



# TOWN OF TAYLOR, ARIZONA

## Comprehensive Annual Financial Report



FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Prepared by: Finance Department

# TOWN OF TAYLOR

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December 31, 2014

To the Honorable Mayor, Members of the Town Council, and Citizens of the Town of Taylor:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Town of Taylor, Arizona (Town) for the fiscal year ended June 30, 2014. The report was prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a licensed Certified Public Accountant.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Hinton Burdick, Certified Public Accountants, has issued an unqualified ("clean") opinion on the Town of Taylor's financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the financial section of this report. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements: assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## **Profile of the Government**

The Town of Taylor was incorporated in 1966, and is located in Northeastern Arizona. It currently occupies 26 square miles and serves a population estimated at 4,412. The Town of Taylor is empowered by the citizens to levy property taxes through a proper election, but as of today levies no property taxes, nor has ever levied a tax on property. The Town is also empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The Town of Taylor has operated under the Council-Manager form of government since 1990. Policy-making and legislative authority are vested in a governing Council (Council) consisting of the mayor and six other Council members, all elected on a non-partisan basis. The Council appoints the Town manager, who in turn appoints the heads of various departments. Council members serve four-year terms which are staggered between a two-year election-cycle. The mayor is appointed from within the Council.

The Town of Taylor provides a full range of services, including Ambulance and fire protection; the construction and maintenance of highways, streets and other infrastructure, parks and cultural activities. The Town operates a water and sewer utility and an airport.

The Council is required to adopt a tentative budget on or before the third Monday in July of each year, which it did on July 3, 2013. The Town Council adopted the final budget for the fiscal year ending June 30, 2014, on November 13, 2013. The budget is prepared by fund, and department. Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the governing Council.

## Local Economy

Major industries located within the government's boundaries or in close proximity include vegetable growers, pork production, and electrical generation.

Unemployment in the Town increased dramatically back in 2009 due to the Great Recession and has remained around 15% since then. During the past five years, the Town's overall expenditures have generally decreased due to the depressed local economy. Staffing levels have been decreased to accommodate the decrease in local taxes.

## Capital Projects

The major capital project underway in FY14 is the Airport Perimeter Fence project that involves fencing the entire airport property with a mixture of high-tensile game fencing and chain link. This project replaces old barbed wire fencing and also encompasses areas that have been acquired in recent years. The funding of this project came primarily through grants from the Federal Aviation Administration and Arizona Department of Transportation. This project is scheduled for completion in FY15

## Long-term Financial Planning

The Town practices a very conservative fiscal approach to the economic development of the community. Resources are spent maintaining and improving the assets that are currently in place. Inasmuch as the Town is geographically remote, it participates in regional groups to promote the area for economic development opportunities that will bring in major employers to the area.

## Awards and Acknowledgements

This is the first year that the Town has compiled a (CAFR) that will be submitted to the Government Finance Officers Association (GFOA) for consideration of a Certificate of Achievement for Excellence in Financial Reporting. In order to be awarded a Certificate of Achievement, the government has to publish an easily readable and efficiently organized CAFR that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR meets the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration department. I wish to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and Council for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Taylor's finances.

Respectfully Submitted,

*Gus Lundberg*

Gus Lundberg  
Town Manager

**Town of Taylor, Arizona  
List of Elected and Appointed Officials  
June 30, 2014**

Elected Officials

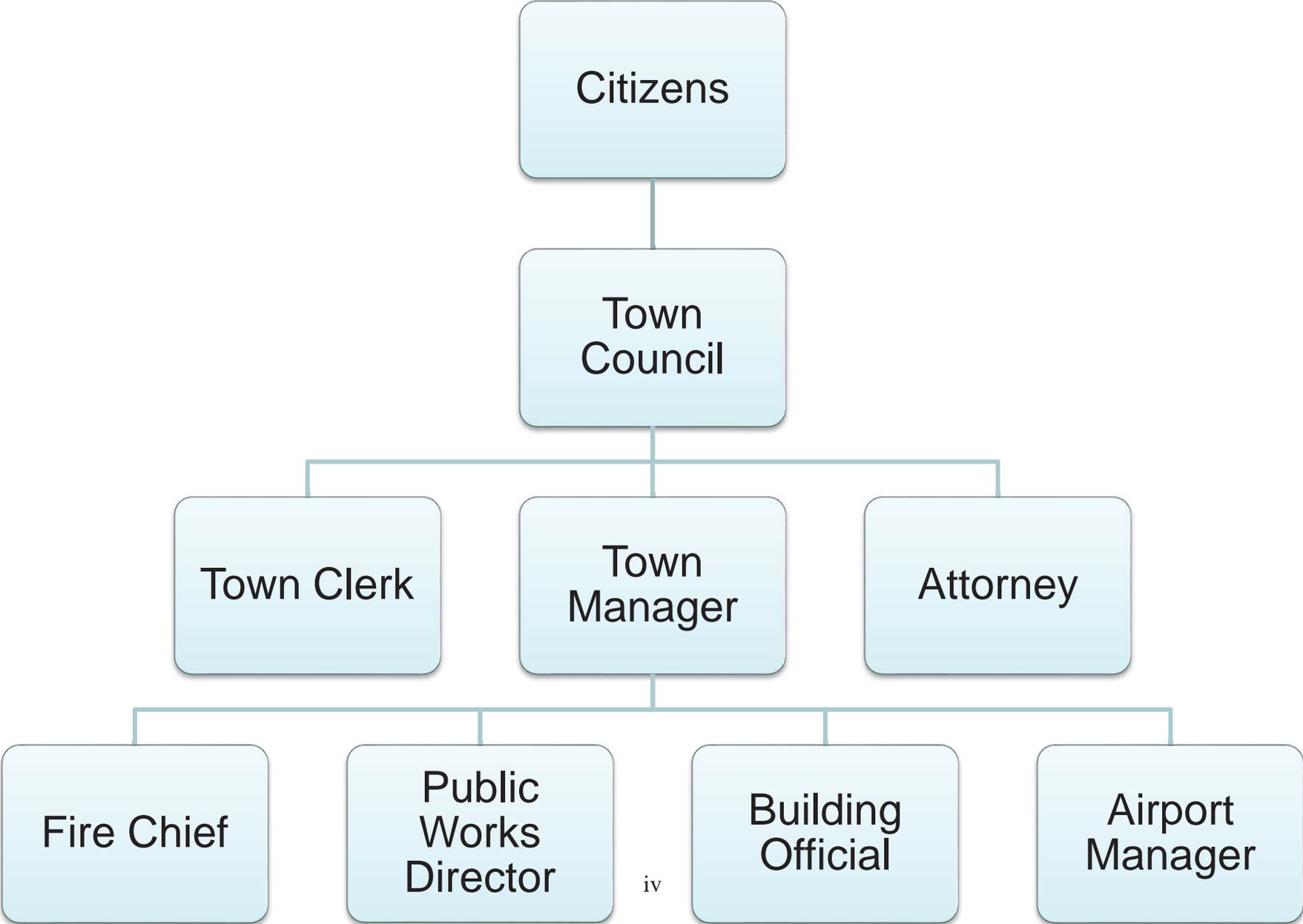
|            |                |
|------------|----------------|
| Mayor      | Fay Hatch      |
| Vice-Mayor | Shawn Palmer   |
| Council    | Gary Solomon   |
| Council    | Jason Brubaker |
| Council    | David Smith    |
| Council    | Lynn DeWitt    |
| Council    | Carl Cosper    |

Appointed Officials

|  |                 |
|--|-----------------|
| Town Manager                           | Gus Lundberg    |
| Public Works Director                  | Jeremy Peters   |
| Building Official/Zoning Administrator | Allen Davis     |
| Town Clerk                             | Geri Judd       |
| Town Attorney                          | Karl Lautz      |
| Fire Chief/Ambulance Director          | Clint Burden    |
| Police Chief                           | Jerry VanWinkle |
| Airport Manager                        | Ray Webber      |
| Town Magistrate                        | Fred Peterson   |

# Town of Taylor, Arizona

## Organization Chart



## **Independent Auditors' Report on Financial Statements**

The Honorable Mayor and  
Town Council  
Taylor, 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 Taylor, 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 of 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 governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Taylor, Arizona, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund 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 and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other information***

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

The combining and individual nonmajor fund financial statements and fund budgetary comparison schedules 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 and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, on our consideration of the Town of Taylor, 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 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 Taylor, Arizona's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC  
Flagstaff, Arizona  
December 22, 2014

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**TOWN OF TAYLOR, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2014**

As management of the Town of Taylor (Town), 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 (all funds Governmental and Business-type) decreased by \$83,644. Total liabilities decreased by \$364,621 which resulted in total assets in excess of total liabilities (net position) increasing by \$280,977 at the close of the fiscal year 2014. Total net position (equity) was \$13,291,098 at June 30, 2014.
- The most significant reason for the increase is due to payment of debt service principal for Governmental activities and Business activities.
- Total business-type revenues exceeded total business-type expenses by \$184,097.
- At the end of the current fiscal year, unassigned and assigned fund balances for the General Fund were \$429,348, or 18% of total General Fund FY 14 expenditures, (approximately 2 months of reserves)

**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, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net position is 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 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/streets, culture and recreation, economic development, health and welfare and interest on long-term debt. Sales taxes, State Revenue Sharing, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to customers to cover 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 more than \$13.29 million as of June 30, 2014 as shown in the following condensed statement of net assets. The Town has chosen to account for its Water and Sewer operations in enterprise funds which are shown as Business Activities.

### TOWN OF TAYLOR, ARIZONA Statement of Net Position

|                                   | Governmental activities |                     | Business-type activities |                     | Combined Total       |                      |
|-----------------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
|                                   | 6/30/2014               | 6/30/2013           | 6/30/2014                | 6/30/2013           | 6/30/2014            | 6/30/2013            |
| Current and other assets          | \$ 1,892,547            | \$ 1,782,658        | \$ 290,833               | \$ 164,743          | \$ 2,183,380         | \$ 1,947,401         |
| Capital assets                    | 8,313,951               | 8,436,497           | 7,378,966                | 7,576,043           | 15,692,917           | 16,012,540           |
| Total assets                      | <u>10,206,498</u>       | <u>10,219,155</u>   | <u>7,669,799</u>         | <u>7,740,786</u>    | <u>17,876,297</u>    | <u>17,959,941</u>    |
| Long-term liabilities outstanding | 475,649                 | 521,872             | 3,856,469                | 4,100,273           | 4,332,118            | 4,622,145            |
| Other liabilities                 | 150,987                 | 214,301             | 102,094                  | 113,374             | 253,081              | 327,675              |
| Total liabilities                 | <u>626,636</u>          | <u>736,173</u>      | <u>3,958,563</u>         | <u>4,213,647</u>    | <u>4,585,199</u>     | <u>4,949,820</u>     |
| Net position:                     |                         |                     |                          |                     |                      |                      |
| Net investment in capital assets  | 7,928,141               | 7,999,457           | 3,527,577                | 3,480,662           | 11,455,718           | 11,480,119           |
| Restricted                        | 879,133                 | 767,047             | 288,325                  | 230,660             | 1,167,458            | 997,707              |
| Unrestricted                      | 772,588                 | 716,478             | (104,666)                | (184,183)           | 667,922              | 532,295              |
| Total net position                | <u>\$ 9,579,862</u>     | <u>\$ 9,482,982</u> | <u>\$ 3,711,236</u>      | <u>\$ 3,527,139</u> | <u>\$ 13,291,098</u> | <u>\$ 13,010,121</u> |

#### Governmental Activities

The cost of all Governmental activities this year was \$3.3 million. As shown on the Changes in Net Position statement on the following page. \$683,320 of this cost was paid for by those who directly benefited from the programs. \$961,105 was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services totaled \$1.64 million. General taxes, State Revenue Sharing and investment earnings totaled \$1.7 million.

The Town's programs include: General Government, Public Safety, Public Works/Streets, Culture & Recreation, and Economic Development. Each program's revenues and expenses are presented on page 9.

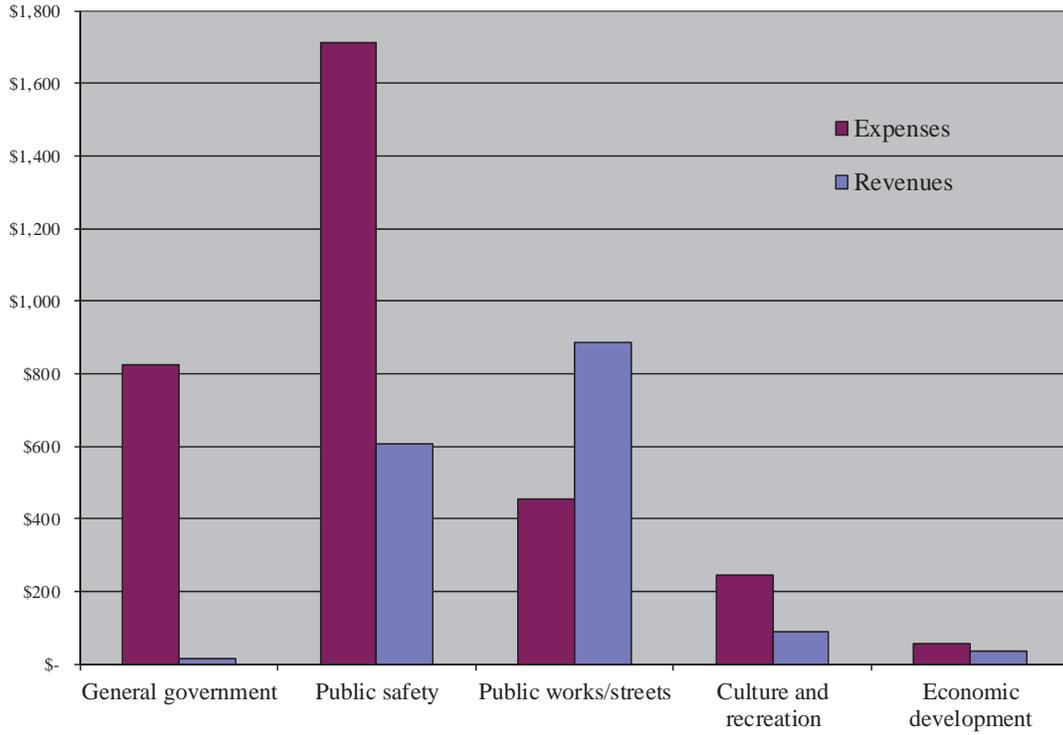
**TOWN OF TAYLOR, ARIZONA**  
**Changes in Net Position**

|  | Governmental<br>activities |                     | Business-type<br>activities |                     | Combined Total       |                      |
|--|----------------------------|---------------------|-----------------------------|---------------------|----------------------|----------------------|
|  | 6/30/2014                  | 6/30/2013           | 6/30/2014                   | 6/30/2013           | 6/30/2014            | 6/30/2013            |
| <b>Revenues:</b>                                     |                            |                     |                             |                     |                      |                      |
| <b>Program revenues:</b>                             |                            |                     |                             |                     |                      |                      |
| Charges for services                                 | \$ 683,320                 | \$ 658,779          | \$ 971,416                  | \$ 944,759          | \$ 1,654,736         | \$ 1,603,538         |
| Operating grants and contributions                   | 558,169                    | 541,355             | 5,440                       | 2,450               | 563,609              | 543,805              |
| Capital grants and contributions                     | 402,936                    | 225,314             | 7,000                       | -                   | 409,936              | 225,314              |
| <b>General revenues:</b>                             |                            |                     |                             |                     |                      |                      |
| Taxes  | 1,272,550                  | 1,249,811           | -                           | -                   | 1,272,550            | 1,249,811            |
| State revenue sharing                                | 458,335                    | 420,032             | -                           | -                   | 458,335              | 420,032              |
| Investment earnings                                  | 564                        | 1,804               | -                           | -                   | 564                  | 1,804                |
| Other revenue (expense)                              | 6,200                      | 37,328              | 43                          | 309                 | 6,243                | 37,637               |
| <b>Total revenues</b>                                | <b>3,382,074</b>           | <b>3,134,423</b>    | <b>983,899</b>              | <b>947,518</b>      | <b>4,365,973</b>     | <b>4,081,941</b>     |
| <b>Expenses:</b>                                     |                            |                     |                             |                     |                      |                      |
| General government                                   | 822,898                    | 821,915             | -                           | -                   | 822,898              | 821,915              |
| Public safety  | 1,712,991                  | 1,869,293           | -                           | -                   | 1,712,991            | 1,869,293            |
| Public works/streets                                 | 452,506                    | 1,466,382           | -                           | -                   | 452,506              | 1,466,382            |
| Culture and recreation                               | 245,256                    | 195,749             | -                           | -                   | 245,256              | 195,749              |
| Economic development                                 | 55,668                     | 43,666              | -                           | -                   | 55,668               | 43,666               |
| Interest on long-term debt                           | 16,534                     | 20,196              | -                           | -                   | 16,534               | 20,196               |
| Water  | -                          | -                   | 307,113                     | 317,537             | 307,113              | 317,537              |
| Sewer  | -                          | -                   | 492,689                     | 496,170             | 492,689              | 496,170              |
| <b>Total expenses</b>                                | <b>3,305,853</b>           | <b>4,417,201</b>    | <b>799,802</b>              | <b>813,707</b>      | <b>4,105,655</b>     | <b>5,230,908</b>     |
| Increase (decrease) in net position before transfers | 76,221                     | (1,282,778)         | 184,097                     | 133,811             | 260,318              | (1,148,967)          |
| Net position, beginning                              | 9,482,982                  | 10,395,760          | 3,527,139                   | 3,393,328           | 13,010,121           | 13,789,088           |
| Prior period adjustment                              | 20,659                     | 370,000             | -                           | -                   | 20,659               | 370,000              |
| <b>Net position, ending</b>                          | <b>\$ 9,579,862</b>        | <b>\$ 9,482,982</b> | <b>\$ 3,711,236</b>         | <b>\$ 3,527,139</b> | <b>\$ 13,291,098</b> | <b>\$ 13,010,121</b> |

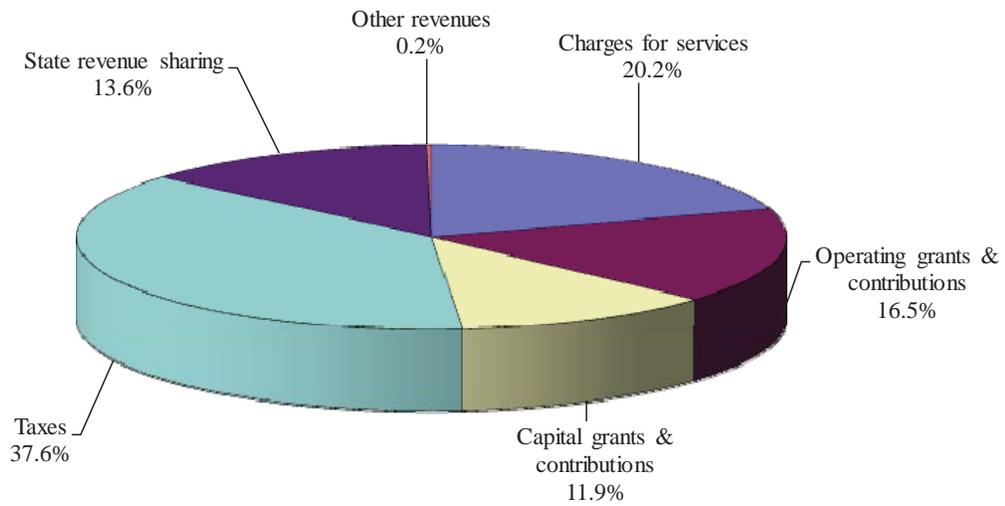
Total resources available during the year to finance governmental operations were \$12.8 million consisting of Net position at July 1, 2013 of \$9.5 million, program revenues of \$1.6 million and General Revenues of \$1.7 million. Total Governmental Activities during the year were \$3.3 million; thus Governmental Net Position was increased by \$76,221.

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

**Expenses and Program Revenues - Governmental Activities**  
(in Thousands)



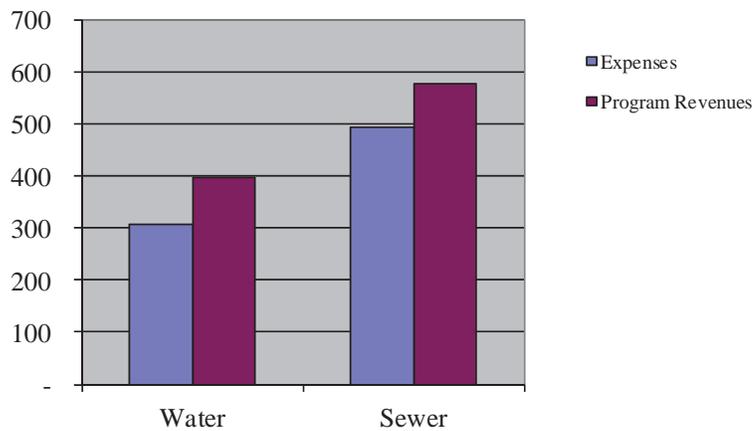
**Revenue By Source - Governmental Activities**



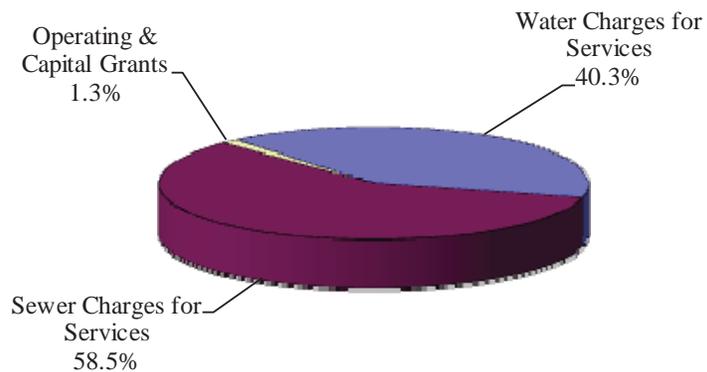
## Business Type Activities

Net position of the Business Type activities at June 30, 2014, as reflected in the Statement of Net Position was \$3.7 million. The cost of providing all Proprietary (Business Type) activities this year was \$799,802. As shown in the statement of Changes in Net Position, the amount paid by users of the system was \$971,416. Net Position increased by \$184,097.

**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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds:** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town'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's governmental funds reported combined ending fund balances of \$1.4 million, an increase of \$197,087 in comparison with the prior year. Approximately 36% (\$507,246) constitutes assigned or unassigned fund balance, which is available for spending at the government's discretion.

The General Fund has a total fund balance of \$445,655 of which \$429,348 is assigned or unassigned. The fund balance increased during the current year by \$6,814 mainly due to an increase in governmental revenues of \$247,651.

The Highway User Revenue Fund has a total fund balance of \$721,932 all of which is restricted for road construction and maintenance. The fund balance increased during the current year by \$207,017, mainly due to a decrease in expenditures for streets.

The Grants Fund has a total fund balance of \$77,898.

**Proprietary funds:** The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

### **Budgetary Highlights**

General fund revenues of \$2,504,080 were less than budgeted revenues of \$2,718,871 by \$214,791 mainly due to contingency revenue not received.

## **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, system improvements, park facilities and roads. At the end of fiscal year 2014, net capital assets of the government activities totaled \$8.3 million and the net capital assets of the business-type activities totaled \$7.4 million. There were no significant capital additions during the year. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 7 to the financial statements.)

## **Debt**

At year-end, the Town had \$475,649 in governmental type debt, and \$3,856,469 in proprietary debt. During the current fiscal year, the Town's total debt decreased by \$298,649. (See note 8 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 were cautious as to the growth of revenues and expenditures due to a slow economy. Overall governmental and proprietary fund operating expenditures were budgeted to maintain the current level of service at a reduced cost.

## **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:

Taylor Finance Department  
PO Box 158  
Taylor, Arizona 85939

**BASIC FINANCIAL STATEMENTS**

**TOWN OF TAYLOR, ARIZONA**  
**Statement of Net Position**  
**June 30, 2014**

|   | <u>Governmental</u><br><u>Activities</u> | <u>Business-type</u><br><u>Activities</u> | <u>Total</u>         |
|---|--|---|----------------------|
| <b>Assets</b>                                     |  |   |                      |
| Cash and cash equivalents                         | \$ 1,084,115                             | \$ -                                      | \$ 1,084,115         |
| Cash with paying agent                            | 33,300                                   | -   | 33,300               |
| Receivables (net of allowance)                    | 219,380                                  | 114,868                                   | 334,248              |
| Internal balances                                 | 192,622                                  | (192,622)                                 | -                    |
| Inventories                                       | 17,630                                   | 52,987                                    | 70,617               |
| Restricted assets                                 | 500                                      | 315,600                                   | 316,100              |
| Net investment in capital lease                   | 345,000                                  | -   | 345,000              |
| Capital assets (not being depreciated):           |  |   |                      |
| Land  | 979,419                                  | 40,000                                    | 1,019,419            |
| Construction in progress                          | 726,360                                  | -   | 726,360              |
| Capital assets (net of accumulated depreciation): |  |   |                      |
| Buildings   | 709,580                                  | -   | 709,580              |
| Improvements                                      | 3,920,112                                | -   | 3,920,112            |
| System improvements                               | -  | 7,321,735                                 | 7,321,735            |
| Furniture, equipment & vehicles                   | 268,536                                  | 17,231                                    | 285,767              |
| Infrastructure/Roads                              | 1,709,944                                | -   | 1,709,944            |
| Total assets                                      | <u>10,206,498</u>                        | <u>7,669,799</u>                          | <u>17,876,297</u>    |
| <b>Liabilities</b>                                |  |   |                      |
| Accounts payable and other current liabilities    | 143,538                                  | 76,260                                    | 219,798              |
| Interest payable                                  | 7,449                                    | 25,834                                    | 33,283               |
| Noncurrent liabilities:                           |  |   |                      |
| Due within one year                               | 75,382                                   | 247,670                                   | 323,052              |
| Due in more than one year                         | 400,267                                  | 3,608,799                                 | 4,009,066            |
| Total liabilities                                 | <u>626,636</u>                           | <u>3,958,563</u>                          | <u>4,585,199</u>     |
| <b>Net Position</b>                               |  |   |                      |
| Net investment in capital assets                  | 7,928,141                                | 3,527,577                                 | 11,455,718           |
| Restricted for:                                   |  |   |                      |
| Debt service                                      | -  | 288,325                                   | 288,325              |
| Highways & streets                                | 879,133                                  | -   | 879,133              |
| Unrestricted                                      | 772,588                                  | (104,666)                                 | 667,922              |
| Total net position                                | <u>\$ 9,579,862</u>                      | <u>\$ 3,711,236</u>                       | <u>\$ 13,291,098</u> |

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

**TOWN OF TAYLOR 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                |
| <b>Primary government</b>                    |                  |                      |                                  |                                |   |                          |                      |
| Governmental activities:                     |                  |                      |                                  |                                |   |                          |                      |
| General government                           | \$ 822,898       | \$ 13,210            | \$ -                             | \$ -                           | \$ (809,688)                                      | \$ -                     | \$ (809,688)         |
| Public safety                                | 1,712,991        | 555,772              | 45,954                           | 5,858                          | (1,105,407)                                       | -                        | (1,105,407)          |
| Public works/streets                         | 452,506          | 60,786               | 479,167                          | 344,826                        | 432,273   | -                        | 432,273              |
| Culture and recreation                       | 245,256          | 53,552               | -                                | 34,602                         | (157,102)   | -                        | (157,102)            |
| Economic development                         | 55,668           | -                    | 33,048                           | -                              | (22,620)  | -                        | (22,620)             |
| Interest on long-term debt                   | 16,534           | -                    | -                                | 17,650                         | 1,116   | -                        | 1,116                |
| Total governmental activities                | <u>3,305,853</u> | <u>683,320</u>       | <u>558,169</u>                   | <u>402,936</u>                 | <u>(1,661,428)</u>                                | <u>-</u>                 | <u>(1,661,428)</u>   |
| Business-type activities:                    |                  |                      |                                  |                                |   |                          |                      |
| Water  | 307,113          | 396,171              | 5,440                            | -                              | -   | 94,498                   | 94,498               |
| Sewer  | 492,689          | 575,245              | -                                | 7,000                          | -   | 89,556                   | 89,556               |
| Total business-type activities               | <u>799,802</u>   | <u>971,416</u>       | <u>5,440</u>                     | <u>7,000</u>                   | <u>-</u>  | <u>184,054</u>           | <u>184,054</u>       |
| <b>Total primary government</b>              | <u>4,105,655</u> | <u>1,654,736</u>     | <u>563,609</u>                   | <u>409,936</u>                 |   |                          |                      |
| General Revenues:                            |                  |                      |                                  |                                |   |                          |                      |
| Taxes:                                       |                  |                      |                                  |                                |   |                          |                      |
| City sales tax                               |                  |                      |                                  |                                | 639,646   | -                        | 639,646              |
| Franchise tax                                |                  |                      |                                  |                                | 64,905  | -                        | 64,905               |
| State sales tax (unrestricted)               |                  |                      |                                  |                                | 357,920   | -                        | 357,920              |
| Auto lieu tax (unrestricted)                 |                  |                      |                                  |                                | 210,079   | -                        | 210,079              |
| State taxes - revenue sharing (unrestricted) |                  |                      |                                  |                                | 458,335   | -                        | 458,335              |
| Unrestricted investment earnings             |                  |                      |                                  |                                | 564   | 43                       | 607                  |
| Miscellaneous                                |                  |                      |                                  |                                | 6,200   | -                        | 6,200                |
| Total general revenues & transfers           |                  |                      |                                  |                                | <u>1,737,649</u>                                  | <u>43</u>                | <u>1,737,692</u>     |
| Change in net position                       |                  |                      |                                  |                                | 76,221  | 184,097                  | 260,318              |
| Net position - beginning                     |                  |                      |                                  |                                | 9,482,982   | 3,527,139                | 13,010,121           |
| Prior period adjustment                      |                  |                      |                                  |                                | 20,659  | -                        | 20,659               |
| Net position - ending                        |                  |                      |                                  |                                | <u>\$ 9,579,862</u>                               | <u>\$ 3,711,236</u>      | <u>\$ 13,291,098</u> |

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

**TOWN OF TAYLOR ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

|   | General           | Highway Users<br>Revenue Fund | Grants<br>Fund    | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|---|-------------------|-------------------------------|-------------------|-------------------|--------------------------------|
| <b>ASSETS:</b>  |                   |                               |                   |                   |                                |
| Cash and cash equivalents   | \$ 150,046        | \$ 680,194                    | \$ 92,351         | \$ 161,524        | \$ 1,084,115                   |
| Cash with paying agent  | 33,300            | -                             | -                 | -                 | 33,300                         |
| Receivables, net:   |                   |                               |                   |                   |                                |
| Accounts receivable   | 69,804            | -                             | -                 | -                 | 69,804                         |
| Intergovernmental   | 51,257            | 45,697                        | 52,622            | -                 | 149,576                        |
| Due from other funds  | 192,622           | -                             | -                 | -                 | 192,622                        |
| Inventory   | 16,307            | 1,323                         | -                 | -                 | 17,630                         |
| Net investment in capital lease                                     | 345,000           | -                             | -                 | -                 | 345,000                        |
| Restricted assets   | 500               | -                             | -                 | -                 | 500                            |
| Total assets  | <u>\$ 858,836</u> | <u>\$ 727,214</u>             | <u>\$ 144,973</u> | <u>\$ 161,524</u> | <u>\$ 1,892,547</u>            |
| <b>LIABILITIES:</b>   |                   |                               |                   |                   |                                |
| Accounts payable  | \$ 44,909         | \$ 3,510                      | \$ 41,411         | \$ 3,000          | \$ 92,830                      |
| Accrued liabilities   | 22,772            | 1,772                         | -                 | -                 | 24,544                         |
| Customer deposits payable   | 500               | -                             | -                 | -                 | 500                            |
| Retainage payable   | -                 | -                             | 25,664            | -                 | 25,664                         |
| Total liabilities   | <u>68,181</u>     | <u>5,282</u>                  | <u>67,075</u>     | <u>3,000</u>      | <u>143,538</u>                 |
| <b>DEFERRED INFLOWS OF RESOURCES:</b>                               |                   |                               |                   |                   |                                |
| Unavailable revenue - lease payments                                | 345,000           | -                             | -                 | -                 | 345,000                        |
| Total deferred inflows of resources                                 | <u>345,000</u>    | <u>-</u>                      | <u>-</u>          | <u>-</u>          | <u>345,000</u>                 |
| <b>FUND BALANCES:</b>   |                   |                               |                   |                   |                                |
| Nonspendable:   |                   |                               |                   |                   |                                |
| Inventory   | 16,307            | 1,323                         | -                 | -                 | 17,630                         |
| Restricted:   |                   |                               |                   |                   |                                |
| Highways and streets  | -                 | 720,609                       | -                 | 158,524           | 879,133                        |
| Assigned:   |                   |                               |                   |                   |                                |
| Special events  | 26,923            | -                             | -                 | -                 | 26,923                         |
| Public safety   | -                 | -                             | 77,898            | -                 | 77,898                         |
| Unassigned  | 402,425           | -                             | -                 | -                 | 402,425                        |
| Total fund balances   | <u>445,655</u>    | <u>721,932</u>                | <u>77,898</u>     | <u>158,524</u>    | <u>1,404,009</u>               |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 858,836</u> | <u>\$ 727,214</u>             | <u>\$ 144,973</u> | <u>\$ 161,524</u> | <u>\$ 1,892,547</u>            |

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

**TOWN OF TAYLOR ARIZONA**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2014**

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Total fund balances - governmental funds \$ 1,404,009

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

|                             |                    |           |
|-----------------------------|--------------------|-----------|
| Governmental capital assets | \$ 18,006,939      |           |
| Accumulated depreciation    | <u>(9,692,988)</u> |           |
|                             |                    | 8,313,951 |

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds. 345,000

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

|                               |                 |                  |
|-------------------------------|-----------------|------------------|
| Notes and loans payable       | \$ (360,428)    |                  |
| Leases payable                | (25,382)        |                  |
| Landfill post-closure payable | (58,836)        |                  |
| Accrued interest payable      | (7,449)         |                  |
| Compensated absences          | <u>(31,003)</u> |                  |
|                               |                 | <u>(483,098)</u> |

Total net position - governmental activities \$ 9,579,862

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

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

|  | General           | Highway Users<br>Revenue Fund | Grants<br>Fund   | Nonmajor<br>Funds | Total<br>Governmental<br>Funds |
|--|-------------------|-------------------------------|------------------|-------------------|--------------------------------|
| <b>REVENUES:</b>   |                   |                               |                  |                   |                                |
| Taxes  |                   |                               |                  |                   |                                |
| Sales taxes  | \$ 639,646        | \$ -                          | \$ -             | \$ -              | \$ 639,646                     |
| Franchise taxes  | 64,905            | -                             | -                | -                 | 64,905                         |
| Licenses and permits   | 13,210            | -                             | -                | -                 | 13,210                         |
| Intergovernmental  | 1,060,935         | 475,772                       | 389,709          | 13,443            | 1,939,859                      |
| Charges for services   | 660,160           | -                             | -                | -                 | 660,160                        |
| Interest revenue   | 564               | -                             | -                | -                 | 564                            |
| Contributions and donations                                  | -                 | -                             | -                | 23,000            | 23,000                         |
| Other revenues   | 64,660            | 1,071                         | -                | -                 | 65,731                         |
| Total revenues   | <u>2,504,080</u>  | <u>476,843</u>                | <u>389,709</u>   | <u>36,443</u>     | <u>3,407,075</u>               |
| <b>EXPENDITURES:</b>   |                   |                               |                  |                   |                                |
| Current:   |                   |                               |                  |                   |                                |
| General government   | 637,611           | -                             | -                | -                 | 637,611                        |
| Public safety  | 1,637,504         | -                             | 34,710           | -                 | 1,672,214                      |
| Public works/streets   | -                 | 222,494                       | 359,998          | 14,502            | 596,994                        |
| Culture and recreation                                       | 179,501           | -                             | -                | -                 | 179,501                        |
| Economic development   | -                 | -                             | -                | 55,668            | 55,668                         |
| Capital outlay   | -                 | 46,009                        | -                | -                 | 46,009                         |
| Debt service:  |                   |                               |                  |                   |                                |
| Principal retirement   | 25,000            | -                             | -                | -                 | 25,000                         |
| Interest on long-term debt                                   | 17,650            | -                             | -                | -                 | 17,650                         |
| Total expenditures   | <u>2,497,266</u>  | <u>268,503</u>                | <u>394,708</u>   | <u>70,170</u>     | <u>3,230,647</u>               |
| Excess (deficiency) of revenues<br>over (under) expenditures | 6,814             | 208,340                       | (4,999)          | (33,727)          | 176,428                        |
| Fund balances, beginning of year                             | 438,841           | 513,592                       | 62,238           | 192,251           | 1,206,922                      |
| Prior period adjustment                                      | -                 | -                             | 20,659           | -                 | 20,659                         |
| Fund balances, end of year                                   | <u>\$ 445,655</u> | <u>\$ 721,932</u>             | <u>\$ 77,898</u> | <u>\$ 158,524</u> | <u>\$ 1,404,009</u>            |

The accompanying notes are an integral part of the financial statements

**TOWN OF TAYLOR 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**

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

|   |                  |                         |
|---|------------------|-------------------------|
| Net change in fund balances - total governmental funds  |                  | \$ 176,428              |
| <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  | \$ 444,287       |                         |
| Depreciation expense  | <u>(566,833)</u> | (122,546)               |
| <p>This is the amount of payments received during the year on the capital lease receivable which have previously been recognized as revenue in the statement of activities but were considered unearned in the funds.</p>   |                  |                         |
|   |                  | (25,000)                |
| <p>Repayment of long term debt principal is an expenditure in the governmental funds but reduces long-term liabilities in the statement of net position.</p>  |                  |                         |
|   |                  | 51,230                  |
| <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>  |                  |                         |
|   |                  | 1,116                   |
| <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>  |                  |                         |
|   |                  | <u>(5,007)</u>          |
| Change in net position of governmental activities   |                  | <u><u>\$ 76,221</u></u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF TAYLOR ARIZONA**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget & Actual**  
**For the Year Ended June 30, 2014**

|  | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget |
|--|-------------------|-------------------|-------------------|-------------------------------|
|  | Original          | Final             |                   |                               |
| <b>REVENUES:</b>   |                   |                   |                   |                               |
| Taxes  | \$ 653,000        | \$ 653,000        | \$ 704,551        | \$ 51,551                     |
| Licenses, permits and fees                                   | 10,500            | 10,500            | 13,210            | 2,710                         |
| Intergovernmental revenue                                    | 1,101,671         | 1,101,671         | 1,060,935         | (40,736)                      |
| Charges for services   | 663,700           | 663,700           | 660,160           | (3,540)                       |
| Interest   | 1,000             | 1,000             | 564               | (436)                         |
| Other revenues   | 289,000           | 289,000           | 64,660            | (224,340)                     |
| Total revenues   | <u>2,718,871</u>  | <u>2,718,871</u>  | <u>2,504,080</u>  | <u>(214,791)</u>              |
| <b>EXPENDITURES:</b>   |                   |                   |                   |                               |
| Current:   |                   |                   |                   |                               |
| General government   | 734,500           | 734,500           | 637,611           | 96,889                        |
| Public safety  | 1,684,944         | 1,684,944         | 1,637,504         | 47,440                        |
| Culture and recreation                                       | 212,500           | 212,500           | 179,501           | 32,999                        |
| Debt service   | <u>51,000</u>     | <u>51,000</u>     | <u>42,650</u>     | <u>8,350</u>                  |
| Total expenditures   | <u>2,682,944</u>  | <u>2,682,944</u>  | <u>2,497,266</u>  | <u>185,678</u>                |
| Excess (deficiency) of revenues<br>over (under) expenditures | 35,927            | 35,927            | 6,814             | (29,113)                      |
| Fund balance, beginning of year                              | <u>438,841</u>    | <u>438,841</u>    | <u>438,841</u>    | <u>-</u>                      |
| Fund balance, end of year                                    | <u>\$ 474,768</u> | <u>\$ 474,768</u> | <u>\$ 445,655</u> | <u>\$ (29,113)</u>            |

The accompanying notes are an integral part of the financial statements

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

|                                  | Water<br>Fund       | Sewer<br>Fund       | Combined<br>Total   |
|----------------------------------|---------------------|---------------------|---------------------|
| <b>Assets:</b>                   |                     |                     |                     |
| Current assets:                  |                     |                     |                     |
| Cash                             | \$ -                | \$ -                | \$ -                |
| Receivables (net of allowance)   | 54,070              | 60,798              | 114,868             |
| Due from other funds             | 272,293             | -                   | 272,293             |
| Inventory                        | 52,325              | 662                 | 52,987              |
| Restricted assets                | 30,570              | 285,030             | 315,600             |
| Total current assets             | <u>409,258</u>      | <u>346,490</u>      | <u>755,748</u>      |
| Noncurrent assets:               |                     |                     |                     |
| Land                             | -                   | 40,000              | 40,000              |
| Furniture, equipment & vehicles  | 104,499             | 78,540              | 183,039             |
| Distribution system              | 3,009,887           | 6,488,441           | 9,498,328           |
| Accumulated depreciation         | (997,510)           | (1,344,891)         | (2,342,401)         |
| Total noncurrent assets          | <u>2,116,876</u>    | <u>5,262,090</u>    | <u>7,378,966</u>    |
| Total assets                     | <u>2,526,134</u>    | <u>5,608,580</u>    | <u>8,134,714</u>    |
| <b>Liabilities:</b>              |                     |                     |                     |
| Current liabilities:             |                     |                     |                     |
| Accounts payable                 | 22,644              | 23,713              | 46,357              |
| Accrued liabilities              | 1,496               | 1,132               | 2,628               |
| Customer deposits                | 26,075              | 1,200               | 27,275              |
| Due to other funds               | -                   | 464,915             | 464,915             |
| Interest payable                 | -                   | 25,834              | 25,834              |
| Notes payable - current          | 1,538               | 208,509             | 210,047             |
| Capital leases payable - current | 35,623              | -                   | 35,623              |
| Compensated absences - current   | 1,200               | 800                 | 2,000               |
| Total current liabilities        | <u>88,576</u>       | <u>726,103</u>      | <u>814,679</u>      |
| Noncurrent liabilities:          |                     |                     |                     |
| Compensated absences             | 1,897               | 1,183               | 3,080               |
| Capital leases payable           | 18,416              | -                   | 18,416              |
| Notes payable                    | 29,816              | 3,557,487           | 3,587,303           |
| Total long-term debt             | <u>50,129</u>       | <u>3,558,670</u>    | <u>3,608,799</u>    |
| Total liabilities                | <u>138,705</u>      | <u>4,284,773</u>    | <u>4,423,478</u>    |
| <b>Net Position:</b>             |                     |                     |                     |
| Net investment in capital assets | 2,031,483           | 1,496,094           | 3,527,577           |
| Restricted                       | 4,495               | 283,830             | 288,325             |
| Unrestricted                     | 351,451             | (456,117)           | (104,666)           |
| Total net position               | <u>\$ 2,387,429</u> | <u>\$ 1,323,807</u> | <u>\$ 3,711,236</u> |

The accompanying notes are an integral part of the financial statements

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

|   | Water<br>Fund              | Sewer<br>Fund              | Combined<br>Total          |
|---|----------------------------|----------------------------|----------------------------|
| <b>Operating revenues:</b>                |                            |                            |                            |
| Charges for services                      | \$ 395,088                 | \$ 575,187                 | \$ 970,275                 |
| Other revenues                            | 1,083                      | 58                         | 1,141                      |
| Total operating revenues                  | <u>396,171</u>             | <u>575,245</u>             | <u>971,416</u>             |
| <b>Operating expenses:</b>                |                            |                            |                            |
| Salaries                                  | 61,209                     | 45,917                     | 107,126                    |
| Employee benefits                         | 26,981                     | 22,339                     | 49,320                     |
| Service, supplies, and other              | 146,427                    | 208,334                    | 354,761                    |
| Depreciation                              | 67,901                     | 140,779                    | 208,680                    |
| Total operating expenses                  | <u>302,518</u>             | <u>417,369</u>             | <u>719,887</u>             |
| Operating income                          | <u>93,653</u>              | <u>157,876</u>             | <u>251,529</u>             |
| <b>Non-operating revenues (expenses):</b> |                            |                            |                            |
| Interest income                           | -                          | 43                         | 43                         |
| Interest expense and fiscal charges       | (4,595)                    | (75,320)                   | (79,915)                   |
| Connection and impact fees                | 5,440                      | 7,000                      | 12,440                     |
| Total non-operating revenue (expense)     | <u>845</u>                 | <u>(68,277)</u>            | <u>(67,432)</u>            |
| <b>Change in net position</b>             | 94,498                     | 89,599                     | 184,097                    |
| Total net position, beginning of year     | <u>2,292,931</u>           | <u>1,234,208</u>           | <u>3,527,139</u>           |
| <b>Total net position, end of year</b>    | <u><u>\$ 2,387,429</u></u> | <u><u>\$ 1,323,807</u></u> | <u><u>\$ 3,711,236</u></u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF TAYLOR ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

|   | Water<br>Fund            | Sewer<br>Fund            | Combined<br>Total        |
|---|--------------------------|--------------------------|--------------------------|
| <b>Cash flows from operating activities:</b>  |                          |                          |                          |
| Cash received from customers, service fees  | \$ 411,427               | \$ 574,310               | \$ 985,737               |
| Cash received from customers, other   | 1,083                    | 58                       | 1,141                    |
| Cash paid to suppliers  | (151,159)                | (211,214)                | (362,373)                |
| Cash paid to employees  | (87,888)                 | (67,908)                 | (155,796)                |
| Net cash flows from operating activities  | <u>173,463</u>           | <u>295,246</u>           | <u>468,709</u>           |
| <b>Cash flows from noncapital financing activities:</b>                             |                          |                          |                          |
| Proceeds/(payments) to other funds  | (138,053)                | 59,727                   | (78,326)                 |
| Net cash flows from noncapital financing activities                                 | <u>(138,053)</u>         | <u>59,727</u>            | <u>(78,326)</u>          |
| <b>Cash flows from capital and related financing activities:</b>                    |                          |                          |                          |
| Purchase of capital assets  | -                        | (11,603)                 | (11,603)                 |
| Principal paid on long-term debt  | (35,564)                 | (208,428)                | (243,992)                |
| Interest paid   | (4,221)                  | (85,219)                 | (89,440)                 |
| Connection & impact fees  | 5,440                    | 7,000                    | 12,440                   |
| Net cash flows from capital and related financing activities                        | <u>(34,345)</u>          | <u>(298,250)</u>         | <u>(332,595)</u>         |
| <b>Cash flows from investing activities:</b>  |                          |                          |                          |
| Interest on investments   | -                        | 43                       | 43                       |
| Net change in cash and cash equivalents   | 1,065                    | 56,766                   | 57,831                   |
| Cash and cash equivalents, beginning of year  | 29,505                   | 228,264                  | 257,769                  |
| <b>Cash and cash equivalents, end of year</b>                                       | <u><u>\$ 30,570</u></u>  | <u><u>\$ 285,030</u></u> | <u><u>\$ 315,600</u></u> |
| Reconciliation of operating income to net cash flows<br>from operating activities:  |                          |                          |                          |
| Net operating income  | \$ 93,653                | \$ 157,876               | \$ 251,529               |
| Adjustments to reconcile net income to net<br>cash flows from operating activities: |                          |                          |                          |
| Depreciation/amortization   | 67,901                   | 140,779                  | 208,680                  |
| Changes in operating assets and liabilities:  |                          |                          |                          |
| (Increase)/decrease in receivables  | 16,339                   | (877)                    | 15,462                   |
| (Increase)/decrease in inventory  | (5,251)                  | (144)                    | (5,395)                  |
| Increase/(decrease) in payables   | 519                      | (2,736)                  | (2,217)                  |
| Increase/(decrease) in accrued liabilities & deposits                               | 302                      | 348                      | 650                      |
| Net cash flows from operating activities  | <u><u>\$ 173,463</u></u> | <u><u>\$ 295,246</u></u> | <u><u>\$ 468,709</u></u> |

The accompanying notes are an integral part of the financial statements

**TOWN OF TAYLOR ARIZONA**  
**Statement of Fiduciary Net Position**  
**Pension Trust Fund**  
**June 30, 2014**

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|   | <u>Volunteer<br/>Firefighters'<br/>Relief and<br/>Pension</u> |
|---|---|
| <b>ASSETS:</b>  |   |
| Cash and cash equivalents   | \$ 187,011  |
| Intergovernmental receivable  | <u>10,862</u>   |
| Total assets  | <u>197,873</u>  |
| <b>NET POSITION:</b>  |   |
| Net position held in trust for pension benefits<br>and other purposes | <u><u>\$ 197,873</u></u>                                      |

The accompanying notes are an integral part of the financial statements

**TOWN OF TAYLOR ARIZONA**  
**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Fund**  
**For the Year Ended June 30, 2014**

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|   | <u>Volunteer<br/>Firefighters'<br/>Relief and<br/>Pension</u> |
|---|---|
| <b>ADDITIONS:</b>   |   |
| Investment income:  |   |
| Net appreciation (depreciation) in<br>fair value of investments | \$ 26,114   |
| Interest earnings   | <u>2,976</u>  |
| Net investment income   | <u>29,090</u>   |
| Total additions   | <u>29,090</u>   |
| <b>DEDUCTIONS:</b>  |   |
| Contract services   | 3,696   |
| Benefits  | <u>3,870</u>  |
| Total deductions  | <u>7,566</u>  |
| Change in net position  | 21,524  |
| Net position held in trust for pension benefits:                |   |
| Beginning of year   | <u>176,349</u>  |
| End of year   | <u><u>\$ 197,873</u></u>                                      |

The accompanying notes are an integral part of the financial statements

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

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

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**Description of government-wide financial statements**

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

**Reporting entity**

The Town of Taylor (Town) is a municipal corporation governed by an elected mayor, vice-mayor and three-member governing council (council). The accompanying financial statements present the Town and its component units, entities for which the Town 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 Town.

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

**Blended component unit.** The **Town of Taylor, Arizona Municipal Property Corporation's** (MPC) board of directors consists of three members which are appointed by the Town of Taylor, Arizona's Town Council. The MPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the Town in purchasing land through a note payable due to a private trust separate from the Town. The Town has a "moral obligation" for the repayment of the MPC's note payable. All related receivables and payables between the Town and the MPC have been eliminated. The MPC has a June 30 year end. For financial reporting purposes, transactions of the MPC are combined together and included as if they were part of the Town's operations.

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

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

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**Basis of presentation – government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the Town'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 the government-wide financial statements.

**Basis of presentation – fund financial statements**

The fund financial statements provide information about the Town'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 Town reports the following major governmental funds:

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

The **Highway User Revenue Special Revenue Fund** is used to account for the Town's share of motor fuel tax revenues which are restricted for the maintaining, repairing, and upgrading of streets.

The **Grants Fund** is used to account for federal and state grants and other contributions that are restricted for specific use.

The Town reports the following major enterprise funds:

The **Water Fund** accounts for the activities related to the Town's water distribution operations.

The **Sewer Fund** accounts for the activities related to the Town's sewer collection and treatment operations.

Additionally, the Town reports the following fund types:

The **Pension Trust Fund** accounts for the activities of the Firefighters' Pension, which accumulates resources for pension benefit payments to qualified firefighters.

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

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

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During the course of operations the Town 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.

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 Town 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.

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

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

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Property taxes, sales taxes, franchise taxes, intergovernmental grants and aid, 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 Town.

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

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

***Cash and cash equivalents***

The Town's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

***Investments***

The Town's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, obligations of the U.S. Government and other investments as allowed by Arizona State Statutes. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The reported value of the state treasurer's pool is the same as the fair value of the pool shares.

***Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "internal balances" in the Statement of Net Position and as "Due to" or "Due from" other funds in the fund financial statements. All trade accounts receivable in the General Fund and proprietary funds are shown net of an allowance for doubtful accounts.

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

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

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*Inventories and prepaid items*

Inventories for consist of various parts and supplies and fuel on hand and are valued at cost using the first-in/first-out (FIFO) method.

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.

*Capital assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (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 three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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.

Land and construction in progress are not depreciated. The other property, plant and equipment and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

|  |                |
|--|----------------|
| Building and improvements              | 25 to 50 years |
| Treatment facilities and improvements  | 20-50 years    |
| Machinery, vehicles and equipment      | 5 to 10 years  |
| Storm drains and inlets                | 20 years       |
| Infrastructure - Streets and sidewalks | 20 years       |

*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Town has no items that qualify for reporting in this category.

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

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

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In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue – lease payments*, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***Net position flow assumption***

Sometimes the Town 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 Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***Fund balance flow assumptions***

Sometimes the Town 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 Town’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 Town 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 Town’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

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

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

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Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the Town Manager to assign fund balance. 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.

*Property taxes*

The Town does not currently have any primary or secondary real property tax levies.

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. The County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter.

A lien against real and personal property assessed attaches on the first day of January preceding the assessment and levy thereof.

*Compensated absences*

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

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

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

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*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 water and sewer funds are charges to customers for sales and services. Operating expenses for enterprise 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.

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

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

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

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

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

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

**Budgets and Budgetary Accounting**

The Town 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 Town 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 Town 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 Town 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. The Town follows a voter-approved alternative expenditure limitation that was adopted on March 16, 2011.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager subject to Town 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 Town Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

No Supplementary budgetary appropriations were made during the year.

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

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

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**Encumbrances**

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 Town.

**Expenditures over Appropriations**

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2014, if any.

**Highway User Revenue Funds**

Highway user revenue fund monies received by the town 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 purposes.

*This section intentionally left blank*

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

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**Note 4. Deposits and Investments**

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

|  |                     |
|--|---------------------|
| Cash and cash equivalents                | \$ 1,084,115        |
| Cash with paying agent                   | 33,300              |
| Restricted cash and cash equivalents     | 316,100             |
| Fiduciary Fund cash and cash equivalents | 187,011             |
| Total                                    | <u>\$ 1,620,526</u> |

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the Town's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. At June 30, 2014 cash on hand was \$7,000 and the carrying amount of the Town's deposits was \$869,655. As of June 30, 2014 the bank balance of the Town's deposits was \$933,570 in non-interest bearing accounts. None of the Town's bank balance was exposed to custodial credit risk because it was insured or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name.

**Investments**

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP) with no regulatory oversight. 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.

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

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

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

|                                   | Fair<br>Value       | Credit<br>Rating (1) | Weighted<br>Average<br>Maturity (2) |
|-----------------------------------|---------------------|----------------------|-------------------------------------|
| Cash on deposit                   | \$ 869,656          | N/A                  | N/A                                 |
| Cash on hand                      | 7,000               | N/A                  | N/A                                 |
| Equity Mutual Funds               | 204,780             | N/A                  | N/A                                 |
| Local Governments Investment Pool | 539,090             | AAAF/S1+             | 59 days                             |
|                                   | <u>\$ 1,620,526</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 Town'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) which requires that the Town's investment portfolio maturities do not exceed five years from the time of purchase.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323) which 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. Restricted Assets**

Restricted assets consist of the following at June 30, 2014:

|                   | Governmental<br>Activities | Business-type<br>Activities |
|-------------------|----------------------------|-----------------------------|
| Debt reserves     | \$ -                       | \$ 288,325                  |
| Customer deposits | 500                        | 27,275                      |
|                   | <u>\$ 500</u>              | <u>\$ 315,600</u>           |

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

**Note 6. Net Investment in Capital Lease**

The Town has entered into a lease agreement as a lessor for the sale of emergency training towers to a regional training facility. The lease agreement qualifies as a capital lease for accounting purposes as title to the assets transfer to the regional training facility at the end of the lease term. The original principal amount of the lease totaling \$500,000 has been accrued as a receivable on both the General fund financial statements and the governmental activities column of the government-wide financial statements. The lease receivable is offset to a deferred inflow on the fund financial statements and is recognized when received on an annual basis. The following is an annual schedule of future minimum lease payments receivable:

| Year Ending<br>June 30,                                  |                          |
|--|--------------------------|
| 2015   | \$ 40,975                |
| 2016   | 39,725                   |
| 2017   | 38,475                   |
| 2018   | 42,100                   |
| 2019   | 40,600                   |
| 2020-2024  | 199,725                  |
| 2025   | <u>40,850</u>            |
| Total remaining lease payments                           | \$ 442,450               |
| Less: Amount representing interest                       | <u>(97,450)</u>          |
| Present value of net remaining minimum<br>lease payments | <u><u>\$ 345,000</u></u> |

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

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**Note 7. Capital Assets**

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

| <b>Governmental Activities:</b>              | <b>Balance<br/>6/30/2013</b> | <b>Additions</b>    | <b>Deletions</b> | <b>Balance<br/>6/30/2014</b> |
|--|------------------------------|---------------------|------------------|------------------------------|
| Capital assets, not being depreciated:       |                              |                     |                  |                              |
| Land   | \$ 979,419                   | \$ -                | \$ -             | \$ 979,419                   |
| Construction in progress                     | 282,073                      | 444,287             | -                | 726,360                      |
| Total capital assets, not being depreciated  | <u>1,261,492</u>             | <u>444,287</u>      | <u>-</u>         | <u>1,705,779</u>             |
| Capital assets, being depreciated:           |                              |                     |                  |                              |
| Buildings                                    | 1,016,574                    | -                   | -                | 1,016,574                    |
| Improvements                                 | 10,744,842                   | -                   | -                | 10,744,842                   |
| Furniture, equipment & vehicles              | 2,051,028                    | -                   | (124,523)        | 1,926,505                    |
| Infrastructure                               | 2,613,239                    | -                   | -                | 2,613,239                    |
| Total capital assets, being depreciated      | <u>16,425,683</u>            | <u>-</u>            | <u>(124,523)</u> | <u>16,301,160</u>            |
| Less accumulated depreciation for:           |                              |                     |                  |                              |
| Buildings                                    | (284,072)                    | (22,922)            | -                | (306,994)                    |
| Improvements                                 | (6,476,859)                  | (347,871)           | -                | (6,824,730)                  |
| Furniture, equipment & vehicles              | (1,717,114)                  | (65,378)            | 124,523          | (1,657,969)                  |
| Infrastructure                               | (772,633)                    | (130,662)           | -                | (903,295)                    |
| Total accumulated depreciation               | <u>(9,250,678)</u>           | <u>(566,833)</u>    | <u>124,523</u>   | <u>(9,692,988)</u>           |
| Total capital assets, being depreciated, net | <u>7,175,005</u>             | <u>(566,833)</u>    | <u>-</u>         | <u>6,608,172</u>             |
| Governmental activities capital assets, net  | <u>\$ 8,436,497</u>          | <u>\$ (122,546)</u> | <u>\$ -</u>      | <u>\$ 8,313,951</u>          |

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

|  |                   |
|--|-------------------|
| <b>Governmental Activities:</b>                      |                   |
| General government                                   | \$ 270,084        |
| Public safety  | 62,752            |
| Public works/streets                                 | 168,533           |
| Culture & recreation                                 | 65,464            |
| Total depreciation expense - governmental activities | <u>\$ 566,833</u> |

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

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**Note 7. Capital Assets, Continued**

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

| <b>Business Type Activities:</b>             | <b>Balance<br/>6/30/2013</b> | <b>Additions</b>    | <b>Deletions</b> | <b>Balance<br/>6/30/2014</b> |
|--|------------------------------|---------------------|------------------|------------------------------|
| Capital assets, not being depreciated:       |                              |                     |                  |                              |
| Land and water rights                        | \$ 40,000                    | \$ -                | \$ -             | \$ 40,000                    |
| Construction in progress                     | -                            | -                   | -                | -                            |
| Total capital assets, not being depreciated  | <u>40,000</u>                | <u>-</u>            | <u>-</u>         | <u>40,000</u>                |
| Capital assets, being depreciated:           |                              |                     |                  |                              |
| Water system                                 | 3,009,887                    | -                   | -                | 3,009,887                    |
| Sewer system                                 | 6,488,441                    | -                   | -                | 6,488,441                    |
| Furniture, equipment & vehicles              | <u>177,592</u>               | <u>11,603</u>       | <u>(6,156)</u>   | <u>183,039</u>               |
| Total capital assets, being depreciated      | <u>9,675,920</u>             | <u>11,603</u>       | <u>(6,156)</u>   | <u>9,681,367</u>             |
| Less accumulated depreciation for:           |                              |                     |                  |                              |
| Water system                                 | (829,510)                    | (67,351)            | -                | (896,861)                    |
| Sewer system                                 | (1,143,110)                  | (136,622)           | -                | (1,279,732)                  |
| Furniture, equipment & vehicles              | <u>(167,257)</u>             | <u>(4,707)</u>      | <u>6,156</u>     | <u>(165,808)</u>             |
| Total accumulated depreciation               | <u>(2,139,877)</u>           | <u>(208,680)</u>    | <u>6,156</u>     | <u>(2,342,401)</u>           |
| Total capital assets, being depreciated, net | <u>7,536,043</u>             | <u>(197,077)</u>    | <u>-</u>         | <u>7,338,966</u>             |
| Business-type activities capital assets, net | <u>\$ 7,576,043</u>          | <u>\$ (197,077)</u> | <u>\$ -</u>      | <u>\$ 7,378,966</u>          |

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

|   |                   |
|---|-------------------|
| <b>Business-Type Activities:</b>                      |                   |
| Water   | \$ 67,901         |
| Sewer   | <u>140,779</u>    |
| Total depreciation expense - business-type activities | <u>\$ 208,680</u> |

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

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**Note 8. Long-Term Debt**

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

|                                  | <u>Balance</u><br><u>6/30/2013</u> | <u>Additions</u> | <u>Retirements</u>  | <u>Balance</u><br><u>6/30/2014</u> | <u>Current</u><br><u>Portion</u> |
|----------------------------------|------------------------------------|------------------|---------------------|------------------------------------|----------------------------------|
| <b>Governmental Activities:</b>  |                                    |                  |                     |                                    |                                  |
| Note payable                     | \$ -                               | \$ -             | \$ -                | \$ -                               | \$ -                             |
| Loan payable                     | 370,000                            | -                | (25,000)            | 345,000                            | 25,000                           |
| Deferred amount on:              |                                    |                  |                     |                                    |                                  |
| Premium on loan payable          | 16,970                             | -                | (1,542)             | 15,428                             | -                                |
| Capital leases                   | 50,070                             | -                | (24,688)            | 25,382                             | 25,382                           |
| Landfill post-closure payable    | 58,836                             | -                | -                   | 58,836                             | 10,000                           |
| Compensated absences             | 25,996                             | 25,921           | (20,914)            | 31,003                             | 15,000                           |
| Total Governmental activity      |                                    |                  |                     |                                    |                                  |
| Long-term liabilities            | <u>\$ 521,872</u>                  | <u>\$ 25,921</u> | <u>\$ (72,144)</u>  | <u>\$ 475,649</u>                  | <u>\$ 75,382</u>                 |
| <b>Business-Type Activities:</b> |                                    |                  |                     |                                    |                                  |
| Notes payable                    | \$ 4,007,269                       | \$ -             | \$ (209,919)        | \$ 3,797,350                       | \$ 210,047                       |
| Capital leases                   | 88,112                             | -                | (34,073)            | 54,039                             | 35,623                           |
| Compensated absences             | 4,892                              | 3,615            | (3,427)             | 5,080                              | 2,000                            |
| Total Business-type activity     |                                    |                  |                     |                                    |                                  |
| Long-term liabilities            | <u>\$ 4,100,273</u>                | <u>\$ 3,615</u>  | <u>\$ (247,419)</u> | <u>\$ 3,856,469</u>                | <u>\$ 247,670</u>                |

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

**Note 8. Long-Term Debt, Continued**

The following is a listing of notes and loans outstanding as of June 30, 2014:

**Loans and Notes Payable:**

**Governmental Activities:**

Loan payable to the Greater Arizona Development Authority (GADA), secured by future excise tax and state shared revenue, bearing interest at 2.375% to 5%, due in semi-annual principal and interest installments ranging from \$38,450 to \$42,850, maturing July 1, 2024. \$ 345,000

**Business-Type Activities:**

Sewer excise revenue loan payable to the Water Infrastructure Finance Authority of Arizona (WIFA), secured by all future sewer revenue, bearing interest at 2%, due in semi-annual principal and interest installments of approximately \$283,800, maturing July 1, 2028. 3,765,996

Water excise revenue loan payable to the Water Infrastructure Finance Authority of Arizona (WIFA), secured by all future water revenue, bearing interest at 3.143% due in semi-annual principal and interest installments of approximately \$4,495, maturing July 1, 2029. This loan was approved in July 2009 with a maximum principal balance of \$110,000, of which \$82,113 was drawn before the loan was closed. Of the amount drawn, \$44,000 is forgivable principal through ARRA assistance. 31,354

Total Loans and Notes Payable \$ 4,142,350

Debt service requirements to maturity, including WIFA draw downs available, are as follows:

| Years ending June 30: | Governmental Activities |                  | Business-Type Activities |                   |
|-----------------------|-------------------------|------------------|--------------------------|-------------------|
|                       | Principal               | Interest         | Principal                | Interest          |
| 2015                  | \$ 25,000               | \$ 15,975        | \$ 213,951               | \$ 75,917         |
| 2016                  | 25,000                  | 14,725           | 218,294                  | 71,575            |
| 2017                  | 25,000                  | 13,475           | 222,725                  | 67,143            |
| 2018                  | 30,000                  | 12,100           | 224,770                  | 62,621            |
| 2019                  | 30,000                  | 10,600           | 236,703                  | 58,132            |
| 2020-2024             | 170,000                 | 29,725           | 1,198,026                | 221,118           |
| 2025-2029             | 40,000                  | 850              | 1,482,881                | 96,427            |
|                       | <u>\$ 345,000</u>       | <u>\$ 97,450</u> | <u>\$ 3,797,350</u>      | <u>\$ 652,933</u> |

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

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**Note 9. Capital Leases Payable**

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The Town has entered into two lease agreements, which are considered capital leases in accordance with Generally Accepted Accounting Principles. The following is an annual schedule of future minimum lease payments together with the present value of the net minimum lease payments for the fiscal years ending June 30:

| June 30,  | Governmental<br>Activities | Business-type<br>Activities |
|---|----------------------------|-----------------------------|
| 2015  | \$ 26,000                  | \$ 37,659                   |
| 2016  | -                          | 18,829                      |
| Total remaining lease payments                        | 26,000                     | 56,488                      |
| Less: amount representing interest                    | (618)                      | (2,449)                     |
| Present value of net remaining minimum lease payments | \$ 25,382                  | \$ 54,039                   |

A summary of assets acquired through capital leases follows:

|                          | Governmental<br>Activities | Business-type<br>Activities |
|--------------------------|----------------------------|-----------------------------|
| Water system             | \$ -                       | \$ 300,000                  |
| Vehicles and equipment   | 91,010                     | -                           |
| Accumulated depreciation | (36,404)                   | (50,667)                    |
| Net total                | \$ 54,606                  | \$ 249,333                  |

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

**Note 10. 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<br>Other Funds | Due to<br>Other Funds |
|--------------|-------------------------|-----------------------|
| General Fund | \$ 192,622              | \$ -                  |
| Water Fund   | 272,293                 | -                     |
| Sewer Fund   | -                       | 464,915               |
|              | \$ 464,915              | \$ 464,915            |

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Residual balances outstanding between the governmental activities and the business-type activities are netted and reported in the government-wide financial statements as internal balances. The majority of the Sewer Fund amount due to other funds is not expected to be repaid within one year.

**Note 11. Retirement and Pension Plans**

**Plan Description** - The Town contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The system is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

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

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

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

**Funding Policy** - The Arizona State Legislature establishes and may amend active plan members' and the Town'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 (11.3 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the Town was required to contribute 11.54 percent (10.70 percent for retirement, 0.60 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

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

| Year Ended<br>June 30, | Retirement<br>Fund | Health Benefit<br>Supplement Fund | Long-Term<br>Disability Fund |
|------------------------|--------------------|-----------------------------------|------------------------------|
| 2012                   | \$ 75,055          | \$ 4,791                          | \$ 1,825                     |
| 2013                   | 73,729             | 4,676                             | 1,726                        |
| 2014                   | 75,941             | 4,258                             | 1,703                        |

**Firefighters' Relief and Pension Fund**

The Town of Taylor, Arizona Volunteer Firefighters' Relief and Pension Fund is a defined contribution pension plan administered by the Town and a board of trustees for the Town's volunteer firefighters.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. According to state statute, a volunteer firefighter who has served for 25 years or more or has reached 60 years of age and has served 20 years or more shall be eligible to receive a monthly retirement not to exceed \$150 per month, as determined by the board of trustees. Such pensions, if paid, may be increased or decreased in amount, or discontinued at the discretion of the board of trustees. Pension and relief benefits may only be paid from the income of the trust fund. However, a firefighter who leaves service without eligibility for retirement benefits is entitled to all previous deductions from his salary plus interest at a rate determined by the board of trustees. As established by state statute, in lieu of another acceptable pension plan, all volunteer firefighters must participate in the pension plan from the date they enter service.

No pension provision changes occurred during the year that affected the required contributions made by the Town or its voluntary firefighters.

The Firefighters' Relief and Pension Fund held no securities of the Town or other related parties during the fiscal year or as of the close of the fiscal year.

The State of Arizona is required by statute to contribute a portion of the annual tax received on fire insurance premiums. During the fiscal year ended June 30, 2014, the State's contribution was \$5,418.

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

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**Note 12. Risk Management**

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The Town 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 Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis.

The Arizona Municipal Risk Retention Pool is structured such that members 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 members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The Town is insured by Municipal Workers Compensation for potential worker related accidents.

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**Note 13. Related Party**

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During the fiscal year ended June 30, 2013, the Town also entered into a contract with Apache Underground & Excavating, LLC for the detention basin excavation project. The total payments to Apache Underground & Excavating, LLC for this project in fiscal year June 30, 2014 were \$52,223. The owner of Apache Underground & Excavating, LLC is serving on the Town Council. The awarded contract followed the required bidding procedures.

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**Note 14. Commitments and Contingencies**

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The Town is involved with various matters of litigation from year to year. It is the opinion of Town officials that these cases will either be handled by the Town's insurance coverage or that they will not have a material affect on the Town's financial condition. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town does not anticipate any such amounts.

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

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**Note 15.      Prior Period Adjustment**

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During fiscal year June 30, 2013 the Town responded to a wildland fire and submitted a reimbursement request to the State of Arizona for the costs. However, the Town did not accrue the revenue in fiscal year 2013. Accordingly, a prior period adjustment for \$20,659 is recorded in the grants fund and in the governmental activities to increase beginning fund balance and net position, respectively.

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## **TOWN OF TAYLOR, ARIZONA**

### **REQUIRED SUPPLEMENTARY INFORMATION**

#### **BUDGETARY COMPARISON SCHEDULES**

#### **FOR THE FOLLOWING MAJOR FUNDS:**

##### **General Fund – Detail Budget-to-Actual**

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

##### **Major Special Revenue Funds**

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

- **Highway User Revenue Fund** (Streets) – This fund is used to account for the Town’s share of motor fuel tax revenues which are set aside for the maintaining, repairing, and upgrading of streets.
- **Grants Fund** – This fund is used to account for federal and state grants and other contributions that are restricted for specific use.

**TOWN OF TAYLOR, ARIZONA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget & Actual**  
**For the Year Ended June 30, 2014**

|                                    | Budgeted Amounts |                  | Actual<br>Amounts | Variance with<br>Final Budget |
|------------------------------------|------------------|------------------|-------------------|-------------------------------|
|                                    | Original         | Final            |                   |                               |
| <b>REVENUES:</b>                   |                  |                  |                   |                               |
| <b>Taxes:</b>                      |                  |                  |                   |                               |
| Tax revenue                        | \$ 586,000       | \$ 586,000       | \$ 639,646        | \$ 53,646                     |
| Franchise tax                      | 67,000           | 67,000           | 64,905            | (2,095)                       |
| Total taxes                        | <u>653,000</u>   | <u>653,000</u>   | <u>704,551</u>    | <u>51,551</u>                 |
| <b>Licenses, permits and fees:</b> |                  |                  |                   |                               |
| Licenses and permits               | 1,500            | 1,500            | 1,957             | 457                           |
| Building permits                   | 9,000            | 9,000            | 11,253            | 2,253                         |
| Total licenses, permits and fees   | <u>10,500</u>    | <u>10,500</u>    | <u>13,210</u>     | <u>2,710</u>                  |
| <b>Intergovernmental:</b>          |                  |                  |                   |                               |
| Intergovernmental revenue          | 1,101,671        | 1,101,671        | 1,060,935         | (40,736)                      |
| Total intergovernmental            | <u>1,101,671</u> | <u>1,101,671</u> | <u>1,060,935</u>  | <u>(40,736)</u>               |
| <b>Charges for services:</b>       |                  |                  |                   |                               |
| Charges for services               | 663,700          | 663,700          | 660,160           | (3,540)                       |
| Total charges for services         | <u>663,700</u>   | <u>663,700</u>   | <u>660,160</u>    | <u>(3,540)</u>                |
| <b>Interest:</b>                   |                  |                  |                   |                               |
| Interest revenue                   | 1,000            | 1,000            | 564               | (436)                         |
| Total interest                     | <u>1,000</u>     | <u>1,000</u>     | <u>564</u>        | <u>(436)</u>                  |
| <b>Other revenues:</b>             |                  |                  |                   |                               |
| Miscellaneous                      | 289,000          | 289,000          | 64,660            | (224,340)                     |
| Total other revenues               | <u>289,000</u>   | <u>289,000</u>   | <u>64,660</u>     | <u>(224,340)</u>              |
| Total revenues                     | <u>2,718,871</u> | <u>2,718,871</u> | <u>2,504,080</u>  | <u>(214,791)</u>              |

(continued)

**TOWN OF TAYLOR, ARIZONA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget & Actual (Continued)**  
**For the Year Ended June 30, 2014**

|                                  | Budgeted Amounts     |                      | Actual<br>Amounts    | Variance with<br>Final Budget |
|----------------------------------|----------------------|----------------------|----------------------|-------------------------------|
|                                  | Original             | Final                |                      |                               |
| <b>EXPENDITURES:</b>             |                      |                      |                      |                               |
| <b>General government:</b>       |                      |                      |                      |                               |
| Mayor & council                  | 27,126               | 27,126               | 23,760               | 3,366                         |
| Administration                   | 285,000              | 285,000              | 319,262              | (34,262)                      |
| Non-departmental                 | 308,724              | 308,724              | 194,959              | 113,765                       |
| Cemetery                         | 20,950               | 20,950               | 20,383               | 567                           |
| Airport                          | 92,700               | 92,700               | 79,247               | 13,453                        |
| Total general government         | <u>734,500</u>       | <u>734,500</u>       | <u>637,611</u>       | <u>96,889</u>                 |
| <b>Public safety:</b>            |                      |                      |                      |                               |
| Code enforcement                 | 87,750               | 87,750               | 78,800               | 8,950                         |
| Judicial                         | 90,739               | 90,739               | 53,331               | 37,408                        |
| Fire                             | 140,250              | 140,250              | 125,594              | 14,656                        |
| Police                           | 814,905              | 814,905              | 814,905              | -                             |
| Ambulance                        | 551,300              | 551,300              | 564,874              | (13,574)                      |
| Total public safety              | <u>1,684,944</u>     | <u>1,684,944</u>     | <u>1,637,504</u>     | <u>47,440</u>                 |
| <b>Culture &amp; recreation:</b> |                      |                      |                      |                               |
| Parks & recreation               | 127,500              | 127,500              | 119,109              | 8,391                         |
| Special events                   | 65,000               | 65,000               | 39,870               | 25,130                        |
| Non-departmental                 | 20,000               | 20,000               | 20,522               | (522)                         |
| Total culture & recreation       | <u>212,500</u>       | <u>212,500</u>       | <u>179,501</u>       | <u>32,999</u>                 |
| <b>Debt service:</b>             |                      |                      |                      |                               |
| Principal                        | 30,000               | 30,000               | 25,000               | 5,000                         |
| Interest                         | 21,000               | 21,000               | 17,650               | 3,350                         |
| Total debt service               | <u>51,000</u>        | <u>51,000</u>        | <u>42,650</u>        | <u>8,350</u>                  |
| <br>Total expenditures           | <br><u>2,682,944</u> | <br><u>2,682,944</u> | <br><u>2,497,266</u> | <br><u>185,678</u>            |

(continued)

**TOWN OF TAYLOR, ARIZONA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget & Actual (Continued)**  
**For the Year Ended June 30, 2014**

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|  | Budgeted Amounts |            | Actual<br>Amounts | Variance with<br>Final Budget |
|--|------------------|------------|-------------------|-------------------------------|
|  | Original         | Final      |                   |                               |
| Excess (deficiency) of revenues<br>over (under) expenditures | 35,927           | 35,927     | 6,814             | (29,113)                      |
| Fund balance, beginning of year                              | 438,841          | 438,841    | 438,841           | -                             |
| Fund balance, end of year                                    | \$ 474,768       | \$ 474,768 | \$ 445,655        | \$ (29,113)                   |

**TOWN OF TAYLOR, ARIZONA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Highway User Revenue Special Revenue Fund**  
**Budget & Actual**  
**For the Year Ended June 30, 2014**

|  | Budgeted Amounts         |                          | Actual                   | Variance with<br>Final Budget |
|--|--------------------------|--------------------------|--------------------------|-------------------------------|
|  | Original                 | Final                    |                          |                               |
| <b>REVENUES:</b>   |                          |                          |                          |                               |
| Intergovernmental revenue                                    | \$ 465,689               | \$ 465,689               | \$ 475,772               | \$ 10,083                     |
| Other revenues   | 1,000                    | 1,000                    | 1,071                    | 71                            |
| Total revenue  | <u>466,689</u>           | <u>466,689</u>           | <u>476,843</u>           | <u>10,154</u>                 |
| <b>EXPENDITURES:</b>   |                          |                          |                          |                               |
| Salaries   | 78,000                   | 78,000                   | 101,233                  | (23,233)                      |
| Employee benefits  | 29,000                   | 29,000                   | 40,686                   | (11,686)                      |
| Services, supplies, and other                                | 359,689                  | 359,689                  | 80,575                   | 279,114                       |
| Capital outlay   | -                        | -                        | 46,009                   | (46,009)                      |
| Total expenditures   | <u>466,689</u>           | <u>466,689</u>           | <u>268,503</u>           | <u>198,186</u>                |
| Excess (deficiency) of revenues<br>over (under) expenditures | -                        | -                        | 208,340                  | 208,340                       |
| Fund balance, beginning of year                              | <u>513,592</u>           | <u>513,592</u>           | <u>513,592</u>           | <u>-</u>                      |
| Fund balance, end of year                                    | <u><u>\$ 513,592</u></u> | <u><u>\$ 513,592</u></u> | <u><u>\$ 721,932</u></u> | <u><u>\$ 208,340</u></u>      |

**TOWN OF TAYLOR, ARIZONA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Grants Special Revenue Fund**  
**Budget & Actual**  
**For the Year Ended June 30, 2014**

|  | <u>Budgeted Amounts</u>  |                          | <u>Actual</u>           | <u>Variance with<br/>Final Budget</u> |
|--|--------------------------|--------------------------|-------------------------|---------------------------------------|
|  | <u>Original</u>          | <u>Final</u>             |                         |                                       |
| <b>REVENUES:</b>   |                          |                          |                         |                                       |
| Intergovernmental revenue                                    | \$ 650,000               | \$ 650,000               | \$ 389,709              | \$ (260,291)                          |
| Total revenues   | <u>650,000</u>           | <u>650,000</u>           | <u>389,709</u>          | <u>(260,291)</u>                      |
| <b>EXPENDITURES:</b>   |                          |                          |                         |                                       |
| Public safety  | -                        | -                        | 34,710                  | (34,710)                              |
| Public works/streets   | <u>455,000</u>           | <u>455,000</u>           | <u>359,998</u>          | <u>95,002</u>                         |
| Total expenditures   | <u>455,000</u>           | <u>455,000</u>           | <u>394,708</u>          | <u>60,292</u>                         |
| Excess (deficiency) of revenues<br>over (under) expenditures | <u>195,000</u>           | <u>195,000</u>           | <u>(4,999)</u>          | <u>(199,999)</u>                      |
| Fund balance, beginning of year                              | 62,238                   | 62,238                   | 62,238                  | -                                     |
| Prior period adjustment                                      | <u>20,659</u>            | <u>20,659</u>            | <u>20,659</u>           | <u>-</u>                              |
| Fund balance, end of year                                    | <u><u>\$ 277,897</u></u> | <u><u>\$ 277,897</u></u> | <u><u>\$ 77,898</u></u> | <u><u>\$ (199,999)</u></u>            |

**TOWN OF TAYLOR, ARIZONA**  
**SUPPLEMENTARY INFORMATION**  
**COMBINING FINANCIAL STATEMENTS AND**  
**INDIVIDUAL FUND**  
**BUDGETARY COMPARISON SCHEDULES**  
**NONMAJOR 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.

- **LTAFFund** – This fund is used to account for the Town’s share of lottery proceeds which are set aside for transportation costs and the maintaining, repairing, and upgrading of streets.
- **Real Arizona Development Council Fund** – This fund is used to account for contributions and donations from the White Mountain area municipalities and businesses which are set aside for economic development.

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

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|                                     | Special Revenue |  |            |
|-------------------------------------|-----------------|--|------------|
|                                     | LTAF            | Real Arizona<br>Development<br>Council | Total      |
| <b>ASSETS:</b>                      |                 |  |            |
| Cash and cash equivalents           | \$ 161,524      | \$ -                                   | \$ 161,524 |
| Total assets                        | \$ 161,524      | \$ -                                   | \$ 161,524 |
| <b>LIABILITIES:</b>                 |                 |  |            |
| Accounts payable                    | \$ 3,000        | \$ -                                   | \$ 3,000   |
| Total liabilities                   | 3,000           | -                                      | 3,000      |
| <b>FUND BALANCES:</b>               |                 |  |            |
| Restricted:                         |                 |  |            |
| Highways and streets                | 158,524         | -                                      | 158,524    |
| Total fund balances                 | 158,524         | -                                      | 158,524    |
| Total liabilities and fund balances | \$ 161,524      | \$ -                                   | \$ 161,524 |

**TOWN OF TAYLOR, ARIZONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2014**

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|  | Special Revenue |  |            |
|--|-----------------|--|------------|
|  | LTAF            | Real Arizona<br>Development<br>Council | Total      |
| <b>REVENUES:</b>   |                 |  |            |
| Intergovernmental  | \$ 3,395        | \$ 10,048                              | \$ 13,443  |
| Contributions and donations                                  | -               | 23,000                                 | 23,000     |
| Total revenues   | 3,395           | 33,048                                 | 36,443     |
| <b>EXPENDITURES:</b>   |                 |  |            |
| Current:   |                 |  |            |
| Public works/streets   | 14,502          | -                                      | 14,502     |
| Economic development   | -               | 55,668                                 | 55,668     |
| Total expenditures   | 14,502          | 55,668                                 | 70,170     |
| Excess (deficiency) of revenues<br>over (under) expenditures | (11,107)        | (22,620)                               | (33,727)   |
| Fund balances, beginning of year                             | 169,631         | 22,620                                 | 192,251    |
| Fund balances, end of year                                   | \$ 158,524      | \$ -                                   | \$ 158,524 |

**TOWN OF TAYLOR, ARIZONA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**LTAf Special Revenue Fund**  
**Budget & Actual**  
**For the Year Ended June 30, 2014**

|  | Budgeted Amounts  |                   | Actual            | Variance with<br>Final Budget |
|--|-------------------|-------------------|-------------------|-------------------------------|
|  | Original          | Final             |                   |                               |
| <b>REVENUES:</b>   |                   |                   |                   |                               |
| Intergovernmental revenue                                    | \$ -              | \$ -              | \$ 3,395          | \$ 3,395                      |
| Total revenue  | -                 | -                 | 3,395             | 3,395                         |
| <b>EXPENDITURES:</b>   |                   |                   |                   |                               |
| Services, supplies, and other                                | 20,000            | 20,000            | 14,502            | 5,498                         |
| Total expenditures   | 20,000            | 20,000            | 14,502            | 5,498                         |
| Excess (deficiency) of revenues<br>over (under) expenditures | (20,000)          | (20,000)          | (11,107)          | 8,893                         |
| Fund balance, beginning of year                              | 169,631           | 169,631           | 169,631           | -                             |
| Fund balance, end of year                                    | <u>\$ 149,631</u> | <u>\$ 149,631</u> | <u>\$ 158,524</u> | <u>\$ 8,893</u>               |

**TOWN OF TAYLOR, ARIZONA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Real Arizona Development Council Special Revenue Fund**  
**Budget & Actual**  
**For the Year Ended June 30, 2014**

|  | Budgeted Amounts   |                    | Actual      | Variance with<br>Final Budget |
|--|--------------------|--------------------|-------------|-------------------------------|
|  | Original           | Final              |             |                               |
| <b>REVENUES:</b>   |                    |                    |             |                               |
| Intergovernmental revenue                                    | \$ -               | \$ -               | \$ 10,048   | \$ 10,048                     |
| Contributions  | -                  | -                  | 23,000      | 23,000                        |
| Total revenue  | -                  | -                  | 33,048      | 33,048                        |
| <b>EXPENDITURES:</b>   |                    |                    |             |                               |
| Economic development   | 35,000             | 35,000             | 55,668      | (20,668)                      |
| Total expenditures   | 35,000             | 35,000             | 55,668      | (20,668)                      |
| Excess (deficiency) of revenues<br>over (under) expenditures | (35,000)           | (35,000)           | (22,620)    | 12,380                        |
| Fund balance, beginning of year                              | 22,620             | 22,620             | 22,620      | -                             |
| Fund balance (deficit), end of year                          | <u>\$ (12,380)</u> | <u>\$ (12,380)</u> | <u>\$ -</u> | <u>\$ 12,380</u>              |

## STATISTICAL SECTION

This part of the Town of Taylor’s financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the government’s overall financial health.

| Contents  | Page |
|---|------|
| Financial Trends .....  | 61   |
| <i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>  |      |
| Revenue Capacity .....  | 67   |
| <i>These schedules contain information to help the reader assess the government’s most significant local revenues source, the sales tax.</i>  |      |
| Debt Capacity .....   | 69   |
| <i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>                    |      |
| Demographic and Economic Information .....  | 71   |
| <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>   |      |
| Operating Information .....   | 73   |
| <i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i> |      |

**Town of Taylor, Arizona**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
(Unaudited)

|   | Fiscal Year          |                      |                      |                      |                      |                      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | 2014                 | 2013                 | 2012                 | 2011                 | 2010                 | 2009                 | 2008                 | 2007                 | 2006                 | 2005                 |
| <b>Governmental activities</b>              |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 7,928,141         | \$ 7,999,457         | \$ 8,224,966         | \$ 8,788,510         | \$ 9,028,368         | \$ 7,358,150         | \$ 7,315,701         | \$ 6,328,064         | \$ 6,650,449         | \$ 5,255,733         |
| Restricted                                  | 879,133              | 767,047              | 1,683,268            | 1,533,935            | 1,421,531            | 1,287,791            | 1,938,800            | 2,101,683            | 1,906,530            | 1,665,592            |
| Unrestricted                                | 772,588              | 716,478              | 487,526              | 715,343              | 681,835              | 989,825              | 1,174,387            | 1,703,247            | 1,175,479            | 1,855,272            |
| Total governmental activities net position  | <u>\$ 9,579,862</u>  | <u>\$ 9,482,982</u>  | <u>\$ 10,395,760</u> | <u>\$ 11,037,788</u> | <u>\$ 11,131,734</u> | <u>\$ 9,635,766</u>  | <u>\$ 10,428,888</u> | <u>\$ 10,132,994</u> | <u>\$ 9,732,458</u>  | <u>\$ 8,776,597</u>  |
| <br>  |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Business-Type activities</b>             |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 3,527,577         | \$ 3,480,662         | \$ 3,427,260         | \$ 3,385,043         | \$ 3,534,460         | \$ 3,672,446         | \$ 3,672,058         | \$ 2,778,992         | \$ 2,715,643         | \$ 2,043,589         |
| Restricted                                  | 288,325              | 230,660              | 116,229              | 115,330              | 899                  | -                    | -                    | -                    | -                    | -                    |
| Unrestricted                                | (104,666)            | (184,183)            | (150,161)            | (169,119)            | (119,476)            | (95,224)             | (37,737)             | 217,184              | 183,703              | 218,531              |
| Total business-type activities net position | <u>\$ 3,711,236</u>  | <u>\$ 3,527,139</u>  | <u>\$ 3,393,328</u>  | <u>\$ 3,331,254</u>  | <u>\$ 3,415,883</u>  | <u>\$ 3,577,222</u>  | <u>\$ 3,634,321</u>  | <u>\$ 2,996,176</u>  | <u>\$ 2,899,346</u>  | <u>\$ 2,262,120</u>  |
| <br>  |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Primary government</b>                   |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 11,455,718        | \$ 11,480,119        | \$ 11,652,226        | \$ 12,173,553        | \$ 12,562,828        | \$ 11,030,596        | \$ 10,987,759        | \$ 9,107,056         | \$ 9,366,092         | \$ 7,299,322         |
| Restricted                                  | 1,167,458            | 997,707              | 1,799,497            | 1,649,265            | 1,422,430            | 1,287,791            | 1,938,800            | 2,101,683            | 1,906,530            | 1,665,592            |
| Unrestricted                                | 667,922              | 532,295              | 337,365              | 546,224              | 562,359              | 894,601              | 1,136,650            | 1,920,431            | 1,359,182            | 2,073,803            |
| Total primary government net position       | <u>\$ 13,291,098</u> | <u>\$ 13,010,121</u> | <u>\$ 13,789,088</u> | <u>\$ 14,369,042</u> | <u>\$ 14,547,617</u> | <u>\$ 13,212,988</u> | <u>\$ 14,063,209</u> | <u>\$ 13,129,170</u> | <u>\$ 12,631,804</u> | <u>\$ 11,038,717</u> |

**Town of Taylor, Arizona**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(accrual basis of accounting) - (unaudited)

|   | Fiscal Year    |                |                |                |              |                |                |                |              |                |
|---|----------------|----------------|----------------|----------------|--------------|----------------|----------------|----------------|--------------|----------------|
|   | 2014           | 2013           | 2012           | 2011           | 2010         | 2009           | 2008           | 2007           | 2006         | 2005           |
| <b>Expenses</b>                                 |                |                |                |                |              |                |                |                |              |                |
| Governmental activities:                        |                |                |                |                |              |                |                |                |              |                |
| General government                              | \$ 822,898     | \$ 821,915     | \$ 837,086     | \$ 796,110     | \$ 1,116,269 | \$ 1,204,911   | \$ 1,194,391   | \$ 1,419,190   | \$ 1,192,807 | \$ 1,470,729   |
| Public safety                                   | 1,712,991      | 1,869,293      | 1,784,738      | 1,673,450      | 1,676,716    | 1,956,754      | 2,111,519      | 1,514,523      | 1,250,347    | 916,457        |
| Public works/streets                            | 452,506        | 1,466,382      | 616,691        | 698,373        | 417,826      | 1,294,866      | 483,915        | 362,942        | 302,805      | 248,581        |
| Culture and recreation                          | 245,256        | 195,749        | 259,898        | 228,355        | 254,313      | 432,214        | 459,134        | 210,025        | 173,989      | 177,937        |
| Economic development                            | 55,668         | 43,666         | 29,666         | -              | -            | -              | 37,596         | 19,046         | -            | -              |
| Interest on long-term debt                      | 16,534         | 20,196         | 17,751         | 23,606         | 36,902       | 53,484         | 23,321         | 26,837         | -            | 3,411          |
| Total governmental activities expenses          | 3,305,853      | 4,417,201      | 3,545,830      | 3,419,894      | 3,502,026    | 4,942,229      | 4,309,876      | 3,552,563      | 2,919,948    | 2,817,115      |
| Business-type activities:                       |                |                |                |                |              |                |                |                |              |                |
| Water   | 307,113        | 317,537        | 297,542        | 372,208        | 405,625      | 373,327        | 345,180        | 332,093        | 352,647      | 287,122        |
| Sewer   | 492,689        | 496,170        | 487,715        | 526,959        | 601,592      | 392,085        | 204,117        | 189,184        | 120,348      | 112,239        |
| Total business-type activities expenses         | 799,802        | 813,707        | 785,257        | 899,167        | 1,007,217    | 765,412        | 549,297        | 521,277        | 472,995      | 399,361        |
| Total Expenses                                  | \$ 4,105,655   | \$ 5,230,908   | \$ 4,331,087   | \$ 4,319,061   | \$ 4,509,243 | \$ 5,707,641   | \$ 4,859,173   | \$ 4,073,840   | \$ 3,392,943 | \$ 3,216,476   |
| <b>Program Revenues</b>                         |                |                |                |                |              |                |                |                |              |                |
| Governmental activities:                        |                |                |                |                |              |                |                |                |              |                |
| Charges for services                            | \$ 683,320     | \$ 658,779     | \$ 685,509     | \$ 680,297     | \$ 599,871   | \$ 647,255     | \$ 729,463     | \$ 671,788     | \$ 581,914   | \$ 541,147     |
| Operating grants and contributions              | 558,169        | 541,355        | 616,620        | 727,764        | 552,764      | 755,520        | 712,603        | 715,779        | 595,946      | 815,809        |
| Capital grants and contributions                | 402,936        | 225,314        | 67,585         | 333,194        | 2,106,859    | 563,265        | 1,362,912      | 358,705        | 994,334      | 240,165        |
| Total governmental activities program revenues  | 1,644,425      | 1,425,448      | 1,369,714      | 1,741,255      | 3,259,494    | 1,966,040      | 2,804,978      | 1,746,272      | 2,172,194    | 1,597,121      |
| Business -type activities:                      |                |                |                |                |              |                |                |                |              |                |
| Charges for services:                           | 971,416        | 944,759        | 843,221        | 809,935        | 787,567      | 662,936        | 595,271        | 602,247        | 573,365      | 432,060        |
| Operating grants and contributions              | 5,440          | 2,450          | 2,850          | 600            | 6,500        | -              | -              | -              | -            | -              |
| Capital grants and contributions                | 7,000          | -              | 600            | 3,300          | 50,600       | 40,253         | 542,975        | -              | 522,990      | 413,748        |
| Other revenue (expense)                         | -              | -              | -              | -              | -            | -              | -              | -              | -            | -              |
| Total business-type activities program revenues | 983,856        | 947,209        | 846,671        | 813,835        | 844,667      | 703,189        | 1,138,246      | 602,247        | 1,096,355    | 845,808        |
| Total primary government program revenues       | \$ 2,628,281   | \$ 2,372,657   | \$ 2,216,385   | \$ 2,555,090   | \$ 4,104,161 | \$ 2,669,229   | \$ 3,943,224   | \$ 2,348,519   | \$ 3,268,549 | \$ 2,442,929   |
| Net/(expense) revenue                           |                |                |                |                |              |                |                |                |              |                |
| Governmental activities                         | \$ (1,661,428) | \$ (2,991,753) | \$ (2,176,116) | \$ (1,678,639) | \$ (242,532) | \$ (2,976,189) | \$ (1,504,898) | \$ (1,806,291) | \$ (747,754) | \$ (1,219,994) |
| Business-type activities                        | 184,054        | 133,502        | 61,414         | (85,332)       | (162,550)    | (62,223)       | 588,949        | 80,970         | 623,360      | 446,447        |
| Total primary government net expense            | \$ (1,477,374) | \$ (2,858,251) | \$ (2,114,702) | \$ (1,763,971) | \$ (405,082) | \$ (3,038,412) | \$ (915,949)   | \$ (1,725,321) | \$ (124,394) | \$ (773,547)   |

**Town of Taylor, Arizona**  
**Changes in Net Position (continued)**  
**Last Ten Fiscal Years**  
(accrual basis of accounting) - (unaudited)

|                                | Fiscal Year         |                       |                     |                     |                     |                     |                     |                     |                     |                     |
|--------------------------------|---------------------|-----------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|                                | 2014                | 2013                  | 2012                | 2011                | 2010                | 2009                | 2008                | 2007                | 2006                | 2005                |
| <b>General Revenues</b>        |                     |                       |                     |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities:       |                     |                       |                     |                     |                     |                     |                     |                     |                     |                     |
| Taxes                          |                     |                       |                     |                     |                     |                     |                     |                     |                     |                     |
| Sales taxes                    | \$ 639,646          | \$ 647,477            | \$ 587,223          | \$ 584,701          | \$ 618,295          | \$ 881,314          | \$ 836,269          | \$ 837,020          | \$ 683,839          | \$ 599,054          |
| Franchise taxes                | 64,905              | 63,372                | 66,991              | 66,773              | 67,121              | 70,713              | 64,228              | 68,510              | 50,506              | 45,542              |
| State shared sales taxes       | 357,920             | 336,575               | 321,313             | 313,738             | 300,880             | 326,209             | 376,806             | 855,190             | 675,293             | 586,188             |
| Auto lieu taxes                | 210,079             | 202,387               | 204,684             | 211,582             | 213,469             | 232,334             | 244,632             | 244,766             | 205,918             | 181,759             |
| State taxes - revenue sharing  | 458,335             | 420,032               | 347,056             | 399,064             | 529,353             | 612,133             | 576,993             | -                   | -                   | -                   |
| Investment earnings            | 564                 | 1,804                 | 2,100               | 2,238               | 4,869               | 31,514              | 130,076             | 179,100             | 119,963             | 70,096              |
| Miscellaneous                  | 6,200               | 37,328                | 4,721               | 6,597               | 4,513               | 28,849              | 14,201              | 22,241              | 43,810              | -                   |
| Sales of capital assets        | -                   | -                     | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Transfers                      | -                   | -                     | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Total governmental activities  | <u>\$ 1,737,649</u> | <u>\$ 1,708,975</u>   | <u>\$ 1,534,088</u> | <u>\$ 1,584,693</u> | <u>\$ 1,738,500</u> | <u>\$ 2,183,066</u> | <u>\$ 2,243,205</u> | <u>\$ 2,206,827</u> | <u>\$ 1,779,329</u> | <u>\$ 1,482,639</u> |
| Business-type activities:      |                     |                       |                     |                     |                     |                     |                     |                     |                     |                     |
| Investment earnings            | \$ 43               | \$ 309                | \$ 660              | \$ 703              | \$ 1,210            | \$ 5,126            | \$ 15,308           | \$ 15,860           | \$ 13,866           | \$ 7,069            |
| Transfers                      | -                   | -                     | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Total business-type activities | <u>43</u>           | <u>309</u>            | <u>660</u>          | <u>703</u>          | <u>1,210</u>        | <u>5,126</u>        | <u>15,308</u>       | <u>15,860</u>       | <u>13,866</u>       | <u>7,069</u>        |
| Total primary government       | <u>1,737,692</u>    | <u>1,709,284</u>      | <u>1,534,748</u>    | <u>1,585,396</u>    | <u>1,739,710</u>    | <u>2,188,192</u>    | <u>2,258,513</u>    | <u>2,222,687</u>    | <u>1,793,195</u>    | <u>1,489,708</u>    |
| <b>Change in Net Position</b>  |                     |                       |                     |                     |                     |                     |                     |                     |                     |                     |
| Governmental activities        | \$ 76,221           | \$ (1,282,778)        | \$ (642,028)        | \$ (93,946)         | \$ 1,495,968        | \$ (793,123)        | \$ 738,307          | \$ 400,536          | \$ 1,031,575        | \$ 262,645          |
| Business-type activities       | 184,097             | 133,811               | 62,074              | (84,629)            | (161,340)           | (57,097)            | 604,257             | 96,830              | 637,226             | 453,516             |
| Total change in Net Position   | <u>\$ 260,318</u>   | <u>\$ (1,148,967)</u> | <u>\$ (579,954)</u> | <u>\$ (178,575)</u> | <u>\$ 1,334,628</u> | <u>\$ (850,220)</u> | <u>\$ 1,342,564</u> | <u>\$ 497,366</u>   | <u>\$ 1,668,801</u> | <u>\$ 716,161</u>   |

**Town of Taylor, Arizona**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(Unaudited)

|   | Fiscal Year       |                   |                     |                     |                     |                     |                     |                     |                     |                     |
|---|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
|   | 2014              | 2013              | 2012                | 2011                | 2010                | 2009                | 2008                | 2007                | 2006                | 2005                |
| General fund                              |                   |                   |                     |                     |                     |                     |                     |                     |                     |                     |
| Non-Spendable                             | \$ 16,307         | \$ 10,669         | \$ 21,182           | \$ 12,841           | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                |
| Restricted                                | -                 | -                 | 1,735               | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Assigned                                  | 26,923            | 14,181            | 41,163              | 30,297              | -                   | -                   | -                   | -                   | -                   | -                   |
| Unassigned                                | 402,425           | 413,991           | 467,101             | 571,498             | 682,060             | 982,855             | 1,173,285           | 1,300,188           | 1,307,880           | 1,401,325           |
| <b>Total general fund</b>                 | <b>\$ 445,655</b> | <b>\$ 438,841</b> | <b>\$ 531,181</b>   | <b>\$ 614,636</b>   | <b>\$ 682,060</b>   | <b>\$ 982,855</b>   | <b>\$ 1,173,285</b> | <b>\$ 1,300,188</b> | <b>\$ 1,307,880</b> | <b>\$ 1,401,325</b> |
| All other governmental funds              |                   |                   |                     |                     |                     |                     |                     |                     |                     |                     |
| Nonspendable                              | \$ 1,323          | \$ 1,034          | \$ 3,415            | \$ 2,895            | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                |
| Restricted                                | 879,133           | 704,809           | 1,511,643           | 1,533,935           | 1,421,532           | 1,287,791           | 1,938,800           | 1,905,025           | 1,720,961           | 1,492,131           |
| Assigned                                  | 77,898            | 62,238            | 171,625             | 141,367             | -                   | -                   | -                   | -                   | -                   | -                   |
| Unassigned                                | -                 | -                 | -                   | -                   | 39,590              | 50,161              | 33,895              | 196,922             | 368,345             | 690,928             |
| <b>Total all other governmental funds</b> | <b>\$ 958,354</b> | <b>\$ 768,081</b> | <b>\$ 1,686,683</b> | <b>\$ 1,678,197</b> | <b>\$ 1,461,122</b> | <b>\$ 1,337,952</b> | <b>\$ 1,972,695</b> | <b>\$ 2,101,947</b> | <b>\$ 2,089,306</b> | <b>\$ 2,183,059</b> |

**Town of Taylor, Arizona**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(Unaudited)

|  | Fiscal Year      |                       |                    |                   |                     |                     |                     |                    |                     |                     |
|--|------------------|-----------------------|--------------------|-------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|
|  | 2014             | 2013                  | 2012               | 2011              | 2010                | 2009                | 2008                | 2007               | 2006                | 2005                |
| <b>Revenues</b>  |                  |                       |                    |                   |                     |                     |                     |                    |                     |                     |
| Sales Taxes  | \$ 639,646       | \$ 647,477            | \$ 587,223         | \$ 584,701        | \$ 618,295          | \$ 881,314          | \$ 836,269          | \$ 837,020         | \$ 683,839          | \$ 599,054          |
| Franchise taxes  | 64,905           | 63,372                | 66,991             | 66,773            | 67,121              | 70,713              | 64,228              | 68,510             | 50,506              | 45,542              |
| Licenses and permits                                     | 13,210           | 10,224                | 13,711             | 17,687            | 13,876              | 37,659              | 56,026              | 79,059             | 77,684              | 45,128              |
| Intergovernmental  | 1,939,859        | 1,642,812             | 1,480,474          | 1,889,945         | 3,537,022           | 2,439,076           | 2,487,210           | 2,168,425          | 1,918,623           | 1,817,921           |
| Charges for services                                     | 660,160          | 630,865               | 660,592            | 595,728           | 515,035             | 548,068             | 610,393             | 592,729            | 504,225             | 495,902             |
| Fines and forfeitures                                    | -                | -                     | -                  | 55,882            | 2,626               | 4,545               | 4,188               | -                  | -                   | -                   |
| Interest revenue   | 564              | 1,804                 | 2,100              | 2,238             | 4,869               | 31,514              | 130,076             | 179,100            | 119,963             | 70,096              |
| Contributions and donations                              | 23,000           | 20,500                | 35,500             | -                 | -                   | -                   | -                   | 6,015              | 100                 | 6,000               |
| Other revenues   | 65,731           | 117,368               | 57,210             | 112,995           | 239,151             | 136,217             | 138,632             | 22,241             | 43,815              | 117                 |
| <b>Total revenues</b>                                    | <b>3,407,075</b> | <b>3,134,422</b>      | <b>2,903,801</b>   | <b>3,325,949</b>  | <b>4,997,995</b>    | <b>4,149,106</b>    | <b>4,327,022</b>    | <b>3,953,099</b>   | <b>3,398,755</b>    | <b>3,079,760</b>    |
| <b>Expenditures</b>                                      |                  |                       |                    |                   |                     |                     |                     |                    |                     |                     |
| Current:   |                  |                       |                    |                   |                     |                     |                     |                    |                     |                     |
| General government                                       | 637,611          | 578,265               | 534,015            | 642,648           | 695,180             | 851,346             | 907,618             | 1,340,110          | 1,505,395           | 1,352,797           |
| Public safety  | 1,672,214        | 1,885,528             | 1,690,933          | 1,598,290         | 1,545,192           | 2,059,896           | 2,125,376           | 1,701,264          | 1,581,682           | 1,112,415           |
| Public works/streets                                     | 596,994          | 1,288,987             | 426,182            | 609,957           | 2,399,727           | 1,479,891           | 844,278             | 520,255            | 374,034             | 693,436             |
| Culture and recreation                                   | 179,501          | 230,260               | 198,534            | 159,923           | 184,059             | 361,040             | 480,087             | 274,443            | 124,842             | 187,191             |
| Economic development                                     | 55,668           | 43,666                | 29,666             | -                 | -                   | -                   | 37,596              | 19,046             | -                   | -                   |
| Debt service:  |                  |                       |                    |                   |                     |                     |                     |                    |                     |                     |
| Principal retirement                                     | 25,000           | 25,523                | 40,615             | 53,487            | 52,070              | 28,501              | 20,000              | 123,035            | -                   | 100,000             |
| Interest on long-term debt                               | 17,650           | 19,628                | 21,536             | 23,765            | 25,991              | 25,484              | 22,088              | 28,380             | -                   | 3,411               |
| Capital outlay   | 46,009           | 73,507                | 37,289             | 88,228            | 273,400             | 168,122             | 252,320             | -                  | -                   | -                   |
| <b>Total expenditures</b>                                | <b>3,230,647</b> | <b>4,145,364</b>      | <b>2,978,770</b>   | <b>3,176,298</b>  | <b>5,175,619</b>    | <b>4,974,280</b>    | <b>4,689,363</b>    | <b>4,006,533</b>   | <b>3,585,953</b>    | <b>3,449,250</b>    |
| <b>Excess (Deficiency) of Revenues over expenditures</b> | <b>\$176,428</b> | <b>\$ (1,010,942)</b> | <b>\$ (74,969)</b> | <b>\$ 149,651</b> | <b>\$ (177,624)</b> | <b>\$ (825,174)</b> | <b>\$ (362,341)</b> | <b>\$ (53,434)</b> | <b>\$ (187,198)</b> | <b>\$ (369,490)</b> |

**Town of Taylor, Arizona**  
**Changes in Fund Balances of Governmental Funds (continued)**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(Unaudited)

|  | Fiscal Year      |                      |                    |                   |                     |                     |                     |                    |                     |                     |
|--|------------------|----------------------|--------------------|-------------------|---------------------|---------------------|---------------------|--------------------|---------------------|---------------------|
|  | 2013             | 2013                 | 2012               | 2011              | 2010                | 2009                | 2008                | 2007               | 2006                | 2005                |
| <b>Other financing sources (uses)</b>                          |                  |                      |                    |                   |                     |                     |                     |                    |                     |                     |
| Transfers in   | \$ -             | \$ -                 | \$ -               | \$ 5,487          | \$ 41,862           | \$ 31,874           | \$ -                | \$ -               | \$ -                | \$ -                |
| Transfers (out)  | -                | -                    | -                  | (5,487)           | (41,862)            | (31,874)            | -                   | -                  | -                   | -                   |
| Total other financing sources (uses)                           | -                | -                    | -                  | -                 | -                   | -                   | -                   | -                  | -                   | -                   |
| <b>Net change in fund balances</b>                             | <b>\$176,428</b> | <b>(\$1,010,942)</b> | <b>\$ (74,969)</b> | <b>\$ 149,651</b> | <b>\$ (177,624)</b> | <b>\$ (825,174)</b> | <b>\$ (362,341)</b> | <b>\$ (53,434)</b> | <b>\$ (187,198)</b> | <b>\$ (369,490)</b> |
| <b>Debt service as a percentage of noncapital expenditures</b> | <b>1.34%</b>     | <b>1.11%</b>         | <b>2.11%</b>       | <b>2.50%</b>      | <b>1.59%</b>        | <b>1.12%</b>        | <b>0.95%</b>        | <b>3.78%</b>       | <b>0.00%</b>        | <b>3.00%</b>        |

**Town of Taylor, Arizona**  
**Governmental Activities Tax Revenues by Source**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
(Unaudited)

| <b>Fiscal<br/>Year</b> | <b>State Shared<br/>Sales<br/>Tax</b> | <b>City<br/>Sales<br/>Tax</b> | <b>Franchise<br/>Tax</b> | <b>Auto Lieu<br/>Tax</b> | <b>State Shared<br/>Income<br/>Tax</b> |
|------------------------|---------------------------------------|-------------------------------|--------------------------|--------------------------|--|
| 2014                   | \$ 357,920                            | \$ 639,646                    | \$ 64,905                | \$ 210,079               | \$ 458,335                             |
| 2013                   | 336,575                               | 647,477                       | 63,372                   | 202,387                  | 420,032                                |
| 2012                   | 321,313                               | 587,223                       | 66,991                   | 204,684                  | 347,056                                |
| 2011                   | 313,738                               | 584,701                       | 66,773                   | 211,582                  | 399,064                                |
| 2010                   | 300,880                               | 618,295                       | 67,121                   | 213,469                  | 529,353                                |
| 2009                   | 326,209                               | 881,314                       | 70,713                   | 232,334                  | 612,133                                |
| 2008                   | 376,806                               | 836,269                       | 64,228                   | 244,632                  | 576,993                                |
| 2007                   | 389,694                               | 837,020                       | 68,510                   | 244,766                  | 465,496                                |
| 2006                   | 342,768                               | 683,839                       | 50,506                   | 205,918                  | 332,525                                |
| 2005                   | 268,273                               | 599,054                       | 45,542                   | 181,759                  | 291,962                                |

**Town of Taylor, Arizona**  
**Local Sales Tax Revenue by Industry**  
**Last Five Fiscal Years**  
(Unaudited)

|                                  | Fiscal Year       |               |                   |               |                   |               |                   |               |                   |               |
|----------------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
|                                  | 2014              |               | 2013              |               | 2012              |               | 2011              |               | 2010              |               |
|                                  | Collections       | % of Total    |
| Mining                           | \$ 14,408         | 2.3%          | \$ 13,341         | 2.1%          | \$ 12,047         | 2.1%          | \$ 10,178         | 1.7%          | \$ 11,796         | 1.9%          |
| Communication and Utilities      | 19,527            | 3.1%          | 15,180            | 2.3%          | 16,956            | 2.9%          | 14,567            | 2.5%          | 11,074            | 1.8%          |
| Construction                     | 58,219            | 9.1%          | 90,836            | 14.0%         | 36,173            | 6.2%          | 36,097            | 6.2%          | 102,328           | 16.6%         |
| Manufacturing                    | 10,627            | 1.7%          | 9,068             | 1.4%          | 8,873             | 1.5%          | 8,461             | 1.4%          | 8,684             | 1.4%          |
| Retail                           | 399,683           | 62.5%         | 378,258           | 58.4%         | 371,310           | 63.2%         | 352,850           | 60.3%         | 324,365           | 52.5%         |
| Real Estate Leasing              | 22,909            | 3.6%          | 22,486            | 3.5%          | 22,471            | 3.8%          | 28,988            | 5.0%          | 32,644            | 5.3%          |
| Restaurant and Bar Accommodation | 75,264            | 11.8%         | 78,117            | 12.1%         | 81,235            | 13.8%         | 84,617            | 14.5%         | 76,195            | 12.3%         |
| Services                         | -                 | 0.0%          | -                 | 0.0%          | 1,433             | 0.2%          | -                 | 0.0%          | -                 | 0.0%          |
| Other                            | 23,163            | 3.6%          | 23,333            | 3.6%          | 20,414            | 3.5%          | 28,802            | 4.9%          | 29,992            | 4.9%          |
|                                  | 15,847            | 2.5%          | 16,858            | 2.6%          | 16,333            | 2.8%          | 20,142            | 3.4%          | 21,217            | 3.4%          |
| Total                            | <u>\$ 639,646</u> | <u>100.0%</u> | <u>\$ 647,477</u> | <u>100.0%</u> | <u>\$ 587,244</u> | <u>100.0%</u> | <u>\$ 584,701</u> | <u>100.0%</u> | <u>\$ 618,295</u> | <u>100.0%</u> |

Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the Town's local sales tax revenues.

**Town of Taylor, Arizona**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(Unaudited)

| Fiscal Year | Governmental Activities        |                   | Business-Type Activities |                   | Total Debt<br>Primary<br>Government | Percentage<br>of Personal<br>Income (1) | Debt<br>Per<br>Capita (2) |
|-------------|--------------------------------|-------------------|--------------------------|-------------------|-------------------------------------|---|---------------------------|
|             | General<br>Obligation<br>Bonds | Capital<br>Leases | Revenue<br>Bonds         | Capital<br>Leases |                                     |   |                           |
| 2014        | \$ 345,000                     | \$ 25,382         | \$ 3,797,350             | \$ 54,039         | \$ 3,797,350                        | 6.02%                                   | \$ 909                    |
| 2013        | 370,000                        | 50,070            | 4,007,269                | 88,112            | 4,007,269                           | 5.80%                                   | 974                       |
| 2012        | 390,000                        | -                 | 4,205,119                | 120,702           | 4,205,119                           | 6.86%                                   | 1,024                     |
| 2011        | 410,000                        | -                 | 4,403,003                | 151,874           | 4,403,003                           | 7.00%                                   | 1,072                     |
| 2010        | 430,000                        | 23,687            | 4,488,113                | 181,689           | 4,488,113                           | 7.88%                                   | 1,091                     |
| 2009        | 450,000                        | 46,577            | 3,958,550                | 210,206           | 3,958,550                           | 6.74%                                   | 949                       |
| 2008        | 470,000                        | 93,150            | 153,557                  | 237,478           | 153,557                             | 0.29%                                   | 37                        |
| 2007        | 475,000                        | 138,066           | 129,004                  | 263,567           | 129,004                             | 0.25%                                   | 32                        |
| 2006        | 495,000                        | 173,676           | 117,470                  | 288,521           | 117,470                             | 0.23%                                   | 29                        |
| 2005        | 505,000                        | 254,212           | 71,036                   | -                 | 71,036                              | 0.14%                                   | 18                        |

(1) See the schedule of Demographic and Economic Statistics on page 71 for personal income and population data.

(2) Population numbers are based on Arizona Department of Economic Security estimated amounts.

**Town of Taylor, Arizona**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
(Unaudited)

|                                    | Fiscal Year   |               |               |               |               |               |               |               |               |               |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                    | 2014          | 2013          | 2012          | 2011          | 2010          | 2009          | 2008          | 2007          | 2006          | 2005          |
| Secondary assessed valuation       | \$ 15,423,954 | \$ 17,565,157 | \$ 20,117,862 | \$ 22,233,252 | \$ 25,422,501 | \$ 25,525,054 | \$ 21,603,118 | \$ 18,256,858 | \$ 16,265,191 | \$ 14,994,966 |
| Debt limit @ 20%                   | 3,084,791     | 3,513,031     | 4,023,572     | 4,446,650     | 5,084,500     | 5,105,011     | 4,320,624     | 3,651,372     | 3,253,038     | 2,998,993     |
| Debt limit @ 6%                    | 925,437       | 1,053,909     | 1,207,072     | 1,333,995     | 1,525,350     | 1,531,503     | 1,296,187     | 1,095,411     | 975,911       | 899,698       |
| Total net debt applicable to limit | -             | -             | -             | -             | -             | -             | -             | -             | -             | -             |
| Legal debt margin @ 20%            | 3,084,791     | 3,513,031     | 4,023,572     | 4,446,650     | 5,084,500     | 5,105,011     | 4,320,624     | 3,651,372     | 3,253,038     | 2,998,993     |
| Legal debt margin @ 6%             | 925,437       | 1,053,909     | 1,207,072     | 1,333,995     | 1,525,350     | 1,531,503     | 1,296,187     | 1,095,411     | 975,911       | 899,698       |

For statutory purposes, the Town's outstanding revenue bonds are not considered general obligation bonds subject to the statutory limits listed above because the Town's bonds outstanding at June 30, 2014, were secured by sales taxes, and pledged excise tax revenues, rather than property taxes.

**Town of Taylor, Arizona**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**  
(Unaudited)

| <b>Fiscal Year</b> | <b>Estimated Population</b> | <b>Median Household Income</b> | <b>Per Capita Personal Income</b> | <b>Total Personal Income</b> | <b>Unemployment Rate</b> | <b>Public School Enrollment</b> |
|--------------------|-----------------------------|--------------------------------|-----------------------------------|------------------------------|--------------------------|---------------------------------|
| 2014               | 4,178                       | \$ 42,500                      | \$ 15,100                         | \$ 63,087,800                | 14.6%                    | 2,553                           |
| 2013               | 4,115                       | 53,384                         | 16,796                            | 69,115,540                   | 15.2%                    | 2,412                           |
| 2012               | 4,106                       | 45,894                         | 14,923                            | 61,273,838                   | 15.3%                    | 2,436                           |
| 2011               | 4,107                       | 42,374                         | 15,324                            | 62,935,668                   | 15.8%                    | 2,494                           |
| 2010               | 4,112                       | 37,439                         | 13,850                            | 56,951,200                   | 15.9%                    | 2,494                           |
| 2009               | 4,170                       | 38,262                         | 14,080                            | 58,713,600                   | 15.1%                    | 2,471                           |
| 2008               | 4,140                       | 37,439                         | 12,985                            | 53,757,900                   | 9.8%                     | 2,487                           |
| 2007               | 4,056                       | 34,110                         | 12,854                            | 52,135,824                   | 6.2%                     | 2,425                           |
| 2006               | 4,039                       | 32,650                         | 12,740                            | 51,456,860                   | 7.2%                     | 2,413                           |
| 2005               | 3,913                       | 31,155                         | 12,650                            | 49,499,450                   | 8.0%                     | 2,406                           |

Source: US Census Bureau, Arizona Department of Economic Security, and US Department of Commerce, Arizona Office of Employment and Population Statistics.

**Town of Taylor, Arizona**  
**Principle Employers**  
**Current Year and Ten Years Ago**  
(Unaudited)

| <u>Employers</u>                   | <u>2014</u>      |   | <u>2005</u>      |   |
|------------------------------------|------------------|---|------------------|---|
|                                    | <u>Employees</u> | <u>Percentage<br/>of Total<br/>Employment</u> | <u>Employees</u> | <u>Percentage<br/>of Total<br/>Employment</u> |
| Summit Regional Medical Center     | 855              | 3.28%   | 500              | 1.82%   |
| Northland Pioneer College          | 545              | 2.09%   | 175              | 0.64%   |
| Navajo County                      | 765              | 2.93%   | 425              | 1.55%   |
| Wal-Mart                           | 320              | 1.23%   | 761              | 2.77%   |
| Peabody Energy                     | 320              | 1.23%   | 250              | 0.91%   |
| Hon-Dah Casino                     | 305              | 1.17%   | 400              | 1.46%   |
| Show Low Unified School District   | 230              | 0.88%   | 250              | 0.91%   |
| Arizona Public Service             | 220              | 0.84%   | 287              | 1.05%   |
| Blue Ridge Unified School District | 210              | 0.80%   | 195              | 0.71%   |
| PFFJ                               | 140              | 0.54%   | 142              | 0.52%   |
| Total                              | <u>3,910</u>     | <u>14.98%</u>                                 | <u>3,385</u>     | <u>12.33%</u>                                 |
| Total Employment                   | <u>26,100</u>    |   | <u>27,450</u>    |   |

Source: Estimates of various employers and sources.

The principle employers represent a county-wide employment base, because the Town operates in a rural area and most employers are based outside the Town limits.

**Town of Taylor, Arizona**  
**Full Time Equivalent Town Employees by Function**  
**Last Ten Fiscal Years**

|                      | Full Time Equivalent Employees |      |      |      |      |      |      |      |      |      |
|----------------------|--------------------------------|------|------|------|------|------|------|------|------|------|
|                      | 2014                           | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| General government   | 5                              | 5    | 6    | 6    | 6    | 9    | 8.5  | 7.5  | 7.5  | 7    |
| Public safety        |                                |      |      |      |      |      |      |      |      |      |
| Ambulance            |                                |      |      |      |      |      |      |      |      |      |
| Full-time            | 4.5                            | 4.5  | 4.5  | 4.5  | 5    | 5    | 5    | 5    | 5    | 5    |
| Part-time            | 12                             | 13   | 13   | 15   | 15   | 15   | 15   | 15   | 15   | 15   |
| Fire                 |                                |      |      |      |      |      |      |      |      |      |
| Full-time            | 0.5                            | 0.5  | 0.5  | 1.5  | 2    | 2    | 1.5  | 1.5  | 1.5  | 1    |
| Volunteers           | 15                             | 15   | 16   | 18   | 20   | 20   | 20   | 20   | 18   | 16   |
| Highways and streets | 1                              | 1    | 1    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| Parks Maintenance    | 2                              | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    | 2    |
| Water                | 2                              | 1.5  | 1    | 2    | 2    | 2    | 1    | 1    | 1    | 1    |
| Sewer                | 2                              | 1.5  | 1    | 2    | 2    | 2    | 1    | 1    | 1    | 1    |
| Total                | 44                             | 44   | 45   | 53   | 56   | 59   | 56   | 55   | 53   | 50   |

Source: Various departments

**Town of Taylor, Arizona  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years**

|                          | Fiscal Year |      |      |      |      |      |      |      |      |      |
|--------------------------|-------------|------|------|------|------|------|------|------|------|------|
|                          | 2014        | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 |
| Public safety            |             |      |      |      |      |      |      |      |      |      |
| Fire stations            | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Highways and streets     |             |      |      |      |      |      |      |      |      |      |
| Streetlights             | 375         | 375  | 375  | 375  | 375  | 375  | 375  | 370  | 357  | 350  |
| Lift stations            | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Signalized intersections | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Recreation and parks     |             |      |      |      |      |      |      |      |      |      |
| Park areas               | 4           | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    | 4    |
| Cemeterys                | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |
| Water and wastewater     |             |      |      |      |      |      |      |      |      |      |
| Well sites               | 5           | 5    | 5    | 5    | 5    | 5    | 4    | 4    | 4    | 4    |
| Treatment facilities     | 2           | 2    | 2    | 2    | 2    | 1    | 1    | 1    | 1    | 1    |
| Airport                  |             |      |      |      |      |      |      |      |      |      |
| Runways                  | 1           | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    |

Source: Various departments

**Town of Taylor, Arizona**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

|                             | Fiscal Year |       |       |       |       |       |       |       |       |       |
|-----------------------------|-------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                             | 2014        | 2013  | 2012  | 2011  | 2010  | 2009  | 2008  | 2007  | 2006  | 2005  |
| Public safety               |             |       |       |       |       |       |       |       |       |       |
| Ambulance calls for service | 900         | 985   | 927   | 970   | 844   | 816   | 865   | 834   | 736   | 720   |
| Fire calls for service      | 125         | 159   | 157   | 161   | 117   | 185   | 228   | 261   | 174   | 202   |
| Building & Safety           |             |       |       |       |       |       |       |       |       |       |
| New Construction Permits    | 2           | 1     | 3     | 1     | 2     | 5     | 21    | 51    | 58    | 47    |
| Recreation and parks        |             |       |       |       |       |       |       |       |       |       |
| Participants                | 4,400       | 4,700 | 4,720 | 4,510 | 4,250 | 4,110 | 4,055 | 3,990 | 4,130 | 4,080 |
| Water and wastewater        |             |       |       |       |       |       |       |       |       |       |
| Water connects              | 5           | 3     | 4     | 2     | 8     | 14    | 29    | 46    | 36    | 32    |
| Sewer connects              | 1           | -     | 2     | 1     | 2     | 9     | 31    | 52    | 26    | 27    |
| Airport                     |             |       |       |       |       |       |       |       |       |       |
| Runway Activities           | 720         | 760   | 776   | 803   | 815   | 1,410 | 1,372 | 1,306 | 1,282 | 1,275 |

Source: Various departments

**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**

**Independent Auditor's 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 Taylor, Arizona

We have audited, in accordance with the auditing standards accepted in the United States of America and the standards applicable to the 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 Taylor, 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 Taylor, Arizona's, basic financial statements, and have issued our report thereon dated December 22, 2014.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Taylor, Arizona's financial statements are free of 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**

This 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 22, 2014

## Independent Auditors' Report on State Legal Compliance

The Honorable Mayor and  
Town Council  
Taylor, Arizona

We have audited the basic financial statements of the Town of Taylor, Arizona for the year ended June 30, 2014, and have issued our report thereon dated December 22, 2014. Our audit also included test work on the Town of Taylor'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 Taylor 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 Taylor has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the Town of Taylor 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 Taylor 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.

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC  
Flagstaff, Arizona  
December 22, 2014