

Town of Taylor, Arizona

Comprehensive Annual Financial Report



Expansion of the Reed Hatch Cemetery



10,500 ft² Covered Ramada at Rodeo Grounds

For The Fiscal Year Ended
June 30, 2018



Prepared by: Taylor Finance Department

TOWN OF TAYLOR, ARIZONA

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December 31, 2018

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, 2018. 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, 2018. 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, incorporated in 1966, is located in Northeastern Arizona. It currently occupies 26 square miles and serves a population estimated at 4,185. 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 6, 2017. The Town Council adopted the final budget for the fiscal year on August 17, 2017. 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 power generation facilities, 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 five lease spaces. A Verizon cell phone store recently opened in the building.

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

In September 2017, the Town finalized the construction of a 10,500 ft² covered pavilion at the Rodeo Grounds. This is a major enhancement to the facility and is utilized for special events throughout the year. In February 2018, we secured a \$2 Million loan to finance two major projects for our utility services. \$1.2 Million of that loan will pay for upgrades to our wastewater treatment facility which include an influent screen, dewatering press and a septage receiving station. The remaining \$800,000 is budgeted for the construction of a 1 Million gallon water storage tank which will replace a failing 310,000 gallon tank. These projects are currently under contract and look to be finalized in FY2019.

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 Fifth year that the Town has compiled a CAFR, which 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, 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, 2018**

Elected Officials

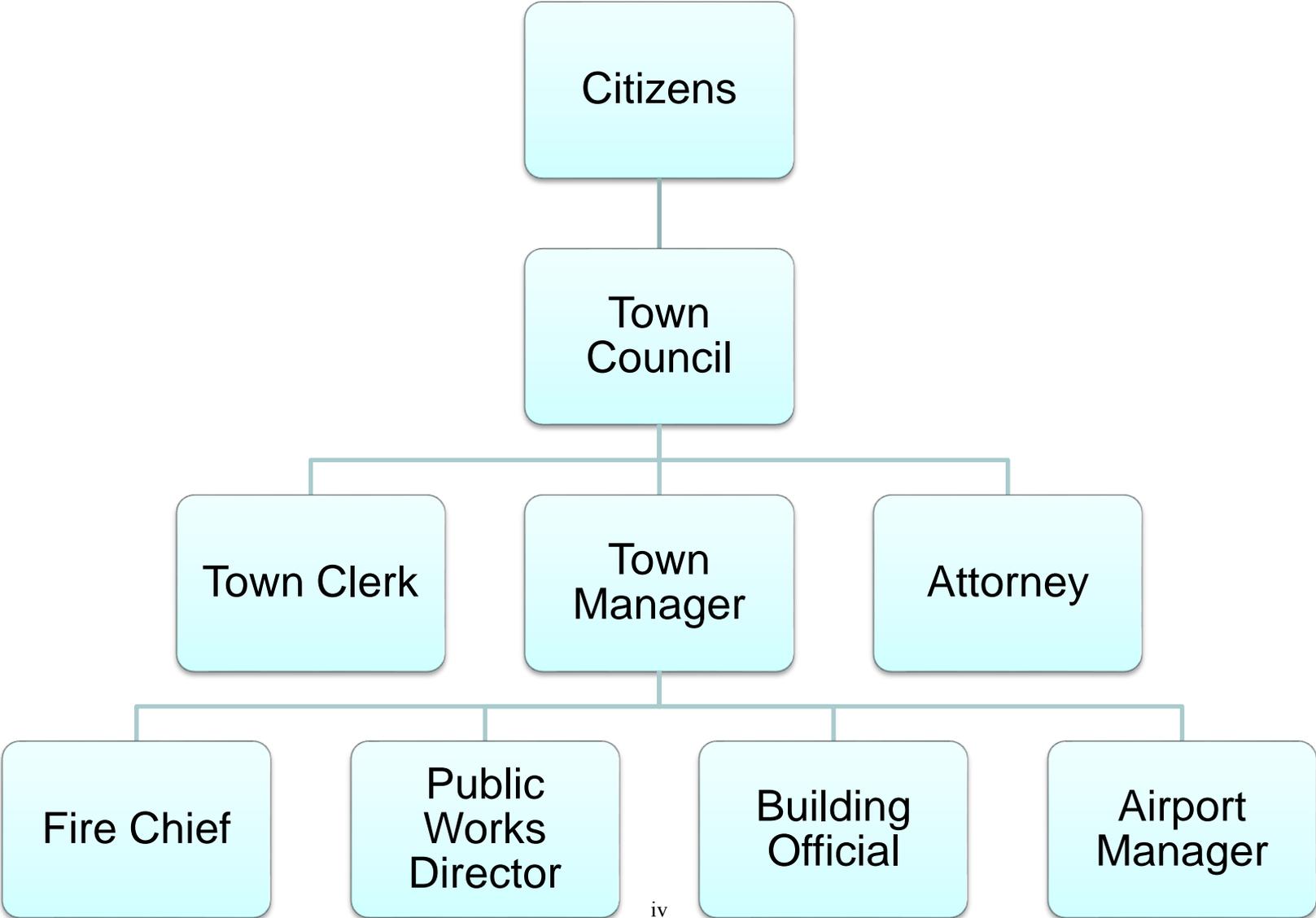
Mayor	David Smith
Vice-Mayor	Shawn Palmer
Council	Fay Hatch
Council	Jason Brubaker
Council	Carl Cosper
Council	Lynn DeWitt
Council	Kyle Peck

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	William Nelson
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, 2017

Christopher P. Morrill

Executive Director/CEO



HINTONBURDICK
CPAs & ADVISORS

Independent Auditors' Report on Financial Statements

The Honorable Mayor and
Town Council
Taylor, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Taylor, Arizona, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Taylor, Arizona, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year 2018, the Town implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* as amended by GASB Statement No. 85, *Omnibus 2017*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Taylor, Arizona's basic financial statements. The introductory section, the nonmajor fund budgetary comparison schedule, and 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 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, 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 21, 2018, on our consideration of the Town of Taylor, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Taylor, Arizona's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Flagstaff, Arizona
December 21, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Town of Taylor
Management's Discussion and Analysis
June 30, 2018

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, 2018. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Local sales tax collections of \$1,649,803 were up 16%, or \$232,752, over last year.
- 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 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 2018, Ambulance revenues of \$764,863 exceeded the budget by \$114,863, or 17%.
- The Town's total net position at the close of the fiscal year was \$12,043,168. This amount is comprised of \$9,837,725 in net investment in capital assets, \$1,260,002 in restricted net position, and \$945,442 in unrestricted net position.
- Governmental activities net position increased \$353,165 and business-type activities net position decreased by \$169,205 for a net increase of \$183,961 in fiscal year 2018.

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

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

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

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

Town of Taylor
Management's Discussion and Analysis
June 30, 2018

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, and interest on long-term debt. Sales tax, 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.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the accrual basis of accounting in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Reporting the Town's Fiduciary Responsibilities

The Town is the trustee, or fiduciary, for certain amounts held for pension benefit payments to be made to qualified firefighters. These fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The Town is responsible for ensuring that the assets are used for their intended purposes. Therefore, fiduciary activities are excluded from the Town's other financial statements because the assets cannot be used to finance operations.

Town of Taylor
Management's Discussion and Analysis
June 30, 2018

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 and deferred outflows exceeded liabilities and deferred inflows by \$12,043,168 as of June 30, 2018, 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-type Activities.

Town of Taylor's Statement of Net Position

	Governmental Activities		Business-type Activities		Total	Total
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Current and other assets	\$ 2,751,636	2,560,750	1,328,191	(103,398)	4,079,827	2,457,352
Net capital assets	7,626,058	7,378,533	7,168,778	6,982,537	14,794,836	14,361,070
Total assets	10,377,694	9,939,283	8,496,969	6,879,139	18,874,663	16,818,422
Deferred outflows of resources	384,860	338,301	126,039	112,767	510,899	451,068
Total assets and deferred outflows	\$ 10,762,554	10,277,584	8,623,008	6,991,906	19,385,562	17,269,490
Long-term liabilities	\$ 1,476,913	1,321,200	5,355,761	3,522,410	6,832,673	4,843,610
Current liabilities	269,055	238,677	126,801	141,246	395,855	379,923
Total liabilities	1,745,967	1,559,877	5,482,561	3,663,656	7,228,529	5,223,533
Deferred inflows of resources	85,775	140,305	28,090	46,768	113,865	187,073
Total liabilities and deferred inflows	1,831,742	1,700,182	5,510,651	3,710,424	7,342,394	5,410,606
Net position:						
Net investment in capital assets	7,575,552	7,303,533	2,262,174	3,854,662	9,837,725	11,158,195
Restricted	976,172	870,166	283,829	283,829	1,260,002	1,153,995
Unrestricted	379,088	403,704	566,354	(857,009)	945,442	(453,305)
Total net position	\$ 8,930,812	8,577,403	3,112,357	3,281,482	12,043,168	11,858,885

The Town has \$19,385,562 in total assets and deferred outflows of resources, with \$14,794,836 in capital assets (net of depreciation). Funds included in the business-type activities column are the Town's enterprise funds operation, which are Water and Sewer. These operations are capital intensive, using a large portion of their resources to maintain and replace major equipment and facilities. See Note 3-C, Capital Assets, for more information about the Town's capital assets.

The Town's programs include: General Government, Public Safety, Public Works/Streets, Culture and Recreation, Water, and Sewer. Each program's revenues and expenses are presented on the next page.

Town of Taylor
Management's Discussion and Analysis
June 30, 2018

Town of Taylor's Changes in Net Position

	Governmental		Business-type		Total Current Year	Total Previous Year
	Activities		Activities			
	Current Year	Previous Year	Current Year	Previous Year		
Program revenues:						
Charges for services	\$ 980,109	802,053	1,090,049	1,033,782	2,070,158	1,835,835
Operating grants and contributions	812,979	853,200	-	-	812,979	853,200
Capital grants and contributions	682,080	297,735	25,840	1,800	707,920	299,535
General revenues:						
Taxes	2,395,013	2,111,627	-	-	2,395,013	2,111,627
State revenue sharing	522,316	507,845	-	-	522,316	507,845
Other revenues	119,566	181,827	7,097	-	126,663	181,827
Total revenues	5,512,063	4,754,287	1,122,987	1,035,582	6,635,049	5,789,869
Expenses:						
General government	1,368,315	1,296,235	-	-	1,368,315	1,296,235
Public safety	2,630,746	2,339,849	-	-	2,630,746	2,339,849
Public works/Streets	600,622	552,671	-	-	600,622	552,671
Culture and recreation	557,457	405,822	-	-	557,457	405,822
Interest on long-term debt	1,757	2,493	-	-	1,757	2,493
Water	-	-	689,194	604,408	689,194	604,408
Sewer	-	-	602,997	645,952	602,997	645,952
Total expenses	5,158,897	4,597,070	1,292,192	1,250,360	6,451,089	5,847,430
Change in net position	353,165	157,217	(169,205)	(214,778)	183,961	(57,561)
Net position - beginning	8,577,646	8,420,184	3,281,562	3,496,260	11,859,208	11,916,444
Net position - ending	\$ 8,930,812	8,577,401	3,112,357	3,281,482	12,043,169	11,858,883

Governmental Activities

The cost of all Governmental activities this year was \$5,158,897. \$980,109 of this cost was paid for by those who directly benefited from the programs. \$1,495,059 was subsidized by grants and contributions received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services totaled \$2,475,168. General taxes, State Revenue Sharing, investment in earnings, and other revenues totaled \$3,036,895.

Total resources available during the year to finance governmental operations were \$14,089,709, consisting of Net Position at July 1, 2017 of \$8,577,646, program revenues of \$2,475,168, and General Revenues of \$3,036,895. Total Governmental Activities expenses during the year were \$5,158,897; thus, Governmental Net Position was increased by \$353,165.

Town of Taylor
Management's Discussion and Analysis
June 30, 2018

Business-type Activities

Net Position of the Business Type activities at June 30, 2018, as reflected in the Statement of Net Position, was \$3,12,357. The cost of providing all Proprietary (Business Type) activities this year was \$1,292,192. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1,090,049. The Net Position decreased by \$169,205.

Financial Analysis of the Government's Funds

As noted earlier, the Town of Taylor 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 of Taylor's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. See the Balance Sheet for Governmental Funds statement for information about components of the fiscal year's ending fund balance for governmental funds.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2,477,849, an increase of \$155,776 in comparison with the prior year. Approximately 60% (\$1,489,924) constitutes assigned or unassigned fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the General Fund has a total fund balance of \$1,498,413 of which \$1,488,615 is assigned or unassigned. The fund balance increased during the current year by \$252,650 mainly due to an increase in sales tax revenues.

The Highway User Revenue Fund has a total fund balance of \$912,799, all of which is restricted for road construction and maintenance. The fund balance increased during the current year by \$129,519.

The Grants Fund has a total fund balance of \$1,308, all of which is assigned for public safety. The fund balance decreased during the year by \$202,684, mainly due to a transfer out to the general fund of \$156,207.

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

General Fund Budgetary Highlights

General fund revenues of \$4,333,610 were less than budgeted revenues of \$4,437,839 by \$104,229, mainly due to contingency revenue not received. Also, sales tax revenue received was higher than expected.

Expenditures of \$4,237,167 were less than budgeted expenditures of \$4,691,107 by \$453,940. The non-departmental department expenditures were less than budgeted expenditures by \$375,781 due to budgeted contingency expenditures that weren't utilized.

Town of Taylor
Management's Discussion and Analysis
June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Town of Taylor's Capital Assets (net of depreciation)

	Governmental		Business-type		Total Current Year	Total Previous Year
	Activities		Activities			
	Current Year	Previous Year	Current Year	Previous Year		
Net Capital Assets:						
Land and water rights	\$ 1,032,224	979,419	40,000	40,000	1,072,224	1,019,419
Buildings	969,468	911,451	-	-	969,468	911,451
Improvements	3,312,086	3,533,396	-	-	3,312,086	3,533,396
Infrastructure	1,659,792	1,428,540	6,549,032	6,761,320	8,208,824	8,189,860
Machinery and equipment	583,140	434,987	97,058	83,137	680,198	518,124
Work in progress	69,347	90,741	482,688	98,081	552,034	188,821
Totals	\$ 7,626,058	7,378,533	7,168,778	6,982,537	14,794,836	14,361,070

The capital assets of the Town are those assets that are used in performance of Town functions. The total amount of capital assets, net of depreciation, of \$14,794,836 is an increase of \$433,766 from the previous year. Governmental activities capital assets, net of depreciation, of \$7,626,058 is an increase of \$247,525 from the previous year. Business-type activities capital assets, net of depreciation, of \$7,168,778 is an increase of \$186,241 from the previous year. The net increase in capital assets, net of depreciation is equal to the amount that new investment in capital assets exceeded depreciation charged on capital assets during the year. Additional information regarding capital assets may be found in the notes to the financial statements, Note 3-C.

Town of Taylor's Outstanding Long-term Liabilities

	Current Year	Previous Year
Governmental activities:		
Compensated absences	\$ 29,012	37,318
Capital leases	50,507	75,000
Landfill post-closure payable	58,836	58,836
Net pension/OPEB liability	1,338,558	1,150,046
Total governmental	\$ 1,476,913	1,321,200
Business-type activities:		
WIFA Sewer Excise Revenue	\$ 2,906,604	3,127,875
2018 Excise Revenue	2,000,000	-
Compensated absences	10,789	11,186
Net pension/OPEB liability	438,368	383,349
Total business-type	\$ 5,355,761	3,522,410
Total outstanding long-term liabilities	\$ 6,832,673	4,843,610

Additional information regarding long-term liabilities may be found in the notes to the financial statements, Note 3-D.

Town of Taylor
Management's Discussion and Analysis
June 30, 2018

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2018/2019 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

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BASIC FINANCIAL STATEMENTS

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Town of Taylor
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,726,640	-	1,726,640
Accounts receivable, net of allowance	333,630	135,449	469,078
Internal balances	674,880	(674,880)	-
Inventory	11,754	43,830	55,584
Total current assets	<u>2,746,904</u>	<u>(495,602)</u>	<u>2,251,303</u>
Non-current assets:			
Restricted cash and cash equivalents	-	1,822,243	1,822,243
Net pension/OPEB asset	4,732	1,550	6,282
Capital assets:			
Not being depreciated	1,101,571	522,688	1,624,259
Net of accumulated depreciation	6,524,487	6,646,090	13,170,577
Total non-current assets	<u>7,630,790</u>	<u>8,992,571</u>	<u>16,623,361</u>
Total assets	<u>10,377,694</u>	<u>8,496,969</u>	<u>18,874,663</u>
Deferred outflows of resources - pensions/OPEB	384,860	126,039	510,899
Total assets and deferred outflows of resources	<u>\$ 10,762,554</u>	<u>8,623,008</u>	<u>19,385,562</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 163,259	24,712	187,971
Accrued liabilities	105,795	33,234	139,030
Accrued interest payable	-	51,473	51,473
Customer deposits	-	17,381	17,381
Compensated absences	14,506	5,593	20,099
Long-term debt due within one year	24,995	402,697	427,692
Total current liabilities	<u>308,556</u>	<u>535,090</u>	<u>843,646</u>
Non-current liabilities:			
Compensated absences	14,506	5,196	19,702
Landfill post-closure payable	58,836	-	58,836
Long-term debt due after one year	25,512	4,503,907	4,529,419
Net pension/OPEB liability	1,338,558	438,368	1,776,926
Total non-current liabilities	<u>1,437,412</u>	<u>4,947,471</u>	<u>6,384,882</u>
Total liabilities	<u>1,745,967</u>	<u>5,482,561</u>	<u>7,228,529</u>
Deferred inflows of resources - pensions/OPEB	85,775	28,090	113,865
Total liabilities and deferred inflows of resources	<u>1,831,742</u>	<u>5,510,651</u>	<u>7,342,394</u>
NET POSITION:			
Net investment in capital assets	7,575,552	2,262,174	9,837,725
Restricted for:			
Debt service	-	283,829	283,829
Highways and streets	976,172	-	976,172
Unrestricted	379,088	566,354	945,442
Total net position	<u>8,930,812</u>	<u>3,112,357</u>	<u>12,043,168</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 10,762,554</u>	<u>8,623,008</u>	<u>19,385,562</u>

The notes to the financial statements are an integral part of this statement.

Town of Taylor
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

FUNCTIONS/PROGRAMS:	Expenses	Program Revenues			Net (Expense) Revenue (To Next Page)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 1,368,315	79,202	-	682,080	(607,033)
Public safety	2,630,746	769,009	234,419	-	(1,627,318)
Public works/Streets	600,622	-	578,560	-	(22,062)
Culture and recreation	557,457	131,898	-	-	(425,559)
Interest on long-term debt	1,757	-	-	-	(1,757)
Total governmental activities	5,158,897	980,109	812,979	682,080	(2,683,729)
Business-type activities:					
Water	689,194	465,509	-	16,340	(207,345)
Sewer	602,997	624,540	-	9,500	31,043
Total business-type activities	1,292,191	1,090,049	-	25,840	(176,302)
Total primary government	\$ 6,451,088	2,070,158	812,979	707,920	(2,860,031)

(continued on next page)

Town of Taylor
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2018

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	\$ (2,683,729)	(176,302)	(2,860,031)
General revenues:			
Taxes:			
City sales tax	1,649,803	-	1,649,803
Franchise tax	73,263	-	73,263
State sales tax (unrestricted)	404,809	-	404,809
Auto lieu tax (unrestricted)	267,139	-	267,139
State taxes - revenue sharing (unrestricted)	522,316	-	522,316
Impact fees	-	24,000	24,000
Unrestricted investment earnings	-	545	545
Loss on retired assets	(27,078)	(17,448)	(44,526)
Miscellaneous	146,644	-	146,644
Total general revenues	<u>3,036,894</u>	<u>7,097</u>	<u>3,043,992</u>
Change in net position	353,165	(169,205)	183,962
Net position - beginning, restated	<u>8,577,646</u>	<u>3,281,562</u>	<u>11,859,207</u>
Net position - ending	<u><u>\$ 8,930,812</u></u>	<u><u>3,112,357</u></u>	<u><u>12,043,168</u></u>

The notes to the financial statements are an integral part of this statement.

Town of Taylor
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Highway User Revenue Fund	Grants Fund	Nonmajor LTAF Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 759,383	888,679	13,248	65,329	1,726,640
Receivables:					
Accounts receivable	143,399	-	-	-	143,399
Intergovernmental	144,166	46,064	-	-	190,230
Due from other funds	674,880	-	-	-	674,880
Inventories	9,798	1,956	-	-	11,754
TOTAL ASSETS	\$ 1,731,627	936,699	13,248	65,329	2,746,904
LIABILITIES					
Accounts payable	\$ 130,403	20,917	11,940	-	163,259
Accrued liabilities	102,812	2,984	-	-	105,795
TOTAL LIABILITIES	233,215	23,900	11,940	-	269,055
FUND BALANCES:					
Nonspendable:					
Inventory	9,798	1,956	-	-	11,754
Restricted for:					
Highways and streets	-	910,843	-	65,329	976,172
Assigned for:					
Public safety	240,326	-	1,309	-	241,635
Unassigned	1,248,289	-	-	-	1,248,289
TOTAL FUND BALANCES	1,498,413	912,799	1,309	65,329	2,477,849
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 1,731,627	936,699	13,248	65,329	2,746,904

The notes to the financial statements are an integral part of this statement.

Town of Taylor
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION**
 June 30, 2018

Total Fund Balances - Total Governmental Funds		<u>\$ 2,477,849</u>
<p>Total net position reported for governmental activities in the statement of net position is different because:</p>		
<p>Capital assets used in governmental funds are not financial resources, and therefore, are not reported in the funds:</p>		
Capital assets, at cost	\$ 19,443,480	
Less accumulated depreciation	<u>(11,817,422)</u>	
Net capital assets		7,626,058
<p>Net OPEB asset is not an available resource and therefore is not reported in the fund statements.</p>		
		4,732
<p>Some liabilities are not due in the current period and therefore are not reported in the funds.</p>		
Leases payable	\$ (50,507)	
Landfill post-closure payable	(58,836)	
Compensated absences	(29,012)	
Net pension/OPEB liability	<u>(1,338,558)</u>	
		(1,476,913)
<p>Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.</p>		
Deferred outflows	\$ 384,860	
Deferred inflows	<u>(85,775)</u>	
		299,085
Total Net Position of Governmental Activities		<u><u>\$ 8,930,812</u></u>

Town of Taylor
**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
For the Year Ended June 30, 2018

	General Fund	Highway User Revenue Fund	Grants Fund	Nonmajor LTAF Fund	Total Governmental Funds
REVENUES					
Taxes:					
Sales taxes	\$ 1,649,803	-	-	-	1,649,803
Franchise taxes	73,263	-	-	-	73,263
License and permits	34,020	-	-	-	34,020
Intergovernmental revenues	1,540,834	578,560	569,928	-	2,689,322
Charges for services	946,089	-	-	-	946,089
Miscellaneous revenue	89,602	57,042	-	-	146,644
Total revenues	4,333,610	635,602	569,928	-	5,539,141
EXPENDITURES					
Current:					
General government	1,108,957	-	-	-	1,108,957
Public safety	2,212,651	-	280,895	-	2,493,545
Public works/Streets	-	402,461	-	8,600	411,061
Culture and recreation	482,726	-	-	-	482,726
Capital outlay	406,583	103,623	350,619	-	860,825
Debt service:					
Principal	24,493	-	-	-	24,493
Interest and fiscal charges	1,757	-	-	-	1,757
Total expenditures	4,237,167	506,083	631,514	8,600	5,383,365
Excess (deficiency) of revenues over (under) expenditures	96,443	129,519	(61,586)	(8,600)	155,776
OTHER FINANCING SOURCES (USES)					
Transfers in	156,207	-	15,109	-	171,316
Transfers out	-	-	(156,207)	(15,109)	(171,316)
Total other financing sources and (uses)	156,207	-	(141,098)	(15,109)	-
Net change in fund balances	252,650	129,519	(202,684)	(23,709)	155,776
Fund balances - beginning of year	1,245,763	783,280	203,992	89,038	2,322,074
Fund balance - end of year	\$ 1,498,413	912,799	1,308	65,329	2,477,849

The notes to the financial statements are an integral part of this statement.

Town of Taylor
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds \$ 155,776

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 860,825	
Depreciation expense	<u>(586,222)</u>	
Net		274,603

Cost of retired assets sold is not reported in government fund statements, while it is reported in the statement of activities. (27,078)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 24,493

The statement of activities shows pension/OPEB contributions and pension/OPEB expenses that are not shown in the fund statements. (82,935)

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds. 8,306

Accrued interest for long-term debt is not reported as expenditure for the current period, while it is recorded in the statement of activities. -

Change in Net Position of Governmental Activities \$ 353,165

Town of Taylor
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2018

	Water Fund	Sewer Fund	Total Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Current assets:			
Cash and cash equivalents	\$ -	-	-
Accounts receivable, net of allowance	74,358	61,091	135,449
Due from other funds	63,840	-	63,840
Inventory	42,852	978	43,830
Total current assets	181,050	62,069	243,119
Non-current assets:			
Restricted cash and cash equivalents	815,506	1,006,737	1,822,243
Net pension/OPEB asset	901	649	1,550
Capital assets:			
Not being depreciated	3,721	518,967	522,688
Net of accumulated depreciation	1,946,270	4,699,820	6,646,090
Total non-current assets	2,766,398	6,226,173	8,992,571
Total assets	2,947,448	6,288,241	9,235,689
Deferred outflows of resources - pensions/OPEB	73,262	52,776	126,039
Total assets and deferred outflows of resources	\$ 3,020,710	6,341,018	9,361,728
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 17,669	7,043	24,712
Accrued liabilities	29,526	3,709	33,234
Due to other funds	-	738,720	738,720
Accrued interest payable	13,444	38,029	51,473
Customer deposits	15,506	1,875	17,381
Compensated absences, current portion	3,432	2,161	5,593
Long-term debt, current portion	70,800	331,897	402,697
Total current liabilities	150,377	1,123,433	1,273,810
Non-current liabilities:			
Compensated absences, long-term portion	2,902	2,294	5,196
Long-term debt, long-term portion	729,200	3,774,707	4,503,907
Net pension liability/OPEB	254,811	183,556	438,368
Total non-current liabilities	986,913	3,960,557	4,947,471
Total liabilities	1,137,291	5,083,990	6,221,281
Deferred inflows of resources - pensions/OPEB	16,328	11,762	28,090
Total liabilities and deferred inflows of resources	1,153,619	5,095,753	6,249,371
NET POSITION:			
Net investment in capital assets	1,149,991	1,112,183	2,262,174
Restricted for debt service	-	283,829	283,829
Unrestricted	717,100	(150,747)	566,354
Total net position	1,867,091	1,245,265	3,112,357
Total liabilities, deferred inflows of resources, and net position	\$ 3,020,710	6,341,018	9,361,728

The notes to the financial statements are an integral part of this statement.

Town of Taylor
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS

For the Year Ended June 30, 2018

	Water Fund	Sewer Fund	Total Enterprise Funds
Operating income:			
Charges for sales and service	\$ 451,785	624,540	1,076,325
Other revenues	13,724	-	13,724
Total operating income	465,509	624,540	1,090,049
Operating expenses:			
Salaries	167,268	126,471	293,739
Employee benefits	122,627	77,111	199,738
Repair and maintenance	184,855	50,256	235,111
Utilities	77,048	93,162	170,211
Insurance	10,000	11,294	21,294
Other supplies and expenses	33,462	36,189	69,651
Depreciation expense	80,489	143,587	224,077
Total operating expense	675,750	538,071	1,213,821
Net operating income (loss)	(210,241)	86,469	(123,772)
Non-operating income (expense):			
Connection fees	16,340	9,500	25,840
Impact fees	-	24,000	24,000
Interest income	14	531	545
Loss on retired assets	(9,224)	(8,223)	(17,448)
Interest expense and fiscal charges	(13,444)	(64,926)	(78,370)
Total non-operating income (expense)	(6,315)	(39,117)	(45,433)
Change in net position	(216,556)	47,351	(169,205)
Net position - beginning, restated	2,083,648	1,197,914	3,281,562
Net position - ending	\$ 1,867,092	1,245,265	3,112,357

The notes to the financial statements are an integral part of this statement.

Town of Taylor
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

	Water Fund	Sewer Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers - services and other	\$ 438,692	630,560	1,069,252
Cash paid to suppliers	(301,815)	(206,119)	(507,934)
Cash paid to employees	(273,989)	(203,170)	(477,159)
Net cash provided (used) in operating activities	(137,112)	221,271	84,159
Cash flows from noncapital financing activities:			
Change in due to/due from	136,716	(56,567)	80,149
Net cash provided (used) in noncapital financing activities	136,716	(56,567)	80,149
Cash flows from capital and related financing activities:			
Connection fees	16,340	9,500	25,840
Impact fees	-	24,000	24,000
Bond proceeds	800,000	1,200,000	2,000,000
Cash payments for capital assets	(31,879)	(395,887)	(427,765)
Cash payments for long-term debt principal	-	(221,271)	(221,271)
Cash payments for long-term debt interest	-	(60,345)	(60,345)
Net cash provided (used) in capital and related financing activities	784,461	555,997	1,340,458
Cashflows from investing activities:			
Cash received from interest earned	14	531	545
Net cash provided (used) in investing activities	14	531	545
Net increase (decrease) in cash	784,078	721,233	1,505,311
Cash balance - beginning	31,428	285,504	316,932
Cash balance - ending	\$ 815,506	1,006,737	1,822,243
Cash reported on the statement of net position:			
Cash and cash equivalents	\$ -	-	-
Non-current restricted cash	815,506	1,006,737	1,822,243
Total cash and cash equivalents	\$ 815,506	1,006,737	1,822,243

The notes to the financial statements are an integral part of this statement.

Town of Taylor
STATEMENT OF CASH FLOWS (continued)
For the Year Ended June 30, 2018

**Reconciliation of Operating Income to Net Cash
Provided (Used) in Operating Activities:**

	Water Fund	Sewer Fund	Total Enterprise Funds
Net operating income (expense)	\$ (210,241)	86,469	(123,772)
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:			
Depreciation and amortization	80,489	143,587	224,077
Pension/OPEB expense and pension/OPEB contributions	19,306	2,293	21,599
Changes in assets and liabilities:			
(Increase) decrease in receivables	(10,895)	5,820	(5,075)
(Increase) decrease in inventories	99	99	198
Increase (decrease) in payables	(5,158)	(15,316)	(20,475)
Increase (decrease) in accrued wages and benefits	(2,871)	(2,013)	(4,884)
Increase (decrease) in accrued liabilities	8,610	-	8,610
Increase (decrease) in compensated absences	(529)	132	(397)
Increase (decrease) in deposits	(15,922)	200	(15,722)
Net cash provided (used) in operating activities	\$ (137,112)	221,271	84,159

The notes to the financial statements are an integral part of this statement.

Town of Taylor
STATEMENT OF FIDUCIARY NET POSITION
PENSION TRUST FUND
June 30, 2018

	Volunteer Firefighters' Relief and Pension
ASSETS	
Cash and cash equivalents	\$ 210,343
Due from other governments	-
Total assets	210,343
LIABILITIES	
Accounts payable	150
Total liabilities	150
NET POSITION	
Net position held in trust for pension benefits and other purposes	\$ 210,193

The notes to the financial statements are an integral part of this statement.

Town of Taylor
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PENSION TRUST FUND
For the Year Ended June 30, 2018

	<u>Volunteer Firefighters' Relief and Pension</u>
ADDITIONS	
Contributions:	
Other sources	\$ -
Total contributions	<u>-</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	14,642
Interest earnings	<u>1,372</u>
Net investment income (loss)	<u>16,014</u>
Total additions	<u>16,014</u>
DEDUCTIONS	
Contract services	7,475
Benefits	<u>19,046</u>
Total deductions	<u>26,521</u>
Change in net position	(10,507)
Net position held in trust for pension benefits:	
Beginning of year	<u>220,700</u>
End of year	<u><u>\$ 210,193</u></u>

The notes to the financial statements are an integral part of this statement.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. 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 Town's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. When applicable, each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

Blended component units included within the reporting entity:

The **Town of Taylor, Arizona Municipal Property Corporation's (MPC)** board of directors consists of members which are appointed by the Town of Taylor'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.

1-B. Government-wide and fund financial statements

Government-wide Financial Statements

The government-wide financial statements, consisting of the statement of net position and the statement of changes in net position report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of net position reports the financial position of the governmental and business-type activities of the Town and its discretely presented component units at year-end.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1-B. Government-wide and fund financial statements

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

1-C. Measurement focus, basis of accounting and financial statement presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are 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. 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.

Property taxes, sales taxes, intergovernmental revenues, 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. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1-D. Fund types and major funds

The Town reports the following major governmental funds:

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

The *Highway User 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 proprietary 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.

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 advance 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 the governmental activities (i.e., the governmental and internal service 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 or resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the 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.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1-E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1-E-1. Deposit and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts, and short-term investments with original maturities of three months or less from the date of acquisition. The Town's policy allows for the investment of funds in time certificates of deposits 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.

1-E-2. 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.

1-E-3. 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.

1-E-4. 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 activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives. Land and construction in progress are not depreciated.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1-E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance (continued)

Property, plant, and equipment of the primary government, as well as the component units (if any), are depreciated using the straight-line method over the following estimated useful lives:

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

1-E-5. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of net position will sometimes include 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 reports deferred outflows related to pensions as required by GASB 68 and deferred outflows related to other post-employment benefits as required by GASB 75. See note 4-D for more information.

In addition to liabilities, the statement of net position will sometimes include 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 then. The Town reports deferred inflows related to pensions as required by GASB 68 and deferred inflows related to other post-employment benefits as required by GASB 75. See note 4-D for more information.

1-E-6. *Pensions and other post-employment benefits*

For purposes of measuring the net pension and other post-employment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of 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.

1-E-7. *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.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

**1-E. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance
(continued)**

1-E-8. 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 reports 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.

1-E-9. 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 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 council has 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.

Unassigned fund balance is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund.

1-F. Revenues and expenditures/expenses

1-F-1. Program revenues

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

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1-F. Revenues and expenditures/expenses (continued)

1-F-2. *Property taxes*

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

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

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

1-F-3. *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 position and as an expense in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements unless they have matured, for example, as a result of employees' resignations and retirements. 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.

1-G. Tax abatements

The Town has not entered into any tax abatement agreements and the Town is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the Town's tax revenues.

1-H. Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

NOTE 2 - 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.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

2-A. Budgets and budgetary accounting

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

1. In accordance with the 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 resolution. 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 May 5, 2016.
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 of the General Fund and in total by fund for the 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. The 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

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 for future years, is not employed by the Town.

2-B. Expenditures over appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2018, if any.

2-C. Highway User Revenue Funds

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

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3 - DETAILED NOTES

3-A. Deposits and investments

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

Cash and cash equivalents	\$ 1,726,640
Restricted cash and cash equivalents	1,822,243
Agency fund monies	210,343
	\$ 3,759,226

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, 2018, cash on hand was \$4,450 and the carrying amount of the Town’s deposits was \$1,199,983. As of June 30, 2018, the bank balance of the Town’s deposits was \$1,191,507 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. The State Board of Investments provides oversight for the State Treasurer Investment pools. 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. Financial Statements for the LGIP funds are available on the Arizona State Treasurer website at aztreasury.gov.

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 rate “P1” by Moody’s investors or “A1” by Standard and Poor’s rate service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000 procedures as specified by local ordinance or resolution must be followed.

As of June 30, 2018, the Town had the following deposits and investments:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Cash on deposit	\$ 1,199,983	N/A	N/A
Cash on hand	4,450	N/A	N/A
Zions loan proceeds	2,000,000	N/A	N/A
Local Governments Investment Pool	554,794	AAA	32.8 days
	\$ 3,759,227		

(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.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

3-A. Deposits and investments (continued)

Credit Risk

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

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). A.R.S. 35-323 requires that the Town's investment portfolio maturities do not exceed five years from the time of purchase.

Fair value measurements

As noted above, the Town holds investments that are measured at fair value on a recurring basis. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the 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, 2018:

- Local Governments Investment Pool is valued using inputs other than quoted prices, that are observable (Level 2 inputs)

3-B. Restricted assets

Restricted assets consisted of the following cash reserves at June 30, 2018:

Business-type activities:	
Water Fund:	
Bond proceeds	\$ 800,000
Customer deposits	15,506
Sewer Fund:	
Bond proceeds	721,033
Debt reserves	283,829
Customer deposits	1,875
Total business-type activities	<u>\$ 1,822,243</u>

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

3-C. Capital assets

Capital assets activity for the governmental activities during the year was as follows:

Governmental activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land rights	\$ 979,419	52,805	-	1,032,224
Construction in progress	90,741	486,222	(507,616)	69,347
Total capital assets, not being depreciated	1,070,160	539,027	(507,616)	1,101,571
Capital assets, being depreciated:				
Buildings	1,313,407	113,804	(32,187)	1,395,024
Improvements	11,372,781	95,654	(57,786)	11,410,648
Furniture, equipment & vehicles	2,315,392	253,547	(118,750)	2,450,190
Infrastructure	2,723,820	366,410	(4,182)	3,086,048
Total capital assets, being depreciated	17,725,400	829,414	(212,905)	18,341,909
Less accumulated depreciation for:				
Buildings	(401,956)	(38,294)	14,694	(425,555)
Improvements	(7,839,386)	(311,310)	52,134	(8,098,562)
Furniture, equipment & vehicles	(1,880,406)	(103,151)	116,507	(1,867,050)
Infrastructure	(1,295,280)	(133,467)	2,492	(1,426,256)
Total accumulated depreciation	(11,417,027)	(586,222)	185,827	(11,817,422)
Total capital assets being depreciated, net	6,308,373	243,192	(27,078)	6,524,487
Governmental activities capital assets, net	\$ 7,378,533	782,219	(534,694)	7,626,058

Depreciation expense was charged to functions/programs of the Town's governmental activities as follows:

Governmental activities:	
General government	\$ 253,516
Public safety	86,312
Public works/Streets	181,125
Culture and recreation	65,269
Total	\$ 586,222

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

3-C. Capital assets (continued)

Capital assets activity for the business-type activities during the year was as follows:

Business-type activities	Beginning Balance	Additions	Retirements	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 40,000	-	-	40,000
Construction in progress	98,081	384,607	-	482,688
Total capital assets, not being depreciated	138,081	384,607	-	522,688
Capital assets, being depreciated:				
Water system	3,068,296	13,158	(17,805)	3,063,649
Sewer system	6,488,441	-	(13,849)	6,474,592
Furniture, equipment & vehicles	277,233	30,000	(28,013)	279,220
Total capital assets, being depreciated	9,833,970	43,158	(59,668)	9,817,460
Less accumulated depreciation for:				
Water system	(1,105,805)	(71,416)	8,581	(1,168,640)
Sewer system	(1,689,612)	(136,582)	5,626	(1,820,569)
Furniture, equipment & vehicles	(194,096)	(16,079)	28,013	(182,162)
Total accumulated depreciation	(2,989,513)	(224,077)	42,220	(3,171,370)
Total capital assets being depreciated, net	6,844,456	(180,919)	(17,448)	6,646,090
Business-type activities capital assets, net	\$ 6,982,537	203,689	(17,448)	7,168,778

Depreciation expense was charged to functions/programs of the Town's business-type activities as follows:

Business-type activities:	
Water	\$ 80,489
Sewer	143,587
Total	\$ 224,077

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3-D. Long-term liabilities

The following is a summary of changes in long-term obligations for the year ended June 30, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 37,318	29,155	(37,461)	29,012	14,506
Capital leases	75,000	-	(24,493)	50,507	24,995
Landfill post-closure payable	58,836	-	-	58,836	-
Net pension/OPEB liability	1,150,046	188,512	-	1,338,558	-
Total governmental activity long-term liabilities	\$ 1,321,200	217,667	(61,954)	1,476,913	39,501
Business-type activities:					
Loans payable:					
WIFA Sewer Excise Revenue	\$ 3,127,875	-	(221,271)	2,906,604	225,697
2018 Excise Revenue	-	2,000,000	-	2,000,000	177,000
Total loans payable	3,127,875	2,000,000	(221,271)	4,906,604	402,697
Compensated absences	11,186	8,739	(9,136)	10,789	5,593
Net pension/OPEB liability	383,349	55,019	-	438,368	-
Total business-type activity long-term liabilities	\$ 3,522,410	2,063,758	(230,407)	5,355,761	408,290
Total long-term liabilities	\$ 4,843,610	2,281,425	(292,362)	6,832,673	447,791

A description of long-term liabilities follows:

Generally, resources from the General Fund are used to liquidate pension/OPEB liabilities and compensated absences for governmental activities. The respective business-type activities generally liquidate their respective liabilities in each fund as it relates to pension/OPEB liabilities and compensated absences.

Due to requirements placed on Navajo County Lone Pine Landfill by Federal and State regulatory agencies (e.g. EPA and ADEQ) in 1995, the landfill was closed and must be monitored for thirty years. Landfill monitoring costs are the Town's share of total estimated costs of closing and monitoring the Loan Pine Landfill. The remaining post-closure costs have been estimated based on engineering studies and will be revised each year based on inflation/deflation and/or technology changes. No invoices were received from the County to pay down the liability during the fiscal year ending June 30, 2018.

Resources from the General Fund are typically used to liquidate other long-term liabilities of the governmental funds.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3-D. Long-term liabilities (continued)

The following is a listing of loans payable outstanding as of June 30, 2018:

Loans payable:	<u>Business-Type Activities</u>
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.	\$ 2,906,604
Water and sewer excise revenue loan payable to Zions Bank, secured by all future water and sewer revenue, bearing interest at 2.75%, due in semi-annual principal and interest installments of approximately \$229,000, maturing February 1, 2028.	2,000,000
Total loans payable	<u>\$ 4,906,604</u>

Loans payable debt service maturities are as follows:

Year Ended <u>June 30,</u>	Business-type Activities	
	Principal	Interest
2019	\$ 402,697	110,264
2020	411,211	101,449
2021	420,815	91,821
2022	431,511	81,963
2023	441,301	71,844
2024-2028	2,363,782	198,990
2029	435,287	4,353
Total	<u>\$ 4,906,604</u>	<u>660,683</u>

Capital leases:

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 with the present value of the net minimum lease payments:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2019	\$ 26,250
2020	26,250
Total remaining lease payments	52,500
Less amount representing interest	(1,993)
Present value of net remaining minimum lease payments	<u>\$ 50,507</u>

The assets acquired through capital leases that meet the Town's capitalization threshold are as follows:

	<u>Governmental Activities</u>
Vehicles and equipment	\$ 152,980
Total capital assets	152,980
Less: Accumulated depreciation	(34,421)
Net book value	<u>\$ 118,559</u>

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

3-E. Interfund receivables, payables, and transfers

As of June 30, 2018, interfund receivables and payables that resulted from various interfund transactions were as follows:

Due To:	Due from:
	Sewer Fund
General Fund	\$ 674,880
Water Fund	63,840
Total	\$ 738,720

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.

Interfund transfers for the fiscal year ended June 30, 2018 are as follows:

Transfers out:	Transfers in:	
	General Fund	Grants Fund
Grants Fund	\$ 156,207	-
LTAF Fund	-	15,109
Total	\$ 156,207	15,109

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 expand them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 – OTHER INFORMATION

4-A. 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.

4-B. 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.

4-C. Rounding convention

A rounding convention to the nearest whole dollar has been applied throughout this report, therefore the precision displayed in any monetary amount is plus or minus \$1. These financial statements are computer generated and the rounding convention is applied to each amount displayed in a column, whether detail item or total. As a result, without the overhead cost of manually balancing each column, the sum of displayed amounts in a column may not equal the total displayed. The maximum difference between any displayed number or total and its actual value will not be more than \$1.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

4-D. Pensions and other postemployment benefits

Arizona State Retirement System (ASRS)

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

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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

4-D. Pensions and other postemployment benefits (continued)

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

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, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.5 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.5 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members’ annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 percent for retirement, 0.1 percent for health insurance premium benefit, and 0.13 percent for long-term disability) of annual covered payroll of retired members who worked for the County in positions that an employee who contributes to the ASRS would typically fill.

The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2018, were \$129,320, \$5,220, and \$1,898, respectively.

Liability – At June 30, 2018, the Town reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB asset or liability.

	Net pension/OPEB (asset) liability
Pension	\$ 1,772,782
Health insurance premium benefit	(6,282)
Long-term disability	4,143

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

4-D. Pensions and other postemployment benefits (continued)

The Town's proportion of the net asset or net liability was based on the County's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The Town's proportions measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

	Proportion June 30, 2016	Proportion June 30, 2017	Increase (decrease) from June 30, 2016
Pension	0.00950%	0.01138%	0.00188%
Health insurance premium benefit	0.01154%	0.01154%	0.00000%
Long-term disability	0.01143%	0.01143%	0.00000%

The net asset and net liabilities measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town's net asset and net liabilities as a result of these changes is not known.

Expense – For the year ended June 30, 2018, the Town recognized pension OPEB expense:

Pension/OPEB Expense	
Pension	\$ 227,037
Health insurance premium benefit	3,674
Long-term disability	2,210

Deferred outflows/inflows of resources—At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 53,158	\$ -	\$ -	\$ -	\$ -
Changes of assumptions or other inputs	76,996	53,009	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	12,727	-	-	7,074	-	620
Changes in proportion and differences between contributions and proportionate share of contributions	284,738	-	-	4	-	1
Contributions subsequent to the measurement date	129,320	-	5,220	-	1,898	-
Total	\$ 503,781	\$ 106,167	\$ 5,220	\$ 7,078	\$ 1,898	\$ 621

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

4-D. Pensions and other postemployment benefits (continued)

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from county contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30	Pension	Health Insurance Premium Benefit	Long-term disability
2019	\$ 87,023	\$ (1,770)	\$ (156)
2020	181,241	(1,770)	\$ (155)
2021	40,810	(1,768)	(155)
2022	(40,780)	(1,770)	(155)
2023	-	-	-
Thereafter	-	-	-

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

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75% for pensions/not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment 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.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

4-D. Pensions and other postemployment benefits (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Totals	<u>100%</u>	

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 8 percent, which is less than the long-term expected rate of return of 8.7 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 plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the Town's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (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	\$ 2,275,397	\$ 1,772,782	\$ 1,352,805
Net insurance premium benefit liability (asset)	10,433	(6,282)	(20,488)
Net long-term disability liability	4,954	4,143	3,455

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

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

4-D. Pensions and other postemployment benefits (continued)

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 the plan, a volunteer firefighter who has served for 20 years or more or has reached 60 years of age shall be eligible to receive a monthly retirement not to exceed \$50 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.

In November 2017, the Board voted to terminate the Volunteer Firefighters Relief and Pension fund inasmuch as the Town was no longer utilizing Volunteer Firefighters. Funds are being distributed to all vested participants according to their years of eligible service.

4-F. Change in Accounting Principle

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Restatement adjustment - implementation of GASB 75:				
Net OPEB liability (measurement date as of June 30, 2016)	\$ (5,608)	\$ (1,837)	\$ (1,068)	\$ (769)
Deferred outflows - contributions made during fiscal year 2017	<u>5,852</u>	<u>1,917</u>	<u>1,114</u>	<u>803</u>
Total Restatement Adjustment	<u>\$ 244</u>	<u>\$ 80</u>	<u>\$ 46</u>	<u>\$ 33</u>

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REQUIRED SUPPLEMENTARY INFORMATION

Town of Taylor
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2018

ASRS - Pension	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.011380%	0.009500%	0.008330%	0.008080%
Proportionate share of the net pension liability (asset) \$	1,772,782	\$ 1,533,395	\$ 1,297,759	\$ 1,195,602
Covered payroll \$	1,127,874	\$ 912,606	\$ 778,621	\$ 728,376
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	157.18%	168.02%	143.88%	159.29%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

Town of Taylor
Required Supplementary Information
Schedule of the Proportionate Share of the Net OPEB Liability
June 30, 2018

ASRS - Health insurance premium benefit	Reporting Fiscal Year	
	(Measurement Date)	
	2018	2017
	(2017)	(2016)
Proportion of the net OPEB liability (asset)	0.011540%	0.011540%
Proportionate share of the net OPEB liability (asset)	\$ (6,282)	\$ 3,337
Covered payroll	\$ 1,127,874	\$ 912,606
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-0.56%	0.37%
Plan fiduciary net position as a percentage of the total OPEB liability	103.57%	98.02%

ASRS - Long-term disability	Reporting Fiscal Year	
	(Measurement Date)	
	2018	2017
	(2017)	(2016)
Proportion of the net OPEB liability (asset)	0.011430%	0.011430%
Proportionate share of the net OPEB liability (asset)	\$ 4,143	\$ 4,108
Covered payroll	\$ 1,127,874	\$ 912,606
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	0.37%	0.45%
Plan fiduciary net position as a percentage of the total OPEB liability	84.44%	85.17%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedules above. Additional information will be displayed as it becomes available.

Town of Taylor
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2018

ASRS - Pension	Reporting Fiscal Year				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 129,320	\$ 127,682	\$ 96,518	\$ 83,568	\$ 77,937
Contributions in relation to the contractually required contribution	\$ (129,320)	\$ (127,682)	\$ (96,518)	\$ (83,568)	\$ (77,937)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,232,866	\$ 1,127,874	\$ 912,606	\$ 778,621	\$ 728,376
Contributions as a percentage of covered payroll	10.49%	11.32%	10.58%	10.73%	10.70%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

Town of Taylor
Required Supplementary Information
Schedule of Pension/OPEB Contributions
June 30, 2018

ASRS - Health insurance premium benefit	Reporting Fiscal Year	
	2018	2017
Contractually required contribution	\$ 5,220	\$ 6,215
Contributions in relation to the contractually required contribution	\$ (5,220)	\$ (6,215)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,232,866	\$ 1,127,874
Contributions as a percentage of covered payroll	0.42%	0.55%
ASRS - Long-term disability	Reporting Fiscal Year	
	2018	2017
Contractually required contribution	\$ 1,898	\$ 1,554
Contributions in relation to the contractually required contribution	\$ (1,898)	\$ (1,554)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,232,866	\$ 1,127,874
Contributions as a percentage of covered payroll	0.15%	0.14%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedule above. Additional information will be displayed as it becomes available.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR GOVERNMENTAL FUNDS:

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

The **Highway User 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** accounts for federal and state grants and other contributions that are restricted for specific use.

Town of Taylor
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 GENERAL FUND**

For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes:				
Sales taxes	\$ 1,420,000	1,420,000	1,649,803	229,803
Franchise taxes	68,500	68,500	73,263	4,763
Total taxes	<u>1,488,500</u>	<u>1,488,500</u>	<u>1,723,065</u>	<u>234,565</u>
Licenses, permits and fees:				
License and permits	1,500	1,500	1,075	(425)
Building permits	20,000	20,000	32,945	12,945
Total licenses, permits and fees	<u>21,500</u>	<u>21,500</u>	<u>34,020</u>	<u>12,520</u>
Intergovernmental revenues	1,577,089	1,577,089	1,540,834	(36,255)
Charges for services	785,250	785,250	946,089	160,839
Miscellaneous revenue	565,500	565,500	89,602	(475,898)
Total revenues	<u>4,437,839</u>	<u>4,437,839</u>	<u>4,333,610</u>	<u>(104,229)</u>

(continued on next page)

Town of Taylor
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**
GENERAL FUND (Continued)
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES				
General government:				
Mayor and council	28,400	28,400	24,630	3,770
Administration	354,800	354,800	322,879	31,921
Non-departmental	1,156,300	1,051,500	675,719	375,781
Airport	84,100	84,100	85,728	(1,628)
Total general government	<u>1,623,600</u>	<u>1,518,800</u>	<u>1,108,957</u>	<u>409,843</u>
Public safety:				
Code enforcement	63,100	65,000	62,087	2,913
Judicial	29,000	29,000	15,274	13,726
Fire	1,280,900	1,284,650	1,247,707	36,943
Police	887,586	887,586	887,583	3
Total public safety	<u>2,260,586</u>	<u>2,266,236</u>	<u>2,212,651</u>	<u>53,585</u>
Culture and recreation:				
Parks and recreation	291,500	284,500	282,405	2,095
Special events	104,500	104,500	104,211	289
Library	81,921	81,921	81,921	-
Cemetery	39,000	39,000	14,190	24,810
Total culture and recreation	<u>516,921</u>	<u>509,921</u>	<u>482,726</u>	<u>27,195</u>
Capital outlay	260,000	369,900	406,583	(36,683)
Debt service	30,000	26,250	26,250	-
Total expenditures	<u>4,691,107</u>	<u>4,691,107</u>	<u>4,237,167</u>	<u>453,940</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(253,268)</u>	<u>(253,268)</u>	<u>96,443</u>	<u>349,711</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	156,207	156,207
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>156,207</u>	<u>156,207</u>
Net change in fund balances	<u>(253,268)</u>	<u>(253,268)</u>	<u>252,650</u>	<u>505,918</u>
Fund balances - beginning of year	1,245,763	1,245,763	1,245,763	-
Fund balance - end of year	<u>\$ 992,495</u>	<u>992,495</u>	<u>1,498,413</u>	<u>505,918</u>

Town of Taylor
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
 HIGHWAY USER REVENUE SPECIAL REVENUE FUND**
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ 604,388	604,388	578,560	(25,828)
Miscellaneous revenue	1,000	1,000	57,042	56,042
Total revenues	605,388	605,388	635,602	30,214
EXPENDITURES				
Current:				
Public works/Streets	722,100	722,100	402,461	319,639
Capital outlay	250,000	250,000	103,623	146,377
Total expenditures	972,100	972,100	506,083	466,017
Excess (deficiency) of revenues over (under) expenditures	(366,712)	(366,712)	129,519	496,231
Fund balances - beginning of year	783,280	783,280	783,280	-
Fund balance - end of year	\$ 416,568	416,568	912,799	496,231

Town of Taylor
**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GRANTS SPECIAL REVENUE FUND**
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ 1,300,000	1,300,000	569,928	(730,072)
Total revenues	1,300,000	1,300,000	569,928	(730,072)
EXPENDITURES				
Current:				
General government	500,000	500,000	-	500,000
Public safety	350,000	350,000	280,895	69,105
Capital outlay	450,000	450,000	350,619	99,381
Total expenditures	1,300,000	1,300,000	631,514	668,486
Excess (deficiency) of revenues over (under) expenditures	-	-	(61,586)	(61,586)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	15,109	15,109
Transfers out	-	-	(156,207)	(156,207)
Total other financing sources and (uses)	-	-	(141,098)	(141,098)
Net change in fund balances	-	-	(202,684)	(202,684)
Fund balances - beginning of year	203,992	203,992	203,992	-
Fund balance - end of year	\$ 203,992	203,992	1,308	(202,684)

SUPPLEMENTARY INFORMATION

**BUDGETARY COMPARISON SCHEDULES
NONMAJOR GOVERNMENTAL FUNDS**

Special Revenue Funds

The **LTAF 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
**SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE - BUDGET TO ACTUAL**
LTAf SPECIAL REVENUE FUND
 For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Total revenues	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works/Streets	30,000	30,000	8,600	21,400
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>8,600</u>	<u>21,400</u>
Excess (deficiency) of revenues over (under) expenditures	(30,000)	(30,000)	(8,600)	21,400
OTHER FINANCING SOURCES (USES)				
Transfers out	(25,000)	(25,000)	(15,109)	9,891
Total other financing sources and (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(15,109)</u>	<u>9,891</u>
Net change in fund balances	(55,000)	(55,000)	(23,709)	31,291
Fund balances - beginning of year	89,038	89,038	89,038	-
Fund balance - end of year	<u><u>\$ 34,038</u></u>	<u><u>34,038</u></u>	<u><u>65,329</u></u>	<u><u>31,291</u></u>

STATISTICAL SECTION

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

Contents	Page
Financial Trends	66
<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	72
<i>These schedules contain information to help the reader assess the government’s most significant local revenues source, the sales tax.</i>	
Debt Capacity	74
<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	76
<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	78
<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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental activities										
Net investment in capital assets	\$ 7,575,552	\$ 7,303,533	\$ 7,410,806	\$ 7,305,141	\$ 7,928,141	\$ 7,999,457	\$ 8,224,966	\$ 8,788,510	\$ 9,028,368	\$ 7,358,150
Restricted	976,172	870,166	837,991	869,542	879,133	767,047	1,683,268	1,533,935	1,421,531	1,287,791
Unrestricted	379,088	403,704	171,385	(58,958)	772,588	716,478	487,526	715,343	681,835	989,825
Total governmental activities net position	<u>\$ 8,930,812</u>	<u>\$ 8,577,403</u>	<u>\$ 8,420,182</u>	<u>\$ 8,115,725</u>	<u>\$ 9,579,862</u>	<u>\$ 9,482,982</u>	<u>\$ 10,395,760</u>	<u>\$ 11,037,788</u>	<u>\$ 11,131,734</u>	<u>\$ 9,635,766</u>
Business-Type activities										
Net investment in capital assets	\$ 2,262,174	\$ 3,854,662	\$ 3,691,044	\$ 3,599,653	\$ 3,527,577	\$ 3,480,662	\$ 3,427,260	\$ 3,385,043	\$ 3,534,460	\$ 3,672,446
Restricted	283,829	283,829	283,829	288,324	288,325	230,660	116,229	115,330	899	-
Unrestricted	566,354	(857,009)	(478,611)	(404,971)	(104,666)	(184,183)	(150,161)	(169,119)	(119,476)	(95,224)
Total business-type activities net position	<u>\$ 3,112,357</u>	<u>\$ 3,281,482</u>	<u>\$ 3,496,262</u>	<u>\$ 3,483,006</u>	<u>\$ 3,711,236</u>	<u>\$ 3,527,139</u>	<u>\$ 3,393,328</u>	<u>\$ 3,331,254</u>	<u>\$ 3,415,883</u>	<u>\$ 3,577,222</u>
Primary government										
Net investment in capital assets	\$ 9,837,726	\$ 11,158,195	\$ 11,101,850	\$ 10,904,794	\$ 11,455,718	\$ 11,480,119	\$ 11,652,226	\$ 12,173,553	\$ 12,562,828	\$ 11,030,596
Restricted	1,260,001	1,153,995	1,121,820	1,157,866	1,167,458	997,707	1,799,497	1,649,265	1,422,430	1,287,791
Unrestricted	945,442	(453,305)	(307,226)	(463,929)	667,922	532,295	337,365	546,224	562,359	894,601
Total primary government net position	<u>\$ 12,043,169</u>	<u>\$ 11,858,885</u>	<u>\$ 11,916,444</u>	<u>\$ 11,598,731</u>	<u>\$ 13,291,098</u>	<u>\$ 13,010,121</u>	<u>\$ 13,789,088</u>	<u>\$ 14,369,042</u>	<u>\$ 14,547,617</u>	<u>\$ 13,212,988</u>

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities:										
General government	\$ 1,368,315	\$ 1,296,235	\$ 867,639	\$ 993,812	\$ 822,898	\$ 821,915	\$ 837,086	\$ 796,110	\$ 1,116,269	\$ 1,204,911
Public safety	2,630,746	2,339,849	2,119,446	1,740,142	1,712,991	1,869,293	1,784,738	1,673,450	1,676,716	1,956,754
Public works/streets	600,622	552,671	711,117	708,994	452,506	1,466,382	616,691	698,373	417,826	1,294,866
Culture and recreation	557,457	405,822	311,487	290,618	245,256	195,749	259,898	228,355	254,313	432,214
Economic development	-	-	-	-	55,668	43,666	29,666	-	-	-
Interest on long-term debt	1,757	2,493	1,357	14,985	16,534	20,196	17,751	23,606	36,902	53,484
Total governmental activities expenses	5,158,897	4,597,070	4,011,046	3,748,551	3,305,853	4,417,201	3,545,830	3,419,894	3,502,026	4,942,229
Business-type activities:										
Water	689,194	604,408	426,587	403,241	307,113	317,537	297,542	372,208	405,625	373,327
Sewer	602,997	645,952	557,016	566,569	492,689	496,170	487,715	526,959	601,592	392,085
Total business-type activities expenses	1,292,191	1,250,360	983,603	969,810	799,802	813,707	785,257	899,167	1,007,217	765,412
Total Expenses	\$ 6,451,088	\$ 5,847,430	\$ 4,994,649	\$ 4,718,361	\$ 4,105,655	\$ 5,230,908	\$ 4,331,087	\$ 4,319,061	\$ 4,509,243	\$ 5,707,641
Program Revenues										
Governmental activities:										
Charges for services	\$ 980,109	\$ 802,053	\$ 872,511	\$ 791,914	\$ 683,320	\$ 658,779	\$ 685,509	\$ 680,297	\$ 599,871	\$ 647,255
Operating grants and contributions	812,979	853,200	746,106	558,240	558,169	541,355	616,620	727,764	552,764	755,520
Capital grants and contributions	682,080	297,735	521,069	79,925	402,936	225,314	67,585	333,194	2,106,859	563,265
Total governmental activities program revenues	2,475,168	1,952,988	2,139,686	1,430,079	1,644,425	1,425,448	1,369,714	1,741,255	3,259,494	1,966,040
Business -type activities:										
Charges for services:	1,090,049	1,033,782	960,151	980,029	971,416	944,759	843,221	809,935	787,567	662,936
Operating grants and contributions	-	-	-	-	5,440	2,450	2,850	600	6,500	-
Capital grants and contributions	25,840	1,800	36,708	15,560	7,000	-	600	3,300	50,600	40,253
Other revenue (expense)	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	1,115,889	1,035,582	996,859	995,589	983,856	947,209	846,671	813,835	844,667	703,189
Total primary government program revenues	\$ 3,591,057	\$ 2,988,570	\$ 3,136,545	\$ 2,425,668	\$ 2,628,281	\$ 2,372,657	\$ 2,216,385	\$ 2,555,090	\$ 4,104,161	\$ 2,669,229
Net/(expense) revenue										
Governmental activities	\$ (2,683,729)	\$ (2,644,082)	\$ (1,871,360)	\$ (2,318,472)	\$ (1,661,428)	\$ (2,991,753)	\$ (2,176,116)	\$ (1,678,639)	\$ (242,532)	\$ (2,976,189)
Business-type activities	(176,302)	(214,778)	13,256	25,779	184,054	133,502	61,414	(85,332)	(162,550)	(62,223)
Total primary government net expense	\$ (2,860,031)	\$ (2,858,860)	\$ (1,858,104)	\$ (2,292,693)	\$ (1,477,374)	\$ (2,858,251)	\$ (2,114,702)	\$ (1,763,971)	\$ (405,082)	\$ (3,038,412)

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Revenues										
Governmental activities:										
Taxes										
Sales taxes	\$ 1,649,803	\$ 1,417,051	\$ 985,558	\$ 705,975	\$ 639,646	\$ 647,477	\$ 587,223	\$ 584,701	\$ 618,295	\$ 881,314
Franchise taxes	73,263	67,603	68,407	63,033	64,905	63,372	66,991	66,773	67,121	70,713
State shared sales taxes	404,809	378,355	388,096	375,790	357,920	336,575	321,313	313,738	300,880	326,209
Auto lieu taxes	267,139	248,618	235,191	216,607	210,079	202,387	204,684	211,582	213,469	232,334
State taxes - revenue sharing	522,316	507,845	495,084	497,783	458,335	420,032	347,056	399,064	529,353	612,133
Investment earnings	-	-	-	574	564	1,804	2,100	2,238	4,869	31,514
Gain (Loss) on Retired Assets	(27,078)	-	-	-	-	-	-	-	-	-
Miscellaneous	146,644	181,827	3,481	10,787	6,200	37,328	4,721	6,597	4,513	28,849
Total governmental activities	\$ 3,036,896	\$ 2,801,299	\$ 2,175,817	\$ 1,870,549	\$ 1,737,649	\$ 1,708,975	\$ 1,534,088	\$ 1,584,693	\$ 1,738,500	\$ 2,183,066
Business-type activities:										
Investment earnings	\$ 545	\$ -	\$ -	\$ 44	\$ 43	\$ 309	\$ 660	\$ 703	\$ 1,210	\$ 5,126
Impact Fees	24,000	-	-	-	-	-	-	-	-	-
Gain (Loss) on Retired Assets	(17,448)	-	-	-	-	-	-	-	-	-
Total business-type activities	7,097	-	-	44	43	309	660	703	1,210	5,126
Total primary government	3,043,993	2,801,299	2,175,817	1,870,593	1,737,692	1,709,284	1,534,748	1,585,396	1,739,710	2,188,192
Change in Net Position										
Governmental activities	\$ 353,167	\$ 157,217	\$ 304,457	\$ (447,923)	\$ 76,221	\$ (1,282,778)	\$ (642,028)	\$ (93,946)	\$ 1,495,968	\$ (793,123)
Business-type activities	(169,205)	(214,778)	13,256	25,823	184,097	133,811	62,074	(84,629)	(161,340)	(57,097)
Total change in Net Position	\$ 183,962	\$ (57,561)	\$ 317,713	\$ (422,100)	\$ 260,318	\$ (1,148,967)	\$ (579,954)	\$ (178,575)	\$ 1,334,628	\$ (850,220)

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General fund										
Non-Spendable	\$ 9,798	\$ 14,748	\$ 7,284	\$ 7,284	\$ 16,307	\$ 10,669	\$ 21,182	\$ 12,841	\$ -	\$ -
Restricted	-	-	-	-	-	-	1,735	-	-	-
Assigned	240,326	240,326	224,688	26,088	26,923	14,181	41,163	30,297	-	-
Unassigned	1,248,289	990,689	900,839	902,494	402,425	413,991	467,101	571,498	682,060	982,855
Total general fund	<u>\$ 1,498,413</u>	<u>\$ 1,245,763</u>	<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>
All other governmental funds										
Nonspendable	\$ 1,956	\$ 2,153	\$ 2,153	\$ 2,153	\$ 1,323	\$ 1,034	\$ 3,415	\$ 2,895	\$ -	\$ -
Restricted	976,172	870,166	837,991	869,542	879,133	704,809	1,511,643	1,533,935	1,421,532	1,287,791
Assigned	1,309	203,992	156,484	103,755	77,898	62,238	171,625	141,367	-	-
Unassigned	-	-	-	-	-	-	-	-	39,590	50,161
Total all other governmental funds	<u>\$ 979,437</u>	<u>\$ 1,076,311</u>	<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>

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Revenues										
Sales Taxes	\$ 1,649,803	\$ 1,417,051	\$ 985,558	\$ 705,975	\$ 639,646	\$ 647,477	\$ 587,223	\$ 584,701	\$ 618,295	\$ 881,314
Franchise taxes	73,263	67,603	68,407	63,033	64,905	63,372	66,991	66,773	67,121	70,713
Licenses and permits	34,020	21,752	54,467	22,213	13,210	10,224	13,711	17,687	13,876	37,659
Intergovernmental	2,689,322	2,285,753	2,385,366	1,704,195	1,939,859	1,642,812	1,480,474	1,889,945	3,537,022	2,439,076
Charges for services	946,089	780,302	796,794	746,100	660,160	630,865	660,592	595,728	515,035	548,068
Fines and forfeitures	-	-	-	-	-	-	-	55,882	2,626	4,545
Interest revenue	-	-	-	573	564	1,804	2,100	2,238	4,869	31,514
Contributions and donations	-	-	-	-	23,000	20,500	35,500	-	-	-
Other revenues	146,644	104,668	24,911	403,536	65,731	117,368	57,210	112,995	239,151	136,217
Total revenues	5,539,141	4,677,129	4,315,503	3,645,625	3,407,075	3,134,422	2,903,801	3,325,949	4,997,995	4,149,106
Expenditures										
Current:										
General government	1,108,957	1,049,718	631,408	530,666	637,611	578,265	534,015	642,648	695,180	851,346
Public safety	2,493,545	2,324,430	2,068,123	1,713,599	1,672,214	1,885,528	1,690,933	1,598,290	1,545,192	2,059,896
Public works/streets	411,061	385,548	535,063	532,149	596,994	1,288,987	426,182	609,957	2,399,727	1,479,891
Culture and recreation	482,726	350,228	418,727	293,605	179,501	230,260	198,534	159,923	184,059	361,040
Economic development	-	-	-	-	55,668	43,666	29,666	-	-	-
Debt service:										
Principal retirement	24,493	7,687	320,000	25,000	25,000	25,523	40,615	53,487	52,070	28,501
Interest on long-term debt	1,757	2,493	7,675	16,116	17,650	19,628	21,536	23,765	25,991	25,484
Capital outlay	860,825	516,550	116,384	38,597	444,287	352,184	49,113	407,124	2,311,668	168,122
Total expenditures	5,383,364	4,636,654	4,097,380	3,149,732	3,628,925	4,424,041	2,990,594	3,495,194	7,213,887	4,974,280
Excess (Deficiency) of Revenues over expenditures	\$155,777	\$40,475	\$218,123	\$495,893	(\$221,850)	(\$1,289,619)	(\$86,793)	(\$169,245)	(\$2,215,892)	(\$825,174)

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Other financing sources (uses)										
Transfers in	\$ 171,316	\$ 757	\$ 17,240	\$ 8,674	\$ -	\$ -	\$ -	\$ 5,487	\$ 41,862	\$ 31,874
Transfers (out)	(171,316)	(757)	(17,240)	(8,674)	-	-	-	(5,487)	(41,862)	(31,874)
Insurance claims	-	77,159	-	-	-	-	-	-	-	-
Lease proceeds	-	75,000	-	11,414	-	-	-	-	-	-
Total other financing sources (uses)	-	152,159	-	11,414	-	-	-	-	-	-
Net change in fund balances	\$155,777	\$192,634	\$218,123	\$507,307	(\$221,850)	(\$1,289,619)	\$ (86,793)	\$ (169,245)	\$ (2,215,892)	\$ (825,174)
Debt service as a percentage of noncapital expenditures	0.58%	0.25%	8.23%	1.32%	1.34%	1.11%	2.11%	2.50%	1.59%	1.12%

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
2018	\$ 404,809	\$ 1,649,803	\$ 73,263	\$ 267,139	\$ 522,316
2017	378,355	1,417,051	67,604	248,618	507,845
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

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

	Fiscal Year											
	2018		2017		2016		2015		2014		2013	
	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total
Mining	\$ 16,354	1.0%	\$ 14,328	1.0%	\$ 13,798	1.4%	\$ 16,807	2.4%	\$ 14,408	2.3%	\$ 13,341	2.1%
Communication and Utilities	24,758	1.5%	22,783	1.6%	23,653	2.4%	23,011	3.3%	19,527	3.1%	15,180	2.3%
Construction	67,104	4.1%	50,345	3.6%	76,874	7.8%	53,517	7.6%	58,219	9.1%	90,836	14.0%
Manufacturing	12,357	0.7%	9,854	0.7%	10,841	1.1%	9,006	1.3%	10,627	1.7%	9,068	1.4%
Retail	1,348,984	81.8%	1,141,058	80.5%	705,660	71.6%	446,824	63.3%	399,683	62.5%	378,258	58.4%
Real Estate Leasing	19,104	1.2%	23,734	1.7%	24,639	2.5%	27,034	3.8%	22,909	3.6%	22,486	3.5%
Restaurant and Bar	119,107	7.2%	111,305	7.9%	87,715	8.9%	85,834	12.2%	75,264	11.8%	78,117	12.1%
Accommodation	22,798	1.4%	25,324	1.8%	24,639	2.5%	29,188	4.1%	23,163	3.6%	23,333	3.6%
Other	19,237	1.2%	18,320	1.3%	17,740	1.8%	14,754	2.1%	15,847	2.5%	16,858	2.6%
Total	<u>\$ 1,649,803</u>	<u>100.0%</u>	<u>\$ 1,417,051</u>	<u>100.0%</u>	<u>\$ 985,558</u>	<u>100.0%</u>	<u>\$ 705,975</u>	<u>100.0%</u>	<u>\$ 639,646</u>	<u>100.0%</u>	<u>\$ 647,477</u>	<u>100.0%</u>

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

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

Fiscal Year	Governmental Activities		Business-Type Activities		Total Debt Primary Government	Percentage of Personal Income (1)	Debt Per Capita (2)
	Loans Payable	Capital Leases	Loans Payable	Capital Leases			
2018	\$ -	\$ 50,507	\$ 4,906,604	\$ -	4,957,111	7.44%	1,184
2017	-	75,000	3,127,875	-	3,202,875	4.50%	772
2016	-	7,686	3,344,808	-	3,352,494	4.79%	809
2015	320,000	9,614	3,587,302	18,415	3,935,331	5.91%	951
2014	345,000	25,382	3,797,350	54,039	4,221,771	6.78%	1,024
2013	370,000	50,070	4,007,269	88,112	4,515,451	6.53%	1,097
2012	390,000	-	4,205,119	120,702	4,715,821	7.70%	1,149
2011	410,000	-	4,403,003	151,874	4,964,877	7.89%	1,209
2010	430,000	23,687	4,488,113	181,689	5,123,489	9.00%	1,246
2009	450,000	46,577	3,958,550	210,206	4,665,333	7.95%	1,119

(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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Secondary assessed valuation	\$ 21,173,857	\$ 19,973,435	\$ 17,693,219	\$ 15,902,970	\$ 15,423,954	\$ 17,565,157	\$ 20,117,862	\$ 22,233,252	\$ 25,422,501	\$ 25,525,054
Debt limit @ 20%	4,234,771	3,994,687	3,538,644	3,180,594	3,084,791	3,513,031	4,023,572	4,446,650	5,084,500	5,105,011
Debt limit @ 6%	1,270,431	1,198,406	1,061,593	954,178	925,437	1,053,909	1,207,072	1,333,995	1,525,350	1,531,503
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin @ 20%	4,234,771	3,994,687	3,538,644	3,180,594	3,084,791	3,513,031	4,023,572	4,446,650	5,084,500	5,105,011
Legal debt margin @ 6%	1,270,431	1,198,406	1,061,593	954,178	925,437	1,053,909	1,207,072	1,333,995	1,525,350	1,531,503

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, 2017, 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
2018	4,185	\$ 44,868	\$ 15,928	\$ 66,659,266	4.2%	2,573
2017	4,151	48,320	17,154	71,204,594	3.9%	2,498
2016	4,145	47,580	16,891	70,012,781	4.6%	2,435
2015	4,136	45,350	16,099	66,586,498	9.7%	2,433
2014	4,124	42,500	15,100	62,272,400	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

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 Nine Years Prior
(Unaudited)

<u>Employers</u>	<u>2018</u>		<u>2007</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Summit Regional Medical Center	1,226	4.70%	521	1.90%
Northland Pioneer College	460	1.76%	182	0.66%
Navajo County	590	2.26%	437	1.59%
Wal-Mart	627	2.40%	384	1.40%
Hon-Dah Casino	369	1.41%	761	2.77%
Show Low Unified School District	290	1.11%	400	1.46%
Arizona Public Service	220	0.84%	250	0.91%
Copperstate Farms	190	0.73%	-	0.00%
Blue Ridge Unified School District	275	1.05%	287	1.05%
Snowflake/Taylor School District	300	1.15%	195	0.71%
Smithfield Farms	134	0.51%	142	0.52%
Total	<u>4,681</u>	<u>16.42%</u>	<u>3,559</u>	<u>12.97%</u>
Total Employment	<u>28,500</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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government	6	6	4	5	5	5	6	6	6	9
Public safety										
Ambulance										
Full-time	0	-	-	-	4.5	4.5	4.5	4.5	5	5
Part-time	0	-	-	-	12	13	13	15	15	15
Fire										
Full-time	11	11.5	9	6	0.5	0.5	0.5	1.5	2	2
Volunteers	22	25	28	28	15	15	16	18	20	20
Highways and streets	2	2	2	2	1	1	1	2	2	2
Parks Maintenance	2.5	2.5	2.5	2	2	2	2	2	2	2
Water	4	3	3	2.5	2	1.5	1	2	2	2
Sewer	2.5	2.5	2.5	2.5	2	1.5	1	2	2	2
Total	50	52.5	51	48	44	44	45	53	56	59

Source: Various departments

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public safety										
Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and streets										
Streetlights	378	378	376	376	375	375	375	375	375	375
Lift stations	1	1	1	1	1	1	1	1	1	1
Signalized intersections	2	2	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	5	5
Treatment facilities	2	2	2	2	2	2	2	2	2	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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public safety										
Ambulance calls for service	1,030	985	1,070	977	900	985	927	970	844	816
Fire calls for service	272	263	243	159	125	159	157	161	117	185
Building & Safety										
New Construction Permits	47	38	46	3	2	1	3	1	2	5
Recreation and parks										
Participants	4,974	4,860	4,720	4,670	4,400	4,700	4,720	4,510	4,250	4,110
Water and wastewater										
Water connects	15	2	5	5	5	3	4	2	8	14
Sewer connects	8	-	2	2	1	-	2	1	2	9
Airport										
Runway Activities	837	794	767	742	720	760	776	803	815	1,410

Source: Various departments

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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

The Honorable Mayor and
Town Council
Taylor, Arizona

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Taylor, Arizona as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Taylor, Arizona's basic financial statements, and have issued our report thereon dated December 21, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



HintonBurdick, PLLC
Flagstaff, Arizona
December 21, 2018



HINTONBURDICK
CPAs & ADVISORS

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

The Honorable Mayor and
Town Council
Taylor, Arizona

We have audited the basic financial statements of the Town of Taylor, Arizona for the year ended June 30, 2018, and have issued our report thereon dated December 21, 2018. Our audit also included test work on the Town of Taylor's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

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

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

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

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

In our opinion, The Town of Taylor complied, in all material respects, with the requirements identified above for the year ended June 30, 2018.

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

HintonBurdick, PLLC
Flagstaff, Arizona
December 21, 2018