

TOWN OF PARKER, ARIZONA



**FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017
WITH REPORT OF CERTIFIED
PUBLIC ACCOUNTANTS**

TOWN OF PARKER, ARIZONA

Table of Contents

Financial Section:

Report of Certified Public Accountants 1

Management’s Discussion and Analysis 5

Basic Financial Statements

 Government-wide Financial Statements

 Statement of Net Position..... 14

 Statement of Activities 15

 Fund Financial Statements:

 Balance Sheet – Governmental Funds..... 16

 Reconciliation of the Balance Sheet of Governmental Funds to the
 Statement of Net Position 17

 Statement of Revenues, Expenditures, and Changes in
 Fund Balances – Governmental Funds..... 18

 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities..... 19

 Statement of Net Position - Proprietary Funds..... 20

 Statement of Revenues, Expenses and Changes
 in Net Position - Proprietary Funds 21

 Statement of Cash Flows - Proprietary Funds 22

Notes to Financial Statements 23

Required Supplementary Information – Schedule of the Proportionate
Share of the Net Pension Liability 58

Required Supplementary Information – Schedule of Changes in the
Net Pension Liability and Related Ratios 59

Required Supplementary Information – Schedule of Contributions 60

Required Supplementary Information – Schedule of Agent OPEB Plans’ Funding Progress 62

Required Supplementary Information – Budgetary Comparison General Fund 65

Required Supplementary Information – Budgetary Comparison Highway User Revenue Fund..... 67

Supplementary Information - Combining Nonmajor Fund Financial Statements 70

Other Communications from Independent Auditor:

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters 77

Report on State Legal Compliance 79

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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, 2017, 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2018, on our consideration of the Town of Parker, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an

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

Hinton Burdick, PLLC

HintonBurdick, PLLC
Flagstaff, Arizona
February 7, 2018

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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, 2017. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net position) by \$8.7 million at the close of the fiscal year.
- Total net position increased by \$197,114.
- Governmental revenues exceeded expenses by \$294,040.
- Business-type expenses exceeded total business-type revenues by (\$96,926).
- Total revenues from all sources were \$5.2 million.
- The total cost of all Town programs was \$5.0 million.
- The general fund reported a change in fund balance of (\$349,111).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$703,830 or 24.25% 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 \$8.7 million as of June 30, 2017 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	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Current and other assets	\$ 5,148,299	\$ 5,704,102	\$ 1,560,907	\$ 1,492,432	\$ 6,709,206	\$ 7,196,534
Capital assets	5,172,719	4,356,071	2,265,626	2,418,406	7,438,345	6,774,477
Total assets	<u>10,321,018</u>	<u>10,060,173</u>	<u>3,826,533</u>	<u>3,910,838</u>	<u>14,147,551</u>	<u>13,971,011</u>
Deferred outflows of resources	872,850	646,193	51,281	21,587	924,131	667,780
Long-term liabilities outstanding	4,724,583	4,617,348	486,281	480,351	5,210,864	5,097,699
Other liabilities	478,806	442,139	144,844	116,010	623,650	558,149
Total liabilities	<u>5,203,389</u>	<u>5,059,487</u>	<u>631,125</u>	<u>596,361</u>	<u>5,834,514</u>	<u>5,655,848</u>
Deferred inflows of resources	512,329	462,769	44,637	37,086	556,966	499,855
Net position:						
Net investment in capital assets	3,637,734	2,683,002	2,030,626	2,148,406	5,668,360	4,831,408
Restricted	2,987,033	3,194,723	-	-	2,987,033	3,194,723
Unrestricted	<u>(1,146,617)</u>	<u>(693,615)</u>	<u>1,171,426</u>	<u>1,150,572</u>	<u>24,809</u>	<u>456,957</u>
Total net position	<u>\$ 5,478,150</u>	<u>\$ 5,184,110</u>	<u>\$ 3,202,052</u>	<u>\$ 3,298,978</u>	<u>\$ 8,680,202</u>	<u>\$ 8,483,088</u>

Governmental Activities

The cost of all Governmental activities this year was \$4,311,619, a decrease of \$184,691 over last fiscal year. This is primarily due to a decrease in public safety and general government. As shown on the Statement of Changes in Net Position on the following page, \$441,690 of this cost was paid for by those who directly benefited from the programs; \$1,769,005 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid, donations, and fees for services were \$2,210,695. General taxes, investment earnings, and other general revenues totaled \$2,394,964.

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.

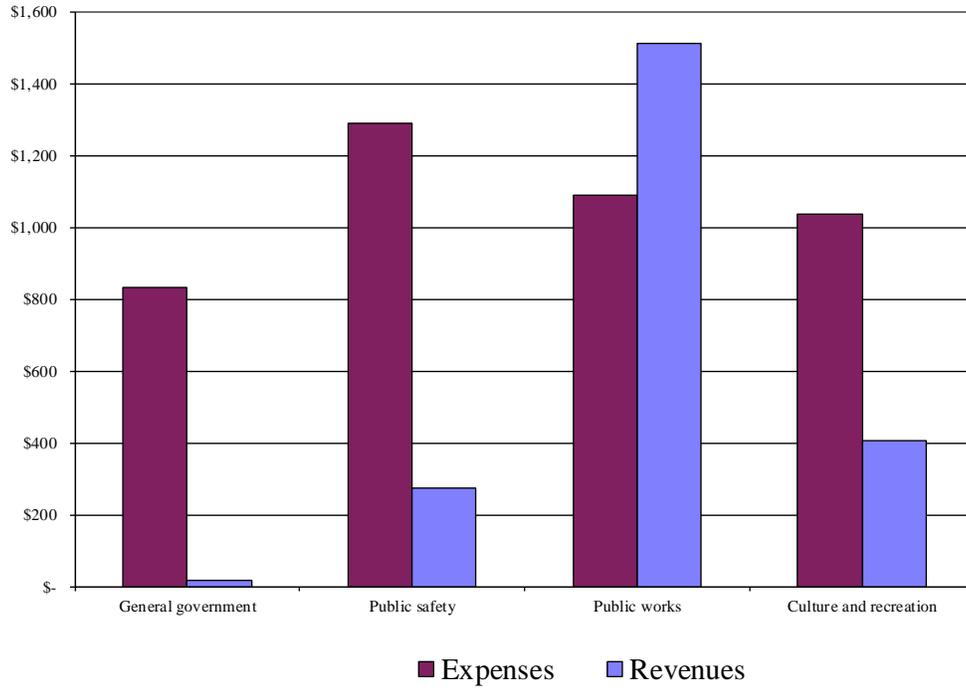
Town of Parker
Changes in Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Revenues:						
Program revenues:						
Charges for services	\$ 441,690	\$ 534,838	\$ 605,760	\$ 593,994	\$ 1,047,450	\$ 1,128,832
Operating grants and contributions	1,769,005	1,627,784	-	-	1,769,005	1,627,784
Capital grants and contributions	-	27,330	-	-	-	27,330
General revenues:						
Taxes	1,998,807	1,981,689	-	-	1,998,807	1,981,689
State revenue sharing	372,656	371,193	-	-	372,656	371,193
Other revenue	23,501	124,872	-	-	23,501	124,872
Total revenues	<u>4,605,659</u>	<u>4,667,706</u>	<u>605,760</u>	<u>593,994</u>	<u>5,211,419</u>	<u>5,261,700</u>
Expenses:						
General government	831,229	936,912	-	-	831,229	936,912
Public safety	1,288,134	1,467,836	-	-	1,288,134	1,467,836
Public works	1,088,673	967,084	-	-	1,088,673	967,084
Culture and recreation	1,036,035	1,047,815	-	-	1,036,035	1,047,815
Interest	67,548	76,663	-	-	67,548	76,663
Utility enterprise fund	-	-	702,686	659,008	702,686	659,008
Total expenses	<u>4,311,619</u>	<u>4,496,310</u>	<u>702,686</u>	<u>659,008</u>	<u>5,014,305</u>	<u>5,155,318</u>
(Decrease) / Increase in net position	294,040	171,396	(96,926)	(65,014)	197,114	106,382
Net position, beginning	<u>5,184,110</u>	<u>5,012,714</u>	<u>3,298,978</u>	<u>3,363,992</u>	<u>8,483,088</u>	<u>8,376,706</u>
Net position, ending	<u>\$ 5,478,150</u>	<u>\$ 5,184,110</u>	<u>\$ 3,202,052</u>	<u>\$ 3,298,978</u>	<u>\$ 8,680,202</u>	<u>\$ 8,483,088</u>

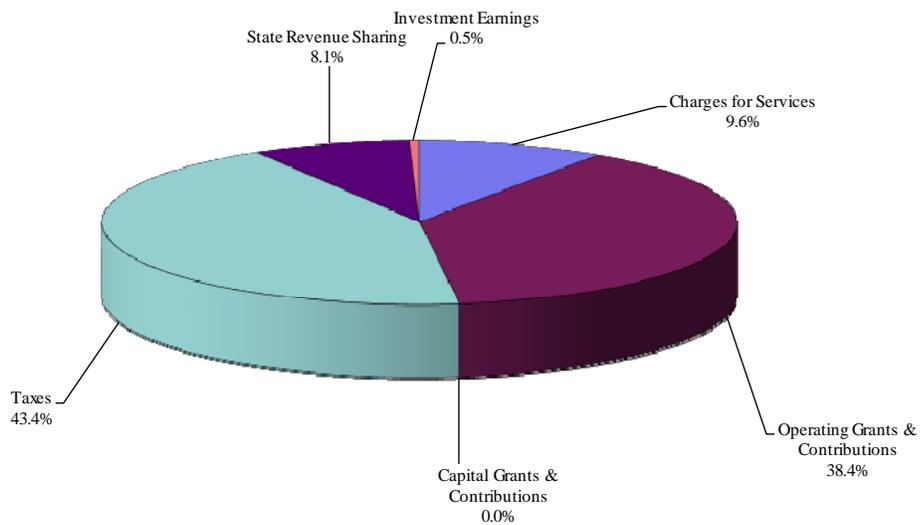
Total resources available during the year to finance governmental operations were \$9.8 million consisting of net position at July 1, 2016 of \$5.2 million, program revenues of \$2.2 million and general revenues of \$2.4 million. Total governmental activities' expenditures during the year were \$4.3 million; thus governmental net position increased to \$5.5 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)



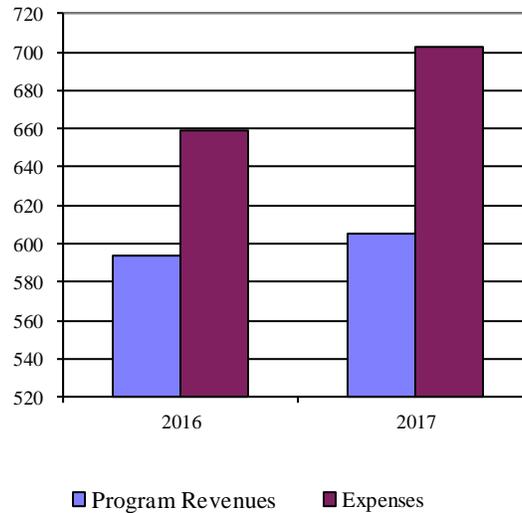
Revenue By Source - Governmental Activities



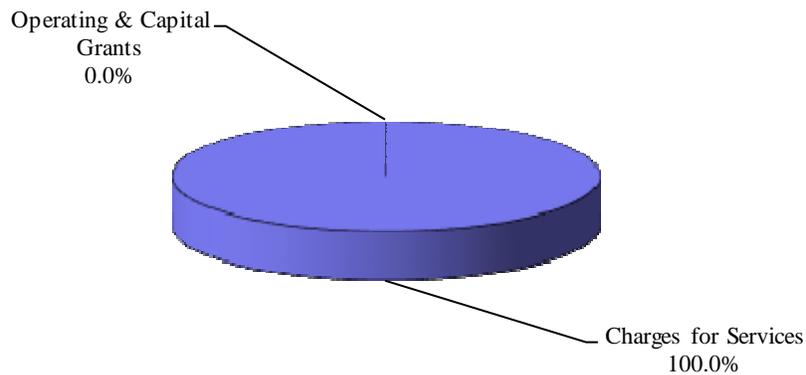
Business Type Activities

Net position of the business type activities at June 30, 2017, as reflected in the Statement of Net Position were \$3.2 million. The cost of providing all Proprietary (Business Type) activities this year was \$702,686. As shown in the Statement of Changes in Net Position, the amounts paid by users of the system were \$605,760 and there was \$0 subsidized by capital grants and contributions. The net position decreased by (\$96,926).

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 \$4,666,895, a decrease of \$595,068 in comparison with the prior year. Approximately, 15.08% of this total amount, \$703,830 constitutes unassigned, which is available for new spending at the government's discretion. The remainder of the fund balance is nonspendable, restricted or assigned to be used 1) to pay for capital improvements or 2) for a variety of other restricted purposes.

The general fund is the chief operating fund of the Town of Parker. At the end of the current fiscal year, unassigned fund balance in the general fund was \$703,830, while total fund balance is \$1,503,731. 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 24.25% of total general fund expenditures, while total fund balance represents 51.81% of the same amount.

During the year, the Town of Parker's general fund balance decreased by \$349,111.

The highway user revenue fund has a total fund balance of \$2,539,899, all of which is restricted for road and street construction and improvements. The net decrease in the fund balance during the current year was \$192,840. The decrease in the fund balance resulted in expending previous year's revenues for current projects.

General Fund Budgetary Highlights

The final actual expenditures for the General Fund, excluding transfers, at year-end were \$724,787 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 2017, net capital assets of the government activities totaled \$5.2 million and the net capital assets of the business-type activities totaled \$2.3 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 \$4,724,583 in governmental type debt, and \$486,281 in proprietary debt. The debt is a liability of the government and amounts to \$1,632 per capita. During the current fiscal year, the Town's total long term liabilities increased by \$113,165.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2017/2018, 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, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 4,560,459	\$ 682,680	\$ 5,243,139
Cash held by trustee	230,483	37,913	268,396
Designated cash and investments:			
Capital replacement	-	652,000	652,000
Receivables (net of allowance)	340,135	71,484	411,619
Inventory	-	64,718	64,718
Restricted cash and investments:			
Customer deposits	17,222	52,112	69,334
Non-depreciable capital assets	1,823,897	42,314	1,866,211
Depreciable capital assets, net	3,348,822	2,223,312	5,572,134
Total assets	<u>10,321,018</u>	<u>3,826,533</u>	<u>14,147,551</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	872,850	51,281	924,131
Total deferred outflows of resources	<u>872,850</u>	<u>51,281</u>	<u>924,131</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 186,919	\$ 38,900	\$ 225,819
Accrued payroll and related taxes	46,780	15,919	62,699
Customer deposits	17,222	52,112	69,334
Interest payable	32,885	2,913	35,798
Matured bonds payable	195,000	35,000	230,000
Noncurrent liabilities			
Due within one year	157,752	3,949	161,701
Due in more than one year	4,566,831	482,332	5,049,163
Total liabilities	<u>5,203,389</u>	<u>631,125</u>	<u>5,834,514</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	512,329	44,637	556,966
Total deferred inflows of resources	<u>512,329</u>	<u>44,637</u>	<u>556,966</u>
Net Position			
Net investment in capital assets	3,637,734	2,030,626	5,668,360
Restricted for:			
Highways and streets	2,539,899	-	2,539,899
Capital projects and other	447,134	-	447,134
Unrestricted	(1,146,617)	1,171,426	24,809
Total net position	<u>\$ 5,478,150</u>	<u>\$ 3,202,052</u>	<u>\$ 8,680,202</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, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 831,229	\$ 16,783	\$ 9	\$ -	\$ (814,437)	\$ -	\$ (814,437)
Public safety	1,288,134	171,703	103,395	-	(1,013,036)	-	(1,013,036)
Public works	1,088,673	190,187	1,321,543	-	423,057	-	423,057
Culture and recreation	1,036,035	63,017	344,058	-	(628,960)	-	(628,960)
Interest	67,548	-	-	-	(67,548)	-	(67,548)
Total governmental activities	<u>4,311,619</u>	<u>441,690</u>	<u>1,769,005</u>	<u>-</u>	<u>(2,100,924)</u>	<u>-</u>	<u>(2,100,924)</u>
Business-type activities:							
Utility enterprise fund	702,686	605,760	-	-	-	(96,926)	(96,926)
Total business-type activities	<u>702,686</u>	<u>605,760</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(96,926)</u>	<u>(96,926)</u>
Total primary government	<u>\$ 5,014,305</u>	<u>\$ 1,047,450</u>	<u>\$ 1,769,005</u>	<u>\$ -</u>			
General Revenues:							
Taxes:							
City sales tax					1,324,987	-	1,324,987
Franchise tax					114,214	-	114,214
Auto lieu tax (unrestricted)					287,173	-	287,173
State sales tax (unrestricted)					272,433	-	272,433
Urban revenue sharing (unrestricted)					372,656	-	372,656
Investment earnings					23,501	-	23,501
Total general revenues & transfers					<u>2,394,964</u>	<u>-</u>	<u>2,394,964</u>
Change in net position					294,040	(96,926)	197,114
Net position - beginning					5,184,110	3,298,978	8,483,088
Net position - ending					<u>\$ 5,478,150</u>	<u>\$ 3,202,052</u>	<u>\$ 8,680,202</u>

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

TOWN OF PARKER, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2017

Assets	General	Highway User Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash	\$ 1,459,827	\$ 2,479,990	\$ 620,642	\$ 4,560,459
Cash held by trustee	-	-	230,483	230,483
Receivables				
Taxes	72,354	-	-	72,354
Due from other governments	33,925	105,080	85,727	224,732
Other	43,049	-	-	43,049
Due from other funds	66,127	-	-	66,127
Restricted assets - customer deposits	17,222	-	-	17,222
Total assets	\$ 1,692,504	\$ 2,585,070	\$ 936,852	\$ 5,214,426
Liabilities				
Accounts payable	\$ 135,934	\$ 39,101	\$ 11,884	\$ 186,919
Accrued payroll and related taxes	35,617	6,070	5,093	46,780
Accrued interest	-	-	35,483	35,483
Due to other funds	-	-	66,127	66,127
Customer deposits	17,222	-	-	17,222
Matured debt principal payable	-	-	195,000	195,000
Total liabilities	188,773	45,171	313,587	547,531
Fund Balances				
Nonspendable				
Bequest fund	9,398	-	-	9,398
Restricted				
Highways	-	2,539,899	-	2,539,899
Public safety	65,703	-	-	65,703
Tourism	-	-	76,627	76,627
Capital projects	-	-	295,406	295,406
Assigned				
Aging services	-	-	216,619	216,619
Public safety	-	-	6,577	6,577
Library services	-	-	28,036	28,036
Budget policy reservation	724,800	-	-	724,800
Unassigned	703,830	-	-	703,830
Total fund balances	1,503,731	2,539,899	623,265	4,666,895
Total Liabilities and fund balances	\$ 1,692,504	\$ 2,585,070	\$ 936,852	\$ 5,214,426

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, 2017

Total governmental fund balances	\$	4,666,895
<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	\$ 9,657,284	
Accumulated depreciation	<u>(4,484,565)</u>	5,172,719
<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	(1,090,000)	
Loans payable	(380,000)	
Issuance premium	(7,249)	
Capital leases	(57,736)	
Interest payable	2,598	
Compensated absences	(94,725)	
Net pension liability	<u>(3,094,873)</u>	(4,721,985)
<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	872,850	
Deferred inflows	<u>(512,329)</u>	360,521
Total net position of governmental activities	\$	5,478,150

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, 2017

REVENUES	General Fund	Highway User Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Taxes	\$ 1,376,175	\$ -	\$ 63,026	\$ 1,439,201
Licenses and permits	62,575	-	-	62,575
Intergovernmental revenue	932,267	1,190,764	565,039	2,688,070
Charges for services	23,727	-	-	23,727
Fines and forfeits	106,517	-	-	106,517
Investment earnings	23,501	-	-	23,501
Sanitation revenue	180,394	-	-	180,394
Miscellaneous earnings	22,278	451	58,945	81,674
Total revenues	<u>2,727,434</u>	<u>1,191,215</u>	<u>687,010</u>	<u>4,605,659</u>
EXPENDITURES				
Current:				
General government	733,035	-	79,785	812,820
Public safety	1,147,909	-	107,116	1,255,025
Public works	272,977	559,583	-	832,560
Culture and recreation	457,015	-	405,006	862,021
Debt service				
Principal	31,492	-	195,000	226,492
Interest and fiscal charges	-	-	70,966	70,966
Contingencies	6,700	-	-	6,700
Capital outlay	253,243	824,472	145,656	1,223,371
Total expenditures	<u>2,902,371</u>	<u>1,384,055</u>	<u>1,003,529</u>	<u>5,289,955</u>
Excess of revenues				
Over (Under) expenditures	<u>(174,937)</u>	<u>(192,840)</u>	<u>(316,519)</u>	<u>(684,296)</u>
Other Financing Sources (Uses):				
Lease proceeds	89,228	-	-	89,228
Transfers out	(268,795)	-	(5,393)	(274,188)
Transfers in	5,393	-	268,795	274,188
Total other financing Sources (Uses)	<u>(174,174)</u>	<u>-</u>	<u>263,402</u>	<u>89,228</u>
Net change in fund balances	(349,111)	(192,840)	(53,117)	(595,068)
Fund balance, beginning of year	<u>1,852,842</u>	<u>2,732,739</u>	<u>676,382</u>	<u>5,261,963</u>
Fund balance, end of year	<u>\$ 1,503,731</u>	<u>\$ 2,539,899</u>	<u>\$ 623,265</u>	<u>\$ 4,666,895</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, 2017

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

Net change in fund balances - total governmental funds	\$	(595,068)
<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	\$	1,221,993
Depreciation expense		<u>(405,346)</u>
		816,647
<p>Issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net position.</p>		
		(89,228)
<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>		
		226,492
<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	\$	248,802
Pension expense		<u>(297,067)</u>
		(48,265)
<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>		
		(19,956)
<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>		
		2,598
Change in net position of governmental activities	\$	<u><u>294,040</u></u>

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

TOWN OF PARKER, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2017

	Utility Enterprise Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 682,680
Cash held by trustee	37,913
Designated cash:	
Capital replacement	652,000
Accounts receivable, net of allowance	71,484
Inventory	64,718
Total current assets	1,508,795
Noncurrent Assets:	
Restricted cash:	
Customer deposits	52,112
Capital assets, non-depreciable	42,314
Capital assets, depreciable, net	2,223,312
Total noncurrent assets	2,317,738
Total assets	3,826,533
Deferred Outflows of Resources	
Deferred outflows related to pensions	51,281
Total deferred outflows of resources	51,281
Liabilities	
Current liabilities:	
Accounts payable	38,900
Accrued payroll and related taxes	15,919
Accrued interest	2,913
Matured debt principal payable	35,000
Customer deposits	52,112
Compensated absences	3,949
Total current liabilities	148,793
Noncurrent liabilities:	
Notes payable	200,000
Net pension liability	282,332
Total noncurrent liabilities	482,332
Total liabilities	631,125
Deferred Inflows of Resources	
Deferred inflows related to pensions	44,637
Total deferred inflows of resources	44,637
Net Position	
Net investment in capital assets	2,030,626
Unrestricted - designated for capital reserve	652,000
Unrestricted	519,426
Total net position	\$ 3,202,052

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, 2017

	Utility Enterprise Fund
Operating Revenues	
Water services	\$ 573,029
Tap and turn-on fees	19,976
Penalties	11,481
Miscellaneous	1,274
Total operating revenues	605,760
 Operating Expenses	
Cost of sales and services	544,080
Depreciation	152,780
Total operating expenses	696,860
Operating income (loss)	(91,100)
 Non-operating Revenues (Expenses)	
Interest expense	(5,826)
Total non-operating revenue (expense)	(5,826)
Change in net position	(96,926)
Total net position, beginning of year	3,298,978
Total net position, end of year	\$ 3,202,052

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, 2017

	Utility Enterprise Fund
Cash Flows From Operating Activities:	
Cash received from customers and users	\$ 603,929
Cash paid to suppliers	(361,237)
Cash paid to employees	(148,703)
Cash flows from operating activities:	93,989
Cash Flows From Capital and Related Financing Activities:	
Principal paid on capital debt	(35,000)
Interest paid on capital debt	(6,092)
Cash flows from capital and related financing activities	(41,092)
Net change in cash and cash equivalents	52,897
Cash and cash equivalents, including restricted cash, beginning of year	1,371,808
Cash and Cash Equivalents, including restricted cash, end of year	\$ 1,424,705
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:	
Net operating income/(loss)	\$ (91,100)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:	
Depreciation	152,780
Pension expense	36,926
Employer pension contributions	(17,351)
Changes in operating assets and liabilities:	
(Increase)/Decrease in receivables	(4,530)
(Increase)/Decrease in inventory	(11,048)
Increase/(Decrease) in accounts payable	21,969
Increase/(Decrease) in accrued payroll and related taxes	4,432
Increase/(Decrease) in customer deposits	2,699
Increase/(Decrease) in compensated absences	(788)
Net cash flows from operating activities	\$ 93,989

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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.

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, 2017

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, 2017

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, 2017.

Deficit fund balances

At the end of fiscal year June 30, 2017, 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, 2017

Note 4. Deposits and Investments

Deposits and investments of the government at June 30, 2017 consist of the following:

Deposits:	
Cash on hand	\$ 2,250
Cash in bank	2,768,009
Cash held by trustee	268,396
Investments:	
State Treasurer's Investment Pool	<u>3,194,214</u>
Total deposits and investments	<u><u>\$ 6,232,869</u></u>

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

Cash and cash equivalents	\$ 5,243,139
Cash held by trustee	268,396
Designated cash - capital replacement (utility fund)	652,000
Restricted cash	<u>69,334</u>
	<u><u>\$ 6,232,869</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, 2017 \$0 of the government's bank balance of \$3,841,213 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, 2017, the Town has provided funds of \$268,396 to a bond paying agent. The total amount of \$268,396 represents amounts due for bond payments subsequent to year end.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

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, 2017 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	\$ 3,194,214	AAA f/S1+	22 days
Total fair value	<u>\$ 3,194,214</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, 2017

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.

Fair value measurements

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

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

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, 2017

Note 6. Capital Assets

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

Governmental Activities:	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Capital assets, not being depreciated:				
Land	\$ 1,663,296	\$ -	\$ -	\$ 1,663,296
Construction in progress	62,857	190,744	(93,000)	160,601
Total capital assets, not being depreciated	<u>1,726,153</u>	<u>190,744</u>	<u>(93,000)</u>	<u>1,823,897</u>
Capital assets, being depreciated:				
Buildings and improvements	1,878,048	14,439	-	1,892,487
Equipment and vehicles	1,797,764	182,194	-	1,979,958
Infrastructure	3,033,326	927,616	-	3,960,942
Total capital assets, being depreciated	<u>6,709,138</u>	<u>1,124,249</u>	<u>-</u>	<u>7,833,387</u>
Less accumulated depreciation for:				
Buildings and improvements	(920,488)	(60,655)	-	(981,143)
Equipment and vehicles	(1,482,634)	(164,117)	-	(1,646,751)
Infrastructure	(1,676,097)	(180,574)	-	(1,856,671)
Total accumulated depreciation	<u>(4,079,219)</u>	<u>(405,346)</u>	<u>-</u>	<u>(4,484,565)</u>
Total capital assets, being depreciated, net	<u>2,629,919</u>	<u>718,903</u>	<u>-</u>	<u>3,348,822</u>
Governmental activities capital assets, net	<u>\$ 4,356,072</u>	<u>\$ 909,647</u>	<u>\$ (93,000)</u>	<u>\$ 5,172,719</u>

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

Governmental Activities:	
General government	\$ 40,908
Public safety	54,748
Public works/streets	152,644
Culture & recreation	157,046
Total depreciation expense - governmental activities	<u>\$ 405,346</u>

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

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 6/30/2016	Additions	Deletions	Balance 6/30/2017
Capital assets not being depreciated:				
Land	\$ 42,314	\$ -	\$ -	\$ 42,314
Total capital assets, not being depreciated	<u>42,314</u>	<u>-</u>	<u>-</u>	<u>42,314</u>
Capital assets being depreciated:				
Buildings and improvements	380,496	-	-	380,496
Equipment and vehicles	85,746	-	-	85,746
Infrastructure	4,944,450	-	-	4,944,450
Total capital assets, being depreciated	<u>5,410,692</u>	<u>-</u>	<u>-</u>	<u>5,410,692</u>
Less accumulated depreciation for:				
Buildings and improvements	(238,413)	(10,552)	-	(248,965)
Equipment and vehicles	(81,712)	(1,035)	-	(82,747)
Infrastructure	(2,714,475)	(141,193)	-	(2,855,668)
Total accumulated depreciation	<u>(3,034,600)</u>	<u>(152,780)</u>	<u>-</u>	<u>(3,187,380)</u>
Total capital assets, being depreciated, net	<u>2,376,092</u>	<u>(152,780)</u>	<u>-</u>	<u>2,223,312</u>
Business-type activities capital assets, net	<u>\$ 2,418,406</u>	<u>\$ (152,780)</u>	<u>\$ -</u>	<u>\$ 2,265,626</u>

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

Business-Type Activities:	
Utility enterprise fund	\$ 152,780
Total depreciation expense - business-type activities	<u>\$ 152,780</u>

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2017:

	Balance 6/30/2016	Additions	Retirements	Balance 6/30/2017	Current Portion
Governmental Activities:					
Revenue bonds					
Series 2013A	\$ 1,250,000	\$ -	\$ (160,000)	\$ 1,090,000	\$ -
Loans payable					
GADA loan	415,000	-	(35,000)	380,000	35,000
Premium on GADA loan	8,069	-	(820)	7,249	-
Total loans payable	423,069	-	(35,820)	387,249	35,000
Capital leases	-	89,228	(31,492)	57,736	28,027
Accrued compensated absences	74,769	97,568	(77,612)	94,725	94,725
Net pension liability	2,869,510	225,363	-	3,094,873	-
Total other long term debt	2,944,279	412,159	(109,104)	3,247,334	122,752
Total Governmental Activities	4,617,348	412,159	(304,924)	4,724,583	157,752
Business-Type Activities:					
Revenue bonds					
Series 2013B	235,000	-	(35,000)	200,000	-
Accrued compensated absences	4,737	5,404	(6,192)	3,949	3,949
Net pension liability	240,614	-	41,718	282,332	-
Total Business-Type Activities	480,351	5,404	526	486,281	3,949
Total Long-Term Liabilities	\$ 5,097,699	\$ 417,563	\$ (304,398)	\$ 5,210,864	\$ 161,701

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 7. Long-Term Debt, Continued

The following is a listing of long-term debt outstanding as of June 30, 2017:

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. \$ 380,000

Total Loans Payable 380,000

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. 1,090,000

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. 200,000

Total Bonds Payable 1,290,000

Leases Payable:

Leases payable in annual installments through October 3, 2018 bearing interest at 6.0%. 57,736

Total Leases Payable 57,736

Accrued Compensated Absences 98,674

Bond Premiums and Discounts, net 7,249

Net Pension Liability 3,377,205

Total Long-Term Debt 5,210,864

Less Current Portion:

Business-type Activities (3,949)

Governmental-type Activities (157,752)

Net Long-Term Debt \$ 5,049,163

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 7. Long-Term Debt, Continued

Long term debt service requirements to maturity are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2018	35,000	18,719	-	-
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
2023-2027	585,000	43,630	40,000	614
			-	-
Totals	<u>\$ 1,470,000</u>	<u>\$ 255,228</u>	<u>\$ 200,000</u>	<u>\$ 14,004</u>

Note 8. Capital Leases

The Town has entered into lease agreements that are considered capital leases in accordance with Financial Accounting Standards Board ASC 840-30-25. The lease is shown in the governmental activities of the government-wide statements. The total amount of equipment capitalized under the lease is \$127,253 and accumulated depreciation is \$19,088. Amortization on the asset is included in depreciation expense.

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

Year Ending June 30	
2018	\$ 31,491
2019	31,492
Total remaining minimum lease payments	<u>62,983</u>
Less amount representing interest	<u>(5,247)</u>
Present value of net remaining minimum lease payments	<u>\$ 57,736</u>

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 9. Interfund Receivables, Payables and Transfers

As of June 30, 2017, interfund receivables and payable that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 66,127	\$ -
Nonmajor funds	-	66,127
Total	\$ 66,127	\$ 66,127

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

Interfund transfers for the fiscal year ended June 30, 2017 are as follows:

Transfers in	Transfers out		Total
	General Fund	Nonmajor Funds	
General Fund	\$ -	\$ 5,393	\$ 5,393
Nonmajor Funds	268,795		268,795
Total	\$ 268,795	\$ 5,393	\$ 274,188

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 \$265,966 out of the general fund into the debt service fund during the fiscal year to provide resources for debt service payments.

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, 2017

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 February 7, 2018, 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><u>\$ 1,693,407</u></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><u>\$ 1,693,407</u></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><u>\$ 1,662,038</u></u>

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 12. Retirement and Pension Plans

The Town contributes to the Arizona State Retirement System and Public Safety Personnel Retirement System plans described below. The plans are component units of the State of Arizona. At June 30, 2017, the Town reported the following aggregate amounts related to pensions for plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Combined Total	Governmental Activities	Business-type Activities
Net pension liabilities	\$ 1,819,091	\$ 1,558,114	\$ 3,377,205	\$ 3,094,873	\$ 282,332
Deferred outflows of resources	330,410	593,721	924,131	864,114	50,821
Deferred inflows of resources	287,601	269,365	556,966	512,329	44,637
Pension expense	119,056	145,991	265,047	243,672	21,375

The Town reported \$265,047 of pension expenditures in all funds and \$243,672 in governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System (ASRS)

Plan description – The Town employees not covered by other pension plan described below participate in the Arizona State Retirement Systems (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing 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.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 12. Retirement and Pension Plans, Continued

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

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll.

In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.36 percent (9.17 percent for retirement, 0.13 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Retirement</u> <u>Fund</u>	<u>Health Benefit</u> <u>Supplement Fund</u>	<u>Long-Term</u> <u>Disability Fund</u>
2015	\$ 105,321	\$ 5,706	\$ 1,161
2016	108,315	4,991	1,198
2017	111,797	5,808	1,452

Pension liability – At June 30, 2017, the Town reported a liability of \$1,819,091 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. 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, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2017 reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Town's proportion measured as of June 30, 2016, was .011270%, which was an increase of 0.000090 percent from its proportion measured as of June 30, 2015.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 12. Retirement and Pension Plans, Continued

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2017; the Town recognized pension expense for ASRS of \$119,056. At June 30, 2017, 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	\$ 11,054	\$ 125,140
Changes in assumptions	-	96,244
Net difference between projected and actual earnings on pension plan investments	197,129	-
Changes in proportion and differences between contributions and proportional share of contributions	10,430	66,217
Contributions subsequent to the measurement date	111,797	-
Total	\$ 330,410	\$ 287,601

The \$111,797 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, 2018. 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
2017	\$ (135,603)
2018	(69,856)
2019	81,197
2020	55,274
2021	-

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

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, 2015
Actuarial roll forward date	June 30, 2016
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, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	58%	6.73%	3.90%
Fixed income	25%	3.70%	0.93%
Commodities	2%	3.84%	0.08%
Multi-asset	5%	3.41%	0.17%
Real Estate	10%	4.25%	0.42%
Total	100%		5.50%
	Inflation		3.25%
	Expected arithmetic nominal return		8.75%

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

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 8.75 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	\$ 2,319,479	\$ 1,819,091	\$ 1,417,889

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

Public Safety Personnel Retirement System (PSPRS)

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

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

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. In addition, Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 12. Retirement and Pension Plans, Continued

Employees covered by benefit terms – At June 30, 2017, the following employees were covered by the agent pension plans’ benefit terms:

	<u>PSPRS - Police</u>
Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	4
Active employees	11
Total	19

Contributions and annual OPEB cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, active PSPRS members were required by statute to contribute 11.65 percent of their annual covered salary to the PSPRS and the Town was required to contribute 31.06 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 0.00 percent.

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

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, 2017, were:

Pension	
Contributions made	\$ 154,357
 Health Insurance Premium Benefit	
Annual OPEB cost	-
Contributions made	-

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 12. Retirement and Pension Plans, Continued

Pension liability (asset) – At June 30, 2017, the Town reported a net pension liabilities (and asset) of \$1,558,114. The net pension liabilities (and asset) were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS’ automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the Town’s net pension liability as a result of the statutory adjustments is not known.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS plans.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results on an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town’s net pension liabilities as a result of these changes is not known.

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

Actuarial valuation date	June 30, 2016
Actuarial cost method	Individual Entry Age Normal
Investment rate of return	7.50%
Projected salary increases	4.0% to 8.0%
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, 2016, 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 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of geometrical real rates of return for each major asset class are summarized in the following table:

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 12. Retirement and Pension Plans, Continued

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. equity	16.00%	6.23%
Non-U.S. equity	14.00%	8.25%
Private equity	11.00%	9.50%
Fixed Income	7.00%	2.92%
Credit opportunities	13.00%	7.08%
Absolute return	5.00%	4.11%
GTAA	10.00%	4.38%
Real assets	8.00%	4.77%
Real estate	10.00%	4.48%
Risk parity	4.00%	5.13%
Short term investments	2.00%	0.75%
Total	100.00%	

Discount Rate –At June 30, 2016, the discount rate used to measure the PSPRS total pension liabilities was 7.50 percent, which was a decrease of 0.35 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 12. Retirement and Pension Plans, Continued

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 3,535,379	\$ 2,167,464	\$ 1,367,915
Changes for the year:			
Service cost	115,482	-	115,482
Interest on total pension liability	276,470	-	276,470
Changes of benefit terms	36,714	-	36,714
Difference between expected and actual experience in the measurement of the pension liability	(179,504)	-	(179,504)
Changes of assumptions	152,177	-	152,177
Contributions - employer	-	170,633	(170,633)
Contributions - employee	-	69,385	(69,385)
Net investment income	-	12,736	(12,736)
Benefit payments, including refunds of employee contributions	(142,410)	(142,410)	-
Pension plan administrative expenses	-	(2,233)	2,233
Other changes*	-	(39,381)	39,381
Net changes	258,929	68,730	190,199
Balances at June 30, 2017	\$ 3,794,308	\$ 2,236,194	\$ 1,558,114

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

** Change 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

Sensitivity of the proportionate share of the net pension liability (asset) to changes in the discount rate – The following table presents the Town's net pension liability (asset) calculated using the discount rate noted above (7.50 percent), as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of Net pension (asset) / liability	\$ 2,079,553	\$ 1,558,114	\$ 1,131,188

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 12. Retirement and Pension Plans, Continued

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, 2017, the Town recognized pension expense for PSPRS of \$145,991. At June 30, 2017, 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	\$ -	\$ 269,365
Changes in assumptions	301,310	-
Net difference between projected and actual earnings on pension plan investments	138,054	-
Contributions subsequent to the measurement date	154,357	-
Total	\$ 593,721	\$ 269,365

The \$154,357 reported as deferred outflows of resources related to PSPRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2018	\$ 61,876
2019	61,876
2020	24,740
2021	20,819
2022	688
Thereafter	-

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

Note 12. Retirement and Pension Plans, Continued

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, 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 2017 contribution requirements:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	21 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.0%-8.0%
Wage growth	4.00%

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

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	2015	\$ 7,681	100%	-
	2016	-	0%	-
	2017	-	0%	-

Agent plan OPEB funded status – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow.

	<u>Insurance Subsidy</u>
Actuarial accrued liability (AAL)	\$ 71,243
Actuarial value of plan assets	158,677
Unfunded actuarial accrued liability (UAAL)	<u>\$ (87,434)</u>
Funded ratio (actuarial value of plan assets/AAL)	222.73%
Covered payroll (active plan members)	\$ 528,502
UAAL as a percentage of covered payroll	0.00%

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

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	21 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2017

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, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PARKER, ARIZONA
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
Cost Sharing Pension Plans
June 30, 2017

Arizona State Retirement System

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

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

See accompanying notes to pension plan schedules.

TOWN OF PARKER, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios
Agent Pension Plans
June 30, 2017

Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability			
Service cost	\$ 115,482	\$ 106,079	\$ 113,071
Interest on total pension liability	276,470	267,315	222,131
Changes of benefit terms	36,714	-	77,023
Difference between expected and actual experience of the total net pension liability	(179,504)	(120,259)	(117,780)
Changes of assumptions	152,177	-	430,537
Benefit payments, including refunds of employee contributions	(142,410)	(140,003)	(151,789)
Net change in total pension liability	258,929	113,132	573,193
Total pension liability - beginning	3,535,379	3,422,247	2,849,054
Total pension liability - ending (a)	<u>\$ 3,794,308</u>	<u>\$ 3,535,379</u>	<u>\$ 3,422,247</u>
Plan fiduciary net position			
Contributions - employer	\$ 170,633	\$ 105,408	\$ 102,938
Contributions - employee	69,385	62,615	57,280
Net investment income	12,736	76,660	254,035
Benefit payments, including refunds of employee contributions	(142,410)	(140,003)	(151,789)
Pension plan administrative expenses	(2,233)	(2,247)	-
Other (net transfer)	(39,381)	(1,662)	(48,346)
Net change in plan fiduciary net position	68,730	100,771	214,118
Plan fiduciary net position - beginning	2,167,464	2,066,693	1,852,575
Plan fiduciary net position - ending (b)	<u>\$ 2,236,194</u>	<u>\$ 2,167,464</u>	<u>\$ 2,066,693</u>
Net pension liability - ending (a) - (b)	<u>\$ 1,558,114</u>	<u>\$ 1,367,915</u>	<u>\$ 1,355,554</u>

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

See accompanying notes to pension plan schedules.

TOWN OF PARKER, ARIZONA
Required Supplementary Information
Schedule of Pension Contributions
June 30, 2017

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Actuarially determined contribution	\$ 114,504	\$ 112,188	\$ 118,111
Actual contributions	114,504	112,188	118,111
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,086,293	\$ 1,127,705	\$ 1,069,342
Actual Contributions as a percentage of covered employee payroll	10.54%	9.95%	11.05%

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

Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Actuarially determined contribution	\$ 170,633	\$ 105,408	\$ 102,938
Contributions in relation to the actuarially determined contribution	(170,633)	(105,408)	(102,938)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 595,574	\$ 558,439	\$ 544,041
Contributions as a percentage of covered-employee payroll	28.65%	18.88%	18.92%

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

See accompanying notes to pension plan schedules.

TOWN OF PARKER, ARIZONA
Required Supplementary Information
Notes to the Pension Plan Schedules
June 30, 2017

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

TOWN OF PARKER, ARIZONA
Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2017

Public Safety Personnel Retirement System
Health Insurance Premium Benefit

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	
2015	\$ 140,327	\$ 77,595	\$ (62,732)	180.85%	\$ 558,439	0.00%
2016	149,116	87,735	(61,381)	169.96%	595,574	0.00%
2017	158,677	71,243	(87,434)	222.70%	528,502	0.00%

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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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,350,000	\$ 1,350,000	\$ 1,376,175	\$ 26,175
Licenses and permits	200,200	200,200	62,575	(137,625)
Intergovernmental revenues	1,001,558	1,001,558	932,267	(69,291)
Charges for services	240,100	240,100	23,727	(216,373)
Fines and forfeits	107,400	107,400	106,517	(883)
Investment earnings	6,000	6,000	23,501	17,501
Sanitation revenue	-	-	180,394	180,394
Miscellaneous earnings	2,101,900	2,101,900	22,278	(2,079,622)
Total revenue	5,007,158	5,007,158	2,727,434	(2,279,724)
EXPENDITURES				
Current				
General Government				
Mayor and town council	38,630	38,630	34,737	3,893
Magistrate	111,200	111,200	111,988	(788)
Town office	259,630	259,630	276,788	(17,158)
Attorney	150,000	150,000	113,877	36,123
Building maintenance	101,928	101,928	52,819	49,109
Finance	207,865	207,865	135,595	72,270
Elections	10,250	10,250	5,231	5,019
Outside agencies	2,000	2,000	2,000	-
Total general government	881,503	881,503	733,035	148,468
Public Safety				
Police	1,199,050	1,199,050	1,010,279	188,771
Building regulation and inspection	125,895	125,895	104,784	21,111
Animal control	66,475	66,475	32,846	33,629
Total public safety	1,391,420	1,391,420	1,147,909	243,511
Public Works				
Waste collection and disposal	182,500	182,500	174,171	8,329
Cemetery	102,035	102,035	98,806	3,229
Total public works	284,535	284,535	272,977	11,558

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, 2017

<hr/>				
Culture and Recreation				
Parks	225,262	225,262	188,190	37,072
Swimming pool	7,600	7,600	4,528	3,072
Library	208,075	208,075	173,164	34,911
Other recreation	16,500	16,500	16,218	282
Senior citizens	85,715	85,715	74,915	10,800
	<u>543,152</u>	<u>543,152</u>	<u>457,015</u>	<u>86,137</u>
Debt service				
Principal	31,492	31,492	31,492	-
	<u>31,492</u>	<u>31,492</u>	<u>31,492</u>	<u>-</u>
Contingencies	234,893	234,893	6,700	228,193
Capital outlay	260,163	260,163	253,243	6,920
	<u>3,627,158</u>	<u>3,627,158</u>	<u>2,902,371</u>	<u>724,787</u>
Excess of revenues over (under) expenditures	<u>1,380,000</u>	<u>1,380,000</u>	<u>(174,937)</u>	<u>(1,554,937)</u>
Other Financing Sources (Uses):				
Lease proceeds	-	-	89,228	89,228
Sale of capital assets	1,300,000	1,300,000	-	(1,300,000)
Transfers out	(1,380,000)	(1,380,000)	(268,795)	1,111,205
Transfers in	-	-	5,393	5,393
Total other financing sources (uses)	<u>(80,000)</u>	<u>(80,000)</u>	<u>(174,174)</u>	<u>(94,174)</u>
Net change in fund balance	1,300,000	1,300,000	(349,111)	(1,649,111)
Fund balance, beginning of year	1,852,842	1,852,842	1,852,842	-
Fund balance, end of year	<u>\$ 3,152,842</u>	<u>\$ 3,152,842</u>	<u>\$ 1,503,731</u>	<u>\$ (1,649,111)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 1,007,690	\$ 1,007,690	\$ 1,190,764	\$ 183,074
Miscellaneous earnings	-	-	451	451
Total revenue	<u>1,007,690</u>	<u>1,007,690</u>	<u>1,191,215</u>	<u>183,525</u>
EXPENDITURES				
Current				
Public Works	609,140	609,140	559,583	49,557
Contingencies	677,350	677,350	-	677,350
Capital outlay	783,200	783,200	824,472	(41,272)
Total expenditures	<u>2,069,690</u>	<u>2,069,690</u>	<u>1,384,055</u>	<u>685,635</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(1,062,000)</u>	<u>(1,062,000)</u>	<u>(192,840)</u>	<u>869,160</u>
Other Financing Sources (Uses):				
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(1,062,000)	(1,062,000)	(192,840)	869,160
Fund balance, beginning of year	<u>2,732,739</u>	<u>2,732,739</u>	<u>2,732,739</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,670,739</u>	<u>\$ 1,670,739</u>	<u>\$ 2,539,899</u>	<u>\$ 869,160</u>

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**SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS
NON-MAJOR GOVERNMENTAL FUNDS**

Special Revenue Funds

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

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

Capital Project Funds

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

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

Debt Service Fund

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

TOWN OF PARKER, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	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	\$ 77,627	\$ -	\$ 7,597	\$ -	\$ 9,220
Cash held by trustee	-	-	-	-	-
Due from other governments	-	-	-	50,493	19,600
Total assets	<u>\$ 77,627</u>	<u>\$ -</u>	<u>\$ 7,597</u>	<u>\$ 50,493</u>	<u>\$ 28,820</u>
Liabilities					
Accounts payable	\$ 1,000	\$ -	\$ -	\$ -	\$ 24
Accrued payroll and related taxes	-	-	1,020	-	760
Accrued interest	-	-	-	-	-
Due to other funds	-	-	-	50,493	-
Matured debt principal payable	-	-	-	-	-
Total liabilities	<u>1,000</u>	<u>-</u>	<u>1,020</u>	<u>50,493</u>	<u>784</u>
Fund Balance					
Restricted for:					
Tourism	76,627	-	-	-	-
Capital projects	-	-	-	-	-
Assigned					
Aging services	-	-	-	-	-
Public safety	-	-	6,577	-	-
Library services	-	-	-	-	28,036
Total fund balances	<u>76,627</u>	<u>-</u>	<u>6,577</u>	<u>-</u>	<u>28,036</u>
Total liabilities and fund balance	<u>\$ 77,627</u>	<u>\$ -</u>	<u>\$ 7,597</u>	<u>\$ 50,493</u>	<u>\$ 28,820</u>

(Continued)

TOWN OF PARKER, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017 (Continued)

	Special Revenue		Capital Projects				Total
	Congregate Meals Fund	Home Delivered Meals Fund	Impact Fees	GADA Fund	CDBG Fund	Debt Service Fund	
ASSETS							
Cash and investments	\$ 149,655	\$ 81,137	\$ 3,404	\$ 292,002	\$ -	\$ -	\$ 620,642
Cash held by trustee	-	-	-	-	-	230,483	230,483
Due from other governments	-	-	-	-	15,634	-	85,727
Total assets	\$ 149,655	\$ 81,137	\$ 3,404	\$ 292,002	\$ 15,634	\$ 230,483	\$ 936,852
Liabilities							
Accounts payable	\$ 4,726	\$ 6,134	\$ -	\$ -	\$ -	\$ -	\$ 11,884
Accrued payroll and related taxes	1,634	1,679	-	-	-	-	5,093
Accrued interest	-	-	-	-	-	35,483	35,483
Due to other funds	-	-	-	-	15,634	-	66,127
Matured debt principal payable	-	-	-	-	-	195,000	195,000
Total liabilities	6,360	7,813	-	-	15,634	230,483	313,587
Fund Balance							
Restricted for:							
Tourism	-	-	-	-	-	-	76,627
Capital projects	-	-	3,404	292,002	-	-	295,406
Assigned							
Aging services	143,295	73,324	-	-	-	-	216,619
Public safety	-	-	-	-	-	-	6,577
Library services	-	-	-	-	-	-	28,036
Total fund balances	143,295	73,324	3,404	292,002	-	-	623,265
Total liabilities and fund balance	\$ 149,655	\$ 81,137	\$ 3,404	\$ 292,002	\$ 15,634	\$ 230,483	\$ 936,852

TOWN OF PARKER, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Funds
For the Year Ended June 30, 2017

	Special Revenue				
	Bed Tax Fund	Local Transportation Assistance Fund	School Resource Officer Fund	Police Grant Fund	Library Grant C-070 Fund
REVENUES					
Taxes	\$ 63,026	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	47,625	54,622	70,559
Miscellaneous earnings	-	-	-	-	9,048
Total revenues	63,026	-	47,625	54,622	79,607
EXPENDITURES					
Current					
General government	79,785	-	-	-	-
Public safety	-	-	47,824	59,292	-
Culture and recreation	-	-	-	-	52,147
Debt service					
Principal	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	-	-	15,504
Total expenditures	79,785	-	47,824	59,292	67,651
Excess of revenues					
Over (under) expenditures	(16,759)	-	(199)	(4,670)	11,956
Other Financing Sources (Uses):					
Transfers in	-	-	-	2,829	-
Transfers out	-	(5,393)	-	-	-
Total other financing sources (uses):	-	(5,393)	-	2,829	-
Net change in fund balances	(16,759)	(5,393)	(199)	(1,841)	11,956
Fund balance (deficit), beginning of year	93,386	5,393	6,776	1,841	16,080
Fund balance (deficit), end of year	\$ 76,627	\$ -	\$ 6,577	\$ -	\$ 28,036

(Continued)

TOWN OF PARKER, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Funds
For the Year Ended June 30, 2017 (Continued)

	Special Revenue		Capital Projects				Total
	Congregate Meals Fund	Home Delivered Meals Fund	Impact Fees	GADA Fund	CDBG Fund	Debt Service Fund	
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,026
Intergovernmental	124,674	137,407	-	-	130,152	-	565,039
Miscellaneous earnings	30,151	19,746	-	-	-	-	58,945
Total revenues	154,825	157,153	-	-	130,152	-	687,010
EXPENDITURES							
Current							
General government	-	-	-	-	-	-	79,785
Public safety	-	-	-	-	-	-	107,116
Culture and recreation	161,318	191,541	-	-	-	-	405,006
Debt service							
Principal	-	-	-	-	-	195,000	195,000
Interest and fiscal charges	-	-	-	-	-	70,966	70,966
Capital outlay	-	-	-	-	130,152	-	145,656
Total expenditures	161,318	191,541	-	-	130,152	265,966	1,003,529
Excess of revenues							
Over (under) expenditures	(6,493)	(34,388)	-	-	-	(265,966)	(316,519)
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	-	265,966	268,795
Transfers out	-	-	-	-	-	-	(5,393)
Total other financing sources (uses):	-	-	-	-	-	265,966	263,402
Net change in fund balances	(6,493)	(34,388)	-	-	-	-	(53,117)
Fund balance (deficit), beginning of year	149,788	107,712	3,404	292,002	-	-	676,382
Fund balance (deficit), end of year	\$ 143,295	\$ 73,324	\$ 3,404	\$ 292,002	\$ -	\$ -	\$ 623,265

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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, 2017, 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 February 7, 2018.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in our separate findings and recommendations letter dated February 7, 2018 to be material weaknesses.

2013-001 Audit Adjustments

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in our separate findings and recommendations letter dated February 7, 2018 to be a significant deficiency.

2016-003 Controls and Documentation Related to Employees Bonuses through Gift Cards

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
February 7, 2018

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, 2017, and have issued our report thereon dated February 7, 2018. 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, 2017.

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
February 7, 2018

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