

Town of Taylor, Arizona

Comprehensive Annual Financial Report



\$683,233 Airport Security Fencing and Parking Lot Reconfiguration Project

For The Fiscal Year Ended
June 30, 2020



Prepared by: Taylor Finance Department

TOWN OF TAYLOR, ARIZONA

Table of Contents

Introductory Section:	<u>Page</u>
Letter of Transmittal.....	i
List of Principal Officials	iii
Organizational Chart	iv
 Financial Section:	
Independent Auditors' Report on Financial Statements	1
Management's Discussion and Analysis	5
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	20
Reconciliation of the Balance Sheet of Governmental Funds To the Statement of Net Position	21
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	23
Statement of Net Position - Proprietary Funds.....	24
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	25
Statement of Cash Flows - Proprietary Funds	26
Notes to the Financial Statements	28

Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability	50
Schedule of the Proportionate Share of the Net OPEB Liability	51
Schedule of Pension/OPEB Contributions.....	52
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund.....	56
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Highway User Revenue Fund	58
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Grants Fund.....	59

Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – LTAF Fund	61
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Statistical Section:

Financial Trends	
Net Position by Component	64
Changes in Net Position	65
Fund Balances of Governmental Funds	67
Changes in Fund Balance of Governmental Funds.....	68
Revenue Capacity	
Governmental Activities Tax Revenue by Source	70
Local Sales Tax Revenue by Industry	71
Debt Capacity	
Ratios of Outstanding Debt by Type	72
Legal Debt Margin Information	73
Demographic and Economic Information	
Demographic and Economic Statistics	74
Principle Employers.....	75
Operating Information	
Full Time Equivalent Employees by Function	76
Capital Asset Statistics by Function/Program.....	77
Operating Indicators by Function/Program.....	78

Other Communications from Independent Auditors:

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters	81
Report on Compliance with State Laws and Regulations	83



December 28, 2020

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, 2020. 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, 2020. 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 4,262. 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 7, 2019. The Town Council adopted the final budget for the fiscal year on August 1, 2019. 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 proximity, include power generation facilities, a regional healthcare facility, a 40-acre medical marijuana cultivation 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. This new commercial development has bolstered construction sales taxes in the current year and will provide a stable base of retail sales tax.

Capital Projects

The Town began its first flood control project in a series of 3 that have been funded by FEMA to significantly reduce or eliminate flood hazard areas. The Airport Wash project has been completed and staff continues to work with FEMA to pursue the Letter of Map Revision process to permanently remove several homes from the floodplain. Funding of over \$1.5 Million will be provided for these 3 projects and will all be completed in the coming years.

The Taylor Airport completed a \$640,000 phase 2 perimeter security fence encompassing the entire Airport property. This included a reconfiguration of the Terminal Building parking area and a mechanical gate to provide more secure and convenient access to authorized vehicles entering and exiting the Airport. This project was funded by the FAA and ADOT Aeronautics with the Town only paying less than 5% out of local funds.

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 Seventh 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, 2020**

Elected Officials

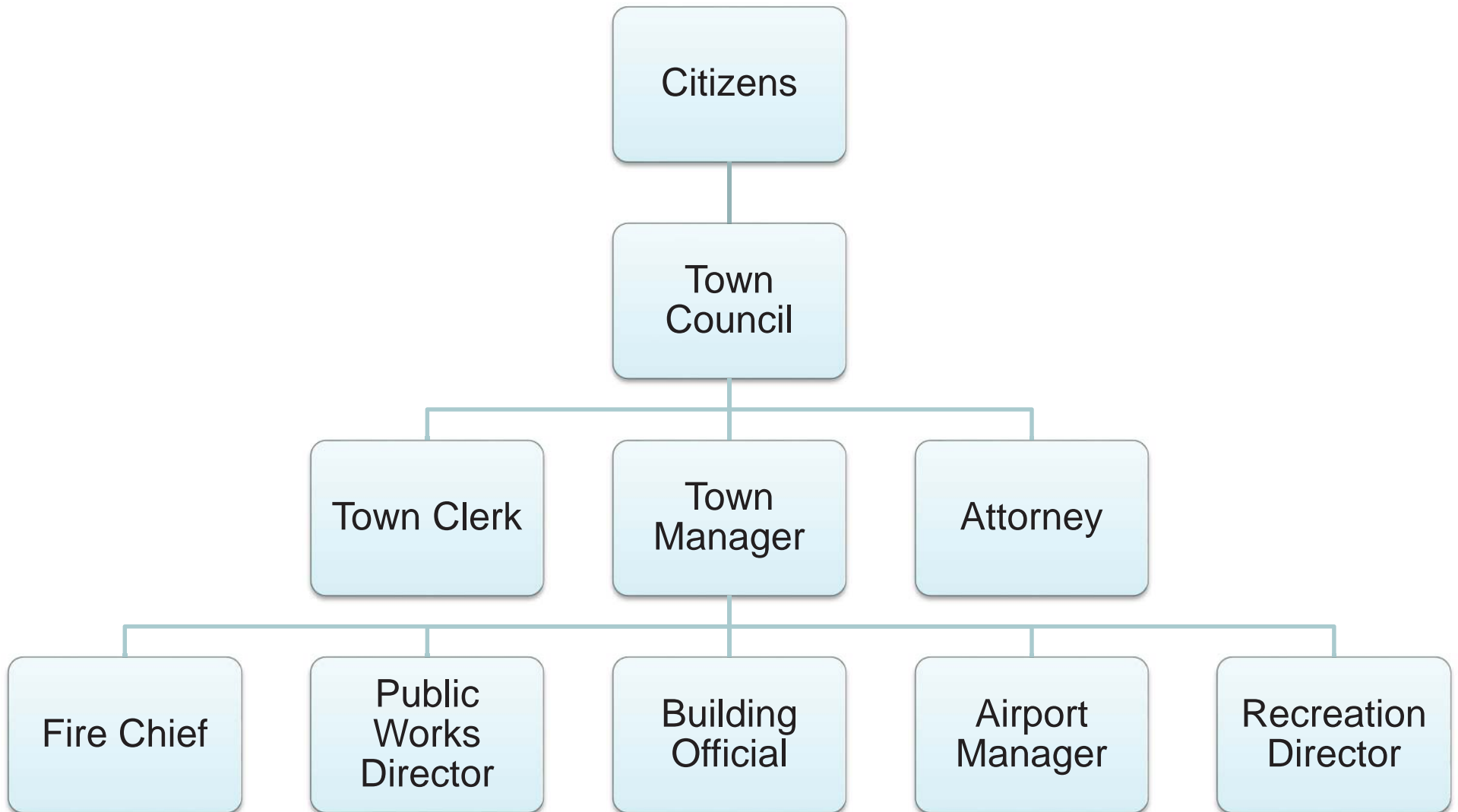
Mayor	David Smith
Vice-Mayor	Jason Brubaker
Council	Fay Hatch
Council	Sherry Cosper
Council	Shawn Palmer
Council	Bill Baldwin
Council	Kyle Peck

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	Robert Martin
Airport Manager	Ray Webber
Town Magistrate	Fred Peterson

Town of Taylor, Arizona

Organization Chart





Independent Auditors' Report on Financial Statements

The Honorable Mayor and
Town Council
Taylor, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Taylor, Arizona, as of and for the year ended June 30, 2020, 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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2020, 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
Gilbert, Arizona
December 28, 2020



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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Town of Taylor
Management's Discussion and Analysis
June 30, 2020

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, 2020. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Local sales tax collections of \$2,169,871 were up 33.3%, or \$541,885, from 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 2020, Ambulance revenues of \$899,863 exceeded the budget by \$99,863, or 12.5%.
- The Town's total net position at the close of the fiscal year was \$14,103,912. This amount is comprised of \$12,731,460 in net investment in capital assets, \$1,296,297 in restricted net position, and \$76,155 in unrestricted net position.
- Governmental activities net position increased by \$1,998,249 and business-type activities net position increased \$251,605 for a net increase of \$2,249,855 in fiscal year 2020.

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, 2020

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, 2020

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 \$14,103,912 as of June 30, 2020, 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	\$ 4,339,340	2,628,104	(356,255)	(458,217)	3,983,085	2,169,887
Net capital assets	8,692,551	7,928,132	8,442,841	8,660,302	17,135,393	16,588,434
Total assets	13,031,891	10,556,236	8,086,587	8,202,085	21,118,477	18,758,321
Deferred outflows of resources	168,359	387,542	58,357	137,014	226,716	524,556
Total assets and deferred outflows	\$ 13,200,250	10,943,778	8,144,943	8,339,099	21,345,193	19,282,877
Long-term liabilities	\$ 1,682,852	1,770,643	4,538,999	4,974,935	6,221,851	6,745,578
Current liabilities	706,832	355,098	99,712	106,419	806,545	461,517
Total liabilities	2,389,684	2,125,741	4,638,711	5,081,353	7,028,395	7,207,095
Deferred inflows of resources	158,090	163,811	54,796	57,914	212,886	221,725
Total liabilities and deferred inflows	2,547,774	2,289,552	4,693,507	5,139,268	7,241,282	7,428,820
Net position:						
Net investment in capital assets	8,381,314	7,552,577	4,350,145	4,156,395	12,731,460	11,708,972
Restricted	1,012,468	637,212	283,829	283,829	1,296,298	921,041
Unrestricted	1,258,693	464,437	(1,182,538)	(1,240,393)	76,155	(775,956)
Total net position	\$ 10,652,476	8,654,227	3,451,436	3,199,830	14,103,912	11,854,057

The Town has \$21,345,193 in total assets and deferred outflows of resources, with \$17,135,393 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, 2020

Town of Taylor's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	Total
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Program revenues:						
Charges for services	\$ 1,041,899	982,703	1,334,391	1,244,910	2,376,290	2,227,613
Operating grants and contributions	1,417,330	1,090,589	-	-	1,417,330	1,090,589
Capital grants and contributions	1,127,008	342,291	43,080	74,730	1,170,088	417,021
General revenues:						
Taxes	2,974,995	2,408,731	-	-	2,974,995	2,408,731
State revenue sharing	551,138	506,803	-	-	551,138	506,803
Other revenues	245,588	195,297	3,595	33,059	249,183	228,356
Total revenues	7,357,959	5,526,414	1,381,066	1,352,699	8,739,025	6,879,113
Expenses:						
General government	1,533,429	2,228,792	-	-	1,533,429	2,228,792
Public safety	2,736,405	2,216,420	-	-	2,736,405	2,216,420
Public works/Streets	514,095	1,030,002	-	-	514,095	1,030,002
Culture and recreation	563,140	326,487	-	-	563,140	326,487
Interest on long-term debt	12,640	1,298	-	-	12,640	1,298
Water	-	-	550,258	604,322	550,258	604,322
Sewer	-	-	579,203	660,903	579,203	660,903
Total expenses	5,359,710	5,802,999	1,129,461	1,265,225	6,489,170	7,068,224
Change in net position	1,998,249	(276,585)	251,605	87,474	2,249,854	(189,111)
Net position - beginning	8,654,227	8,930,812	3,199,830	3,112,357	11,854,057	12,043,169
Net position - ending	\$ 10,652,476	8,654,227	3,451,436	3,199,830	14,103,912	11,854,057

Governmental Activities

The cost of all Governmental activities this year was \$5,359,710. \$1,041,899 of this cost was paid for by those who directly benefited from the programs. \$2,544,338 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 \$3,586,237. General taxes, State Revenue Sharing, investment in earnings, and other revenues totaled \$3,771,721.

Total resources available during the year to finance governmental operations were \$16,012,186, consisting of Net Position at July 1, 2019 of \$8,654,227, program revenues of \$3,586,237, and General Revenues of \$3,771,721. Total Governmental Activities expenses during the year were \$5,359,710; thus, Governmental Net Position was increased by \$1,998,249.

Town of Taylor
Management's Discussion and Analysis
June 30, 2020

Business-type Activities

Net Position of the Business Type activities at June 30, 2020, as reflected in the Statement of Net Position, was \$3,451,436. The cost of providing all Proprietary (Business Type) activities this year was \$1,129,461. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$1,334,391. The Net Position increased by \$251,605.

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 \$3,630,160, an increase of \$1,360,527 in comparison with the prior year. Approximately 71.7% (\$2,604,700) 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 \$2,616,297 of which \$2,604,700 is assigned or unassigned. The fund balance increased during the current year by \$987,214 mainly due to an increase in sales tax revenues.

The Highway User Revenue Fund has a total fund balance of \$1,013,863, all of which is restricted for road construction and maintenance. The fund balance increased during the current year by \$397,491.

The Grants Fund has a total fund balance of \$0. The fund balance decreased during the year by \$1,382, after transfers in of \$113,713 from the General and LTAF funds, and capital outlays of \$948,293.

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 \$5,704,381 were less than budgeted revenues of \$6,799,331 by \$1,094,950, mainly due to contingency revenue not received. Also, sales tax revenue received was higher than expected.

Expenditures of \$4,717,167 were less than budgeted expenditures of \$6,601,250 by \$1,884,083. All departmental expenditures were under budgeted amounts.

Town of Taylor
Management's Discussion and Analysis
June 30, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

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

	Governmental Activities		Business-type Activities		Total	Total
	Current	Previous	Current	Previous	Current	Previous
	Year	Year	Year	Year	Year	Year
Net Capital Assets:						
Land and water rights	\$ 1,032,224	1,032,224	40,000	40,000	1,072,224	1,072,224
Buildings	884,813	928,173	-	-	884,813	928,173
Improvements	2,689,671	2,997,067	-	-	2,689,671	2,997,067
Infrastructure	1,467,601	1,553,415	6,916,981	6,349,721	8,384,583	7,903,135
Machinery and equipment	1,017,317	919,343	104,930	129,013	1,122,247	1,048,356
Work in progress	1,600,925	497,910	1,380,930	2,141,568	2,981,855	2,639,478
Totals	\$ 8,692,551	7,928,132	8,442,841	8,660,302	17,135,393	16,588,434

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 \$17,135,393 is an increase of \$546,959 from the previous year. Governmental activities capital assets, net of depreciation, of \$8,692,551 is an increase of \$764,419 from the previous year. Business-type activities capital assets, net of depreciation, of \$8,442,841 is a decrease of \$217,461 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	Change
Governmental activities:			
Compensated absences	\$ 55,664	33,118	22,546
Capital leases	311,237	375,555	(64,318)
Landfill post-closure payable	58,836	58,836	-
Net pension/OPEB liability	1,257,115	1,303,134	(46,019)
Total governmental	\$ 1,682,852	1,770,643	(87,791)
Business-type activities:			
WIFA Sewer Excise Revenue	\$ 2,450,696	2,680,907	(230,211)
2018 Excise Revenue	1,642,000	1,823,000	(181,000)
Compensated absences	10,562	10,310	252
Net pension/OPEB liability	435,741	460,718	(24,977)
Total business-type	\$ 4,538,999	4,974,935	(435,936)
Total outstanding long-term liabilities	\$ 6,221,851	6,745,577	(523,727)

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, 2020

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2020/2021 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, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 1,992,486	273,378	2,265,864
Accounts receivable, net of allowance	1,207,322	148,597	1,355,919
Internal balances	1,124,192	(1,124,192)	-
Inventory	12,992	43,270	56,262
Total current assets	4,336,993	(658,948)	3,678,045
Non-current assets:			
Restricted cash and cash equivalents	-	301,879	301,879
Net pension/OPEB asset	2,347	814	3,161
Capital assets:			
Not being depreciated	2,633,149	1,420,930	4,054,079
Net of accumulated depreciation	6,059,402	7,021,911	13,081,314
Total non-current assets	8,694,898	8,745,534	17,440,432
Total assets	13,031,891	8,086,587	21,118,477
Deferred outflows of resources - pensions/OPEB	168,359	58,357	226,716
Total assets and deferred outflows of resources	\$ 13,200,250	8,144,943	21,345,193
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 359,153	38,341	397,494
Accrued liabilities	347,679	-	347,679
Accrued interest payable	-	43,322	43,322
Customer deposits	-	18,050	18,050
Compensated absences	27,832	5,593	33,425
Long-term debt due within one year	38,763	420,815	459,578
Total current liabilities	773,428	526,120	1,299,548
Non-current liabilities:			
Compensated absences	27,832	4,969	32,801
Landfill post-closure payable	58,836	-	58,836
Long-term debt due after one year	272,474	3,671,881	3,944,355
Net pension/OPEB liability	1,257,115	435,741	1,692,856
Total non-current liabilities	1,616,257	4,112,591	5,728,847
Total liabilities	2,389,684	4,638,711	7,028,395
Deferred inflows of resources - pensions/OPEB	158,090	54,796	212,886
Total liabilities and deferred inflows of resources	2,547,774	4,693,507	7,241,282
NET POSITION:			
Net investment in capital assets	8,381,314	4,350,145	12,731,460
Restricted for:			
Debt service	-	283,829	283,829
Highways and streets	1,012,468	-	1,012,468
Unrestricted	1,258,693	(1,182,538)	76,155
Total net position	10,652,476	3,451,436	14,103,912
Total liabilities, deferred inflows of resources and net position	\$ 13,200,250	8,144,943	21,345,193

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, 2020

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	\$ 1,533,429	76,646	379,519	293,810	(783,454)
Public safety	2,736,405	901,943	168,294	-	(1,666,169)
Public works/Streets	514,095	-	825,236	833,198	1,144,340
Culture and recreation	563,140	63,310	44,280	-	(455,550)
Interest on long-term debt	12,640	-	-	-	(12,640)
Total governmental activities	5,359,710	1,041,899	1,417,330	1,127,008	(1,773,473)
Business-type activities:					
Water	550,258	708,649	-	13,380	171,772
Sewer	579,203	625,742	-	29,700	76,238
Total business-type activities	1,129,460	1,334,391	-	43,080	248,010
Total primary government	\$ 6,489,169	2,376,290	1,417,330	1,170,088	(1,525,462)

(continued on next page)

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

Town of Taylor
STATEMENT OF ACTIVITIES (continued)
For the Year Ended June 30, 2020

	Governmental Activities	Business-type Activities	Total
CHANGES IN NET POSITION:			
Net (expense) revenue (from previous page)	\$ (1,773,473)	248,010	(1,525,462)
General revenues:			
Taxes:			
City sales tax	2,169,871	-	2,169,871
Franchise tax	72,606	-	72,606
State sales tax (unrestricted)	440,735	-	440,735
Auto lieu tax (unrestricted)	291,784	-	291,784
State taxes - revenue sharing (unrestricted)	551,138	-	551,138
Unrestricted investment earnings	13,446	3,595	17,041
Gain on sale of capital assets	95,114	-	95,114
Miscellaneous	137,028	-	137,028
Total general revenues	<u>3,771,722</u>	<u>3,595</u>	<u>3,775,317</u>
Change in net position	1,998,249	251,605	2,249,855
Net position - beginning	<u>8,654,227</u>	<u>3,199,830</u>	<u>11,854,056</u>
Net position - ending	<u>\$ 10,652,476</u>	<u>3,451,436</u>	<u>14,103,912</u>

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

Town of Taylor
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2020

	General Fund	Highway User Revenue Fund	Grants Fund	Nonmajor LTAF Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 976,710	1,015,777	-	-	1,992,486
Receivables:					
Accounts receivable	109,066	-	-	-	109,066
Intergovernmental	764,378	53,133	280,745	-	1,098,256
Due from other funds	1,356,872	-	-	-	1,356,872
Inventories	11,597	1,395	-	-	12,992
TOTAL ASSETS	\$ 3,218,622	1,070,305	280,745	-	4,569,672
LIABILITIES					
Accounts payable	\$ 298,767	49,339	11,047	-	359,153
Accrued liabilities	303,558	7,102	37,019	-	347,679
Due to other funds	-	-	232,679	-	232,679
TOTAL LIABILITIES	602,325	56,441	280,745	-	939,512
FUND BALANCES:					
Nonspendable:					
Inventory	11,597	1,395	-	-	12,992
Restricted for:					
Highways and streets	-	1,012,468	-	-	1,012,468
Unassigned	2,604,700	-	-	-	2,604,700
TOTAL FUND BALANCES	2,616,297	1,013,863	-	-	3,630,160
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,218,622	1,070,305	280,745	-	4,569,672

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, 2020

Total Fund Balances - Total Governmental Funds **\$ 3,630,160**

Total net position reported for governmental activities in the statement of net position is different because:

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

Capital assets, at cost	\$ 21,253,494	
Less accumulated depreciation	<u>(12,560,943)</u>	
Net capital assets		8,692,551

Net OPEB asset is not an available resource and therefore is not reported in the fund statements.

2,347

Some liabilities are not due in the current period and therefore are not reported in the funds.

Leases payable	\$ (311,237)	
Landfill post-closure payable	(58,836)	
Compensated absences	(55,664)	
Net pension/OPEB liability	<u>(1,257,115)</u>	
		(1,682,852)

Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds.

Deferred outflows	\$ 168,359	
Deferred inflows	<u>(158,090)</u>	
		10,269

Total Net Position of Governmental Activities **\$ 10,652,476**

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

Town of Taylor
**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**
For the Year Ended June 30, 2020

	General Fund	Highway User Revenue Fund	Grants Fund	Nonmajor LTAF Fund	Total Governmental Funds
REVENUES					
Taxes:					
Sales taxes	\$ 2,169,871	-	-	-	2,169,871
Franchise taxes	72,606	-	-	-	72,606
License and permits	29,945	-	-	-	29,945
Intergovernmental revenues	2,169,560	825,236	833,198	-	3,827,995
Charges for services	1,011,954	-	-	-	1,011,954
Interest	13,418	28	-	-	13,446
Miscellaneous revenue	137,028	-	-	-	137,028
Total revenues	5,604,381	825,265	833,198	-	7,262,844
EXPENDITURES					
Current:					
General government	1,188,403	-	-	-	1,188,403
Public safety	2,568,003	-	-	-	2,568,003
Public works/Streets	-	300,236	-	5,363	305,599
Culture and recreation	454,742	-	-	-	454,742
Capital outlay	332,781	127,538	948,293	-	1,408,612
Debt service:					
Principal	64,318	-	-	-	64,318
Interest and fiscal charges	12,640	-	-	-	12,640
Total expenditures	4,620,887	427,774	948,293	5,363	6,002,317
Excess (deficiency) of revenues over (under) expenditures	983,494	397,491	(115,095)	(5,363)	1,260,527
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	100,000	-	-	-	100,000
Transfers in	-	-	113,713	-	113,713
Transfers out	(96,280)	-	-	(17,433)	(113,713)
Total other financing sources and (uses)	3,720	-	113,713	(17,433)	100,000
Net change in fund balances	987,214	397,491	(1,382)	(22,796)	1,360,527
Fund balances - beginning of year	1,629,083	616,372	1,382	22,796	2,269,633
Fund balance - end of year	\$ 2,616,297	1,013,863	-	-	3,630,160

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, 2020

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 1,360,527</u>
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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	\$ 1,408,612	
Depreciation expense	<u>(639,307)</u>	
Net		769,305

Cost of retired assets sold is not reported in government fund statements, while it is reported in the statement of activities.	(4,886)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	64,318
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The statement of activities shows pension/OPEB contributions and pension/OPEB expenses that are not shown in the fund statements.	(168,469)
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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.	(22,546)
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Change in Net Position of Governmental Activities	<u><u>\$ 1,998,249</u></u>
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Town of Taylor
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2020

	Water Fund	Sewer Fund	Total Enterprise Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 273,378	-	273,378
Accounts receivable, net of allowance	86,427	62,170	148,597
Inventory	42,572	698	43,270
Total current assets	<u>402,377</u>	<u>62,868</u>	<u>465,245</u>
Non-current assets:			
Restricted cash and cash equivalents	16,450	285,429	301,879
Net pension/OPEB asset	388	426	814
Capital assets:			
Not being depreciated	1,352	1,419,578	1,420,930
Net of accumulated depreciation	2,593,894	4,428,017	7,021,911
Total non-current assets	<u>2,612,084</u>	<u>6,133,450</u>	<u>8,745,534</u>
Total assets	<u>3,014,461</u>	<u>6,196,318</u>	<u>9,210,779</u>
Deferred outflows of resources - pensions/OPEB	27,826	30,530	58,357
Total assets and deferred outflows of resources	<u>\$ 3,042,288</u>	<u>6,226,848</u>	<u>9,269,136</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Liabilities:			
Current liabilities:			
Accounts payable	\$ 26,033	12,308	38,341
Due to other funds	-	1,124,192	1,124,192
Accrued interest payable	11,289	32,033	43,322
Customer deposits	16,450	1,600	18,050
Compensated absences, current portion	3,432	2,161	5,593
Long-term debt, current portion	74,400	346,415	420,815
Total current liabilities	<u>131,604</u>	<u>1,518,709</u>	<u>1,650,313</u>
Non-current liabilities:			
Compensated absences, long-term portion	1,849	3,120	4,969
Long-term debt, long-term portion	582,400	3,089,481	3,671,881
Net pension liability/OPEB	207,781	227,959	435,741
Total non-current liabilities	<u>792,030</u>	<u>3,320,561</u>	<u>4,112,591</u>
Total liabilities	<u>923,634</u>	<u>4,839,269</u>	<u>5,762,903</u>
Deferred inflows of resources - pensions/OPEB	26,129	28,667	54,796
Total liabilities and deferred inflows of resources	<u>949,763</u>	<u>4,867,936</u>	<u>5,817,700</u>
NET POSITION:			
Net investment in capital assets	1,938,446	2,411,699	4,350,145
Restricted for debt service	-	283,829	283,829
Unrestricted	154,078	(1,336,616)	(1,182,538)
Total net position	<u>2,092,525</u>	<u>1,358,912</u>	<u>3,451,436</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,042,288</u>	<u>6,226,848</u>	<u>9,269,136</u>

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, 2020

	Water Fund	Sewer Fund	Total Enterprise Funds
Operating income:			
Charges for sales and service	\$ 694,634	625,742	1,320,376
Other revenues	14,015	-	14,015
Total operating income	708,649	625,742	1,334,391
Operating expenses:			
Salaries	115,804	109,577	225,381
Employee benefits	76,232	76,796	153,028
Repair and maintenance	138,857	51,289	190,146
Utilities	66,610	81,637	148,248
Insurance	15,293	15,292	30,586
Other supplies and expenses	17,915	23,157	41,071
Depreciation expense	98,231	145,698	243,929
Total operating expense	528,942	503,446	1,032,389
Net operating income (loss)	179,707	122,295	302,002
Non-operating income (expense):			
Connection fees	13,380	29,700	43,080
Interest income	886	2,709	3,595
Interest expense and fiscal charges	(21,315)	(75,757)	(97,072)
Total non-operating income (expense)	(7,049)	(43,348)	(50,397)
Change in net position	172,658	78,947	251,605
Net position - beginning, restated	1,919,866	1,279,964	3,199,830
Net position - ending	\$ 2,092,524	1,358,912	3,451,436

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, 2020

	Water Fund	Sewer Fund	Total Enterprise Funds
Cash flows from operating activities:			
Cash received from customers - services and other	\$ 717,812	621,925	1,339,738
Cash paid to suppliers	(253,082)	(168,399)	(421,482)
Cash paid to employees	(157,955)	(154,017)	(311,972)
Net cash provided (used) in operating activities	306,775	299,509	606,284
Cash flows from noncapital financing activities:			
Change in due to/due from	30,446	99,730	130,176
Net cash provided (used) in noncapital financing activities	30,446	99,730	130,176
Cash flows from capital and related financing activities:			
Connection fees	13,380	29,700	43,080
Cash payments for capital assets	(12,247)	(14,223)	(26,469)
Cash payments for long-term debt principal	(72,400)	(338,811)	(411,211)
Cash payments for long-term debt interest	(22,560)	(78,889)	(101,448)
Net cash provided (used) in capital and related financing activities	(93,826)	(402,222)	(496,048)
Cashflows from investing activities:			
Cash received from interest earned	886	2,709	3,595
Net cash provided (used) in investing activities	886	2,709	3,595
Net increase (decrease) in cash	244,281	(275)	244,006
Cash balance - beginning	45,546	285,704	331,251
Cash balance - ending	\$ 289,828	285,429	575,257
Cash reported on the statement of net position:			
Cash and cash equivalents	\$ 273,378	-	273,378
Non-current restricted cash	16,450	285,429	301,879
Total cash and cash equivalents	\$ 289,828	285,429	575,257

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, 2020

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

	Water Fund	Sewer Fund	Total Enterprise Funds
Net operating income (expense)	\$ 179,707	122,295	302,002
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities:			
Depreciation and amortization	98,231	145,698	243,929
Pension/OPEB expense and pension/OPEB contributions	26,333	24,607	50,940
Changes in assets and liabilities:			
(Increase) decrease in receivables	14,472	(3,541)	10,931
(Increase) decrease in inventory	280	280	560
Increase (decrease) in payables	(14,688)	2,696	(11,992)
Increase (decrease) in accrued wages and benefits	7,623	7,622	15,245
Increase (decrease) in compensated absences	126	126	252
Increase (decrease) in deposits	(5,309)	(275)	(5,584)
Net cash provided (used) in operating activities	<u>\$ 306,775</u>	<u>299,509</u>	<u>606,284</u>

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

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020

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, 2020

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* accounts 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.

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, 2020

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, 2020

**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, 2020

**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, 2020

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, 2020

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 September 8, 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, 2020, 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, 2020

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	\$ 2,265,864
Restricted cash and cash equivalents	301,879
	<u><u>\$ 2,567,743</u></u>

Deposits

Custodial Credit Risk

For deposits, this is the risk that in the event of a bank failure, the Town's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. At June 30, 2020, cash on hand was \$450 and the carrying amount of the Town's deposits was \$1,494,078. As of June 30, 2020, the bank balance of the Town's deposits was \$1,511,292 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, 2020, the Town had the following deposits and investments:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Cash on deposit	\$ 1,494,078	N/A	N/A
Cash on hand	450	N/A	N/A
Local Governments Investment Pool	1,073,215	AAA	47 days
	<u><u>\$ 2,567,743</u></u>		

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

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

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020:

- 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, 2020:

Business-type activities:

Water Fund:

Customer deposits	16,450
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Sewer Fund:

Debt reserves	283,829
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Customer deposits	1,600
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Total business-type activities	<u>\$ 301,879</u>
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Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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	\$ 1,032,224	-	-	1,032,224
Construction in progress	497,910	1,187,304	(84,290)	1,600,925
Total capital assets, not being depreciated	1,530,134	1,187,304	(84,290)	2,633,149
Capital assets, being depreciated:				
Buildings	1,397,076	-	-	1,397,076
Improvements	11,410,648	-	-	11,410,648
Furniture, equipment & vehicles	2,780,305	242,977	(400,516)	2,622,766
Infrastructure	3,127,236	62,620	-	3,189,856
Total capital assets, being depreciated	18,715,264	305,597	(400,516)	18,620,345
Less accumulated depreciation for:				
Buildings	(468,902)	(43,360)	-	(512,262)
Improvements	(8,413,581)	(307,397)	-	(8,720,978)
Furniture, equipment & vehicles	(1,860,962)	(140,117)	395,630	(1,605,449)
Infrastructure	(1,573,821)	(148,433)	-	(1,722,254)
Total accumulated depreciation	(12,317,266)	(639,307)	395,630	(12,560,943)
Total capital assets being depreciated, net	6,397,998	(333,709)	(4,886)	6,059,402
Governmental activities capital assets, net	\$ 7,928,132	853,595	(89,176)	8,692,551

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

Governmental activities:	
General government	\$ 274,271
Public safety	105,101
Public works/Streets	185,816
Culture and recreation	74,120
Total	\$ 639,307

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

3-C. Capital assets (continued)

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

	Beginning Balance	Additions	Retirements	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 40,000	-	-	40,000
Construction in progress	2,141,568	26,469	(787,107)	1,380,930
Total capital assets, not being depreciated	2,181,568	26,469	(787,107)	1,420,930
Capital assets, being depreciated:				
Water system	3,071,649	787,107	-	3,858,756
Sewer system	6,474,592	-	-	6,474,592
Furniture, equipment & vehicles	290,011	-	-	290,011
Total capital assets, being depreciated	9,836,251	787,107	-	10,623,358
Less accumulated depreciation for:				
Water system	(1,239,859)	(83,754)	-	(1,323,613)
Sewer system	(1,956,661)	(136,092)	-	(2,092,753)
Furniture, equipment & vehicles	(160,998)	(24,083)	-	(185,081)
Total accumulated depreciation	(3,357,517)	(243,929)	-	(3,601,447)
Total capital assets being depreciated, net	6,478,734	543,178	-	7,021,911
Business-type activities capital assets, net	\$ 8,660,302	569,647	(787,107)	8,442,841

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

Business-type activities:	
Water	\$ 98,231
Sewer	145,698
Total	\$ 243,929

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 3-D. Long-term liabilities

The following is a summary of changes in long-term obligations for the year ended June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 33,118	53,255	(30,709)	55,664	27,832
Capital leases	375,555	-	(64,318)	311,237	38,763
Landfill post-closure payable	58,836	-	-	58,836	-
Net pension/OPEB liability	1,303,134	-	(46,019)	1,257,115	-
Total governmental activity					
long-term liabilities	\$ 1,770,643	53,255	(141,046)	1,682,852	66,595
Business-type activities:					
Loans payable from direct borrowings and direct placements:					
WIFA Sewer Excise Revenue	\$ 2,680,907	-	(230,211)	2,450,696	234,815
2018 Excise Revenue	1,823,000	-	(181,000)	1,642,000	186,000
Total loans payable	4,503,907	-	(411,211)	4,092,696	420,815
Compensated absences	10,310	21,702	(12,414)	10,562	5,593
Net pension/OPEB liability	460,718	(24,977)	-	435,741	-
Total business-type activity					
long-term liabilities	\$ 4,974,935	(3,275)	(423,625)	4,538,999	426,408
Total long-term liabilities	\$ 6,745,577	49,980	(564,671)	6,221,851	493,003

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 Lone 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, 2020.

The Town's outstanding loans from direct borrowings related to business-type activities of \$2,450,696 are secured with the collateral of the wastewater treatment plant. These bonds contain a provision that in an event of default, the balance of the loan is due in full, including late fees, and the Town must pay for attorney fees and collection efforts.

The Town's outstanding loans for direct placements related to business-type activities of \$1,642,000 are secured with the collateral of excise taxes. These bonds contain a provision that in an event of default, the balance of the loan is due in full and the Town must pay for attorney fees and collection efforts.

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, 2020

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

The following is a listing of loans payable outstanding as of June 30, 2020:

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.	\$ 2,450,696
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.	1,642,000
Total loans payable	<u>\$ 4,092,696</u>

Loans from direct borrowings and direct placements payable debt service maturities are as follows:

Year Ended June 30,	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 420,815	91,821
2022	431,511	81,963
2023	441,301	71,844
2024	451,188	61,492
2025	462,171	50,903
2026 - 2029	1,885,710	90,947
Total	<u>\$ 4,092,696</u>	<u>448,970</u>

Capital leases:

The Town has entered into lease agreements which are considered capital leases in accordance with Generally Accepted Accounting Principles. The following is an annual schedule of future minimum lease payments with the present value of the net minimum lease payments:

<u>Fiscal Year Ending June 30,</u>	<u>Governmental Activities</u>
2021	\$ 50,768
2022	50,768
2023	50,768
2024	50,768
2025	50,768
2026 - 2027	101,536
Total remaining lease payments	355,376
Less amount representing interest	(44,139)
Present value of net remaining minimum lease payments	<u>\$ 311,237</u>

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

	<u>Governmental Activities</u>
Vehicles and equipment	\$ 353,786
Total capital assets	353,786
Less: Accumulated depreciation	(25,551)
Net book value	<u>\$ 328,235</u>

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

3-E. Interfund receivables, payables, and transfers

As of June 30, 2020, interfund receivables and payables that resulted from various interfund transactions were as follows:

Due To:	Due from:		
	Sewer Fund	General Grant Fund	Total
General Fund	\$ 1,124,192	232,679	1,356,872
Total	\$ 1,124,192	232,679	1,356,872

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, 2020 are as follows:

Transfers out:	Transfers in:
	Grants Fund
General Fund	\$ 96,280
LTAF Fund	17,433
Total	\$ 113,713

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, 2020

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, 2020

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 \$100 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, 2020

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, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 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 10.41 percent (10.29 percent for retirement, 0.05 percent for health insurance premium benefit, and 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the Town 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, 2020, were \$92,158, \$3,944, and \$1,368, respectively.

During the fiscal year 2020, the Town paid for ASRS pension and OPEB contributions as follows: 76% from governmental funds, 12% from the water fund, and 12% from the sewer fund.

Liability – At June 30, 2020, 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	\$ 1,685,025
Health insurance premium benefit	(3,161)
Long-term disability	7,830

The net asset and net liabilities were measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2018. The Town's proportions measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

	Proportion June 30, 2018	Proportion June 30, 2019	Increase (decrease) from June 30, 2018
Pension	0.01260%	0.01158%	-0.00102%
Health insurance premium benefit	0.01268%	0.01144%	-0.00124%
Long-term disability	0.01262%	0.01202%	-0.00060%

Expense – For the year ended June 30, 2020, the Town recognized the following pension and OPEB expense:

	<u>Pension/OPEB Expense</u>
Pension	\$ 289,877
Health insurance premium benefit	3,975
Long-term disability	2,559

Deferred outflows/inflows of resources—At June 30, 2020, the Town 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	\$ 30,440	\$ 317	\$ -	\$ 3,779	\$ 925	\$ -
Changes of assumptions or other inputs	7,123	67,101	6,217	-	1,171	-
Net difference between projected and actual earnings on pension plan investments	-	37,874	-	4,111	-	167
Changes in proportion and differences between contributions and proportionate share of contributions	82,954	99,302	44	-	372	236
Contributions subsequent to the measurement date	92,158	-	3,944	-	1,368	-
Total	<u>\$ 212,675</u>	<u>\$ 204,594</u>	<u>\$ 10,205</u>	<u>\$ 7,890</u>	<u>\$ 3,836</u>	<u>\$ 403</u>

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from 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, 2021. 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
2021	\$ 4,977	\$ (1,355)	\$ 216
2022	(91,925)	(1,355)	216
2023	(7,273)	398	380
2024	10,144	772	410
2025	-	(89)	348
Thereafter	-	-	495

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

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

Town of Taylor
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real estate	20%	5.85%
Totals	100%	

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 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 7.5 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 (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of			
Net pension (asset) / liability	\$ 2,398,180	\$ 1,685,025	\$ 1,089,010
Net insurance premium benefit liability (asset)	16,014	(3,161)	(19,500)
Net long-term disability liability	8,666	7,830	7,020

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

REQUIRED SUPPLEMENTARY INFORMATION

Town of Taylor
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2020

ASRS - Pension	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.011580%	0.012600%	0.011380%	0.009500%	0.008330%	0.008080%
Proportionate share of the net pension liability (asset)	\$ 1,685,025	\$ 1,757,257	\$ 1,772,782	\$ 1,533,395	\$ 1,297,759	\$ 1,195,602
Covered payroll	\$ 1,220,263	\$ 1,232,866	\$ 1,127,874	\$ 912,606	\$ 778,621	\$ 728,376
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	138.09%	142.53%	157.18%	168.02%	166.67%	164.15%
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	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, 2020

ASRS - Health insurance premium benefit	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB liability (asset)	0.011440%	0.012680%	0.011540%	0.011540%
Proportionate share of the net OPEB liability (asset)	\$ (3,161)	\$ (4,566)	\$ (6,282)	\$ 3,337
Covered payroll	\$ 1,220,263	\$ 1,232,866	\$ 1,127,874	\$ 912,606
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	-0.26%	-0.37%	-0.56%	0.37%
Plan fiduciary net position as a percentage of the total OPEB liability	101.62%	102.20%	103.57%	98.02%

ASRS - Long-term disability	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB liability (asset)	0.012020%	0.012620%	0.011430%	0.011430%
Proportionate share of the net OPEB liability (asset)	\$ 7,830	\$ 6,594	\$ 4,143	\$ 4,108
Covered payroll	\$ 1,220,263	\$ 1,232,866	\$ 1,127,874	\$ 912,606
Proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	0.64%	0.53%	0.37%	0.45%
Plan fiduciary net position as a percentage of the total OPEB liability	72.85%	77.83%	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, 2020

ASRS - Pension

	Reporting Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 92,158	\$ 136,577	\$136,500	\$127,682	\$96,518	\$83,568	\$77,937
Contributions in relation to the contractually required contribution	\$ (92,158)	\$ (136,577)	\$ (136,500)	\$ (127,682)	\$ (96,518)	\$ (83,568)	\$ (77,937)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 804,875	\$ 1,220,263	\$ 1,232,866	\$ 1,127,874	\$ 912,606	\$ 778,621	\$ 728,376
Contributions as a percentage of covered payroll	11.45%	11.19%	11.07%	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, 2020

ASRS - Health insurance premium benefit	Reporting Fiscal Year			
	2020	2019	2018	2017
Contractually required contribution	\$ 3,944	\$ 5,416	\$ 5,442	\$ 6,215
Contributions in relation to the contractually required contribution	\$ (3,944)	\$ (5,416)	\$ (5,442)	\$ (6,215)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 804,875	\$ 1,220,263	\$ 1,232,866	\$ 1,127,874
Contributions as a percentage of covered payroll	0.49%	0.44%	0.44%	0.55%

ASRS - Long-term disability	Reporting Fiscal Year			
	2020	2019	2018	2017
Contractually required contribution	\$ 1,368	\$ 1,998	\$ 2,003	\$ 1,554
Contributions in relation to the contractually required contribution	\$ (1,368)	\$ (1,998)	\$ (2,003)	\$ (1,554)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 804,875	\$ 1,220,263	\$ 1,232,866	\$ 1,127,874
Contributions as a percentage of covered payroll	0.17%	0.16%	0.16%	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.

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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, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Taxes:				
Sales taxes	\$ 1,650,000	1,650,000	2,169,871	519,871
Franchise taxes	75,000	75,000	72,606	(2,394)
Total taxes	<u>1,725,000</u>	<u>1,725,000</u>	<u>2,242,477</u>	<u>517,477</u>
Licenses, permits and fees:				
License and permits	2,200	2,200	3,227	1,027
Building permits	35,000	35,000	26,718	(8,282)
Total licenses, permits and fees	<u>37,200</u>	<u>37,200</u>	<u>29,945</u>	<u>(7,255)</u>
Intergovernmental revenues	2,234,631	2,234,631	2,169,560	(65,071)
Charges for services	927,500	927,500	1,011,954	84,454
Interest income	15,000	15,000	13,418	(1,582)
Miscellaneous revenue	860,000	860,000	137,028	(722,972)
Total revenues	<u>5,799,331</u>	<u>5,799,331</u>	<u>5,604,381</u>	<u>(194,950)</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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES				
General government:				
Mayor and council	29,000	29,000	27,088	1,912
Administration	369,000	369,000	339,905	29,095
Airport	94,000	94,000	77,096	16,904
Non-departmental	2,465,300	2,315,300	744,313	1,570,987
Total general government	2,957,300	2,807,300	1,188,403	1,618,897
Public safety:				
Code enforcement	91,000	91,000	87,103	3,897
Judicial	46,000	46,000	40,871	5,129
Fire	1,680,900	1,680,900	1,472,433	208,467
Police	930,000	970,000	967,596	2,404
Total public safety	2,747,900	2,787,900	2,568,003	219,897
Culture and recreation:				
Parks and recreation	416,500	416,500	375,654	40,846
Library	69,500	79,500	79,088	412
Total culture and recreation	486,000	496,000	454,742	41,258
Capital outlay	332,800	332,800	332,781	19
Debt service	77,250	77,250	76,958	292
Total expenditures	6,601,250	6,501,250	4,620,887	1,880,363
Excess (deficiency) of revenues over (under) expenditures	(801,919)	(701,919)	983,494	1,685,413
OTHER FINANCING SOURCES (USES)				
Sale of capital assets/other financing sources	1,000,000	1,000,000	100,000	(900,000)
Transfers out	-	(100,000)	(96,280)	3,720
Total other financing sources and (uses)	1,000,000	900,000	3,720	(896,280)
Net change in fund balances	198,081	198,081	987,214	789,133
Fund balances - beginning of year	1,629,083	1,629,083	1,629,083	-
Fund balance - end of year	\$ 1,827,164	1,827,164	2,616,297	789,133

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	\$ 823,014	823,014	825,236	2,222
Interest	-	-	28	28
Miscellaneous revenue	15,000	15,000	-	(15,000)
Total revenues	838,014	838,014	825,265	(12,749)
EXPENDITURES				
Current:				
Public works/Streets	1,141,500	1,141,500	300,236	841,264
Capital outlay	300,000	300,000	127,538	172,462
Total expenditures	1,441,500	1,441,500	427,774	1,013,726
Excess (deficiency) of revenues over (under) expenditures	(603,486)	(603,486)	397,491	1,000,977
Fund balances - beginning of year	616,372	616,372	616,372	-
Fund balance - end of year	\$ 12,886	12,886	1,013,863	1,000,977

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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental revenues	2,050,000	1,500,000	833,198	(666,802)
Total revenues	1,500,000	1,500,000	833,198	(666,802)
EXPENDITURES				
Capital outlay	2,075,000	2,075,000	948,293	1,126,707
Total expenditures	2,075,000	2,075,000	948,293	1,126,707
Excess (deficiency) of revenues over (under) expenditures	(575,000)	(575,000)	(115,095)	459,905
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	125,000	113,713	(11,287)
Total other financing sources and (uses)	25,000	125,000	113,713	(11,287)
Net change in fund balances	(550,000)	(450,000)	(1,382)	448,619
Fund balances - beginning of year	1,382	1,382	1,382	-
Fund balance - end of year	\$ (548,619)	(448,619)	-	448,619

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, 2020

	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	<u>-</u>	<u>-</u>	<u>5,363</u>	<u>(5,363)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>5,363</u>	<u>(5,363)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(5,363)</u>	<u>(5,363)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(25,000)</u>	<u>(25,000)</u>	<u>(17,433)</u>	<u>7,567</u>
Total other financing sources and (uses)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(17,433)</u>	<u>7,567</u>
Net change in fund balances	<u>(25,000)</u>	<u>(25,000)</u>	<u>(22,796)</u>	<u>2,204</u>
Fund balances - beginning of year	<u>22,796</u>	<u>22,796</u>	<u>22,796</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ (2,204)</u></u>	<u><u>(2,204)</u></u>	<u><u>-</u></u>	<u><u>2,204</u></u>

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STATISTICAL SECTION

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

Contents	Page
Financial Trends	64
<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	70
<i>These schedules contain information to help the reader assess the government's most significant local revenues source, the sales tax.</i>	
Debt Capacity	72
<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	74
<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	76
<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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities										
Net investment in capital assets	\$ 8,381,314	\$ 7,552,577	\$ 7,575,552	\$ 7,303,533	\$ 7,410,806	\$ 7,305,141	\$ 7,928,141	\$ 7,999,457	\$ 8,224,966	\$ 8,788,510
Restricted	1,012,468	637,212	976,172	870,166	837,991	869,542	879,133	767,047	1,683,268	1,533,935
Unrestricted	1,258,693	464,437	379,088	403,704	171,385	(58,958)	772,588	716,478	487,526	715,343
Total governmental activities net position	\$ 10,652,475	\$ 8,654,226	\$ 8,930,812	\$ 8,577,403	\$ 8,420,182	\$ 8,115,725	\$ 9,579,862	\$ 9,482,982	\$ 10,395,760	\$ 11,037,788
Business-Type activities										
Net investment in capital assets	\$ 4,350,145	\$ 4,156,395	\$ 2,262,174	\$ 3,854,662	\$ 3,691,044	\$ 3,599,653	\$ 3,527,577	\$ 3,480,662	\$ 3,427,260	\$ 3,385,043
Restricted	283,829	283,829	283,829	283,829	283,829	288,324	288,325	230,660	116,229	115,330
Unrestricted	(1,182,538)	(1,240,393)	566,354	(857,009)	(478,611)	(404,971)	(104,666)	(184,183)	(150,161)	(169,119)
Total business-type activities net position	\$ 3,451,436	\$ 3,199,831	\$ 3,112,357	\$ 3,281,482	\$ 3,496,262	\$ 3,483,006	\$ 3,711,236	\$ 3,527,139	\$ 3,393,328	\$ 3,331,254
Primary government										
Net investment in capital assets	\$ 12,731,459	\$ 11,708,972	\$ 9,837,726	\$ 11,158,195	\$ 11,101,850	\$ 10,904,794	\$ 11,455,718	\$ 11,480,119	\$ 11,652,226	\$ 12,173,553
Restricted	1,296,297	921,041	1,260,001	1,153,995	1,121,820	1,157,866	1,167,458	997,707	1,799,497	1,649,265
Unrestricted	76,155	(775,956)	945,442	(453,305)	(307,226)	(463,929)	667,922	532,295	337,365	546,224
Total primary government net position	\$ 14,103,911	\$ 11,854,057	\$ 12,043,169	\$ 11,858,885	\$ 11,916,444	\$ 11,598,731	\$ 13,291,098	\$ 13,010,121	\$ 13,789,088	\$ 14,369,042

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental activities:										
General government	\$ 1,533,429	\$ 2,228,792	\$ 1,368,315	\$ 1,296,235	\$ 867,639	\$ 993,812	\$ 822,898	\$ 821,915	\$ 837,086	\$ 796,110
Public safety	2,736,405	2,216,420	2,630,746	2,339,849	2,119,446	1,740,142	1,712,991	1,869,293	1,784,738	1,673,450
Public works/streets	514,095	1,030,002	600,622	552,671	711,117	708,994	452,506	1,466,382	616,691	698,373
Culture and recreation	563,140	326,487	557,457	405,822	311,487	290,618	245,256	195,749	259,898	228,355
Economic development				-	-	-	55,668	43,666	29,666	-
Interest on long-term debt	12,640	1,298	1,757	2,493	1,357	14,985	16,534	20,196	17,751	23,606
Total governmental activities expenses	5,359,709	5,802,999	5,158,897	4,597,070	4,011,046	3,748,551	3,305,853	4,417,201	3,545,830	3,419,894
Business-type activities:										
Water	550,258	604,322	689,194	604,408	426,587	403,241	307,113	317,537	297,542	372,208
Sewer	579,203	660,903	602,997	645,952	557,016	566,569	492,689	496,170	487,715	526,959
Total business-type activities expenses	1,129,461	1,265,225	1,292,191	1,250,360	983,603	969,810	799,802	813,707	785,257	899,167
Total Expenses	\$ 6,489,170	\$ 7,068,224	\$ 6,451,088	\$ 5,847,430	\$ 4,994,649	\$ 4,718,361	\$ 4,105,655	\$ 5,230,908	\$ 4,331,087	\$ 4,319,061
Program Revenues										
Governmental activities:										
Charges for services	\$ 1,041,899	\$ 982,703	\$ 980,109	\$ 802,053	\$ 872,511	\$ 791,914	\$ 683,320	\$ 658,779	\$ 685,509	\$ 680,297
Operating grants and contributions	1,417,330	1,090,589	812,979	853,200	746,106	558,240	558,169	541,355	616,620	727,764
Capital grants and contributions	1,127,008	342,291	682,080	297,735	521,069	79,925	402,936	225,314	67,585	333,194
Total governmental activities program revenues	3,586,237	2,415,583	2,475,168	1,952,988	2,139,686	1,430,079	1,644,425	1,425,448	1,369,714	1,741,255
Business -type activities:										
Charges for services:	1,334,391	1,244,910	1,090,049	1,033,782	960,151	980,029	971,416	944,759	843,221	809,935
Operating grants and contributions	-	-	-	-	-	-	5,440	2,450	2,850	600
Capital grants and contributions	43,080	74,730	25,840	1,800	36,708	15,560	7,000	-	600	3,300
Other revenue (expense)	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	1,377,471	1,319,640	1,115,889	1,035,582	996,859	995,589	983,856	947,209	846,671	813,835
Total primary government program revenues	\$ 4,963,708	\$ 3,735,223	\$ 3,591,057	\$ 2,988,570	\$ 3,136,545	\$ 2,425,668	\$ 2,628,281	\$ 2,372,657	\$ 2,216,385	\$ 2,555,090
Net/(expense) revenue										
Governmental activities	\$ (1,773,472)	\$ (3,387,416)	\$ (2,683,729)	\$ (2,644,082)	\$ (1,871,360)	\$ (2,318,472)	\$ (1,661,428)	\$ (2,991,753)	\$ (2,176,116)	\$ (1,678,639)
Business-type activities	248,010	54,415	(176,302)	(214,778)	13,256	25,779	184,054	133,502	61,414	(85,332)
Total primary government net expense	\$ (1,525,462)	\$ (3,333,001)	\$ (2,860,031)	\$ (2,858,860)	\$ (1,858,104)	\$ (2,292,693)	\$ (1,477,374)	\$ (2,858,251)	\$ (2,114,702)	\$ (1,763,971)

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Revenues										
Governmental activities:										
Taxes										
Sales taxes	\$ 2,169,871	\$ 1,627,986	\$ 1,649,803	\$ 1,417,051	\$ 985,558	\$ 705,975	\$ 639,646	\$ 647,477	\$ 587,223	\$ 584,701
Franchise taxes	72,606	76,000	73,263	67,603	68,407	63,033	64,905	63,372	66,991	66,773
State shared sales taxes	440,735	421,603	404,809	378,355	388,096	375,790	357,920	336,575	321,313	313,738
Auto lieu taxes	291,784	283,142	267,139	248,618	235,191	216,607	210,079	202,387	204,684	211,582
State taxes - revenue sharing	551,138	506,803	522,316	507,845	495,084	497,783	458,335	420,032	347,056	399,064
Investment earnings	13,446	18,829	-	-	-	574	564	1,804	2,100	2,238
Gain (Loss) on Retired Assets	95,114	(36,432)	(27,078)	-	-	-	-	-	-	-
Miscellaneous	137,028	212,900	146,644	181,827	3,481	10,787	6,200	37,328	4,721	6,597
Total governmental activities	\$ 3,771,722	\$ 3,110,831	\$ 3,036,896	\$ 2,801,299	\$ 2,175,817	\$ 1,870,549	\$ 1,737,649	\$ 1,708,975	\$ 1,534,088	\$ 1,584,693
Business-type activities:										
Investment earnings	\$ 3,595	\$ 33,059	\$ 545	\$ -	\$ -	\$ 44	\$ 43	\$ 309	\$ 660	\$ 703
Impact Fees			24,000	-	-	-	-	-	-	-
Gain (Loss) on Retired Assets			(17,448)	-	-	-	-	-	-	-
Total business-type activities	3,595	33,059	7,097	-	-	44	43	309	660	703
Total primary government	3,775,317	3,143,890	3,043,993	2,801,299	2,175,817	1,870,593	1,737,692	1,709,284	1,534,748	1,585,396
Change in Net Position										
Governmental activities	\$ 1,998,250	\$ (276,585)	\$ 353,167	\$ 157,217	\$ 304,457	\$ (447,923)	\$ 76,221	\$ (1,282,778)	\$ (642,028)	\$ (93,946)
Business-type activities	251,605	87,474	(169,205)	(214,778)	13,256	25,823	184,097	133,811	62,074	(84,629)
Total change in Net Position	\$ 2,249,855	\$ (189,111)	\$ 183,962	\$ (57,561)	\$ 317,713	\$ (422,100)	\$ 260,318	\$ (1,148,967)	\$ (579,954)	\$ (178,575)

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

		Fiscal Year									
		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General fund											
Non-Spendable	\$	11,597	\$ 15,735	\$ 9,798	\$ 14,748	\$ 7,284	\$ 7,284	\$ 16,307	\$ 10,669	\$ 21,182	\$ 12,841
Restricted		-	-	-	-	-	-	-	-	1,735	-
Assigned		-	473,702	240,326	240,326	224,688	26,088	26,923	14,181	41,163	30,297
Unassigned		2,604,700	1,139,646	1,248,289	990,689	900,839	902,494	402,425	413,991	467,101	571,498
Total general fund	\$	2,616,297	\$ 1,629,083	\$ 1,498,413	\$ 1,245,763	\$ 1,132,811	\$ 935,866	\$ 445,655	\$ 438,841	\$ 531,181	\$ 614,636
All other governmental funds											
Nonspendable	\$	1,395	\$ 1,956	\$ 1,956	\$ 2,153	\$ 2,153	\$ 2,153	\$ 1,323	\$ 1,034	\$ 3,415	\$ 2,895
Restricted		1,012,468	614,416	976,172	870,166	837,991	869,542	879,133	704,809	1,511,643	1,533,935
Assigned		-	-	1,309	203,992	156,484	103,755	77,898	62,238	171,625	141,367
Unassigned		-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	\$	1,013,863	\$ 616,372	\$ 979,437	\$ 1,076,311	\$ 996,628	\$ 975,450	\$ 958,354	\$ 768,081	\$ 1,686,683	\$ 1,678,197

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Sales Taxes	\$ 2,169,871	\$ 1,627,986	\$ 1,649,803	\$ 1,417,051	\$ 985,558	\$ 705,975	\$ 639,646	\$ 647,477	\$ 587,223	\$ 584,701
Franchise taxes	72,606	76,000	73,263	67,603	68,407	63,033	64,905	63,372	66,991	66,773
Licenses and permits	29,945	45,014	34,020	21,752	54,467	22,213	13,210	10,224	13,711	17,687
Intergovernmental	3,827,995	2,644,428	2,689,322	2,285,753	2,385,366	1,704,195	1,939,859	1,642,812	1,480,474	1,889,945
Charges for services	1,011,954	937,688	946,089	780,302	796,794	746,100	660,160	630,865	660,592	595,728
Fines and forfeitures	-	-	-	-	-	-	-	-	-	55,882
Interest revenue	13,446	18,829	-	-	-	573	564	1,804	2,100	2,238
Contributions and donations	-	-	-	-	-	-	23,000	20,500	35,500	-
Other revenues	137,028	212,900	146,644	104,668	24,911	403,536	65,731	117,368	57,210	112,995
Total revenues	7,262,845	5,562,845	5,539,141	4,677,129	4,315,503	3,645,625	3,407,075	3,134,422	2,903,801	3,325,949
Expenditures										
Current:										
General government	1,188,403	1,885,087	1,108,957	1,049,718	631,408	530,666	637,611	578,265	534,015	642,648
Public safety	2,568,003	2,116,287	2,493,545	2,324,430	2,068,123	1,713,599	1,672,214	1,885,528	1,690,933	1,598,290
Public works/streets	305,599	903,768	411,061	385,548	535,063	532,149	596,994	1,288,987	426,182	609,957
Culture and recreation	454,742	244,445	482,726	350,228	418,727	293,605	179,501	230,260	198,534	159,923
Economic development	-	-	-	-	-	-	55,668	43,666	29,666	-
Capital outlay	1,408,612	945,224	860,825	516,550	116,384	38,597	444,287	352,184	49,113	407,124
Debt service:										
Principal retirement	64,318	24,952	24,493	7,687	320,000	25,000	25,000	25,523	40,615	53,487
Interest on long-term debt	12,640	1,298	1,757	2,493	7,675	16,116	17,650	19,628	21,536	23,765
Total expenditures	6,002,317	6,121,061	5,383,364	4,636,654	4,097,380	3,149,732	3,628,925	4,424,041	2,990,594	3,495,194
Excess (Deficiency) of Revenues over expenditures	\$1,260,528	(\$558,216)	\$155,777	\$40,475	\$218,123	\$495,893	(\$221,850)	\$ (1,289,619)	\$ (86,793)	\$ (169,245)

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Other financing sources (uses)										
Sale of capital assets	\$ 100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers in	115,095	62,481	171,316	757	17,240	8,674	-	-	-	5,487
Transfers (out)	(115,095)	(62,481)	(171,316)	(757)	(17,240)	(8,674)	-	-	-	(5,487)
Insurance claims			-	77,159	-	-	-	-	-	-
Lease proceeds	-	350,000	-	75,000	-	11,414	-	-	-	-
Total other financing sources (uses)	100,000	350,000	-	152,159	-	11,414	-	-	-	-
Net change in fund balances	\$1,360,528	(\$208,216)	\$155,777	\$192,634	\$218,123	\$507,307	(\$221,850)	(\$1,289,619)	\$ (86,793)	\$ (169,245)
Debt service as a percentage of noncapital expenditures	1.68%	0.51%	0.58%	0.25%	8.23%	1.32%	1.34%	1.11%	2.11%	2.50%

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
2020	\$ 440,735	\$ 2,169,871	\$ 72,606	\$ 291,784	\$ 551,138
2019	421,603	1,627,986	76,000	283,142	506,803
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

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

	2020		2019		Fiscal Year 2018		2017		2016	
	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total
Mining	\$ 23,432	1.4%	\$ 18,111	1.1%	\$ 16,354	1.0%	\$ 14,328	1.0%	\$ 13,798	1.4%
Communication and Utilities	23,572	1.4%	21,561	1.3%	24,758	1.5%	22,783	1.6%	23,653	2.4%
Construction	261,830	15.9%	65,465	4.0%	67,104	4.1%	50,345	3.6%	76,874	7.8%
Manufacturing	15,397	0.9%	16,050	1.0%	12,357	0.7%	9,854	0.7%	10,841	1.1%
Retail	1,610,497	97.6%	1,323,547	80.2%	1,348,984	81.8%	1,141,058	80.5%	705,660	71.6%
Real Estate Leasing	25,394	1.5%	20,193	1.2%	19,104	1.2%	23,734	1.7%	24,639	2.5%
Restaurant and Bar	167,530	10.2%	123,783	7.5%	119,107	7.2%	111,305	7.9%	87,715	8.9%
Accommodation	23,430	1.4%	21,536	1.3%	22,798	1.4%	25,324	1.8%	24,639	2.5%
Other	18,789	1.1%	17,679	1.1%	19,237	1.2%	18,320	1.3%	17,740	1.8%
Total	<u>\$ 2,169,871</u>	<u>131.5%</u>	<u>\$ 1,627,925</u>	<u>98.7%</u>	<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>

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			
2020	\$ -	\$ 311,237	\$ 4,092,696	\$ -	4,403,933	6.58%	1,019
2019	-	350,000	4,503,907	-	4,853,907	7.35%	1,139
2018	-	50,507	4,680,907	-	4,731,414	7.10%	1,131
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

(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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Secondary assessed valuation	\$ 26,492,164	\$ 22,967,858	\$ 21,173,857	\$ 19,973,435	\$ 17,693,219	\$ 15,902,970	\$ 15,423,954	\$ 17,565,157	\$ 20,117,862	\$ 22,233,252
Debt limit @ 20%	5,298,433	4,593,572	4,234,771	3,994,687	3,538,644	3,180,594	3,084,791	3,513,031	4,023,572	4,446,650
Debt limit @ 6%	1,589,530	1,378,071	1,270,431	1,198,406	1,061,593	954,178	925,437	1,053,909	1,207,072	1,333,995
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin @ 20%	5,298,433	4,593,572	4,234,771	3,994,687	3,538,644	3,180,594	3,084,791	3,513,031	4,023,572	4,446,650
Legal debt margin @ 6%	1,589,530	1,378,071	1,270,431	1,198,406	1,061,593	954,178	925,437	1,053,909	1,207,072	1,333,995

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
2020	4,321	\$ 43,659	\$ 15,499	\$ 66,970,941	8.7%	2,438
2019	4,262	43,659	15,499	66,056,504	3.6%	2,549
2018	4,185	44,868	15,928	66,659,266	4.2%	2,549
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

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)

Employers	2020		2012	
	Employees	Percentage of Total Employment	Employees	Percentage of Total Employment
Summit Regional Medical Center	1,632	6.25%	692	2.52%
Northland Pioneer College	482	1.85%	257	0.94%
Navajo County	612	2.34%	573	2.09%
Wal-Mart	632	2.42%	423	1.54%
Hon-Dah Casino	243	0.93%	457	1.66%
Abitibi Paper Mill	-	0.00%	342	1.25%
Show Low Unified School District	317	1.21%	287	1.05%
Arizona Public Service	321	1.23%	367	1.34%
Copperstate Farms	234	0.90%	-	0.00%
Blue Ridge Unified School District	282	1.08%	241	0.88%
Snowflake/Taylor School District	307	1.18%	192	0.70%
Smithfield Farms	167	0.64%	237	0.86%
Total	<u>5,229</u>	<u>18.35%</u>	<u>4,068</u>	<u>14.82%</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									
		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General government		6.5	6	6	6	4	5	5	5	6	6
Public safety											
Ambulance											
	Full-time	-	-	-	-	-	-	4.5	4.5	4.5	4.5
	Part-time	-	-	-	-	-	-	12	13	13	15
Fire											
	Full-time	11	11	11	11.5	9	6	0.5	0.5	0.5	1.5
	Part-time	19	17	22	25	28	28	15	15	16	18
Highways and streets		2.5	2	2	2	2	2	1	1	1	2
Parks Maintenance		3	2.5	2.5	2.5	2.5	2	2	2	2	2
Water		4	4	4	3	3	2.5	2	1.5	1	2
Sewer		2.5	2.5	2.5	2.5	2.5	2.5	2	1.5	1	2
Total		48.5	45	50	52.5	51	48	44	44	45	53

Source: Various departments

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

		Fiscal Year									
		2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public safety											
	Fire stations	1	1	1	1	1	1	1	1	1	1
Highways and streets											
	Streetlights	378	378	378	378	376	376	375	375	375	375
	Lift stations	1	1	1	1	1	1	1	1	1	1
	Signalized intersections	2	2	2	2	1	1	1	1	1	1
Recreation and parks											
	Park areas	4	4	4	4	4	4	4	4	4	4
	Cemeteries	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	2
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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public safety										
Ambulance calls for service	1,445	1,458	1,030	985	1,070	977	900	985	927	970
Fire calls for service	239	255	272	263	243	159	125	159	157	161
Building & Safety										
New Construction Permits	32	38	47	38	46	3	2	1	3	1
Recreation and parks										
Participants	5,023	5,023	4,974	4,860	4,720	4,670	4,400	4,700	4,720	4,510
Water and wastewater										
Water connects	18	24	15	2	5	5	5	3	4	2
Sewer connects	12	13	8	-	2	2	1	-	2	1
Airport										
Runway Activities	2,532	856	837	794	767	742	720	760	776	803

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, 2020, 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 28, 2020.

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) as a basis for designing 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 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 financial statements. 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
Gilbert, Arizona
December 28, 2020



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, 2020, and have issued our report thereon dated December 28, 2020. 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, 2020.

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
Gilbert, Arizona
December 28, 2020

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