

TOWN OF HAYDEN, ARIZONA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED
JUNE 30, 2015

TOWN OF HAYDEN, ARIZONA

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the Town Council
Town of Hayden, Arizona:

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Hayden, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility of 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 controls 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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Hayden, Arizona as of June 30, 2015 and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 46 through 52 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

In connection with my audit, nothing came to my attention that caused me to believe that the Town failed to use Highway User Revenue Fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town solely for the authorized transportation purposes. However, my audit was not directed primarily toward obtaining knowledge of such noncompliance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 2, 2015 on my consideration of the Town of Hayden, Arizona's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 internal control over financial reporting and compliance.



Mesa, Arizona
November 2, 2015

TOWN OF HAYDEN, ARIZONA MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the Town of Hayden (Town) annual financial report, the Town's management provides narrative discussion and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The Town's assets exceeded its liabilities by \$10,559,761 (net assets) for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Capital assets of \$9,704,811 include property and equipment, net of accumulated depreciation and related debt
 - (2) Restricted net position for street improvement and maintenance purposes \$99,819.
 - (3) Restricted net position for loan reserve requirement \$1,935.
 - (4) Unrestricted net position of \$753,196 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
 - (5) Net position as of July 1, 2014 has been restated for implementation of GASB statement No. 68, Accounting and Financial Reporting for Pensions. Net position for the Town decreased \$857,624 from \$11,846,626 to \$10,989,002. This change reflects the Town's responsibility to accumulate additional funds to provide pension payments for its employees in the future.
- The Town's governmental funds reported a total ending fund balance of \$1,405,765 this year. This compares to the prior year total ending fund balance of \$1,461,850 showing a decrease of \$56,085 during the current year.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these government-wide statements is the *Statement of Net Position*. This is the Town-wide statement of financial position presenting information that includes all of the Town's assets and liabilities, with the difference reported as *net position*. Over time, increases in net position may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, and recreation. The business-type activities are the water and sewer utilities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on all the Town's funds as major funds. The Town has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives. Budgetary comparison schedules can be found in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The Water and Sewer Utility funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Town organization for water and sewer services.

Fiduciary funds such as the Volunteer Firemen's Relief and Pension Fund are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund Town programs.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budgetary comparison schedules. These schedules demonstrate compliance with the Town's adopted and final revised budget. Supplementary information follows the notes to the financial statements.

Financial Analysis of the Town as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Town as a whole. The following table provides a summary of the Town's net position at June 30, 2015:

SUMMARY OF NET POSITION

	Governmental Activities 2015	Business-type Activities 2015	Totals 2015	Totals 2014	Amount Change
Current and other assets	\$ 1,814,361	\$ 25,873	\$ 1,840,234	\$ 3,390,356	\$ (1,550,122)
Non-current assets	912,576		912,576	782,913	129,663
Capital assets	2,154,933	7,997,320	10,152,253	10,630,177	(477,924)
Total Assets	4,881,870	8,023,193	12,905,063	14,803,446	(1,898,383)
Deferred Outflows of Resources.....	212,616	23,757	236,383	153,779	82,604
Non-current liabilities.....	1,353,209	621,124	1,974,333	2,246,316	(271,983)
Current Liabilities.....	157,010	20,761	177,771	1,721,907	(1,544,136)
Total Liabilities	1,510,219	641,885	2,152,104	3,968,223	(1,816,119)
Deferred Inflows of Resources.....	392,949	36,632	429,581	0	429,581
Invested in capital assets	2,154,933	7,549,878	9,704,811	10,178,177	(473,366)
Restricted	99,819	1,935	101,754	60,829	40,925
Unrestricted	936,566	(183,370)	753,196	749,996	3,200
Total Net Position.....	\$3,191,318	\$ 7,368,443	\$ 10,559,761	\$ 10,989,002	\$ 429,241

Net position decreased \$134,290 for governmental activities and decreased \$294,951 for business-type activities.

The following table provides a summary of the Town's changes in net position for the year ended June 30, 2015.

SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities	Business- type Activities	Totals	Totals	Amount Change
	2015	2015	2015	2014	
Revenues:					
Program revenues					
Charges for services	\$ 193,882	\$ 150,920	\$ 344,802	\$ 389,351	\$ (44,549)
Operating grants and contributions.....	464,816		464,813	304,304	160,512
Capital grants and contributions	50,108		50,108	1,530,195	(1,480,087)
General revenues					
Sales tax	1,385,830		1,385,830	1,697,664	(311,834)
State shared revenues	279,915		279,915	261,909	18,006
Property tax	270,463		270,463	561,264	(290,801)
Other	15,054		15,054	16,053	(999)
Total Revenues	2,660,068	150,920	2,810,988	4,760,740	(1,949,752)
Expenses:					
General Government.....	550,176		550,176	828,721	(278,545)
Police	833,766		833,766	949,611	(115,845)
Fire	77,102		77,102	110,692	(33,590)
Sanitation.....	204,923		204,923	391,964	(187,041)
Parks and Recreation/Golf Course/Pool....	327,745		327,745	371,876	(44,131)
Streets	51,809		51,809	36,721	15,088
Library.....	126,916		126,916	134,087	(7,171)
Cemetery	2,373		2,373	3,146	(773)
Senior Center	295,558		295,558	386,979	(71,421)
Community Development	157,762		157,762	72,471	85,291
Animal Control	9,693		9,693	57,362	(47,669)
Water Utility		211,293	211,293	149,583	61,710
Sewer Utility.....		391,113	391,113	293,360	97,753
Total Expenses	2,637,823	602,406	3,240,229	3,766,573	(526,344)
Increase in net assets before transfers and Capital Contributions.....	22,245	(451,486)	(429,241)	994,167	(1,423,408)
Loss on Disposal of Assets.....	0	0	0	(285,000)	(285,000)
Transfers	(156,535)	156,535	0	0	0
Change in net position.....	(134,290)	(294,951)	(429,241)	709,167	(1,138,408)
Beginning net position	3,325,608	7,663,394	10,989,002	10,279,835	709,167
Ending net position	\$ 3,191,318	\$ 7,368,443	\$ 10,559,761	\$ 10,989,002	\$ (429,241)

Financial Analysis of the Town's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

Revenues and financing sources (excluding grants) totaled \$2,173,872 in 2014-2015, a decrease of 22.5% from the prior year. A comparative summary of principal revenues is as follows:

	2014-2015 Amount	Increase (Decrease) from 2013-2014		2013-2014 Amount
		Amount	%	
State Sales Tax	\$ 60,499	\$ 2,876		\$ 57,623
State Revenue Sharing	181,584	14,390		167,194
Highway Users Tax	62,577	3,561		59,016
Gila County Transportation Excise Tax.....	22,821	22,821		0
Property Tax	211,558	(336,555)		548,113
Vehicle Lieu Tax	37,832	740		37,092
Town Sales Tax	1,385,830	(311,834)		1,697,664
Fines, Licenses, Permits and Miscellaneous	39,768	(32,235)		72,003
County Library Property Tax	47,120	(2,480)		49,600
Sanitation Fees	19,290	(432)		19,722
Winkelman Intergovernmental Contract	63,896	5,296		58,600
Interest Income and Gain on Investments.	3,548	(1,007)		4,555
Golf Course Fees	34,737	1,808		32,929
Principal Payments on Small Business Loans	2,812	164		2,648
	\$ 2,173,872	\$ (632,887)	(22.5%)	\$ 2,806,759

Expenditures and transfers (excluding grants) totaled \$2,229,957 in 2014-2015. This represents a decrease of 34.3% from the prior year. The schedule that follows summarizes the expenditures and transfers.

	2014-2015 Amount	Increase (Decrease) from 2013-2014		2013-2014 Amount
		Amount	%	
Operating Expenditures and Transfers				
General Government	\$ 540,763	\$ (256,139)		\$ 796,902
Police	783,237	(90,327)		873,564
Fire	30,571	(34,928)		65,499
Streets	46,500	15,088		31,412
Sanitation	191,092	(187,041)		378,133
Parks and Recreation /Golf Course.....	251,597	(40,020)		291,617
Cemetery.....	1,821	(416)		2,237
Pool.....	33,271	(3,720)		36,991
Library	120,160	(8,171)		128,331
Animal Control	9,693	(47,669)		57,362
Senior Center Operating Deficit	60,032	(115,165)		175,197
Transfer to Utility Fund.....	156,535	(375,421)		531,956
Capital Outlay	4,685	(21,290)		25,975
	\$2,229,957	\$(1,165,219)	(34.3%)	\$3,395,176

The gross payroll for 2014-2015 was \$1,165,156 a decrease of \$263,812 or 18.5% from 2013-2014. A summary by department follows:

	2014-2015 Amount	INCREASE (DECREASE) FROM 2013-2014	2013-2014 Amount
Administration.....	\$ 149,505	\$ (121,229)	\$ 270,734
Police	473,997	(12,387)	486,384
Fire	15,555	(12,207)	27,762
Public Works.....	355,904	(88,026)	443,930
Library	58,663	(8,490)	67,153
Senior Center	111,532	(21,473)	133,005
	<u>\$ 1,165,156</u>	<u>\$ (263,812)</u>	<u>\$ 1,428,968</u>

The following payroll fringe benefits amounted to \$636,473, an decrease of \$156,321 or 19.7% and are detailed as follows:

	2014-2015	INCREASE DECREASE	%	2013-2014
Social Security and Medicare Taxes	\$ 84,155	\$ (18,654)		\$ 102,809
State Retirement Contributions	,98,862	(5,654)		104,516
Policemen's Pension Contributions	54,403	(2,782)		57,185
Volunteer Firemen's Pension Contributions.....	492	(433)		925
Unemployment Taxes	12,480	7,792		4,688
Worker's Compensation Insurance	77,376	7,985		69,391
Health and Life Insurance	308,705	(144,575)		453,280
	<u>\$ 636,473</u>	<u>\$(156,321)</u>	<u>(19.7)%</u>	<u>\$ 792,794</u>

Governmental fund revenues exceeded expenditures by \$100,450. However, the Town's water and sewer utility funds required an operating transfer of \$156,535, and therefore, the Town's overall governmental fund balance decreased \$56,085 from \$1,461,850 at June 30, 2014 to \$1,405,765 at June 30, 2015.

Analysis of Balances of Town's Individual Funds

As of the end of the current fiscal year, the Town's individual funds reported a combined \$1,405,675, a decrease of \$56,085 in comparison with the prior year. Approximately 92% of this total amount (\$1,305,946) constitutes the General Fund Balance, which is available for its ongoing obligations. At June 30, 2015 fund balances were as follows:

Fund	Balance	Increase (Decrease) From 2014
Governmental Funds:		
General Fund.....	\$1,305,946	\$(95,075)
Highway Users Fund.....	99,819	38,990
Grants Fund.....		
Senior Center Fund.....		
Library Fund.....		
Proprietary Funds (Modified Accrual/Budgetary Basis):		
Water Utility Fund.....	6,131	6,131
Sewer Utility Fund.....	(6,131)	(6,131)
TOTAL	<u>\$1,405,765</u>	<u>\$(56,085)</u>

The decrease in fund balance was primarily due to the \$648,389 decrease in the Town's property tax and local sales tax collections.

Proprietary Funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The change in net assets for these funds decreased \$294,951 for the year ended June 30, 2015 after a \$156,535 operating transfer from the general fund. This operating transfer was required to provide funds for the Town's operation of sewer and water utility funds. Customer fees do not provide enough revenues to operate the funds.

Budgetary Highlights

The Town's budget for fiscal year 2015 was \$8,500,000. There was no change from the previous year's budget of \$8,500,000.

By resolution the Town Council is authorized to allocate its contingency budget to increase departmental budgets within any fund, as long as total budgeted expenditures as originally adopted are not exceeded. For the year ended June 30, 2015, \$115,000 of the general fund contingency budget was transferred to the following departments and funds to provide for unexpected additional expenditures:

Magistrate Department	\$ 7,000
Attorney Department	3,000
Finance Department	56,000
Golf Department	4,000
Senior Center Fund	<u>45,000</u>
	<u>\$ 115,000</u>

The expenditure limit adopted by the Town Council under its voter approved home-rule expenditure limitation option was \$8,500,000 for the year ended June 30, 2015. The Town's expenditures complied with this expenditure limitation.

Capital Assets and Debt Administration

Capital Assets

The following is a comparison of Capital Assets Net of Depreciation for 2014 and 2015.

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
Land.....	\$ 90,570	\$ 90,570	\$ 10,718	\$ 10,718
Buildings.....	775,608	817,105		
Street Infrastructure and Improvements Other than Buildings..	474,801	507,955	7,980,029	8,273,827
Furniture, Machinery and Equipment....	813,954	917,717	6,573	12,285
	<u>\$2,154,933</u>	<u>\$2,333,347</u>	<u>\$7,997,320</u>	<u>\$8,296,830</u>

Long-Term Obligations

In December 2012, the Town of Hayden Municipal Property Corporation received a loan of \$452,000 from the Rural Utilities Service (RUS) within the Rural Development Mission Area of the United States Department of Agriculture (USDA). This loan provided funds to the Town to pay costs of construction for a new wastewater collection system and a new wastewater treatment plant. The Town of Hayden Municipal Property Corporation is a “blended” component unit, and its activity is recorded in the Sewer Utility Fund where sewer fees collected will provide debt service for the loan. The loan bears interest at 2.75%. Interest expense for the year ended June 30, 2015 was \$20,680.

Accomplishments for Fiscal Year 2014-2015

The Town’s local sales tax revenue decreased \$311,834 from \$1,697,664 to \$1,385,830. Property tax collections decreased \$336,555 from \$548,113 to \$211,558. These two revenue reductions totaling \$648,389, required the Town to make significant reductions in expenditures. Payroll was reduced by \$263,812. Payroll taxes and fringe benefits were reduced by \$156,321. Other expenses were decreased \$172,171 so governmental expenditures only exceeded revenues by \$56,085.

The Town used its own local funds to make the following capital outlay expenditures totaling \$7,810:

<u>DEPARTMENT</u>	<u>Item Description</u>	<u>Dept. Total</u>
ADMINISTRATION	Copy Machine	\$ 4,685
SENIOR CENTER	Ice Machine and Food Processor	3,125
TOTAL		\$ 7,810

During 2014-2015, the Town had the following major grants:

- 2011 Community Development Block Grant 150-12 funds of \$53,839 were used for for the Town’s General Plan
- 2012 Community Development Block Grant 131-13 funds of \$92,463 were used for expenses of the Town’s housing rehabilitation program
- 2013 Community Development Block Grant 131-14 funds of \$11,460 were used for a demolition program

TOWN OF HAYDEN, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2015

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets:			
Pooled Cash and Cash Equivalents.....	\$ 103,183	\$ 0	\$ 103,183
Non-Pooled Cash and Cash Equivalents	225		225
Investments.....	1,254,480		1,254,480
Property Taxes Receivable.....	95,796		95,796
Accounts Receivable	7,253	19,805	27,058
Other Receivables.....	167,193		167,193
Due from Other Governments.....	87,699	77,549	165,248
Internal Balances.....	94,026	(71,481)	22,545
Prepaid Expenses.....	4,506		4,506
Total Current Assets.....	1,814,361	25,873	1,840,234
Non-current Assets:			
Net pension Assets.....	912,576	0	912,576
Capital Assets:			
Land and Construction in Progress.....	90,570	10,718	101,288
Other Capital Assets, net of Depreciation.....	2,064,363	7,986,602	10,050,965
TOTAL ASSETS.....	4,881,870	8,023,193	12,905,063
DEFERRED OUTFLOWS OF RESOURCES - PENSIONS	212,616	23,767	236,383
LIABILITIES:			
Current Liabilities:			
Accounts Payable.....	68,495	9,795	78,290
Accrued Expenses and Other Liabilities.....	26,348		26,348
Accrued Compensated Absences.....	59,417	10,966	70,383
Deferred Revenues.....	2,750		2,750
Total Current Liabilities.....	157,010	20,761	177,771
Non-Current Liabilities:			
Municipal Property Corporation Loan Payable.....	0	447,442	447,442
Net Pension Liabilities.....	1,353,209	173,682	1,526,891
TOTAL LIABILITIES.....	1,510,219	641,885	2,152,104
DEFERRED INFLOWS OF RESOURCES - PENSIONS...	392,949	36,632	429,581
NET POSITION			
Invested in Capital Assets, Net of Related Debt.....	2,154,933	7,549,878	9,704,811
Restricted.....	99,819	1,935	101,754
Unrestricted.....	936,566	(183,370)	753,196
TOTAL NET POSITION.....	\$ 3,191,318	\$7,368,443	\$10,559,761

See accompanying notes to financial statements.

TOWN OF HAYDEN, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES:					
General Government.....	\$ 550,176	\$ 12,358			(537,818)
Police	833,766	68,711			(765,055)
Fire.....	77,102		\$ 2,500		(74,602)
Streets	51,809		85,490		33,681
Sanitation.....	204,923	19,310			(185,613)
Parks and Recreation/Golf Course.....	275,657	38,239	915		(236,503)
Cemetery.....	2,373	4,375			2,002
Pool.....	52,088	1,766			(50,322)
Library.....	126,916	548	48,120		(78,248)
Senior Center.....	295,558	48,117	170,029	\$ 50,108	(27,304)
Community Development.....	157,762		157,762		0
Animal Control.....	9,693	458			(9,235)
TOTAL GOVERNMENTAL ACTIVITIES..	2,637,823	193,862	464,816	50,108	(1,929,017)
BUSINESS-TYPE ACTIVITIES					
Water.....	211,293	31,753			(179,540)
Sewer.....	391,113 *	119,167			(271,946)
TOTAL BUSINESS TYPE ACTIVITIES....	602,406	150,920	0	0	(451,486)
TOTAL.....	\$ 3,240,229	\$ 344,802	\$ 464,816	\$ 50,108	\$ (2,380,503)

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGE IN NET POSITION:			
Net (Expenses) Revenue from above.....	\$ (1,929,017)	\$ (451,486)	\$ (2,380,503)
General Revenues, Transfers, and Capital Contributions			
State Sales Tax.....	60,499		60,499
State Revenue Sharing.....	181,584		181,584
Property Tax	270,463		270,463
Vehicle Lieu Tax.....	37,832		37,832
Town Sales Tax.....	1,385,830		1,385,830
Utility Franchise Fees.....	11,598		11,598
Interest Income.....	1,964		1,964
Gain on Investments.....	1,492		1,492
Donations.....	0		0
Loss on Disposal of Equipment.....	0		0
Transfers.....	(156,535)	156,535	0
Total General Revenues and Transfers	1,784,727	156,535	1,951,262
Change in Net Position.....	(134,290)	(294,951)	(429,241)
Net Position - Beginning as Restated.....	3,325,808	7,663,394	10,989,002
Net Position - Ending.....	\$ 3,191,318	\$ 7,368,443	\$ 10,559,761

* Includes interest expense of \$20,680.
See accompanying notes to financial statements.

TOWN OF HAYDEN, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	GENERAL FUND	HIGHWAY USERS FUND	GRANTS FUND	SENIOR CENTER FUND	LIBRARY FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS						
Pooled Cash and Cash Equivalents.....	\$ 38,184	\$ 40,291	\$20,455		\$ 4,253	\$ 103,183
Non-Pooled Cash and Cash Equivalents.....	225					225
Investments.....	1,254,480					1,254,480
Property Taxes Receivable.....	95,796					95,796
Accounts Receivable.....	7,253					7,253
Other Receivables.....	162,993		4,200			167,193
Due from Other Governments.....	14,523	10,893	93	\$62,190		87,699
Due from Other Funds.....	94,026	49,578				143,604
Prepaid Expenses.....	4,506					4,506
TOTAL ASSETS.....	\$1,671,986	\$100,762	\$24,748	\$62,190	\$ 4,253	\$ 1,863,939
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable.....	\$ 35,638	\$ 943	\$21,998	\$ 9,767	\$ 149	\$ 68,495
Accrued Expenses and Other Liabilities....	26,348					26,348
Accrued Compensated Absences	52,468			2,845	4,104	59,417
Due to Other Funds.....	0			49,578		49,578
Deferred Revenues.....	0		2,750			2,750
Total Liabilities.....	114,454	943	24,748	62,190	4,253	206,588
Deferred Inflows of Resources.....	251,586					251,586
Fund Balances:						
Restricted:						
Gila County Transportation Excise Tax -						
Streets.....		22,821				22,821
Highway Users Tax - Streets.....		76,998				76,998
Unassigned.....	1,305,946	0	0		0	1,305,946
Total Fund Balances.....	1,305,946	99,819	0	0	0	1,405,765
TOTAL LIABILITIES AND FUND BALANCES	\$1,671,986	\$ 100,762	\$24,748	\$62,190	\$4,253	\$1,863,939
TOTAL FUND BALANCE - Total Governmental Funds.....						\$1,405,765
Amounts reported for governmental activities in the statement of net assets are different because:						
- Capital assets of \$5,419,643, net of accumulated depreciation of (\$3,264,710), are not financial resources and therefore, are not reported in the funds.....						2,154,933
- Other long-term assets (receivables) are not available to pay for current period expenditures and therefore, are deferred inflows of resources in the funds. These include property taxes of \$94,266, magistrate fines of \$106,941 and small business loans receivable of \$50,379.....						251,586
- Other long-term pension assets (\$912,576) and pension deferred outflow of resources (\$212,616) less net pension liability (\$1,353,209) and pension deferred inflow of resources (\$392,949).....						(620,966)
NET POSITION OF GOVERNMENTAL ACTIVITIES.....						\$3,191,318

See accompanying notes to financial statements.

TOWN OF HAYDEN, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	GENERAL FUND	HIGHWAY USERS FUND	GRANTS FUND	SENIOR CENTER FUND	LIBRARY FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
State Sales Tax.....	\$ 60,499					\$ 60,499
State Revenue Sharing.....	181,584					181,584
Highway Users Tax.....		\$ 62,577				62,577
Gila County Transportation Excise Tax.....		\$ 22,821				22,821
Property Tax.....	211,558					211,558
Vehicle Lieu Tax.....	37,832					37,832
Grant Revenue.....			\$ 162,177	\$176,429		338,606
Town Sales Tax.....	1,385,830					1,385,830
Winkelman Intergovernmental Contract.....	63,896					63,896
Utility Franchise Fees.....	11,597					11,597
Licenses, Permits and Other.....	24,523			91,825	\$ 548	116,896
County Library Property Tax.....					47,120	47,120
Fines and Forfeitures.....	3,100					3,100
Sanitation Fees.....	19,290					19,290
Golf Course Fees.....	34,737					34,737
Interest Income.....	1,964	92				2,056
Gain on Investments.....	1,492					1,492
Donations.....	0					0
TOTAL REVENUES.....	2,037,902	85,490	162,177	268,254	47,668	2,801,491
EXPENDITURES:						
Current:						
General Government.....	540,763					540,763
Police.....	783,237					783,237
Fire.....	30,571		2,500			33,071
Streets.....		46,500				46,500
Sanitation.....	191,092					191,092
Parks and Recreation/Golf Course.....	251,597		915			252,512
Cemetery.....	1,821					1,821
Pool.....	33,271					33,271
Library.....			1,000		120,160	121,160
Senior Center.....				276,167		276,167
Community Development.....			157,762			157,762
Animal Control.....	9,693					9,693
Capital Outlay.....	4,685			52,119		56,804
TOTAL EXPENDITURES.....	1,846,730	46,500	162,177	328,286	120,160	2,503,853
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	191,172	38,990	0	(60,032)	(72,492)	97,638
OTHER FINANCING SOURCES (USES):						
Transfer to Senior Center Fund.....	(60,032)			60,032		0
Transfer to Water and Sewer Utility Funds.....	(156,535)					(156,535)
Transfer to Library Fund.....	(72,492)				72,492	0
Principal Payments on Small Business Loans.....	2,812					2,812
NET OTHER FINANCING SOURCES (USES).....	(286,247)	0	0	60,032	72,492	(153,723)
NET CHANGE IN FUND BALANCES.....	(95,075)	38,990	0	0	0	(56,085)
FUND BALANCES, Beginning.....	1,401,021	60,829	0	0	0	1,461,850
FUND BALANCES, Ending.....	\$1,305,946	\$ 99,819	\$ 0	\$ 0	\$ 0	\$ 1,405,765

TOWN OF HAYDEN, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCE - Total Governmental Funds (from prior page)..... (\$56,085)

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

- those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$56,804) was less than depreciation (\$235,219) in the current period..... (178,415)
- Payment of principal amounts received on small business loans receivable is a financing resource in the governmental funds but the payment reduces small business loans receivable in the statement of net assets (2,812)
- Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include the increase of \$(58,905) in the Town's property taxes and a decrease of (\$327) in court fines..... 58,578
- On the statement of activities, pension expense on the accrual basis is \$44,444 less than pension contributions on the modified accrual basis..... 44,444
- On the statement of activities, the loss on the disposal of assets is reported, whereas in the governmental fund the proceeds from the disposal increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets sold of (\$0) net of related accumulated depreciation of \$0..... 0

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES..... (\$134,290)

See accompanying notes to financial statements.

TOWN OF HAYDEN, ARIZONA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
ASSETS			
Current Assets:			
Pooled Cash and Cash Equivalents.....	\$ 0	\$ 0	\$ 0
Accounts Receivable.....	5,241	14,564	19,805
Due from Other Governments.....	0	77,549	77,549
Due from Other Funds.....	8,137	0	8,137
Total Current Assets.....	<u>13,378</u>	<u>92,113</u>	<u>105,491</u>
Capital Assets:			
Land and Construction in Progress.....		10,718	10,718
Other Capital Assets net of Accumulated Depreciation.....	246,684	7,739,918	7,986,602
TOTAL ASSETS.....	<u>\$ 260,062</u>	<u>\$ 7,842,749</u>	<u>\$ 8,102,811</u>
DEFERRED OUTFLOWS OF RESOURCES - PENSIONS.....	<u>\$ 15,513</u>	<u>\$ 8,254</u>	<u>23,767</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable.....	\$ 3,143	\$ 6,652	\$ 9,795
Accrued Compensated Absences	\$ 10,235	\$ 731	10,966
Due to Other Funds.....	0	79,618	79,618
Total Current Liabilities.....	<u>13,378</u>	<u>87,001</u>	<u>100,379</u>
Non-Current Liabilities			
Municipal Property Corporation Loan Payable.....		447,442	447,442
Net Pension Liabilities.....	87,338	86,344	173,682
TOTAL LIABILITIES.....	<u>100,716</u>	<u>620,787</u>	<u>721,503</u>
DEFERRED INFLOWS OF RESOURCES - PENSIONS.....	<u>18,421</u>	<u>18,211</u>	<u>36,632</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt.....	246,684	7,303,194	7,549,878
Reserve for Debt Retirement.....	0	1,935	1,935
Unrestricted.....	(90,246)	(93,124)	(183,370)
TOTAL NET POSITION.....	<u>\$156,438</u>	<u>\$7,212,005</u>	<u>\$7,368,443</u>

See accompanying notes to financial statements.

TOWN OF HAYDEN, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES:			
Charges for Services.....	\$ 31,378	\$ 119,167	\$ 150,545
Taps, Extensions and Permits.....	375	0	375
TOTAL OPERATING REVENUES.....	31,753	119,167	150,920
OPERATING EXPENSES:			
Personal Services.....	156,412	63,394	219,806
Telephone and Utilities.....	15,764	31,404	47,168
Repairs and Maintenance.....	3,328	11,799	15,127
Supplies.....	7,761	8,730	16,491
Miscellaneous.....	2,661	1,458	4,119
Consultants.....	12,315	23,749	36,064
Depreciation.....	13,052	229,899	242,951
TOTAL OPERATING EXPENSES.....	211,293	370,433	581,726
OPERATING INCOME (LOSS).....	(179,540)	(251,266)	(430,806)
NON-OPERATING REVENUES (EXPENSES) AND TRANSFERS:			
Transfer from the General Fund.....	172,619	(16,084)	156,535
Interest Expense.....	0	(20,680)	(20,680)
TOTAL NON-OPERATING REVENUES (EXPENSES) AND TRANSFERS....	172,619	(36,764)	135,855
CHANGE IN NET POSITION.....	(6,921)	(288,030)	(294,951)
TOTAL NET POSITION - Beginning as Restated.....	163,359	7,500,035	7,663,394
TOTAL NET POSITION - Ending.....	\$156,438	\$7,212,005	\$7,368,443

See accompanying notes to financial statements.

TOWN OF HAYDEN, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers.....	\$ 31,947	\$ 119,491	\$ 151,438
Cash Payments to Suppliers for Goods and Services.....	(52,114)	(79,502)	(131,616)
Cash Payments for Employees, Payroll Taxes and Fringe Benefits.....	(146,177)	(63,912)	(210,089)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	(166,344)	(23,923)	(190,267)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Operating Transfer from (to) General Fund.....	172,619	(16,084)	156,535
Temporary Loans From (to) Other Funds.....	(8,137)	79,618	71,481
Pension Obligations.....	(6,131)	463	(5,668)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES.....	158,351	63,997	222,348
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Interest Expense.....	0	(20,680)	(20,680)
USDA Wastewater Rural Development Activity.....	0	(370,986)	(370,986)
Grant Construction of Capital Assets Credit Adjustment.....	0	56,580	56,580
Municipal Property Corporation Loan Payable Principal.....	0	(4,558)	(4,558)
NET CASH PROVIDED BY (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	0	(339,664)	(339,664)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Income.....	0	0	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES.....	0	0	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(7,993)	(299,590)	(307,583)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	7,993	299,590	307,583
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 0	\$ 0	\$ 0
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss).....	\$ (179,540)	\$ (251,266)	\$ (430,806)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation.....	13,052	229,899	242,951
(Increase) Decrease in Accounts Receivable.....	194	324	518
Increase (Decrease) in Accounts Payable.....	(10,285)	(2,362)	(12,647)
Increase (Decrease) in Compensated Absences.....	10,235	(518)	9,717
Total Adjustments.....	13,196	227,343	240,539
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ (166,344)	\$ (23,923)	\$ (190,267)

See accompanying notes to financial statements.

TOWN OF HAYDEN, ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
JUNE 30, 2015

	VOLUNTEER FIREMEN'S RELIEF AND PENSION FUND
ASSETS	
Investments.....	\$73,042
TOTAL ASSETS.....	73,042
LIABILITIES:	
Due to Town of Hayden.....	22,545
TOTAL LIABILITIES.....	22,545
NET POSITION HELD IN TRUST FOR PENSION BENEFITS.....	\$50,497

See accompanying notes to financial statements.

TOWN OF HAYDEN, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	VOLUNTEER FIREMEN'S RELIEF AND PENSION FUND
ADDITIONS	
Contributions:	
Employer.....	\$ 492
Plan Members.....	492
Fire Insurance Premium Tax.....	483
Total Contributions.....	1,467
Investment Income:	
Gain on Investments.....	100
Interest.....	84
Total Interest Income.....	184
TOTAL ADDITIONS	1,651
DEDUCTIONS	
Benefits.....	6,800
Refunds of Contributions.....	0
Administrative Expenses.....	0
TOTAL DEDUCTIONS.....	6,800
CHANGE IN NET ASSETS.....	(5,149)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS BEGINNING OF YEAR	55,646
NET POSITION HELD IN TRUST FOR PENSION BENEFITS END OF YEAR.....	\$50,497

See accompanying notes to financial statements.

TOWN OF HAYDEN, ARIZONA

Notes to Financial Statements

June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Hayden, Arizona operates under a council-clerk form of government and provides the following services: police and fire protection, highways and streets maintenance, sanitation, water, sewer, parks and recreation, public improvements and general administrative services.

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Hayden (Town) are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanation, including required disclosures, of the Town's financial activities for the fiscal year ended June 30, 2015.

A. Reporting Entity

As required by generally accepted accounting principals, these financial statements present the government and its component units (entities for which the government is considered to be financially accountable.) Blended component units, although legally separate entities, are, in substance, part of the government's operations. Data from these units are combined with data of the primary government.

Blended Component Unit

Town of Hayden Municipal Property Corporation

In December 2014, the Town of Hayden Municipal Property Corporation received a loan of \$452,000 from the Rural Utilities Service (RUS) within the Rural Development Mission Area of the United States Department of Agriculture (USDA). This loan provided funds for the Town to pay costs of construction for a new wastewater collection system and a new wastewater treatment plant. The Town of Hayden Municipal Property Corporation is a "blended" component unit, and its activity is recorded in the Sewer Utility Fund where sewer fees collected will provide debt service for the loan.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a

whole, excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

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. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services, (2) operating grants and contributions which finance operating activities including the Highway Users tax, Gila County Transportation Excise Tax, and the County Library Property tax; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental and utility funds are reported in separate columns with a composite column for non-major governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grant revenues are recognized when grantor eligibility requirements are met.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the Town has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred as under accrual accounting.

Major revenue sources susceptible to accrual include: sales and use taxes, charges to customers for services, property taxes, franchise fees, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes 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 and include depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental accounting Standards Board.

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

When both restricted and unrestricted resources are available for use, for governmental activities it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Types and Major Funds

Governmental Funds

The Town only reports the following major governmental funds.

General Fund - reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Highway Users Fund – the Town receives a share of the State's gas tax, and the Gila County Transportation Excise Tax which are to be used solely for street and highway expenditures.

Grants Fund – established to account for the Town's grant programs not reported in proprietary funds. Major grants include Community Development Block grants.

The Town also has the Senior Center Fund and Library Fund which account for those operations.

Proprietary Funds

The Town has only two enterprise funds and reports them both as major funds.

Water Utility Fund – accounts for the operating activities of the Town’s water utility services.

Sewer Utility Fund – accounts for the operating activities of the Town’s sewer utility services.

Fiduciary Fund

Volunteer Firemen’s Relief and Pension Fund – reports fiduciary resources held in trust and the receipt, investment, and distribution of retirement contributions.

E. Assets, Liabilities, and Net Position or Equity

1. Cash and Investments

The Town maintains a checking account and savings accounts. Each fund’s portion of these accounts is displayed on its respective balance sheet as “pooled cash and cash equivalents.” In addition, non-pooled cash and investments are separately held and reflected in their respective funds as “non-pooled cash and cash equivalents” and “investments”. None of the Town’s investments are considered “cash equivalents” for reporting purposes.

Investments are reported at fair value.

2. Inventories and Prepaid Expenses

Inventories consist primarily of supplies, which are immaterial at June 30, 2015, and therefore, not recorded on the Statement of Net Assets.

Prepaid expenses record payments to vendors that benefit future reporting periods. Prepaids are similarly reported in government-wide and fund financial statements.

3. Capital Assets and Depreciation

The Town’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure asset records consistent with all other capital assets beginning July 1, 2003. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The Town capitalizes assets with cost of \$500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation

are removed from the respective accounts, and the resulting gain or loss is recorded in operations. The Town has elected not to report general infrastructure assets retroactively.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40
Improvements, other than buildings	7 - 20
Furniture, machinery, and equipment	7 - 20
Street and Highway Infrastructure	10

4. Capitalized Interest

The Town capitalizes net interest costs as part of the cost of constructing various water and sewer projects when material.

5. Compensated Absences

Town employees are allowed to accrue twelve days sick leave each year, up to a maximum of thirty days. Sick days do not vest under the Town's policy, and accordingly, employees can be paid sick leave only when sick. Since accumulated sick leave is not paid on separation, a liability for unused sick leave is not recorded in the financial statements.

Town employees are granted vacation leave in varying amounts. In the event of termination or retirement, an employee is reimbursed for any unused accumulated vacation leave. Unlike sick leave, it and related payroll taxes and other salary-related payments are accrued as a current liability on the assumption that employees may terminate their employment at any time and the Town would use current resources to pay the accumulated leave amounts. It is recognized as an expense and current liability on all the Town's financial statements.

6. Net Position

Government-wide statements

Net position is displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net amounts – Consist of net amounts with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net amounts – All other net amounts that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as restricted and unassigned.

The following is a description of the restrictions used by the Town.

- a. Restricted for Street Operations and Maintenance – Highway Users Tax and Gila County Transportation Excise Tax amounts collected by Arizona specifically for street operations and maintenance.
- b. Unassigned Funds – are all other fund balances available.

7. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Pensions

For purposes of measuring the net pension asset liability, deferred outflows of resources and deferred inflows of resources relative to pensions, and pension expense, information about the pension plans fiduciary net position and additions to/deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in acceptance of the benefit terms. Investments are reported at fair value.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Expenditure Limit

The Town Clerk submits an annual budget to the Town Council in accordance with Arizona State Statutes. The budget is presented to the Town Council for review, and public hearings are held to address priorities and the allocation of resources. In August the Town council adopts the annual fiscal year budgets for Town operating funds. Once approved, the Town Council may amend the adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Revisions to the budget are made by Council resolution at year end. For the year ended June 30, 2015, \$115,000 of the general fund contingency budget was transferred to the following departments or funds to provide for unexpected additional expenditures:

Magistrate Department	\$ 7,000
Attorney Department	3,000
Finance Department	56,000
Golf Department	4,000
Senior Center Fund	<u>45,000</u>
	<u>\$ 115,000</u>

For legal compliance budgetary purposes, the modified accrual basis is followed for the utility funds. For the Water Utility fund the negative changes in net position on the accrual basis of (\$6,921) plus depreciation (\$13,052) less capital outlay (\$0) equals excess revenues over expenditures (\$6,131) on the modified accrual basis.

For the Sewer Utility fund negative changes in net assets on the accrual basis of (\$288,030) plus depreciation (\$229,899), plus capital outlay adjustment (\$56,560), less principal retirement on debt (\$4,558) equals excess expenditures over revenues (\$6,131) on the modified accrual basis.

The expenditure limit adopted by the Town Council under its voter approved home-rule expenditure limitation option was \$8,500,000 for the year ended June 30, 2015. The Town's expenditures complied with this expenditure limitation.

III. DETAILED NOTES ON FUNDS

A. Assets

1. Deposits and Investments

Deposits

The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at year end. Category 1 includes amounts that are FDIC insured. Category 2 includes amounts not covered by FDIC insurance but are collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Deposits categorized by level of risk are as follows:

	BANK BALANCE	CATEGORY 1	CATEGORY 2	CARRYING AMOUNT
DEPOSITS:				
Pooled Cash and Cash Equivalents.....	\$170,509	\$170,509	\$0	\$ 103,183

Investments

For fiscal year 2015, the Town invested in the Arizona's Local Government Investment Pool (LGIP). Arizona's Local Government Investment Pool is duly chartered and administered by the State Treasurer's Office. It is an eligible investment according to Arizona Revised Statutes. The Town records all interest revenue earned from investment activities in the respective funds. The \$1,254,480 carrying amount is substantially the same as market value at June 30, 2015. Gains on investments amounts represent recovery of prior year investment bankruptcy losses recognized by the LGIP. Therefore, there is a risk of loss in the LGIP investment.

2. Receivables and Deferred Revenues

The following is a description of significant receivables as of June 30, 2015:

PROPERTY TAXES RECEIVABLE - Property taxes due from County: revenue deferred for amounts assessed by County but uncollected (\$94,266) for governmental fund financial statements.....		95,796
ACCOUNTS RECEIVABLE: Sanitation (\$2,472), Cemetery Services (\$4,781), Water (\$5,241), Sewer (\$14,564)		27,058
OTHER RECEIVABLES:		
Franchise Fees Receivable.....	\$ 2,421	
Magistrate Fines Receivable (Deferred for Uncollected Amounts)	106,941	
Direct Assistance Small Business Loans Receivable.....	50,379	
Miscellaneous Receivables.....	7,452	167,193
		<hr/>
INTERGOVERNMENTAL RECEIVABLES:		
State Sales Tax	5,270	
Town Sales Tax.....	7,605	
Vehicle Lieu Tax.....	1,648	
Gila County Transportation Excise Tax.....	4,907	
Highway Users Tax.....	5,986	
Senior Center Grants	62,190	
Community Development Block Grant.....	93	
USDA Rural Development Grant.....	77,549	165,248
		<hr/>
TOTAL		<u>\$ 455,295</u>

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on May 1 and payable in two installments on October 1 and April 1 of the subsequent year. The County bills and collects property taxes on behalf of the Town. In the governmental fund financial statements, Town property tax revenues are recognized when levied to the extent that they have been collected by the Town within sixty days of year end. Assessed amounts that are uncollected are recorded as a receivable and deferred revenue. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the Town regardless of when cash is received. Over time, substantially all property taxes are collected.

The Town is subject to a maximum primary property tax levy by Arizona State Statutes. For 2014-2015 this levy limit was \$3,744,107. The Town levied \$277,498 in primary taxes, a difference of \$3,466,609. The Town has no secondary property tax levy for general obligation bonded debt.

Revenue is recorded as earned when eligibility requirements are met. Revenues deferred in the governmental fund financial statements include unearned grant revenue (\$2,750). Other revenue was received more than 60 days following year-end (unavailable to pay liabilities of the current period). These amounts are property taxes

(\$94,266), magistrate finds (\$106,941) and small business loans receivable (\$50,379). These total \$251,586 and are recorded as Deferred Inflows of Resources in the governmental fund financial statements.

3. Capital Assets

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, NOT DEPRECIATED		CAPITAL ASSETS, DEPRECIATED			
	LAND	STREET INFRASTRUCTURE/ CONSTRUCTION IN PROGRESS	BUILDINGS	STREET INFRASTRUCTURE AND IMPROVEMENTS OTHER THAN BUILDINGS	FURNITURE, MACHINERY AND EQUIPMENT	TOTALS
PRIMARY GOVERNMENT						
<i>Governmental Activities</i>						
Balance, Beginning	\$ 90,570	\$ 0	\$ 1,790,939	\$ 1,072,834	\$ 2,469,529	\$ 5,423,872
Increases	0	0	0	0	56,804	56,804
Decreases	0	0	0	0	(61,032)	(61,032)
Balance, ending	90,570	0	1,790,939	1,072,834	2,465,301	5,419,644
<i>Accumulated Depreciation</i>						
Balance, Beginning			973,834	564,879	1,551,812	3,090,525
Increases			41,497	33,154	160,568	235,219
Decreases			0	0	(61,033)	(61,033)
Balance, Ending	0	0	1,015,331	598,033	1,651,347	3,264,711
<i>Governmental Activities</i> Capital Assets, Net	\$90,570	\$ 0	\$ 775,608	\$ 474,801	\$ 813,954	\$ 2,154,933
<i>Business-type Activities</i>						
Balance, Beginning	\$ 10,718	\$ 0	\$ 0	\$ 9,489,522	\$ 61,018	\$ 9,561,258
Increases	0	0	0	0	0	0
Decreases	0	0	0	(56,560)	0	(56,560)
Balance, Ending	10,718	0	0	9,432,962	61,018	9,504,698
<i>Accumulated Depreciation</i>						
Balance, Beginning			0	1,215,695	48,732	1,264,427
Increases			0	237,238	5,713	242,951
Decreases			0	0	0	0
Balance, Ending	0	0	0	1,452,933	54,445	1,507,378
<i>Business-type Activities</i> Capital Assets, Net	\$ 10,718	\$ 0	\$ 0	\$ 7,980,029	\$ 6,573	\$ 7,997,320

Depreciation Expense

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities

Administration	\$ 29,782
Police	74,605
Fire	44,031
Sanitation	13,831
Parks and Recreation/Golf	23,145
Cemetery	552
Pool	18,817
Senior Center	19,391
Library	5,756
Streets	<u>5,309</u>
Total	<u>\$235,219</u>

Business-type Activities

Water Utility	\$ 13,052
Sewer Utility	<u>229,899</u>
Total	<u>\$ 242,951</u>

B. Liabilities**1. Debt**

In December 2012, the Town of Hayden Municipal Property Corporation received a loan of \$452,000 from the Rural Utilities Service (RUS) within the Rural Development Mission Area of the United States Department of Agriculture (USDA). This loan provided funds to the Town to pay costs of construction for a new wastewater collection system and a new wastewater treatment plant. The Town of Hayden Municipal Property Corporation is a "blended" component unit, and its activity is recorded in the Sewer Utility Fund where sewer fees collected will provide debt service for the loan. The loan bears interest at 2.75% and interest expense for the year ended June 30, 2015 was \$20,680. Beginning October 2014, \$215 per month will be designated as the Reserve Account until the sum of \$5,800 is reached. At June 30, 2015 \$1,935 had been accumulated in this restricted reserve account. Future payments due on the loan are as follows:

	Total	Interest	Principal
2015-16	\$ 19,212	\$ 12,217	\$ 6,995
2016-17	19,212	12,022	7,190
2017-18	19,212	11,822	7,390
2018-19	19,212	11,616	7,596
2019-24	96,060	55,905	40,155
2024-29	96,060	49,994	46,066
2029-34	96,060	43,212	52,848
2034-39	96,060	35,431	60,629
2039-44	96,060	26,505	69,555
2044-49	96,060	16,266	79,794
2049-52	62,439	(6,785)	69,224
	<hr/>	<hr/>	<hr/>
	\$715,647	\$268,205	\$447,442

The following is a summary of changes in compensated absences debt for the year ended June 30, 2015:

	BALANCE July 1, 2014	ADDITIONS	RETIREMENTS	BALANCE June 30, 2015	DUE WITHIN ONE YEAR
Compensated Absences..	\$38,514	\$70,383	\$38,514	\$70,383	\$70,383

The legal debt limit imposed by state statutes is 6% of assessed valuation of \$3,434,425 or \$206,066. Since the Municipal Property Corporation debt of \$447,442 is not subject to this limit, the remaining debt limit available to the Town is \$206,066 at June 30, 2015.

The Town was not obligated for any special assessment debt at June 30, 2015.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as “due to/from other funds” (current interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

The following is a reconciliation of the interfund receivables and payables at June 30, 2015:

	GOVERNMENTAL ACTIVITIES		UTILITY FUNDS	FIDUCIARY FUND
	Interfund Receivables (Due From)	Interfund Payables (Due To)	Interfund Receivables (Payables)	Interfund Payables (Due To)
General Fund.....	\$ 94,026			
Highway Users Fund.....	49,578			
Volunteer Firemen's Relief and Pension Fund.....				\$(22,545)
Senior Center Fund.....		\$ (49,578)		
Sewer Utility Fund.....			(79,618)	
Water Utility Fund.....			8,137	
	<u>\$ 143,604</u>	<u>\$ (49,578)</u>	<u>\$(71,481)</u>	<u>\$(22,545)</u>

3. Transfers

Transfers within the reporting entity are for the purposes of subsidizing operating functions. The General Fund transferred \$60,032 to the Senior Center Fund, \$156,535 to the Utility Funds, and \$72,492 to the Library Fund for the year ended June 30, 2015.

4. Post Employment Employee Health Care Benefits

The Town does not provide post retirement health care or other employee benefits so no liability exists for these items.

IV. RETIREMENT PLANS

At June 30, 2015 the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net pension assets.....	\$ 912,576	\$ 0	\$ 912,576
Net pension liabilities.....	(1,353,209)	(173,682)	(1,526,891)
Deferred outflows of resources.....	212,616	23,767	236,383
Deferred inflows of resources.....	(392,949)	(36,632)	(429,581)
Pension expense.....	93,029	8,708	101,737

A. AGENT MULTIPLE EMPLOYER PLAN

Plan Description, Contribution Information and Funding Policies

Arizona Public Safety Personnel Retirement System

The Town participates in a statewide, agent, multiple employer defined benefit plan on behalf of its police officers. The plan is administered by the Arizona Public Safety Personnel Retirement System and funded by contributions from participants and employers.

The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	HAYDEN POLICE
Eligibility to Participate	All full-time officers employed by a participating municipality in a covered position prior to attaining age 65 years, for at least 40 hours per week for more than 6 months per year
Determination of Contribution Requirements.....	Actuarially Determined
Plan Member's Contributions Rate (percent of covered payroll) 2014-2015.....	11.05%
Town's contribution Rate (percent of covered payroll 2014-2015.....)	14.38%

Benefits and Eligibility for Distribution for Members Hired before January 1, 2012 (For Members hired on or after January 1, 2012 there are different benefits and eligibility requirements)

For retirement with twenty years of credited service but less than twenty-five years of credited service - 50% of average monthly compensation for the first twenty years of credited service, plus 2% of average monthly compensation for each year of credited service between twenty and twenty-five years
For retirement with less than twenty years of credited service - the percent of average monthly compensation is reduced by a rate of 4% for each year less than twenty years.
For retirement with twenty-five or more years of credited service - 50% of average monthly compensation for the first twenty years of credited service plus 2 1/2% of average monthly compensation for each year of credited service above twenty years. The maximum amount payable as a normal retirement pension shall be 80% of the average monthly compensation.
 Average monthly compensation is one thirty-sixth of total compensation paid a member during the highest three years, out of the last twenty years of credited service.

Period Required to Vest 100%..... 10 years

Deferred Retirement Option (DROP) Termination of covered position employment with 20 or more years of credited service. The members monthly pension is calculated based upon the years of credited service and average monthly compensation at the beginning of the DROP period.

Provisions for:

Death (duty, non-duty, post retirement).....	Yes
Disability (duty, non duty).....	Yes
Post-Retirement Health Insurance Subsidy.....	Yes
Cost of living allowances.....	No

GASB Statement No. 68 requires state and local government employers that contribute to defined benefit pension plans to recognize the net pension liability and the pension expense on their financial statements, along with the related deferred outflows of resources and deferred inflows of resources. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the certain changes in the liability and investment experience.

Due to the high turnover rate of police officers and the fact that no officers have retired while working for the Town, \$912,576 has been accumulated as an asset as of June 30, 2014 to pay for future pensions. This is a significant benefit to the Town.

Actuarial Valuation Date.....	June 30, 2014
Measurement Date of the Net Pension Liability Requirements.....	June 30, 2014
Employer's Fiscal Year Ending Date (Reporting Date).....	June 30, 2015
Membership	
Number of	
Retirees and Beneficiaries	0
Inactive, Non-Retired Members	5
Active Members	8
Total	<u>13</u>
Covered Payroll	\$ 490,868
Net Pension Liability	
Total Pension Liability/(Asset)	\$ 335,804
Plan Fiduciary Net Position	<u>1,248,380</u>
Net Pension Liability/(Asset)	(912,576)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	371.76 %
Net Pension Liability as a Percentage of Covered Payroll	(185.91)%
Development of the Single Discount Rate as of June 30, 2014	
Long-Term Expected Rate of Investment Return.....	7.85 %
Long-Term Municipal Bond Rate.....*	4.29 %
Last year ending June 30 in the 2015 to 2114 projection period for which projected benefit payments are fully funded.....	2114
Resulting single discount Rate based on the above development...	7.85 %
Single Discount Rate calculated using June 30, 2013 Measurement Date.....	7.85 %
Total Pension Expense/(Income).....	\$25,187

**Deferred Outflows and Deferred Inflows of Resources by source to recognized in
Future Pension Expenses**

	<u>Deferred Outflows</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience.....	\$ 0	\$ 59,648
Changes in assumptions.....	1,951	0
Net difference between projected and actual earnings on Pension plan investments.....	<u>0</u>	<u>47,890</u>
Total.....	<u>\$ 1,951</u>	<u>\$ 107,538</u>

Components of total pension liability and plan fiduciary net position

A. TOTAL PENSION LIABILITY	
1. Service Cost	\$ 98,039
2. Interest on the Total Pension Liability	26,222
3. Changes of benefit terms*	(1,984)
4. Difference between expected and actual experience of the Total Pension Liability	(69,806)
5. Changes of assumptions**	2,283
6. Benefit payments, including refunds of employee contributions	(7,935)
7. Net change in total pension liability	<u>46,819</u>
8. Total pension liability – beginning	<u>288,985</u>
9. Total pension liability – ending	<u>\$ 335,804</u>
B. PLAN FIDUCIARY NET POSITION	
1. Contributions – employer	\$ 49,263
2. Contributions – employee	40,346
3. Net investment Income	145,233
4. Benefit payments, including refunds of employee contributions	(7,935)
5. Other (Net Transfer)	(50,425)
6. Net change in plan fiduciary net position	<u>176,482</u>
7. Plan fiduciary net position – beginning	<u>1,071,898</u>
8. Plan fiduciary net position – ending	<u>1,248,380</u>
C. NET PENSION LIABILITY/(ASSET)	<u>\$ (912,576)</u>

The above information is the required supplementary information for the multi-year schedule of changes in net pension liability/(asset) and related ratios that will be built prospectively from 2014.

Projected benefit payments are required to be discounted to their actuarial present values using a single discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plan’s projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.85%; the municipal bond rate is 4.29% (based on the weekly rate closest to but not later than the measurement date of the “state and local bonds” rate from Federal reserve statistical release (H.15)): and the resulting single discount Rate is 7.85%.

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the plan’s net pension liability/(asset), calculated using a single Discount Rate of 7.85%, as well as what the plan’s net pension liability/(asset) would be if it were calculated using a single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 6.85%	Current Single Discount Rate Assumption 7.85%	1% Increase 8.85%
Total Pension Liability.....	\$ 396,170	\$ 335,804	\$ 286,735
Plan Fiduciary Net Position....	1,248,380	1,248,380	1,248,380
Net Pension Liability/(Asset)..	(852,210)	(912,576)	(961,645)

Methods and Assumption Used to Determine Total Pension Liability:

Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation	4%
Price Inflation	3.0% - 4.0% - approximate; No explicit price inflation assumption is used in this valuation
Salary Increases	4.00% - 8.00% including inflation
Investment Rate of Return	7.85%, net of investment and administrative expenses
Retirement Age	Experience – based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 – June 30, 2011
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).
Other Information:	
Assumed Future Permanent Benefit Increases	Members Retired on or before July 1, 2011: 2% compounded on average. Members Retired on or after August 1, 2011: 0.5% compounded on average. Since all current retirees receive the same dollar increase amount, approximation techniques were used to develop the assumed PBI for each member.

A detailed description of the actuarial assumptions and methods can be found in the June 30, 2014 Arizona Public Safety personnel Retirement System annual actuarial valuation report.

GASB Statement 27 Disclosure

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
VALUATION DATE JUNE 30	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE	PERCENT FUNDED (1) / (2)	UNFUNDED AAL (2)-(1)	ANNUAL COVERED PAYROLL	UNFUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL (4) / (5)	ANNUAL PENSION CONTRIBUTION
POLICE OFFICERS							
2003	\$ 134,592	\$174,550	77.1%	\$ 39,958	\$170,798	23.4%	\$18,624
2004	\$ 182,801	\$173,876	105.1%	\$ (8,925)	\$178,749	0.0%	\$20,329
2005	\$ 177,315	\$150,898	117.5%	\$(26,417)	\$146,713	0.0%	\$18,238
2006	\$ 194,730	\$164,189	118.6%	\$(30,541)	\$159,937	0.0%	\$16,093
2007	\$ 611,812	\$287,897	212.5%	\$(323,915)	\$190,257	0.0%	\$10,718
2008	\$485,520	\$163,000	297.9%	\$(322,520)	\$277,870	0.0%	\$15,137
2009	\$642,802	\$192,032	334.7%	\$(450,770)	\$296,490	0.0%	\$21,295
2010	\$989,064	\$269,611	366.8%	\$(719,453)	\$334,016	0.0%	\$20,720
2011	\$969,092	\$191,067	507.2%	\$(778,025)	\$322,383	0.0%	\$29,864
2012	\$1,017,288	\$154,493	685.5%	\$(862,795)	\$393,097	0.0%	\$38,483
2013	\$1,198,400	\$288,985	414.7%	\$(909,415)	\$461,575	0.0%	\$58,116
2014	\$1,265,934	\$335,804	377.0%	\$(930,130)	\$490,869	0.0%	\$57,185

B. COST-SHARING MULTIPLE EMPLOYER PLAN

Arizona State Retirement System

The Town of Hayden participates in a statewide cost-sharing, multiple employer defined benefit plan on behalf of substantially all full-time non-public safety employees. The system is funded by contributions from participants and employers.

ARIZONA STATE RETIREMENT SYSTEM	
Authority establishing contribution obligations and benefits	State statute
Plan members' contribution rate (percent of covered payroll)	11.54%
Town's contribution rate (percent of covered payroll)	11.54%
Alternate contribution Rate (Town only)	9.20%
Period required to vest	Upon termination of employment a member may withdraw only his contributions plus interest if the initial membership date is on or after July 1, 2011
Benefits and eligibility for distribution	Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit. Members are eligible for full retirement benefits on (A) their 65th birthday, (B) their 62nd birthday and completion of ten years of total credited service, or (C) the first day immediately following the day when age plus total credited service equals 80. The benefit is based on a percent of average monthly compensation multiplied by the years of service credit. Average monthly compensation is defined as the period of 36 consecutive months during which a participant receives the highest compensation within the last 120 months of service during which the employee made retirement contributions as required by law.
Provisions for:	
Cost of living adjustments (normal) retirement.....	PROVISIONAL
Death and Survivor.....	YES
Disability.....	YES
Post Retirement Health Insurance Subsidy.....	YES
Cost of Living Allowances	YES

Contributions required by State statute:

	<u>REQUIRED CONTRIBUTION</u>
2003.....	\$15,388
2004.....	\$35,837
2005.....	\$35,878
2006.....	\$46,873
2007.....	\$61,188
2008.....	\$67,428
2009.....	\$74,946
2010.....	\$90,940
2011.....	\$84,892
2012.....	\$86,688
2013.....	\$103,057
2014.....	\$102,809

GASB Statement No. 68 requires state and local government employers that contribute to defined benefit pension plans to recognize the net pension liability and the pension expense on their financial statements, along with the related deferred outflows of resources and deferred inflows of resources. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the certain changes in the liability and investment experience.

Due to the recession and poor rate of investment return over several years, the Town's share of the net pension liability has accumulated to \$1,526,891 and must be shown as a liability on the town's government-wide financial statements. This is a significant detriment to the Town.

Actuarial Valuation Date.....		June 30, 2013
Measurement Date of the Net Pension Liability Requirements.....		June 30, 2014
Employer's Fiscal Year Reporting Date.....		June 30, 2014
Membership		
Number of Active Non-retired Members		27
Covered Payroll		\$ 905,497
Net Pension Liability	<u>ASRS Total</u>	<u>Hayden%</u>
Total Pension Liability/(Asset)	\$48,490,307	x .010319%
Plan Fiduciary Net Position	(33,693,705)	x .010319%
Net Pension Liability	14,796,602	x .010319%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		69.49%
Net Pension Liability as a Percentage of Covered Payroll		169.05%
Development of the Single Discount Rate as of June 30, 2014		
Long-Term Expected Rate of Investment Return.....		8.79 %
Long-Term Municipal Bond Rate.....		3.20 %
Resulting single discount Rate based on the above development...		8.00%
Total Pension Expense.....		\$76,549

Deferred Outflows and Deferred Inflows of Resources by source to recognized in Future Pension Expenses

	Deferred Outflows	Deferred Inflows of Resources
Difference between expected and actual experience.....	\$ 77,601	
Changes proportion and differences between Town Contributions and proportionate share of contributions.....	0	\$ 55,037
Net difference between projected and actual earnings on Pension plan investments.....	0	267,006
Total.....	\$ 77,601	\$ 322,043

Components of total pension liability and plan fiduciary net position

A. TOTAL PENSION LIABILITY		
1. Service Cost		\$ 99,754
2. Interest on the Total Pension Liability		372,252
3. Changes of benefit terms*		0
4. Difference between expected and actual experience of the Total Pension Liability		111,339
5. Changes of assumptions**		0
6. Benefit payments, including refunds of employee contributions		(290,199)
7. Net change in total pension liability		293,146
8. Total pension liability – beginning		4,710,599
9. Total pension liability – ending		<u>\$ 5,003,745</u>
B. PLAN FIDUCIARY NET POSITION		
1. Contributions – employer		\$ 99,678
2. Contributions – employee		102,703
3. Net investment Income		569,015
4. Benefit payments, including refunds of employee contributions		(290,199)
5. Other (Net Transfer)		523
6. Net change in plan fiduciary net position		481,720
7. Plan fiduciary net position – beginning		2,995,134
8. Plan fiduciary net position – ending		<u>3,476,854</u>
C. NET PENSION LIABILITY/(ASSET)		<u>\$1,526,891</u>

The above information is the required supplementary information for the multi year schedule of changes in net pension liability/(asset) and related ratios that will be built prospectively from 2014.

The long-term expected rate of return on ASRS pension plan increments was determined to be 8.79 percent using a building-block method which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing

the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	63%	4.43%
Fixed Income	25%	.80%
Real Estate	8%	.38%
Commodities	4%	.18%
Total	100%	

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

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the plan's net pension liability calculated using a single Discount Rate of 8.00%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 7.00%	Current Single Discount Rate Assumption 8.00%	1% Increase 9.00%
Net Pension Liability/(Asset)..	\$1,929,912	\$1,526,891	\$1,308,232

Methods and Assumption Used to Determine Total Pension Liability:

Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value of Assets
Inflation	3.0%
Salary Increases	3.00% - 6.75%
Investment Rate of Return	8.00%
Mortality	1994 GAM Scale BB
Benefit Increases	Since all current retirees receive the same dollar increase amount, approximation Techniques were used to develop the assumed PBI for each member.

A detailed description of the actuarial assumptions and methods can be found in the June 30, 2014 Arizona State Retirement System annual actuarial valuation report.

Volunteer Firemen's Relief and Pension Fund

The Town has established the Volunteer Firemen's Relief and Pension Fund (a defined contribution plan) to provide pensions for its qualified volunteer firemen. The Fund covers only the volunteer firemen and is established solely upon the provisions for such pension and relief funds in the Arizona Revised Statutes. Sections therein give discretionary powers to the Board of Trustees in administering payment and/or non-payment of benefits to qualified retired or disabled volunteer firemen. No vested interests exist in any of the revenues of the fund other than the employee's right to his own contributions. Reserves for pensions, therefore, have not been established based on actuarial tables as the amounts are not vested. The Town contributed \$492 to the pension fund during the year ended June 30, 2015, which was 5% of the covered and total payroll of \$9,840. The volunteer firemen's required and actual contributions amounted to \$492, which was 5% of covered payroll. These contributions met the funding requirements established by state statutes.

V. CONTINGENCIES AND COMMITMENTS

A. Litigation

There were claims or lawsuits pending against the Town as of June 30, 2015, but none that were not covered by the Town's liability insurance

B. Federal and State Grants

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of

these audits is not believed to be material. Total federal grants amounted to \$334,191 which was less than \$500,000. Therefore, the Town was not subject to the federal Single Audit Act requirement for 2014-2015.

C. Participation In Public Entity Risk Pool

The Town is a member of the Arizona Municipal Risk Retention Pool ("Pool"). The Pool was created to formulate, develop and administer a program of self-funding for the Pool's membership, obtain lower costs for property and liability insurance coverage and develop a comprehensive loss control program. The Town pays an annual premium to the Pool for its coverage. The Town's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member local governments. Insurance settlements for the Town did not exceed insurance coverage for each of the past three years.

The Pool is financially solvent as of June 30, 2015. However, if the Pool should become insolvent, the Town may be assessed an "additional premium" not to exceed the Town's annual premium for the year i.e. \$88,744. As long as the Town maintains its insurance coverage through the Pool it will have this contingent liability.

D. Economic Dependency

The Town has significant economic dependency on the property tax and sales tax revenues generated by a copper mining company within its Town limits. Relocation of operations by this major taxpayer would cause significant adverse economic problems for the Town.

E. Subsequent Events

Management of the Town has evaluated subsequent events through November 2, 2015. No events, including instances of non-compliance, have occurred subsequent to the balance sheet date and through November 2, 2015 that would require adjustment to or disclosure in the financial statements.

VI. CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2014 has been restated as follows for the implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement*.

	Governmental Activities	Business-Type Activities	Total
Net Position as previously Reported at June 20, 2014.....	\$3,991,018	\$ 7,855,608	\$11,846,626
Prior period adjustment – Implementation of GASB 68:			
Net pension asset – PSPRS (measurement date as of June 30, 2013).....	782,913		782,913
Net pension liability – ASRS (measurement date as of June 30, 2013).....	(1,590,214)	(204,102)	(1,794,316)
Deferred outflows – Town contributions Made during fiscal year 2014			
PSPRS.....	49,263		49,263
ASRS.....	92,628	11,888	104,516
Total prior period adjustment			
Net position as restated, July 1, 2014.....	\$3,325,608	\$ 7,663,394	\$10,989,002

TOWN OF HAYDEN, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS (Budgetary Basis)</u>	<u>VARIANCE WITH FINAL BUDGET Positive (Negative)</u>
	Original	Final		
REVENUES:				
State Sales Tax.....	\$ 59,820	\$ 59,820	\$ 60,499	\$ 679
State Revenue Sharing.....	181,575	181,575	181,584	9
Property Tax ..	277,500	277,500	211,558	(65,942)
Vehicle Lieu Tax.....	39,550	39,550	37,832	(1,718)
Town Sales Tax.....	1,800,000	1,800,000	1,385,830	(414,170)
Sanitation Fees.....	25,000	25,000	19,290	(5,710)
Utility Franchise Fees.....	13,000	13,000	11,597	(1,403)
Licenses, Permits and Miscellaneous.....	104,050	104,050	24,523	(79,527)
Golf Course Fees	39,500	39,500	34,737	(4,763)
Fines and Forfeitures.....	5,000	5,000	3,100	(1,900)
Winkelman Intergovernmental Contract.....	55,000	55,000	63,896	8,896
Interest Income.....	3,000	3,000	1,964	(1,036)
Gain on Investments.....	0	0	1,492	1,492
Donations.....	0	0	0	0
TOTAL REVENUES.....	2,802,995	2,802,995	2,037,902	(565,093)
EXPENDITURES:				
Current:				
General Government:				
Administration.....	67,300	67,300	53,785	13,515
Mayor and Council.....	39,000	39,000	13,784	25,216
Magistrate.....	47,150	54,150	54,100	50
Attorney and Legal.....	31,000	34,000	33,817	183
Clerk.....	111,410	111,410	99,623	11,787
Finance.....	140,880	196,880	195,670	1,010
Insurance.....	120,000	120,000	81,514	38,486
Custodian.....	15,845	15,845	8,470	7,375
Contingency.....	1,177,260	1,062,260	0	1,062,260
Total.....	1,749,645	1,700,645	540,763	1,159,882
Police	848,310	848,310	783,237	65,073
Fire	103,600	103,600	30,571	73,029
Cemetery.....	9,000	9,000	1,821	7,179
Pool.....	54,785	54,785	33,271	21,514
Parks and Recreation/Golf Course.....	294,920	298,920	251,597	47,323
Sanitation.....	286,630	286,630	191,092	75,538
Animal Control.....	20,185	20,185	9,893	10,492
Capital Outlay.....	40,000	40,000	4,685	35,315
TOTAL EXPENDITURES.....	3,387,075	3,342,075	1,846,730	1,495,345
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(784,080)	(739,080)	191,172	930,252
OTHER FINANCING SOURCES (USES):				
Transfer to Senior Center Fund.....	(106,745)	(151,745)	(60,032)	91,713
Transfer to Library Fund.....	(98,250)	(98,250)	(72,492)	25,758
Transfer to Water and Sewer Utility Funds.....	(187,175)	(187,175)	(156,535)	30,640
Principal Payments on Small Business Loans.....	3,000	3,000	2,812	(188)
TOTAL OTHER FINANCING SOURCES (USES).....	(389,170)	(434,170)	(286,247)	147,923
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES...	(1,173,250)	(1,173,250)	(95,075)	1,078,175
FUND BALANCE, BEGINNING.....	1,173,250	1,173,250	1,401,021	227,771
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 1,305,946	\$ 1,305,946

TOWN OF HAYDEN, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
HIGHWAY USERS FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Highway Users Tax	\$62,060	\$62,060	\$62,577	\$517
Gila County Transpation Excise Tax.....	0	0	22,821	22,821
Interest Income.....	0	0	92	92
TOTAL REVENUES.....	62,060	62,060	0	85,490
EXPENDITURES:				
Personal Services.....	0	0	3,418	(3,418)
Supplies, Repairs and Other.....	23,000	23,000	5,631	17,369
Street Lights.....	35,000	35,000	37,451	(2,451)
Street Repairs.....	64,800	64,800	0	64,800
TOTAL EXPENDITURES.....	122,800	122,800	46,500	76,300
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(60,740)	(60,740)	38,990	99,730
FUND BALANCE, BEGINNING.....	60,740	60,740	60,829	69
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 99,819	\$ 99,819

TOWN OF HAYDEN, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Grants - Federal.....	\$ 3,995,750	\$3,995,750	\$ 157,782	\$ (3,837,988)
Grants - Non -Federal.....	4,250	4,250	4,415	165
TOTAL REVENUES.....	4,000,000	4,000,000	162,177	(3,837,823)
EXPENDITURES:				
Community Development Block Grants - Federal				
General Plan 150-12.....	53,839	53,839	53,839	0
Housing Rehabilitation 131-13.....	92,559	92,559	92,463	96
Demolition 131-14.....	112,007	112,007	11,460	100,547
Arizona State Library, Archives, and Public Records				
State Library Grant in Aid 2014-15/Non-Federal.....	1,000	1,000	1,000	0
Cenpatico Improving Lives - Non-Federal				
Water Aerobics Expenses.....	0	0	915	(915)
Resolution Copper Company - Non-Federal				
Fire Department Supplies.....	2,500	2,500	2,500	0
Gila County Court Equipment Grant - Non-Federal				
.....	750	750	0	750
Other Grants	3,737,345	3,737,345	0	3,737,345
TOTAL EXPENDITURES.....	4,000,000	4,000,000	162,177	3,837,823
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....				
	0	0	0	0
FUND BALANCE, BEGINNING.....				
	0	0	0	0
FUND BALANCE, ENDING				
	\$ 0	\$ 0	\$ 0	\$ 0

TOWN OF HAYDEN, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
SENIOR CENTER FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS (Budgetary Basis)</u>	<u>VARIANCE WITH FINAL BUDGET Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Older American Act				
Federal Grants.....	\$ 132,595	\$ 132,595	\$ 126,321	\$ (6,274)
AZ Department of Transportation				
Van Equipment Grant - Federal.....	0	0	50,108	50,108
United Way/Gila County Contributions...	18,000	18,000	43,708	25,708
Donations and Other.....	3,000	3,000	295	(2,705)
Program Income.....	60,500	60,500	47,822	(12,678)
TOTAL REVENUES.....	214,095	214,095	288,254	54,159
EXPENDITURES:				
Personal Services.....	179,830	179,830	168,503	11,327
Transportation	14,000	14,000	9,821	4,179
Space	20,000	20,000	17,591	2,409
Materials and Supplies.....	62,000	62,000	68,803	(6,803)
Operating Expenses.....	9,700	9,700	11,649	(1,949)
Capital Outlay.....	0	45,000	52,119	(7,119)
TOTAL EXPENDITURES.....	285,530	330,530	328,286	2,244
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(71,435)	(116,435)	(60,032)	56,403
OTHER FINANCING SOURCES:				
Transfer from General Fund.....	106,745	151,745	60,032	(91,713)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	35,310	35,310	0	(35,310)
FUND BALANCE, BEGINNING.....	(35,310)	(35,310)	0	35,310
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 0	\$ 0

TOWN OF HAYDEN, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
LIBRARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Property Tax	\$49,800	\$49,800	\$47,120	\$(2,480)
Fines and Donations	2,150	2,150	548	(1,802)
TOTAL REVENUES.....	51,750	51,750	47,668	(4,082)
EXPENDITURES:				
Personal Services.....	100,505	100,505	99,005	1,500
Supplies.....	5,500	5,500	1,236	4,264
Books	13,380	13,380	2,262	11,118
Other Services and Charges.....	23,000	23,000	17,657	5,343
Capital Outlay.....	0	0	0	0
TOTAL EXPENDITURES.....	142,385	142,385	120,160	22,225
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(90,635)	(90,635)	(72,492)	18,143
OTHER FINANCING SOURCES:				
Transfer from General Fund.....	98,250	98,250	72,492	(25,758)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	7,615	7,615	0	(7,615)
FUND BALANCE, BEGINNING.....	(7,615)	(7,615)	0	7,615
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 0	\$ 0

TOWN OF HAYDEN, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
WATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS (Budgetary Basis)</u>	<u>VARIANCE WITH FINAL BUDGET Positive (Negative)</u>
	Original	Final		
REVENUES:				
Water Revenues.....	\$ 36,000	\$ 36,000	\$ 31,378	\$ (4,622)
Taps, Extensions and Permits.....	500	500	375	(125)
TOTAL REVENUES.....	36,500	36,500	31,753	(4,747)
EXPENDITURES:				
Personal Services.....	167,940	167,940	156,412	11,528
Supplies, Repairs and Other.....	94,000	94,000	41,829	52,171
Capital Outlay.....	50,000	50,000	0	50,000
TOTAL EXPENDITURES.....	311,940	311,940	198,241	113,699
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(275,440)	(275,440)	(166,488)	108,952
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund.....	240,440	240,440	172,619	(67,821)
Water Finance Authority Grant.....	35,000	35,000	0	(35,000)
TOTAL OTHER FINANCING SOURCES (USES).....	275,440	275,440	172,619	(102,821)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES.....	0	0	6,131	6,131
FUND BALANCE, BEGINNING.....	0	0	0	0
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 6,131	\$ 6,131

TOWN OF HAYDEN, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
SEWER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Sewer Revenues.....	\$ 125,500	\$ 125,500	\$ 119,167	\$ (6,333)
TOTAL REVENUES.....	125,500	125,500	119,167	(6,333)
EXPENDITURES:				
Personal Services.....	63,705	63,705	63,394	311
Supplies, Repairs and Other.....	85,500	85,500	77,142	8,358
Capital Outlay.....	35,000	35,000	0	35,000
Debt Service.....	12,810	12,810	25,238	(12,428)
TOTAL EXPENDITURES.....	197,015	197,015	165,774	31,241
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(71,515)	(71,515)	(46,607)	24,908
OTHER FINANCING SOURCES (USES):				
Transfer (to) from General Fund.....	(53,265)	(53,265)	(16,084)	37,181
Grant Construction of Capital Assets Credit Adjustment.....	0	0	56,560	56,560
TOTAL OTHER FINANCING SOURCES.....	(53,265)	(53,265)	40,476	93,741
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES.....	(124,780)	(124,780)	(6,131)	118,649
FUND BALANCE, BEGINNING.....	124,780	124,780	0	(124,780)
FUND BALANCE, ENDING.....	\$ 0	\$ 0	(\$ 6,131)	(\$ 6,131)

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and Members of the Town Council
Town of Hayden, Arizona

I have audited, in accordance with the 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, and each major fund of the Town of Hayden, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Hayden, Arizona's basic financial statements, and have issued my report thereon dated November 2, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town'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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Hayden, Arizona's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be a stylized name, located above the date and location text.

Mesa, Arizona
November 2, 2015