

*Town of Taylor, Arizona*  
*Comprehensive Annual Financial Report*



*For The Fiscal Year Ended*  
*June 30, 2015*



Prepared by: Finance Department

# TOWN OF TAYLOR

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December 15, 2015

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, 2015. 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, 2015. 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 2, 2014. The Town Council adopted the final budget for the fiscal year on August 6, 2014. 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 electricity generation, a regional healthcare facility and a pork production operation.

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.

However, in July 2015, ground was broken on a major commercial development project that includes a Wal-Mart Supercenter and 5 out lots for other restaurant/retail space. The future is bright for local sales tax collections.

## **Capital Projects**

Town staff and community volunteers installed a much needed addition to the Town's rodeo park facility by installing additional bleachers to seat more than 1,600 additional spectators. This is about a 30% seating capacity increase for summer events (including the Town's annual 4<sup>th</sup> of July Night Rodeo) that consistently exceeded previous capacity. The \$80,000 project was paid for with dedicated surplus funds from the Town's Special Events Committee as well as general fund monies.

## **Long-term Financial Planning**

The Town practices a very conservative fiscal approach to meeting the demands for service of the community. Resources are spent maintaining and improving the assets that are currently in place. A main priority of the Town Council and management has been to focus on operating within annual incomes and setting aside reserves while not needing to undergo financing of capital needs.

## **Awards and Acknowledgements**

This is the second 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 were pleased to receive the award last year in our first attempt and believe that our current CAFR meets the Certificate of Achievement Program's requirements and 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, 2015**

Elected Officials

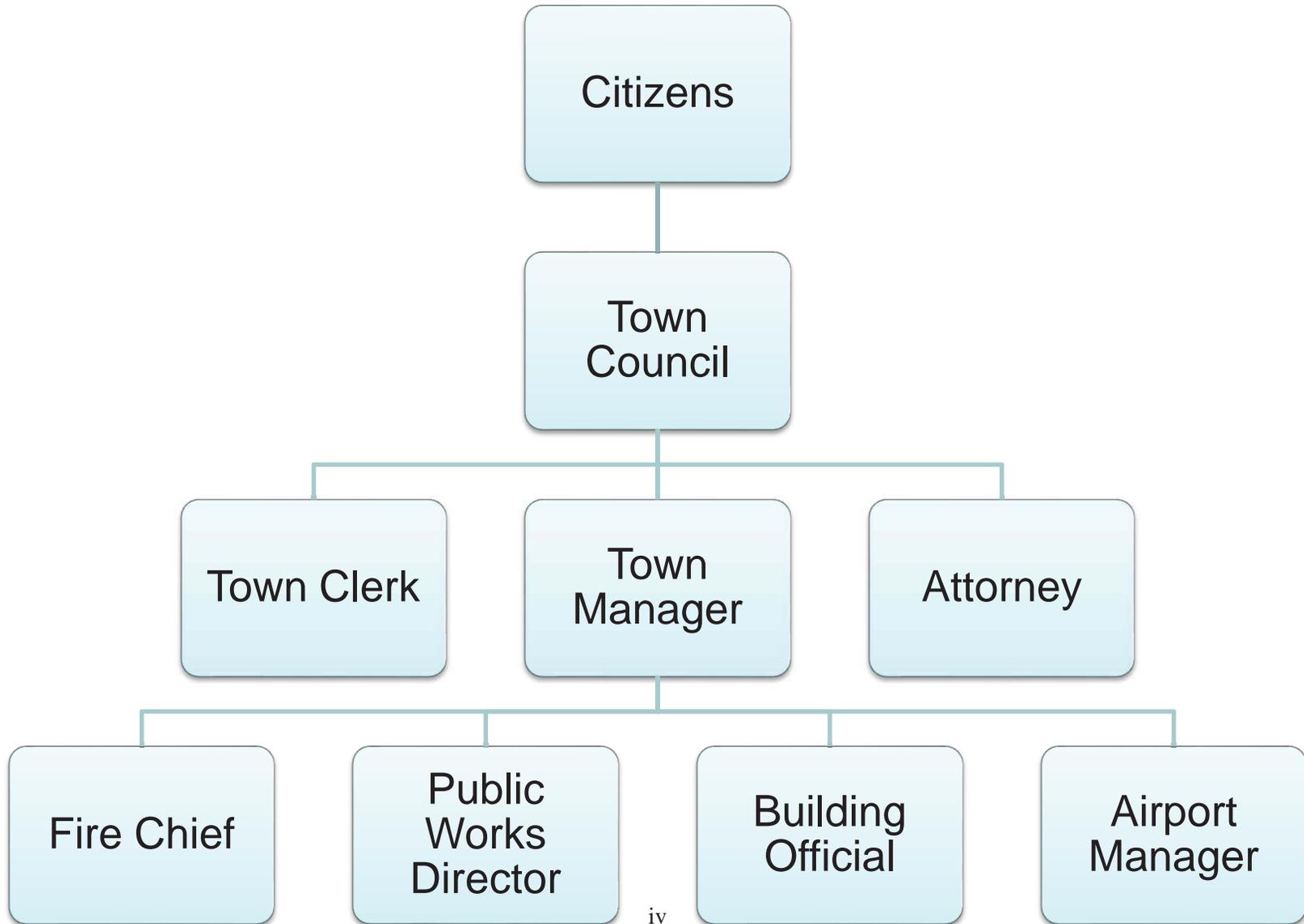
Mayor	Fay Hatch
Vice-Mayor	Shawn Palmer
Council	Gary Solomon
Council	Jason Brubaker
Council	David Smith
Council	Lynn DeWitt
Council	Carl Cosper

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





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Town of Taylor**  
**Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

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## **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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

As described in footnote 13 to the financial statements, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

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

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The introductory section, the combining and individual nonmajor fund budgetary comparison schedules, and the 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 October 30, 2015, on our consideration of the Town'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's internal control over financial reporting and compliance.

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

HintonBurdick, PLLC  
Flagstaff, Arizona  
October 30, 2015

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**TOWN OF TAYLOR, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended June 30, 2015**

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

**FINANCIAL HIGHLIGHTS**

- In May 2015, the Town received \$327,675 as payoff of a note from the Northeast Arizona Training Center, a local public safety training academy which is now under the management of Northland Pioneer College. In 2005 the Town issued a 20-year general obligation debt through the Greater Arizona Development Authority (GADA) to finance the construction of a burn tower facility on the Center's campus. The Center had been making semi-annual payments equal to the debt service payments of the GADA bond. The Town forwarded the funds to defease the GADA bonds in August 2015.
- Local sales tax collections of \$705,975 were up 10% over last year. This amount also exceeded the budget by \$85,975 or 113.6%
- In April 2015, the Town Council entered into an inter-governmental agreement (IGA) with the neighboring Town of Snowflake for a jointly-operated Fire and Ambulance Department. The Town of Taylor is the managing agency of the joint department and efficiencies in operations are expected. The towns have funded a joint Police Department (managed by Snowflake) for over 20 years. Ambulance revenues of \$638,575 exceeded budget by \$108,575 or 120%
- The implementation of GASB 68 has caused a negative unrestricted net position for governmental activities of **(\$58,958)** a decrease in unrestricted net position of \$831,546 from last year (prior to GASB 68 implementation). The Statement of Net Position shows a **(\$463,929)** unrestricted net position overall.

**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 \$11.6 million as of June 30, 2015 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	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Current and other assets	\$ 2,044,422	\$ 1,892,547	\$ 241,964	\$ 290,833	\$ 2,286,386	\$ 2,183,380
Capital assets	7,648,644	8,313,951	7,205,371	7,378,966	14,854,015	15,692,917
Total assets	9,693,066	10,206,498	7,447,335	7,669,799	17,140,401	17,876,297
Deferred outflows of resources	115,843	-	28,961	-	144,804	-
Long-term liabilities outstanding	1,383,694	475,649	3,850,034	3,856,469	5,233,728	4,332,118
Other liabilities	139,424	150,987	100,740	102,094	240,164	253,081
Total liabilities	1,523,118	626,636	3,950,774	3,958,563	5,473,892	4,585,199
Deferred inflows of resources	170,066	-	42,516	-	212,582	-
Net position:						
Net investment in capital assets	7,305,141	7,928,141	3,599,653	3,527,577	10,904,794	11,455,718
Restricted	869,542	879,133	288,324	288,325	1,157,866	1,167,458
Unrestricted	(58,958)	772,588	(404,971)	(104,666)	(463,929)	667,922
Total net position	\$ 8,115,725	\$ 9,579,862	\$ 3,483,006	\$ 3,711,236	\$ 11,598,731	\$ 13,291,098

### 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. \$791,914 of this cost was paid for by those who directly benefited from the programs. \$638,165 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 \$1.43 million. General taxes, State Revenue Sharing and investment earnings totaled \$1.87 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.

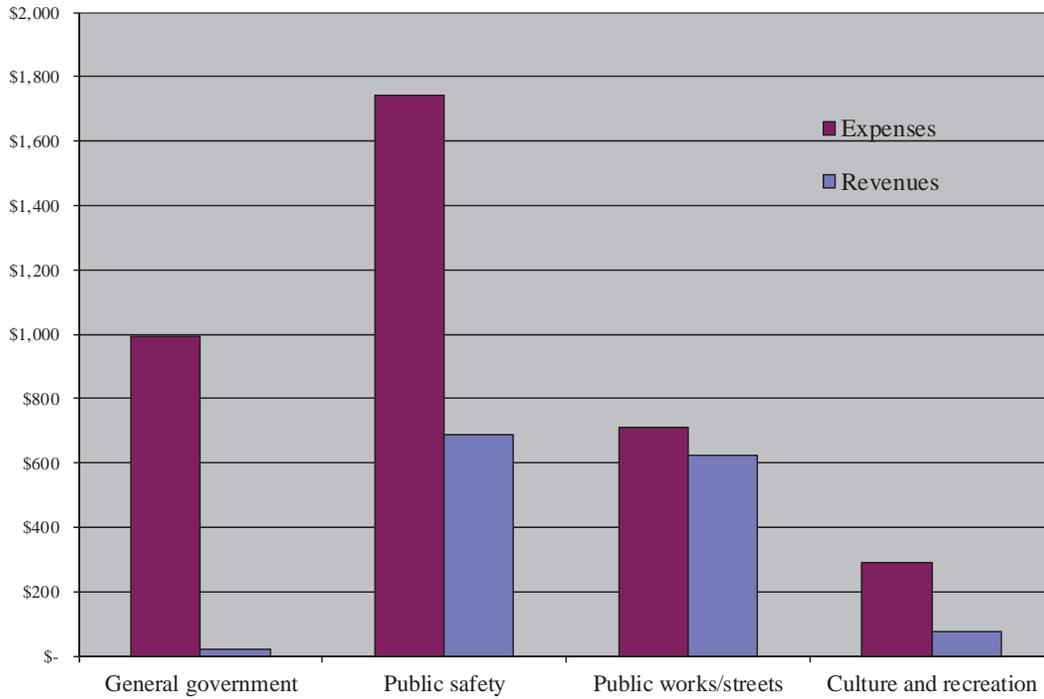
**TOWN OF TAYLOR, ARIZONA**  
**Changes in Net Position**

	Governmental activities		Business-type activities		Combined Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Revenues:						
Program revenues:						
Charges for services	\$ 791,914	\$ 683,320	\$ 980,029	\$ 971,416	\$ 1,771,943	\$ 1,654,736
Operating grants and contributions	558,240	558,169	-	5,440	558,240	563,609
Capital grants and contributions	79,925	402,936	15,560	7,000	95,485	409,936
General revenues:						
Taxes	1,361,405	1,272,550	-	-	1,361,405	1,272,550
State revenue sharing	497,783	458,335	-	-	497,783	458,335
Investment earnings	574	564	-	-	574	564
Other revenue (expense)	10,787	6,200	44	43	10,831	6,243
Total revenues	<u>3,300,628</u>	<u>3,382,074</u>	<u>995,633</u>	<u>983,899</u>	<u>4,296,261</u>	<u>4,365,973</u>
Expenses:						
General government	993,812	822,898	-	-	993,812	822,898
Public safety	1,740,142	1,712,991	-	-	1,740,142	1,712,991
Public works/streets	708,994	452,506	-	-	708,994	452,506
Culture and recreation	290,618	245,256	-	-	290,618	245,256
Economic development	-	55,668	-	-	-	55,668
Interest on long-term debt	14,985	16,534	-	-	14,985	16,534
Water	-	-	403,241	307,113	403,241	307,113
Sewer	-	-	566,569	492,689	566,569	492,689
Total expenses	<u>3,748,551</u>	<u>3,305,853</u>	<u>969,810</u>	<u>799,802</u>	<u>4,718,361</u>	<u>4,105,655</u>
Increase (decrease) in net position before transfers	(447,923)	76,221	25,823	184,097	(422,100)	260,318
Net position, beginning	9,579,862	9,482,982	3,711,236	3,527,139	13,291,098	13,010,121
Prior period adjustment	(1,016,214)	20,659	(254,053)	-	(1,270,267)	20,659
Net position, ending	<u>\$ 8,115,725</u>	<u>\$ 9,579,862</u>	<u>\$ 3,483,006</u>	<u>\$ 3,711,236</u>	<u>\$ 11,598,731</u>	<u>\$ 13,291,098</u>

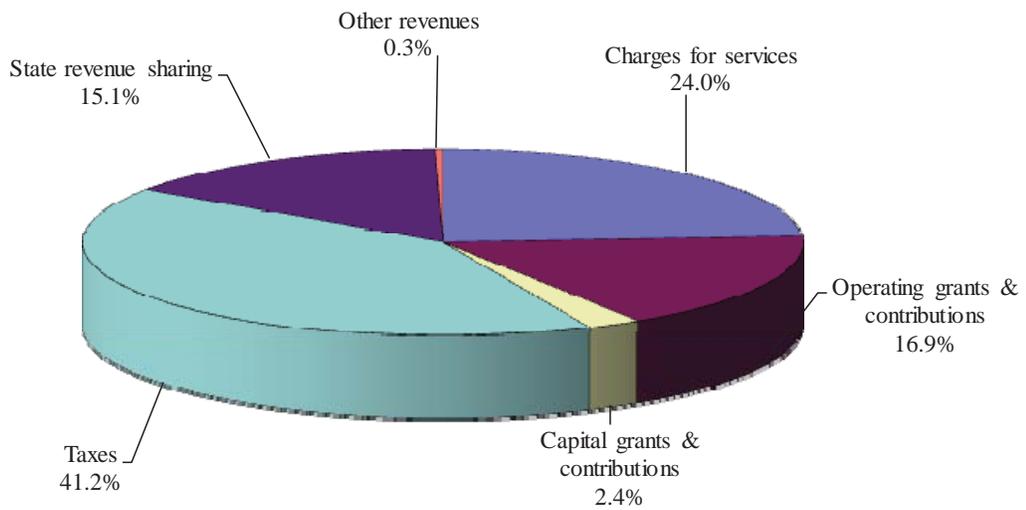
Total resources available during the year to finance governmental operations were \$12.4 million consisting of Net position at July 1, 2014 of \$9.1 million, program revenues of \$1.43 million and General Revenues of \$1.87 million. Total Governmental Activities during the year were \$3.7 million; thus Governmental Net Position was decreased by \$447,923.

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)



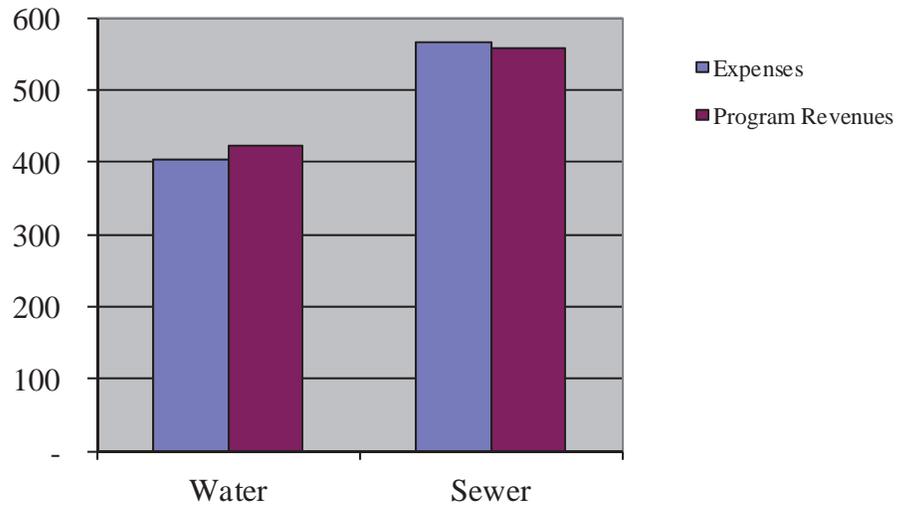
**Revenue By Source - Governmental Activities**



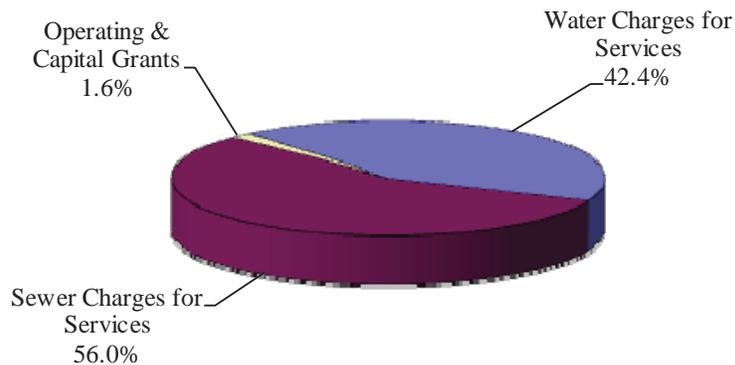
## Business Type Activities

Net position of the Business Type activities at June 30, 2015, as reflected in the Statement of Net Position was \$3.4 million. The cost of providing all Proprietary (Business Type) activities this year was \$969,810. As shown in the statement of Changes in Net Position, the amount paid by users of the system was \$980,029. Net Position increased by \$25,823.

**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 \$1.9 million, an increase of \$507,307 in comparison with the prior year. Approximately 54% (\$1,032,337) 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 \$935,866 of which \$928,582 is assigned or unassigned. The fund balance increased during the current year by \$490,211 mainly due to an increase in other revenues of \$489,341.

The Highway User Revenue Fund has a total fund balance of \$741,804 all of which is restricted for road construction and maintenance. The fund balance increased during the current year by \$19,872, mainly due to an increase in revenue.

**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 \$3,031,110 were less than budgeted revenues of \$3,045,978 by \$14,868 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 2015, net capital assets of the government activities totaled \$7.6 million and the net capital assets of the business-type activities totaled \$7.2 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 6 to the financial statements.)

## **Debt**

At year-end, the Town had \$1,383,694 in governmental type debt, and \$3,850,034 in proprietary debt. During the current fiscal year, the Town's total debt increased by \$901,610 mainly due to the implementation of GASB 68. (See note 7 to the financial statements for detailed descriptions.)

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the Town Budget for fiscal year 2015/2016 the Town Council and management budgeted for increased revenue and expenditures.

## **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, 2015**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,202,528	\$ -	\$ 1,202,528
Cash with paying agent	327,675	-	327,675
Receivables (net of allowance)	264,126	119,993	384,119
Internal balances	240,656	(240,656)	-
Inventories	8,897	44,028	52,925
Prepaid expenses	540	-	540
Restricted assets	-	318,599	318,599
Capital assets (not being depreciated):			
Land	979,419	40,000	1,019,419
Construction in progress	385,696	-	385,696
Capital assets (net of accumulated depreciation):			
Buildings	686,658	-	686,658
Improvements	3,759,138	-	3,759,138
System improvements	-	7,133,219	7,133,219
Furniture, equipment & vehicles	258,451	32,152	290,603
Infrastructure/Roads	1,579,282	-	1,579,282
Total assets	<u>9,693,066</u>	<u>7,447,335</u>	<u>17,140,401</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	115,843	28,961	144,804
Total deferred outflows of resources	<u>115,843</u>	<u>28,961</u>	<u>144,804</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	133,106	65,165	198,271
Interest payable	6,318	35,575	41,893
Noncurrent liabilities:			
Due within one year	49,365	235,278	284,643
Due in more than one year	1,334,329	3,614,756	4,949,085
Total liabilities	<u>1,523,118</u>	<u>3,950,774</u>	<u>5,473,892</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	170,066	42,516	212,582
Total deferred inflows of resources	<u>170,066</u>	<u>42,516</u>	<u>212,582</u>
<b>Net Position</b>			
Net investment in capital assets	7,305,141	3,599,653	10,904,794
Restricted for:			
Debt service	-	288,324	288,324
Highways & streets	869,542	-	869,542
Unrestricted	(58,958)	(404,971)	(463,929)
Total net position	<u>\$ 8,115,725</u>	<u>\$ 3,483,006</u>	<u>\$ 11,598,731</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, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities:							
General government	\$ 993,812	\$ 22,213	\$ -	\$ -	\$ (971,599)	\$ -	\$ (971,599)
Public safety	1,740,142	638,575	44,087	5,870	(1,051,610)	-	(1,051,610)
Public works/streets	708,994	64,688	514,153	42,230	(87,923)	-	(87,923)
Culture and recreation	290,618	66,438	-	8,175	(216,005)	-	(216,005)
Interest on long-term debt	14,985	-	-	23,650	8,665	-	8,665
Total governmental activities	<u>3,748,551</u>	<u>791,914</u>	<u>558,240</u>	<u>79,925</u>	<u>(2,318,472)</u>	<u>-</u>	<u>(2,318,472)</u>
Business-type activities:							
Water	403,241	422,493	-	7,560	-	26,812	26,812
Sewer	566,569	557,536	-	8,000	-	(1,033)	(1,033)
Total business-type activities	<u>969,810</u>	<u>980,029</u>	<u>-</u>	<u>15,560</u>	<u>-</u>	<u>25,779</u>	<u>25,779</u>
<b>Total primary government</b>	<u><u>4,718,361</u></u>	<u><u>1,771,943</u></u>	<u><u>558,240</u></u>	<u><u>95,485</u></u>			
General Revenues:							
Taxes:							
City sales tax					705,975	-	705,975
Franchise tax					63,033	-	63,033
State sales tax (unrestricted)					375,790	-	375,790
Auto lieu tax (unrestricted)					216,607	-	216,607
State taxes - revenue sharing (unrestricted)					497,783	-	497,783
Unrestricted investment earnings					574	44	618
Miscellaneous					10,787	-	10,787
Total general revenues & transfers					<u>1,870,549</u>	<u>44</u>	<u>1,870,593</u>
Change in net position					(447,923)	25,823	(422,100)
Net position - beginning					9,579,862	3,711,236	13,291,098
Restatement adjustment					(1,016,214)	(254,053)	(1,270,267)
Net position - ending					<u>\$ 8,115,725</u>	<u>\$ 3,483,006</u>	<u>\$ 11,598,731</u>

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

**TOWN OF TAYLOR ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General	Highway Users Revenue Fund	Nonmajor Funds	Total Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 262,937	\$ 757,485	\$ 182,106	\$ 1,202,528
Cash with paying agent	327,675	-	-	327,675
Receivables, net:				
Accounts receivable	72,105	-	-	72,105
Intergovernmental	84,404	49,400	58,217	192,021
Due from other funds	240,656	-	-	240,656
Prepaid expenses	540	-	-	540
Inventory	6,744	2,153	-	8,897
<b>Total assets</b>	<b>\$ 995,061</b>	<b>\$ 809,038</b>	<b>\$ 240,323</b>	<b>\$ 2,044,422</b>
<b>Liabilities:</b>				
Accounts payable	\$ 34,938	\$ 63,190	\$ 1,677	\$ 99,805
Accrued liabilities	24,257	4,044	-	28,301
Retainage payable	-	-	5,000	5,000
<b>Total liabilities</b>	<b>59,195</b>	<b>67,234</b>	<b>6,677</b>	<b>133,106</b>
<b>Fund Balances:</b>				
Nonspendable:				
Prepaid expenses	540	-	-	540
Inventory	6,744	2,153	-	8,897
Restricted:				
Highways and streets	-	739,651	129,891	869,542
Assigned:				
Special events	26,088	-	-	26,088
Public safety	-	-	103,755	103,755
Unassigned	902,494	-	-	902,494
<b>Total fund balances</b>	<b>935,866</b>	<b>741,804</b>	<b>233,646</b>	<b>1,911,316</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 995,061</b>	<b>\$ 809,038</b>	<b>\$ 240,323</b>	<b>\$ 2,044,422</b>

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, 2015**

Total fund balances - governmental funds		\$ 1,911,316
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	\$ 17,917,972	
Accumulated depreciation	<u>(10,269,328)</u>	7,648,644
Some liabilities, including net pension liabilities, loans payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.		
Notes and loans payable	\$ (333,889)	
Leases payable	(9,614)	
Landfill post-closure payable	(58,836)	
Accrued interest payable	(6,318)	
Compensated absences	(24,873)	
Net pension liability	<u>(956,482)</u>	(1,390,012)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows	\$ 115,843	
Deferred inflows	<u>(170,066)</u>	(54,223)
Total net position - governmental activities		<u><u>\$ 8,115,725</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 Balances - Governmental Funds**  
**For the Year Ended June 30, 2015**

	General	Highway Users Revenue Fund	Nonmajor Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes				
Sales taxes	\$ 705,975	\$ -	\$ -	\$ 705,975
Franchise taxes	63,033	-	-	63,033
Licenses and permits	22,213	-	-	22,213
Intergovernmental	1,090,180	514,153	99,862	1,704,195
Charges for services	746,100	-	-	746,100
Interest revenue	573	-	-	573
Other revenues	403,036	500	-	403,536
Total revenues	<u>3,031,110</u>	<u>514,653</u>	<u>99,862</u>	<u>3,645,625</u>
<b>Expenditures:</b>				
Current:				
General government	530,666	-	-	530,666
Public safety	1,683,001	-	30,598	1,713,599
Public works/streets	-	460,109	72,040	532,149
Culture and recreation	293,605	-	-	293,605
Capital outlay	3,925	34,672	-	38,597
Debt service:				
Principal retirement	25,000	-	-	25,000
Interest on long-term debt	16,116	-	-	16,116
Total expenditures	<u>2,552,313</u>	<u>494,781</u>	<u>102,638</u>	<u>3,149,732</u>
Excess (deficiency) of revenues over (under) expenditures	478,797	19,872	(2,776)	495,893
<b>Other Financing Sources (Uses):</b>				
Lease proceeds	11,414	-	-	11,414
Transfers in	-	-	8,674	8,674
Transfers out	-	-	(8,674)	(8,674)
Total other financing sources (uses)	<u>11,414</u>	<u>-</u>	<u>-</u>	<u>11,414</u>
Net change in fund balances	490,211	19,872	(2,776)	507,307
Fund balances, beginning of year	<u>445,655</u>	<u>721,932</u>	<u>236,422</u>	<u>1,404,009</u>
Fund balances, end of year	<u>\$ 935,866</u>	<u>\$ 741,804</u>	<u>\$ 233,646</u>	<u>\$ 1,911,316</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, 2015**

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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		\$ 507,307
<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	\$ 140,883	
Depreciation expense	<u>(576,340)</u>	(435,457)
<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>		
		(345,000)
<p>Governmental funds report the gross proceeds from the sale of capital assets as revenue. However, in the statement of activities, the gain (loss) on the sale of capital assets is reported net of its net book value.</p>		
		(229,850)
<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>		
		53,721
<p>Issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net position.</p>		
		(11,414)
<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>		
		1,130
<p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
Pension contributions	\$ 67,232	
Pension expense	<u>(61,722)</u>	5,510
<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>6,130</u>
Change in net position of governmental activities		<u><u>\$ (447,923)</u></u>

The accompanying notes are an integral part of the financial statements

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

	Water Fund	Sewer Fund	Combined Total
<b>Assets:</b>			
Current assets:			
Receivables (net of allowance)	\$ 52,765	\$ 67,228	\$ 119,993
Due from other funds	279,214	-	279,214
Inventory	42,951	1,077	44,028
Restricted assets	33,170	285,429	318,599
Total current assets	<u>408,100</u>	<u>353,734</u>	<u>761,834</u>
Noncurrent assets:			
Land	-	40,000	40,000
Furniture, equipment & vehicles	118,898	85,740	204,638
Distribution system	3,027,067	6,488,441	9,515,508
Accumulated depreciation	(1,069,186)	(1,485,589)	(2,554,775)
Total noncurrent assets	<u>2,076,779</u>	<u>5,128,592</u>	<u>7,205,371</u>
Total assets	<u>2,484,879</u>	<u>5,482,326</u>	<u>7,967,205</u>
<b>Deferred Outflows of Resources:</b>			
Deferred outflows related to pensions	<u>15,928</u>	<u>13,033</u>	<u>28,961</u>
Total deferred outflows of resources	<u>15,928</u>	<u>13,033</u>	<u>28,961</u>

(continued)

The accompanying notes are an integral part of the financial statements

**TOWN OF TAYLOR ARIZONA**  
**Statement of Net Position (Continued)**  
**Proprietary Funds**  
**June 30, 2015**

	Water Fund	Sewer Fund	Combined Total
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	13,501	15,728	29,229
Accrued liabilities	3,010	2,651	5,661
Customer deposits	28,675	1,600	30,275
Due to other funds	-	519,870	519,870
Interest payable	-	35,575	35,575
Notes payable - current	1,586	212,679	214,265
Capital leases payable - current	18,415	-	18,415
Compensated absences - current	1,500	1,098	2,598
Total current liabilities	<u>66,687</u>	<u>789,201</u>	<u>855,888</u>
Noncurrent liabilities:			
Compensated absences	1,477	1,120	2,597
Notes payable	28,230	3,344,808	3,373,038
Net pension liability	131,516	107,605	239,121
Total long-term liabilities	<u>161,223</u>	<u>3,453,533</u>	<u>3,614,756</u>
Total liabilities	<u>227,910</u>	<u>4,242,734</u>	<u>4,470,644</u>
<b>Deferred Inflows of Resources:</b>			
Deferred inflows related to pensions	23,384	19,132	42,516
Total deferred inflows of resources	<u>23,384</u>	<u>19,132</u>	<u>42,516</u>
<b>Net Position:</b>			
Net investment in capital assets	2,028,548	1,571,105	3,599,653
Restricted	4,495	283,829	288,324
Unrestricted	216,470	(621,441)	(404,971)
Total net position	<u>\$ 2,249,513</u>	<u>\$ 1,233,493</u>	<u>\$ 3,483,006</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, 2015**

	Water Fund	Sewer Fund	Combined Total
<b>Operating revenues:</b>			
Charges for services	\$ 404,269	\$ 556,680	\$ 960,949
Other revenues	18,224	856	19,080
Total operating revenues	<u>422,493</u>	<u>557,536</u>	<u>980,029</u>
<b>Operating expenses:</b>			
Salaries	90,667	75,547	166,214
Employee benefits	37,879	33,776	71,655
Service, supplies, and other	200,022	245,435	445,457
Depreciation	71,676	140,698	212,374
Total operating expenses	<u>400,244</u>	<u>495,456</u>	<u>895,700</u>
Operating income	<u>22,249</u>	<u>62,080</u>	<u>84,329</u>
<b>Non-operating revenues (expenses):</b>			
Interest income	1	43	44
Interest expense and fiscal charges	(2,997)	(71,113)	(74,110)
Connection and impact fees	7,560	8,000	15,560
Total non-operating revenue (expense)	<u>4,564</u>	<u>(63,070)</u>	<u>(58,506)</u>
Income before contributions and transfers	26,813	(990)	25,823
Contributions and transfers:			
Transfers in	-	25,000	25,000
Transfers out	(25,000)	-	(25,000)
<b>Change in net position</b>	1,813	24,010	25,823
Total net position, beginning of year	2,387,429	1,323,807	3,711,236
Restatement adjustment	(139,729)	(114,324)	(254,053)
<b>Total net position, end of year</b>	<u><u>\$ 2,249,513</u></u>	<u><u>\$ 1,233,493</u></u>	<u><u>\$ 3,483,006</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, 2015**

	Water Fund	Sewer Fund	Combined Total
<b>Cash flows from operating activities:</b>			
Cash received from customers, service fees	\$ 405,574	\$ 550,250	\$ 955,824
Cash received from customers, other	18,224	856	19,080
Cash paid to suppliers	(199,791)	(253,835)	(453,626)
Cash paid to employees	(126,823)	(107,789)	(234,612)
Net cash flows from operating activities	<u>97,184</u>	<u>189,482</u>	<u>286,666</u>
<b>Cash flows from noncapital financing activities:</b>			
Proceeds/(payments) to other funds	(6,921)	54,955	48,034
Net cash flows from noncapital financing activities	<u>(31,921)</u>	<u>79,955</u>	<u>48,034</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	(31,579)	(7,200)	(38,779)
Principal paid on long-term debt	(37,162)	(208,509)	(245,671)
Interest paid	(1,483)	(61,372)	(62,855)
Connection & impact fees	7,560	8,000	15,560
Net cash flows from capital and related financing activities	<u>(62,664)</u>	<u>(269,081)</u>	<u>(331,745)</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	1	43	44
Net change in cash and cash equivalents	2,600	399	2,999
Cash and cash equivalents, beginning of year	30,570	285,030	315,600
<b>Cash and cash equivalents, end of year</b>	<u>\$ 33,170</u>	<u>\$ 285,429</u>	<u>\$ 318,599</u>
Reconciliation of operating income to net cash flows from operating activities:			
Net operating income	\$ 22,249	\$ 62,080	\$ 84,329
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation/amortization	71,676	140,698	212,374
Pension expense	8,487	6,944	15,431
Employer pension contributions	(9,244)	(7,564)	(16,808)
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	1,305	(6,430)	(5,125)
(Increase)/decrease in inventory	9,374	(415)	8,959
Increase/(decrease) in payables	(9,143)	(7,985)	(17,128)
Increase/(decrease) in accrued liabilities & deposits	2,480	2,154	4,634
Net cash flows from operating activities	<u>\$ 97,184</u>	<u>\$ 189,482</u>	<u>\$ 286,666</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, 2015**

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	<u>Volunteer Firefighters' Relief and Pension</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 194,360
Intergovernmental receivable	<u>4,303</u>
Total assets	<u>198,663</u>
<b>Net Position:</b>	
Net position held in trust for pension benefits and other purposes	<u><u>\$ 198,663</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, 2015**

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	<u>Volunteer Firefighters' Relief and Pension</u>
<b>Additions:</b>	
Contributions:	
Other sources	\$ 4,303
	<u>4,303</u>
Total contributions	<u>4,303</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	6,304
Interest earnings	<u>2,859</u>
Net investment income	<u>9,163</u>
Total additions	<u>13,466</u>
<b>Deductions:</b>	
Contract services	3,362
Benefits	<u>3,870</u>
Total deductions	<u>7,232</u>
Change in net position	6,234
Net position held in trust for pension benefits:	
Beginning of year	197,873
Prior period adjustment	<u>(5,444)</u>
End of year	<u><u>\$ 198,663</u></u>

The accompanying notes are an integral part of the financial statements

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

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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, 2015**

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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 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, 2015**

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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, 2015**

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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, 2015**

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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 one type of item that qualifies for reporting in this category. It is pension related items reported on the government-wide and proprietary fund financial statements. See footnote 10 for more information.

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

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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 one type of item that qualifies for reporting in this category. It is pension related items reported on the government-wide and proprietary fund financial statements. See footnote 10 for more information.

***Pensions***

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

***Net position flow assumption***

Sometimes the 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.

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

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

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*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.

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.

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

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

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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.

***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.

**New pronouncements**

For the year ended June 30, 2015, the Town implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements resulted in a restatement of beginning net position in the Town's government-wide and proprietary fund financial statements (see Note 13).

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

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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.

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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.

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

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

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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.

**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, 2015, 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.

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

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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	\$ 1,202,528
Cash with paying agent	327,675
Restricted cash and cash equivalents	318,599
Fiduciary Fund cash and cash equivalents	194,360
Total	<u>\$ 2,043,162</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, 2015 cash on hand was \$500 and the carrying amount of the Town's deposits was \$996,265. As of June 30, 2015 the bank balance of the Town's deposits was \$1,027,263 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, 2015**

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

As of June 30, 2015 the Town had the following investments and maturities:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Cash on deposit	\$ 996,265	N/A	N/A
Cash on hand	500	N/A	N/A
Equity Mutual Funds	504,974	N/A	N/A
Local Governments Investment Pool	541,423	AAA f/S1+	40 days
	\$ 2,043,162		

(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, 2015:

	Business-type Activities
Debt reserves	\$ 288,324
Customer deposits	30,275
	\$ 318,599

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

**Note 6. Capital Assets**

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

<b>Governmental Activities:</b>	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2015</b>
Capital assets, not being depreciated:				
Land	\$ 979,419	\$ -	\$ -	\$ 979,419
Construction in progress	726,360	34,898	(375,562)	385,696
Total capital assets, not being depreciated	<u>1,705,779</u>	<u>34,898</u>	<u>(375,562)</u>	<u>1,365,115</u>
Capital assets, being depreciated:				
Buildings	1,016,574	-	-	1,016,574
Improvements	10,744,842	193,483	-	10,938,325
Furniture, equipment & vehicles	1,926,505	58,214	-	1,984,719
Infrastructure	2,613,239	-	-	2,613,239
Total capital assets, being depreciated	<u>16,301,160</u>	<u>251,697</u>	<u>-</u>	<u>16,552,857</u>
Less accumulated depreciation for:				
Buildings	(306,994)	(22,922)	-	(329,916)
Improvements	(6,824,730)	(354,457)	-	(7,179,187)
Furniture, equipment & vehicles	(1,657,969)	(68,299)	-	(1,726,268)
Infrastructure	(903,295)	(130,662)	-	(1,033,957)
Total accumulated depreciation	<u>(9,692,988)</u>	<u>(576,340)</u>	<u>-</u>	<u>(10,269,328)</u>
Total capital assets, being depreciated, net	<u>6,608,172</u>	<u>(324,643)</u>	<u>-</u>	<u>6,283,529</u>
Governmental activities capital assets, net	<u>\$ 8,313,951</u>	<u>\$ (289,745)</u>	<u>\$ (375,562)</u>	<u>\$ 7,648,644</u>

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

<b>Governmental Activities:</b>	
General government	\$ 279,228
Public safety	60,223
Public works/streets	172,590
Culture & recreation	64,299
Total depreciation expense - governmental activities	<u>\$ 576,340</u>

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

**Note 6. Capital Assets, Continued**

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

<b>Business Type Activities:</b>	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2015</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	17,180	-	3,027,067
Sewer system	6,488,441	-	-	6,488,441
Furniture, equipment & vehicles	183,039	21,599	-	204,638
Total capital assets, being depreciated	<u>9,681,367</u>	<u>38,779</u>	<u>-</u>	<u>9,720,146</u>
Less accumulated depreciation for:				
Water system	(896,861)	(69,069)	-	(965,930)
Sewer system	(1,279,732)	(136,627)	-	(1,416,359)
Furniture, equipment & vehicles	(165,808)	(6,678)	-	(172,486)
Total accumulated depreciation	<u>(2,342,401)</u>	<u>(212,374)</u>	<u>-</u>	<u>(2,554,775)</u>
Total capital assets, being depreciated, net	<u>7,338,966</u>	<u>(173,595)</u>	<u>-</u>	<u>7,165,371</u>
Business-type activities capital assets, net	<u>\$ 7,378,966</u>	<u>\$ (173,595)</u>	<u>\$ -</u>	<u>\$ 7,205,371</u>

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

<b>Business-Type Activities:</b>	
Water	\$ 71,676
Sewer	140,698
Total depreciation expense - business-type activities	<u>\$ 212,374</u>

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

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**Note 7. Long-Term Debt**

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

	<u>Balance</u> <u>6/30/2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/2015</u>	<u>Current</u> <u>Portion</u>
<b>Governmental Activities:</b>					
Loan payable	\$ 345,000	\$ -	\$ (25,000)	\$ 320,000	\$ 25,000
Deferred amount on:					
Premium on loan payable	15,428	-	(1,539)	13,889	-
Capital leases	25,382	11,414	(27,182)	9,614	1,928
Landfill post-closure payable	58,836	-	-	58,836	10,000
Compensated absences	31,003	17,608	(23,738)	24,873	12,437
Net pension liability	<u>1,078,563</u>	<u>-</u>	<u>(122,081)</u>	<u>956,482</u>	<u>-</u>
Total Governmental activity					
Long-term liabilities	<u>\$ 1,554,212</u>	<u>\$ 29,022</u>	<u>\$ (199,540)</u>	<u>\$ 1,383,694</u>	<u>\$ 49,365</u>
<b>Business-Type Activities:</b>					
Notes payable	\$ 3,797,350	\$ -	\$ (210,047)	\$ 3,587,303	\$ 214,265
Capital leases	54,039	-	(35,624)	18,415	18,415
Compensated absences	5,080	4,715	(4,600)	5,195	2,598
Net pension liability	<u>269,640</u>	<u>-</u>	<u>(30,519)</u>	<u>239,121</u>	<u>-</u>
Total Business-type activity					
Long-term liabilities	<u>\$ 4,126,109</u>	<u>\$ 4,715</u>	<u>\$ (280,790)</u>	<u>\$ 3,850,034</u>	<u>\$ 235,278</u>

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

**Note 7. Long-Term Debt, Continued**

The following is a listing of notes and loans outstanding as of June 30, 2015:

**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. \$ 320,000

**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. 3,557,487

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. 29,816

Total Loans and Notes Payable \$ 3,907,303

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
2016	\$ 25,000	\$ 14,725	\$ 215,505	\$ 72,775
2017	25,000	13,475	219,848	68,431
2018	30,000	12,100	224,277	64,000
2019	30,000	10,600	228,798	59,478
2020	30,000	9,100	233,409	54,865
2021-2025	180,000	21,475	1,236,756	201,472
2026-2029	-	-	1,228,710	66,769
	<u>\$ 320,000</u>	<u>\$ 81,475</u>	<u>\$ 3,587,303</u>	<u>\$ 587,790</u>

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

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**Note 8. 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 Activities	Business-type Activities
2016	\$ 3,012	\$ 18,829
2017	3,012	-
2018	3,012	-
2019	3,012	-
2020	251	-
Total remaining lease payments	12,299	18,829
Less: amount representing interest	(2,685)	(414)
Present value of net remaining minimum lease payments	\$ 9,614	\$ 18,415

A summary of assets acquired through capital leases follows:

	Governmental Activities	Business-type Activities
Water system	\$ -	\$ 300,000
Vehicles and equipment	11,414	-
Accumulated depreciation	(1,359)	(56,667)
Net total	\$ 10,055	\$ 243,333

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

**Note 9. Interfund Receivables, Payables and Transfers**

As of June 30, 2015, interfund receivables and payables that resulted from various interfund transactions are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 240,656	\$ -
Water Fund	279,214	-
Sewer Fund	-	519,870
	\$ 519,870	\$ 519,870

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.

As of June 30, 2015, interfund transfers are as follows:

	Transfers In		
Transfers Out:	Sewer Fund	Grants Fund	Total
Water Fund	\$ 25,000	\$ -	\$ 25,000
LTAFF	-	8,674	8,674
	\$ 25,000	\$ 8,674	\$ 33,674

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

**Note 10. Retirement and Pension Plans**

**Arizona State Retirement System (ASRS)**

**Plan description** – The Town participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

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

**Note 10. Retirement and Pension Plans, Continued**

**Benefits provided** – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<b>Initial Membership Date Before July 1, 2011</b>	<b>Initial Membership Date On or After July 1, 2011</b>
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\* With actuarially reduced benefits.

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

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

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

**Note 10. Retirement and Pension Plans, Continued**

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

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2013	\$ 73,729	\$ 4,676	\$ 1,726
2014	77,937	4,370	1,748
2015	84,039	4,553	926

**Pension liability** – At June 30, 2015, the Town reported a liability of \$1,195,602 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The Town's proportion measured as of June 30, 2014, was 0.008080 percent, which was a decrease of 0.000030 percent from its proportion measured as of June 30, 2013.

**Pension expense and deferred outflows/inflows of resources** – For the year ended June 30, 2015, the Town recognized pension expense for ASRS of \$77,152. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 60,764	\$ -
Net difference between projected and actual earnings on pension plan investments	-	209,074
Changes in proportion and differences between contributions and proportional share of contributions	-	3,508
Contributions subsequent to the measurement date	84,039	-
Total	<u>\$ 144,803</u>	<u>\$ 212,582</u>

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

**Note 10. Retirement and Pension Plans, Continued**

The \$84,039 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2015	\$ (27,375)
2016	(27,375)
2017	(44,800)
2018	(52,268)
2019	-
Thereafter	-

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

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

**Note 10. Retirement and Pension Plans, Continued**

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

	<b>Expected Return Arithmetic Basis</b>		
<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Real Return Arithmetic Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity	63%	7.03%	4.43%
Fixed income	25%	3.20%	0.80%
Commodities	4%	4.50%	0.18%
Real Estate	8%	4.75%	0.38%
Totals	100%		5.79%
	Inflation		3.00%
	Expected arithmetic nominal return		8.79%

**Discount Rate** – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate** – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of Net pension (asset) / liability	\$ 1,511,179	\$ 1,195,602	\$ 1,024,385

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

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**Note 10. Retirement and Pension Plans, Continued**

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

**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, 2015, the State's contribution was \$4,303.

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**Note 11. 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.

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

**Note 12. Commitments and Contingencies**

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.

**Note 13. Restatement Adjustment**

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Restatement adjustment - implementation of GASB 68:				
Net pension liability	\$ (1,078,563)	\$ (269,640)	\$ (148,302)	\$ (121,338)
Deferred outflows - contributions made during fiscal year 2014	62,349	15,587	8,573	7,014
Total Restatement Adjustment	<u>\$ (1,016,214)</u>	<u>\$ (254,053)</u>	<u>\$ (139,729)</u>	<u>\$ (114,324)</u>

**Note 14. Prior Period Adjustment**

In previous years, the Town recorded an accrual for contributions the Town was intending to make to the volunteer firefighters' pension trust fund. However, in the current year, the Town has deemed the pension plan to be sufficiently funded and is not planning on making the contributions. Accordingly, a prior period adjustment has been recorded to reduce the pension trust fund net position by \$5,444.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

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**Arizona State Retirement System**

		<b>Reporting Fiscal Year (Measurement Date)</b>
		<b>2015 (2014)</b>
Proportion of the net pension liability (asset)		0.008080%
Proportionate share of the net pension liability (asset)	\$	1,195,602
Covered employee payroll	\$	750,605
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		159.29%
Plan fiduciary net position as a percentage of the total pension liability		69.49%

Note: The Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

**TOWN OF TAYLOR, ARIZONA**  
**Schedule of Contributions**  
**June 30, 2015**

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**Arizona State Retirement System**

	<b>Reporting Fiscal Year</b> <b>(Measurement Date)</b> <b>2015</b> <b>(2014)</b>		
Contractually required contribution	\$ 77,937		
Contributions in relation to the contractually required contribution	\$ (77,937)		
Contribution deficiency (excess)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;"></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">-</td> </tr> </table>		-
	-		
Covered employee payroll	\$ 750,605		
Contributions as a percentage of covered-employee payroll	10.38%		

Note: The Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

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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.

**TOWN OF TAYLOR, ARIZONA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget & Actual**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
<b>Taxes:</b>				
Tax revenue	\$ 620,000	\$ 620,000	\$ 705,975	\$ 85,975
Franchise tax	67,000	67,000	63,033	(3,967)
Total taxes	<u>687,000</u>	<u>687,000</u>	<u>769,008</u>	<u>82,008</u>
<b>Licenses, permits and fees:</b>				
Licenses and permits	500	500	5,586	5,086
Building permits	9,000	9,000	16,627	7,627
Total licenses, permits and fees	<u>9,500</u>	<u>9,500</u>	<u>22,213</u>	<u>12,713</u>
<b>Intergovernmental:</b>				
Intergovernmental revenue	1,143,778	1,143,778	1,090,180	(53,598)
Total intergovernmental	<u>1,143,778</u>	<u>1,143,778</u>	<u>1,090,180</u>	<u>(53,598)</u>
<b>Charges for services:</b>				
Charges for services	650,700	650,700	746,100	95,400
Total charges for services	<u>650,700</u>	<u>650,700</u>	<u>746,100</u>	<u>95,400</u>
<b>Interest:</b>				
Interest revenue	1,000	1,000	573	(427)
Total interest	<u>1,000</u>	<u>1,000</u>	<u>573</u>	<u>(427)</u>
<b>Other revenues:</b>				
Miscellaneous	554,000	554,000	403,036	(150,964)
Total other revenues	<u>554,000</u>	<u>554,000</u>	<u>403,036</u>	<u>(150,964)</u>
Total revenues	<u>3,045,978</u>	<u>3,045,978</u>	<u>3,031,110</u>	<u>(14,868)</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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures:</b>				
<b>General government:</b>				
Mayor & council	25,000	25,000	25,000	-
Administration	305,000	305,000	304,994	6
Non-departmental	545,600	545,600	105,022	440,578
Cemetery	25,000	25,000	23,293	1,707
Airport	88,000	88,000	72,357	15,643
Total general government	<u>988,600</u>	<u>988,600</u>	<u>530,666</u>	<u>457,934</u>
<b>Public safety:</b>				
Code enforcement	85,000	85,000	82,883	2,117
Judicial	46,800	46,800	42,948	3,852
Fire	145,000	145,000	144,894	106
Police	829,000	829,000	827,280	1,720
Ambulance	585,000	585,000	584,996	4
Total public safety	<u>1,690,800</u>	<u>1,690,800</u>	<u>1,683,001</u>	<u>7,799</u>
<b>Culture &amp; recreation:</b>				
Parks & recreation	135,000	135,000	131,071	3,929
Special events	145,000	145,000	142,902	2,098
Non-departmental	21,500	21,500	19,632	1,868
Total culture & recreation	<u>301,500</u>	<u>301,500</u>	<u>293,605</u>	<u>7,895</u>
<b>Debt service:</b>				
Principal	51,100	51,100	25,000	26,100
Interest	-	-	16,116	(16,116)
Total debt service	<u>51,100</u>	<u>51,100</u>	<u>41,116</u>	<u>9,984</u>
<b>Capital outlay:</b>				
Capital outlay	-	-	3,925	(3,925)
Total capital outlay	<u>-</u>	<u>-</u>	<u>3,925</u>	<u>(3,925)</u>
Total expenditures	<u>3,032,000</u>	<u>3,032,000</u>	<u>2,552,313</u>	<u>479,687</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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Excess (deficiency) of revenues over (under) expenditures	13,978	13,978	478,797	464,819
<b>Other Financing Sources (Uses):</b>				
Lease proceeds	-	-	11,414	11,414
Transfers in	15,000	15,000	-	(15,000)
Total other financing sources (uses)	15,000	15,000	11,414	(3,586)
Net change in fund balance	28,978	28,978	490,211	461,233
Fund balance, beginning of year	445,655	445,655	445,655	-
Fund balance, end of year	<u>\$ 474,633</u>	<u>\$ 474,633</u>	<u>\$ 935,866</u>	<u>\$ 461,233</u>

**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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental revenue	\$ 470,000	\$ 470,000	\$ 514,153	\$ 44,153
Other revenues	-	-	500	500
Total revenue	<u>470,000</u>	<u>470,000</u>	<u>514,653</u>	<u>44,653</u>
<b>Expenditures:</b>				
Salaries	90,000	90,000	85,120	4,880
Employee benefits	34,000	34,000	37,710	(3,710)
Services, supplies, and other	571,000	571,000	337,279	233,721
Capital outlay	75,000	75,000	34,672	40,328
Total expenditures	<u>770,000</u>	<u>770,000</u>	<u>494,781</u>	<u>275,219</u>
Excess (deficiency) of revenues over (under) expenditures	(300,000)	(300,000)	19,872	319,872
Fund balance, beginning of year	<u>721,932</u>	<u>721,932</u>	<u>721,932</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 421,932</u></u>	<u><u>\$ 421,932</u></u>	<u><u>\$ 741,804</u></u>	<u><u>\$ 319,872</u></u>

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**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.

- **Grants Fund** – This fund is used to account for federal and state grants and other contributions that are restricted for specific use.
- **LTAF Fund** – 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.

**TOWN OF TAYLOR, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2015**

	Special Revenue		
	Grants Fund	LTAF	Total
<b>Assets:</b>			
Cash and cash equivalents	\$ 50,538	\$ 131,568	\$ 182,106
Receivables, net:			
Intergovernmental	58,217	-	58,217
Total assets	\$ 108,755	\$ 131,568	\$ 240,323
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 1,677	\$ 1,677
Retainage payable	5,000	-	5,000
Total liabilities	5,000	1,677	6,677
<b>Fund Balances:</b>			
Restricted:			
Highways and streets	-	129,891	129,891
Assigned:			
Public safety	103,755	-	103,755
Total fund balances	103,755	129,891	233,646
Total liabilities and fund balances	\$ 108,755	\$ 131,568	\$ 240,323

**TOWN OF TAYLOR, ARIZONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue		
	Grants Fund	LTAF	Total
<b>Revenues:</b>			
Intergovernmental	\$ 99,862	\$ -	\$ 99,862
Total revenues	99,862	-	99,862
<b>Expenditures:</b>			
Current:			
Public safety	30,598	-	30,598
Public works/streets	52,081	19,959	72,040
Total expenditures	82,679	19,959	102,638
Excess (deficiency) of revenues over (under) expenditures	17,183	(19,959)	(2,776)
<b>Other Financing Sources (Uses):</b>			
Transfers in	8,674	-	8,674
Transfers out	-	(8,674)	(8,674)
Total other financing sources (uses)	8,674	(8,674)	-
Net change in fund balances	25,857	(28,633)	(2,776)
Fund balances, beginning of year	77,898	158,524	236,422
Fund balances, end of year	\$ 103,755	\$ 129,891	\$ 233,646

**TOWN OF TAYLOR, ARIZONA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Grants Special Revenue Fund**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental revenue	\$ 530,000	\$ 530,000	\$ 99,862	\$ (430,138)
Total revenues	<u>530,000</u>	<u>530,000</u>	<u>99,862</u>	<u>(430,138)</u>
<b>Expenditures:</b>				
Public safety	380,000	380,000	30,598	349,402
Public works/streets	150,000	150,000	52,081	97,919
Total expenditures	<u>530,000</u>	<u>530,000</u>	<u>82,679</u>	<u>447,321</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>17,183</u>	<u>17,183</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>8,674</u>	<u>8,674</u>
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>8,674</u>	<u>8,674</u>
Net change in fund balance	-	-	25,857	25,857
Fund balance, beginning of year	<u>77,898</u>	<u>77,898</u>	<u>77,898</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 77,898</u></u>	<u><u>\$ 77,898</u></u>	<u><u>\$ 103,755</u></u>	<u><u>\$ 25,857</u></u>

**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 Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-
<b>Expenditures:</b>				
Services, supplies, and other	50,000	50,000	19,959	30,041
Total expenditures	50,000	50,000	19,959	30,041
Excess (deficiency) of revenues over (under) expenditures	(50,000)	(50,000)	(19,959)	30,041
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	-	(8,674)	(8,674)
Total other financing sources (uses)	-	-	(8,674)	(8,674)
Net change in fund balance	(50,000)	(50,000)	(28,633)	21,367
Fund balance, beginning of year	158,524	158,524	158,524	-
Fund balance, end of year	<u>\$ 108,524</u>	<u>\$ 108,524</u>	<u>\$ 129,891</u>	<u>\$ 21,367</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 .....	67
<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 .....	73
<i>These schedules contain information to help the reader assess the government’s most significant local revenues source, the sales tax.</i>	
Debt Capacity .....	75
<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 .....	77
<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 .....	79
<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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Governmental activities</b>										
Net investment in capital assets	\$ 7,305,141	\$ 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
Restricted	869,542	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
Unrestricted	(58,958)	772,588	716,478	487,526	715,343	681,835	989,825	1,174,387	1,703,247	1,175,479
Total governmental activities net position	<u>\$ 8,115,725</u>	<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>
<b>Business-Type activities</b>										
Net investment in capital assets	\$ 3,599,653	\$ 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
Restricted	288,324	288,325	230,660	116,229	115,330	899	-	-	-	-
Unrestricted	(404,971)	(104,666)	(184,183)	(150,161)	(169,119)	(119,476)	(95,224)	(37,737)	217,184	183,703
Total business-type activities net position	<u>\$ 3,483,006</u>	<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>
<b>Primary government</b>										
Net investment in capital assets	\$ 10,904,794	\$ 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
Restricted	1,157,866	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
Unrestricted	(463,929)	667,922	532,295	337,365	546,224	562,359	894,601	1,136,650	1,920,431	1,359,182
Total primary government net position	<u>\$ 11,598,731</u>	<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>

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Expenses</b>										
Governmental activities:										
General government	\$ 993,812	\$ 822,898	\$ 821,915	\$ 837,086	\$ 796,110	\$ 1,116,269	\$ 1,204,911	\$ 1,194,391	\$ 1,419,190	\$ 1,192,807
Public safety	1,740,142	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
Public works/streets	708,994	452,506	1,466,382	616,691	698,373	417,826	1,294,866	483,915	362,942	302,805
Culture and recreation	290,618	245,256	195,749	259,898	228,355	254,313	432,214	459,134	210,025	173,989
Economic development	-	55,668	43,666	29,666	-	-	-	37,596	19,046	-
Interest on long-term debt	14,985	16,534	20,196	17,751	23,606	36,902	53,484	23,321	26,837	-
Total governmental activities expenses	3,748,551	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
Business-type activities:										
Water	403,241	307,113	317,537	297,542	372,208	405,625	373,327	345,180	332,093	352,647
Sewer	566,569	492,689	496,170	487,715	526,959	601,592	392,085	204,117	189,184	120,348
Total business-type activities expenses	969,810	799,802	813,707	785,257	899,167	1,007,217	765,412	549,297	521,277	472,995
Total Expenses	\$ 4,718,361	\$ 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
<b>Program Revenues</b>										
Governmental activities:										
Charges for services	\$ 791,914	\$ 683,320	\$ 658,779	\$ 685,509	\$ 680,297	\$ 599,871	\$ 647,255	\$ 729,463	\$ 671,788	\$ 581,914
Operating grants and contributions	558,240	558,169	541,355	616,620	727,764	552,764	755,520	712,603	715,779	595,946
Capital grants and contributions	79,925	402,936	225,314	67,585	333,194	2,106,859	563,265	1,362,912	358,705	994,334
Total governmental activities program revenues	1,430,079	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
Business -type activities:										
Charges for services:	980,029	971,416	944,759	843,221	809,935	787,567	662,936	595,271	602,247	573,365
Operating grants and contributions		5,440	2,450	2,850	600	6,500	-	-	-	-
Capital grants and contributions	15,560	7,000	-	600	3,300	50,600	40,253	542,975	-	522,990
Other revenue (expense)		-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	995,589	983,856	947,209	846,671	813,835	844,667	703,189	1,138,246	602,247	1,096,355
Total primary government program revenues	\$ 2,425,668	\$ 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
Net/(expense) revenue										
Governmental activities	\$ (2,318,472)	\$ (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)
Business-type activities	25,779	184,054	133,502	61,414	(85,332)	(162,550)	(62,223)	588,949	80,970	623,360
Total primary government net expense	\$ (2,292,693)	\$ (1,477,374)	\$ (2,858,251)	\$ (2,114,702)	\$ (1,763,971)	\$ (405,082)	\$ (3,038,412)	\$ (915,949)	\$ (1,725,321)	\$ (124,394)

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>General Revenues</b>										
Governmental activities:										
Taxes										
Sales taxes	\$ 705,975	\$ 639,646	\$ 647,477	\$ 587,223	\$ 584,701	\$ 618,295	\$ 881,314	\$ 836,269	\$ 837,020	\$ 683,839
Franchise taxes	63,033	64,905	63,372	66,991	66,773	67,121	70,713	64,228	68,510	50,506
State shared sales taxes	375,790	357,920	336,575	321,313	313,738	300,880	326,209	376,806	855,190	675,293
Auto lieu taxes	216,607	210,079	202,387	204,684	211,582	213,469	232,334	244,632	244,766	205,918
State taxes - revenue sharing	497,783	458,335	420,032	347,056	399,064	529,353	612,133	576,993	-	-
Investment earnings	574	564	1,804	2,100	2,238	4,869	31,514	130,076	179,100	119,963
Miscellaneous	10,787	6,200	37,328	4,721	6,597	4,513	28,849	14,201	22,241	43,810
Sales of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
<b>Total governmental activities</b>	<b>\$ 1,870,549</b>	<b>\$ 1,737,649</b>	<b>\$ 1,708,975</b>	<b>\$ 1,534,088</b>	<b>\$ 1,584,693</b>	<b>\$ 1,738,500</b>	<b>\$ 2,183,066</b>	<b>\$ 2,243,205</b>	<b>\$ 2,206,827</b>	<b>\$ 1,779,329</b>
Business-type activities:										
Investment earnings	\$ 44	\$ 43	\$ 309	\$ 660	\$ 703	\$ 1,210	\$ 5,126	\$ 15,308	\$ 15,860	\$ 13,866
Transfers	-	-	-	-	-	-	-	-	-	-
<b>Total business-type activities</b>	<b>44</b>	<b>43</b>	<b>309</b>	<b>660</b>	<b>703</b>	<b>1,210</b>	<b>5,126</b>	<b>15,308</b>	<b>15,860</b>	<b>13,866</b>
<b>Total primary government</b>	<b>1,870,593</b>	<b>1,737,692</b>	<b>1,709,284</b>	<b>1,534,748</b>	<b>1,585,396</b>	<b>1,739,710</b>	<b>2,188,192</b>	<b>2,258,513</b>	<b>2,222,687</b>	<b>1,793,195</b>
<b>Change in Net Position</b>										
Governmental activities	\$ (447,923)	\$ 76,221	\$ (1,282,778)	\$ (642,028)	\$ (93,946)	\$ 1,495,968	\$ (793,123)	\$ 738,307	\$ 400,536	\$ 1,031,575
Business-type activities	25,823	184,097	133,811	62,074	(84,629)	(161,340)	(57,097)	604,257	96,830	637,226
<b>Total change in Net Position</b>	<b>\$ (422,100)</b>	<b>\$ 260,318</b>	<b>\$ (1,148,967)</b>	<b>\$ (579,954)</b>	<b>\$ (178,575)</b>	<b>\$ 1,334,628</b>	<b>\$ (850,220)</b>	<b>\$ 1,342,564</b>	<b>\$ 497,366</b>	<b>\$ 1,668,801</b>

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General fund										
Non-Spendable	\$ 7,284	\$ 16,307	\$ 10,669	\$ 21,182	\$ 12,841	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	1,735	-	-	-	-	-	-
Assigned	26,088	26,923	14,181	41,163	30,297	-	-	-	-	-
Unassigned	902,494	402,425	413,991	467,101	571,498	682,060	982,855	1,173,285	1,300,188	1,307,880
Total general fund	<u>\$ 935,866</u>	<u>\$ 445,655</u>	<u>\$ 438,841</u>	<u>\$ 531,181</u>	<u>\$ 614,636</u>	<u>\$ 682,060</u>	<u>\$ 982,855</u>	<u>\$ 1,173,285</u>	<u>\$ 1,300,188</u>	<u>\$ 1,307,880</u>
All other governmental funds										
Nonspendable	\$ 2,153	\$ 1,323	\$ 1,034	\$ 3,415	\$ 2,895	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	869,542	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
Assigned	103,755	77,898	62,238	171,625	141,367	-	-	-	-	-
Unassigned	-	-	-	-	-	39,590	50,161	33,895	196,922	368,345
Total all other governmental funds	<u>\$ 975,450</u>	<u>\$ 958,354</u>	<u>\$ 768,081</u>	<u>\$ 1,686,683</u>	<u>\$ 1,678,197</u>	<u>\$ 1,461,122</u>	<u>\$ 1,337,952</u>	<u>\$ 1,972,695</u>	<u>\$ 2,101,947</u>	<u>\$ 2,089,306</u>

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Revenues</b>										
Sales Taxes	\$ 705,975	\$ 639,646	\$ 647,477	\$ 587,223	\$ 584,701	\$ 618,295	\$ 881,314	\$ 836,269	\$ 837,020	\$ 683,839
Franchise taxes	63,033	64,905	63,372	66,991	66,773	67,121	70,713	64,228	68,510	50,506
Licenses and permits	22,213	13,210	10,224	13,711	17,687	13,876	37,659	56,026	79,059	77,684
Intergovernmental	1,704,195	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
Charges for services	746,100	660,160	630,865	660,592	595,728	515,035	548,068	610,393	592,729	504,225
Fines and forfeitures	-	-	-	-	55,882	2,626	4,545	4,188	-	-
Interest revenue	573	564	1,804	2,100	2,238	4,869	31,514	130,076	179,100	119,963
Contributions and donations	-	23,000	20,500	35,500	-	-	-	-	6,015	100
Other revenues	403,536	65,731	117,368	57,210	112,995	239,151	136,217	138,632	22,241	43,815
<b>Total revenues</b>	<b>3,645,625</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>Expenditures</b>										
Current:										
General government	530,666	637,611	578,265	534,015	642,648	695,180	851,346	907,618	1,340,110	1,505,395
Public safety	1,713,599	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
Public works/streets	532,149	596,994	1,288,987	426,182	609,957	2,399,727	1,479,891	844,278	520,255	374,034
Culture and recreation	293,605	179,501	230,260	198,534	159,923	184,059	361,040	480,087	274,443	124,842
Economic development	-	55,668	43,666	29,666	-	-	-	37,596	19,046	-
Debt service:										
Principal retirement	25,000	25,000	25,523	40,615	53,487	52,070	28,501	20,000	123,035	-
Interest on long-term debt	16,116	17,650	19,628	21,536	23,765	25,991	25,484	22,088	28,380	-
Capital outlay	140,883	444,287	352,184	49,113	407,124	2,311,668	168,122	280,302	-	-
<b>Total expenditures</b>	<b>3,252,018</b>	<b>3,628,925</b>	<b>4,424,041</b>	<b>2,990,594</b>	<b>3,495,194</b>	<b>7,213,887</b>	<b>4,974,280</b>	<b>4,717,345</b>	<b>4,006,533</b>	<b>3,585,953</b>
Excess (Deficiency) of Revenues over expenditures	\$393,607	(\$221,850)	\$ (1,289,619)	\$ (86,793)	\$ (169,245)	\$ (2,215,892)	\$ (825,174)	\$ (390,323)	\$ (53,434)	\$ (187,198)

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Other financing sources (uses)</b>										
Transfers in	\$ 8,674	\$ -	\$ -	\$ -	\$ 5,487	\$ 41,862	\$ 31,874	\$ -	\$ -	\$ -
Transfers (out)	(8,674)	-	-	-	(5,487)	(41,862)	(31,874)	-	-	-
Lease proceeds	11,414	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	11,414	-	-	-	-	-	-	-	-	-
 Net change in fund balances	 \$405,021	 (\$221,850)	 (\$1,289,619)	 \$ (86,793)	 \$ (169,245)	 \$ (2,215,892)	 \$ (825,174)	 \$ (390,323)	 \$ (53,434)	 \$ (187,198)
 Debt service as a percentage of noncapital expenditures	 1.32%	 1.34%	 1.11%	 2.11%	 2.50%	 1.59%	 1.12%	 0.95%	 3.78%	 0.00%

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

Fiscal Year	State Shared Sales Tax	City Sales Tax	Franchise Tax	Auto Lieu Tax	State Shared Income Tax
2015	\$ 375,790	\$ 705,975	\$ 63,033	\$ 216,607	\$ 497,754
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

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

	Fiscal Year									
	2015		2014		2013		2012		2011	
	Collections	% of Total								
Mining	\$ 16,807	2.4%	\$ 14,408	2.3%	\$ 13,341	2.1%	\$ 12,047	2.1%	\$ 10,178	1.7%
Communication and Utilities	23,011	3.3%	19,527	3.1%	15,180	2.3%	16,956	2.9%	14,567	2.5%
Construction	53,517	7.6%	58,219	9.1%	90,836	14.0%	36,173	6.2%	36,097	6.2%
Manufacturing	9,006	1.3%	10,627	1.7%	9,068	1.4%	8,873	1.5%	8,461	1.4%
Retail	446,824	63.3%	399,683	62.5%	378,258	58.4%	371,310	63.2%	352,850	60.3%
Real Estate Leasing	27,034	3.8%	22,909	3.6%	22,486	3.5%	22,471	3.8%	28,988	5.0%
Restaurant and Bar	85,834	12.2%	75,264	11.8%	78,117	12.1%	81,235	13.8%	84,617	14.5%
Accommodation	-	0.0%	-	0.0%	-	0.0%	1,433	0.2%	-	0.0%
Services	29,188	4.1%	23,163	3.6%	23,333	3.6%	20,414	3.5%	28,802	4.9%
Other	14,754	2.1%	15,847	2.5%	16,858	2.6%	16,333	2.8%	20,142	3.4%
Total	<u>\$ 705,975</u>	<u>100.0%</u>	<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>

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 Primary Government	Percentage of Personal Income (1)	Debt Per Capita (2)
	Loans Payable	Capital Leases	Revenue Bonds	Capital Leases			
2015	\$ 320,000	\$ 9,614	\$ 3,587,302	\$ 18,415	\$ 3,587,302	5.30%	\$ 852
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

(1) See the schedule of Demographic and Economic Statistics on page 77 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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Secondary assessed valuation	\$ 15,600,416	\$ 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
Debt limit @ 20%	3,120,083	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
Debt limit @ 6%	936,025	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
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin @ 20%	3,120,083	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
Legal debt margin @ 6%	936,025	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

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, 2015, 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>
2015	4,208	\$ 45,350	\$ 16,099	67,745,644	13.7%	2,433
2014	4,178	42,500	15,100	63,087,800	14.6%	2,183
2013	4,115	53,384	16,796	69,115,540	15.2%	2,241
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%	2,548

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>2015</u>		<u>2006</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Summit Regional Medical Center	1,050	4.02%	500	1.82%
Northland Pioneer College	650	2.49%	175	0.64%
Navajo County	638	2.44%	425	1.55%
Wal-Mart	500	1.92%	761	2.77%
Hon-Dah Casino	370	1.42%	400	1.46%
Show Low Unified School District	430	1.65%	250	0.91%
Arizona Public Service	220	0.84%	287	1.05%
Blue Ridge Unified School District	285	1.09%	195	0.71%
Pigs for Farmer John (PFFJ)	158	0.61%	142	0.52%
Total	<u>4,301</u>	<u>16.48%</u>	<u>3,135</u>	<u>11.42%</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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government	5	5	5	6	6	6	9	8.5	7.5	7.5
Public safety										
Ambulance										
Full-time	-	4.5	4.5	4.5	4.5	5	5	5	5	5
Part-time	-	12	13	13	15	15	15	15	15	15
Fire										
Full-time	7	0.5	0.5	0.5	1.5	2	2	1.5	1.5	1.5
Volunteers	28	15	15	16	18	20	20	20	20	18
Highways and streets	2	1	1	1	2	2	2	2	2	2
Parks Maintenance	2	2	2	2	2	2	2	2	2	2
Water	2.5	2	1.5	1	2	2	2	1	1	1
Sewer	2.5	2	1.5	1	2	2	2	1	1	1
Total	49	44	44	45	53	56	59	56	55	53

Source: Various departments

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety										
Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streetlights	376	375	375	375	375	375	375	375	370	357
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	5	4	4	4
Treatment facilities	2	2	2	2	2	2	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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety										
Ambulance calls for service	977	900	985	927	970	844	816	865	834	736
Fire calls for service	159	125	159	157	161	117	185	228	261	174
Building & Safety										
New Construction Permits	3	2	1	3	1	2	5	21	51	58
Recreation and parks										
Participants	4,670	4,400	4,700	4,720	4,510	4,250	4,110	4,055	3,990	4,130
Water and wastewater										
Water connects	5	5	3	4	2	8	14	29	46	36
Sewer connects	2	1	-	2	1	2	9	31	52	26
Airport										
Runway Activities	742	720	760	776	803	815	1,410	1,372	1,306	1,282

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, (the Town) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's, basic financial statements, and have issued our report thereon dated October 30, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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'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  
October 30, 2015

**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, 2015, and have issued our report thereon dated October 30, 2015. 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, 2015.

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

A handwritten signature in black ink that reads "Hinton Burdick, PLLC". The signature is written in a cursive, flowing style.

HintonBurdick, PLLC  
Flagstaff, Arizona  
October 30, 2015