

**TOWN OF THATCHER, ARIZONA**

Annual Financial Statements  
and Independent Auditors' Report  
June 30, 2020



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## **INDEPENDENT AUDITORS' REPORT**

To the Town Council  
Town of Thatcher, Arizona

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Thatcher, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Thatcher, Arizona, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Plans, Schedule of Changes in the Town's Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Plans, and Schedule of Town Pension/OPEB Contributions 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2021, on our consideration of the Town of Thatcher, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Thatcher, Arizona's internal control over financial reporting and compliance.

### **Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies**

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for Highway User Revenue Fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues it received. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town's noncompliance with the authorized transportation purposes referred to above, insofar as they relate to accounting matters.

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, and other responsible parties within the Town and is not intended to be and should not be used by anyone other than these specified parties.

*Colby & Powell*

March 18, 2021

**TOWN OF THATCHER, ARIZONA**  
**Statement of Net Position**  
**June 30, 2020**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,814,648	\$ 2,165,538	\$ 9,980,186
Restricted cash	-	116,656	116,656
Investment in joint venture	-	442,000	442,000
Receivables - net	193,084	595,375	788,459
Taxes receivable	507,304	-	507,304
Due from other governments	1,028,939	-	1,028,939
Net other postemployment benefits asset	113,353	1,595	114,948
Capital assets, not being depreciated	2,940,832	248,126	3,188,958
Capital assets, being depreciated, net	<u>15,380,644</u>	<u>2,585,280</u>	<u>17,965,924</u>
<b>Total assets</b>	<u>27,978,804</u>	<u>6,154,570</u>	<u>34,133,374</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions and other postemployment benefits	<u>1,313,338</u>	<u>121,345</u>	<u>1,434,683</u>
<b>LIABILITIES</b>			
Accounts payable	101,727	448,800	550,527
Accrued expenses	92,421	3,293	95,714
Refundable deposits	-	116,656	116,656
Noncurrent liabilities			
Due within 1 year	387,966	52,460	440,426
Due in more than 1 year	<u>6,219,978</u>	<u>1,107,241</u>	<u>7,327,219</u>
<b>Total liabilities</b>	<u>6,802,092</u>	<u>1,728,450</u>	<u>8,530,542</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions and other postemployment benefits	<u>261,321</u>	<u>70,282</u>	<u>331,603</u>
<b>NET POSITION</b>			
Net investment in capital assets	17,305,476	2,579,406	19,884,882
Restricted for			
Highways and streets	85,926	-	85,926
Unrestricted	<u>4,837,327</u>	<u>1,897,777</u>	<u>6,735,104</u>
<b>Total net position</b>	<u>\$ 22,228,729</u>	<u>\$ 4,477,183</u>	<u>\$ 26,705,912</u>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2020**

Functions / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
Governmental activities							
General government	\$ 1,012,688	\$ 119,254	\$ 596,995	\$ -	\$ (296,439)	\$ -	\$ (296,439)
Public safety	3,295,614	21,849	332,071	-	(2,941,694)	-	(2,941,694)
Highways and streets	1,110,867	-	-	2,528,199	1,417,332	-	1,417,332
Community development	493,441	-	-	-	(493,441)	-	(493,441)
Parks and recreation	617,123	81,809	-	-	(535,314)	-	(535,314)
Interest on long-term debt	53,425	-	-	-	(53,425)	-	(53,425)
<b>Total governmental activities</b>	<b>6,583,158</b>	<b>222,912</b>	<b>929,066</b>	<b>2,528,199</b>	<b>(2,902,981)</b>	<b>-</b>	<b>(2,902,981)</b>
Business-type activities							
Sewer	441,090	439,178	-	5,000	-	3,088	3,088
Electric	4,698,408	4,688,114	-	15,000	-	4,706	4,706
Sanitation	412,014	359,769	-	-	-	(52,245)	(52,245)
<b>Total business-type activities</b>	<b>5,551,512</b>	<b>5,487,061</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>(44,451)</b>	<b>(44,451)</b>
<b>Total primary government</b>	<b>\$ 12,134,670</b>	<b>\$ 5,709,973</b>	<b>\$ 929,066</b>	<b>\$ 2,548,199</b>	<b>(2,902,981)</b>	<b>(44,451)</b>	<b>(2,947,432)</b>
<b>General revenue:</b>							
Taxes:							
Sales tax					3,997,242	114,957	4,112,199
Franchise tax					29,821	-	29,821
State urban revenue sharing					664,418	-	664,418
Share of state sales taxes					531,242	-	531,242
Share of county auto lieu taxes					325,219	-	325,219
Investment income					136,250	5,922	142,172
Miscellaneous					6,914	-	6,914
<b>Total general revenue</b>					<b>5,691,106</b>	<b>120,879</b>	<b>5,811,985</b>
Change in net position					2,788,125	76,428	2,864,553
Net position, beginning of year					19,440,604	4,400,755	23,841,359
Net position, end of year					<b>\$ 22,228,729</b>	<b>\$ 4,477,183</b>	<b>\$ 26,705,912</b>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	General Fund	Grants Fund	HURF Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,737,861	\$ -	\$ 76,787	\$ 7,814,648
Accounts receivable - net	193,084	-	-	193,084
Taxes receivable	507,304	-	-	507,304
Due from other funds	857,254	-	-	857,254
Due from other governments	141,740	850,883	36,316	1,028,939
<b>Total assets</b>	<b>9,437,243</b>	<b>850,883</b>	<b>113,103</b>	<b>10,401,229</b>
<b>LIABILITIES</b>				
Accounts payable	74,550	-	27,177	101,727
Accrued liabilities	92,421	-	-	92,421
Due to other funds	-	857,254	-	857,254
<b>Total liabilities</b>	<b>166,971</b>	<b>857,254</b>	<b>27,177</b>	<b>1,051,402</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue	241,327	240,253	-	481,580
<b>FUND BALANCES</b>				
Restricted for:				
Highways and streets	-	-	85,926	85,926
Unassigned	9,028,945	(246,624)	-	8,782,321
<b>Total fund balances</b>	<b>9,028,945</b>	<b>(246,624)</b>	<b>85,926</b>	<b>8,868,247</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 9,437,243</b>	<b>\$ 850,883</b>	<b>\$ 113,103</b>	<b>\$ 10,401,229</b>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**Governmental Funds**  
**June 30, 2020**

Fund balances-total governmental funds		\$ 8,868,247
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		18,321,476
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		481,580
Net pension/OPEB assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.		113,353
Liabilities, such as net pension/OPEB liabilities and notes payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.		
Compensated absences	(484,957)	
Notes payable	(1,016,000)	
Net pension/OPEB liability	<u>(5,106,987)</u>	
		(6,607,944)
Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.		<u>1,052,017</u>
<b>Net position of governmental activities</b>		<b><u><u>\$ 22,228,729</u></u></b>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2020**

	General Fund	Grants Fund	HURF Fund	Total Governmental Funds
<b>Revenue:</b>				
Intergovernmental	\$ 1,757,927	\$ 2,278,904	\$ 654,458	\$ 4,691,289
Taxes	4,027,063	-	-	4,027,063
Charges for services	193,240	-	-	193,240
Interest	136,247	-	3	136,250
Licenses and permits	34,957	-	-	34,957
Other revenue	27,774	-	-	27,774
Fines and forfeitures	21,336	-	-	21,336
<b>Total revenue</b>	<b>6,198,544</b>	<b>2,278,904</b>	<b>654,461</b>	<b>9,131,909</b>
<b>Expenditures:</b>				
Current				
General government	910,067	-	-	910,067
Public safety	2,552,653	67,361	-	2,620,014
Highways and streets	607,575	-	63,287	670,862
Community development	475,800	-	-	475,800
Parks and recreation	525,640	-	-	525,640
Debt service				
Principal	104,000	-	-	104,000
Interest	53,425	-	-	53,425
Capital outlay	341,192	2,552,066	369,259	3,262,517
<b>Total expenditures</b>	<b>5,570,352</b>	<b>2,619,427</b>	<b>432,546</b>	<b>8,622,325</b>
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<b>628,192</b>	<b>(340,523)</b>	<b>221,915</b>	<b>509,584</b>
<b>Other financing sources (uses):</b>				
Sale of capital assets	6,410	-	-	6,410
Transfers	600,725	(464,736)	(135,989)	-
<b>Total other financing sources (uses)</b>	<b>607,135</b>	<b>(464,736)</b>	<b>(135,989)</b>	<b>6,410</b>
<b>Net change in fund balances</b>	<b>1,235,327</b>	<b>(805,259)</b>	<b>85,926</b>	<b>515,994</b>
Fund balances, beginning of year	7,793,618	558,635	-	8,352,253
<b>Fund balances, end of year</b>	<b>\$ 9,028,945</b>	<b>\$ (246,624)</b>	<b>\$ 85,926</b>	<b>\$ 8,868,247</b>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Reconciliation of the Statement of Revenue, Expenditures,**  
**and Changes in Fund Balances to the Statement of Activities**  
**Governmental Funds**  
**Year Ended June 30, 2020**

Net change in fund balances-total governmental funds		\$ 515,994
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	3,262,517	
Depreciation expense	<u>(835,223)</u>	2,427,294
In the Statement of Activities, only the gain/loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital assets sold.		
		(9,496)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenues	209,374	
Developer contributed assets	<u>30,000</u>	239,374
Town pension/OPEB 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 reported net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Town pension/OPEB contributions	452,219	
Pension/OPEB expense	<u>(802,608)</u>	(350,389)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Debt principal repaid		104,000
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.		
Increase in compensated absences payable		<u>(138,652)</u>
<b>Change in net position of governmental activities</b>		<b><u><u>\$ 2,788,125</u></u></b>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

	Business-type Activities--Enterprise Funds			Total
	Sewer Fund	Electric Fund	Sanitation Fund	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ -	\$ 2,165,538	\$ -	\$ 2,165,538
Restricted cash	-	116,656	-	116,656
Investment in joint venture	-	442,000	-	442,000
Accounts receivable, net	54,252	492,346	48,777	595,375
<b>Total current assets</b>	<b>54,252</b>	<b>3,216,540</b>	<b>48,777</b>	<b>3,319,569</b>
Noncurrent assets				
Due from other funds	-	2,516,060	-	2,516,060
Net other postemployment benefits asset	166	1,244	185	1,595
Capital assets, net of accumulated depreciation, where applicable:				
Land	248,126	-	-	248,126
Utilities systems, net	1,841,618	88,534	-	1,930,152
Automobiles and trucks, net	70,254	143,697	-	213,951
Equipment, net	35,459	46,055	359,663	441,177
Capital assets, net	2,195,457	278,286	359,663	2,833,406
<b>Total noncurrent assets</b>	<b>2,195,623</b>	<b>2,795,590</b>	<b>359,848</b>	<b>5,351,061</b>
<b>Total assets</b>	<b>2,249,875</b>	<b>6,012,130</b>	<b>408,625</b>	<b>8,670,630</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows related to pensions and other postemployment benefits	12,646	94,600	14,099	121,345

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Net Position - Continued**  
**Proprietary Funds**  
**June 30, 2020**

	Business-type Activities--Enterprise Funds			Total
	Sewer Fund	Electric Fund	Sanitation Fund	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	9,592	421,406	17,802	448,800
Accrued expenses	489	2,219	585	3,293
Refundable deposits	-	116,656	-	116,656
Compensated absences, current	2,629	36,442	13,389	52,460
<b>Total current liabilities</b>	<u>12,710</u>	<u>576,723</u>	<u>31,776</u>	<u>621,209</u>
<b>Noncurrent liabilities</b>				
Due to other funds	1,653,685	-	862,375	2,516,060
Note payable	-	254,000	-	254,000
Compensated absences	657	9,111	3,347	13,115
Net pension and other postemployment benefits liability	87,556	654,955	97,615	840,126
<b>Total noncurrent liabilities</b>	<u>1,741,898</u>	<u>918,066</u>	<u>963,337</u>	<u>3,623,301</u>
<b>Total liabilities</b>	<u>1,754,608</u>	<u>1,494,789</u>	<u>995,113</u>	<u>4,244,510</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows related to pensions and other postemployment benefits	7,325	54,791	8,166	70,282
<b>NET POSITION</b>				
Net investment in capital assets	2,195,457	24,286	359,663	2,579,406
Unrestricted (deficit)	(1,694,869)	4,532,864	(940,218)	1,897,777
<b>Total net position</b>	<u>\$ 500,588</u>	<u>\$ 4,557,150</u>	<u>\$ (580,555)</u>	<u>\$ 4,477,183</u>

*See accompanying notes to financial statements.*

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**TOWN OF THATCHER, ARIZONA**  
**Statement of Revenue, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2020**

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Electric Fund	Sanitation Fund	Total
<b>Operating revenue:</b>				
Charges for services	\$ 439,178	\$ 4,626,475	\$ 359,769	\$ 5,425,422
Other revenue	-	61,639	-	61,639
<b>Total operating revenue</b>	<u>439,178</u>	<u>4,688,114</u>	<u>359,769</u>	<u>5,487,061</u>
<b>Operating expenses:</b>				
Cost of power	-	3,744,992	-	3,744,992
Personnel	100,888	596,601	115,342	812,831
Depreciation	149,123	51,677	63,003	263,803
Repairs and maintenance	43,790	137,630	8,073	189,493
Landfill	-	-	153,621	153,621
Materials and supplies	36,993	64,577	48,177	149,747
Insurance	35,382	41,289	23,588	100,259
Professional services	62,889	19,749	-	82,638
Other	8,403	15,047	210	23,660
Utilities	3,622	13,611	-	17,233
<b>Total operating expenses</b>	<u>441,090</u>	<u>4,685,173</u>	<u>412,014</u>	<u>5,538,277</u>
<b>Operating income (loss)</b>	<u>(1,912)</u>	<u>2,941</u>	<u>(52,245)</u>	<u>(51,216)</u>
<b>Nonoperating revenue (expenses):</b>				
Sales taxes	-	114,957	-	114,957
Investment income	-	5,922	-	5,922
Interest expense	-	(13,235)	-	(13,235)
<b>Total nonoperating revenue (expenses)</b>	<u>-</u>	<u>107,644</u>	<u>-</u>	<u>107,644</u>
<b>Income (loss) before contributions and transfers</b>	<u>(1,912)</u>	<u>110,585</u>	<u>(52,245)</u>	<u>56,428</u>
Capital contributions	<u>5,000</u>	<u>15,000</u>	<u>-</u>	<u>20,000</u>
<b>Increase (decrease) in net position</b>	<u>3,088</u>	<u>125,585</u>	<u>(52,245)</u>	<u>76,428</u>
Total net position, beginning of year	<u>497,500</u>	<u>4,431,565</u>	<u>(528,310)</u>	<u>4,400,755</u>
<b>Total net position, end of year</b>	<u><u>\$ 500,588</u></u>	<u><u>\$ 4,557,150</u></u>	<u><u>\$ (580,555)</u></u>	<u><u>\$ 4,477,183</u></u>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2020**

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Electric Fund	Sanitation Fund	Total
<b>Cash flows from operating activities:</b>				
Receipts from customers	\$ 432,212	\$ 4,666,541	\$ 351,125	\$ 5,449,878
Payments to suppliers and providers of goods and services	(187,361)	(3,915,426)	(236,432)	(4,339,219)
Payments to employees	(102,748)	(642,585)	(115,453)	(860,786)
<b>Net cash provided (used) by operating activities</b>	<u>142,103</u>	<u>108,530</u>	<u>(760)</u>	<u>249,873</u>
<b>Cash flows from noncapital financing activities:</b>				
Borrowings paid to other funds	(142,103)	-	-	(142,103)
Borrowings received from other funds	-	114,404	27,699	142,103
Sales taxes received	-	114,957	-	114,957
<b>Net cash provided (used) by noncapital financing activities</b>	<u>(142,103)</u>	<u>229,361</u>	<u>27,699</u>	<u>114,957</u>
<b>Cash flows from capital and related financing activities:</b>				
Principal paid on note payable	-	(26,000)	-	(26,000)
Interest paid on note payable	-	(13,235)	-	(13,235)
Purchase of capital assets	-	(116,340)	(26,939)	(143,279)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>-</u>	<u>(155,575)</u>	<u>(26,939)</u>	<u>(182,514)</u>
<b>Cash flows from investing activities:</b>				
Interest received	-	5,922	-	5,922
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>-</u>	<u>188,238</u>	<u>-</u>	<u>188,238</u>
Cash and cash equivalents, beginning of year	<u>-</u>	<u>2,093,956</u>	<u>-</u>	<u>2,093,956</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ 2,282,194</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,282,194</u></u>
Cash and cash equivalents	\$ -	\$ 2,165,538	\$ -	\$ 2,165,538
Restricted cash	-	116,656	-	116,656
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ -</u></u>	<u><u>\$ 2,282,194</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,282,194</u></u>

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Statement of Cash Flows - *Continued***  
**Proprietary Funds**  
**Year Ended June 30, 2020**

	Business-type Activities--Enterprise Funds			
	Sewer Fund	Electric Fund	Sanitation Fund	Total
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (1,912)	\$ 2,941	\$ (52,245)	\$ (51,216)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	149,123	51,677	63,003	263,803
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	(6,966)	(28,142)	(8,644)	(43,752)
Net pension and other postemployment benefits asset	43	315	48	406
Deferred outflows of resources related to pensions and other postemployment benefits	5,630	42,110	6,276	54,016
Accounts payable	627	98,356	(6,209)	92,774
Accrued expenses	(2,553)	(17,354)	(2,684)	(22,591)
Refundable deposits	-	6,569	-	6,569
Compensated absences payable	693	(28,630)	2,573	(25,364)
Net pension and other postemployment benefits liability	1,879	14,058	2,096	18,033
Deferred inflows of resources related to pensions and other postemployment benefits	(4,461)	(33,370)	(4,974)	(42,805)
<b>Net cash provided (used) by operating activities</b>	<u>\$ 142,103</u>	<u>\$ 108,530</u>	<u>\$ (760)</u>	<u>\$ 249,873</u>

**Noncash investing, capital, and noncapital financing activities:** For the year ending June 30, 2020, the Sewer and Electric Funds received infrastructure contributed by a developer in the amount of \$5,000 and \$15,000, respectively.

*See accompanying notes to financial statements.*

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

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

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

**A. Reporting Entity**

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

**B. Basis of Presentation**

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

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

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

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

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

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

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the Town levies or imposes, are reported as general revenues.

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

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

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund’s principal activity. Accordingly, revenues, such as user charges and insurance premiums, in which each party receives and gives up essentially equal values are operating revenues. Other revenues, such as subsidies, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major enterprise funds:

The ***Sewer, Electric, and Sanitation Funds*** account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the Town Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

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

for which the Town Council has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**C. Basis of Accounting**

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

Under the terms of grant agreements, the Town funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The Town applies grant resources to such programs before using general revenues.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The Town's major revenue sources that are susceptible to accrual are taxes, special assessments, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, landfill closure and postclosure care costs, and pollution remediation obligations, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

**D. Cash and Investments**

For the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of three months or less when purchased.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

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

**E. Allowance for Uncollectible Accounts**

Allowances for uncollectible accounts receivable in the Sewer Fund, Electric Fund, and Sanitation Fund are estimated by the Town. The amounts recorded as uncollectible in the Sewer, Electric, and Sanitation Funds at June 30, 2020, totaled \$12,858, \$126,228, and \$10,913, respectively.

**F. Capital Assets**

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

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

**G. Fund Balance Classifications**

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

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

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the Town Council has approved, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but that are neither restricted nor committed. The Town Council has authorized the Town manager to assign resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the Town's policy to use (the Town will use) restricted fund balance first. It is the Town's policy to use (the Town will use) committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

**H. Investment Income**

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

**I. Compensated Absences**

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

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

**J. Deferred Outflows/Inflows of Resources**

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

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

**K. Postemployment Benefits**

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**L. Budgets**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town 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 Town complied with this law during the year.

Expenditures may not legally exceed budgeted appropriations at the department level. The individual budgetary comparison schedules as listed in the table of contents present all major governmental funds which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2020.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

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

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer’s investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the Town Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

*Credit risk*

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated “A” or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody’s investor’s service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

*Custodial credit risk*

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

*Concentration of credit risk*

Statutes do not include any requirements for concentration of credit risk.

*Interest rate risk*

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

*Foreign currency risk*

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

The Town’s investment policy states that the Town will conform with Arizona Revised Statutes. The Town does not have a formal investment policy with respect to custodial credit risk, concentration of credit risk, or foreign currency risk.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

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

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

*Deposits*—At June 30, 2020, the carrying amount of the Town’s total nonpooled cash in bank was \$1,568,957, and the bank balance was \$1,730,139. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was covered by collateral held by the Town or its agent in the Town’s name.

*Investments*—At June 30, 2020, the investments consisted of the following.

<u>Investment</u>	<u>Rating Organization</u>	<u>Credit Rating</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Arizona LGIP Pool 5	S&P	AAA	<u>\$ 8,527,385</u>	<u>\$ 8,527,385</u>

Investments in the State Treasurer’s investment pools are valued at the pool’s share price multiplied by the number of shares the Town held. The fair value of a participant’s position in the pools approximates the value of that participant’s pool shares. The State Board of Investment provides oversight for the State Treasurer’s investment pools.

A reconciliation of cash, deposits, and investments to amounts shown on the statements of net position follows:

Deposits	
Cash on hand	\$ 500
Cash in bank	1,568,957
Investments	
State Treasurer's Investment Pool	<u>8,527,385</u>
Total deposits and investments	10,096,842
Cash - restricted	<u>(116,656)</u>
Total cash and cash equivalents	<u>\$ 9,980,186</u>

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

***NOTE 3 – DUE FROM OTHER GOVERNMENTS***

Amounts due from other governments in the governmental funds at June 30, 2020, included \$28,454 in state-shared revenue from sales taxes, \$16,865 in state-shared revenue from auto lieu taxes, \$48,243 from the Central Jackson Heights Fire District, \$45,221 from the City of Safford for shared court costs, \$2,957 from the Town of Pima for shared court costs, \$13,221 from the Arizona Department of Homeland Security, \$415 from the Governor’s Office of Highway Safety, \$596,995 from the Arizona Office of the Governor, \$240,252 from Arizona Department of Revenue, and \$36,316 from the State of Arizona for HURF revenue.

***NOTE 4 – INVESTMENT IN JOINT VENTURE***

During the fiscal year 2014-15, the Town contributed \$442,000 (of which \$353,000 power contract security deposit and \$89,000 SPPA working capital) to Southwest Public Power Agency, Inc (SPPA). SPPA aids a joint venture in which SPPA is an agent for a number of public entities, including the Town, to act on behalf of its members in (i) operating a power pool, and (ii) managing power supply contracts; and (iii) fulfilling contract obligations related to the purchase capacity and energy for a 25-year period beginning on January 1, 2015.

Financial statements of SPPA can be provided by the Town upon request.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,320,669	\$ -	\$ -	\$ 2,320,669
Construction in progress	386,925	233,238	-	620,163
<b>Total capital assets not       being depreciated</b>	<b>2,707,594</b>	<b>233,238</b>	<b>-</b>	<b>2,940,832</b>
Capital assets being depreciated:				
Buildings	4,594,127	14,680	(10,700)	4,598,107
Vehicles	2,146,670	52,592	-	2,199,262
Computers and peripherals	55,284	20,004	-	75,288
Light equipment	882,244	34,226	(6,640)	909,830
Heavy equipment	1,517,687	-	-	1,517,687
Infrastructure	14,412,078	2,937,777	-	17,349,855
<b>Total</b>	<b>23,608,090</b>	<b>3,059,279</b>	<b>(17,340)</b>	<b>26,650,029</b>
Less accumulated depreciation for:				
Buildings	(2,026,688)	(132,615)	1,204	(2,158,099)
Vehicles	(1,161,831)	(207,030)	-	(1,368,861)
Computers and peripherals	(52,172)	(1,921)	-	(54,093)
Light equipment	(490,951)	(20,136)	6,640	(504,447)
Heavy equipment	(1,389,463)	(32,274)	-	(1,421,737)
Infrastructure	(5,320,901)	(441,247)	-	(5,762,148)
<b>Total</b>	<b>(10,442,006)</b>	<b>(835,223)</b>	<b>7,844</b>	<b>(11,269,385)</b>
<b>Total capital assets       being depreciated, net</b>	<b>13,166,084</b>	<b>2,224,056</b>	<b>(9,496)</b>	<b>15,380,644</b>
Governmental activities capital assets, net	<b>\$ 15,873,678</b>	<b>\$ 2,457,294</b>	<b>\$ (9,496)</b>	<b>\$ 18,321,476</b>

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 5 – CAPITAL ASSETS – Continued**

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 248,126	\$ -	\$ -	\$ 248,126
<b>Total capital assets not       being depreciated</b>	<u>248,126</u>	<u>-</u>	<u>-</u>	<u>248,126</u>
Capital assets being depreciated:				
Utility systems	5,746,631	93,534	-	5,840,165
Automobiles and trucks	796,477	36,791	-	833,268
Equipment	1,130,391	32,954	-	1,163,345
<b>Total</b>	<u>7,673,499</u>	<u>163,279</u>	<u>-</u>	<u>7,836,778</u>
Less accumulated depreciation for:				
Utility systems	(3,784,811)	(125,202)	-	(3,910,013)
Automobiles and trucks	(565,065)	(54,252)	-	(619,317)
Equipment	(637,819)	(84,349)	-	(722,168)
<b>Total</b>	<u>(4,987,695)</u>	<u>(263,803)</u>	<u>-</u>	<u>(5,251,498)</u>
<b>Total capital assets       being depreciated, net</b>	<u>2,685,804</u>	<u>(100,524)</u>	<u>-</u>	<u>2,585,280</u>
Business-type activities capital assets, net	<u>\$ 2,933,930</u>	<u>\$ (100,524)</u>	<u>\$ -</u>	<u>\$ 2,833,406</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 130,643
Public safety	191,044
Highways and streets	436,036
Parks and recreation	<u>77,500</u>
 Total governmental activities depreciation expense	 <u>\$ 835,223</u>
 Business-type activities:	
Sewer	\$ 149,123
Electric	51,677
Sanitation	<u>63,003</u>
 Total business-type activities depreciation expense	 <u>\$ 263,803</u>

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 6 – LONG-TERM LIABILITIES**

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2020.

	Balance July 1, 2019	Additions	Reductions	Balance June 30, 2020	Due within 1 year
Governmental activities:					
Compensated absences	\$ 346,305	\$ 138,652	\$ -	\$ 484,957	\$ 387,966
Note payable from direct borrowing and direct placement	1,120,000	-	104,000	1,016,000	-
Net pension and other postemployment benefits liability	<u>4,865,859</u>	<u>241,128</u>	<u>-</u>	<u>5,106,987</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$ 6,332,164</u>	<u>\$ 379,780</u>	<u>\$ 104,000</u>	<u>\$ 6,607,944</u>	<u>\$ 387,966</u>
Business-type activities:					
Compensated absences	\$ 90,939	\$ -	\$ 25,364	\$ 65,575	\$ 52,460
Note payable from direct borrowing and direct placement	280,000	-	26,000	254,000	-
Net pension and other postemployment benefits liability	<u>822,093</u>	<u>18,033</u>	<u>-</u>	<u>840,126</u>	<u>-</u>
Business-type activities long-term liabilities	<u>\$ 1,193,032</u>	<u>\$ 18,033</u>	<u>\$ 51,364</u>	<u>\$ 1,159,701</u>	<u>\$ 52,460</u>

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

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

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 6 – LONG-TERM LIABILITIES – Continued**

The following details the debt service requirements to maturity for the GADA note:

Year Ending June 30,	Note payable from direct borrowing and direct placement					
	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ -	\$ 49,257	\$ -	\$ 12,314	\$ -	\$ 61,571
2022	108,000	44,582	27,000	11,146	135,000	55,728
2023	112,000	39,595	28,000	9,899	140,000	49,494
2024	116,000	34,405	29,000	8,601	145,000	43,006
2025	124,000	28,756	31,000	7,189	155,000	35,945
2026-2030	556,000	48,034	139,000	12,008	695,000	60,042
Total	<u>\$ 1,016,000</u>	<u>\$ 244,629</u>	<u>\$ 254,000</u>	<u>\$ 61,157</u>	<u>\$ 1,270,000</u>	<u>\$ 305,786</u>

**NOTE 7 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 8 – INTERFUND BALANCES AND ACTIVITY**

Interfund receivables and payables of the governmental funds consisted of \$857,254 loaned by the General Fund to the Grants Fund to help meet fund obligations. It is anticipated that this amount will be repaid to the General Fund once receivables are collected.

Interfund receivables and payables of the business-type funds consisted of amounts loaned by the Electric Fund to the Sewer and Sanitation Funds to help meet fund obligations. The amounts payable from the Sewer and Sanitations Funds to the Electric Fund at year end were \$1,653,685 and \$862,375, respectively.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The Town contributes to the pension plans described below. The plans are component units of the State of Arizona.

At June 30, 2020, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

<b>Statement of Net Position and Statement of Activities</b>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net pension/OPEB assets	\$ 113,353	\$ 1,596	\$ 114,949
Net pension/OPEB liabilities	5,106,987	840,126	5,947,113
Deferred outflows of resources related to pension and OPEB	1,313,338	121,345	1,434,683
Deferred inflows of resources related to pension and OPEB	261,321	70,282	331,603
Pension and OPEB expense	802,608	102,086	904,694

The Town reported \$452,219 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

**A. Arizona State Retirement System**

**Plan Description** – Town employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Benefits Provided** – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits 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	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 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\*With actuarially reduced benefits.

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 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 10.41 percent (10.29 percent for retirement, 0.05 percent for health insurance premium benefit, and 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2020, were \$184,250, \$7,871, and \$2,732, respectively.

During fiscal year 2020, the Town paid for ASRS pension and OPEB contributions as follows: 63.25 percent from the General Fund, 3.83 percent from the Sewer Fund, 28.65 percent from the Electric Fund, and 4.27 percent from the Sanitation Fund.

**Liability** - At June 30, 2020, the Town reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	<u>Net Pension/OPEB</u> <u>(Asset) Liability</u>
Pension	\$ 2,275,802
Health insurance premium benefit	(4,344)
Long-term disability	10,254

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The net asset and net liabilities were measured as of June 30, 2019. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019. The Town’s proportion of the net asset or net 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, 2019. The Town’s proportions measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

	<u>Proportion June 30, 2019</u>	<u>Increase (decrease) from June 30, 2018</u>
Pension	0.01564%	-0.00034%
Health insurance premium benefit	0.01572%	0.00060%
Long-term disability	0.01574%	-0.00022%

**Expense** – For the year ended June 30, 2020, the Town recognized the following pension and OPEB expense.

	<u>Pension/OPEB Expense</u>
Pension	\$ 268,943
Health insurance premium benefit	5,456
Long-term disability	3,385

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Deferred Outflows/Inflows of Resources**—At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<b>Pension</b>		<b>Health Insurance Premium Benefit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 41,113	\$ 428	\$ -	\$ 5,193
Changes of assumptions or other inputs	9,620	90,627	8,543	-
Net difference between projected and actual earnings on pension plan investments	-	51,152	-	5,649
Changes in proportion and differences between Town contributions and proportionate share of contributions	72,773	37,876	42	12
Town contributions subsequent to the measurement date	184,250	-	7,871	-
<b>Total</b>	<b>\$ 307,756</b>	<b>\$ 180,083</b>	<b>\$ 16,456</b>	<b>\$ 10,854</b>
	<b>Long-Term Disability</b>			
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>		
Differences between expected and actual experience	\$ 1,211	\$ -		
Changes of assumptions or other inputs	1,534	-		
Net difference between projected and actual earnings on pension plan investments	-	219		
Changes in proportion and differences between Town contributions and proportionate share of contributions	502	87		
Town contributions subsequent to the measurement date	2,732	-		
<b>Total</b>	<b>\$ 5,979</b>	<b>\$ 306</b>		

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2021	\$ 15,940	\$ (1,872)	317
2022	(76,394)	(1,872)	317
2023	(9,823)	539	531
2024	13,700	1,059	570
2025	-	(123)	489
Thereafter	-	-	717

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

**ASRS**

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The long-term expected rate of return on ASRS 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 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 geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Geometric Real Rate of Return</b>
Equity	50%	6.09%
Credit	20%	5.36%
Interest Rate Sensitive Bonds	10%	1.62%
Real Estate	20%	5.85%
Total	100%	

**Discount Rate** – The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 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 plans’ 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate** – The following table presents the Town’s proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.5 percent, as well as what the Town’s proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
<b>Town's Proportionate share of the</b>			
Net pension liability	\$ 3,238,993	\$ 2,275,802	\$ 1,470,822
Net insurance premium benefit liability (asset)	22,006	(4,344)	(26,796)
Net long-term disability liability	11,348	10,254	9,193

**Plan Fiduciary Net Position** – Detailed information about the plans’ fiduciary net position is available in the separately issued ASRS financial report.

**B. Elected Officials Retirement Plan**

**Plan Description** – Elected officials participate in the Elected Officials Retirement Plan (EORP), or the Elected Officials Defined Contribution Retirement System (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials who were members of the plan on December 31, 2013. The EORP pension and OPEB plans were closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS’s website at [www.psprs.com](http://www.psprs.com).

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Benefits provided** – The EORP 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 yearly compensation, and service credit as follows:

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years of service, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
<b>Benefit percentage</b>		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
<b>Survivor Benefit</b>		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and other inactive members	75% of disability retirement benefit	50% of disability retirement benefit

\* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 8 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 7 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

**Contributions** – State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2020, statute required active EORP members to contribute 7 or 13 percent of the members’ annual covered payroll and the Town to contribute at the actuarially determined rate of 61.43 percent of all active EORP members’ annual covered payroll. Also, statute required the Town to contribute 49.49 percent to EORP of the annual covered payroll of elected officials who were ASRS members and 55.43 percent to EORP of the annual covered payroll of elected officials who were EODCRS members, in addition to the Town’s required contributions to ASRS and EODCRS for these elected officials. In addition, statute required the Town to contribute 39.72 percent of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the EORP would typically fill. The Town’s contributions to the pension and health insurance premium benefit plans for the year ended June 30, 2020, were \$9,516 and \$0, respectively.

During fiscal year 2020, the Town paid 100 percent of EORP pension contributions from the General Fund.

**Liability** – At June 30, 2020, the Town reported a liability for its proportionate share of the EORP’s net pension liability that reflected a reduction for the Town’s proportionate share of the State’s appropriation for EORP. The amount the Town recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the EORP net pension liability	\$	308,464
State's proportionate share of the EORP net pension liability associated with the Town		28,992
Total	<u>\$</u>	<u>337,456</u>

The Town also reported an asset of \$13,353 for its proportionate share of EORP’s net OPEB asset.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The net asset and net liability were measured as of June 30, 2019, and the total liability used to calculate the net asset or net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

The Town’s proportion of the net pension liability was based on the Town’s required contributions to the pension plan relative to the total of all participating employers’ required contributions for the year ended June 30, 2019. The Town’s proportion of the net OPEB asset was based on the Town’s present value of benefits relative to the total of all participating employers’ present value of benefits for the year ended June 30, 2019. The Town’s proportion measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

	<u>Proportion</u> <u>June 30, 2019</u>	<u>Increase (decrease)</u> <u>from June 30, 2018</u>
Pension	0.04651%	-0.01595%
Health insurance premium benefit	0.04651%	-0.32417%

**Expense** – For the year ended June 30, 2020, the Town recognized pension and OPEB expense for EORP of \$(29,604) and \$5,989, respectively, and revenue of \$2,015 for the Town’s proportionate share of the State’s appropriation to EORP and the designated court fees.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Deferred outflows/inflows of resources** – At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<b>Pension</b>		<b>Health Insurance Premium Benefit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 6,877	\$ 293	\$ 428	\$ 138
Changes of assumptions or other inputs	970	8,766	30	-
Net difference between projected and actual earnings on pension plan investments	2,099	-	44	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	10,289	71,200	14,767	149
Town contributions subsequent to the measurement date	9,516	-	-	-
<b>Total</b>	<b>\$ 29,751</b>	<b>\$ 80,259</b>	<b>\$ 15,269</b>	<b>\$ 287</b>

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The amounts reported as deferred outflows of resources related to EORP pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
2021	\$ (60,618)	\$ 7,206
2022	(535)	7,494
2023	586	144
2024	544	138

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

**EORP**

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.75% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubG-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
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**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The long-term expected rate of return on EORP plan investments was determined to be 7.30 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 expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>EORP</b>	<b>Long-term Expected Geometric</b>	
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Real Rate of Return</b>
Short term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	16%	4.75%
Total	<u>100%</u>	

**Discount rates** – At June 30, 2019, the discount rate used to measure the EORP total pension liability and total OPEB liability was 7.3 percent which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the plans’ 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Sensitivity of the Town’s proportionate share of the EORP net pension/OPEB (asset) liability to changes in the discount rate** – The following table presents the Town’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.3 percent, as well as what the Town’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Rate - pension	6.3%	7.3%	8.3%
Town's proportionate share of the net pension liability	\$ 353,238	\$ 308,464	\$ 270,329
Rate - OPEB	6.3%	7.3%	8.3%
Town's proportionate share of the net OPEB (asset)	\$ (11,775)	\$ (13,353)	\$ (14,726)

**Plan fiduciary net position** – Detailed information about the plans’ fiduciary net position is available in the separately issued EORP financial report.

**EODCRS plan** – Elected officials that are not members of EORP or ASRS participate in the EODCRS and the Elected Officials Defined Contribution Retirement System Disability Program (EODCDP). The EODCRS is a defined contribution pension plan. The EODCDP is a cost-sharing multiple-employer defined benefit disability (OPEB) plan for EODCRS members. The PSPRS Board of Trustees governs the EODCRS and EODCDP according to the provisions of A.R.S. Title 38, Chapter 5, Articles 3.1 and 3.2. Benefit terms, including contribution requirements, are established by state statute. The EODCDP is not further disclosed because of its relative insignificance to the Town’s financial statements.

For the year ended June 30, 2020, active EODCRS members were required by statute to contribute 8 percent of the members’ annual covered payroll, and the Town was required by statute to contribute 6 percent of active members’ annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the Town’s contributions to the individual employee account and the earnings on those contributions. For the year ended June 30, 2020, the Town recognized pension expense of \$13,296.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

**C. Public Safety Personnel Retirement System**

**Plan Descriptions** – Town police officers participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A 9-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. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

The PSPRS issues publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**Benefits Provided** – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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	On or after January 1, 2012 and before July 1, 2017
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 36 consecutive months of last 20 years
<b>Benefit percentage</b>		
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 services over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

**Employees Covered by Benefit Terms** – At June 30, 2020, the following employees were covered by the agent plans’ benefit terms:

	PSPRS Police	
	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	7	7
Inactive employees entitled to but not yet receiving benefits	1	1
Active employees	10	10
Total	18	18

**Contributions** – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS 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. Contributions rates for the year ended June 30, 2020, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active Member- Pension	Town-Pension	Town-Health Insurance Premium Benefit
PSPRS Police	7.65% - 11.65%	37.10%	0.00%

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The Town’s contributions to the plans for the year ended June 30, 2020, were:

	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
PSPRS Police	\$ 306,254	\$ -

During fiscal year 2020, the Town paid for 100 percent of PSPRS pension and OPEB contributions from the General Fund.

**Liability** – At June 30, 2020, the Town reported the following asset and liability:

	<u>Net Pension (Asset) Liability</u>	<u>Net OPEB (Asset) Liability</u>
PSPRS Police	\$ 3,352,593	\$ (97,252)

The net assets and net liabilities were measured as of June 30, 2019, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

**PSPRS**

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubG-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>
Short term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed Income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	16%	4.75%
Total	<u>100%</u>	

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Discount Rates** – At June 30, 2019, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. The projection of cash flows used to determine the 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 the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans’ 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

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

	<b>Pension</b>		
	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) - (b)</b>
Balances at June 30, 2019	\$ 8,102,531	\$ 5,045,156	\$ 3,057,375
Changes for the year			
Service Cost	174,836	-	174,836
Interest on the total liability	602,392	-	602,392
Differences between expected and actual experience in the measurement of the liability	48,208	-	48,208
Changes of assumptions or other inputs	206,646	-	206,646
Contributions-employer	-	392,623	(392,623)
Contributions-employee	-	72,001	(72,001)
Net investment income	-	278,075	(278,075)
Benefit payments, including refunds of employee contributions	(273,862)	(273,862)	-
Administrative expense	-	(5,835)	5,835
Net changes	758,220	463,002	295,218
Balances at June 30, 2020	\$ 8,860,751	\$ 5,508,158	\$ 3,352,593

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

	<b>Health Insurance Premium Benefit</b>		
	<b>Increase (Decrease)</b>		
	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB (Asset) Liability (a) - (b)</b>
Balances at June 30, 2019	\$ 148,004	\$ 227,439	\$ (79,435)
Changes for the year			
Service Cost	2,358	-	2,358
Interest on the total liability	10,954	-	10,954
Differences between expected and actual experience in the measurement of the liability	(20,987)	-	(20,987)
Changes of assumptions or other inputs	1,870	-	1,870
Net investment income	-	12,223	(12,223)
Benefit payments, including refunds of employee contributions	(4,683)	(4,683)	-
Administrative expense	-	(211)	211
Net changes	<u>(10,488)</u>	<u>7,329</u>	<u>(17,817)</u>
Balances at June 30, 2020	<u>\$ 137,516</u>	<u>\$ 234,768</u>	<u>\$ (97,252)</u>

**Sensitivity of the Town’s Net Pension/OPEB Liability to Changes in the Discount Rate –** The following table presents the Town’s net pension/OPEB (assets) liabilities calculated using the discount rate of 7.3 percent, as well as what the Town’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	<b><u>1% Decrease (6.3%)</u></b>	<b><u>Current Discount Rate (7.3%)</u></b>	<b><u>1% Increase (8.3%)</u></b>
PSPRS Police			
Net pension (asset) liability	\$ 4,621,942	\$ 3,352,593	\$ 2,324,384
Net OPEB (asset) liability	(80,086)	(97,252)	(111,628)

**Plan Fiduciary Net Position** – Detailed information about the plans’ fiduciary net position is available in the separately issued PSPRS financial reports.

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Expense** – For the year ended June 30, 2020, the Town recognized the following pension and OPEB expense:

	<b>Pension Expense</b>		<b>OPEB Expense</b>	
PSPRS Police	\$ 655,559	\$	(3,019)	

**Deferred Outflows/Inflows of Resources** – At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<b>Pension</b>		<b>Health Insurance Premium Benefit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 301,489	\$ 40,483	\$ 18,222	\$ 17,100
Changes of assumptions or other inputs	359,026	-	1,496	2,231
Net difference between projected and actual earnings on pension plan investments	72,283	-	702	-
Town contributions subsequent to the measurement date	306,254	-	-	-
<b>Total</b>	<b>\$ 1,039,052</b>	<b>\$ 40,483</b>	<b>\$ 20,420</b>	<b>\$ 19,331</b>

**TOWN OF THATCHER, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2020**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<b>PSPRS Police</b>	
	<b>Pension</b>	<b>Health</b>
2021	\$ 242,883	\$ 108
2022	177,981	109
2023	177,823	1,917
2024	93,628	(1,045)
2025	-	-
Thereafter	-	-

**REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue:</b>				
Intergovernmental	\$ 1,518,950	\$ 1,518,950	\$ 1,757,927	\$ 238,977
Taxes	3,237,000	3,237,000	4,027,063	790,063
Charges for services	432,843	432,843	193,240	(239,603)
Interest	105,000	105,000	136,247	31,247
Licenses and permits	32,550	32,550	34,957	2,407
Other revenue	20,200	20,200	27,774	7,574
Fines and forfeitures	50	50	21,336	21,286
<b>Total revenue</b>	<u>5,346,593</u>	<u>5,346,593</u>	<u>6,198,544</u>	<u>851,951</u>
<b>Expenditures:</b>				
Mayor and council	270,246	270,246	272,058	(1,812)
Administration	300,141	300,141	344,818	(44,677)
Magistrate	335,367	335,367	332,134	3,233
Parks and recreation	456,684	456,684	503,302	(46,618)
Police	2,138,357	2,138,357	2,168,671	(30,314)
Fire	142,020	142,020	114,004	28,016
Shop	297,337	297,337	299,757	(2,420)
Streets	661,875	661,875	607,576	54,299
Town Engineer	422,465	422,465	475,800	(53,335)
Contingency	1,288,450	1,288,450	441,119	847,331
Firefighter retirement	-	-	11,113	(11,113)
<b>Total expenditures</b>	<u>6,312,942</u>	<u>6,312,942</u>	<u>5,570,352</u>	<u>742,590</u>
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<u>(966,349)</u>	<u>(966,349)</u>	<u>628,192</u>	<u>109,361</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	3,000	3,000	6,410	(3,410)
Transfers	-	-	600,725	(600,725)
<b>Total other financing sources (uses)</b>	<u>3,000</u>	<u>3,000</u>	<u>607,135</u>	<u>(604,135)</u>
<b>Net change in fund balances</b>	<u>(963,349)</u>	<u>(963,349)</u>	<u>1,235,327</u>	<u>(494,774)</u>
Fund balances, beginning of year	<u>7,793,618</u>	<u>7,793,618</u>	<u>7,793,618</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 6,830,269</u></u>	<u><u>\$ 6,830,269</u></u>	<u><u>\$ 9,028,945</u></u>	<u><u>\$ (494,774)</u></u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Grants Fund**  
**Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue:</b>				
Intergovernmental	\$ 2,553,428	\$ 2,553,428	\$ 2,278,904	\$ (274,524)
<b>Expenditures:</b>				
Current				
Public safety	67,361	67,361	67,361	-
Capital outlay	2,335,167	2,335,167	2,552,066	(216,899)
<b>Total expenditures</b>	<b>2,402,528</b>	<b>2,402,528</b>	<b>2,619,427</b>	<b>(216,899)</b>
<b>Excess (deficiency) of revenue         over (under) expenditures</b>	<b>150,900</b>	<b>150,900</b>	<b>(340,523)</b>	<b>(57,625)</b>
<b>Other financing sources (uses):</b>				
Transfers	-	-	(464,736)	464,736
<b>Net change in fund balances</b>	<b>150,900</b>	<b>150,900</b>	<b>(805,259)</b>	<b>407,111</b>
Fund balances, beginning of year	558,635	558,635	558,635	-
<b>Fund balances, end of year</b>	<b>\$ 709,535</b>	<b>\$ 709,535</b>	<b>\$ (246,624)</b>	<b>\$ 407,111</b>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**HURF Fund**  
**Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue:</b>				
Intergovernmental	\$ 432,800	\$ 432,800	\$ 654,458	\$ 221,658
Interest	15	15	3	(12)
<b>Total revenue</b>	<b>432,815</b>	<b>432,815</b>	<b>654,461</b>	<b>221,646</b>
<b>Expenditures:</b>				
Current				
Highways and streets	63,556	63,556	63,287	269
Capital outlay	369,259	369,259	369,259	-
<b>Total expenditures</b>	<b>432,815</b>	<b>432,815</b>	<b>432,546</b>	<b>269</b>
<b>Excess (deficiency) of revenue over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>221,915</b>	<b>221,377</b>
<b>Other financing sources (uses):</b>				
Transfers	-	-	(135,989)	135,989
<b>Net change in fund balances</b>	<b>-</b>	<b>-</b>	<b>85,926</b>	<b>357,366</b>
Fund balances, beginning of year	-	-	-	-
<b>Fund balances, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 85,926</b>	<b>\$ 357,366</b>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2020**

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

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

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

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

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

***NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS***

For the year ended June 30, 2020, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Mayor and Council, Administration, Parks/Recreation, Police, Shop, Town Engineer, Firefighter Retirement, and Grants departments.

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Town's Proportionate**  
**Share of the Net Pension/OPEB Liability**  
**Cost-Sharing Plans**  
**June 30, 2020**

**ASRS-Pension**

	<b>Reporting Fiscal Year</b>						
	<b>(Measurement Date)</b>						
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014 through</b>
	<b>(2019)</b>	<b>(2018)</b>	<b>(2017)</b>	<b>(2016)</b>	<b>(2015)</b>	<b>(2014)</b>	<b>2010</b>
Town's proportion of the net pension liability	0.015640%	0.015980%	0.014590%	0.015040%	0.014460%	0.013757%	Information
Town's proportionate share of the net pension liability	\$ 2,275,802	\$ 2,228,648	\$ 2,272,838	\$ 2,427,607	\$ 2,252,784	\$ 2,035,552	not available
Town's covered payroll	\$ 1,630,776	\$ 1,588,670	\$ 1,423,302	\$ 1,408,304	\$ 1,332,103	\$ 1,240,084	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	139.55%	140.28%	159.69%	172.38%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	64.27%	68.35%	69.49%	

**ASRS-Health Insurance Premium Benefit**

	<b>Reporting Fiscal Year</b>			
	<b>(Measurement Date)</b>			
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017 through</b>
	<b>(2019)</b>	<b>(2018)</b>	<b>(2017)</b>	<b>2010</b>
Town's proportion of the net OPEB (asset)	0.015720%	0.015120%	0.014050%	Information
Town's proportionate share of the net OPEB (asset)	\$ (4,344)	\$ (5,445)	\$ (7,649)	not available
Town's covered payroll	\$ 1,630,776	\$ 1,588,670	\$ 1,423,302	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	-0.27%	-0.34%	-0.54%	
Plan fiduciary net position as a percentage of the total OPEB liability	101.62%	102.20%	103.57%	

*See accompanying notes to pension plan schedules.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Town's Proportionate**  
**Share of the Net Pension/OPEB Liability**  
**Cost-Sharing Plans**  
**June 30, 2020**

**ASRS-Long-Term Disability**

	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2010
Town's proportion of the net OPEB (asset)	0.015740%	0.015960%	0.014350%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ 10,254	\$ 8,339	\$ 5,202	Information not available
Town's covered payroll	\$ 1,630,776	\$ 1,588,670	\$ 1,423,302	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.63%	0.52%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	72.85%	77.83%	84.44%	

*See accompanying notes to pension plan schedules.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Town's Proportionate**  
**Share of the Net Pension/OPEB Liability**  
**Cost-Sharing Plans**  
**June 30, 2020**

**EORP-Pension**

	Reporting Fiscal Year (Measurement Date)						
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
Town's proportion of the net pension liability	0.046513%	0.062461%	0.038940%	0.043107%	0.043169%	0.054174%	Information not available
Town's proportionate share of the net pension liability	\$ 308,464	\$ 393,590	\$ 474,494	\$ 407,255	\$ 337,348	\$ 363,274	Information not available
State's proportionate share of the net pension liability associated with the Town	28,992	67,203	98,479	84,088	105,171	111,383	
Total	<u>\$ 337,456</u>	<u>\$ 460,793</u>	<u>\$ 572,973</u>	<u>\$ 491,343</u>	<u>\$ 442,519</u>	<u>\$ 474,657</u>	
Town's covered payroll	<u>\$ 17,400</u>	<u>\$ 39,000</u>	<u>\$ 30,900</u>	<u>\$ 33,600</u>	<u>\$ 36,300</u>	<u>\$ 49,119</u>	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	1772.78%	1009.21%	1535.58%	1212.07%	929.33%	739.58%	
Plan fiduciary net position as a percentage of the total pension liability	30.14%	30.36%	17.16%	23.42%	28.32%	31.91%	

**EORP-Health Insurance Premium Benefit**

	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2010
Town's proportion of the net OPEB (asset)	0.13633%	0.37068%	0.35636%	Information not available
Town's proportionate share of the net OPEB (asset)	\$ (13,353)	\$ (38,306)	\$ (32,450)	Information not available
Town's covered payroll	\$ 17,400	\$ 39,000	\$ 30,900	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	-76.74%	-98.22%	-105.02%	
Plan fiduciary net position as a percentage of the total OPEB liability	169.75%	177.16%	164.84%	

*See accompanying notes to pension plan schedules.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's**  
**Net Pension/OPEB Liability (Asset) and Related Ratios**  
**Agent Plans**  
**June 30, 2020**

**PSPRS - Police**

	Reporting Fiscal Year (Measurement Date)						2014 through 2010
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability							Information not available
Service cost	\$ 174,836	\$ 164,486	\$ 168,777	\$ 135,700	\$ 129,706	\$ 132,777	
Interest on the total pension liability	602,392	538,835	488,982	474,901	440,958	381,545	
Changes of benefit terms	-	-	110,926	(37,400)	-	157,716	
Differences between expected and actual experience in the measurement of the pension liability	48,208	341,875	50,410	(124,787)	177,759	(363,187)	
Changes of assumptions or other inputs	206,646	-	218,719	268,925	-	835,496	
Benefit payments, including refunds of employee contributions	(273,862)	(283,957)	(263,800)	(263,800)	(374,248)	(397,692)	
Net change in total pension liability	758,220	761,239	774,014	453,539	374,175	746,655	
Total pension liability - beginning	8,102,531	7,341,292	6,567,278	6,113,739	5,739,564	4,992,909	
Total pension liability - ending (a)	<u>\$ 8,860,751</u>	<u>\$ 8,102,531</u>	<u>\$ 7,341,292</u>	<u>\$ 6,567,278</u>	<u>\$ 6,113,739</u>	<u>\$ 5,739,564</u>	
Plan fiduciary net position							
Contributions - employer	\$ 392,623	\$ 1,397,868	\$ 591,829	\$ 619,120	\$ 235,104	\$ 220,723	
Contributions - employee	72,001	70,316	83,833	88,964	84,677	74,365	
Net investment income	278,075	294,227	379,550	16,396	89,394	295,450	
Benefit payments, including refunds of employee contributions	(273,862)	(283,957)	(263,800)	(263,800)	(374,248)	(397,692)	
Hall/Parker Settlement	-	(113,629)	-	-	-	-	
Administrative expense	(5,835)	(5,178)	(3,758)	(2,759)	(2,553)	-	
Other changes	-	48	37	(14,990)	43,248	(154,602)	
Net change in plan fiduciary net position	463,002	1,359,695	787,691	442,931	75,622	38,244	
Plan fiduciary net position - beginning	5,045,156	3,685,461	2,897,770	2,454,839	2,379,217	2,340,973	
Plan fiduciary net position - ending (b)	<u>\$ 5,508,158</u>	<u>\$ 5,045,156</u>	<u>\$ 3,685,461</u>	<u>\$ 2,897,770</u>	<u>\$ 2,454,839</u>	<u>\$ 2,379,217</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 3,352,593</u>	<u>\$ 3,057,375</u>	<u>\$ 3,655,831</u>	<u>\$ 3,669,508</u>	<u>\$ 3,658,900</u>	<u>\$ 3,360,347</u>	
Plan fiduciary net position as a percentage of the total pension liability	62.16%	62.27%	50.20%	44.12%	40.15%	41.45%	
Covered payroll	\$ 860,450	\$ 842,221	\$ 760,941	\$ 720,276	\$ 766,307	\$ 722,871	
Town's net pension (asset) liability as a percentage of covered payroll	389.63%	363.01%	480.44%	509.46%	477.47%	464.86%	

*See accompanying notes to pension plan schedules.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's**  
**Net Pension/OPEB Liability (Asset) and Related Ratios**  
**Agent Plans**  
**June 30, 2020**

**PSPRS OPEB - Police**

	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2010
Total OPEB liability				
Service cost	\$ 2,358	\$ 2,442	\$ 2,663	Information not available
Interest on the total OPEB liability	10,954	8,232	8,144	
Differences between expected and actual experience in the measurement of the OPEB liability	(20,987)	29,108	(642)	
Changes of assumptions or other inputs	1,870	-	(4,586)	
Benefit payments	(4,683)	(3,601)	(2,025)	
Net change in total OPEB liability	(10,488)	36,181	3,554	
Total OPEB liability - beginning	148,004	111,823	108,269	
Total OPEB liability - ending (a)	<u>\$ 137,516</u>	<u>\$ 148,004</u>	<u>\$ 111,823</u>	
Plan fiduciary net position				
Net investment income	\$ 12,223	\$ 15,027	\$ 22,926	
Benefit payments	(4,683)	(3,601)	(2,025)	
Administrative expense	(211)	(229)	(202)	
Net change in plan fiduciary net position	7,329	11,197	20,699	
Plan fiduciary net position - beginning	227,439	216,242	195,543	
Plan fiduciary net position - ending (b)	<u>\$ 234,768</u>	<u>\$ 227,439</u>	<u>\$ 216,242</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (97,252)</u>	<u>\$ (79,435)</u>	<u>\$ (104,419)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	170.72%	153.67%	193.38%	
Covered payroll	\$ 860,450	\$ 842,221	\$ 760,941	
Town's net OPEB (asset) liability as a percentage of covered payroll	-11.30%	-9.43%	-13.72%	

*See accompanying notes to pension plan schedules.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town Pension/OPEB Contributions**  
**June 30, 2020**

**ASRS-Pension**

	Reporting Fiscal Year							2013 through 2010
	2020	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 184,250	\$ 184,357	\$ 173,165	\$ 153,432	\$ 152,801	\$ 145,066	\$ 132,689	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(184,250)</u>	<u>(184,357)</u>	<u>(173,165)</u>	<u>(153,432)</u>	<u>(152,801)</u>	<u>(145,066)</u>	<u>(132,689)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,609,562</u>	<u>\$ 1,630,776</u>	<u>\$ 1,588,670</u>	<u>\$ 1,423,302</u>	<u>\$ 1,408,304</u>	<u>\$ 1,332,103</u>	<u>\$ 1,240,084</u>	
Town's contributions as a percentage of covered payroll	11.45%	11.30%	10.90%	10.78%	10.85%	10.89%	10.70%	

**ASRS-Health Insurance Premium Benefit**

	Reporting Fiscal Year				2016 through 2010
	2020	2019	2018	2017	
Statutorily required contribution	\$ 7,871	\$ 7,441	\$ 6,491	\$ 7,562	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(7,871)</u>	<u>(7,441)</u>	<u>(6,491)</u>	<u>(7,562)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,609,562</u>	<u>\$ 1,630,776</u>	<u>\$ 1,588,670</u>	<u>\$ 1,423,302</u>	
Town's contributions as a percentage of covered payroll	0.49%	0.46%	0.41%	0.53%	

*See accompanying notes to pension plan schedules.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town Pension/OPEB Contributions**  
**June 30, 2020**

**ASRS-Long-Term Disability**

	Reporting Fiscal Year				2016 through 2010
	2020	2019	2018	2017	
Statutorily required contribution	\$ 2,732	\$ 2,616	\$ 2,533	\$ 1,951	Information not available
Town's contributions in relation to the statutorily required contribution	(2,732)	(2,616)	(2,533)	(1,951)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 1,609,562</u>	<u>\$ 1,630,776</u>	<u>\$ 1,588,670</u>	<u>\$ 1,423,302</u>	
Town's contributions as a percentage of covered payroll	0.17%	0.16%	0.16%	0.14%	

**PSPRS - Police**

	Reporting Fiscal Year							2013 through 2010
	2020	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 306,254	\$ 392,623	\$ 1,397,868	\$ 591,829	\$ 619,120	\$ 235,104	\$ 220,723	Information not available
Town's contributions in relation to the actuarially determined contribution	(306,254)	(392,623)	(1,397,868)	(591,829)	(619,120)	(235,104)	(220,723)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 825,482</u>	<u>\$ 860,449</u>	<u>\$ 842,221</u>	<u>\$ 760,941</u>	<u>\$ 720,276</u>	<u>\$ 766,307</u>	<u>\$ 722,871</u>	
Town's contributions as a percentage of covered payroll	37.10%	45.63%	165.97%	77.78%	85.96%	30.68%	30.53%	

*See accompanying notes to pension plan schedules.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town Pension/OPEB Contributions**  
**June 30, 2020**

**PSPRS OPEB - Police**

	Reporting Fiscal Year				2016 through 2010
	2020	2019	2018	2017	
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	Information not available
Town's contributions in relation to the actuarially determined contribution	-	-	-	-	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 825,482</u>	<u>\$ 860,449</u>	<u>\$ 842,221</u>	<u>\$ 760,941</u>	
Town's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	

**EORP-Pension**

	Reporting Fiscal Year							2013 through 2010
	2020	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 9,516	\$ 5,672	\$ 5,041	\$ 7,262	\$ 7,896	\$ 9,082	\$ 11,543	Information not available
Town's contributions in relation to the statutorily required contribution	(9,516)	(5,672)	(5,041)	(7,262)	(7,896)	(9,082)	(11,543)	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 17,400</u>	<u>\$ 39,000</u>	<u>\$ 21,450</u>	<u>\$ 30,900</u>	<u>\$ 33,600</u>	<u>\$ 36,300</u>	<u>\$ 49,119</u>	
Town's contributions as a percentage of covered payroll	54.69%	14.54%	23.50%	23.50%	23.50%	25.02%	23.50%	

The Town was not required and did not contribute to the EORP health insurance premium benefit plan for fiscal years 2020 through 2017. Information for fiscal years 2016 through 2010 is not available.

*See accompanying notes to pension plan schedules.*

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension/OPEB plan schedules**  
**June 30, 2020**

***NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES***

Actuarial 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	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2018 actuarial valuation	18 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0%
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
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	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

***NOTE 2 – FACTORS THAT AFFECT TRENDS***

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members’ employee contribution rates.

**TOWN OF THATCHER, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension/OPEB plan schedules**  
**June 30, 2020**

***NOTE 2 – FACTORS THAT AFFECT TRENDS - Continued***

These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2019 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date.

These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refund amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.



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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***

To the Town Council  
Town of Thatcher, 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 Thatcher, Arizona, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town of Thatcher, Arizona's basic financial statements and have issued our report thereon dated March 18, 2021.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule

of findings and responses that we consider to be significant deficiencies. Those findings are indicated as items **2020-001** and **2020-002**.

### **Compliance and Other Matters**

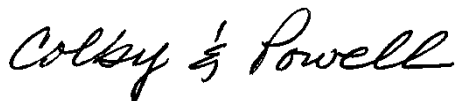
As part of obtaining reasonable assurance about whether the Town of Thatcher, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct 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*.

### **The Town of Thatcher, Arizona's Response to Findings**

The Town of Thatcher, Arizona's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Thatcher, Arizona's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.



March 18, 2021

**TOWN OF THATCHER, ARIZONA**  
**Schedule of Findings and Responses**  
**June 30, 2020**

**Item: 2020-001**

**Subject:** Credit card expenditures

**Criteria:** An effective internal control structure requires that expenditures be substantiated with supporting documentation that clearly identifies the purpose of the expenditure. The supporting documentation should be made available to check signers prior to payment.

**Condition:** During our audit, we noted that the Town could not provide receipts or other support for many of the credit card expenditures selected for testing. After inquiry with management, it was discovered that receipts and other supporting documentation are not always provided prior to the reconciliation with monthly statements and, in turn, are not available when check signers sign the checks to pay the credit card account.

**Recommendation:** Receipts and other documentation should be collected and reconciled with the monthly credit card statements to support all charges. Check signers should verify that all purchases made using the credit card have a legitimate business purpose prior to signing the check to make payment to the credit card company. All supporting documentation for credit card expenditures should be retained in accordance with the Town's record retention policies.

**Response:** Management agrees with this finding and will ensure that all credit card receipts and other documentation is reconciled with the credit card statements prior to making payment to the credit card company. All documentation will then be retained in accordance with the Town's record retention policies.

**Item: 2020-002**

**Subject:** Review of billing adjustments

**Criteria:** An effective internal control structure requires that billing adjustments made to customer accounts are reviewed on a regular basis, preferably by management. The review should be evidenced by signature or initials of the reviewer and dated.

**Condition:** At the end of each month the utility clerk prints a detail of all billing adjustments made to customer accounts during the month. The Town Manager then reviews the adjustments for that month and documents the review with a signature and date. During our audit, we noted that almost half of the months in the fiscal year had no evidence of being reviewed.

**Recommendation:** Management should review billing adjustments in a timely manner, at least quarterly, and document their review by evidence of signature and date.

**Response:** Management agrees with this finding and will ensure that billing adjustment are reviewed at least quarterly by the Town Manager and that their review is evidenced by a signature or initials and dated.