

Celebrating



Years of Incorporation



Town of Taylor, Arizona

Comprehensive Annual Financial Report

For The Fiscal Year Ended

June 30, 2016

Prepared by: Finance Department

TOWN OF TAYLOR

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December 15, 2016

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, 2016. 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, 2016. 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 celebrated its 50th anniversary of incorporation this year! The Town 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 also 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, 2015. The Town Council adopted the final budget for the fiscal year on August 6, 2015. 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.

In March 2016, doors opened to a new Wal-Mart store which is the anchor to a new 6-parcel commercial development in Taylor, Silver Creek Crossings. A new Burger King restaurant opened shortly thereafter and another commercial building with 5 lease spaces in near completion. This new commercial development has bolstered construction sales taxes in the current year and will provide a stable base of new retail sales tax that has brought the Town's budget out of the Great Recession.

Capital Projects

Taylor utilized its Community Development Block Grant funds to purchase new ADA compliant park equipment which Town Public Works staff installed at Freeman Park and the East Ball Park. Handicapped parking pads and walkways were also installed in both parks by a contractor.

The grant provided \$183,000 for the project and the Town contributed an additional \$40,000 to expand the existing play areas and enhance the project which replaced equipment over 20 years old and accommodates many more children.

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 Third 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 second 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, 2016**

Elected Officials

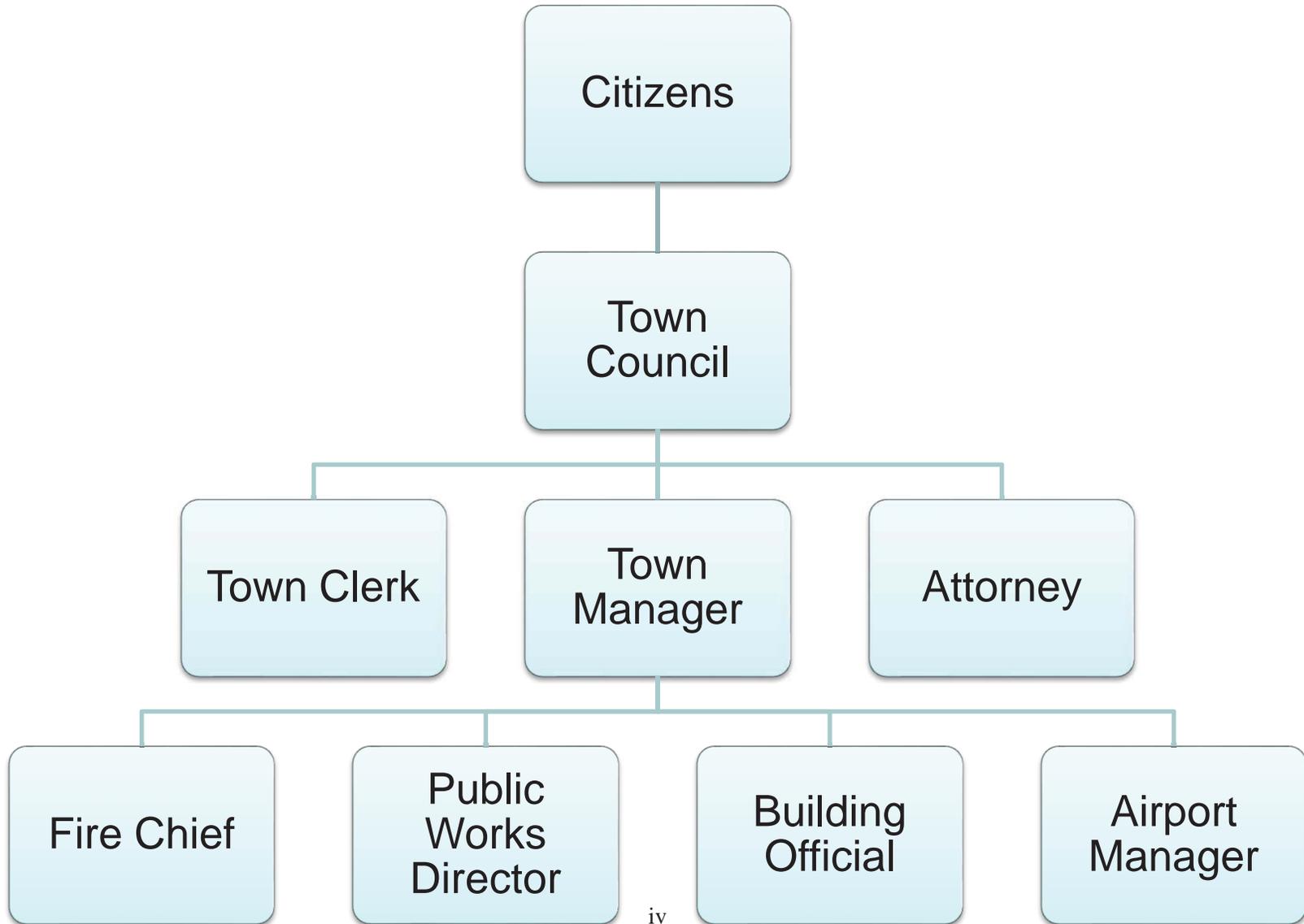
Mayor	Fay Hatch
Vice-Mayor	Shawn Palmer
Council	Gary Solomon
Council	Jason Brubaker
Council	Marion Hatch
Council	Lynn DeWitt
Council	Carl Cosper

Appointed Officials

Town Manager	Gus Lundberg
Public Works Director	Jeremy Peters
Building Official/Zoning Administrator	Allen Davis
Town Clerk	Geri Judd
Town Attorney	Bill Sims
Fire Chief	Clint Burden
Police Chief	Larry Scarber
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, 2015

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 fiscal year ended June 30, 2016, 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.

Auditors' 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 auditors' 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, 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 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 individual nonmajor fund budgetary comparison schedule is the responsibility of management and was derived from and relates 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 individual nonmajor fund budgetary comparison schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2016, 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
December 2, 2016

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**TOWN OF TAYLOR, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2016**

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, 2016. 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 \$985,558 were up 40% over last year. This amount also exceeded the budget by \$35,558 or 103.7%
- 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. In fiscal year 2016, Ambulance revenues of \$728,836 exceeded budget by \$178,575 or 133%
- The City's total net position at the close of the fiscal year was \$11,916,444. This amount is comprised of \$11,101,850 in capital assets net of related debt, \$1,121,820 in restricted net position, and (\$307,226) in unrestricted net position. Implementation of GASB 68 has caused the negative unrestricted net position.
- Governmental activities net position increased \$304,457 and business-type activities net position increased \$13,256 for a total increase of \$317,713 in fiscal year 2016.

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 plus deferred outflows of resources exceed liabilities plus deferred inflows of resources by more than \$11.9 million as of June 30, 2016 as shown in the following condensed statement of net position. 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	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Current and other assets	\$ 2,397,144	\$ 2,044,422	\$ 151,055	\$ 241,964	\$ 2,548,199	\$ 2,286,386
Capital assets	7,418,492	7,648,644	7,035,852	7,205,371	14,454,344	14,854,015
Total assets	9,815,636	9,693,066	7,186,907	7,447,335	17,002,543	17,140,401
Deferred outflows of resources	121,958	115,843	26,771	28,961	148,729	144,804
Long-term liabilities outstanding	1,158,214	1,383,694	3,587,653	3,850,034	4,745,867	5,233,728
Other liabilities	267,705	139,424	109,679	100,740	377,384	240,164
Total liabilities	1,425,919	1,523,118	3,697,332	3,950,774	5,123,251	5,473,892
Deferred inflows of resources	91,493	170,066	20,084	42,516	111,577	212,582
Net position:						
Net investment in capital assets	7,410,806	7,305,141	3,691,044	3,599,653	11,101,850	10,904,794
Restricted	837,991	869,542	283,829	288,324	1,121,820	1,157,866
Unrestricted	171,385	(58,958)	(478,611)	(404,971)	(307,226)	(463,929)
Total net position	\$ 8,420,182	\$ 8,115,725	\$ 3,496,262	\$ 3,483,006	\$ 11,916,444	\$ 11,598,731

Governmental Activities

The cost of all Governmental activities this year was \$4.0 million. As shown on the Changes in Net Position statement on the following page. \$872,511 of this cost was paid for by those who directly benefited from the programs. \$1,267,175 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 \$2.14 million. General taxes, State Revenue Sharing, investment earnings, and other revenue totaled \$2.18 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.

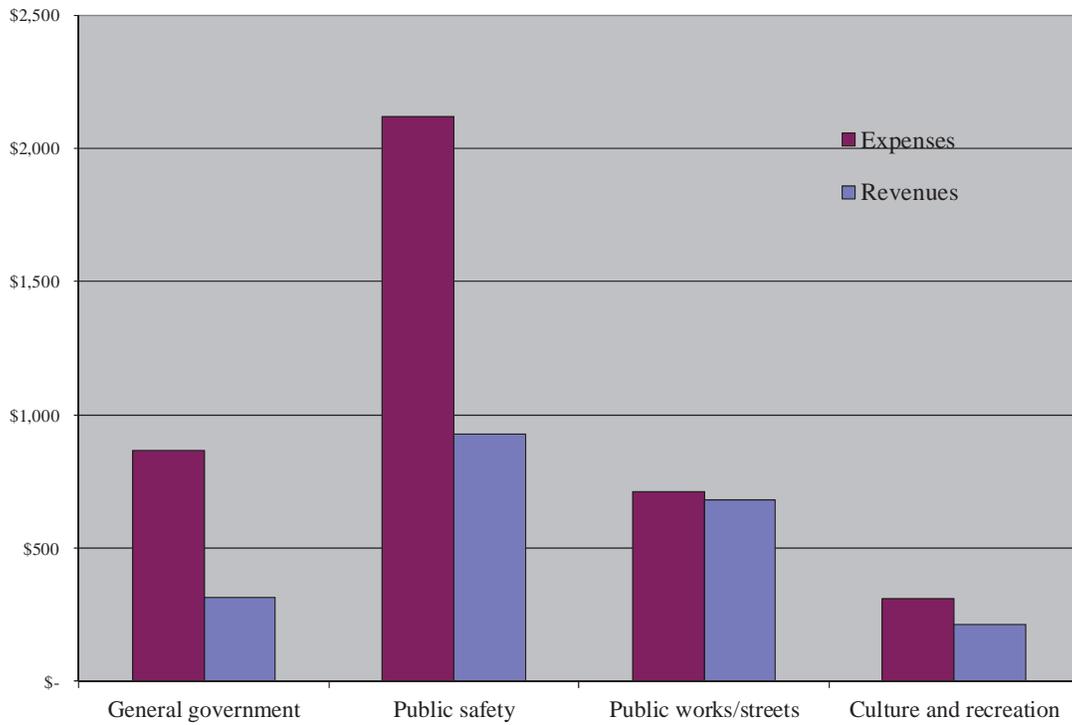
TOWN OF TAYLOR, ARIZONA
Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	6/30/2016	6/30/2015	6/30/2016	6/30/2015	6/30/2016	6/30/2015
Revenues:						
Program revenues:						
Charges for services	\$ 872,511	\$ 791,914	\$ 960,151	\$ 980,029	\$ 1,832,662	\$ 1,771,943
Operating grants and contributions	746,106	558,240	-	-	746,106	558,240
Capital grants and contributions	521,069	79,925	36,708	15,560	557,777	95,485
General revenues:						
Taxes	1,677,252	1,361,405	-	-	1,677,252	1,361,405
State revenue sharing	495,084	497,783	-	-	495,084	497,783
Investment earnings	-	574	-	-	-	574
Other revenue (expense)	3,481	10,787	-	44	3,481	10,831
Total revenues	<u>4,315,503</u>	<u>3,300,628</u>	<u>996,859</u>	<u>995,633</u>	<u>5,312,362</u>	<u>4,296,261</u>
Expenses:						
General government	867,888	993,812	-	-	867,888	993,812
Public safety	2,119,446	1,740,142	-	-	2,119,446	1,740,142
Public works/streets	711,117	708,994	-	-	711,117	708,994
Culture and recreation	311,238	290,618	-	-	311,238	290,618
Interest on long-term debt	1,357	14,985	-	-	1,357	14,985
Water	-	-	426,587	403,241	426,587	403,241
Sewer	-	-	557,016	566,569	557,016	566,569
Total expenses	<u>4,011,046</u>	<u>3,748,551</u>	<u>983,603</u>	<u>969,810</u>	<u>4,994,649</u>	<u>4,718,361</u>
Increase (decrease) in net position before transfers	304,457	(447,923)	13,256	25,823	317,713	(422,100)
Net position, beginning	8,115,725	9,579,862	3,483,006	3,711,236	11,598,731	13,291,098
Prior period adjustment	-	(1,016,214)	-	(254,053)	-	(1,270,267)
Net position, ending	<u>\$ 8,420,182</u>	<u>\$ 8,115,725</u>	<u>\$ 3,496,262</u>	<u>\$ 3,483,006</u>	<u>\$ 11,916,444</u>	<u>\$ 11,598,731</u>

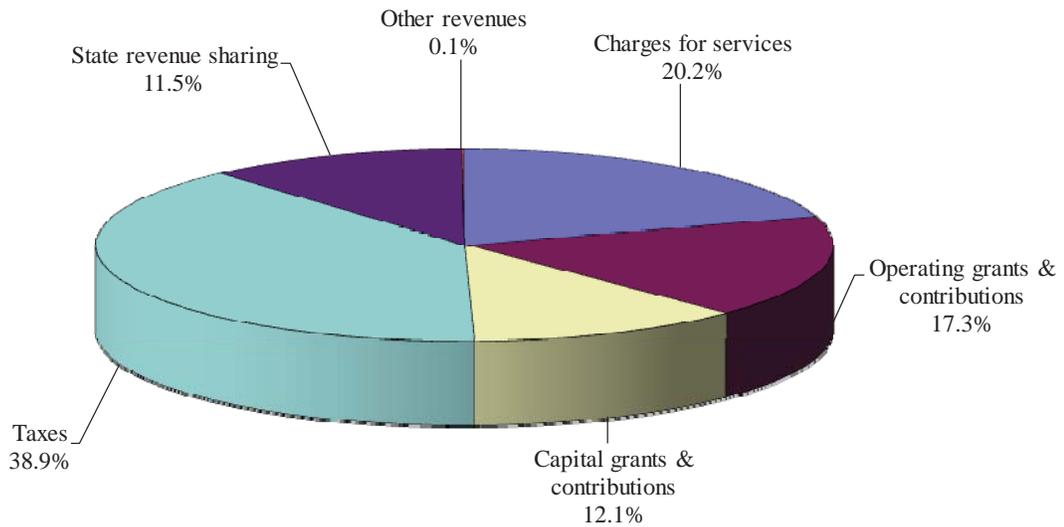
Total resources available during the year to finance governmental operations were \$12.4 million consisting of Net position at July 1, 2015 of \$8.1 million, program revenues of \$2.14 million and General Revenues of \$2.18 million. Total Governmental Activities during the year were \$4.0 million; thus Governmental Net Position was decreased by \$304,457.

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)



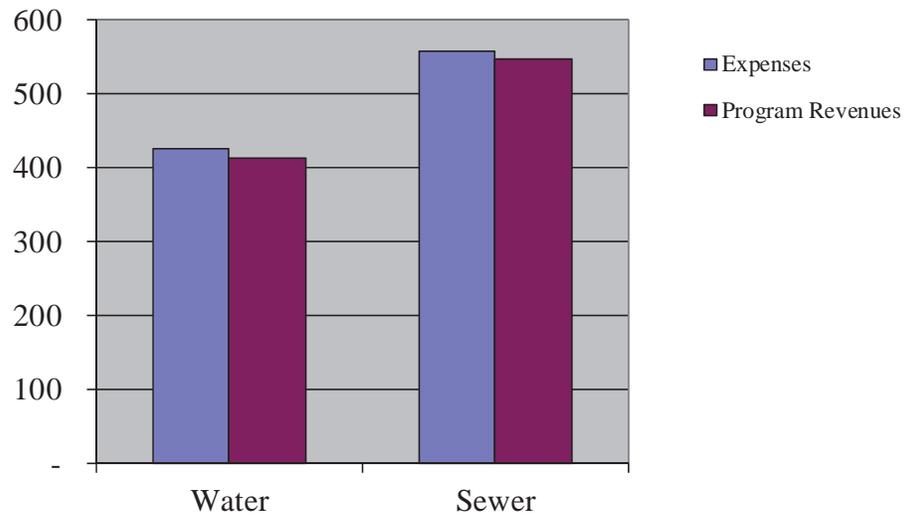
Revenue By Source - Governmental Activities



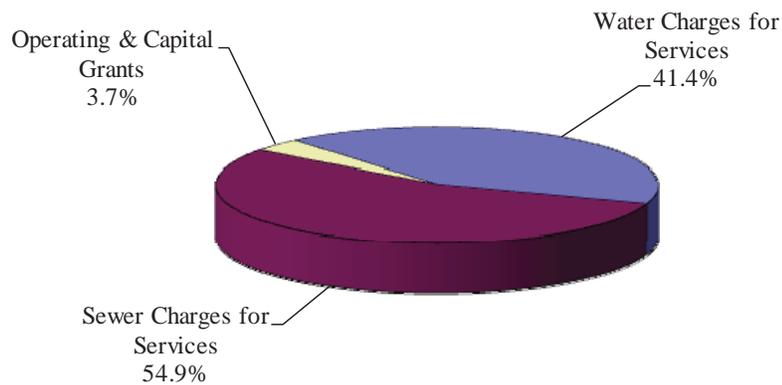
Business Type Activities

Net position of the Business Type activities at June 30, 2016, as reflected in the Statement of Net Position was \$3.5 million. The cost of providing all Proprietary (Business Type) activities this year was \$983,603. As shown in the statement of Changes in Net Position, the amount paid by users of the system was \$960,151. Net Position increased by \$13,256.

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 \$2.1 million, an increase of \$218,123 in comparison with the prior year. Approximately 60% (\$1,282,011) 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 \$1,132,811 of which \$1,125,527 is assigned or unassigned. The fund balance increased during the current year by \$196,945 mainly due to an increase in sales tax revenues and an increase in ambulance billings.

The Highway User Revenue Fund has a total fund balance of \$740,157 all of which is restricted for road construction and maintenance. The fund balance decreased during the current year by \$1,647.

The Grants Fund has a total fund balance of \$156,484 all of which is assigned for public safety. The fund balance increased during the year by \$52,729 mainly due to increased wildland fire 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 \$3,307,748 were less than budgeted revenues of \$3,880,570 by \$572,822 mainly due to contingency revenue not received. Also, ambulance revenue received was higher than expected.

Expenditures of \$3,110,803 were less than budgeted expenditures of \$3,675,845. The non-departmental department expenditures were less than budgeted expenditures by \$757,106 due to budgeted contingency expenditures that weren't utilized. The debt service department expenditures of \$327,675 did not have a budgeted amount and utilized contingency funds for the expenditure.

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 2016, net capital assets of the government activities totaled \$7.4 million and the net capital assets of the business-type activities totaled \$7.0 million. The most significant capital additions during the year were park and playground upgrades and perimeter fencing at the airport. 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 \$1,158,214 in governmental type debt, and \$3,587,653 in proprietary debt. During the current fiscal year, the Town's total debt decreased by \$487,861. (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 2016/2017 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, 2016

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,491,017	\$ 2	\$ 1,491,019
Receivables (net of allowance)	561,120	122,576	683,696
Internal balances	335,570	(331,088)	4,482
Inventories	8,897	44,028	52,925
Prepaid expenses	540	-	540
Restricted assets	-	315,537	315,537
Capital assets (not being depreciated):			
Land	979,419	40,000	1,019,419
Capital assets (net of accumulated depreciation):			
Buildings	887,773	-	887,773
Improvements	3,845,136	-	3,845,136
System improvements	-	6,927,523	6,927,523
Furniture, equipment & vehicles	257,544	68,329	325,873
Infrastructure/Roads	1,448,620	-	1,448,620
Total assets	<u>9,815,636</u>	<u>7,186,907</u>	<u>17,002,543</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>121,958</u>	<u>26,771</u>	<u>148,729</u>
Total deferred outflows of resources	<u>121,958</u>	<u>26,771</u>	<u>148,729</u>
Liabilities			
Accounts payable and other current liabilities	267,705	76,231	343,936
Interest payable	-	33,448	33,448
Noncurrent liabilities:			
Due within one year	25,946	221,557	247,503
Due in more than one year	1,132,268	3,366,096	4,498,364
Total liabilities	<u>1,425,919</u>	<u>3,697,332</u>	<u>5,123,251</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	<u>91,493</u>	<u>20,084</u>	<u>111,577</u>
Total deferred inflows of resources	<u>91,493</u>	<u>20,084</u>	<u>111,577</u>
Net Position			
Net investment in capital assets	7,410,806	3,691,044	11,101,850
Restricted for:			
Debt service	-	283,829	283,829
Highways & streets	837,991	-	837,991
Unrestricted	171,385	(478,611)	(307,226)
Total net position	<u>\$ 8,420,182</u>	<u>\$ 3,496,262</u>	<u>\$ 11,916,444</u>

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

TOWN OF TAYLOR ARIZONA
Statement of Activities
For the Fiscal Year Ended June 30, 2016

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
Primary government							
Governmental activities:							
General government	\$ 867,888	\$ 54,467	\$ -	\$ 259,420	\$ (554,001)	\$ -	\$ (554,001)
Public safety	2,119,446	728,871	199,351	1,500	(1,189,724)	-	(1,189,724)
Public works/streets	711,117	51,628	546,755	84,961	(27,773)	-	(27,773)
Culture and recreation	311,238	37,545	-	175,188	(98,505)	-	(98,505)
Interest on long-term debt	1,357	-	-	-	(1,357)	-	(1,357)
Total governmental activities	4,011,046	872,511	746,106	521,069	(1,871,360)	-	(1,871,360)
Business-type activities:							
Water	426,587	413,147	-	21,637	-	8,197	8,197
Sewer	557,016	547,004	-	15,071	-	5,059	5,059
Total business-type activities	983,603	960,151	-	36,708	-	13,256	13,256
Total primary government	4,994,649	1,832,662	746,106	557,777			
General Revenues:							
Taxes:							
City sales tax					985,558	-	985,558
Franchise tax					68,407	-	68,407
State sales tax (unrestricted)					388,096	-	388,096
Auto lieu tax (unrestricted)					235,191	-	235,191
State taxes - revenue sharing (unrestricted)					495,084	-	495,084
Miscellaneous					3,481	-	3,481
Total general revenues & transfers					2,175,817	-	2,175,817
Change in net position					304,457	13,256	317,713
Net position - beginning					8,115,725	3,483,006	11,598,731
Net position - ending					\$ 8,420,182	\$ 3,496,262	\$ 11,916,444

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

TOWN OF TAYLOR ARIZONA
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Grants Fund</u>	<u>Nonmajor LTAF Fund</u>	<u>Total Governmental Funds</u>
Assets:					
Cash and cash equivalents	\$ 662,248	\$ 728,782	\$ -	\$ 99,987	\$ 1,491,017
Receivables, net:					
Accounts receivable	99,524	-	-	-	99,524
Intergovernmental	137,661	52,127	271,808	-	461,596
Due from other funds	397,275	-	-	-	397,275
Prepays	540	-	-	-	540
Inventory	6,744	2,153	-	-	8,897
Total assets	<u>\$ 1,303,992</u>	<u>\$ 783,062</u>	<u>\$ 271,808</u>	<u>\$ 99,987</u>	<u>\$ 2,458,849</u>
Liabilities:					
Accounts payable	\$ 123,517	\$ 39,472	\$ 53,619	\$ -	\$ 216,608
Accrued liabilities	47,664	3,433	-	-	51,097
Due to other funds	-	-	61,705	-	61,705
Total liabilities	<u>171,181</u>	<u>42,905</u>	<u>115,324</u>	<u>-</u>	<u>329,410</u>
Fund Balances:					
Nonspendable:					
Prepaid expenses	540	-	-	-	540
Inventory	6,744	2,153	-	-	8,897
Restricted:					
Highways and streets	-	738,004	-	99,987	837,991
Assigned:					
Public safety	224,688	-	156,484	-	381,172
Unassigned	900,839	-	-	-	900,839
Total fund balances	<u>1,132,811</u>	<u>740,157</u>	<u>156,484</u>	<u>99,987</u>	<u>2,129,439</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,303,992</u>	<u>\$ 783,062</u>	<u>\$ 271,808</u>	<u>\$ 99,987</u>	<u>\$ 2,458,849</u>

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

TOWN OF TAYLOR ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

Total fund balances - governmental funds		\$ 2,129,439
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 18,279,008	
Accumulated depreciation	<u>(10,860,516)</u>	7,418,492
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.		
Leases payable	\$ (7,686)	
Landfill post-closure payable	(58,836)	
Compensated absences	(27,530)	
Net pension liability	<u>(1,064,162)</u>	(1,158,214)
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	\$ 121,958	
Deferred inflows	<u>(91,493)</u>	30,465
Total net position - governmental activities		<u><u>\$ 8,420,182</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 Fiscal Year Ended June 30, 2016

	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Grants Fund</u>	<u>Nonmajor LTAF Fund</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes					
Sales taxes	\$ 985,558	\$ -	\$ -	\$ -	\$ 985,558
Franchise taxes	68,407	-	-	-	68,407
Licenses and permits	54,467	-	-	-	54,467
Intergovernmental	1,377,791	546,755	460,820	-	2,385,366
Charges for services	796,794	-	-	-	796,794
Other revenues	24,731	180	-	-	24,911
Total revenues	<u>3,307,748</u>	<u>546,935</u>	<u>460,820</u>	<u>-</u>	<u>4,315,503</u>
Expenditures:					
Current:					
General government	631,408	-	-	-	631,408
Public safety	1,898,242	-	169,881	-	2,068,123
Public works/streets	-	442,138	80,261	12,664	535,063
Culture and recreation	243,538	-	175,189	-	418,727
Capital outlay	9,940	106,444	-	-	116,384
Debt service:					
Principal retirement	320,000	-	-	-	320,000
Interest on long-term debt	7,675	-	-	-	7,675
Total expenditures	<u>3,110,803</u>	<u>548,582</u>	<u>425,331</u>	<u>12,664</u>	<u>4,097,380</u>
Excess (deficiency) of revenues over (under) expenditures	196,945	(1,647)	35,489	(12,664)	218,123
Other Financing Sources (Uses):					
Transfers in	-	-	17,240	-	17,240
Transfers out	-	-	-	(17,240)	(17,240)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>17,240</u>	<u>(17,240)</u>	<u>-</u>
Net change in fund balances	196,945	(1,647)	52,729	(29,904)	218,123
Fund balances, beginning of year	935,866	741,804	103,755	129,891	1,911,316
Fund balances, end of year	<u>\$ 1,132,811</u>	<u>\$ 740,157</u>	<u>\$ 156,484</u>	<u>\$ 99,987</u>	<u>\$ 2,129,439</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 Fiscal Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds		\$ 218,123
<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	\$ 361,036	
Depreciation expense	<u>(591,188)</u>	(230,152)
<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>		
		335,817
<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>		
		6,318
<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	\$ 69,437	
Pension expense	<u>(92,429)</u>	(22,992)
<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>(2,657)</u>
Change in net position of governmental activities		<u><u>\$ 304,457</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, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Total</u>
Assets:			
Current assets:			
Cash	\$ 2	\$ -	\$ 2
Receivables (net of allowance)	59,596	62,980	122,576
Due from other funds	277,990	-	277,990
Due from other governments	4,482	-	4,482
Inventory	42,951	1,077	44,028
Restricted assets	30,108	285,429	315,537
Total current assets	<u>415,129</u>	<u>349,486</u>	<u>764,615</u>
Noncurrent assets:			
Land	-	40,000	40,000
Furniture, equipment & vehicles	141,954	108,796	250,750
Distribution system	3,027,067	6,488,441	9,515,508
Accumulated depreciation	<u>(1,143,168)</u>	<u>(1,627,238)</u>	<u>(2,770,406)</u>
Total noncurrent assets	<u>2,025,853</u>	<u>5,009,999</u>	<u>7,035,852</u>
Total assets	<u>2,440,982</u>	<u>5,359,485</u>	<u>7,800,467</u>
Deferred Outflows of Resources:			
Deferred outflows related to pensions	<u>14,873</u>	<u>11,898</u>	<u>26,771</u>
Total deferred outflows of resources	<u>14,873</u>	<u>11,898</u>	<u>26,771</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, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Total</u>
Liabilities:			
Current liabilities:			
Accounts payable	15,121	18,829	33,950
Accrued liabilities	6,194	4,379	10,573
Customer deposits	30,108	1,600	31,708
Due to other funds	-	613,560	613,560
Interest payable	-	33,448	33,448
Notes payable - current	-	216,933	216,933
Compensated absences - current	2,670	1,954	4,624
Total current liabilities	<u>54,093</u>	<u>890,703</u>	<u>944,796</u>
Noncurrent liabilities:			
Compensated absences	3,118	1,506	4,624
Notes payable	-	3,127,875	3,127,875
Net pension liability	129,776	103,821	233,597
Total long-term liabilities	<u>132,894</u>	<u>3,233,202</u>	<u>3,366,096</u>
Total liabilities	<u>186,987</u>	<u>4,123,905</u>	<u>4,310,892</u>
Deferred Inflows of Resources:			
Deferred inflows related to pensions	11,158	8,926	20,084
Total deferred inflows of resources	<u>11,158</u>	<u>8,926</u>	<u>20,084</u>
Net Position:			
Net investment in capital assets	2,025,853	1,665,191	3,691,044
Restricted	-	283,829	283,829
Unrestricted	231,857	(710,468)	(478,611)
Total net position	<u>\$ 2,257,710</u>	<u>\$ 1,238,552</u>	<u>\$ 3,496,262</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 Fiscal Year Ended June 30, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Total</u>
Operating revenues:			
Charges for services	\$ 412,822	\$ 546,887	\$ 959,709
Other revenues	325	117	442
Total operating revenues	<u>413,147</u>	<u>547,004</u>	<u>960,151</u>
Operating expenses:			
Salaries	124,046	97,862	221,908
Employee benefits	40,797	33,003	73,800
Service, supplies, and other	186,731	217,606	404,337
Depreciation	73,982	141,649	215,631
Total operating expenses	<u>425,556</u>	<u>490,120</u>	<u>915,676</u>
Operating income (loss)	<u>(12,409)</u>	<u>56,884</u>	<u>44,475</u>
Non-operating revenues (expenses):			
Interest expense and fiscal charges	(1,031)	(66,896)	(67,927)
Connection and impact fees	21,637	15,071	36,708
Total non-operating revenue (expense)	<u>20,606</u>	<u>(51,825)</u>	<u>(31,219)</u>
Change in net position	8,197	5,059	13,256
Total net position, beginning of year	<u>2,249,513</u>	<u>1,233,493</u>	<u>3,483,006</u>
Total net position, end of year	<u>\$ 2,257,710</u>	<u>\$ 1,238,552</u>	<u>\$ 3,496,262</u>

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Combined Total</u>
Cash flows from operating activities:			
Cash received from customers, service fees	\$ 405,991	\$ 551,135	\$ 957,126
Cash received from customers, other	325	117	442
Cash paid to suppliers	(185,111)	(214,505)	(399,616)
Cash paid to employees	(173,510)	(140,750)	(314,260)
Net cash flows from operating activities	<u>47,695</u>	<u>195,997</u>	<u>243,692</u>
Cash flows from noncapital financing activities:			
Proceeds/(payments) to other funds	(3,258)	93,690	90,432
Net cash flows from noncapital financing activities	<u>(3,258)</u>	<u>93,690</u>	<u>90,432</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(23,056)	(23,056)	(46,112)
Principal paid on long-term debt	(48,231)	(212,679)	(260,910)
Interest paid	2,153	(69,023)	(66,870)
Connection & impact fees	21,637	15,071	36,708
Net cash flows from capital and related financing activities	<u>(47,497)</u>	<u>(289,687)</u>	<u>(337,184)</u>
Net change in cash and cash equivalents	(3,060)	-	(3,060)
Cash and cash equivalents, beginning of year	<u>33,170</u>	<u>285,429</u>	<u>318,599</u>
Cash and cash equivalents, end of year	<u>\$ 30,110</u>	<u>\$ 285,429</u>	<u>\$ 315,539</u>
Reconciliation of operating income to net cash flows from operating activities:			
Net operating income (loss)	\$ (12,409)	\$ 56,884	\$ 44,475
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation/amortization	73,982	141,649	215,631
Pension expense	(4,444)	(6,082)	(10,526)
Employer pension contributions	(8,467)	(6,774)	(15,241)
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	(6,831)	4,248	(2,583)
Increase/(decrease) in payables	1,620	3,101	4,721
Increase/(decrease) in accrued liabilities & deposits	4,244	2,971	7,215
Net cash flows from operating activities	<u>\$ 47,695</u>	<u>\$ 195,997</u>	<u>\$ 243,692</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, 2016

	Volunteer Firefighters' Relief and Pension
Assets:	
Cash and cash equivalents	\$ 195,100
Total assets	<u>195,100</u>
Net Position:	
Net position held in trust for pension benefits and other purposes	<u><u>\$ 195,100</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 Fiscal Year Ended June 30, 2016

	Volunteer Firefighters' Relief and Pension
Additions:	
Contributions:	
Other sources	\$ 4,695
Total contributions	4,695
Investment income:	
Net appreciation (depreciation) in fair value of investments	(5,802)
Interest earnings	3,560
Net investment income (loss)	(2,242)
Total additions	2,453
Deductions:	
Contract services	3,115
Benefits	2,901
Total deductions	6,016
Change in net position	(3,563)
Net position held in trust for pension benefits:	
Beginning of year	198,663
End of year	\$ 195,100

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

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

Reporting entity

The Town of 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, 2016

Note 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – government-wide financial statements

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

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

Basis of presentation – fund financial statements

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major enterprise funds:

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

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

Additionally, the Town reports the following fund types:

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

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 1. Summary of Significant Accounting Policies, Continued

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, 2016

Note 1. Summary of Significant Accounting Policies, Continued

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 fiscal 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 fiscal 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, 2016

Note 1. Summary of Significant Accounting Policies, Continued

Inventories and prepaid items

Inventories 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, 2016

Note 1. Summary of Significant Accounting Policies, Continued

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, 2016

Note 1. Summary of Significant Accounting Policies, Continued

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, 2016

Note 1. Summary of Significant Accounting Policies, Continued

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.

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2016

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

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

Note 3. Stewardship, Compliance, and Accountability

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, 2016

Note 3. Stewardship, Compliance, and Accountability, Continued

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 fiscal year ended June 30, 2016, 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, 2016

Note 4. Deposits and Investments

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

Cash and cash equivalents	\$ 1,491,019
Restricted cash and cash equivalents	315,537
Fiduciary Fund cash and cash equivalents	<u>195,100</u>
Total	<u><u>\$ 2,001,656</u></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, 2016 cash on hand was \$4,500 and the carrying amount of the Town's deposits was \$1,281,885. As of June 30, 2016 the bank balance of the Town's deposits was \$1,318,030 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, 2016

Note 4. Deposits and Investments, Continued

As of June 30, 2016 the Town had the following investments, ratings, and maturities:

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
Cash on deposit	\$ 1,281,885	N/A	N/A
Cash on hand	4,500	N/A	N/A
Equity Mutual Funds	172,011	N/A	N/A
Local Governments Investment Pool	543,260	AAA	22 days
	<u>\$ 2,001,656</u>		

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

The Town categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2016:

- Equity Mutual Funds are valued using quoted market prices (Level 1 inputs)
- Local Governments Investment Pool is valued using quoted market prices (Level 1 inputs)

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.

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 5. Restricted Assets

Restricted assets consist of the following at June 30, 2016:

	Business-type Activities
Debt reserves	\$ 283,829
Customer deposits	31,708
	\$ 315,537

Note 6. Capital Assets

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

Governmental Activities:	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016
Capital assets, not being depreciated:				
Land	\$ 979,419	\$ -	\$ -	\$ 979,419
Construction in progress	385,696	48,760	(434,456)	-
Total capital assets, not being depreciated	1,365,115	48,760	(434,456)	979,419
Capital assets, being depreciated:				
Buildings	1,016,574	237,085	-	1,253,659
Improvements	10,938,325	434,456	-	11,372,781
Furniture, equipment & vehicles	1,984,719	75,191	-	2,059,910
Infrastructure	2,613,239	-	-	2,613,239
Total capital assets, being depreciated	16,552,857	746,732	-	17,299,589
Less accumulated depreciation for:				
Buildings	(329,916)	(35,970)	-	(365,886)
Improvements	(7,179,187)	(348,458)	-	(7,527,645)
Furniture, equipment & vehicles	(1,726,268)	(76,098)	-	(1,802,366)
Infrastructure	(1,033,957)	(130,662)	-	(1,164,619)
Total accumulated depreciation	(10,269,328)	(591,188)	-	(10,860,516)
Total capital assets, being depreciated, net	6,283,529	155,544	-	6,439,073
Governmental activities capital assets, net	\$ 7,648,644	\$ 204,304	\$ (434,456)	\$ 7,418,492

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

Governmental Activities:	
General government	\$ 271,395
Public safety	62,611
Public works/streets	179,040
Culture & recreation	78,142
Total depreciation expense - governmental activities	\$ 591,188

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 6. Capital Assets, Continued

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

Business Type Activities:	Balance 6/30/2015	Additions	Deletions	Balance 6/30/2016
Capital assets, not being depreciated:				
Land and water rights	\$ 40,000	\$ -	\$ -	\$ 40,000
Total capital assets, not being depreciated	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Capital assets, being depreciated:				
Water system	3,027,067	-	-	3,027,067
Sewer system	6,488,441	-	-	6,488,441
Furniture, equipment & vehicles	204,638	46,112	-	250,750
Total capital assets, being depreciated	<u>9,720,146</u>	<u>46,112</u>	<u>-</u>	<u>9,766,258</u>
Less accumulated depreciation for:				
Water system	(965,930)	(69,069)	-	(1,034,999)
Sewer system	(1,416,359)	(136,627)	-	(1,552,986)
Furniture, equipment & vehicles	(172,486)	(9,935)	-	(182,421)
Total accumulated depreciation	<u>(2,554,775)</u>	<u>(215,631)</u>	<u>-</u>	<u>(2,770,406)</u>
Total capital assets, being depreciated, net	<u>7,165,371</u>	<u>(169,519)</u>	<u>-</u>	<u>6,995,852</u>
Business-type activities capital assets, net	<u>\$ 7,205,371</u>	<u>\$ (169,519)</u>	<u>\$ -</u>	<u>\$ 7,035,852</u>

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

Business-Type Activities:	
Water	\$ 73,982
Sewer	141,649
Total depreciation expense - business-type activities	<u>\$ 215,631</u>

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 7. Long-Term Liabilities

The following is a summary of changes in long-term obligations for the fiscal year ended June 30, 2016:

	Balance 6/30/2015	Additions	Retirements	Balance 6/30/2016	Current Portion
Governmental Activities:					
Loan payable	\$ 320,000	\$ -	\$ (320,000)	\$ -	\$ -
Deferred amount on:					
Premium on loan payable	13,889	-	(13,889)	-	-
Capital leases	9,614	-	(1,928)	7,686	2,181
Landfill post-closure payable	58,836	-	-	58,836	10,000
Compensated absences	24,873	20,358	(17,701)	27,530	13,765
Net pension liability	956,482	107,680	-	1,064,162	-
Total Governmental activity					
Long-term liabilities	<u>\$ 1,383,694</u>	<u>\$ 128,038</u>	<u>\$ (353,518)</u>	<u>\$ 1,158,214</u>	<u>\$ 25,946</u>
Business-Type Activities:					
Notes payable	\$ 3,587,303	\$ -	\$ (242,495)	\$ 3,344,808	\$ 216,933
Capital leases	18,415	-	(18,415)	-	-
Compensated absences	5,195	7,672	(3,619)	9,248	4,624
Net pension liability	239,121	(5,524)	-	233,597	-
Total Business-type activity					
Long-term liabilities	<u>\$ 3,850,034</u>	<u>\$ 2,148</u>	<u>\$ (264,529)</u>	<u>\$ 3,587,653</u>	<u>\$ 221,557</u>

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 7. Long-Term Liabilities, Continued

The following is a listing of notes and loans outstanding as of June 30, 2016:

Loans and Notes Payable:

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. \$ 3,344,808

Total Loans and Notes Payable \$ 3,344,808

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

Years ending June 30:	Business-Type Activities	
	Principal	Interest
2016	\$ 216,933	\$ 66,896
2017	221,271	62,558
2018	225,697	58,132
2019	230,211	53,618
2020	234,815	49,014
2021-2025	1,246,426	172,718
2026-2029	969,455	42,195
	<u>\$ 3,344,808</u>	<u>\$ 505,131</u>

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 8. Capital Leases Payable

The Town has entered into a lease agreement, which is considered a capital lease 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
2017	\$ 3,012
2018	3,012
2019	3,012
2020	251
Total remaining lease payments	9,287
Less: amount representing interest	(1,601)
Present value of net remaining minimum lease payments	\$ 7,686

A summary of assets acquired through capital leases follows:

	Governmental Activities
Vehicles and equipment	\$ 11,414
Accumulated depreciation	(2,990)
Net total	\$ 8,424

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 9. Interfund Receivables, Payables and Transfers

As of June 30, 2016, interfund receivables and payables that resulted from various interfund transactions are as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 397,275	\$ -
Grants Fund	-	61,705
Water Fund	277,990	-
Sewer Fund	-	613,560
	\$ 675,265	\$ 675,265

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, 2016, interfund transfers are as follows:

	Transfers In	
Transfers Out:	Grants Fund	Total
LTAF	\$ 17,240	\$ 17,240
	\$ 17,240	\$ 17,240

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.

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2016

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:

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

* With actuarially reduced benefits.

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, 2016, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47 percent (11.35 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 11.47 percent (10.85 percent for retirement, 0.5 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, 2016

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
2014	\$ 77,937	\$ 4,370	\$ 1,748
2015	78,910	4,275	870
2016	84,680	4,414	1,059

Pension liability – At June 30, 2016, the Town reported a liability of \$1,297,759 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. 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, 2014, to the measurement date of June 30, 2015. 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, 2015. The Town's proportion measured as of June 30, 2015, was 0.008330 percent, which was an increase of 0.000250 percent from its proportion measured as of June 30, 2014.

Pension expense and deferred outflows/inflows of resources – For the fiscal year ended June 30, 2016, the Town recognized pension expense for ASRS of \$81,434. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Net difference between projected and actual earnings on pension plan investments	-	41,590
Changes in proportion and differences between contributions and proportional share of contributions	28,637	1,983
Contributions subsequent to the measurement date	84,680	-
Total	<u>\$ 148,730</u>	<u>\$ 111,577</u>

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 10. Retirement and Pension Plans, Continued

The \$84,680 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, 2017. 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:

<u>Year Ended June 30</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2017	\$ (16,049)
2018	(34,050)
2019	(27,450)
2020	30,022
2021	-
Thereafter	-

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

Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
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, 2014, 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, 2016

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:

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	58%	6.79%	3.94%
Fixed income	25%	3.70%	0.93%
Multi-asset	5%	3.41%	0.17%
Commodities	2%	3.93%	0.08%
Real Estate	10%	4.25%	0.42%
Totals	100%		5.54%
	<u>Inflation</u>		3.25%
	<u>Expected arithmetic nominal return</u>		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	\$ 1,700,507	\$ 1,297,759	\$ 1,021,744

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2016

Note 10. Retirement and Pension Plans, Continued

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued 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, 2016, the State's contribution was \$4,695.

Note 11. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; 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, 2016

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 effect 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.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF TAYLOR, ARIZONA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2016

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date) 2016 (2015)	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Proportion of the net pension liability (asset)	0.008330%	0.008080%
Proportionate share of the net pension liability (asset)	\$ 1,297,759	\$ 1,195,602
Covered employee payroll	\$ 901,943	\$ 750,605
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	143.88%	159.29%
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%

Note: The Town implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

TOWN OF TAYLOR, ARIZONA
Schedule of Contributions
June 30, 2016

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)	Reporting Fiscal Year (Measurement Date)
	2016 (2015)	2015 (2014)
Contractually required contribution	\$ 83,568	\$ 77,937
Contributions in relation to the contractually required contribution	\$ (83,568)	\$ (77,937)
Contribution deficiency (excess)	\$ -	\$ -
Covered employee payroll	\$ 901,943	\$ 750,605
Contributions as a percentage of covered-employee payroll	9.27%	10.38%

Note: The Town implemented GASB 68 in fiscal year 2015. Information prior to 2015 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.
- **Grants Fund** – This fund is used to account for federal and state grants and other contributions that are restricted for specific use.

TOWN OF TAYLOR, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget & Actual
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes:				
Tax revenue	\$ 950,000	\$ 950,000	\$ 985,558	\$ 35,558
Franchise tax	66,500	66,500	68,407	1,907
Total taxes	<u>1,016,500</u>	<u>1,016,500</u>	<u>1,053,965</u>	<u>37,465</u>
Licenses, permits and fees:				
Licenses and permits	2,000	2,000	1,593	(407)
Building permits	45,000	45,000	52,874	7,874
Total licenses, permits and fees	<u>47,000</u>	<u>47,000</u>	<u>54,467</u>	<u>7,467</u>
Intergovernmental:				
Intergovernmental revenue	1,427,370	1,427,370	1,377,791	(49,579)
Total intergovernmental	<u>1,427,370</u>	<u>1,427,370</u>	<u>1,377,791</u>	<u>(49,579)</u>
Charges for services:				
Charges for services	663,700	663,700	796,794	133,094
Total charges for services	<u>663,700</u>	<u>663,700</u>	<u>796,794</u>	<u>133,094</u>
Interest:				
Interest revenue	1,000	1,000	-	(1,000)
Total interest	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
Other revenues:				
Miscellaneous	725,000	725,000	24,731	(700,269)
Total other revenues	<u>725,000</u>	<u>725,000</u>	<u>24,731</u>	<u>(700,269)</u>
Total revenues	<u>3,880,570</u>	<u>3,880,570</u>	<u>3,307,748</u>	<u>(572,822)</u>

(continued)

TOWN OF TAYLOR, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget & Actual (Continued)
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures:				
General government:				
Mayor & council	25,000	25,000	24,999	1
Administration	325,500	325,500	304,758	20,742
Non-departmental	968,600	968,600	211,494	757,106
Cemetery	46,550	46,550	25,470	21,080
Airport	89,300	89,300	64,687	24,613
Total general government	<u>1,454,950</u>	<u>1,454,950</u>	<u>631,408</u>	<u>823,542</u>
Public safety:				
Code enforcement	90,000	90,000	76,604	13,396
Judicial	46,800	46,800	28,059	18,741
Fire	1,000,250	1,000,250	954,398	45,852
Police	840,645	840,645	839,181	1,464
Total public safety	<u>1,977,695</u>	<u>1,977,695</u>	<u>1,898,242</u>	<u>79,453</u>
Culture & recreation:				
Parks & recreation	155,300	155,300	143,606	11,694
Special events	65,500	65,500	77,402	(11,902)
Non-departmental	22,400	22,400	22,530	(130)
Total culture & recreation	<u>243,200</u>	<u>243,200</u>	<u>243,538</u>	<u>(338)</u>
Capital outlay:				
Capital outlay	-	-	9,940	(9,940)
Total capital outlay	<u>-</u>	<u>-</u>	<u>9,940</u>	<u>(9,940)</u>
Debt service:				
Principal	-	-	320,000	(320,000)
Interest	-	-	7,675	(7,675)
Total debt service	<u>-</u>	<u>-</u>	<u>327,675</u>	<u>(327,675)</u>
Total expenditures	<u>3,675,845</u>	<u>3,675,845</u>	<u>3,110,803</u>	<u>565,042</u>

(continued)

TOWN OF TAYLOR, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget & Actual (Continued)
For the Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over (under) expenditures	204,725	204,725	196,945	(7,780)
Fund balance, beginning of year	<u>935,866</u>	<u>935,866</u>	<u>935,866</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,140,591</u></u>	<u><u>\$ 1,140,591</u></u>	<u><u>\$ 1,132,811</u></u>	<u><u>\$ (7,780)</u></u>

TOWN OF TAYLOR, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Highway User Revenue Special Revenue Fund
Budget & Actual
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ 520,950	\$ 520,950	\$ 546,755	\$ 25,805
Other revenues	550	550	180	(370)
Total revenue	<u>521,500</u>	<u>521,500</u>	<u>546,935</u>	<u>25,435</u>
Expenditures:				
Salaries	130,000	130,000	132,715	(2,715)
Employee benefits	65,000	65,000	61,740	3,260
Services, supplies, and other	676,500	676,500	247,683	428,817
Capital outlay	50,000	50,000	106,444	(56,444)
Total expenditures	<u>921,500</u>	<u>921,500</u>	<u>548,582</u>	<u>372,918</u>
Excess (deficiency) of revenues over (under) expenditures	(400,000)	(400,000)	(1,647)	398,353
Fund balance, beginning of year	<u>741,804</u>	<u>741,804</u>	<u>741,804</u>	<u>-</u>
Fund balance, end of year	<u>\$ 341,804</u>	<u>\$ 341,804</u>	<u>\$ 740,157</u>	<u>\$ 398,353</u>

TOWN OF TAYLOR, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Grants Special Revenue Fund
Budget & Actual
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ 430,000	\$ 430,000	\$ 460,820	\$ 30,820
Total revenues	430,000	430,000	460,820	30,820
Expenditures:				
Public safety	100,000	100,000	169,881	(69,881)
Public works/streets	150,000	150,000	80,261	69,739
Culture and recreation	180,000	180,000	175,189	4,811
Total expenditures	430,000	430,000	425,331	4,669
Excess (deficiency) of revenues over (under) expenditures	-	-	35,489	35,489
Other Financing Sources (Uses):				
Transfers in	-	-	17,240	17,240
Total other financing sources (uses):	-	-	17,240	17,240
Net change in fund balance	-	-	52,729	52,729
Fund balance, beginning of year	103,755	103,755	103,755	-
Fund balance, end of year	\$ 103,755	\$ 103,755	\$ 156,484	\$ 52,729

TOWN OF TAYLOR, ARIZONA
SUPPLEMENTARY INFORMATION
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.

- **LTA 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
Schedule of Revenues, Expenditures and Changes in Fund Balance
LTAIF Special Revenue Fund
Budget and Actual
For the Fiscal Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Total revenue	-	-	-	-
Expenditures:				
Services, supplies, and other	50,000	50,000	12,664	37,336
Total expenditures	50,000	50,000	12,664	37,336
Excess (deficiency) of revenues over (under) expenditures	(50,000)	(50,000)	(12,664)	37,336
Other Financing Sources (Uses):				
Transfers out	-	-	(17,240)	(17,240)
Total other financing sources (uses)	-	-	(17,240)	(17,240)
Net change in fund balance	(50,000)	(50,000)	(29,904)	20,096
Fund balance, beginning of year	129,891	129,891	129,891	-
Fund balance, end of year	<u>\$ 79,891</u>	<u>\$ 79,891</u>	<u>\$ 99,987</u>	<u>\$ 20,096</u>

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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	65
<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	71
<i>These schedules contain information to help the reader assess the government’s most significant local revenues source, the sales tax.</i>	
Debt Capacity	73
<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	75
<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	77
<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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental activities										
Net investment in capital assets	\$ 7,410,806	\$ 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
Restricted	837,991	869,542	879,133	767,047	1,683,268	1,533,935	1,421,531	1,287,791	1,938,800	2,101,683
Unrestricted	171,385	(58,958)	772,588	716,478	487,526	715,343	681,835	989,825	1,174,387	1,703,247
Total governmental activities net position	\$ 8,420,182	\$ 8,115,725	\$ 9,579,862	\$ 9,482,982	\$ 10,395,760	\$ 11,037,788	\$ 11,131,734	\$ 9,635,766	\$ 10,428,888	\$ 10,132,994
Business-Type activities										
Net investment in capital assets	\$ 3,691,044	\$ 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
Restricted	283,829	288,324	288,325	230,660	116,229	115,330	899	-	-	-
Unrestricted	(478,611)	(404,971)	(104,666)	(184,183)	(150,161)	(169,119)	(119,476)	(95,224)	(37,737)	217,184
Total business-type activities net position	\$ 3,496,262	\$ 3,483,006	\$ 3,711,236	\$ 3,527,139	\$ 3,393,328	\$ 3,331,254	\$ 3,415,883	\$ 3,577,222	\$ 3,634,321	\$ 2,996,176
Primary government										
Net investment in capital assets	\$ 11,101,850	\$ 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
Restricted	1,121,820	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
Unrestricted	(307,226)	(463,929)	667,922	532,295	337,365	546,224	562,359	894,601	1,136,650	1,920,431
Total primary government net position	\$ 11,916,444	\$ 11,598,731	\$ 13,291,098	\$ 13,010,121	\$ 13,789,088	\$ 14,369,042	\$ 14,547,617	\$ 13,212,988	\$ 14,063,209	\$ 13,129,170

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental activities:										
General government	\$ 867,639	\$ 993,812	\$ 822,898	\$ 821,915	\$ 837,086	\$ 796,110	\$ 1,116,269	\$ 1,204,911	\$ 1,194,391	\$ 1,419,190
Public safety	2,119,446	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
Public works/streets	711,117	708,994	452,506	1,466,382	616,691	698,373	417,826	1,294,866	483,915	362,942
Culture and recreation	311,487	290,618	245,256	195,749	259,898	228,355	254,313	432,214	459,134	210,025
Economic development	-	-	55,668	43,666	29,666	-	-	-	37,596	19,046
Interest on long-term debt	1,357	14,985	16,534	20,196	17,751	23,606	36,902	53,484	23,321	26,837
Total governmental activities expenses	4,011,046	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
Business-type activities:										
Water	426,587	403,241	307,113	317,537	297,542	372,208	405,625	373,327	345,180	332,093
Sewer	557,016	566,569	492,689	496,170	487,715	526,959	601,592	392,085	204,117	189,184
Total business-type activities expenses	983,603	969,810	799,802	813,707	785,257	899,167	1,007,217	765,412	549,297	521,277
Total Expenses	\$ 4,994,649	\$ 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
Program Revenues										
Governmental activities:										
Charges for services	\$ 872,511	\$ 791,914	\$ 683,320	\$ 658,779	\$ 685,509	\$ 680,297	\$ 599,871	\$ 647,255	\$ 729,463	\$ 671,788
Operating grants and contributions	746,106	558,240	558,169	541,355	616,620	727,764	552,764	755,520	712,603	715,779
Capital grants and contributions	521,069	79,925	402,936	225,314	67,585	333,194	2,106,859	563,265	1,362,912	358,705
Total governmental activities program revenues	2,139,686	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
Business -type activities:										
Charges for services:	960,151	980,029	971,416	944,759	843,221	809,935	787,567	662,936	595,271	602,247
Operating grants and contributions			5,440	2,450	2,850	600	6,500	-	-	-
Capital grants and contributions	36,708	15,560	7,000	-	600	3,300	50,600	40,253	542,975	-
Other revenue (expense)			-	-	-	-	-	-	-	-
Total business-type activities program revenues	996,859	995,589	983,856	947,209	846,671	813,835	844,667	703,189	1,138,246	602,247
Total primary government program revenues	\$ 3,136,545	\$ 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
Net/(expense) revenue										
Governmental activities	\$ (1,871,360)	\$ (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)
Business-type activities	13,256	25,779	184,054	133,502	61,414	(85,332)	(162,550)	(62,223)	588,949	80,970
Total primary government net expense	\$ (1,858,104)	\$ (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)

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Revenues										
Governmental activities:										
Taxes										
Sales taxes	\$ 985,558	\$ 705,975	\$ 639,646	\$ 647,477	\$ 587,223	\$ 584,701	\$ 618,295	\$ 881,314	\$ 836,269	\$ 837,020
Franchise taxes	68,407	63,033	64,905	63,372	66,991	66,773	67,121	70,713	64,228	68,510
State shared sales taxes	388,096	375,790	357,920	336,575	321,313	313,738	300,880	326,209	376,806	855,190
Auto lieu taxes	235,191	216,607	210,079	202,387	204,684	211,582	213,469	232,334	244,632	244,766
State taxes - revenue sharing	495,084	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
Miscellaneous	3,481	10,787	6,200	37,328	4,721	6,597	4,513	28,849	14,201	22,241
Sales of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
Total governmental activities	\$ 2,175,817	\$ 1,870,549	\$ 1,737,649	\$ 1,708,975	\$ 1,534,088	\$ 1,584,693	\$ 1,738,500	\$ 2,183,066	\$ 2,243,205	\$ 2,206,827
Business-type activities:										
Investment earnings	\$ -	\$ 44	\$ 43	\$ 309	\$ 660	\$ 703	\$ 1,210	\$ 5,126	\$ 15,308	\$ 15,860
Transfers	-	-	-	-	-	-	-	-	-	-
Total business-type activities	-	44	43	309	660	703	1,210	5,126	15,308	15,860
Total primary government	2,175,817	1,870,593	1,737,692	1,709,284	1,534,748	1,585,396	1,739,710	2,188,192	2,258,513	2,222,687
Change in Net Position										
Governmental activities	\$ 304,457	\$ (447,923)	\$ 76,221	\$ (1,282,778)	\$ (642,028)	\$ (93,946)	\$ 1,495,968	\$ (793,123)	\$ 738,307	\$ 400,536
Business-type activities	13,256	25,823	184,097	133,811	62,074	(84,629)	(161,340)	(57,097)	604,257	96,830
Total change in Net Position	\$ 317,713	\$ (422,100)	\$ 260,318	\$ (1,148,967)	\$ (579,954)	\$ (178,575)	\$ 1,334,628	\$ (850,220)	\$ 1,342,564	\$ 497,366

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General fund										
Non-Spendable	\$ 7,284	\$ 7,284	\$ 16,307	\$ 10,669	\$ 21,182	\$ 12,841	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	1,735	-	-	-	-	-
Assigned	224,688	26,088	26,923	14,181	41,163	30,297	-	-	-	-
Unassigned	900,839	902,494	402,425	413,991	467,101	571,498	682,060	982,855	1,173,285	1,300,188
Total general fund	<u>\$ 1,132,811</u>	<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>
All other governmental funds										
Nonspendable	\$ 2,153	\$ 2,153	\$ 1,323	\$ 1,034	\$ 3,415	\$ 2,895	\$ -	\$ -	\$ -	\$ -
Restricted	837,991	869,542	879,133	704,809	1,511,643	1,533,935	1,421,532	1,287,791	1,938,800	1,905,025
Assigned	156,484	103,755	77,898	62,238	171,625	141,367	-	-	-	-
Unassigned	-	-	-	-	-	-	39,590	50,161	33,895	196,922
Total all other governmental funds	<u>\$ 996,628</u>	<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>

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Sales Taxes	\$ 985,558	\$ 705,975	\$ 639,646	\$ 647,477	\$ 587,223	\$ 584,701	\$ 618,295	\$ 881,314	\$ 836,269	\$ 837,020
Franchise taxes	68,407	63,033	64,905	63,372	66,991	66,773	67,121	70,713	64,228	68,510
Licenses and permits	54,467	22,213	13,210	10,224	13,711	17,687	13,876	37,659	56,026	79,059
Intergovernmental	2,385,366	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
Charges for services	796,794	746,100	660,160	630,865	660,592	595,728	515,035	548,068	610,393	592,729
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
Contributions and donations	-	-	23,000	20,500	35,500	-	-	-	-	6,015
Other revenues	24,911	403,536	65,731	117,368	57,210	112,995	239,151	136,217	138,632	22,241
Total revenues	4,315,503	3,645,625	3,407,075	3,134,422	2,903,801	3,325,949	4,997,995	4,149,106	4,327,022	3,953,099
Expenditures										
Current:										
General government	631,408	530,666	637,611	578,265	534,015	642,648	695,180	851,346	907,618	1,340,110
Public safety	2,068,123	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
Public works/streets	535,063	532,149	596,994	1,288,987	426,182	609,957	2,399,727	1,479,891	844,278	520,255
Culture and recreation	418,727	293,605	179,501	230,260	198,534	159,923	184,059	361,040	480,087	274,443
Economic development	-	-	55,668	43,666	29,666	-	-	-	37,596	19,046
Debt service:										
Principal retirement	320,000	25,000	25,000	25,523	40,615	53,487	52,070	28,501	20,000	123,035
Interest on long-term debt	7,675	16,116	17,650	19,628	21,536	23,765	25,991	25,484	22,088	28,380
Capital outlay	116,384	38,597	444,287	352,184	49,113	407,124	2,311,668	168,122	280,302	-
Total expenditures	4,097,380	3,149,732	3,628,925	4,424,041	2,990,594	3,495,194	7,213,887	4,974,280	4,717,345	4,006,533
Excess (Deficiency) of Revenues over expenditures	\$ 218,123	\$ 495,893	(\$ 221,850)	\$ (1,289,619)	\$ (86,793)	\$ (169,245)	\$ (2,215,892)	\$ (825,174)	\$ (390,323)	\$ (53,434)

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

	Fiscal Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Other financing sources (uses)										
Transfers in	\$ 17,240	\$ 8,674	\$ -	\$ -	\$ -	\$ 5,487	\$ 41,862	\$ 31,874	\$ -	\$ -
Transfers (out)	(17,240)	(8,674)	-	-	-	(5,487)	(41,862)	(31,874)	-	-
Lease proceeds	-	11,414	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	11,414	-	-	-	-	-	-	-	-
 Net change in fund balances	 \$218,123	 \$507,307	 (\$221,850)	 (\$1,289,619)	 \$ (86,793)	 \$ (169,245)	 \$ (2,215,892)	 \$ (825,174)	 \$ (390,323)	 \$ (53,434)
 Debt service as a percentage of noncapital expenditures	 8.23%	 1.32%	 1.34%	 1.11%	 2.11%	 2.50%	 1.59%	 1.12%	 0.95%	 3.78%

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
2016	\$ 388,096	\$ 985,558	\$ 68,406	\$ 235,191	\$ 495,084
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

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

	2016		2015		Fiscal Year 2014		2013		2012	
	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total
Mining	\$ 16,807	2.4%	\$ 16,807	2.4%	\$ 14,408	2.3%	\$ 13,341	2.1%	\$ 12,047	2.1%
Communication and Utilities	23,011	3.3%	23,011	3.3%	19,527	3.1%	15,180	2.3%	16,956	2.9%
Construction	53,517	7.6%	53,517	7.6%	58,219	9.1%	90,836	14.0%	36,173	6.2%
Manufacturing	9,006	1.3%	9,006	1.3%	10,627	1.7%	9,068	1.4%	8,873	1.5%
Retail	446,824	63.3%	446,824	63.3%	399,683	62.5%	378,258	58.4%	371,310	63.2%
Real Estate Leasing	27,034	3.8%	27,034	3.8%	22,909	3.6%	22,486	3.5%	22,471	3.8%
Restaurant and Bar	85,834	12.2%	85,834	12.2%	75,264	11.8%	78,117	12.1%	81,235	13.8%
Accommodation	-	0.0%	-	0.0%	-	0.0%	-	0.0%	1,433	0.2%
Services	29,188	4.1%	29,188	4.1%	23,163	3.6%	23,333	3.6%	20,414	3.5%
Other	14,754	2.1%	14,754	2.1%	15,847	2.5%	16,858	2.6%	16,333	2.8%
Total	\$ 705,975	100.0%	\$ 705,975	100.0%	\$ 639,646	100.0%	\$ 647,477	100.0%	\$ 587,244	100.0%

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			
2016	\$ -	\$ 7,686	\$ 3,344,808	\$ -	\$ 3,344,808	4.67%	\$ 789
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

(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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Secondary assessed valuation	\$ 17,693,219	\$ 15,902,970	\$ 15,423,954	\$ 17,565,157	\$ 20,117,862	\$ 22,233,252	\$ 25,422,501	\$ 25,525,054	\$ 21,603,118	\$ 18,256,858
Debt limit @ 20%	3,538,644	3,180,594	3,084,791	3,513,031	4,023,572	4,446,650	5,084,500	5,105,011	4,320,624	3,651,372
Debt limit @ 6%	1,061,593	954,178	925,437	1,053,909	1,207,072	1,333,995	1,525,350	1,531,503	1,296,187	1,095,411
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin @ 20%	3,538,644	3,180,594	3,084,791	3,513,031	4,023,572	4,446,650	5,084,500	5,105,011	4,320,624	3,651,372
Legal debt margin @ 6%	1,061,593	954,178	925,437	1,053,909	1,207,072	1,333,995	1,525,350	1,531,503	1,296,187	1,095,411

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

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

Fiscal Year	Estimated Population	Median Household Income	Per Capita Personal Income	Total Personal Income	Unemployment Rate	Public School Enrollment
2016	4,240	\$ 47,580	\$ 16,891	71,617,416	4.6%	2,435
2015	4,208	45,350	16,099	67,745,644	9.7%	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

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>2016</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	1,100	4.21%	500	1.82%
Northland Pioneer College	417	1.60%	175	0.64%
Navajo County	643	2.46%	425	1.55%
Wal-Mart	690	2.64%	761	2.77%
Hon-Dah Casino	395	1.51%	400	1.46%
Show Low Unified School District	300	1.15%	250	0.91%
Arizona Public Service	248	0.95%	287	1.05%
Blue Ridge Unified School District	275	1.05%	195	0.71%
Pigs for Farmer John (PFFJ)	158	0.61%	142	0.52%
Total	<u>4,226</u>	<u>16.19%</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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General government	4	5	5	5	6	6	6	9	8.5	7.5
Public safety										
Ambulance										
Full-time	-	-	4.5	4.5	4.5	4.5	5	5	5	5
Part-time	-	-	12	13	13	15	15	15	15	15
Fire										
Full-time	9	6	0.5	0.5	0.5	1.5	2	2	1.5	1.5
Volunteers	28	28	15	15	16	18	20	20	20	20
Highways and streets	2	2	1	1	1	2	2	2	2	2
Parks Maintenance	2.5	2	2	2	2	2	2	2	2	2
Water	3	2.5	2	1.5	1	2	2	2	1	1
Sewer	2.5	2.5	2	1.5	1	2	2	2	1	1
Total	51	48	44	44	45	53	56	59	56	55

Source: Various departments

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

		Fiscal Year									
		2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public safety											
	Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and streets											
	Streetlights	376	376	375	375	375	375	375	375	375	370
	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	5	4	4
	Treatment facilities	2	2	2	2	2	2	2	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									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Public safety										
Ambulance calls for service	1,070	977	900	985	927	970	844	816	865	834
Fire calls for service	243	159	125	159	157	161	117	185	228	261
Building & Safety										
New Construction Permits	46	3	2	1	3	1	2	5	21	51
Recreation and parks										
Participants	4,720	4,670	4,400	4,700	4,720	4,510	4,250	4,110	4,055	3,990
Water and wastewater										
Water connects	5	5	5	3	4	2	8	14	29	46
Sewer connects	2	2	1	-	2	1	2	9	31	52
Airport										
Runway Activities	767	742	720	760	776	803	815	1,410	1,372	1,306

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 fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's, basic financial statements, and have issued our report thereon dated December 2, 2016.

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
December 2, 2016

**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 fiscal year ended June 30, 2016, and have issued our report thereon dated December 2, 2016. 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 fiscal year ended June 30, 2016.

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
December 2, 2016