year	1,319,115
<b>Cash and Cash Equivalents, including restricted cash, end of year</b>	<b>\$ 1,371,808</b>
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</b>	
Net operating income/(loss)	\$ (55,248)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:	
Depreciation	151,700
Pension expense	2,031
Employer pension contributions	(15,494)
Changes in operating assets and liabilities:	
(Increase)/Decrease in receivables	1,224
Increase/(Decrease) in accounts payable	2,136
Increase/(Decrease) in accrued payroll and related taxes	6,362
Increase/(Decrease) in customer deposits	3,921
Increase/(Decrease) in compensated absences	1,055
Net cash flows from operating activities	\$ 97,687

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

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 1. Summary of Significant Accounting Policies**

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**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 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 nonexchange 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.

**Reporting entity**

The Town of Parker, Arizona (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 of Parker 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. Due to unavailability of information relating to the Town's joint venture share of profit or losses, a footnote disclosure only has been provided.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**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.

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.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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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.

**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*.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 1.        Summary of Significant Accounting Policies, Continued**

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**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.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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*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.

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 related items reported on the government-wide financial statements. See footnote 11 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 related items reported on the government-wide financial statements. See footnote 11 for more information.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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*Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. 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 consider 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.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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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.

**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.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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**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.

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**Note 2.           Reconciliation of Government-Wide and Fund Financial Statements**

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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 17.

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 19.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 3. Stewardship, Compliance, and Accountability**

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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. 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.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 3. Stewardship, Compliance, and Accountability, Continued**

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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, 2016.

**Deficit fund balances**

At the end of fiscal year June 30, 2016, 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.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 4. Deposits and Investments**

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Deposits and investments of the government at June 30, 2016 consist of the following:

Deposits:	
Cash on hand	\$ 1,920
Cash in bank	3,428,864
Cash held by trustee	225,493
Investments:	
State Treasurer's Investment Pool	<u>3,174,146</u>
Total deposits and investments	<u>\$ 6,830,423</u>

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

Cash and cash equivalents	\$ 5,924,890
Cash held by trustee	225,493
Designated cash - capital replacement (utility fund)	558,000
Restricted cash	<u>122,040</u>
	<u>\$ 6,830,423</u>

**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, 2016 \$0 of the government's bank balance of \$3,683,927 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.

**Cash held by trustee**

As of June 30, 2016, the Town has provided funds of \$225,493 to a bond paying agent. The total amount of \$225,493 represents amounts due for bond payments subsequent to year end.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 4. Deposits and Investments, Continued**

**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, 2016 the government had the following investments, ratings, and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
Arizona State Treasurer's Local Government Investment Pool 5	\$ 3,174,146	AAA f/S1+	22 days
Total fair value	<u>\$ 3,174,146</u>		

(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.

***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.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 4.           Deposits and Investments, Continued**

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*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).

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**Note 5.           Receivables**

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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 \$10,607.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 6. Capital Assets**

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

<b>Governmental Activities:</b>	<u>Balance</u> <u>6/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2016</u>
Capital assets, not being depreciated:				
Land	\$ 1,940,902	\$ -	\$ (277,606)	\$ 1,663,296
Construction in progress	32,408	30,449	-	62,857
Total capital assets, not being depreciated	<u>1,973,310</u>	<u>30,449</u>	<u>(277,606)</u>	<u>1,726,153</u>
Capital assets, being depreciated:				
Buildings and improvements	1,870,140	7,908	-	1,878,048
Equipment and vehicles	1,680,554	117,210	-	1,797,764
Infrastructure	3,012,720	20,606	-	3,033,326
Total capital assets, being depreciated	<u>6,563,414</u>	<u>145,724</u>	<u>-</u>	<u>6,709,138</u>
Less accumulated depreciation for:				
Buildings and improvements	(860,654)	(59,834)	-	(920,488)
Equipment and vehicles	(1,385,699)	(96,935)	-	(1,482,634)
Infrastructure	(1,511,186)	(164,911)	-	(1,676,097)
Total accumulated depreciation	<u>(3,757,539)</u>	<u>(321,680)</u>	<u>-</u>	<u>(4,079,219)</u>
Total capital assets, being depreciated, net	<u>2,805,875</u>	<u>(175,956)</u>	<u>-</u>	<u>2,629,919</u>
Governmental activities capital assets, net	<u>\$ 4,779,185</u>	<u>\$ (145,507)</u>	<u>\$ (277,606)</u>	<u>\$ 4,356,072</u>

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

<b>Governmental Activities:</b>	
General government	\$ 36,735
Public safety	26,848
Public works/streets	140,129
Culture & recreation	<u>117,968</u>
Total depreciation expense - governmental activities	<u>\$ 321,680</u>

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 6. Capital Assets, Continued**

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

<b>Business-Type Activities:</b>	<b>Balance 6/30/2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2016</b>
Capital assets not being depreciated:				
Land	\$ 42,314	\$ -	\$ -	\$ 42,314
Total capital assets, not being depreciated	<u>42,314</u>	<u>-</u>	<u>-</u>	<u>42,314</u>
Capital assets being depreciated:				
Buildings and improvements	380,496	-	-	380,496
Equipment and vehicles	85,746	-	-	85,746
Infrastructure	4,944,450	-	-	4,944,450
Total capital assets, being depreciated	<u>5,410,692</u>	<u>-</u>	<u>-</u>	<u>5,410,692</u>
Less accumulated depreciation for:				
Buildings and improvements	(229,206)	(9,207)	-	(238,413)
Equipment and vehicles	(80,713)	(999)	-	(81,712)
Infrastructure	(2,572,981)	(141,494)	-	(2,714,475)
Total accumulated depreciation	<u>(2,882,900)</u>	<u>(151,700)</u>	<u>-</u>	<u>(3,034,600)</u>
Total capital assets, being depreciated, net	<u>2,527,792</u>	<u>(151,700)</u>	<u>-</u>	<u>2,376,092</u>
Business-type activities capital assets, net	<u>\$ 2,570,106</u>	<u>\$ (151,700)</u>	<u>\$ -</u>	<u>\$ 2,418,406</u>

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

<b>Business-Type Activities:</b>	
Utility enterprise fund	\$ 151,700
Total depreciation expense - business-type activities	<u>\$ 151,700</u>

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 7. Long-Term Debt**

The following is a summary of changes in long-term obligations for the year ended June 30, 2016:

	Balance 6/30/2015	Additions	Retirements	Balance 6/30/2016	Current Portion
<b>Governmental Activities:</b>					
Revenue bonds					
Series 2013A	\$ 1,410,000	\$ -	\$ (160,000)	\$ 1,250,000	\$ -
Loans payable					
GADA loan	445,000	-	(30,000)	415,000	35,000
Premium on GADA loan	8,889	-	(820)	8,069	-
Total loans payable	453,889	-	(30,820)	423,069	35,000
Capital leases	28,894	-	(28,894)	-	-
Accrued compensated absences	75,548	110,692	(111,471)	74,769	74,769
Net pension liability	2,913,795	-	(44,285)	2,869,510	-
Total other long term debt	3,018,237	110,692	(184,650)	2,944,279	74,769
Total Governmental Activities	4,882,126	110,692	(375,470)	4,617,348	109,769
<b>Business-Type Activities:</b>					
Revenue bonds					
Series 2013B	270,000	-	(35,000)	235,000	-
Accrued compensated absences	3,682	3,848	(2,793)	4,737	4,737
Net pension liability	253,667	-	(13,053)	240,614	-
Total Business-Type Activities	\$ 527,349	\$ 3,848	\$ (50,846)	\$ 480,351	\$ 4,737
Total Long-Term Liabilities	\$ 5,409,475	\$ 114,540	\$ (426,316)	\$ 5,097,699	\$ 114,506

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

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 7. Long-Term Debt, Continued**

The following is a listing of long-term debt outstanding as of June 30, 2016:

**Loans Payable:**

**Governmental Activities:**

Greater Arizona Development Authority (GADA) loan, due in annual principal and semi-annual interest installments ranging from \$30,000 to \$50,000, bearing interest at 4.0% to 5.0%, maturing August 1, 2026.	<u>\$ 415,000</u>
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Total Loans Payable	<u>415,000</u>
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**Bonds Payable:**

**Governmental Activities:**

Excise Tax Revenue Bond, Series 2013A, due in annual principal and semi-annual interest installments ranging from \$155,000 to \$200,000, bearing interest at 2.06% to 5.0%, maturing July 1, 2023.	1,250,000
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**Business-Type Activities:**

Excise Tax Revenue Bonds, Series 2013B, due in annual principal and semi-annual interest installments ranging from \$35,000 to \$40,000, bearing interest at 1.3% to 3.07%, maturing July 1, 2022.	<u>235,000</u>
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Total Bonds Payable	1,485,000
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Accrued Compensated Absences	79,506
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Bond Premiums and Discounts, net	8,069
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Net Pension Liability	<u>3,110,124</u>
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Total Long-Term Debt	5,097,699
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Less Current Portion:

Business-type Activities	(4,737)
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Governmental-type Activities	<u>(109,769)</u>
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Net Long-Term Debt	<u><u>\$ 4,983,193</u></u>
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**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 7. Long-Term Debt, Continued**

Long term debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 35,000	\$ 72,887	\$ -	\$ 6,093
2018	195,000	67,327	35,000	5,513
2019	200,000	60,697	40,000	4,790
2020	210,000	53,137	40,000	3,902
2021	215,000	44,379	40,000	2,898
2022	225,000	34,666	40,000	1,800
2023	240,000	23,880	40,000	614
2024	245,000	12,250	-	-
2025	50,000	5,000	-	-
2026	50,000	2,500	-	-
Total	<u>\$ 1,665,000</u>	<u>\$ 376,723</u>	<u>\$ 235,000</u>	<u>\$ 25,610</u>

**Note 8. Interfund Receivables, Payables and Transfers**

As of June 30, 2016, interfund receivables and payable that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 7,305	\$ -
Nonmajor funds	-	7,305
Total	<u>\$ 7,305</u>	<u>\$ 7,305</u>

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.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 8. Interfund Receivables, Payables and Transfers, continued**

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Interfund transfers for the fiscal year ended June 30, 2016 are as follows:

<u>Transfer in</u>	<u>Transfers out</u>
	<u>General fund</u>
Nonmajor funds	<u>266,588</u>
Total	<u>\$ 266,588</u>

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 \$266,080 out of the general fund into the debt service fund during the fiscal year to provide resources for debt service payments.

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**Note 9. Waste Billing Agreement**

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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.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 10. Joint Venture**

The government's investment in the Colorado River Sewage System Joint Venture is based upon the ratio of gallonage of sewage contributed to the System to the total gallonage of sewage processed through the plant by each joint venture member. As of January 25, 2017, current financial statements for the Joint Venture were not available to adequately record the government's proportionate share of the joint venture operations. Below are the balances as of June 30, 2013 that were reviewed by an independent certified public accountant:

<b>Assets</b>	
Current assets	\$ 202,626
Noncurrent investments	781,284
Capital assets, non-depreciable	94,927
Capital assets, depreciable, net	614,570
Total assets	<u>\$ 1,693,407</u>
 <b>Liabilities and Net Position</b>	
Current liabilities	\$ 31,369
Net position	
Net investment in capital assets	709,497
Unrestricted	952,541
Total net position	<u>1,662,038</u>
Total liabilities and net assets	<u>\$ 1,693,407</u>
 <b>Operating Revenues and Expenses</b>	
Operating revenue	<u>\$ 1,362,955</u>
Operating expense, less depreciation	1,431,561
Depreciation expense	184,045
Total expense	<u>1,615,606</u>
Operating loss	(252,651)
Non-operating income - net	15,411
Change in net assets	(237,240)
Net assets, beginning of year	1,899,278
Net assets, end of year	<u>\$ 1,662,038</u>

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 11. 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, 2016, the Town reported the following aggregate amounts related to pensions for plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Combined Total
Net pension liability	\$ 1,742,209	\$ 1,367,915	\$ 3,110,124
Deferred outflows of resources	156,302	511,478	667,780
Deferred inflows of resources	268,527	231,328	499,855
Pension expense	41,361	186,517	227,878

The Town reported \$227,878 of pension expenditures in the funds related to all pension plans to which it contributes.

**Arizona State Retirement System (ASRS)**

**Plan description** – The Town participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

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

	Initial Membership Date Before July 1, 2011	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.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 11. Retirement and Pension Plans, Continued**

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

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 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 9.36 percent (9.17 percent for retirement, 0.13 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill.

The Town's OPEB contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2014	\$ 109,514	\$ 6,141	\$ 2,456
2015	\$ 105,321	\$ 5,706	\$ 1,161
2016	\$ 109,003	\$ 5,023	\$ 1,206

During fiscal year 2016, the Town paid for ASRS pension and OPEB contributions as follow: 54.27 percent from the general fund, 18.05 percent from HURF fund, and 27.68 percent from all other funds.

**Pension liability** – At June 30, 2016, the Town reported a liability of \$1,742,209 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. 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, 2015. The Town's proportion measured as of June 30, 2015, was .011180%, which was a decrease of 0.001065 percent from its proportion measured as of June 30, 2014.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 11. Retirement and Pension Plans, Continued**

**Pension expense and deferred outflows/inflows of resources** – For the year ended June 30, 2016; the Town recognized pension expense for ASRS of \$41,361. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 47,541	\$ 91,294
Net difference between projected and actual earnings on pension plan investments	-	55,834
Changes in proportion and differences between contributions and proportional share of contributions	3,440	121,399
Contributions subsequent to the measurement date	<u>105,321</u>	<u>-</u>
Total	<u>\$ 156,302</u>	<u>\$ 268,527</u>

The \$105,321 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, 2017. 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:

<u>Year Ended June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2017	\$ (89,508)
2018	(116,960)
2019	(51,382)
2020	40,304

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 11. 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, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 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 Asset Allocation	Expected Return Arithmetic Basis Long-Term Expected arithmetic Real Rate of Return
Equity	58%	6.79%
Fixed income	25%	3.70%
Commodities	2%	3.93%
Multi-asset	5%	3.41%
Real Estate	10%	4.25%
Totals	100%	

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 11. 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 8.79 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 Net pension (asset) / liability	\$ 2,282,890	\$ 1,742,209	\$ 1,371,666

**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** – The Town contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 11. Retirement and Pension Plans, Continued**

**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:

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 11. Retirement and Pension Plans, Continued**

**Employees covered by benefit terms** – At June 30, 2016, the following employees were covered by the agent pension plans’ benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	5
Active employees	11
<b>Total</b>	<b>20</b>

**Contributions and annual OPEB cost** – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine 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, 2016, active PSPRS 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 28.65 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 0 percent.

For the agent plans, the Town’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2016, were:

<b>Pension</b>	
Contributions made	180,554
 <b>Health Insurance Premium Benefit</b>	
Annual OPEB cost	-
Contributions made	-

**Pension liability (asset)** – At June 30, 2016, the Town reported a net pension liabilities (and asset) of \$1,355,554. The net pension liabilities (and asset) were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2015, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS’ automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the Town’s net pension liability as a result of the statutory adjustments is not known.

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 11. Retirement and Pension Plans, Continued**

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

Actuarial valuation date	June 30, 2015
Actuarial cost method	Individual Entry Age Normal
Investment rate of return	7.85%
Projected salary increases	4.0% to 8.0% including inflation
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 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 real rates of return 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 geometrical real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
U.S. Equity	16.00%	6.23%
Non-U.S. Equity	14.00%	8.25%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	2.92%
Credit Opportunities	13.00%	7.08%
Absolute Return	5.00%	4.11%
GTAA	10.00%	4.38%
Real Assets	8.00%	4.77%
Real Estate	10.00%	4.48%
Risk Parity	4.00%	5.13%
Short Term Inv	2.00%	0.75%
<b>Total</b>	<u>100.00%</u>	

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 11. Retirement and Pension Plans, Continued**

**Pension Discount Rate**—The discount rate used to measure the PSPRS total pension liabilities was 7.85. The projection of cash flows used to determine this Single 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 liability.

**Changes in the Net Pension Liability (Asset)**

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at June 30, 2015	\$ 3,422,247	\$ 2,066,693	\$ 1,355,554
Changes for the year:			
Service cost	106,079	-	106,079
Interest on total pension liability	267,315	-	267,315
Changes of benefit terms	-	-	-
Difference between expected and actual experience in the measurement of the pension liability	(120,259)	-	(120,259)
Changes of assumptions	-	-	-
Contributions - employer	-	105,408	(105,408)
Contributions - employee	-	62,615	(62,615)
Net investment income	-	76,660	(76,660)
Benefit payments, including refunds of employee contributions	(140,003)	(140,003)	-
Pension plan administrative expenses	-	(2,247)	2,247
Other changes*	-	(1,662)	1,662
Net changes	<u>113,132</u>	<u>100,771</u>	<u>12,361</u>
Balances at June 30, 2016	<u>\$ 3,535,379</u>	<u>\$ 2,167,464</u>	<u>\$ 1,367,915</u>

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

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 11. Retirement and Pension Plans, Continued**

**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 liability (asset) calculated using the discount rate of 7.85 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 (6.85 percent) or 1 percentage point higher (8.85 percent) than the current rate:

	1% Decrease (6.85%)	Discount Rate (7.85%)	1% Increase (8.85%)
Proportionate share of Net pension (asset) / liability	\$ 1,823,424	\$ 1,367,915	\$ 991,873

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

**Pension expense and deferred outflows/inflows of resources** – For the year ended June 30, 2016, the Town recognized pension expense for PSPRS of \$186,517. At June 30, 2016, 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	\$ -	\$ 169,010
Changes in assumptions	261,705	-
Net difference between projected and actual earnings on pension plan investments	69,218	62,319
Contributions subsequent to the measurement date	180,554	-
Total	\$ 511,477	\$ 231,329

The amounts 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, 2017. 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:

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 11. Retirement and Pension Plans, Continued**

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2017	\$ 35,011
2018	\$ 35,011
2019	\$ 35,011
2020	\$ 605
2021	(6,044)
Thereafter	-

**Agent plan OPEB actuarial assumptions** – The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plan as the Town and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2016 contribution requirements:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	22 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.00%

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 11. Retirement and Pension Plans, Continued**

**Agent plan OPEB trend information** – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years follows for each of the agent plans:

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Health Insurance	2014	7,140	100%	-
	2015	7,681	100%	-
	2016	-	0%	-

**Agent plan OPEB funded status** – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2015, along with the actuarial assumptions and methods used in those valuations follow.

	<u>Insurance Subsidy</u>
Actuarial accrued liability (AAL)	\$ 87,735
Actuarial value of plan assets	<u>149,116</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ (61,381)</u>
Funded ratio (actuarial value of plan assets/AAL)	169.96%
Covered payroll (active plan members)	\$ 595,574
UAAL as a percentage of covered payroll	0.00%

The actuarial methods and assumptions used are the same for all the PSPRS health insurance premium benefit plans (unless noted), and for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	21 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

**TOWN OF PARKER, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2016**

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**Note 12. Risk Management**

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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.

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**Note 13. Contingent Liabilities and Commitments**

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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, 2016.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF PARKER, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**Cost Sharing Pension Plans**  
**June 30, 2016**

**Arizona State Retirement System**

	Reporting Fiscal Year (Measurement Date)	
	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.011180%	0.012245%
Proportionate share of the net pension liability (asset)	\$ 1,742,209	\$ 1,811,908
Covered employee payroll	\$ 1,127,705	\$ 1,069,342
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	154.49%	169.44%
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%

Note: GASB 68 requires employers to disclose a 10-year history in RSI. The Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

**TOWN OF PARKER, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios**  
**Agent Pension Plans**  
**June 30, 2016**

**Public Safety Personnel Retirement System**

	Reporting Fiscal Year (Measurement Date)	
	2016 (2015)	2015 (2014)
<b>Total pension liability</b>		
Service cost	\$ 106,079	\$ 113,071
Interest on total pension liability	267,315	222,131
Changes of benefit terms	-	77,023
Difference between expected and actual experience of the total net pension liability	(120,259)	(117,780)
Changes of assumptions	-	430,537
Benefit payments, including refunds of employee contributions	(140,003)	(151,789)
<b>Net change in total pension liability</b>	<u>113,132</u>	<u>573,193</u>
<b>Total pension liability - beginning</b>	<u>3,422,247</u>	<u>2,849,054</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 3,535,379</u>	<u>\$ 3,422,247</u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 105,408	\$ 102,938
Contributions - employee	62,615	57,280
Net investment income	76,660	254,035
Benefit payments, including refunds of employee contributions	(140,003)	(151,789)
Pension plan administrative expenses	(2,247)	-
Other (net transfer)	(1,662)	(48,346)
<b>Net change in plan fiduciary net position</b>	<u>100,771</u>	<u>214,118</u>
<b>Plan fiduciary net position - beginning</b>	<u>2,066,693</u>	<u>1,852,575</u>
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 2,167,464</u>	<u>\$ 2,066,693</u>
 <b>Net pension liability - ending (a) - (b)</b>	<u>\$ 1,367,915</u>	<u>\$ 1,355,554</u>

Note: GASB 68 requires employers to disclose a 10-year history in RSI. The Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

**TOWN OF PARKER, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Pension Contributions**  
**June 30, 2016**

**Arizona State Retirement System**

	Reporting Fiscal Year (Measurement Date)	
	2016	2015
	(2015)	(2014)
Actuarially determined contribution	\$ 112,188	\$ 118,111
Actual contributions	\$ 112,188	\$ 118,111
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,127,705	\$ 1,069,342
Actual Contributions as a percentage of covered employee payroll	9.95%	11.05%

Note: GASB 68 requires employers to disclose a 10-year history in RSI. The Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

**Public Safety Personnel Retirement System**

	Reporting Fiscal Year (Measurement Date)	
	2016	2015
	(2015)	(2014)
Actuarially determined contribution	\$ 105,408	\$ 102,938
Contributions in relation to the actuarially determined contribution	\$ (105,408)	\$ (102,938)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 558,439	\$ 544,041
Contributions as a percentage of covered-employee payroll	18.88%	18.92%

Note: GASB 68 requires employers to disclose a 10-year history in RSI. The Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

**TOWN OF PARKER, ARIZONA**  
**Required Supplementary Information**  
**Notes to the Pension Plan Schedules**  
**June 30, 2016**

**NOTE 1. Actuarially Determined Contribution Rates**

For the year ended June 30, 2016, the Town implemented the provisions of GASB Statement No. 82, Pension Issues. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

**NOTE 2. 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
Remaining Amortization Period	22 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, the projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, the projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females)

**TOWN OF PARKER, ARIZONA**  
**Schedule of Agent OPEB Plans' Funding Progress**  
**June 30, 2016**

**Public Safety Personnel Retirement System**  
**Health Insurance Premium Benefit**

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	
2014	128,282	72,667	(55,615)	176.53%	544,043	0.00%
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%

**TOWN OF PARKER, ARIZONA**  
**Required Supplementary Information**  
**Notes to Schedule of Agent OPEB Plans' Funding Progress**  
**June 30, 2016**

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**NOTE 1. Factors that Affect the Identification of Trends**

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Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**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.

**TOWN OF PARKER, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 1,259,000	\$ 1,259,000	\$ 1,344,344	\$ 85,344
Licenses and permits	58,200	58,200	127,083	68,883
Intergovernmental revenues	989,500	989,500	928,986	(60,514)
Charges for services	28,000	28,000	25,863	(2,137)
Fines and forfeits	80,400	80,400	125,203	44,803
Investment earnings	6,000	6,000	12,478	6,478
Sanitation revenue	190,000	190,000	176,211	(13,789)
Miscellaneous earnings	108,800	108,800	132,462	23,662
<b>Total revenue</b>	<u>2,719,900</u>	<u>2,719,900</u>	<u>2,872,630</u>	<u>152,730</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>General Government</b>				
Mayor and town council	36,730	36,730	38,847	(2,117)
Magistrate	105,350	105,350	99,971	5,379
Town office	251,840	251,840	230,378	21,462
Attorney	150,000	150,000	91,107	58,893
Building maintenance	90,365	90,365	58,694	31,671
Finance	204,150	204,150	169,875	34,275
Elections	10,250	10,250	777	9,473
Outside agencies	2,000	2,000	2,000	-
<b>Total general government</b>	<u>850,685</u>	<u>850,685</u>	<u>691,649</u>	<u>159,036</u>
<b>Public Safety</b>				
Police	1,179,075	1,179,075	1,108,638	70,437
Building regulation and inspection	103,295	103,295	36,305	66,990
Animal control	65,600	65,600	33,343	32,257
<b>Total public safety</b>	<u>1,347,970</u>	<u>1,347,970</u>	<u>1,178,286</u>	<u>169,684</u>
<b>Public Works</b>				
Waste collection and disposal	182,500	182,500	168,638	13,862
Cemetery	80,450	80,450	73,020	7,430
<b>Total public works</b>	<u>262,950</u>	<u>262,950</u>	<u>241,658</u>	<u>21,292</u>

**TOWN OF PARKER, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2016**

<b>Culture and Recreation</b>				
Parks	205,577	205,577	159,173	46,404
Swimming pool	7,950	7,950	4,361	3,589
Library	194,505	194,505	191,128	3,377
Other recreation	16,500	16,500	12,377	4,123
Senior citizens	80,625	80,625	77,150	3,475
<b>Total culture and recreation</b>	<b>505,157</b>	<b>505,157</b>	<b>444,189</b>	<b>60,968</b>
<b>Debt service</b>				
Principal	29,266	29,266	28,894	372
Interest	1,734	1,734	1,734	-
<b>Total debt service</b>	<b>31,000</b>	<b>31,000</b>	<b>30,628</b>	<b>372</b>
<b>Contingencies</b>	<b>168,938</b>	<b>168,938</b>	<b>32,855</b>	<b>136,083</b>
<b>Capital outlay</b>	<b>198,000</b>	<b>198,000</b>	<b>120,314</b>	<b>77,686</b>
<b>Total expenditures</b>	<b>3,364,700</b>	<b>3,364,700</b>	<b>2,739,579</b>	<b>625,121</b>
<b>Excess of revenues over expenditures</b>	<b>(644,800)</b>	<b>(644,800)</b>	<b>133,051</b>	<b>777,851</b>
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	1,300,000	1,300,000	390,000	(910,000)
Transfers out	(1,380,000)	(1,380,000)	(266,588)	1,113,412
<b>Total other financing sources (uses)</b>	<b>(80,000)</b>	<b>(80,000)</b>	<b>123,412</b>	<b>203,412</b>
<b>Net change in fund balance</b>	<b>(724,800)</b>	<b>(724,800)</b>	<b>256,463</b>	<b>981,263</b>
<b>Fund balance, beginning of year</b>	<b>1,596,379</b>	<b>1,596,379</b>	<b>1,596,379</b>	<b>-</b>
<b>Fund balance, end of year</b>	<b>\$ 871,579</b>	<b>\$ 871,579</b>	<b>\$ 1,852,842</b>	<b>\$ 981,263</b>

**TOWN OF PARKER, ARIZONA**  
**HIGHWAY USER REVENUE FUND**  
**Special Revenue**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 982,561	\$ 982,561	\$ 1,129,411	\$ 146,850
Miscellaneous earnings	-	-	500	500
Total revenue	<u>982,561</u>	<u>982,561</u>	<u>1,129,911</u>	<u>147,350</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
Public Works	524,990	524,990	482,101	42,889
Contingencies	440,971	440,971	-	440,971
Capital outlay	<u>1,078,600</u>	<u>1,078,600</u>	<u>556,689</u>	<u>521,911</u>
Total expenditures	<u>2,044,561</u>	<u>2,044,561</u>	<u>1,038,790</u>	<u>1,005,771</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(1,062,000)</u>	<u>(1,062,000)</u>	<u>91,121</u>	<u>1,153,121</u>
Other Financing Sources (Uses):				
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(1,062,000)	(1,062,000)	91,121	1,153,121
Fund balance, beginning of year	<u>2,641,618</u>	<u>2,641,618</u>	<u>2,641,618</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,579,618</u>	<u>\$ 1,579,618</u>	<u>\$ 2,732,739</u>	<u>\$ 1,153,121</u>

**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 to account for grants and donations received to be spent on library related expenses.
- **Congregate Meals Fund** – This fund is to account for revenues and expenditures related to congregate meals for senior center.
- **Home Delivered Meals Fund** – This fund is to account for grants received to assist in home delivered meals to senior citizens.

**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**

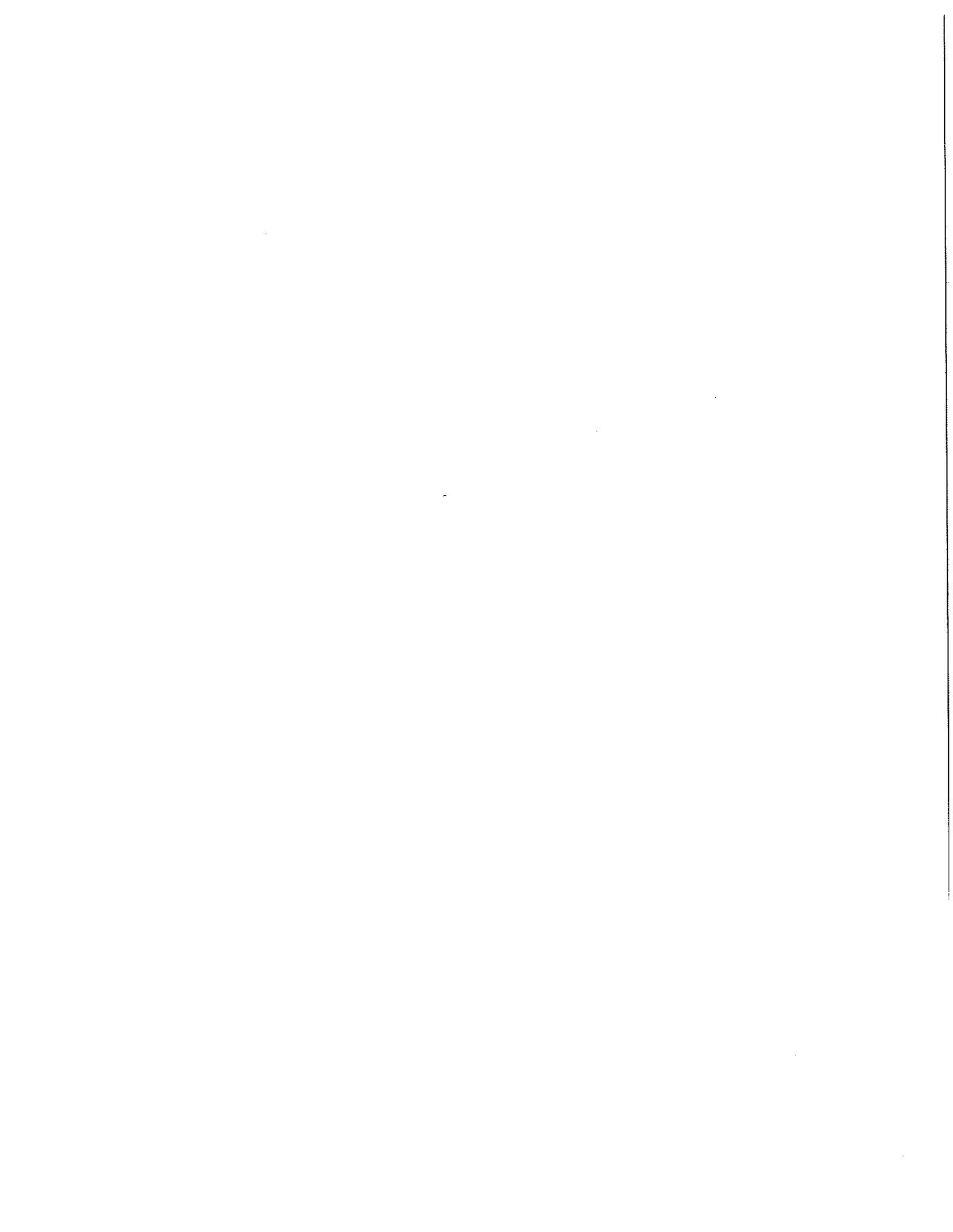
- **Debt Service Fund** – This fund accounts for the accumulation of resources for, and the payment of current and future debt service requirements for governmental debt principal and interest.

**TOWN OF PARKER, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016**

	Special Revenue					
	Local	School	Police	Library		
	Bed Tax Fund	Transportation Assistance Fund	Resource Officer Fund	Grant Fund	Grant C-070 Fund	
<b>ASSETS</b>						
Cash and investments	\$ 93,386	\$ 5,933	\$ 8,198	\$ -	\$ 16,611	
Cash held by trustee	-	-	-	-	-	
Accounts receivable	-	-	-	9,146	-	
Due from other governments	-	-	-	-	-	
<b>Total assets</b>	<u>\$ 93,386</u>	<u>\$ 5,933</u>	<u>\$ 8,198</u>	<u>\$ 9,146</u>	<u>\$ 16,611</u>	
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 540	\$ -	\$ -	\$ 248	
Accrued payroll and related taxes	-	-	1,422	-	283	
Accrued interest	-	-	-	-	7,305	
Due to other funds	-	-	-	-	-	
Matured debt principal payable	-	-	-	-	-	
<b>Total liabilities</b>	<u>-</u>	<u>540</u>	<u>1,422</u>	<u>7,305</u>	<u>531</u>	
<b>Fund Balance</b>						
Restricted for:						
Tourism	93,386	-	-	-	-	
Capital projects	-	-	-	-	-	
Assigned:						
Aging services	-	5,393	-	-	-	
Public safety	-	-	6,776	1,841	-	
Library services	-	-	-	-	16,080	
<b>Total fund balances</b>	<u>93,386</u>	<u>5,393</u>	<u>6,776</u>	<u>1,841</u>	<u>16,080</u>	
<b>Total liabilities and fund balance</b>	<u>\$ 93,386</u>	<u>\$ 5,933</u>	<u>\$ 8,198</u>	<u>\$ 9,146</u>	<u>\$ 16,611</u>	(Continued)

**TOWN OF PARKER, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2016 (Continued)**

	Special Revenue		Capital Projects				Total
	Congregate Meals Fund	Home Delivered Meals Fund	Impact Fees	GADA Fund	CDBG Fund	Debt Service Fund	
<b>ASSETS</b>							
Cash and investments	\$ 157,294	\$ 116,309	\$ 3,404	\$ 292,002	\$ 1,693	\$ -	\$ 694,830
Cash held by trustee	-	-	-	-	-	187,314	187,314
Accounts receivable	-	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-	9,146
<b>Total assets</b>	<b>\$ 157,294</b>	<b>\$ 116,309</b>	<b>\$ 3,404</b>	<b>\$ 292,002</b>	<b>\$ 1,693</b>	<b>\$ 187,314</b>	<b>\$ 891,290</b>
<b>Liabilities</b>							
Accounts payable	\$ 3,343	\$ 3,972	-	\$ -	\$ 1,693	\$ -	\$ 9,796
Accrued payroll and related taxes	4,163	4,625	-	-	-	-	10,493
Accrued interest	-	-	-	-	-	27,314	27,314
Due to other funds	-	-	-	-	-	-	7,305
Matured debt principal payable	-	-	-	-	-	160,000	160,000
<b>Total liabilities</b>	<b>7,506</b>	<b>8,597</b>	<b>-</b>	<b>-</b>	<b>1,693</b>	<b>187,314</b>	<b>214,908</b>
<b>Fund Balance</b>							
Restricted for:							
Tourism	-	-	-	-	-	-	93,386
Capital projects	-	-	3,404	292,002	-	-	295,406
Assigned							
Aging services	149,788	107,712	-	-	-	-	262,893
Public safety	-	-	-	-	-	-	8,617
Library services	-	-	-	-	-	-	16,080
<b>Total fund balances</b>	<b>149,788</b>	<b>107,712</b>	<b>3,404</b>	<b>292,002</b>	<b>-</b>	<b>-</b>	<b>676,382</b>
<b>Total liabilities and fund balance</b>	<b>\$ 157,294</b>	<b>\$ 116,309</b>	<b>\$ 3,404</b>	<b>\$ 292,002</b>	<b>\$ 1,693</b>	<b>\$ 187,314</b>	<b>\$ 891,290</b>



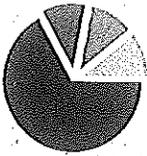
**TOWN OF PARKER, ARIZONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Nonmajor Funds**  
**For the Year Ended June 30, 2016 (Continued)**

	Special Revenue			Capital Projects				Total
	Congregate Meals Fund	Home Delivered Meals Fund	Impact Fees	GADA Fund	CDBG Fund	Debt Service Fund		
<b>REVENUES</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,552
Intergovernmental	129,311	146,969	-	-	-	-	-	381,364
Miscellaneous earnings	32,568	17,472	-	-	-	-	-	90,085
Total revenues	161,879	164,441	-	-	-	-	-	551,001
<b>EXPENDITURES</b>								
<b>Current</b>								
General government	-	-	-	-	-	-	-	79,049
Public safety	-	-	-	-	-	-	-	60,990
Public works	-	-	-	-	-	-	-	9,383
Culture and recreation	160,678	180,083	-	-	-	-	-	383,017
Debt service	-	-	-	-	-	-	-	190,000
Principal	-	-	-	-	-	-	-	76,080
Interest and fiscal charges	-	-	-	-	-	-	-	31,499
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	160,678	180,083	-	-	-	-	-	830,018
Excess of revenues Over (under) expenditures	1,201	(15,642)	-	-	-	(266,080)	-	(279,017)
Other Financing Sources (Uses):								
Transfers in	-	-	-	-	-	-	-	266,080
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses):	-	-	-	-	-	-	-	266,588
Net change in fund balances	1,201	(15,642)	-	-	-	-	-	(12,429)
Fund balance (deficit), beginning of year	148,587	123,354	3,404	292,002	-	-	-	688,811
Fund balance (deficit), end of year	\$ 149,788	\$ 107,712	\$ 3,404	\$ 292,002	\$ -	\$ -	\$ -	\$ 676,382

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**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**

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MEMBERS:

CHAD B. ATKINSON, CPA  
KRIS J. BRAUNBERGER, CPA  
ROBERT S. COX, CPA  
TODD B. FELTNER, CPA  
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MORRIS J. PEACOCK, CPA

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KEVIN L. STEPHENS, CPA  
MARK E. TICHENOR, CPA  
MICHAEL J. TORGERSON, CPA

**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, as of and for the year ended June 30, 2016, 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 January 25, 2017.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in our separate findings and recommendations letter dated January 25, 2017, that we consider to a material weakness.

2013-001 Audit Adjustments

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Parker'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.



Hinton Burdick, PLLC

Flagstaff, Arizona

January 25, 2017

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