

TOWN OF PARKER, ARIZONA



**FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS**

TOWN OF PARKER, ARIZONA

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Independent Auditors' Report

The Honorable Mayor and
Town Council
Town of Parker, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Parker, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Parker, Arizona, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2014, on our consideration of the Town of Parker, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Parker, Arizona's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Flagstaff, Arizona
December 15, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Parker, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2014. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities (net position) by \$11.5 million at the close of the fiscal year.
- Total net position decreased by (\$499,858).
- Governmental expenses exceeded taxes and other governmental revenues by \$457,781.
- Business-type revenues exceeded total business-type expenses by \$42,077.
- Total revenues from all sources were \$5.2 million.
- The total cost of all Town programs was \$5.7 million.
- The general fund reported change in fund balance in excess budgeted amounts by \$340,633.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$962,096 or 29% of total General Fund expenditures, excluding transfers.

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

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

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

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

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

- Government activities – All of the Town’s basic services are considered to be governmental activities, including general government, public safety, public works, culture and recreation, contingencies, and interest on long-term debt. Sales tax, federal grants, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to customers that is intended to cover all or most of the cost of the services provided.

Reporting the Town’s Most Significant Funds

Fund Financial Statements

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

- Governmental funds – Most of the Town’s basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town’s general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town’s programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$11.6 million as of June 30, 2014 as shown in the following condensed statement of net position. The Town has chosen to account for its water distribution operations in a separate enterprise fund which is shown as Business Activities in this condensed statement.

Town of Parker Statements of Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Current and other assets	\$ 5,049,517	\$ 4,939,507	\$ 1,340,936	\$ 1,250,264	\$ 6,390,453	\$ 6,189,771
Capital assets	5,318,982	5,808,867	2,724,996	2,852,809	8,043,978	8,661,676
Total assets	<u>10,368,499</u>	<u>10,748,374</u>	<u>4,065,932</u>	<u>4,103,073</u>	<u>14,434,431</u>	<u>14,851,447</u>
Long-term liabilities outstanding	2,179,088	2,187,975	308,087	307,848	2,487,175	2,495,823
Other liabilities	337,026	250,233	65,454	60,757	402,480	310,990
Total liabilities	<u>2,516,114</u>	<u>2,438,208</u>	<u>373,541</u>	<u>368,605</u>	<u>2,889,655</u>	<u>2,806,813</u>
Net position:						
Net investment in capital assets	3,213,120	3,699,015	2,419,996	2,547,809	5,633,116	6,246,824
Restricted	2,958,532	2,481,325	-	-	2,958,532	2,481,325
Unrestricted	<u>1,680,733</u>	<u>2,129,826</u>	<u>1,272,395</u>	<u>1,186,659</u>	<u>2,953,128</u>	<u>3,316,485</u>
Total net position	<u>\$ 7,852,385</u>	<u>\$ 8,310,166</u>	<u>\$ 3,692,391</u>	<u>\$ 3,734,468</u>	<u>\$ 11,544,776</u>	<u>\$ 12,044,634</u>

Governmental Activities

The cost of all Governmental activities this year was \$5,027,280, an increase of \$781,606 over last fiscal year. This is primarily due to an increase in public safety. As shown on the Statement of Changes in Net Position on the following page, \$821,866 of this cost was paid for by those who directly benefited from the programs; \$1,522,813 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid, donations, and fees for services were \$2,344,679. General taxes, investment earnings, and other general revenues totaled \$2,224,820.

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

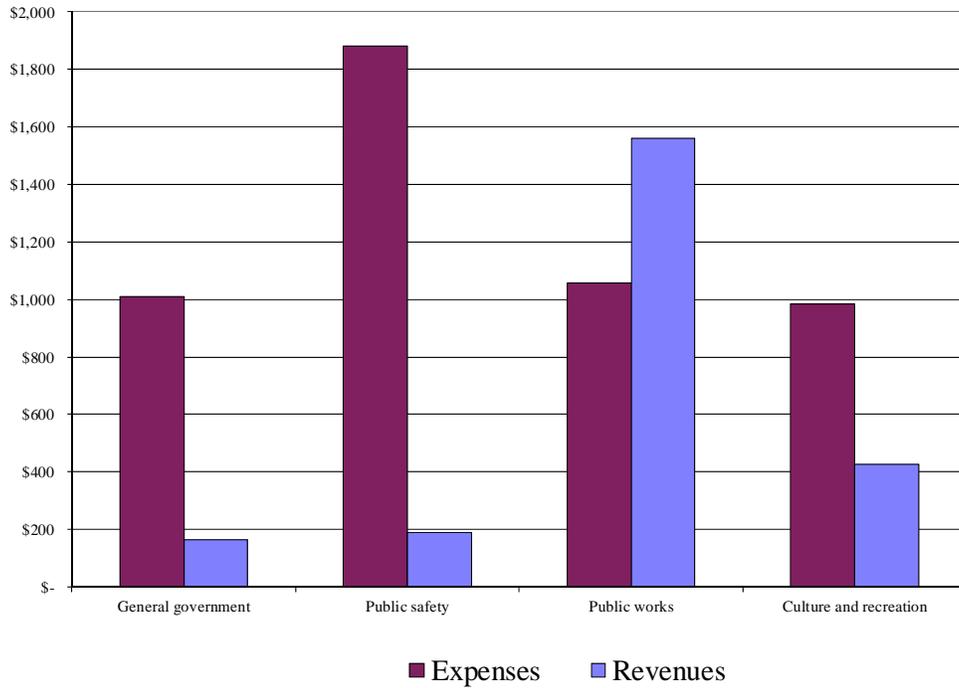
Town of Parker
Changes in Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Revenues:						
Program revenues:						
Charges for services	\$ 821,866	\$ 645,756	\$ 606,835	\$ 615,702	\$ 1,428,701	\$ 1,261,458
Operating grants and contributions	1,522,813	1,543,133	-	-	1,522,813	1,543,133
Capital grants and contributions	-	370,389	-	-	-	370,389
General revenues:						
Taxes	1,870,851	1,844,672	-	-	1,870,851	1,844,672
State revenue sharing	343,639	314,922	-	-	343,639	314,922
Other revenue	10,330	29,876	-	-	10,330	29,876
Total revenues	<u>4,569,499</u>	<u>4,748,748</u>	<u>606,835</u>	<u>615,702</u>	<u>5,176,334</u>	<u>5,364,450</u>
Expenses:						
General government	1,009,742	870,719	-	-	1,009,742	870,719
Public safety	1,879,061	1,435,425	-	-	1,879,061	1,435,425
Public works	1,057,868	1,072,385	-	-	1,057,868	1,072,385
Culture and recreation	983,433	817,727	-	-	983,433	817,727
Contingencies	14,378	6,197	-	-	14,378	6,197
Interest	82,798	43,221	-	-	82,798	43,221
Utility enterprise fund	-	-	648,912	622,706	648,912	622,706
Total expenses	<u>5,027,280</u>	<u>4,245,674</u>	<u>648,912</u>	<u>622,706</u>	<u>5,676,192</u>	<u>4,868,380</u>
(Decrease) / Increase in net position	(457,781)	503,074	(42,077)	(7,004)	(499,858)	496,070
Net position, beginning as restated	8,310,166	7,807,092	3,734,468	3,741,472	12,044,634	11,548,564
Net position, ending	<u>\$ 7,852,385</u>	<u>\$ 8,310,166</u>	<u>\$ 3,692,391</u>	<u>\$ 3,734,468</u>	<u>\$ 11,544,776</u>	<u>\$ 12,044,634</u>

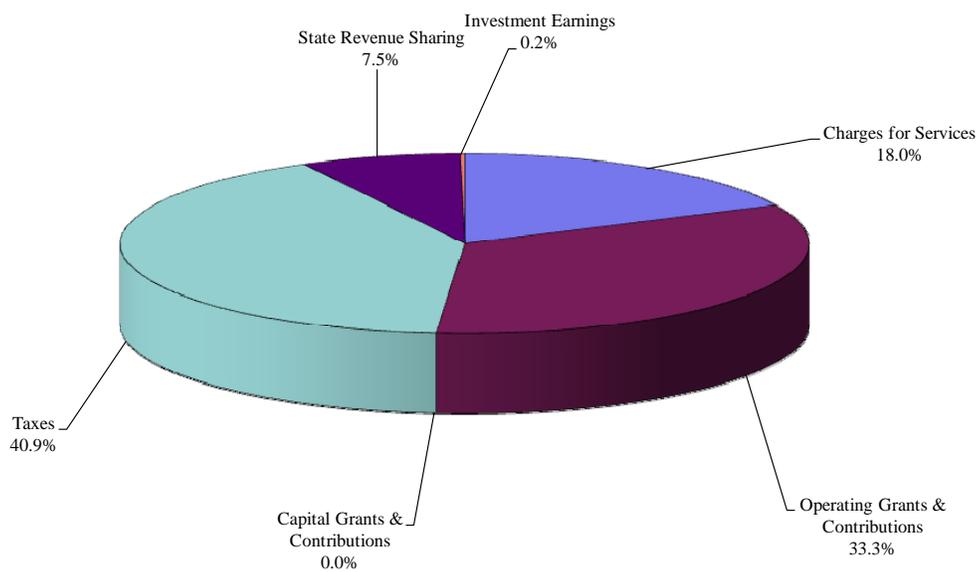
Total resources available during the year to finance governmental operations were \$12.8 million consisting of net position at July 1, 2013 of \$8.3 million, program revenues of \$2.3 million and general revenues of \$2.2 million. Total governmental activities during the year were \$5.0 million; thus governmental net position decreased by (\$499,858) to \$7.9 million.

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

Expenses and Program Revenues - Governmental Activities
(in Thousands)



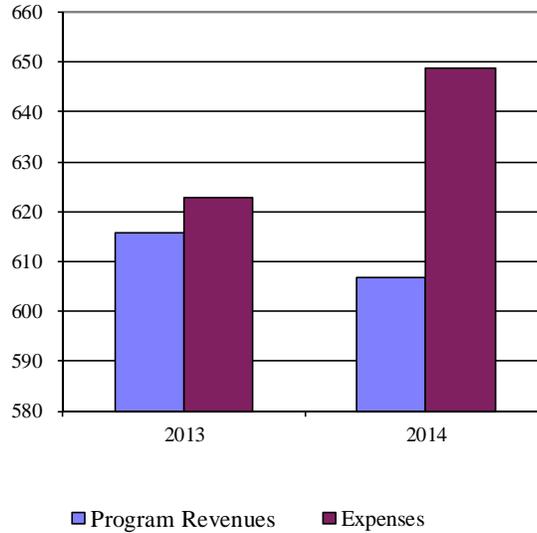
Revenue By Source - Governmental Activities



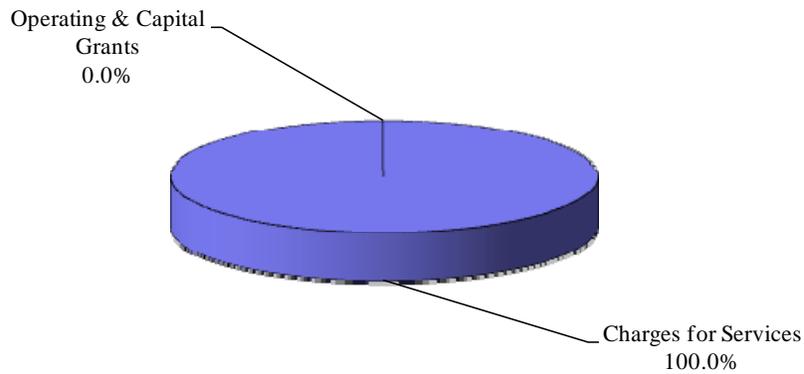
Business Type Activities

Net position of the business type activities at June 30, 2014, as reflected in the Statement of Net Position were \$3.7 million. The cost of providing all Proprietary (Business Type) activities this year was \$648,912. As shown in the Statement of Changes in Net Position, the amounts paid by users of the system were \$606,835 and there was \$0 subsidized by capital grants and contributions. The net position decreased by (\$42,077).

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



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town of Parker's governmental funds reported combined ending fund balances of \$4,741,716, an increase of \$36,260 in comparison with the prior year. Approximately, 15% of this total amount, \$727,209 constitutes unassigned, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted or assigned to be used 1) to pay for capital improvements or 2) for a variety of other restricted purposes.

The general fund is the chief operating fund of the Town of Parker. At the end of the current fiscal year, unassigned fund balance in the general fund was \$962,096, while total fund balance is \$1,743,757. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 29% of total general fund expenditures, while total fund balance represents 52% of the same amount.

During the year, the Town of Parker's general fund balance decreased by (\$384,039).

The highway user revenue fund has a total fund balance of \$2,532,361, all of which is restricted for road and street construction and improvements. The net increase in the fund balance during the current year was \$495,262. The increase in the fund balance resulted from revenues being accumulated for future projects.

General Fund Budgetary Highlights

The final actual expenditures for the General Fund, excluding transfers, at year-end were \$267,216 greater than appropriations. The budget to actual variance in appropriations was the result primarily of attorney fees as well as waste collection and disposals expenditures that were not included in the budget. There were no budget amendments or supplemental appropriations made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2014, net capital assets of the government activities totaled \$5.3 million and the net capital assets of the business-type activities totaled \$2.7 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

Debt

At year-end, the Town had \$2,179,088 in governmental type debt, and \$308,087 in proprietary debt. The debt is a liability of the government and amounts to \$809 per capita. During the current fiscal year, the Town's total debt decreased by (\$8,648). (See note 7 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2014/2015, the Town Council and management remained cautious as to the growth of revenues and expenditures primarily due to past economic trends. Overall General fund operating expenditures were budgeted conservatively.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

TOWN OF PARKER, ARIZONA
Statement of Net Position
June 30, 2014

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	\$ 4,531,094	\$ 1,114,364	\$ 5,645,458
Cash held by trustee	41,972	-	41,972
Designated cash and investments:			
Capital replacement	-	58,000	58,000
Receivables (net of allowance)	411,444	71,996	483,440
Inventory	-	53,670	53,670
Restricted cash and investments:			
Customer deposits	65,007	42,906	107,913
Non-depreciable capital assets	2,218,509	42,314	2,260,823
Depreciable capital assets, net	3,100,473	2,682,682	5,783,155
Total assets	<u>10,368,499</u>	<u>4,065,932</u>	<u>14,434,431</u>
Liabilities			
Current liabilities			
Accounts payable	103,292	18,313	121,605
Accrued payroll and related taxes	97,531	4,235	101,766
Customer deposits	65,007	42,906	107,913
Interest payable	41,196	-	41,196
Matured bonds payable	30,000	-	30,000
Noncurrent liabilities			
Due within one year	130,485	3,087	133,572
Due in more than one year	2,048,603	305,000	2,353,603
Total liabilities	<u>2,516,114</u>	<u>373,541</u>	<u>2,889,655</u>
Net Position			
Net investment in capital assets	3,213,120	2,419,996	5,633,116
Restricted for:			
Highways and streets	2,532,361	-	2,532,361
Capital projects and other	426,171	-	426,171
Unrestricted	1,680,733	1,272,395	2,953,128
Total net position	<u>\$ 7,852,385</u>	<u>\$ 3,692,391</u>	<u>\$ 11,544,776</u>

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

TOWN OF PARKER, ARIZONA
Statement of Activities
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,009,742	\$ 165,260	\$ -	\$ -	\$ (844,482)	\$ -	\$ (844,482)
Public safety	1,879,061	148,100	43,391	-	(1,687,570)	-	(1,687,570)
Public works	1,057,868	417,719	1,143,022	-	502,873	-	502,873
Culture and recreation	983,433	90,787	336,400	-	(556,246)	-	(556,246)
Contingencies	14,378	-	-	-	(14,378)	-	(14,378)
Interest	82,798	-	-	-	(82,798)	-	(82,798)
Total governmental activities	<u>5,027,280</u>	<u>821,866</u>	<u>1,522,813</u>	<u>-</u>	<u>(2,682,601)</u>	<u>-</u>	<u>(2,682,601)</u>
Business-type activities:							
Utility enterprise fund	648,912	606,835	-	-	-	(42,077)	(42,077)
Total business-type activities	<u>648,912</u>	<u>606,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,077)</u>	<u>(42,077)</u>
Total primary government	<u>\$ 5,676,192</u>	<u>\$ 1,428,701</u>	<u>\$ 1,522,813</u>	<u>\$ -</u>			
General Revenues:							
Taxes:							
City sales tax					1,232,027	-	1,232,027
Franchise tax					111,788	-	111,788
Auto lieu tax (unrestricted)					258,683	-	258,683
State sales tax (unrestricted)					268,353	-	268,353
Urban revenue sharing (unrestricted)					343,639	-	343,639
Investment earnings					10,330	-	10,330
Total general revenues & transfers					<u>2,224,820</u>	<u>-</u>	<u>2,224,820</u>
Change in net position					(457,781)	(42,077)	(499,858)
Net position - beginning					8,310,166	3,734,468	12,044,634
Net position - ending					<u>\$ 7,852,385</u>	<u>\$ 3,692,391</u>	<u>\$ 11,544,776</u>

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

TOWN OF PARKER, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2014

Assets	<u>General</u>	<u>Highway User Revenue Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 1,403,535	\$ 2,453,608	\$ 673,951	\$ 4,531,094
Cash held by trustee	-	-	41,972	41,972
Receivables				
Taxes	98,967	-	-	98,967
Due from other governments	42,955	90,670	124,532	258,157
Other	44,320	-	10,000	54,320
Due from other funds	325,297	-	-	325,297
Restricted assets - customer deposits	65,007	-	-	65,007
Total assets	<u>\$ 1,980,081</u>	<u>\$ 2,544,278</u>	<u>\$ 850,455</u>	<u>\$ 5,374,814</u>
Liabilities				
Accounts payable	\$ 82,917	\$ 7,166	\$ 13,209	\$ 103,292
Accrued payroll and related taxes	88,400	4,751	4,380	97,531
Accrued interest	-	-	11,972	11,972
Due to other funds	-	-	325,297	325,297
Customer deposits	65,007	-	-	65,007
Bonds payable	-	-	30,000	30,000
Total liabilities	<u>236,324</u>	<u>11,917</u>	<u>384,858</u>	<u>633,099</u>
Fund Balances				
Nonspendable				
Bequest fund	11,000	-	-	11,000
Restricted				
Highways	-	2,532,361	-	2,532,361
Public safety	25,989	-	1,414	27,403
Tourism	-	-	95,766	95,766
Capital projects	-	-	292,002	292,002
Assigned				
Aging services	-	-	275,365	275,365
Library services	-	-	35,937	35,937
Capital projects	20,000	-	-	20,000
Budget policy reservation	724,672	-	-	724,672
Unassigned	962,096	-	(234,887)	727,209
Total fund balances	<u>1,743,757</u>	<u>2,532,361</u>	<u>465,597</u>	<u>4,741,715</u>
Total Liabilities and fund balances	<u>\$ 1,980,081</u>	<u>\$ 2,544,278</u>	<u>\$ 850,455</u>	<u>\$ 5,374,814</u>

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

TOWN OF PARKER, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
For the Year Ended June 30, 2014

Total governmental fund balances	\$	4,741,715
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$	8,808,362
Accumulated depreciation		<u>(3,489,380)</u>
		5,318,982
<p>Some liabilities, including notes payable, bonds payable, and capital leases, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable		(1,565,000)
Loans payable		(475,000)
Issuance premium		(9,709)
Capital leases		(56,153)
Interest payable		(29,224)
Compensated absences		<u>(73,226)</u>
		(2,208,312)
Total net position of governmental activities	\$	<u><u>7,852,385</u></u>

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

TOWN OF PARKER, ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2014

REVENUES	General Fund	Highway User Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
Taxes	\$ 1,268,171	\$ -	\$ 75,644	\$ 1,343,815
Licenses and permits	69,194	-	-	69,194
Intergovernmental revenue	873,075	989,018	505,299	2,367,392
Charges for services	22,611	-	-	22,611
Fines and forfeits	73,309	-	-	73,309
Investment earnings	10,330	-	-	10,330
Sanitation revenue	390,734	-	-	390,734
Miscellaneous earnings	179,259	600	112,256	292,115
	<u>2,886,683</u>	<u>989,618</u>	<u>693,199</u>	<u>4,569,500</u>
Total revenues				
	<u>2,886,683</u>	<u>989,618</u>	<u>693,199</u>	<u>4,569,500</u>
EXPENDITURES				
Current:				
General government	902,925	-	67,659	970,584
Public safety	1,208,765	-	53,832	1,262,597
Public works	435,245	459,581	11,192	906,018
Culture and recreation	501,815	-	357,284	859,099
Debt service				
Principal	59,951	-	30,000	89,951
Interest and fiscal charges	46,632	-	23,943	70,575
Contingencies	14,378	-	-	14,378
Capital outlay	175,544	34,775	236,500	446,819
	<u>3,345,255</u>	<u>494,356</u>	<u>780,410</u>	<u>4,620,021</u>
Total expenditures				
	<u>3,345,255</u>	<u>494,356</u>	<u>780,410</u>	<u>4,620,021</u>
Excess of revenues				
Over (Under) expenditures	<u>(458,572)</u>	<u>495,262</u>	<u>(87,211)</u>	<u>(50,521)</u>
Other Financing Sources (Uses):				
Lease proceeds	86,781	-	-	86,781
Transfers out	(120,298)	-	(108,050)	(228,348)
Transfers in	108,050	-	120,298	228,348
Total other financing Sources (Uses)	<u>74,533</u>	<u>-</u>	<u>12,248</u>	<u>86,781</u>
	<u>74,533</u>	<u>-</u>	<u>12,248</u>	<u>86,781</u>
Net change in fund balances	(384,039)	495,262	(74,963)	36,260
Fund balance, beginning of year	<u>2,127,796</u>	<u>2,037,099</u>	<u>540,560</u>	<u>4,705,455</u>
Fund balance, end of year	<u>\$ 1,743,757</u>	<u>\$ 2,532,361</u>	<u>\$ 465,597</u>	<u>\$ 4,741,715</u>

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

TOWN OF PARKER, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$	36,260
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current period.</p>		
Capital outlay	\$	389,247
Depreciation expense		<u>(327,317)</u>
		61,930
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net position.</p>		
		(551,815)
<p>Issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net position.</p>		
		(86,781)
<p>Repayment of long-term debt principal is an expenditure in the governmental funds but decreases long-term liabilities in the statement of net position.</p>		
		89,951
<p>Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.</p>		
Amortization of bond premiums and discounts - net		820
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		4,897
<p>Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.</p>		
		(13,043)
Change in net position of governmental activities	\$	<u>(457,781)</u>

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

TOWN OF PARKER, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2014

	<u>Utility Enterprise Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 1,114,364
Designated cash:	
Capital replacement	58,000
Accounts receivable, net of allowance	71,996
Inventory	<u>53,670</u>
Total current assets	<u>1,298,030</u>
Noncurrent Assets:	
Restricted cash:	
Customer deposits	42,906
Capital assets, non-depreciable	42,314
Capital assets, depreciable, net	<u>2,682,682</u>
Total noncurrent assets	<u>2,767,902</u>
Total assets	<u>4,065,932</u>
Liabilities	
Current liabilities:	
Accounts payable	18,313
Accrued payroll and related taxes	4,235
Customer deposits	42,906
Compensated absences	<u>3,087</u>
Total current liabilities	<u>68,541</u>
Noncurrent liabilities:	
Notes payable	<u>305,000</u>
Total noncurrent liabilities	<u>305,000</u>
Total liabilities	<u>373,541</u>
Net Position	
Net investment in capital assets	2,419,996
Unrestricted	<u>1,272,395</u>
Total net position	<u><u>\$ 3,692,391</u></u>

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

TOWN OF PARKER, ARIZONA
Statement Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2014

	<u>Utility Enterprise Fund</u>
Operating Revenues	
Water services	\$ 581,813
Tap and turn-on fees	14,170
Penalties	10,817
Miscellaneous	35
Total operating revenues	<u>606,835</u>
 Operating Expenses	
Cost of sales and services	487,810
Depreciation	159,209
Total operating expenses	<u>647,019</u>
Operating income (loss)	<u>(40,184)</u>
 Non-operating Revenues (Expenses)	
Interest expense	<u>(1,893)</u>
Total non-operating revenue (expense)	<u>(1,893)</u>
Change in net position	(42,077)
Total net position, beginning of year	<u>3,734,468</u>
Total net position, end of year	<u><u>\$ 3,692,391</u></u>

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

TOWN OF PARKER, ARIZONA
Statement of Cash Flows
Proprietary Fund Types
For the Year Ended June 30, 2014

	Utility Enterprise Fund
Cash Flows From Operating Activities:	
Cash received from customers and users	\$ 610,809
Cash paid to suppliers	(340,994)
Cash paid to employees	(145,124)
Cash flows from operating activities:	124,691
Cash Flows From Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(31,396)
Interest paid on capital debt	(1,893)
Cash flows from capital and related financing activities	(33,289)
Net change in cash and cash equivalents	91,402
Cash and cash equivalents, including restricted cash, beginning of year	1,123,868
Cash and Cash Equivalents, including restricted cash, end of year	\$ 1,215,270
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:	
Net operating income/(loss)	\$ (40,184)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:	
Depreciation	159,209
Changes in operating assets and liabilities:	
(Increase)/Decrease in receivables	730
Increase/(Decrease) in accounts payable	200
Increase/(Decrease) in accrued payroll and related taxes	1,253
Increase/(Decrease) in customer deposits	3,244
Increase/(Decrease) in compensated absences	239
Net cash flows from operating activities	\$ 124,691

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

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

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

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

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – government-wide financial statements

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

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

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

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

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

The government reports the following major enterprise funds:

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

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

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

Measurement focus and basis of accounting

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

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

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

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

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

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

Cash and investments

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

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

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

Receivables

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

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

Inventories and prepaid items

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

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Capital assets

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

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

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

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Fund balance flow assumptions

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

Fund balance policies

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

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

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

Revenues and expenditures/expenses

Program revenues

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 1. Summary of Significant Accounting Policies, Continued

Compensated absences

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

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

Proprietary funds operating and nonoperating revenues and expenses

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

Use of estimates

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

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

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 17.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 19.

Note 3. Stewardship, Compliance, and Accountability

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

Budgets and budgetary accounting

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

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 3. Stewardship, Compliance, and Accountability, Continued

5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. Budgets are adopted for the General, Special Revenue, Debt Service, Capital Projects, and Utility Enterprise Fund. The Town Manager, subject to council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without council approval.
6. The government has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Debt Service, Capital Projects, and Enterprise Funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The government is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the government to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The government complied with this law during the year.

No supplementary budgetary appropriations were made during the year.

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

Expenditures over appropriations

Expenditures may not legally exceed budgeted appropriations at the fund level. As noted in the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual schedule on page 50, the general fund incurred expenditures in excess of budget appropriations for the year ended June 30, 2014. It was also noted that the non-major LTAF fund and the CDBG funds also incurred expenditures in excess of budget appropriations for the year ended June 30, 2014.

Deficit fund balances

At the end of fiscal year June 30, 2014, the Impact Fee Fund reported a deficit fund balance.

Highway user revenue funds

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 4. Deposits and Investments

Deposits and investments of the government at June 30, 2014 consist of the following:

Deposits:	
Cash on hand	\$ 1,828
Cash in bank	2,649,808
Cash held by trustee	41,972
Investments:	
State Treasurer's Investment Pool	<u>3,159,735</u>
Total Deposits and Investments	<u><u>\$ 5,853,343</u></u>

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

Cash and cash equivalents	\$ 5,645,458
Cash held by trustee	41,972
Designated cash	58,000
Restricted cash	107,913
	<u><u>\$ 5,853,343</u></u>

Deposits

Custodial credit risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The government does not have a formal policy for custodial credit risk. As of June 30, 2014, \$0 of the government's bank balance of \$2,827,512 was exposed to custodial credit risk because it was either insured by FDIC insurance or collateralized by securities held by a pledging financial institutions' trust department.

Cash held by trustee

As of June 30, 2014, the Town has provided funds of \$41,972 to a bond paying agent. The total amount of \$41,972 represents amounts due for bonds with August 1 maturity.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 4. Deposits and Investments, Continued

Investments

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

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

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

As of June 30, 2014 the government had the following investments, ratings, and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
Arizona State Treasurer's Local Government Investment Pool 5	\$ 3,159,735	AAAF/S1+	59 days
Total Fair Value	<u>\$ 3,159,735</u>		

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

Interest rate risk

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 4. Deposits and Investments, Continued

Credit risk

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

Note 5. Receivables

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 6. Capital Assets

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

Governmental Activities:	Balance 6/30/2013	Additions	Deletions	Reclassifications/ Adjustments *	Balance 6/30/2014
Capital assets, not being depreciated:					
Land	\$ 2,362,093	\$ -	\$ (143,584)	\$ -	\$ 2,218,509
Construction in progress	-	-	-	-	-
Total capital assets, not being depreciated	<u>2,362,093</u>	<u>-</u>	<u>(143,584)</u>	<u>-</u>	<u>2,218,509</u>
Capital assets, being depreciated:					
Buildings and improvements	2,086,843	252,356	(485,479)	30,178	1,883,898
Equipment and vehicles	1,831,981	136,891	(245,957)	(10,178)	1,712,737
Infrastructure	2,993,218	-	-	-	2,993,218
Total capital assets, being depreciated	<u>6,912,042</u>	<u>389,247</u>	<u>(731,436)</u>	<u>20,000</u>	<u>6,589,853</u>
Less accumulated depreciation for:					
Buildings and improvements	(816,166)	(72,817)	77,677	(454)	(811,760)
Equipment and vehicles	(1,467,951)	(85,330)	242,777	(17,373)	(1,327,877)
Infrastructure	(1,181,151)	(169,170)	-	578	(1,349,743)
Total accumulated depreciation	<u>(3,465,268)</u>	<u>(327,317)</u>	<u>320,454</u>	<u>(17,249)</u>	<u>(3,489,380)</u>
Total capital assets, being depreciated, net	<u>3,446,774</u>	<u>61,930</u>	<u>(410,982)</u>	<u>2,751</u>	<u>3,100,473</u>
Governmental activities capital assets, net	<u>\$ 5,808,867</u>	<u>\$ 61,930</u>	<u>\$ (554,566)</u>	<u>\$ 2,751</u>	<u>\$ 5,318,982</u>

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

Governmental Activities:	
General government	\$ 29,123
Public safety	45,265
Public works/streets	139,798
Culture & recreation	113,131
Total depreciation expense - governmental activities	<u>\$ 327,317</u>

* Reclassifications/Adjustments - reclassify assets among categories and include an immaterial asset that was inadvertently excluded in the prior year.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 6. Capital Assets, Continued

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

Business-Type Activities:	Balance 6/30/2013	Additions	Deletions	Balance 6/30/2014
Capital assets not being depreciated:				
Land	\$ 42,314	\$ -	\$ -	\$ 42,314
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>42,314</u>	<u>-</u>	<u>-</u>	<u>42,314</u>
Capital assets being depreciated:				
Buildings and improvements	380,496	-	-	380,496
Equipment and vehicles	85,746	-	-	85,746
Infrastructure	4,913,054	31,396	-	4,944,450
Total capital assets, being depreciated	<u>5,379,296</u>	<u>31,396</u>	<u>-</u>	<u>5,410,692</u>
Less accumulated depreciation for:				
Buildings and improvements	(203,790)	(13,149)	-	(216,939)
Equipment and vehicles	(78,715)	(1,000)	-	(79,715)
Infrastructure	(2,286,296)	(145,060)	-	(2,431,356)
Total accumulated depreciation	<u>(2,568,801)</u>	<u>(159,209)</u>	<u>-</u>	<u>(2,728,010)</u>
Total capital assets, being depreciated, net	<u>2,810,495</u>	<u>(127,813)</u>	<u>-</u>	<u>2,682,682</u>
Business-type activities capital assets, net	<u>\$ 2,852,809</u>	<u>\$ (127,813)</u>	<u>\$ -</u>	<u>\$ 2,724,996</u>

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

Business-Type Activities:	
Utility enterprise fund	<u>\$ 159,209</u>
Total depreciation expense - business-type activities	<u>\$ 159,209</u>

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

	Balance 6/30/2013	Additions	Retirements	Balance 6/30/2014	Current Portion
Governmental Activities:					
Revenue bonds					
Series 2013A	\$ 1,565,000	\$ -	\$ -	\$ 1,565,000	\$ -
Loans payable					
GADA loan	505,000	-	(30,000)	475,000	30,000
Premium on GADA loan	10,529	-	(820)	9,709	-
Total loans payable	515,529	-	(30,820)	484,709	30,000
Capital leases	29,323	86,781	(59,951)	56,153	27,259
Accrued compensated absences	78,123	88,896	(93,793)	73,226	73,226
Total other long term debt	107,446	175,677	(153,744)	129,379	100,485
Total Governmental Activities	\$ 2,187,975	\$ 175,677	\$ (184,564)	\$ 2,179,088	\$ 130,485
Business-Type Activities:					
Revenue bonds					
Series 2013B	\$ 305,000	\$ -	\$ -	\$ 305,000	\$ -
Accrued compensated absences	2,848	3,364	(3,125)	3,087	3,087
Total Business-Type Activities	\$ 307,848	\$ 3,364	\$ (3,125)	\$ 308,087	\$ 3,087
Total Long-Term Liabilities	\$ 2,495,823	\$ 179,041	\$ (187,689)	\$ 2,487,175	\$ 133,572

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 7. Long-Term Debt, Continued

The following is a listing of long-term debt outstanding as of June 30, 2014:

Loans Payable:

Governmental Activities:

Greater Arizona Development Authority (GADA) loan, due in annual principal and semi-annual interest installments ranging from \$30,000 to \$50,000, bearing interest at 4.0% to 5.0%, maturing August 1, 2026.

\$ 475,000

Total Loans Payable

475,000

Bonds Payable:

Governmental Activities:

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

1,565,000

Business-Type Activities:

Excise Tax Revenue Bonds, Series 2013B, due in annual principal and semi-annual interest installments ranging from \$35,000 to \$40,000, bearing interest at 1.3% to 3.07%, maturing July 1, 2022.

305,000

Total Bonds Payable

1,870,000

Leases Payable:

Leases payable in annual installments through May 13, 2016, bearing interest at 6.0%.

56,153

Accrued Compensated Absences

76,313

Bond Premiums and Discounts, net

9,709

Total Long-Term Debt

2,487,175

Less Current Portion:

 Business-type Activities

(3,087)

 Governmental-type Activities

(130,485)

Net Long-Term Debt

\$ 2,353,603

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 7. Long-Term Debt, Continued

Long term debt service requirements to maturity are as follows:

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 30,000	\$ 80,550	\$ -	\$ 6,814
2016	185,000	77,679	35,000	6,586
2017	195,000	72,887	35,000	6,093
2018	195,000	67,327	35,000	5,513
2019-2023	1,090,000	216,759	200,000	14,004
2024-2028	345,000	19,750	-	-
Totals	<u>\$ 2,040,000</u>	<u>\$ 534,952</u>	<u>\$ 305,000</u>	<u>\$ 39,010</u>

Note 8. Capital Leases Payable

The government has entered into a lease agreement, which is considered a capital lease in accordance with Financial Accounting Standard Board ASC 840-30-25. The lease is shown in the governmental activities of the government-wide statements. The total amount of equipment capitalized under the lease is \$86,356 and accumulated depreciation is \$2,035. Amortization on the asset is included in depreciation expense.

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

Year Ending June 30	
2015	\$ 30,628
2016	<u>30,628</u>
Total remaining minimum lease payments	61,256
Less amount representing interest	<u>(5,103)</u>
Present value of net remaining minimum lease payments	<u>\$ 56,153</u>

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 9. Interfund Receivables, Payables and Transfers

As of June 30, 2014, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ -	\$ 325,297
Nonmajor funds:		
Local Transportation Assistance	7,874	-
CDBG	79,133	-
Impact Fees	238,290	-
Total Nonmajor funds	325,297	-
Total	\$ 325,297	\$ 325,297

The outstanding balance in the impact fee fund is for expenses paid for by the general fund to begin the development of Parker South. It is anticipated that when the Parker South development is completed, impact fees collected from the development can be used to recoup the costs. The other interfund receivables and payables were recorded to eliminate short-term deficits in pooled cash balances in the various funds.

Interfund transfers for the fiscal year ended June 30, 2014 are as follows:

	Transfers out:		
	General	Non-major	Total Transfers in
Transfer in:			
General Fund	\$ -	\$ 108,050	\$ 108,050
Nonmajor Governmental Funds	120,298	-	120,298
Total transfers out	\$ 120,298	\$ 108,050	\$ 228,348

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

Note 10. Waste Billing Agreement

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

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 11. Joint Venture

The government's investment in the Colorado River Sewage System Joint Venture is based upon the ratio of gallonage of sewage contributed to the System to the total gallonage of sewage processed through the plant by each joint venture member. As of December 15, 2014, current financial statements for the Joint Venture were not available to adequately record the government's proportionate share of the joint venture operations. Below are the audited balances as of June 30, 2012:

Assets	
Current assets	\$ 442,986
Noncurrent investments	663,993
Capital assets, non-depreciable	94,927
Capital assets, depreciable, net	758,106
Total assets	<u>\$ 1,960,012</u>
Liabilities and Net Position	
Current liabilities	\$ 60,674
Net position	
Net investment in capital assets	853,033
Unrestricted	1,046,245
Total net position	<u>1,899,278</u>
Total liabilities and net assets	<u>\$ 1,959,952</u>
Operating Revenues and Expenses	
Operating revenue	<u>\$ 1,306,121</u>
Operating expense, less depreciation	1,325,854
Depreciation expense	195,489
Total expense	<u>1,521,343</u>
Operating loss	(215,222)
Non-operating income - net	20,465
Change in net assets	<u>\$ (194,757)</u>

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 12. Retirement and Pension Plans

Arizona State Retirement System (ASRS)

Plan description - The government contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS). The plan covers employees of the State of Arizona and participating political subdivisions and school districts. The ASRS (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix AZ 85067-3910 or by calling (602) 240-2002 or (800) 621-3778. Also see www.azasrs.gov.

Funding policy - The Arizona State Legislature establishes and may amend active plan members' and the government's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the government was required to contribute 11.54 percent (10.70 percent for retirement, 0.60 percent for health benefit supplement, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The government's contributions for the current and two previous fiscal years were equal to the required contributions and were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2012	\$ 105,771	\$ 6,751	\$ 2,572
2013	121,153	7,683	2,837
2014	102,048	5,722	2,289

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 12. Retirement and Pension Plans, Continued

Public Safety Personnel Retirement System (PSPRS)

Plan description - The government contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board; known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Rd., Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

Funding policy – for the current fiscal year, active PSPRS member employees were required to contribute 7.65 percent of their annual salary to the PSPRS. The government was required to contribute 19.62 percent, the remaining amounts necessary to fund the PSPRS, as determine by the actuarial basis specified by specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 1.02 percent of covered payroll.

Actuarial methods and assumptions – The significant actuarial methods and assumptions used for the PSPRS plan and related benefits (health insurance subsidies and long-term disability), and the actuarial assumptions used to establish the contribution requirements are as follows:

The PSPRS contribution requirements for the year ended June 30, 2014 were established by the June 30, 2012 actuarial valuations using the entry age normal method. The actuarial assumptions included (a) 8.00 percent investment rate of return and (b) projected salary increases ranging from 5.0 to 9.0 percent per year. The assumptions did not include cost-of-living adjustments and healthcare cost trend rates are not applicable. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014, was 22 years for underfunded actuarial accrued liability and 20 years for excess.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 12. Retirement and Pension Plans, Continued

Annual pension/OPEB cost – During the year ended June 30, 2014, the government’s annual pension cost of \$123,066 and the annual OPEB cost of \$7,140 was equal to the government’s required and actual contributions. Three year funding information is as follows:

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Pension	2012	\$ 68,179	100%	-
	2013	90,737	100%	-
	2014	123,066	100%	-
Health Insurance	2012	\$ 6,945	100%	-
	2013	6,809	100%	-
	2014	7,140	100%	-

Funded Status and Funding Progress – The funded status of the plan as of June 30, 2014 is as follows:

	Retirement	Insurance Subsidy
Actuarial accrued liability (AAL)	\$ 3,422,247	\$ 72,667
Actuarial value of plan assets	2,095,753	128,282
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,326,494</u>	<u>\$ (55,615)</u>
Funded ratio (actuarial value of plan assets/AAL)	61%	176.53%
Covered payroll (active plan members)	\$ 544,043	\$ 544,043
UAAL as a percentage of covered payroll	244%	0.00%

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedules of funding progress are presented as required supplementary information following the notes to the financial statement. These schedules provide multiyear trend information that shows whether the actuarial value of the plans’ assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWN OF PARKER, ARIZONA
Notes to the Financial Statements
June 30, 2014

Note 12. Retirement and Pension Plans, Continued

457 Plan

The Town also participates in a 457 Plan. The Town has adopted Governmental Accounting Standards Board Statement 32 (GASB No 32), *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This resulted in reporting the 457 Plans as a "Trust Fund" rather than previously as an "Agency Fund". All of the assets and income of the 457 Plan are held in trust for the exclusive benefit of the participants or their beneficiaries rather than the assets of the employer. The assets are no longer assets of the employer and are not to be included in the employer financial statements. During fiscal year June 30, 2014, employee paid contributions to the plan were \$40,656.

Note 13. Risk Management

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

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

Note 14. Contingent Liabilities and Commitments

The government is a party to a number of legal actions arising in the ordinary course of its operations. In the opinion of government management, the government has adequate legal defenses regarding each of these actions and does not believe that they will have a material adverse effect on the government's financial position at June 30, 2014.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF PARKER, ARIZONA
Schedule of Funding Progress
June 30, 2014

Public Safety Personnel Retirement System (PSPRS) – Police

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2009 through June 30, 2014, based on actuarial valuations is as follows:

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll
2009	\$ 1,699,651	\$ 1,891,962	\$ 192,311	89.84%	\$ 504,828	38.1%
2010	1,780,402	2,037,968	257,566	87.36%	495,200	52.0%
2011	1,904,646	2,341,822	437,176	81.33%	514,700	84.9%
2012	2,050,926	2,774,298	723,372	73.93%	634,948	113.9%
2013	2,190,946	2,849,054	658,108	76.90%	576,548	114.1%
2014	2,095,753	3,422,247	1,326,494	61.24%	544,043	243.8%

Post-retirement health insurance subsidy measurements under GASB Statement No. 45

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll
2009	\$ -	\$ 39,036	\$ 39,036	0.0%	\$ 504,828	7.73%
2010	-	42,673	42,673	0.0%	495,200	8.62%
2011	-	57,550	57,550	0.0%	514,700	11.18%
2012	-	64,534	64,534	0.0%	634,948	10.16%
2013	-	69,571	69,571	0.0%	576,548	12.07%
2014	128,282	72,667	(55,615)	176.5%	544,043	0.00%

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUNDS:

General Fund

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

Special Revenue Funds

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

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

TOWN OF PARKER, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,209,000	\$ 1,209,000	\$ 1,268,171	\$ 59,171
Licenses and permits	58,200	58,200	69,194	10,994
Intergovernmental revenues	926,937	926,937	873,075	(53,862)
Charges for services	28,600	28,600	22,611	(5,989)
Fines and forfeits	102,000	102,000	73,309	(28,691)
Investment earnings	19,630	19,630	10,330	(9,300)
Sanitation revenue	40,000	40,000	390,734	350,734
Miscellaneous earnings	24,000	24,000	179,259	155,259
	<u>2,408,367</u>	<u>2,408,367</u>	<u>2,886,683</u>	<u>478,316</u>
Total revenue				
EXPENDITURES				
Current				
General Government				
Mayor and town council	34,260	34,260	37,628	(3,368)
Magistrate	100,940	100,940	92,952	7,988
Town office	251,945	251,945	239,704	12,241
Attorney	105,000	105,000	323,647	(218,647)
Building maintenance	92,150	92,150	54,647	37,503
Finance	196,895	196,895	142,796	54,099
Elections	10,050	10,050	9,551	499
Outside agencies	2,000	2,000	2,000	-
	<u>\$793,240</u>	<u>793,240</u>	<u>902,925</u>	<u>(109,685)</u>
Total general government				
Public Safety				
Police	1,149,000	1,149,000	1,152,883	(3,883)
Building regulation and inspection	102,354	102,354	27,378	74,976
Animal control	61,300	61,300	28,504	32,796
	<u>1,312,654</u>	<u>1,312,654</u>	<u>1,208,765</u>	<u>103,889</u>
Total public safety				
Public Works				
Waste collection and disposal	2,600	2,600	352,068	(349,468)
Cemetery	90,313	90,313	83,177	7,136
	<u>92,913</u>	<u>92,913</u>	<u>435,245</u>	<u>(342,332)</u>
Total public works				

TOWN OF PARKER, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Continued)
For the Year Ended June 30, 2014

Culture and Recreation				
Parks	206,752	206,752	227,582	(20,830)
Swimming pool	7,950	7,950	3,912	4,038
Library	176,912	176,912	178,615	(1,703)
Other recreation	9,200	9,200	11,317	(2,117)
Senior citizens	74,755	74,755	80,389	(5,634)
Total culture and recreation	<u>475,569</u>	<u>475,569</u>	<u>501,815</u>	<u>(26,246)</u>
Debt service				
Principal	10,368	10,368	59,951	(49,583)
Interest	46,632	46,632	46,632	-
Total debt service	<u>57,000</u>	<u>57,000</u>	<u>106,583</u>	<u>(49,583)</u>
Contingencies				
	182,963	182,963	14,378	168,585
Capital outlay				
	163,700	163,700	175,544	(11,844)
Total expenditures	<u>3,078,039</u>	<u>3,078,039</u>	<u>3,345,255</u>	<u>(267,216)</u>
Excess of revenues over expenditures	<u>(669,672)</u>	<u>(669,672)</u>	<u>(458,572)</u>	<u>211,100</u>
Other Financing Sources (Uses):				
Lease proceeds	-	-	86,781	86,781
Transfers out	(55,000)	(55,000)	(120,298)	(65,298)
Transfers in	-	-	108,050	108,050
Total other financing sources (uses)	<u>(55,000)</u>	<u>(55,000)</u>	<u>74,533</u>	<u>129,533</u>
Net change in fund balance	(724,672)	(724,672)	(384,039)	340,633
Fund balance, beginning of year	2,127,796	2,127,796	2,127,796	-
Fund balance, end of year	<u>\$ 1,403,124</u>	<u>\$ 1,403,124</u>	<u>\$ 1,743,757</u>	<u>\$ 340,633</u>

TOWN OF PARKER, ARIZONA
HIGHWAY USER REVENUE FUND
Special Revenue
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenue	1,333,330	1,333,330	989,018	(344,312)
Miscellaneous earnings	-	-	600	600
Total revenue	<u>1,333,330</u>	<u>1,333,330</u>	<u>989,618</u>	<u>(343,712)</u>
EXPENDITURES				
Current				
Public Works	539,545	539,545	459,581	79,964
Contingencies	1,211,224	1,211,224	-	1,211,224
Capital outlay	<u>762,561</u>	<u>762,561</u>	<u>34,775</u>	<u>727,786</u>
Total expenditures	<u>2,513,330</u>	<u>2,513,330</u>	<u>494,356</u>	<u>2,018,974</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(1,180,000)</u>	<u>(1,180,000)</u>	<u>495,262</u>	<u>1,675,262</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	<u>(85,000)</u>	<u>(85,000)</u>	<u>-</u>	<u>85,000</u>
Total other financing sources (uses):	<u>(85,000)</u>	<u>(85,000)</u>	<u>-</u>	<u>85,000</u>
Net change in fund balance	(1,265,000)	(1,265,000)	495,262	1,760,262
Fund balance, beginning of year	<u>2,037,099</u>	<u>2,037,099</u>	<u>2,037,099</u>	<u>-</u>
Fund balance, end of year	<u>\$ 772,099</u>	<u>\$ 772,099</u>	<u>\$ 2,532,361</u>	<u>\$ 1,760,262</u>

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

Special Revenue Funds

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

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

Capital Project Funds

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

- **Impact Fee Fund** – This fund is used to account for revenues and expenditures that are restricted to the development of Parker South.
- **GADA Fund** – This fund is used to account for improvements for Parker South.
- **CDBG Fund** – This fund accounts for revenues and expenditures related to federal grants for the Department of Housing and Urban Development which are passed through the State of Arizona.

Debt Service Fund

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

TOWN OF PARKER, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue					
	Bed Tax Fund	Local Transportation Assistance Fund	School Resource Officer Fund	Drug Seizure Fund	Police Grant Fund	Library Grant C-070 Fund
ASSETS						
Cash and investments	\$ 95,807	\$ -	\$ 933	\$ -	\$ 1,414	\$ 37,119
Cash held by trustee	-	-	-	-	-	-
Accounts receivable	-	10,000	-	-	-	-
Due from other governments	-	-	-	-	-	1,583
Total assets	\$ 95,807	\$ 10,000	\$ 933	\$ -	\$ 1,414	\$ 38,702
Liabilities						
Accounts payable	\$ 41	\$ 2,126	\$ -	\$ -	\$ -	\$ 2,137
Accrued payroll and related taxes	-	-	933	-	-	628
Accrued interest	-	-	-	-	-	-
Due to other funds	-	7,874	-	-	-	-
Bonds payable	-	-	-	-	-	-
Total liabilities	41	10,000	933	-	-	2,765
Fund Balance						
Restricted for:						
Public safety	-	-	-	-	1,414	-
Tourism	95,766	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Assigned						
Aging services	-	-	-	-	-	-
Library services	-	-	-	-	-	35,937
Unassigned	-	-	-	-	-	-
Total fund balances	95,766	-	-	-	1,414	35,937
Total liabilities and fund balance	\$ 95,807	\$ 10,000	\$ 933	\$ -	\$ 1,414	\$ 38,702

(Continued)

TOWN OF PARKER, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014 (Continued)

	Special Revenue		Capital Projects				Total
	Congregate Meals Fund	Home Delivered Meals Fund	Impact Fees	GADA Fund	CDBG Fund	Debt Service Fund	
ASSETS							
Cash and investments	\$ 138,437	\$ 104,836	\$ 3,403	\$ 292,002	\$ -	\$ -	\$ 673,951
Cash held by trustee	-	-	-	-	-	41,972	41,972
Accounts receivable	-	-	-	-	-	-	10,000
Due from other governments	17,676	24,799	-	-	80,474	-	124,532
Total assets	<u>\$ 156,113</u>	<u>\$ 129,635</u>	<u>\$ 3,403</u>	<u>\$ 292,002</u>	<u>\$ 80,474</u>	<u>\$ 41,972</u>	<u>\$ 850,455</u>
Liabilities							
Accounts payable	\$ 3,677	\$ 3,887	\$ -	\$ -	\$ 1,341	\$ -	\$ 13,209
Accrued payroll and related taxes	1,335	1,484	-	-	-	-	4,380
Accrued interest	-	-	-	-	-	11,972	11,972
Due to other funds	-	-	238,290	-	79,133	-	325,297
Bonds payable	-	-	-	-	-	30,000	30,000
Total liabilities	<u>5,012</u>	<u>5,371</u>	<u>238,290</u>	<u>-</u>	<u>80,474</u>	<u>41,972</u>	<u>384,858</u>
Fund Balance							
Restricted for:							
Public safety	-	-	-	-	-	-	1,414
Tourism	-	-	-	-	-	-	95,766
Capital projects	-	-	-	292,002	-	-	292,002
Assigned							
Aging services	151,101	124,264	-	-	-	-	275,365
Library services	-	-	-	-	-	-	35,937
Unassigned	-	-	(234,887)	-	-	-	(234,887)
Total fund balances	<u>151,101</u>	<u>124,264</u>	<u>(234,887)</u>	<u>292,002</u>	<u>-</u>	<u>-</u>	<u>465,597</u>
Total liabilities and fund balance	<u>\$ 156,113</u>	<u>\$ 129,635</u>	<u>\$ 3,403</u>	<u>\$ 292,002</u>	<u>\$ 80,474</u>	<u>\$ 41,972</u>	<u>\$ 850,455</u>

TOWN OF PARKER, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Funds
For the Year Ended June 30, 2014

	Special Revenue					
	Bed Tax Fund	Local Transportation Assistance Fund	School Resource Officer Fund	Drug Seizure Fund	Police Grant Fund	Library Grant C-070 Fund
REVENUES						
Taxes	\$ 75,644	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	43,250	-	151	54,768
Miscellaneous earnings	-	16,030	-	-	4,280	12,560
Total revenues	<u>75,644</u>	<u>16,030</u>	<u>43,250</u>	<u>-</u>	<u>4,431</u>	<u>67,328</u>
EXPENDITURES						
Current						
General government	67,659	-	-	-	-	-
Public safety	-	-	39,793	9,759	4,280	-
Public works	-	11,192	-	-	-	-
Culture and recreation	-	-	-	-	-	51,057
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	399
Total expenditures	<u>67,659</u>	<u>11,192</u>	<u>39,793</u>	<u>9,759</u>	<u>4,280</u>	<u>51,456</u>
Excess of revenues						
Over (under) expenditures	<u>7,985</u>	<u>4,838</u>	<u>3,457</u>	<u>(9,759)</u>	<u>151</u>	<u>15,872</u>
Other Financing Sources (Uses):						
Transfers in	-	-	-	9,759	-	-
Transfers out	-	-	(35,773)	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>(35,773)</u>	<u>9,759</u>	<u>-</u>	<u>-</u>
Net change in fund balances	7,985	4,838	(32,316)	-	151	15,872
Fund balance (deficit), beginning of year	<u>87,781</u>	<u>(4,838)</u>	<u>32,316</u>	<u>-</u>	<u>1,263</u>	<u>20,065</u>
Fund balance (deficit), end of year	<u>\$ 95,766</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,414</u>	<u>\$ 35,937</u>

(Continued)

TOWN OF PARKER, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Funds
For the Year Ended June 30, 2014 (Continued)

	Special Revenue		Capital Projects				Total
	Congregate Meals Fund	Home Delivered Meals Fund	Impact Fees	GADA Fund	CDBG Fund	Debt Service Fund	
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,644
Intergovernmental	121,400	132,416	-	-	153,314	-	505,299
Miscellaneous earnings	31,844	47,542	-	-	-	-	112,256
Total revenues	<u>153,244</u>	<u>179,958</u>	<u>-</u>	<u>-</u>	<u>153,314</u>	<u>-</u>	<u>693,199</u>
EXPENDITURES							
Current							
General government	-	-	-	-	-	-	67,659
Public safety	-	-	-	-	-	-	53,832
Public works	-	-	-	-	-	-	11,192
Culture and recreation	145,289	160,938	-	-	-	-	357,284
Debt service							
Principal	-	-	-	-	-	30,000	30,000
Interest and fiscal charges	-	-	-	-	-	23,943	23,943
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236,101</u>	<u>-</u>	<u>236,500</u>
Total expenditures	<u>145,289</u>	<u>160,938</u>	<u>-</u>	<u>-</u>	<u>236,101</u>	<u>53,943</u>	<u>780,410</u>
Excess of revenues							
Over (under) expenditures	<u>7,955</u>	<u>19,020</u>	<u>-</u>	<u>-</u>	<u>(82,787)</u>	<u>(53,943)</u>	<u>(87,211)</u>
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	56,596	53,943	120,298
Transfers out	<u>(72,277)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(108,050)</u>
Total other financing sources (uses):	<u>(72,277)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,596</u>	<u>53,943</u>	<u>12,248</u>
Net change in fund balances	(64,322)	19,020	-	-	(26,191)	-	(74,963)
Fund balance (deficit), beginning of year	<u>215,423</u>	<u>105,244</u>	<u>(234,887)</u>	<u>292,002</u>	<u>26,191</u>	<u>-</u>	<u>540,560</u>
Fund balance (deficit), end of year	<u>\$ 151,101</u>	<u>\$ 124,264</u>	<u>\$ (234,887)</u>	<u>\$ 292,002</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 465,597</u>

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OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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

The Honorable Mayor and
Town Council
Town of Parker, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Parker, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Parker's basic financial statements, and have issued our report thereon dated December 15, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Parker's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Parker's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Parker's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in our separate findings and recommendations letter dated December 15, 2014, that we consider to be significant deficiencies.

- 14-1. Controls Over Capital Assets
- 13-1. Audit Adjustments
- 13-3. Segregation of Duties
- 13-6. Deficit Fund Balance

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Parker's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC
Flagstaff, Arizona
December 15, 2014

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

The Honorable Mayor and
Town Council
Parker, Arizona

We have audited the basic financial statements of the Town of Parker, Arizona, for the year ended June 30, 2014, and have issued our report thereon dated December 15, 2014. Our audit also included test work on the Town of Parker's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution, including, but not limited to, Title 28, Chapter 18, Article 2.

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

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

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

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

In our opinion, the Town of Parker complied, in all material respects, with the requirements identified above for the year ended June 30, 2014.

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



HintonBurdick, PLLC
Flagstaff, Arizona
December 15, 2014

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