

TOWN OF PARKER, ARIZONA



**FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS**

TOWN OF PARKER, ARIZONA

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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, 2015, 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, 2015, 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.

Emphasis of Matter

As described in note 15 to the financial statements, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 December 23, 2015, 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.



HintonBurdick, PLLC
Flagstaff, Arizona
December 23, 2015

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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, 2015. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net position) by \$8.4 million at the close of the fiscal year.
- Total net position decreased by (\$365,827), not including the restatement adjustment of (\$2,802,243).
- Governmental expenses exceeded taxes and other governmental revenues by \$304,646.
- Business-type revenues exceeded total business-type expenses by \$61,181.
- Total revenues from all sources were \$4.9 million.
- The total cost of all Town programs was \$5.3 million.
- The general fund reported a change in fund balance of (\$147,378).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was 830,331 or 31.13% 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 \$8.4 million as of June 30, 2015 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	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Current and other assets	\$ 5,475,202	\$ 5,049,517	\$ 1,440,962	\$ 1,340,936	\$ 6,916,164	\$ 6,390,453
Capital assets	4,779,185	5,318,982	2,570,106	2,724,996	7,349,291	8,043,978
Total assets	10,254,387	10,368,499	4,011,068	4,065,932	14,265,455	14,434,431
Deferred outflows of resources	639,445	-	28,450	-	667,895	-
Long-term liabilities outstanding	4,882,126	2,179,088	527,349	308,087	5,409,475	2,487,175
Other liabilities	548,725	337,026	103,818	65,454	652,543	402,480
Total liabilities	5,430,851	2,516,114	631,167	373,541	6,062,018	2,889,655
Deferred inflows of resources	450,267	-	44,359	-	494,626	-
Net position:						
Net investment in capital assets	2,886,402	3,213,120	2,265,106	2,419,996	5,151,508	5,633,116
Restricted	3,091,154	2,958,532	-	-	3,091,154	2,958,532
Unrestricted	(964,842)	1,680,733	1,098,886	1,272,395	134,044	2,953,128
Total net position	\$ 5,012,714	\$ 7,852,385	\$ 3,363,992	\$ 3,692,391	\$ 8,376,706	\$ 11,544,776

Governmental Activities

The cost of all Governmental activities this year was \$4,598,614, a decrease of \$428,666 over last fiscal year. This is primarily due to a decrease in public safety. As shown on the Statement of Changes in Net Position on the following page, \$513,182 of this cost was paid for by those who directly benefited from the programs; \$1,363,382 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 \$1,876,564. General taxes, investment earnings, and other general revenues totaled \$2,417,404.

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.

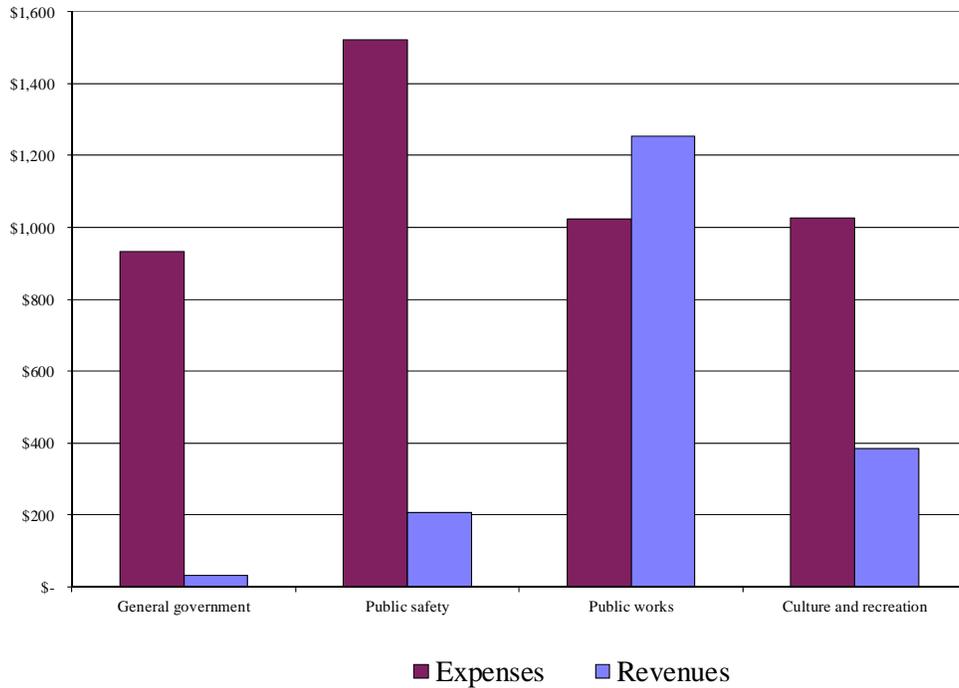
Town of Parker
Changes in Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Revenues:						
Program revenues:						
Charges for services	\$ 513,182	\$ 821,866	\$ 581,987	\$ 606,835	\$ 1,095,169	\$ 1,428,701
Operating grants and contributions	1,362,302	1,522,813	-	-	1,362,302	1,522,813
Capital grants and contributions	1,080	-	-	-	1,080	-
General revenues:						
Taxes	1,950,009	1,870,851	-	-	1,950,009	1,870,851
State revenue sharing	373,216	343,639	-	-	373,216	343,639
Other revenue	94,179	10,330	-	-	94,179	10,330
Total revenues	<u>4,293,968</u>	<u>4,569,499</u>	<u>581,987</u>	<u>606,835</u>	<u>4,875,955</u>	<u>5,176,334</u>
Expenses:						
General government	934,381	1,009,742	-	-	934,381	1,009,742
Public safety	1,523,370	1,879,061	-	-	1,523,370	1,879,061
Public works	1,023,241	1,057,868	-	-	1,023,241	1,057,868
Culture and recreation	1,025,946	983,433	-	-	1,025,946	983,433
Contingencies	8,531	14,378	-	-	8,531	14,378
Interest	83,145	82,798	-	-	83,145	82,798
Utility enterprise fund	-	-	643,168	648,912	643,168	648,912
Total expenses	<u>4,598,614</u>	<u>5,027,280</u>	<u>643,168</u>	<u>648,912</u>	<u>5,241,782</u>	<u>5,676,192</u>
(Decrease) / Increase in net position	(304,646)	(457,781)	(61,181)	(42,077)	(365,827)	(499,858)
Net position, beginning as restated	7,852,385	8,310,166	3,692,391	3,734,468	11,544,776	12,044,634
Restatement adjustment	(2,535,025)	-	(267,218)	-	(2,802,243)	-
Net position, ending	<u>\$ 5,012,714</u>	<u>\$ 7,852,385</u>	<u>\$ 3,363,992</u>	<u>\$ 3,692,391</u>	<u>\$ 8,376,706</u>	<u>\$ 11,544,776</u>

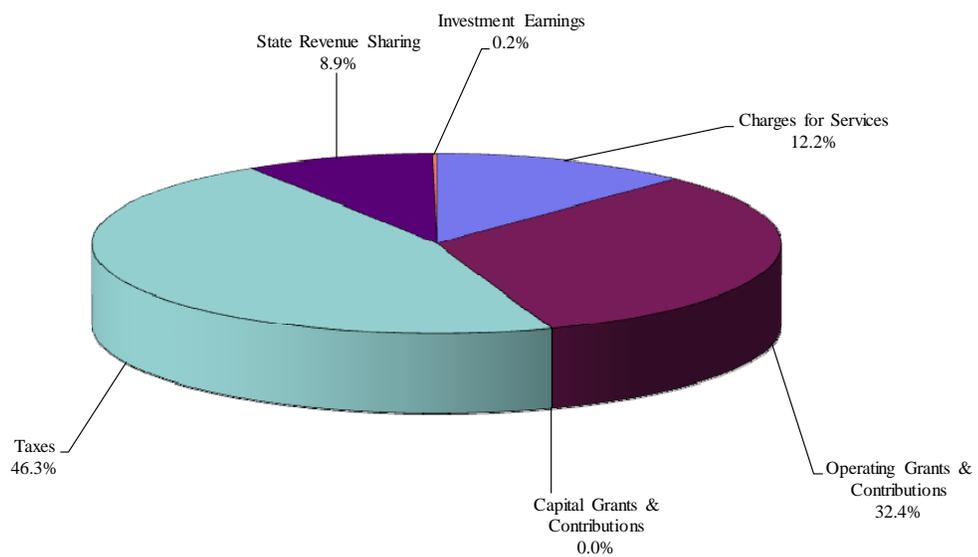
Total resources available during the year to finance governmental operations were \$12.1 million consisting of net position at July 1, 2014 of \$7.8 million, program revenues of \$1.9 million and general revenues of \$2.4 million. Total governmental activities during the year were \$4.6 million and there was a restatement adjustment of (\$2.5) million; thus governmental net position decreased to \$5.0 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)



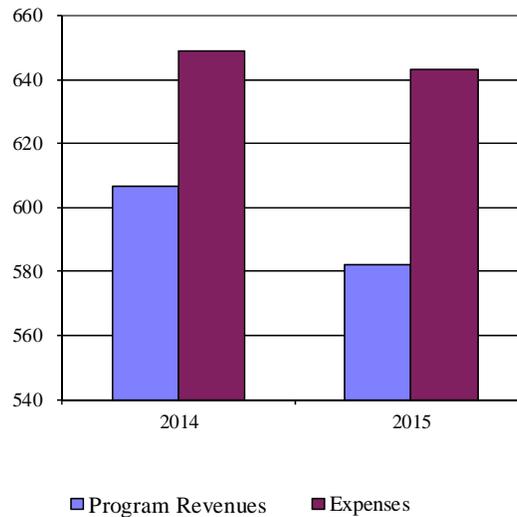
Revenue By Source - Governmental Activities



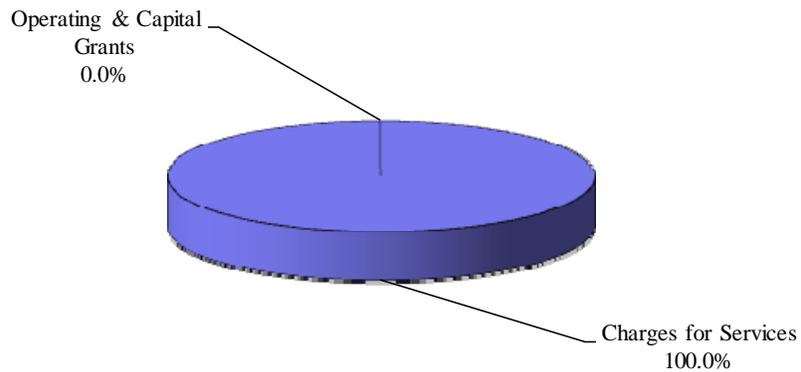
Business Type Activities

Net position of the business type activities at June 30, 2015, as reflected in the Statement of Net Position were \$3.4 million. The cost of providing all Proprietary (Business Type) activities this year was \$643,168. As shown in the Statement of Changes in Net Position, the amounts paid by users of the system were \$581,987 and there was \$0 subsidized by capital grants and contributions. The net position decreased by (\$61,181) and also had a restatement adjustment of (\$267,218).

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 \$4,926,808, an increase of \$185,093 in comparison with the prior year. Approximately, 16.85% of this total amount, \$830,331 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 \$830,331, while total fund balance is \$1,596,379. 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 31.13% of total general fund expenditures, while total fund balance represents 59.84% of the same amount.

During the year, the Town of Parker's general fund balance decreased by (\$147,378).

The highway user revenue fund has a total fund balance of \$2,641,618, all of which is restricted for road and street construction and improvements. The net increase in the fund balance during the current year was \$109,257. 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 \$976,181 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 2015, net capital assets of the government activities totaled \$4.8 million and the net capital assets of the business-type activities totaled \$2.5 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 \$4,882,126 in governmental type debt, and \$527,349 in proprietary debt. The debt is a liability of the government and amounts to \$1,760 per capita. During the current fiscal year, the Town's total long term liabilities increased by \$2,922,300 largely due to the addition of the net pension liability (See note 12 and 15 to the financial statements for more information on the net pension liability and see note 7 to the financial statements for detailed descriptions of debt.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2015/2016, 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 11th Street, Parker, AZ 85344.

BASIC FINANCIAL STATEMENTS

TOWN OF PARKER, ARIZONA
Statement of Net Position
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets			
Cash and investments	\$ 4,819,246	\$ 1,177,215	\$ 5,996,461
Cash held by trustee	225,274	38,407	263,681
Designated cash and investments:			
Capital replacement	-	58,000	58,000
Receivables (net of allowance)	281,886	68,178	350,064
Inventory	-	53,670	53,670
Restricted cash and investments:			
Customer deposits	148,796	45,492	194,288
Non-depreciable capital assets	1,973,310	42,314	2,015,624
Depreciable capital assets, net	2,805,875	2,527,792	5,333,667
Total assets	<u>10,254,387</u>	<u>4,011,068</u>	<u>14,265,455</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>639,445</u>	<u>28,450</u>	<u>667,895</u>
Total deferred outflows of resources	<u>639,445</u>	<u>28,450</u>	<u>667,895</u>
Liabilities			
Current liabilities			
Accounts payable	75,314	14,794	90,108
Accrued payroll and related taxes	99,010	5,125	104,135
Customer deposits	148,796	45,492	194,288
Interest payable	10,605	3,407	14,012
Matured bonds payable	215,000	35,000	250,000
Noncurrent liabilities			
Due within one year	289,442	3,682	293,124
Due in more than one year	4,592,684	523,667	5,116,351
Total liabilities	<u>5,430,851</u>	<u>631,167</u>	<u>6,062,018</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	<u>450,267</u>	<u>44,359</u>	<u>494,626</u>
Total deferred inflows of resources	<u>450,267</u>	<u>44,359</u>	<u>494,626</u>
Net Position			
Net investment in capital assets	2,886,402	2,265,106	5,151,508
Restricted for:			
Highways and streets	2,641,618	-	2,641,618
Capital projects and other	449,536	-	449,536
Unrestricted	(964,842)	1,098,886	134,044
Total net position	<u>\$ 5,012,714</u>	<u>\$ 3,363,992</u>	<u>\$ 8,376,706</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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 934,381	\$ 31,220	\$ -	\$ -	\$ (903,161)	\$ -	\$ (903,161)
Public safety	1,523,370	157,027	48,890	-	(1,317,453)	-	(1,317,453)
Public works	1,023,241	229,656	1,024,030	-	230,445	-	230,445
Culture and recreation	1,025,946	95,279	289,382	1,080	(640,205)	-	(640,205)
Contingencies	8,531	-	-	-	(8,531)	-	(8,531)
Interest	83,145	-	-	-	(83,145)	-	(83,145)
Total governmental activities	<u>4,598,614</u>	<u>513,182</u>	<u>1,362,302</u>	<u>1,080</u>	<u>(2,722,050)</u>	<u>-</u>	<u>(2,722,050)</u>
Business-type activities:							
Utility enterprise fund	643,168	581,987	-	-	-	(61,181)	(61,181)
Total business-type activities	<u>643,168</u>	<u>581,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,181)</u>	<u>(61,181)</u>
Total primary government	<u>\$ 5,241,782</u>	<u>\$ 1,095,169</u>	<u>\$ 1,362,302</u>	<u>\$ 1,080</u>			
General Revenues:							
Taxes:							
City sales tax					1,315,453	-	1,315,453
Franchise tax					110,527	-	110,527
Auto lieu tax (unrestricted)					242,278	-	242,278
State sales tax (unrestricted)					281,751	-	281,751
Urban revenue sharing (unrestricted)					373,216	-	373,216
Investment earnings					9,177	-	9,177
Gain on sale of assets					85,002	-	85,002
Total general revenues & transfers					<u>2,417,404</u>	<u>-</u>	<u>2,417,404</u>
Change in net position					(304,646)	(61,181)	(365,827)
Net position - beginning					7,852,385	3,692,391	11,544,776
Restatement Adjustment					(2,535,025)	(267,218)	(2,802,243)
Net position - ending					<u>\$ 5,012,714</u>	<u>\$ 3,363,992</u>	<u>\$ 8,376,706</u>

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

TOWN OF PARKER, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2015

Assets	<u>General</u>	<u>Highway User Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 1,597,595	\$ 2,561,795	\$ 659,856	\$ 4,819,246
Cash held by trustee	-	-	225,274	225,274
Receivables				
Taxes	82,944	-	-	82,944
Due from other governments	35,378	100,735	40,300	176,413
Other	22,529	-	-	22,529
Restricted assets - customer deposits	<u>148,796</u>	<u>-</u>	<u>-</u>	<u>148,796</u>
 Total assets	 <u>\$ 1,887,242</u>	 <u>\$ 2,662,530</u>	 <u>\$ 925,430</u>	 <u>\$ 5,475,202</u>
 Liabilities				
Accounts payable	\$ 53,672	\$ 15,223	\$ 6,419	\$ 75,314
Accrued payroll and related taxes	88,395	5,689	4,926	99,010
Accrued interest	-	-	10,274	10,274
Customer deposits	148,796	-	-	148,796
Matured debt principal payable	<u>-</u>	<u>-</u>	<u>215,000</u>	<u>215,000</u>
 Total liabilities	 <u>290,863</u>	 <u>20,912</u>	 <u>236,619</u>	 <u>548,394</u>
 Fund Balances				
Nonspendable				
Bequest fund	9,600	-	-	9,600
Restricted				
Highways	-	2,641,618	-	2,641,618
Public safety	51,648	-	-	51,648
Tourism	-	-	92,883	92,883
Capital projects	-	-	295,405	295,405
Assigned				
Aging services	-	-	277,333	277,333
Public safety	-	-	5,517	5,517
Library services	-	-	17,673	17,673
Budget policy reservation	704,800	-	-	704,800
Unassigned	<u>830,331</u>	<u>-</u>	<u>-</u>	<u>830,331</u>
 Total fund balances	 <u>1,596,379</u>	 <u>2,641,618</u>	 <u>688,811</u>	 <u>4,926,808</u>
 Total Liabilities and fund balances	 <u>\$ 1,887,242</u>	 <u>\$ 2,662,530</u>	 <u>\$ 925,430</u>	 <u>\$ 5,475,202</u>

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, 2015

Total governmental fund balances	\$	4,926,808
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 8,536,724	
Accumulated depreciation	<u>(3,757,539)</u>	4,779,185
<p>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.</p>		
Bonds payable	(1,410,000)	
Loans payable	(445,000)	
Issuance premium	(8,889)	
Capital leases	(28,894)	
Interest payable	(331)	
Compensated absences	(75,548)	
Net pension liability	<u>(2,913,795)</u>	(4,882,457)
<p>Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.</p>		
Deferred outflows	639,445	
Deferred inflows	<u>(450,267)</u>	189,178
Total net position of governmental activities	<u>\$</u>	<u>5,012,714</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, 2015

REVENUES	General Fund	Highway User Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Taxes	\$ 1,356,732	\$ -	\$ 69,248	\$ 1,425,980
Licenses and permits	84,770	-	-	84,770
Intergovernmental revenue	897,245	1,018,616	318,891	2,234,752
Charges for services	36,596	-	-	36,596
Fines and forfeits	75,942	-	-	75,942
Investment earnings	9,177	-	-	9,177
Sanitation revenue	184,706	-	-	184,706
Miscellaneous earnings	407,951	303	112,943	521,197
Total revenues	<u>3,053,119</u>	<u>1,018,919</u>	<u>501,082</u>	<u>4,573,120</u>
EXPENDITURES				
Current:				
General government	714,973	-	72,131	787,104
Public safety	1,119,622	-	44,120	1,163,742
Public works	262,418	494,776	19,607	776,801
Culture and recreation	452,097	-	380,300	832,397
Debt service				
Principal	27,259	-	185,000	212,259
Interest and fiscal charges	3,369	-	109,489	112,858
Contingencies	8,531	-	-	8,531
Capital outlay	79,449	414,886	-	494,335
Total expenditures	<u>2,667,718</u>	<u>909,662</u>	<u>810,647</u>	<u>4,388,027</u>
Excess of revenues				
Over (Under) expenditures	<u>385,401</u>	<u>109,257</u>	<u>(309,565)</u>	<u>185,093</u>
Other Financing Sources (Uses):				
Transfers out	(532,779)	-	-	(532,779)
Transfers in	-	-	532,779	532,779
Total other financing Sources (Uses)	<u>(532,779)</u>	<u>-</u>	<u>532,779</u>	<u>-</u>
Net change in fund balances	(147,378)	109,257	223,214	185,093
Fund balance, beginning of year	<u>1,743,757</u>	<u>2,532,361</u>	<u>465,597</u>	<u>4,741,715</u>
Fund balance, end of year	<u>\$ 1,596,379</u>	<u>\$ 2,641,618</u>	<u>\$ 688,811</u>	<u>\$ 4,926,808</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, 2015

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

Net change in fund balances - total governmental funds	\$	185,093
<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	\$	54,184
Depreciation expense		<u>(314,829)</u>
		(260,645)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net position.</p>		
		(364,154)
<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>		
		85,002
<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>		
		212,259
<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	\$	208,895
Pension expense		<u>(398,488)</u>
		(189,593)
<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>		
		(2,322)
<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>		
		28,894
Change in net position of governmental activities	<u>\$</u>	<u>(304,646)</u>

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

TOWN OF PARKER, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2015

	<u>Utility Enterprise Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 1,177,215
Cash held by trustee	38,407
Designated cash:	
Capital replacement	58,000
Accounts receivable, net of allowance	68,178
Inventory	<u>53,670</u>
Total current assets	<u>1,395,470</u>
Noncurrent Assets:	
Restricted cash:	
Customer deposits	45,492
Capital assets, non-depreciable	42,314
Capital assets, depreciable, net	<u>2,527,792</u>
Total noncurrent assets	<u>2,615,598</u>
Total assets	<u>4,011,068</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	<u>28,450</u>
Total deferred outflows of resources	<u>28,450</u>
Liabilities	
Current liabilities:	
Accounts payable	14,794
Accrued payroll and related taxes	5,125
Accrued interest	3,407
Matured debt principal payable	35,000
Customer deposits	45,492
Compensated absences	<u>3,682</u>
Total current liabilities	<u>107,500</u>
Noncurrent liabilities:	
Notes payable	270,000
Net pension liability	<u>253,667</u>
Total noncurrent liabilities	<u>523,667</u>
Total liabilities	<u>631,167</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	<u>44,359</u>
Total deferred inflows of resources	<u>44,359</u>
Net Position	
Net investment in capital assets	2,265,106
Unrestricted	<u>1,098,886</u>
Total net position	<u>\$ 3,363,992</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, 2015

Operating Revenues	<u>Utility Enterprise Fund</u>
Water services	\$ 554,717
Tap and turn-on fees	16,533
Penalties	9,559
Miscellaneous	<u>1,178</u>
Total operating revenues	<u>581,987</u>
Operating Expenses	
Cost of sales and services	477,418
Depreciation	<u>154,891</u>
Total operating expenses	<u>632,309</u>
Operating income (loss)	<u>(50,322)</u>
Non-operating Revenues (Expenses)	
Interest expense	<u>(10,859)</u>
Total non-operating revenue (expense)	<u>(10,859)</u>
Change in net position	(61,181)
Total net position, beginning of year	3,692,391
Restatement adjustment	<u>(267,218)</u>
Total net position, end of year	<u>\$ 3,363,992</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, 2015

	Utility Enterprise Fund
Cash Flows From Operating Activities:	
Cash received from customers and users	\$ 588,391
Cash paid to suppliers	(324,984)
Cash paid to employees	(152,111)
Cash flows from operating activities:	111,296
Cash Flows From Capital and Related Financing Activities:	
Interest paid on capital debt	(7,452)
Cash flows from capital and related financing activities	(7,452)
Net change in cash and cash equivalents	103,844
Cash and cash equivalents, including restricted cash, beginning of year	1,215,270
Cash and Cash Equivalents, including restricted cash, end of year	\$ 1,319,114
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:	
Net operating income/(loss)	\$ (50,322)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:	
Depreciation	154,891
Pension expense	17,063
Employer pension contributions	(14,706)
Changes in operating assets and liabilities:	
(Increase)/Decrease in receivables	3,818
Increase/(Decrease) in accounts payable	(3,519)
Increase/(Decrease) in accrued payroll and related taxes	890
Increase/(Decrease) in customer deposits	2,586
Increase/(Decrease) in compensated absences	595
Net cash flows from operating activities	\$ 111,296

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies

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, 2015

Note 1. Summary of Significant Accounting Policies, Continued

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, 2015

Note 1. Summary of Significant Accounting Policies, Continued

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, 2015

Note 1. Summary of Significant Accounting Policies, Continued

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

Cash and investments

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

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

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

Receivables

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

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

Inventories and prepaid items

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

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

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 12 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category. It is pension related items reported on the government-wide financial statements. See footnote 12 for more information.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

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, 2015

Note 1. Summary of Significant Accounting Policies, Continued

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, 2015

Note 1. Summary of Significant Accounting Policies, Continued

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.

New pronouncements

For the year ended June 30, 2015, the Town implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements resulted in a restatement of beginning net position in the Town's government-wide and proprietary fund financial statements (see Note 15).

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

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 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, 2015

Note 3. Stewardship, Compliance, and Accountability

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

Budgets and budgetary accounting

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

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the government is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total government expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. 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, 2015

Note 3. Stewardship, Compliance, and Accountability, Continued

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, 2015.

Deficit fund balances

At the end of fiscal year June 30, 2015, 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, 2015

Note 4. Deposits and Investments

Deposits and investments of the government at June 30, 2015 consist of the following:

Deposits:	
Cash on hand	\$ 1,565
Cash in bank	3,082,217
Cash held by trustee	263,681
Investments:	
State Treasurer's Investment Pool	<u>3,164,967</u>
Total Deposits and Investments	<u><u>\$ 6,512,430</u></u>

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

Cash and cash equivalents	\$ 5,996,461
Cash held by trustee	263,681
Designated cash	58,000
Restricted cash	194,288
	<u><u>\$ 6,512,430</u></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, 2015, \$0 of the government's bank balance of \$3,513,633 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, 2015, the Town has provided funds of \$263,681 to a bond paying agent. The total amount of \$263,681 represents amounts due for bond payments subsequent to year end.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

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, 2015 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	\$ 3,164,967	AAA f/S1+	47 days
Total Fair Value	<u>\$ 3,164,967</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, 2015

Note 4. Deposits and Investments, Continued

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.

Note 5. Receivables

Intergovernmental receivables consist principally of amounts due from the State of Arizona for various taxes, shared revenues, and highway user revenues. Other Accounts Receivable in the General Fund consists principally of sanitation receivables. Receivables in the proprietary fund are service billings receivable and are shown net of an allowance for doubtful accounts of \$10,607.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 6. Capital Assets

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

Governmental Activities:	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Capital assets, not being depreciated:				
Land	\$ 2,218,509	\$ -	\$ (277,607)	\$ 1,940,902
Construction in progress	-	32,408	-	32,408
Total capital assets, not being depreciated	<u>2,218,509</u>	<u>32,408</u>	<u>(277,607)</u>	<u>1,973,310</u>
Capital assets, being depreciated:				
Buildings and improvements	1,883,898	-	(13,758)	1,870,140
Equipment and vehicles	1,712,737	-	(32,183)	1,680,554
Infrastructure	2,993,218	21,776	(2,274)	3,012,720
Total capital assets, being depreciated	<u>6,589,853</u>	<u>21,776</u>	<u>(48,215)</u>	<u>6,563,414</u>
Less accumulated depreciation for:				
Buildings and improvements	(811,760)	(61,104)	12,210	(860,654)
Equipment and vehicles	(1,327,877)	(90,008)	32,186	(1,385,699)
Infrastructure	(1,349,743)	(163,717)	2,274	(1,511,186)
Total accumulated depreciation	<u>(3,489,380)</u>	<u>(314,829)</u>	<u>46,670</u>	<u>(3,757,539)</u>
Total capital assets, being depreciated, net	<u>3,100,473</u>	<u>(293,053)</u>	<u>(1,545)</u>	<u>2,805,875</u>
Governmental activities capital assets, net	<u>\$ 5,318,982</u>	<u>\$ (260,645)</u>	<u>\$ (279,152)</u>	<u>\$ 4,779,185</u>

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

Governmental Activities:	
General government	\$ 37,732
Public safety	27,375
Public works/streets	139,517
Culture & recreation	110,205
Total depreciation expense - governmental activities	<u>\$ 314,829</u>

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 6. Capital Assets, Continued

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

Business-Type Activities:	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Capital assets not being depreciated:				
Land	\$ 42,314	\$ -	\$ -	\$ 42,314
Construction in progress	-	-	-	-
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	(216,939)	(12,267)	-	(229,206)
Equipment and vehicles	(79,714)	(999)	-	(80,713)
Infrastructure	(2,431,356)	(141,625)	-	(2,572,981)
Total accumulated depreciation	<u>(2,728,009)</u>	<u>(154,891)</u>	<u>-</u>	<u>(2,882,900)</u>
Total capital assets, being depreciated, net	<u>2,682,683</u>	<u>(154,891)</u>	<u>-</u>	<u>2,527,792</u>
Business-type activities capital assets, net	<u>\$ 2,724,997</u>	<u>\$ (154,891)</u>	<u>\$ -</u>	<u>\$ 2,570,106</u>

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

Business-Type Activities:	
Utility enterprise fund	<u>\$ 154,891</u>
Total depreciation expense - business-type activities	<u>\$ 154,891</u>

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

	Balance 6/30/2014	Additions	Retirements	Balance 6/30/2015	Current Portion
Governmental Activities:					
Revenue bonds					
Series 2013A	\$ 1,565,000	\$ -	\$ (155,000)	\$ 1,410,000	\$ -
Loans payable					
GADA loan	475,000	-	(30,000)	445,000	30,000
Premium on GADA loan	9,709	-	(820)	8,889	-
Total loans payable	484,709	-	(30,820)	453,889	30,000
Capital leases	56,153	-	(27,259)	28,894	28,894
Accrued compensated absences	73,226	88,709	(86,387)	75,548	75,548
Net pension liability	2,739,538	174,257	-	2,913,795	-
Total other long term debt	2,868,917	262,966	(113,646)	3,018,237	104,442
Total Governmental Activities	\$ 4,918,626	\$ 262,966	\$ (299,466)	\$ 4,882,126	\$ 134,442
Business-Type Activities:					
Revenue bonds					
Series 2013B	\$ 305,000	\$ -	\$ (35,000)	\$ 270,000	\$ -
Accrued compensated absences	3,087	4,020	(3,425)	3,682	3,682
Net pension liability	283,574	-	(29,907)	253,667	-
Total Business-Type Activities	\$ 591,661	\$ 4,020	\$ (68,332)	\$ 527,349	\$ 3,682
Total Long-Term Liabilities	<u>\$ 5,510,287</u>	<u>\$ 266,986</u>	<u>\$ (367,798)</u>	<u>\$ 5,409,475</u>	<u>\$ 138,124</u>

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 7. Long-Term Debt, Continued

The following is a listing of long-term debt outstanding as of June 30, 2015:

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>\$ 445,000</u>
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Total Loans Payable	<u>445,000</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.	1,410,000
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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>270,000</u>
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Total Bonds Payable	<u>1,680,000</u>
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Leases Payable:

Leases payable in annual installments through May 13, 2016, bearing interest at 6.0%.	<u>28,894</u>
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Accrued Compensated Absences

79,230

Bond Premiums and Discounts, net

8,889

Net Pension Liability

3,167,462

Total Long-Term Debt	5,409,475
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Less Current Portion:

Business-type Activities	(3,682)
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Governmental-type Activities	(134,442)
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Net Long-Term Debt	<u><u>\$ 5,271,351</u></u>
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TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 7. Long-Term Debt, Continued

Long term debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2016	30,000	77,679	-	6,586
2017	195,000	72,887	35,000	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>\$ 1,855,000</u>	<u>\$ 454,402</u>	<u>\$ 270,000</u>	<u>\$ 32,196</u>

Note 8. Capital Leases Payable

The government has entered into a lease agreement, which is considered a capital lease in accordance with Financial Accounting Standard Board ASC 840-30-25. The lease is shown in the governmental activities of the government-wide statements. The total amount of equipment capitalized under the lease is \$86,356 and accumulated depreciation is \$19,306. Amortization on the asset is included in depreciation expense.

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

Year Ending June 30	
2016	<u>30,628</u>
Total remaining minimum lease payments	30,628
Less amount representing interest	<u>(1,734)</u>
Present value of net remaining minimum lease payments	<u>\$ 28,894</u>

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Interfund Receivables, Payables and Transfers

As of June 30, 2015, there were no interfund receivables and payables.

Interfund transfers for the fiscal year ended June 30, 2015 are as follows:

Transfer in:	Transfers out:	
	<u>General</u>	<u>Total Transfers in</u>
Nonmajor Governmental Funds	<u>532,779</u>	<u>532,779</u>
Total transfers out	<u>\$ 532,779</u>	<u>\$ 532,779</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 \$238,290 out of the general fund into the nonmajor impact fee fund during the fiscal year to relieve a fund deficit that was incurred in previous years for development costs related to Parker South.

Note 10. Waste Billing Agreement

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 11. 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 December 23, 2015, 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:

Assets	
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>
Liabilities and Net Position	
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>
Operating Revenues and Expenses	
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, 2015

Note 12. Retirement and Pension Plans

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.

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.

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 survivor benefit is determined by the retirement benefit option chosen. 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.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 12. Retirement and Pension Plans, Continued

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 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 9.57 percent (9.51 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the ASRS.

The Town's 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
2013	\$ 102,033	\$ 6,470	\$ 2,389
2014	\$ 109,514	\$ 6,141	\$ 2,456
2015	\$ 107,259	\$ 5,811	\$ 1,182

Pension liability – At June 30, 2015, the Town reported a liability of \$1,811,908 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. 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, 2013, to the measurement date of June 30, 2014. 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, 2014. The Town's proportion measured as of June 30, 2014, was .012245%, which was an increase of 0.000053 percent from its proportion measured as of June 30, 2013.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 12. Retirement and Pension Plans, Continued

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2015, the Town recognized pension expense for ASRS of \$121,880. At June 30, 2015, 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	\$ 92,086	\$ -
Net difference between projected and actual earnings on pension plan investments	-	316,847
Changes in proportion and differences between contributions and proportional share of contributions	6,087	-
Contributions subsequent to the measurement date	107,259	-
Total	\$ 205,432	\$ 316,847

The \$105,045 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2016	\$ (36,528)
2017	(36,528)
2018	(66,406)
2019	(79,212)
2020	-
Thereafter	

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 12. Retirement and Pension Plans, Continued

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
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, 2013, 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 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	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	63%	7.03%	4.43%
Fixed income	25%	3.20%	0.80%
Commodities	4%	4.50%	0.18%
Real Estate	8%	4.75%	0.38%
Totals	100%		5.79%
	Inflation		3.00%
	Expected arithmetic nominal return		8.79%

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 12. Retirement and Pension Plans, Continued

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 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	\$ 2,290,159	\$ 1,811,908	\$ 1,552,433

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 reports are available on the PSPRS website at www.psprs.com.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 12. 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:

	Initial Membership Date Before January 1, 2012	Initial Membership Date On or After January 1, 2012
Retirement and Disability		
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	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. 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, 2015

Note 12. Retirement and Pension Plans, Continued

Employees covered by benefit terms – At June 30, 2015, the following employees were covered by the agent pension plans’ benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	4
Active employees	10
Total	17

Contributions and annual OPEB cost – 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, 2015, active PSPRS members were required by statute to contribute 11.05 percent of their annual covered salary to the PSPRS and the Town was required to contribute 41.31 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 1.77 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, 2015, were:

Pension	
Contributions made	116,652
 Health Insurance Premium Benefit	
Annual OPEB cost	7,681
Contributions made	7,681

Pension liability – At June 30, 2015, the Town reported a net pension liability of \$1,355,554. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 12. 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, 2014
Actuarial cost method	Individual Entry Age Normal
Discount rate	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, 2014, 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 Real Rate of Return</u>
U.S. Equity	16.00%	7.60%
Non-U.S. Equity	14.00%	8.63%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	4.75%
Credit Opportunities	13.00%	8.00%
Absolute Return	4.00%	6.75%
GTAA	10.00%	5.73%
Real Assets	8.00%	5.96%
Real Estate	11.00%	6.50%
Risk Parity	4.00%	6.04%
Short Term Inv	2.00%	3.25%
Total	<u>100.00%</u>	

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 12. Retirement and Pension Plans, Continued

Discount Rate –A Single Discount Rate of 7.85% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 2,849,054	\$ 1,852,575	\$ 996,479
Changes for the year:			
Service cost	113,071	-	113,071
Interest on total pension liability	222,131	-	222,131
Changes of benefit terms*	77,023	-	77,023
Difference between expected and actual experience in the measurement of the pension liability	(117,780)	-	(117,780)
Changes of assumptions**	430,537	-	430,537
Contributions - employer	-	102,938	(102,938)
Contributions - employee	-	57,280	(57,280)
Net investment income	-	254,035	(254,035)
Benefit payments, including refunds of employee contributions	(151,789)	(151,789)	-
Other changes	-	(48,346)	48,346
Net changes	573,193	214,118	359,075
Balances at June 30, 2015	<u>\$ 3,422,247</u>	<u>\$ 2,066,693</u>	<u>\$ 1,355,554</u>

* Changes of benefit terms include the payout of Retro PBI and a change in the employee contribution rate

** Changes of assumptions include a decrease in the wage assumption from 4.5% to 4.0% as well as the inclusion of an assumption to explicitly value future PBI

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 12. Retirement and Pension Plans, Continued

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

	1% Decrease (6.85%)	Discount Rate (7.85%)	1% Increase (8.85%)
Proportionate share of Net pension (asset) / liability	\$ 1,813,820	\$ 1,355,554	\$ 978,255

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, 2015, the Town recognized pension expense for PSPRS of \$293,671. At June 30, 2015, 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	\$ -	\$ 94,687
Changes in assumptions	346,121	-
Net difference between projected and actual earnings on pension plan investments	-	83,092
Contributions subsequent to the measurement date	116,652	-
Total	\$ 462,773	\$ 177,779

The \$116,652 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, 2016. 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, 2015

Note 12. Retirement and Pension Plans, Continued

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2016	\$ 40,550
2017	\$ 40,550
2018	\$ 40,550
2019	\$ 40,550
2020	6,142
Thereafter	-

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, 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 2015 contribution requirements:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	23 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	4.5%-8.5%
Wage growth	4.50%

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 12. 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	2013	\$ 6,809	100%	-
	2014	7,140	100%	-
	2015	7,681	100%	-

Agent plan OPEB funded status – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

	<u>Insurance Subsidy</u>
Actuarial accrued liability (AAL)	\$ 72,667
Actuarial value of plan assets	<u>128,282</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ (55,615)</u>
Funded ratio (actuarial value of plan assets/AAL)	176.53%
Covered payroll (active plan members)	\$ 544,043
UAAL as a percentage of covered payroll	-10.22%

The actuarial methods and assumptions used for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual 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	4.0%

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 13. Risk Management

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

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

Note 14. Contingent Liabilities and Commitments

The government is a party to a number of legal actions arising in the ordinary course of its operations. In the opinion of government management, the government has adequate legal defenses regarding each of these actions and does not believe that they will have a material adverse effect on the government's financial position at June 30, 2015.

NOTE 15. Restatement Adjustment

As mentioned in Note 1 to the financial statements, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. This resulted in a restatement of beginning net position as follows:

	<u>ASRS</u>	<u>PSPRS</u>	<u>Total Governmental Activities</u>	<u>Water Fund</u>	<u>Total Business-type Activities</u>
Restatement adjustment - implementation of GASB 68:					
Net pension liability	\$ (1,743,059)	\$ (996,479)	\$ (2,739,538)	\$ (283,754)	\$ (283,754)
Deferred outflows - contributions made during fiscal year 2014	101,575	102,938	\$ 204,513	16,536	16,536
Total Restatement Adjustment	<u>\$ (1,641,484)</u>	<u>\$ (893,541)</u>	<u>\$ (2,535,025)</u>	<u>\$ (267,218)</u>	<u>\$ (267,218)</u>

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PARKER, ARIZONA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2015

Arizona State Retirement System

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

Note: 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
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2015

Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Total pension liability	
Service cost	\$ 113,071
Interest on total pension liability	222,131
Changes of benefit terms	77,023
Difference between expected and actual experience of the total net pension liability	(117,780)
Changes of assumptions	430,537
Benefit payments, including refunds of employee contributions	(151,789)
Net change in total pension liability	573,193
Total pension liability - beginning	2,849,054
Total pension liability - ending (a)	\$ 3,422,247
 Plan fiduciary net position	
Contributions - employer	\$ 102,938
Contributions - employee	57,280
Net investment income	254,035
Benefit payments, including refunds of employee contributions	(151,789)
Other (net transfer)	(48,346)
Net change in plan fiduciary net position	214,118
Plan fiduciary net position - beginning	1,852,575
Plan fiduciary net position - ending (b)	\$ 2,066,693
 Net pension liability - ending (a) - (b)	\$ 1,355,554
 Plan fiduciary net position as a percentage of the total pension liability	60.39%
 Covered employee payroll	\$ 634,163
 Net pension liability as a percentage of covered- employee payroll	213.75%

Note: The Town implemented GASB 68 in fiscal year 2015.
Information prior to 2015 is not available.

See accompanying notes to pension plan schedules.

TOWN OF PARKER, ARIZONA
Schedule of Contributions
June 30, 2015

Arizona State Retirement System

	Reporting Fiscal Year	(Measurement Date)
	2015	(2014)
Contractually required contribution	\$	118,111
Contributions in relation to the contractually required contribution	\$	(118,111)
Contribution deficiency (excess)	\$	-
Covered employee payroll	\$	1,069,342
Contributions as a percentage of covered-employee payroll		11.05%

Note: 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)
	2015	(2014)
Actuarially determined contribution	\$	102,938
Contributions in relation to the actuarially determined contribution	\$	(102,938)
Contribution deficiency (excess)	\$	-
Covered-employee payroll	\$	634,163
Contributions as a percentage of covered-employee payroll		16.23%

Note: The Town implemented GASB 68 in fiscal year 2015. Information prior to 2015 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, 2015

NOTE 1. Actuarially Determined Contribution Rates

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

Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	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 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, 2015

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	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	
June 30,						
2012	-	64,534	64,534	0.0%	634,948	10.16%
2013	-	69,571	69,571	0.0%	576,548	12.07%
2014	128,282	72,667	(55,615)	176.53%	544,043	-10.22%
2015	**	**	**	**	**	**

**The June 30, 2015 information was not yet available at the time the financial statements were issued.

TOWN OF PARKER, ARIZONA
Required Supplementary Information
Notes to Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

NOTE 1. Factors that Affect the Identification of Trends

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,259,000	\$ 1,259,000	\$ 1,356,732	\$ 97,732
Licenses and permits	58,200	58,200	84,770	26,570
Intergovernmental revenues	1,119,769	1,119,769	897,245	(222,524)
Charges for services	23,900	23,900	36,596	12,696
Fines and forfeits	86,400	86,400	75,942	(10,458)
Investment earnings	10,030	10,030	9,177	(853)
Sanitation revenue	268,000	268,000	184,706	(83,294)
Miscellaneous earnings	1,784,200	1,784,200	407,951	(1,376,249)
	<u>4,609,499</u>	<u>4,609,499</u>	<u>3,053,119</u>	<u>(1,556,380)</u>
Total revenue				
EXPENDITURES				
Current				
General Government				
Mayor and town council	36,710	36,710	33,762	2,948
Magistrate	104,150	104,150	100,213	3,937
Town office	255,200	255,200	235,864	19,336
Attorney	160,000	160,000	122,848	37,152
Building maintenance	96,400	96,400	52,572	43,828
Finance	195,120	195,120	166,923	28,197
Elections	10,250	10,250	791	9,459
Outside agencies	2,000	2,000	2,000	-
	<u>\$859,830</u>	<u>859,830</u>	<u>714,973</u>	<u>144,857</u>
Total general government				
Public Safety				
Police	1,123,640	1,123,640	1,058,632	65,008
Building regulation and inspection	103,345	103,345	30,254	73,091
Animal control	65,980	65,980	30,736	35,244
	<u>1,292,965</u>	<u>1,292,965</u>	<u>1,119,622</u>	<u>173,343</u>
Total public safety				
Public Works				
Waste collection and disposal	252,600	252,600	186,143	66,457
Cemetery	87,618	87,618	76,275	11,343
	<u>340,218</u>	<u>340,218</u>	<u>262,418</u>	<u>77,800</u>
Total public works				

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, 2015

Culture and Recreation				
Parks	212,052	212,052	178,351	33,701
Swimming pool	7,950	7,950	6,687	1,263
Library	193,185	193,185	181,935	11,250
Other recreation	11,700	11,700	11,612	88
Senior citizens	89,485	89,485	73,512	15,973
	<u>514,372</u>	<u>514,372</u>	<u>452,097</u>	<u>62,275</u>
Debt service				
Principal	27,631	27,631	27,259	372
Interest	3,369	3,369	3,369	-
	<u>31,000</u>	<u>31,000</u>	<u>30,628</u>	<u>372</u>
Contingencies	241,459	241,459	8,531	232,928
Capital outlay	364,055	364,055	79,449	284,606
	<u>3,643,899</u>	<u>3,643,899</u>	<u>2,667,718</u>	<u>976,181</u>
Excess of revenues over expenditures	<u>965,600</u>	<u>965,600</u>	<u>385,401</u>	<u>(580,199)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(1,680,000)</u>	<u>(1,680,000)</u>	<u>(532,779)</u>	<u>1,147,221</u>
Total other financing sources (uses)	<u>(1,680,000)</u>	<u>(1,680,000)</u>	<u>(532,779)</u>	<u>1,147,221</u>
Net change in fund balance	(714,400)	(714,400)	(147,378)	567,022
Fund balance, beginning of year	<u>1,743,757</u>	<u>1,743,757</u>	<u>1,743,757</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,029,357</u>	<u>\$ 1,029,357</u>	<u>\$ 1,596,379</u>	<u>\$ 567,022</u>

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 1,290,130	\$ 1,290,130	\$ 1,018,616	\$ (271,514)
Miscellaneous earnings	-	-	303	303
Total revenue	<u>1,290,130</u>	<u>1,290,130</u>	<u>1,018,919</u>	<u>(271,211)</u>
EXPENDITURES				
Current				
Public Works	511,750	511,750	494,776	16,974
Contingencies	634,364	634,364	-	634,364
Capital outlay	<u>1,201,016</u>	<u>1,201,016</u>	<u>414,886</u>	<u>786,130</u>
Total expenditures	<u>2,347,130</u>	<u>2,347,130</u>	<u>909,662</u>	<u>1,437,468</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(1,057,000)</u>	<u>(1,057,000)</u>	<u>109,257</u>	<u>1,166,257</u>
Other Financing Sources (Uses):				
Transfers out	<u>(380,000)</u>	<u>(380,000)</u>	-	<u>380,000</u>
Total other financing sources (uses):	<u>(380,000)</u>	<u>(380,000)</u>	-	<u>380,000</u>
Net change in fund balance	(1,437,000)	(1,437,000)	109,257	1,546,257
Fund balance, beginning of year	<u>2,532,361</u>	<u>2,532,361</u>	<u>2,532,361</u>	-
Fund balance, end of year	<u>\$ 1,095,361</u>	<u>\$ 1,095,361</u>	<u>\$ 2,641,618</u>	<u>\$ 1,546,257</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.

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, 2015

	Special Revenue				
	Bed Tax Fund	Local Transportation Assistance Fund	School Resource Officer Fund	Police Grant Fund	Library Grant C-070 Fund
ASSETS					
Cash and investments	\$ 92,883	\$ 5,637	\$ 6,684	\$ -	\$ 18,832
Cash held by trustee	-	-	-	-	-
Due from other governments	-	-	-	-	-
Total assets	<u>\$ 92,883</u>	<u>\$ 5,637</u>	<u>\$ 6,684</u>	<u>\$ -</u>	<u>\$ 18,832</u>
Liabilities					
Accounts payable	\$ -	\$ 244	\$ -	\$ -	\$ 947
Accrued payroll and related taxes	-	-	1,167	-	212
Accrued interest	-	-	-	-	-
Matured debt principal payable	-	-	-	-	-
Total liabilities	<u>-</u>	<u>244</u>	<u>1,167</u>	<u>-</u>	<u>1,159</u>
Fund Balance					
Restricted for:					
Tourism	92,883	-	-	-	-
Capital projects	-	-	-	-	-
Assigned					
Aging services	-	5,393	-	-	-
Public safety	-	-	5,517	-	-
Library services	-	-	-	-	17,673
Total fund balances	<u>92,883</u>	<u>5,393</u>	<u>5,517</u>	<u>-</u>	<u>17,673</u>
Total liabilities and fund balance	<u>\$ 92,883</u>	<u>\$ 5,637</u>	<u>\$ 6,684</u>	<u>\$ -</u>	<u>\$ 18,832</u>

(Continued)

TOWN OF PARKER, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015 (Continued)

	Special Revenue		Capital Projects			Total
	Congregate Meals Fund	Home Delivered Meals Fund	Impact Fees	GADA Fund	Debt Service Fund	
ASSETS						
Cash and investments	\$ 140,386	\$ 100,029	\$ 3,403	\$ 292,002	\$ -	\$ 659,856
Cash held by trustee	-	-	-	-	225,274	225,274
Due from other governments	12,240	28,060	-	-	-	40,300
Total assets	<u>\$ 152,626</u>	<u>\$ 128,089</u>	<u>\$ 3,403</u>	<u>\$ 292,002</u>	<u>\$ 225,274</u>	<u>\$ 925,430</u>
Liabilities						
Accounts payable	\$ 2,351	\$ 2,877	\$ -	\$ -	\$ -	\$ 6,419
Accrued payroll and related taxes	1,689	1,858	-	-	-	4,926
Accrued interest	-	-	-	-	10,274	10,274
Matured debt principal payable	-	-	-	-	215,000	215,000
Total liabilities	<u>4,040</u>	<u>4,735</u>	<u>-</u>	<u>-</u>	<u>225,274</u>	<u>236,619</u>
Fund Balance						
Restricted for:						
Tourism	-	-	-	-	-	92,883
Capital projects	-	-	3,403	292,002	-	295,405
Assigned						
Aging services	148,586	123,354	-	-	-	277,333
Public safety	-	-	-	-	-	5,517
Library services	-	-	-	-	-	17,673
Total fund balances	<u>148,586</u>	<u>123,354</u>	<u>3,403</u>	<u>292,002</u>	<u>-</u>	<u>688,811</u>
Total liabilities and fund balance	<u>\$ 152,626</u>	<u>\$ 128,089</u>	<u>\$ 3,403</u>	<u>\$ 292,002</u>	<u>\$ 225,274</u>	<u>\$ 925,430</u>

TOWN OF PARKER, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Funds
For the Year Ended June 30, 2015

	Special Revenue				
	Bed Tax Fund	Local Transportation Assistance Fund	School Resource Officer Fund	Police Grant Fund	Library Grant C-070 Fund
REVENUES					
Taxes	\$ 69,248	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	45,950	2,273	10,725
Miscellaneous earnings	-	25,000	-	-	9,011
Total revenues	<u>69,248</u>	<u>25,000</u>	<u>45,950</u>	<u>2,273</u>	<u>19,736</u>
EXPENDITURES					
Current					
General government	72,131	-	-	-	-
Public safety	-	-	40,433	3,687	-
Public works	-	19,607	-	-	-
Culture and recreation	-	-	-	-	38,000
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total expenditures	<u>72,131</u>	<u>19,607</u>	<u>40,433</u>	<u>3,687</u>	<u>38,000</u>
Excess of revenues					
Over (under) expenditures	<u>(2,883)</u>	<u>5,393</u>	<u>5,517</u>	<u>(1,414)</u>	<u>(18,264)</u>
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	-
Total other financing sources (uses):	-	-	-	-	-
Net change in fund balances	(2,883)	5,393	5,517	(1,414)	(18,264)
Fund balance (deficit), beginning of year	<u>95,766</u>	<u>-</u>	<u>-</u>	<u>1,414</u>	<u>35,937</u>
Fund balance (deficit), end of year	<u>\$ 92,883</u>	<u>\$ 5,393</u>	<u>\$ 5,517</u>	<u>\$ -</u>	<u>\$ 17,673</u>

(Continued)

TOWN OF PARKER, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Funds
For the Year Ended June 30, 2015 (Continued)

	Special Revenue		Capital Projects			Total
	Congregate Meals Fund	Home Delivered Meals Fund	Impact Fees	GADA Fund	Debt Service Fund	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,248
Intergovernmental	125,428	134,515	-	-	-	318,891
Miscellaneous earnings	30,443	48,489	-	-	-	112,943
Total revenues	<u>155,871</u>	<u>183,004</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>501,082</u>
EXPENDITURES						
Current						
General government	-	-	-	-	-	72,131
Public safety	-	-	-	-	-	44,120
Public works	-	-	-	-	-	19,607
Culture and recreation	158,386	183,914	-	-	-	380,300
Debt service						
Principal	-	-	-	-	185,000	185,000
Interest and fiscal charges	-	-	-	-	109,489	109,489
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>158,386</u>	<u>183,914</u>	<u>-</u>	<u>-</u>	<u>294,489</u>	<u>810,647</u>
Excess of revenues						
Over (under) expenditures	<u>(2,515)</u>	<u>(910)</u>	<u>-</u>	<u>-</u>	<u>(294,489)</u>	<u>(309,565)</u>
Other Financing Sources (Uses):						
Transfers in	<u>-</u>	<u>-</u>	<u>238,290</u>	<u>-</u>	<u>294,489</u>	<u>532,779</u>
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>238,290</u>	<u>-</u>	<u>294,489</u>	<u>532,779</u>
Net change in fund balances	(2,515)	(910)	238,290	-	-	223,214
Fund balance (deficit), beginning of year	<u>151,101</u>	<u>124,264</u>	<u>(234,887)</u>	<u>292,002</u>	<u>-</u>	<u>465,597</u>
Fund balance (deficit), end of year	<u>\$ 148,586</u>	<u>\$ 123,354</u>	<u>\$ 3,403</u>	<u>\$ 292,002</u>	<u>\$ -</u>	<u>\$ 688,811</u>

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OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

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, 2015, 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 December 23, 2015.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in our separate findings and recommendations letter dated December 23, 2015, that we consider to be significant deficiency.

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.



HintonBurdick, PLLC
Flagstaff, Arizona
December 23, 2015

**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
Town Council
Parker, Arizona

We have audited the basic financial statements of the Town of Parker, Arizona, for the year ended June 30, 2015, and have issued our report thereon dated December 23, 2015. Our audit also included test work on the Town of Parker's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution, including, but not limited to, Title 28, Chapter 18, Article 2.

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

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Town of Parker complied, in all material respects, with the requirements identified above for the year ended June 30, 2015.

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



HintonBurdick, PLLC
Flagstaff, Arizona
December 23, 2015

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