

**Town of Hayden, Arizona**

**Basic Financial Statements and  
Independent Auditor's Report**

**For the Year Ended June 30, 2016**

**Table of Contents**  
**Town of Hayden, Arizona**

<b>Independent Auditor's Report</b>	1
<b>Management's Discussion and Analysis</b>	4
<b>Basic Financial Statements</b>	
Statement of Net Position	13
Statement of Activities	14
Balance Sheet – Governmental Funds	15
Reconciliation of Balance Sheet – Governmental Funds to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	18
Statement of Fund Net Position – Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21
Statement of Fiduciary Net Position – Fiduciary Fund	22
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	23
Notes to the Financial Statements	24
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedules:	
General Fund	47
Highway Users Fund	48
Grants Fund	49
Senior Center Fund	50
Library Fund	51
Pension Schedules:	
Schedule of the Town's Proportionate Share of Net Pension Liabilities – Cost Sharing Plans	52
Schedule of the Changes in the Town's Net Pension Liability (Asset) and Related Ratios – Agent Pension Plans	53
Schedule of Town Pension Contributions	54
Notes to Pension Plan Schedules	55
Schedule of Agent OPEB Plan's Funding Progress and Related Notes	56
<b>Other Supplementary Information:</b>	
Budgetary Comparison Schedules:	
Water Utility Fund	57
Sewer Utility Fund	58

## **Independent Auditor's Report**

To the Town Council  
Town of Hayden, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hayden, Arizona, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hayden, Arizona, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12 and budgetary comparison information on pages 47-51 as well as the required pension schedules on pages on page 52-56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hayden, Arizona's basic financial statements. The budgetary comparison schedules for the Water and Sewer Utility Funds on pages 57-58 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Sewer Utility Fund budgetary comparison schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### *Compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies*

In connection with our audit, nothing came to our attention that caused us to believe that the Town failed to use highway user revenue fund monies the Town received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues the Town received solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, (the Auditor General of the State of Arizona,) the Town Council, management, and other responsible parties within the Town and is not intended to be and should not be used by anyone other than these specified parties.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2017, on our consideration of the Town of Hayden, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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 Town of Hayden, Arizona's internal control over financial reporting and compliance.

*Smsola + Butler, CPAs, PLLC*

Gilbert, Arizona  
March 29, 2017

**Town of Hayden, Arizona**  
**Management Discussion and Analysis**  
**June 30, 2016**

Within this section of the Town of Hayden, Arizona (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, 2016. 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 \$10,344,404 (net position) for the fiscal year reported.
- Total net position is comprised of the following:
  - (1) Capital assets net of debt totaling \$9,288,006 includes property and equipment, net of accumulated depreciation and related debt.
  - (2) Restricted net position for street improvement purposes \$117,139.
  - (3) Restricted net position for loan reserve requirements \$4,515.
  - (4) Unrestricted net position of \$934,744 represents the portion available to maintain the Town's continuing obligations to citizens and creditors.
- The Town's governmental funds reported a total ending fund balance of \$1,423,443 this year. This compares to the prior year total ending fund balance of \$1,465,182 showing a decrease of \$41,739 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.

**Town of Hayden, Arizona**  
**Management Discussion and Analysis**  
**June 30, 2016**

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 the Town's most significant funds rather than the Town as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

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 provides 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

**Town of Hayden, Arizona**  
**Management Discussion and Analysis**  
**June 30, 2016**

programs and are reported similarly to proprietary funds.

*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. Combining financial statements are provided for nonmajor governmental funds totaled in one column on the fund 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 position 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, 2016:

**SUMMARY OF NET POSITION**

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Totals</b>	<b>Totals (as restated)</b>	<b>Amount Change</b>
	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	
Current and other assets	\$ 2,809,852	\$ 23,436	\$ 2,833,288	\$ 1,840,234	\$ 993,054
Non-current assets			-	912,576	(912,576)
Capital assets	1,968,967	7,759,486	9,728,453	10,152,253	(423,800)
Total Assets	<u>4,778,819</u>	<u>7,782,922</u>	<u>12,561,741</u>	<u>12,905,063</u>	<u>(343,322)</u>
Deferred Outflow s of Resources	173,603	15,767	189,370	363,233	(173,863)
Current liabilities	89,692	7,592	97,284	1,974,333	(1,877,049)
Non-current liabilities	1,187,260	643,216	1,830,476	177,771	1,652,705
Total Liabilities	<u>1,276,952</u>	<u>650,808</u>	<u>1,927,760</u>	<u>2,152,104</u>	<u>(224,344)</u>
Deferred Inflow s of Resources	426,400	52,547	478,947	429,581	49,366
Invested in capital assets	1,968,967	7,319,039	9,288,006	9,704,811	(416,805)
Restricted	117,139	4,515	121,654	101,754	19,900
Unrestricted	<u>1,162,964</u>	<u>(228,220)</u>	<u>934,744</u>	<u>880,046</u>	<u>54,698</u>
Total Net Position	<u>\$ 3,249,070</u>	<u>\$ 7,095,334</u>	<u>\$ 10,344,404</u>	<u>\$ 10,686,611</u>	<u>\$ (342,207)</u>

**Town of Hayden, Arizona**  
**Management Discussion and Analysis**  
**June 30, 2016**

The Town reported net position for governmental activities of \$3,249,070 and a net position for business-type activities of \$7,095,334. Net position decreased \$69,098 for governmental activities and decreased \$273,109 for business-type activities.

The following table provides a summary of the Town's changes in net position for the year ended June 30, 2016.

**SUMMARY OF CHANGES IN NET POSITION**

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Totals</b>	<b>Totals (as restated)</b>	<b>Amount Change</b>
	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	
Revenues:					
Program revenues:					
Charges for services	\$ 248,011	\$ 143,647	\$ 391,658	\$ 344,802	\$ 46,856
Operating grants and contributions	317,848	-	317,848	464,813	(146,965)
Capital grants and contributions	6,394	-	6,394	50,108	(43,714)
General revenues:					
City sales tax	1,134,688	-	1,134,688	1,385,830	(251,142)
State taxes and shared revenues	331,091	-	331,091	279,915	51,176
Property tax	280,794	-	280,794	270,463	10,331
Other	15,942	-	15,942	15,054	888
Total Revenues	<u>2,334,768</u>	<u>143,647</u>	<u>2,478,415</u>	<u>2,810,985</u>	<u>(332,570)</u>
Expenses:					
General government	434,504	-	434,504	550,176	(115,672)
Police	654,194	-	654,194	706,913	(52,719)
Fire	104,335	-	104,335	77,102	27,233
Sanitation	134,180	-	134,180	204,923	(70,743)
Parks and Recreation/Golf Course/Pool	286,336	-	286,336	327,745	(41,409)
Streets	121,331	-	121,331	51,809	69,522
Library	91,554	-	91,554	126,916	(35,362)
Cemetery	2,591	-	2,591	2,373	218
Senior Center	268,292	-	268,292	295,558	(27,266)
Community development	111,848	-	111,848	157,762	(45,914)
Animal Control	8,371	-	8,371	9,693	(1,322)
Water Utility	-	144,320	144,320	211,293	(66,973)
Sewer Utility	-	458,766	458,766	391,113	67,653
Total Expenses	<u>2,217,536</u>	<u>603,086</u>	<u>2,820,622</u>	<u>3,113,376</u>	<u>(292,754)</u>
Transfers	(186,330)	186,330	-	-	-
Change in net position	(69,098)	(273,109)	(342,207)	(302,391)	(39,816)
Beginning net position	3,318,168	7,368,443	10,686,611	10,989,002	(302,391)
Ending net position	<u>\$ 3,249,070</u>	<u>\$ 7,095,334</u>	<u>\$ 10,344,404</u>	<u>\$ 10,686,611</u>	<u>\$ (342,207)</u>

**Town of Hayden, Arizona**  
**Management Discussion and Analysis**  
**June 30, 2016**

**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.

Operating revenues totaled \$2,317,108 in 2015-2016, a decrease of 10.9% from 2014-2015.

A comparative summary of principal revenues is as follows:

	2015-2016 Amount	Increase (Decrease) from 2014-2015		2014-2015 Amount
		Amount	%	
State Sales Tax	\$ 62,827	\$ 2,328		\$ 60,499
State Revenue Sharing	180,600	(984)		181,584
Highway Users Tax	62,610	33		62,577
Transportation Excise Tax	58,698	35,877		22,821
Property Tax	214,137	2,579		211,558
Vehicle Lieu Tax	28,966	(8,866)		37,832
Grant Revenue	261,632	(76,974)		338,606
Town Sales Tax	1,134,688	(251,142)		1,385,830
Winkelman Intergovernmental Contract	65,000	1,104		63,896
Utility Franchise	11,844	247		11,597
Licenses, Permits and Other	130,703	13,807		116,896
County Library Property Tax	46,900	(220)		47,120
Fines and Forfeitures	3,192	92		3,100
Sanitation Fees	18,007	(1,283)		19,290
Golf Course Fees	33,206	(1,531)		34,737
Interest Income	3,513	1,457		2,056
Gain on Investments	585	(907)		1,492
	<u>\$ 2,317,108</u>	<u>\$ (284,383)</u>	<u>-10.9%</u>	<u>\$ 2,601,491</u>

**Town of Hayden, Arizona**  
**Management Discussion and Analysis**  
**June 30, 2016**

Operating expenditures totaled \$2,172,517 in 2015-2016. This represents a decrease of 13.1% from the prior year. The schedule that follows summarizes the expenditures and transfers.

	Increase (Decrease) from 2014-2015			2014-2015 Amount
	2015-2016 Amount	Amount	%	
General Government	\$ 432,248	\$ (108,515)		\$ 540,763
Police	600,199	(183,038)		783,237
Fire	65,045	34,474		30,571
Streets	129,396	82,896		46,500
Sanitation	142,399	(48,693)		191,092
Parks and Recreation/Golf Course	247,238	(5,274)		252,512
Cemetery	2,396	575		1,821
Pool	34,180	909		33,271
Library	100,103	(21,057)		121,160
Senior Center	270,973	(5,194)		276,167
Community Development	111,848	(45,914)		157,762
Animal Control	9,612	(81)		9,693
Capital Outlay	26,880	(29,924)		56,804
	<u>\$ 2,172,517</u>	<u>\$ (328,836)</u>	<u>-13.1%</u>	<u>\$ 2,501,353</u>

Operating Revenues (\$2,317,108) exceeded operating expenditures (\$2,172,517) by \$144,591 and transfers to other funds of \$186,330 decreased the Town's overall governmental fund balance carryover from \$1,465,182 at June 30, 2015 to \$1,423,443 at June 30, 2016. There was an increase of \$3,332 for 2014-2015.

*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 position for these funds decreased \$273,109 for the year ended June 30, 2016 compared to a decrease of \$294,951 for 2014-2015.

The decrease in loss of \$21,842 is due to decreases in Personnel Services expenses incurred for both the Water and Sewer Utility funds.

**Town of Hayden, Arizona  
Management Discussion and Analysis  
June 30, 2016**

*Town Payroll and Fringe Benefits*

The Town's gross payroll for 2015-2016 was \$990,072, a decrease of 15%, or \$175,084, from 2014- 2015. A summary by department follows:

	2015-2016 Amount	Increase (Decrease) from 2014-2015		2014-2015 Amount
		Amount	%	
Administration	111,128	(38,377)		149,505
Police	358,486	(115,511)		473,997
Fire	28,030	12,475		15,555
Public works	347,818	(8,086)		355,904
Library	51,548	(7,115)		58,663
Senior Center	93,062	(18,470)		111,532
	<u>\$ 990,072</u>	<u>\$ (175,084)</u>	<u>-15.0%</u>	<u>\$ 1,165,156</u>

The following payroll fringe benefits amounted to \$528,584, a decrease of \$107,889, or 17%. The increase was due to decreases in the health insurance premium and the required contribution for the pension as follows:

	2015-2016 Amount	Increase (Decrease) from 2014-2015		2014-2015 Amount
		Amount	%	
Social security and Medicare taxes	\$ 61,721	\$ (22,434)		\$ 84,155
State retirement contributions	69,325	(29,537)		98,862
Policemen's pension contributions	39,034	(15,369)		54,403
Volunteer firemen's pension contributions	820	328		492
Unemployment Taxes	-	(12,480)		12,480
Industrial Insurance	82,359	4,983		77,376
Health and life insurance	275,325	(33,380)		308,705
	<u>\$ 528,584</u>	<u>\$ (107,889)</u>	<u>-17.0%</u>	<u>\$ 636,473</u>

**Town of Hayden, Arizona**  
**Management Discussion and Analysis**  
**June 30, 2016**

**Analysis of Balances of Town's Individual Funds**

As of the end of the current fiscal year, the Town's individual governmental funds reported a combined fund balance of \$1,423,443, a decrease of \$41,739 in comparison with the prior year. Approximately 91.7% of this total amount constitutes the General Fund Balance, which is available for its ongoing obligations. At June 30, 2016 fund balances were as follows:

	2015-2016 Amount	Increase (Decrease) from 2014-2015		2014-2015 Amount
		Amount	%	
Governmental Funds:				
General Fund	\$ 1,331,712	\$ 25,766		\$ 1,305,946
Highway Users Fund	91,731	(8,088)		99,819
Grants Fund	-	-		-
Senior Center Fund	-	-		-
Library fund	-	-		-
Total	\$ 1,423,443	\$ 17,678	1.3%	\$ 1,405,765
Proprietary Funds				
Water utility fund	\$ 112,357	\$ (44,081)		\$ 156,438
Sewer utility fund	6,982,977	(229,028)		7,212,005
Total	\$ 8,518,777	\$ (255,431)	-2.9%	\$ 8,774,208

*Budgetary Highlights*

The Town's budget for fiscal year 2016 was \$8,500,000. There was no change from the previous year's budget.

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, 2016, there were no departments that exceeded the budgeted amounts.

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, 2016. The Town's expenditures complied with this expenditure limitation.

**Town of Hayden, Arizona  
Management Discussion and Analysis  
June 30, 2016**

*Capital Asset and Debt Administration*

Capital Assets

The following is a comparison of capital assets net of depreciation for 2016 and 2015.

	Governmental Activities		Business-Type Activities	
	2016	2015	2016	2015
Land	\$ 90,570	\$ 90,570	\$ 10,718	\$ 10,718
Buildings	734,110	775,608	-	-
Street infrastructure and other improvements	443,415	474,801	7,745,618	7,980,029
Furniture, Machinery and Equipment	700,872	813,954	3,150	6,573
	\$ 1,968,967	\$ 2,154,933	\$ 7,759,486	\$ 7,997,320

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, 2016 was \$12,217.

**FISCAL YEAR 2015-2016 ACCOMPLISHMENTS**

The Town's local sales tax revenue remained relatively consistent with the prior year. To maintain a balanced budget, the Town has reduced payroll and related expenditures between years by \$107,889.

Expenditures also decreased due to a reduction in grant funding for the Senior Center and a significant reduction in pension related expense for the police department.

**Town of Hayden, Arizona**  
**Statement of Net Position**  
**June 30, 2016**

	<b>PRIMARY GOVERNMENT</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>Assets</b>			
Cash and investments	\$ 1,263,315	\$ -	\$ 1,263,315
Property Taxes Receivable	115,849	-	115,849
Accounts Receivable	8,001	17,755	25,756
Other Receivables	158,331	-	158,331
Due to Other Governments	187,296	-	187,296
Due from Pension Trust fund	27,124	-	27,124
Prepaid Expenses	22,465	5,681	28,146
Net pension asset	1,027,471		1,027,471
Capital assets, non-depreciable	90,570	10,718	101,288
Capital assets, depreciable, net	1,878,397	7,748,768	9,627,165
Total Assets	<u>4,778,819</u>	<u>7,782,922</u>	<u>12,561,741</u>
<b>Deferred Outflows of Resources - Pensions</b>	<u>173,603</u>	<u>15,767</u>	<u>189,370</u>
<b>Liabilities</b>			
Accounts payable	58,804	7,034	65,838
Accrued Expenses and Other Liabilities	30,888	558	31,446
Non-Current Liabilities:			
Due within one year:			
Municipal Property Corporation Loan Payable	-	7,190	7,190
Compensated Absences	12,184	801	12,984
Due in more than one year:			
Municipal Property Corporation Loan Payable	-	433,257	433,257
Compensated Absences	48,734	3,203	51,938
Net Pension Liabilities	1,126,342	198,765	1,325,107
Total liabilities	<u>1,276,952</u>	<u>650,808</u>	<u>1,927,760</u>
<b>Deferred Inflows of Resources - Pensions</b>	<u>426,400</u>	<u>52,547</u>	<u>478,947</u>
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	1,968,967	7,319,039	9,288,006
Restricted	117,139	4,515	121,654
Unrestricted	1,162,964	(228,220)	934,744
Total Net Position	<u>\$ 3,249,070</u>	<u>\$ 7,095,334</u>	<u>\$ 10,344,404</u>

See Accompanying Notes to Financial Statements.

**Town of Hayden, Arizona  
Statement of Activities  
Years Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating grant and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General Government	\$ 434,504	\$ 13,681	\$ 1,500	\$ -	\$ (419,323)	\$ -	\$ (419,323)
Police	654,194	65,000	-	-	(589,194)	-	(589,194)
Fire	104,335	-	769	6,394	(97,172)	-	(97,172)
Streets	121,331	-	62,610	-	(58,721)	-	(58,721)
Sanitation	134,180	18,007	-	-	(116,173)	-	(116,173)
Parks and Recreation/Golf Course	233,339	33,206	-	-	(200,133)	-	(200,133)
Cemetery	2,591	3,261	-	-	670	-	670
Pool	52,997	2,089	-	-	(50,908)	-	(50,908)
Library	91,554	762	4,000	-	(86,792)	-	(86,792)
Senior Center	268,292	111,505	137,121	-	(19,666)	-	(19,666)
Community Development	111,848	-	111,848	-	-	-	-
Animal Control	8,371	500	-	-	(7,871)	-	(7,871)
Total Governmental Activities	<u>2,217,536</u>	<u>248,011</u>	<u>317,848</u>	<u>6,394</u>	<u>(1,645,283)</u>	<u>-</u>	<u>(1,645,283)</u>
<b>Business-type Activities:</b>							
Water	144,320	30,381	-	-	-	(113,939)	(113,939)
Sewer	458,766	113,266	-	-	-	(345,500)	(345,500)
Total Business-type Activities	<u>603,086</u>	<u>143,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(459,439)</u>	<u>(459,439)</u>
Total	<u>\$ 2,820,622</u>	<u>\$ 391,658</u>	<u>\$ 317,848</u>	<u>\$ 6,394</u>	<u>(1,645,283)</u>	<u>(459,439)</u>	<u>(2,104,722)</u>
<b>General Revenues:</b>							
State Sales Tax					62,827	-	62,827
State Revenue Sharing					180,600	-	180,600
Property Tax					280,794	-	280,794
Vehicle Lieu Tax					87,664	-	87,664
City Sales Tax					1,134,688	-	1,134,688
Utility Franchise Fees					11,844	-	11,844
Interest					3,513	-	3,513
Gain on Investments					585	-	585
Transfers					(186,330)	186,330	-
Total General Revenues and Transfers					<u>1,576,185</u>	<u>186,330</u>	<u>1,762,515</u>
Change in Net Position					(69,098)	(273,109)	(342,207)
Net Position - Beginning, as restated					3,318,168	7,368,443	10,686,611
Net Position - Ending					<u>\$ 3,249,070</u>	<u>\$ 7,095,334</u>	<u>\$ 10,344,404</u>

See Accompanying Notes to Financial Statements.

**Town of Hayden, Arizona**  
**Balance Sheet – Governmental Funds**  
**June 30, 2016**

	General Fund	Highway Users Fund	Grants Fund	Senior Center Fund	Library Fund	Total Governmental Funds
<b>Assets</b>						
Cash and investments	\$1,179,845	\$ 83,470	\$ -	\$ -	\$ -	\$ 1,263,315
Property Taxes Receivable	115,849	-	-	-	-	115,849
Accounts Receivable	8,001	-	-	-	-	8,001
Other Receivables	158,331	-	-	-	-	158,331
Due from Other Governments	61,019	11,036	6,660	108,581	-	187,296
Due from Other Funds	127,544	-	20,100	-	-	147,644
Prepaid Expenses	17,374	121	-	2,826	2,144	22,465
<b>Total Assets</b>	<b>\$1,667,963</b>	<b>\$ 94,627</b>	<b>\$ 26,760</b>	<b>\$ 111,407</b>	<b>\$ 2,144</b>	<b>\$ 1,902,901</b>
<b>Liabilities, Deferred Inflows, and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 17,010	\$ 2,896	\$ 26,760	\$ 11,404	\$ 734	\$ 58,804
Accrued Expenses and Other Liabilities	29,895	-	-	710	283	30,888
Due to Other Funds	20,100	-	-	99,293	1,127	120,520
<b>Total Liabilities</b>	<b>67,005</b>	<b>2,896</b>	<b>26,760</b>	<b>111,407</b>	<b>2,144</b>	<b>210,212</b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue-property taxes	114,023	-	-	-	-	114,023
Unavailable revenue-court fines	107,629	-	-	-	-	107,629
Unavailable revenue-loans	47,594	-	-	-	-	47,594
<b>Total deferred inflows of resources</b>	<b>269,246</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>269,246</b>
<b>Fund Balances:</b>						
Nonspendable	17,374	121	-	2,826	2,144	22,465
Restricted:						
Street Improvements	-	91,731	-	-	-	91,731
Unassigned	1,314,338	(121)	-	(2,826)	(2,144)	1,309,247
<b>Total Fund Balances</b>	<b>1,331,712</b>	<b>91,731</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,423,443</b>
<b>Total Liabilities, deferred inflows, and Fund Balances</b>	<b>\$1,667,963</b>	<b>\$ 94,627</b>	<b>\$ 26,760</b>	<b>\$ 111,407</b>	<b>\$ 2,144</b>	<b>\$ 1,902,901</b>

See Accompanying Notes to Financial Statements.

**Town of Hayden, Arizona**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2016**

Fund balances-total governmental funds	\$	1,423,443
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of \$5,446,525, net of accumulated depreciation of (\$3,477,558), are not financial resources and therefore, are not reported in the funds		1,968,967
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 \$114,023, magistrate fines of \$107,629 and small business loans of \$47,594.		269,246
Compensated Absences are payable only upon employee retirement and therefore are not payable from current resources		(60,918)
Net pension benefit obligation of \$98,871, deferred outflows of resources for pensions of (\$173,603) and deferred inflows of resources for pensions of \$426,400		(351,668)
Net position of governmental activities	<u>\$</u>	<u>3,249,070</u>

**Town of Hayden, Arizona**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	General Fund	Highway Users Fund	Grants Fund	Senior Center Fund	Library Fund	Total Governmental Funds
<b>Revenues:</b>						
State Sales Tax	\$ 62,827	\$ -	\$ -	\$ -	\$ -	\$ 62,827
State Revenue Sharing	180,600	-	-	-	-	180,600
Highway Users Tax	-	62,610	-	-	-	62,610
Transportation Excise Tax	-	58,698	-	-	-	58,698
Property Tax	214,137	-	-	-	-	214,137
Vehicle Lieu Tax	28,966	-	-	-	-	28,966
Grant Revenue	-	-	124,511	137,121	-	261,632
Town Sales Tax	1,134,688	-	-	-	-	1,134,688
Winkelman Intergovernmental Contract	65,000	-	-	-	-	65,000
Utility Franchise	11,844	-	-	-	-	11,844
Licenses, Permits and Other	18,436	-	-	111,505	762	130,703
County Library Property Tax	-	-	-	-	46,900	46,900
Fines and Forfeitures	3,192	-	-	-	-	3,192
Sanitation Fees	18,007	-	-	-	-	18,007
Golf Course Fees	33,206	-	-	-	-	33,206
Interest Income	3,513	-	-	-	-	3,513
Gain on Investments	585	-	-	-	-	585
<b>Total Revenues</b>	<b>1,775,001</b>	<b>121,308</b>	<b>124,511</b>	<b>248,626</b>	<b>47,662</b>	<b>2,317,108</b>
<b>Expenditures:</b>						
General Government	430,748	-	1,500	-	-	432,248
Police	600,199	-	-	-	-	600,199
Fire	64,276	-	769	-	-	65,045
Streets	-	129,396	-	-	-	129,396
Sanitation	142,399	-	-	-	-	142,399
Parks and Recreation/Golf Course	247,238	-	-	-	-	247,238
Cemetery	2,396	-	-	-	-	2,396
Pool	34,180	-	-	-	-	34,180
Library	-	-	4,000	-	96,103	100,103
Senior Center	-	-	-	270,973	-	270,973
Community Development	-	-	111,848	-	-	111,848
Animal Control	9,612	-	-	-	-	9,612
Capital Outlay	20,486	-	6,394	-	-	26,880
<b>Total Expenditures</b>	<b>1,551,534</b>	<b>129,396</b>	<b>124,511</b>	<b>270,973</b>	<b>96,103</b>	<b>2,172,517</b>
Excess of revenues over (Under) Expenditures	223,467	(8,088)	-	(22,347)	(48,441)	144,591
<b>Other Financing Sources (uses):</b>						
Transfers to other funds	(250,169)	-	-	-	-	(250,169)
Transfers from the general fund	-	-	-	19,502	44,337	63,839
<b>Net Other Financing Sources (Uses)</b>	<b>(250,169)</b>	<b>-</b>	<b>-</b>	<b>19,502</b>	<b>44,337</b>	<b>(186,330)</b>
Net change in fund balances	(26,702)	(8,088)	-	(2,845)	(4,104)	(41,739)
Fund Balances, Beginning (as restated)	1,358,414	99,819	-	2,845	4,104	1,465,182
<b>Fund Balances, Ending</b>	<b>\$ 1,331,712</b>	<b>\$ 91,731</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,423,443</b>

See Accompanying Notes to Financial Statements.

**Town of Hayden, Arizona**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances –**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2016**

Net change in fund balances-total governmental funds \$ (41,739)

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

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

Capital outlay	26,880
Depreciation expense	(212,847)

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

Increase in compensated absences	(1,502)
----------------------------------	---------

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include an increase of (\$19,757) in the City's property taxes and an increase of (\$688) in court fines.

20,445

Payment of principal amounts received on small business loans receivable is a financing resource in the governmental funds but the payment reduced small business loans receivable in the statement of net assets.

(2,785)

Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the statement of activities.

Pension contributions	97,915
Net pension revenue (expense)	44,535

Change in net position of governmental activities

\$ (69,098)

**Town of Hayden, Arizona**  
**Statement of Fund Net Position – Proprietary Funds**  
**For the Year Ended June 30, 2016**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Proprietary Funds</u>
<b>Assets</b>			
Current Assets:			
Accounts Receivable	\$ 4,186	\$ 13,569	\$ 17,755
Prepaid expense	3,320	2,361	5,681
Total Current Assets	<u>7,506</u>	<u>15,930</u>	<u>23,436</u>
Capital Assets:			
Land and Construction in Progress	-	10,718	10,718
Depreciable Capital Assets, Net	234,800	7,513,968	7,748,768
Total Assets	<u>242,306</u>	<u>7,540,616</u>	<u>7,782,922</u>
<b>Deferred Outflows of Resources - Pensions</b>	<u>8,409</u>	<u>7,358</u>	<u>15,767</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	2,041	4,993	7,034
Accrued liabilities	195	363	558
Current portion of compensated absences	418	383	801
Total Current Liabilities	<u>2,654</u>	<u>5,739</u>	<u>8,393</u>
Non-Current Liabilities:			
Compensated Absences	1,671	1,532	3,203
Municipal property corporation loan payable	-	440,447	440,447
Net Pension Liabilities	106,008	92,757	198,765
Total Non-Current Liabilities	<u>107,679</u>	<u>534,736</u>	<u>642,415</u>
Total Liabilities	<u>110,333</u>	<u>540,475</u>	<u>650,808</u>
<b>Deferred Inflows of Resources - Pensions</b>	<u>28,025</u>	<u>24,522</u>	<u>52,547</u>
<b>Net Position</b>			
Invested in Capital Assets, Net of Related Debt	234,800	7,084,239	7,319,039
Reserve for Debt Retirement	-	4,515	4,515
Unrestricted	(122,443)	(105,777)	(228,220)
Total Net Position	<u>\$ 112,357</u>	<u>\$ 6,982,977</u>	<u>\$ 7,095,334</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, 2016**

	<b>Business-type Activities-Enterprise Funds</b>		
	<b>Water Utility</b>	<b>Sewer Utility</b>	<b>Total</b>
<b>Operating Revenues:</b>			
Charges for Services	\$ 30,321	\$ 113,266	\$ 143,587
Taps, Extensions and Permits	60	-	60
Total Operating Revenues	<u>30,381</u>	<u>113,266</u>	<u>143,647</u>
<b>Operating Expenses:</b>			
Personal Services	96,705	112,302	209,007
Telephone and Utilities	15,794	36,141	51,935
Repairs and Maintenance	2,131	35,801	37,932
Supplies	5,464	942	6,406
Miscellaneous	4,471	1,596	6,067
Consultants	7,872	33,817	41,689
Depreciation	11,883	225,950	237,833
Total Operating Expenses	<u>144,320</u>	<u>446,549</u>	<u>590,869</u>
<b>Operating Income (Loss)</b>	<u>(113,939)</u>	<u>(333,283)</u>	<u>(447,222)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Transfer from General Fund	69,858	116,472	186,330
Interest Expense	-	(12,217)	(12,217)
Total Non-Operating Revenues (Expenses)	<u>69,858</u>	<u>104,255</u>	<u>174,113</u>
Changes in Net Position	(44,081)	(229,028)	(273,109)
Total Net Position - Beginning, as restated	156,438	7,212,005	7,368,443
Total Net Position - Ending	<u>\$ 112,357</u>	<u>\$ 6,982,977</u>	<u>\$ 7,095,334</u>

See Accompanying Notes to Financial Statements.

**Town of Hayden, Arizona**  
**Statements of Cash Flows**  
**Proprietary Funds**  
**Years Ended June 30, 2016**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Proprietary Funds</u>
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 31,437	\$ 112,192	\$ 143,629
Cash Payments to Suppliers for Goods and Services	(104,656)	(110,755)	(215,411)
Cash Payments for Employees, Payroll Taxes and Fringe Benefits	(32,017)	(112,317)	(144,334)
Net Cash Provided(used) by Operating Activities	<u>(105,236)</u>	<u>(110,880)</u>	<u>(216,116)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>			
Transfers from the General Fund	69,858	116,472	186,330
Pension Obligations	35,378	13,620	48,998
Net Cash used by Non-Capital Financing Activities	<u>105,236</u>	<u>130,092</u>	<u>235,328</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Interest Expense Payments	-	(12,217)	(12,217)
Principal Payments on Debt	-	(6,995)	(6,995)
Net Cash Provided Used for Capital and Related Financing Activities	<u>-</u>	<u>(19,212)</u>	<u>(19,212)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents - Beginning of Year	-	-	-
Cash and Cash Equivalents - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (113,939)	\$ (333,283)	\$ (447,222)
Adjustments to reconcile operating Income (loss) to net cash provided (used) by operating activities:			
Depreciation	11,883	225,950	237,833
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources			
(Increase) Decrease in Due from Other Funds	8,137	-	8,137
(Increase) Decrease in Accounts Receivable	1,056	995	2,051
(Increase) Decrease in Prepaid Expenses	(3,320)	(2,361)	(5,681)
(Increase) Decrease in Due from Other Governments	-	77,549	77,549
Increase (Decrease) in Accounts Payable	(1,102)	(1,659)	(2,761)
Increase (Decrease) in Accrued Payroll	195	363	558
Increase (Decrease) in Due to Other Funds	-	(79,618)	(79,618)
Increase (Decrease) in Compensated Absences	(8,146)	1,184	(6,962)
Total Adjustments	<u>8,703</u>	<u>222,403</u>	<u>231,106</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (105,236)</u>	<u>\$ (110,880)</u>	<u>\$ (216,116)</u>

See Accompanying Notes to Financial Statements.

**Town of Hayden, Arizona**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**Years Ended June 30, 2016**

	<b>Volunteer Firemen's Relief and Pension Fund</b>
<hr/>	
<b>Assets</b>	
Cash and investments	\$ 73,278
<b>Total Assets</b>	<u>73,278</u>
<b>Liabilities</b>	
Due to other Funds	27,124
<b>Total Liabilities</b>	<u>27,124</u>
<b>Net Position Held in Trust for Pension Benefits</b>	<u>\$ 46,154</u>

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, 2016**

	<b>Volunteer Firemen's Relief and Pension Fund</b>
<hr/>	
<b>Additions</b>	
Contributions:	
Employer	\$ 820
Plan Members	820
Total Contributions	<hr/> 1,640
Investment Income:	
Gain (Loss) on investments	39
Interest	174
Total Investment Income	<hr/> 213
<b>Total Additions</b>	<hr/> <hr/> 1,853
 <b>Deductions</b>	
Benefits	<hr/> 6,196
<b>Total Deductions</b>	<hr/> 6,196
<b>Change in Net Assets</b>	(4,343)
 <b>Net Position Held in Trust for Pension Benefits - Beginning of Year</b>	 50,497
<b>Net Position Held in Trust for Pension Benefits - End of Year</b>	<hr/> <hr/> <b>\$ 46,154</b>

See Accompanying Notes to Financial Statements.

**Town of Hayden, Arizona**  
**Notes to Financial Statements**  
**June 30, 2016**

**I. PRINCIPAL BUSINESS ACTIVITY AND 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, 2016.

**A. Reporting Entity**

As required by generally accepted accounting principles, 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, 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

**Town of Hayden, Arizona**  
**Notes to Financial Statements**  
**June 30, 2016**

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.

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.

**Town of Hayden, Arizona**  
**Notes to Financial Statements**  
**June 30, 2016**

**D. Fund Types and Major Funds**

*Governmental Funds*

The Town 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, which is 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 or other funds.

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**

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year end were cash on hand, restricted and unrestricted cash in bank and investments.

Arizona statutes authorize the Town to invest public monies in the State Treasurer's local government investment pools, the County Treasurer's investment pool, in obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. By identification of permitted investments, all other investments are prohibited by the same statutes. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the

**Town of Hayden, Arizona  
Notes to Financial Statements  
June 30, 2016**

Town's investments.

Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

All investments are stated at fair value.

**2. Inventories and Prepaid Expenses**

Inventories consist primarily of supplies, which are immaterial at June 30, 2016, and therefore, not recorded on the Statement of Net Assets.

Prepaid expenses record payments to vendors that benefit future reporting periods. Prepaid expenses 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.

**Town of Hayden, Arizona**  
**Notes to Financial Statements**  
**June 30, 2016**

**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. A liability for these amounts is reported in the governmental funds' financial statements only if they have matured, for example, as a result of employee retirement by fiscal year-end.

**6. Net Position**

Government-wide Statements

Net position is displayed in five components:

- a. Invested in capital assets, net of related debt consist 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.
- a. 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.

**Town of Hayden, Arizona**  
**Notes to Financial Statements**  
**June 30, 2016**

**8. Pensions**

For purposes of measuring the net pension 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/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 contribution are recognized when due and payable in acceptance of the benefit terms. Investments are reported at fair value.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgeting**

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. Once approved, the Town Council may amend the legally 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. It is the Town's policy to use budgeted contingency funds when departments incur excess over the budgeted amounts due to unexpected expenditures. For the year ended June 30, 2016, there were no departments that exceeded the budget.

**III. DETAILED NOTES**

**A. Assets**

**1. Deposits and Investments**

Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the Town's deposits may not be returned to the Town. The Town does not have a formal deposit policy for custodial credit risk. At year end, the carrying amount of the Town's deposits was \$54,760 and the bank balance was \$132,803. The bank balance was covered entirely by FDIC coverage and collateral held by the pledging financial institution in the Town's name. The Town also had cash on hand of \$225.

Investments

The Town's investments of \$1,281,608 consist of investments in the State Treasurer external investment pool 5. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the

**Town of Hayden, Arizona  
Notes to Financial Statements  
June 30, 2016**

participant's shares in the pool and the participants' shares are not identified with specific investments.

**Interest Rate Risk.** The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** The Town has no investment policy that would further limit its investment choices. As of year-end, the Town's investment in the State's investment pool 5 received a credit quality rating of Aaa from Moody's and had a weighted average maturity of less than one year.

**Custodial Credit Risk – Investments.** The Town's investment in the State Treasurer's investment pool represents a proportionate interest in the pool's portfolio; however, the Town's portion is not identified with specific investments and is not subject to custodial credit risk.

**2. Receivables, Prepaid Expenses and Deferred Revenues**

The following is a description of significant receivables as of June 30, 2016:

<b>PROPERTY TAXES RECEIVABLE</b> - Property taxes due from County; revenue deferred for amounts assessed by County but uncollected (\$114,023) for governmental fund financial statements		115,849
<b>ACCOUNTS RECEIVABLE:</b>		
Sanitation (\$3,220), Cemetery Services (\$4,781) Water (\$4,186), Sewer (\$13,569)		25,756
<b>OTHER RECEIVABLES:</b>		
Franchise Fees Receivable	\$ 2,418	
Magistrate Fines Receivable (Deferred for Uncollected Amounts)	107,629	
Small Business Loan Receivables	47,594	
Miscellaneous Receivables	690	158,331
<b>DUE FROM OTHER GOVERNMENTS:</b>		
State Sales Tax	4,859	
Town Sales Tax	54,440	
Vehicle Lieu Tax	1,721	
Gila County Transportation Excise Tax	5,101	
Highway Users Tax	5,934	
Senior Center Grants	108,581	
Other Grants	6,660	187,296
<b>Total</b>		<u>\$ 487,232</u>

**Town of Hayden, Arizona**  
**Notes to Financial Statements**  
**June 30, 2016**

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 2015-2016 this levy limit was \$3,568,058, and the Town levied \$203,222 in primary taxes. The Town has no secondary property tax levy for general obligation bonded debt.

Revenue is recorded as earned when eligibility requirements are met. Other revenue was received more than 60 days following year-end (unavailable to pay liabilities of the current period). These amounts are property taxes (\$114,023), magistrate fines (\$107,629) and small business loans receivable (\$47,594). These total \$269,246 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 for governmental activities:

<b>Governmental Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<i>Capital assets not being depreciated</i>				
Land	\$ 90,570	\$ -	\$ -	\$ 90,570
Total capital assets not being depreciated	90,570	-	-	90,570
<i>Capital assets being depreciated</i>				
Buildings and improvements	1,790,939	-	-	1,790,939
Street Infrastructure and Improvements	1,072,834	-	-	1,072,834
Furniture and equipment	2,465,301	26,881	-	2,492,182
Total capital assets being depreciated	5,329,074	26,881	-	5,355,955
<i>Less accumulated depreciation</i>				
Buildings and improvements	(1,015,331)	(41,498)	-	(1,056,829)
Street Infrastructure and Improvements	(598,033)	(31,386)	-	(629,419)
Furniture and equipment	(1,651,347)	(139,963)	-	(1,791,310)
Total accumulated depreciation	(3,264,711)	(212,847)	-	(3,477,558)
Total capital assets being depreciated, net	2,064,363	(185,966)	-	1,878,397
Governmental activities capital assets, net	<u>\$ 2,154,933</u>	<u>\$ (185,966)</u>	<u>\$ -</u>	<u>\$ 1,968,967</u>

**Town of Hayden, Arizona**  
**Notes to Financial Statements**  
**June 30, 2016**

The following table provides a summary of changes in capital assets for business-type activities:

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Reclassification</b>	<b>Ending Balance</b>
<i>Capital assets not being depreciated</i>				
Land	\$ 10,718	\$ -	\$ -	\$ 10,718
Total capital assets not being depreciated	<u>10,718</u>	<u>-</u>	<u>-</u>	<u>10,718</u>
<i>Capital assets being depreciated</i>				
Buildings and improvements	-	-	-	-
Street Infrastructure and Improvements	9,432,961	-	-	9,432,961
Furniture and equipment	61,018	-	-	61,018
Total capital assets being depreciated	<u>9,493,979</u>	<u>-</u>	<u>-</u>	<u>9,493,979</u>
<i>Less accumulated depreciation</i>				
Buildings and improvements	-	-	-	-
Street Infrastructure and Improvements	(1,452,933)	(234,410)	-	(1,687,343)
Furniture and equipment	(54,445)	(3,423)	-	(57,868)
Total accumulated depreciation	<u>(1,507,378)</u>	<u>(237,833)</u>	<u>-</u>	<u>(1,745,211)</u>
Total capital assets being depreciated, net	<u>7,986,601</u>	<u>(237,833)</u>	<u>-</u>	<u>7,748,768</u>
Governmental activities capital assets, net	<u>\$ 7,997,319</u>	<u>\$ (237,833)</u>	<u>\$ -</u>	<u>\$ 7,759,486</u>

None of the above equipment amounts are being acquired under capital leases or contracts as of June 30, 2016.

*Depreciation Expense*

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

<b>Governmental Activities</b>		<b>Business-type Activities</b>	
Administration	\$ 31,592	Water Utility	\$ 11,883
Police	63,849	Sewer Utility	225,950
Fire	39,290	Total	<u>\$ 237,833</u>
Streets	5,309		
Sanitation	13,444		
Parks and Recreation	17,213		
Cemetery	195		
Pool	18,817		
Library	5,756		
Senior Center	17,382		
Total	<u>\$ 212,847</u>		

**Town of Hayden, Arizona  
Notes to Financial Statements  
June 30, 2016**

**B. Liabilities**

**1. Long-Term Liabilities**

The Town had no special assessment debt at June 30, 2016.

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

	Balance July 01, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
<b>Governmental Activities</b>					
Compensated Absences:	\$ 59,416	\$ 1,502	\$ -	\$ 60,918	\$ 12,184
Net pension liabilities	1,353,209		(226,867)	1,126,342	
Total	<u>\$ 1,412,625</u>	<u>\$ 1,502</u>	<u>\$ (226,867)</u>	<u>\$ 1,187,260</u>	<u>\$ 12,184</u>
<b>Business-type Activities</b>					
Municipal Property Corporation Debt	\$ 447,442	\$ -	\$ (6,995)	\$ 440,447	\$ 7,190
Compensated Absences:	10,966	-	(6,962)	4,004	801
Net pension liabilities	173,682	25,083		198,765	
Total	<u>\$ 632,090</u>	<u>\$ 25,083</u>	<u>\$ (13,957)</u>	<u>\$ 643,216</u>	<u>\$ 7,991</u>

**Note Payable**

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, 2016 was \$12,217. Beginning October 2014, \$215 per month will be designated as the Reserve Account until the sum of \$5,800 is reached. At June 30, 2016 \$4,515 had been accumulated in this restricted reserve account. Future payments due on the loan are as follows:

	Total	Interest	Principal
2017	\$ 19,212	\$ 12,022	\$ 7,190
2018	19,212	11,822	7,390
2019	19,212	11,616	7,596
2020	19,212	11,405	7,807
2021	19,212	11,187	8,025
2022-2026	96,060	52,456	43,604
2027-2031	96,060	46,037	50,023
2032-2036	96,060	38,672	57,388
2037-2041	96,060	30,224	65,836
2042-2046	96,060	20,531	75,529
2047-2051	96,060	9,412	86,648
2052-2053	23,839	429	23,411
	<u>\$ 696,259</u>	<u>\$ 255,813</u>	<u>\$ 440,447</u>

**Town of Hayden, Arizona  
Notes to Financial Statements  
June 30, 2016**

**2. Interfund receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described and "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, 2016:

	<u>Governmental Activities</u>		<u>Fiduciary</u>
	<u>Interfund Receivables (Due From)</u>	<u>Interfund Payables (Due to)</u>	<u>Interfund Payables (Due to)</u>
General Fund	\$ 127,544	\$ (20,100)	\$ -
Highway Users Fund	-	-	-
Grant Fund	20,100	-	-
Volunteer Firemen's Relief and Pension Fund	-	-	(27,124)
Senior Center Fund	-	(99,293)	-
Library Fund	-	(1,127)	-
	<u>\$ 147,644</u>	<u>\$ (120,520)</u>	<u>\$ (27,124)</u>

**3. Interfund Transfers**

Transfers within the reporting entity are for the purposes of subsidizing operating functions. The General Fund transferred \$19,502 to the Senior Center Fund, \$186,330 to the Utility Funds, and \$44,337 to the Library Fund for the year ended June 30, 2016.

**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.

**5. Pensions**

The Town contributes to the Arizona State Retirement System (ASRS) and the Public Safety Personnel Retirement System (PSPRS) – Police. The plans are component units of the State of Arizona.

**Town of Hayden, Arizona**  
**Notes to Financial Statements**  
**June 30, 2016**

At June 30, 2016 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 asset	\$ 1,027,471	\$ -	\$ 1,027,471
Net pension liabilities	1,126,342	198,765	1,325,107
Deferred outflows of resources	173,603	15,767	189,370
Deferred inflows of resources	426,400	52,547	478,947

The Town reported \$97,915 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

**A. Arizona State Retirement System**

Plan description - Town employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

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

ASRS	Initial membership date:	
	Before January 1, 2011	On or after January 1, 2011
Retirement and disability		
Years of service and age required to receive benefit	years and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\*With actuarially reduced benefits.

**Town of Hayden, Arizona**  
**Notes to Financial Statements**  
**June 30, 2016**

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

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.36 percent (9.17 percent for retirement, 0.13 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS. The Town's contributions to the pension plan for the year ended June 30, 2016, were \$68,950. The Town's OPEB contributions for the current and 2 preceding years, all of which were equal to the required contributions, were as follows:

ASRS	Health benefit	Long-term disability
Year ended June 30	supplement fund	fund
2016	\$ 302	\$ 73
2015	372	89
2014	434	104

During fiscal year 2016, the Town paid for ASRS pension and OPEB contributions as follows: 63 percent from the general fund, 28 percent from major funds, and 15 percent from enterprise funds.

Pension liability - At June 30, 2016, the Town reported a liability of \$1,325,107 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2015. The Town's proportion measured as of June 30, 2015, was .008 percent, which was a decrease of .008 percent from its proportion measured as of June 30, 2014.

**Town of Hayden, Arizona**  
**Notes to Financial Statements**  
**June 30, 2016**

Pension expense and deferred outflows/inflows of resources - For the year ended June 30, 2016, the Town recognized pension expense for ASRS of \$62,218. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>ASRS</b>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 36,159	\$ 69,437
Net Difference between projected and actual earnings on pension plan investments	-	42,467
Changes in proportion and differences between contributions and proportionate share of contributions	-	238,412
City contributions subsequent to the measurement date	68,950	-
	<u>\$ 105,109</u>	<u>\$ 350,316</u>

The \$68,950 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Schedule of Net Deferred Outflows and Inflows (Five Years)	
Year ending June 30	
2017	\$ (77,330)
2018	(149,000)
2019	(49,532)
2020	30,655
2021	-
	<u>\$ (245,207)</u>

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

ASRS	
Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rate	1994 GAM Scale BB

**Town of Hayden, Arizona**  
**Notes to Financial Statements**  
**June 30, 2016**

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

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

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

ASRS Asset class	Target allocation	Long-term expected arithmetic real rate of return
Equity	58%	6.79%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.93%
Total	<u>100%</u>	

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

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

ASRS	1% Decrease 7%	Current discount rate 8%	1% Increase 9%
City's proportionate share of the net pension liability	<u>\$ 1,736,275</u>	<u>\$ 1,325,107</u>	<u>\$ 1,043,275</u>

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

**Town of Hayden, Arizona  
Notes to Financial Statements  
June 30, 2016**

**B. Public Safety Personnel Retirement System**

Plan descriptions - Town Police employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPRS plan. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

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

PSPRS	INITIAL MEMBERSHIP DATE	
	Before January 1, 2012	On or after January 1, 2012
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years any age or 15 years age 62	25 years and age 52.5
Final average salary based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
<b>Benefit Percent</b>		
Normal Retirement	50% less 2% for each year of credited service less than 20 years OR plus 2% or 2.5% for each year of credited service over 20 years not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit</b>		
Retired Members	80% of retired member's pension benefits	
Active Members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**Town of Hayden, Arizona**  
**Notes to Financial Statements**  
**June 30, 2016**

Employees covered by benefit terms - At June 30, 2016, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police
Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	4
Active employees	6
Total	10

Contributions and annual OPEB cost - State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2016, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police
Active members -Pension City Contributions	7.14%
Pension	16.40%
Health Insurance Premium Benefit	0.65%

For the agent plans, the Town's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2016, were:

	PSPRS Police
Pension contributions made	\$ 39,034
Health Insurance Premium Benefit	
Annual OPEB cost	254
Contributions made	254

Pension liability (asset)—At June 30, 2016, the Town reported the following net pension liabilities (and asset):

	Net pension (asset)
PSPRS Police	\$ (1,027,471)

The net pension liabilities (and asset) were measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

**Town of Hayden, Arizona  
Notes to Financial Statements  
June 30, 2016**

In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the Town's net pension liability as a result of the statutory adjustments is not known.

Pension actuarial assumptions - The significant actuarial assumptions used to measure the total pension liability are as follows:

PSPRS	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rate	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset class	Target allocation	Long-term expected geometric real rate of return
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	<u>100%</u>	

Pension discount rates—The discount rate used to measure the PSPRS total pension liabilities was 7.85 percent. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit

**Town of Hayden, Arizona**  
**Notes to Financial Statements**  
**June 30, 2016**

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.

Changes in the net pension liability (asset):

	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) - (b)
<b>PSPRS - Police</b>			
Balances at June 30, 2015	\$ 335,804	\$ 1,248,380	\$ (912,576)
Changes for the year:			
Service cost	95,972	-	95,972
Interest on the total pension liability	29,545	-	29,545
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	(50,880)	-	(50,880)
Changes of assumptions or other inputs	-	-	-
Contributions - employer	-	95,963	(95,963)
Contributions - employee	-	42,001	(42,001)
Net investment income	-	48,444	(48,444)
Benefit payments, including refunds of employee contributions	(14,830)	(14,830)	-
Administrative expense	-	(1,569)	1,569
Other changes	-	4,693	(4,693)
Net changes	<u>59,807</u>	<u>174,702</u>	<u>(114,895)</u>
Balances at June 30, 2016	<u>\$ 395,611</u>	<u>\$ 1,423,082</u>	<u>\$ (1,027,471)</u>

Sensitivity of the Town's net pension liability (asset) to changes in the discount rate—The following table presents the Town's net pension liabilities (assets) calculated using the discount rate of 7.85 percent, as well as what the Town's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.85 percent) or 1 percentage point higher (8.85 percent) than the current rate:

	1% Decrease 6.85%	Current Discount Rate 7.85%	1% Increase 8.85%
The City's proportionate share of net pension liability			
PSPRS - Police	\$ (958,885)	\$ (1,027,471)	\$ (1,083,562)

Pension plan fiduciary net position—Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Pension expense - For the year ended June 30, 2016, the Town recognized pension revenue of \$106,751 relating to PSPRS.

**Town of Hayden, Arizona**  
**Notes to Financial Statements**  
**June 30, 2016**

Pension deferred outflows/inflows of resources - At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS - Police		
Differences between expected and actual experience	\$ -	\$ 92,713
Net Difference between projected and actual earnings on pension plan investments	43,607	35,918
Changes in assumptions	1,619	-
City contributions subsequent to the measurement date	39,035	-
	\$ 84,261	\$ 128,631

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an increase in the net pension asset) in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PSRPS Police
Year ending June 30	
2017	\$ 20,482
2018	(18,553)
2019	(18,555)
2020	(6,582)
2021	(16,224)
Thereafter	(4,938)
	\$ (44,370)

Agent plan OPEB actuarial assumptions—The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Town of Hayden, Arizona**  
**Notes to Financial Statements**  
**June 30, 2016**

Projections of benefits are based on (1) the plans as the Town and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS and CORP plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2016 contribution requirements:

PSPRS and CORP—OPEB contribution requirements	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%–8% for PSPRS
Wage growth	4% for PSPRS

Agent plan OPEB trend information—Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows for each of the agent plans:

Year ended June 30	Annual OPEB cost	Percentage of annual cost contributed	Net OPEB obligation
<b>PSPRS Police</b>			
2016	\$ 254	100%	\$ -
2015	188	100%	-
2014	215	100%	-

Agent plan OPEB funded status—The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow.

	PSPRS
Actuarial value of assets (a)	47,602
Actuarial accrued liability (b)	16,290
Unfunded actuarial accrued liability (funding excess) (b) – (a)	(31,312)
Funded ratio (a)/(b)	292.22%
Annual covered payroll (c)	340,314
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a) / ( c)	-9.20%

**Town of Hayden, Arizona  
Notes to Financial Statements  
June 30, 2016**

The actuarial methods and assumptions used are the same for all the PSPRS health insurance premium benefit plans (unless noted), and for the most recent valuation date are as follows:

PSPRS—OPEB funded status	
Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%–8% for PSPRS

#### **IV. CONTINGENCIES AND COMMITMENTS**

##### **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

##### **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 a reimbursement which may arise as the result of these audits, is not believed to be material.

##### **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, 2016. 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.

**Town of Hayden, Arizona  
Notes to Financial Statements  
June 30, 2016**

**IV. RESTATEMENT**

During 2016, the Town evaluated its compensated absences liability and determined that the liabilities were not current and therefore should not have been recognized for the modified accrual approach as presented on the governmental funds financial statements. As a result, the beginning balances of the governmental funds were restated to reflect the change.

	<b>General Fund</b>	<b>Senior Center</b>	
		<b>Fund</b>	<b>Library Fund</b>
<b>Governmental funds</b>			
Fund Balance, June 30, 2015, as previously reported	\$ 1,305,946	\$ -	\$ -
Adjustments to reduce compensated absences liability	52,468	2,845	4,104
Fund Balance, June 30, 2015, as restated	<u>\$ 1,358,414</u>	<u>\$ 2,845</u>	<u>\$ 4,104</u>
 <b>Governmental Activities</b>			
Net position, June 30, 2015, as previously reported	\$ 3,191,318		
Adjustments for unrecorded prior year deferred outflows	126,850		
Net position, June 30, 2015, as restated	<u>\$ 3,318,168</u>		

**Required Supplementary Information**

**Town of Hayden, Arizona**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
State Sales Tax	\$ 63,240	\$ 63,240	\$ 62,827	\$ (413)
State Revenue Sharing	180,600	180,600	180,600	-
Property Tax	288,300	288,300	214,137	(74,163)
Vehicle Lieu Tax	40,670	40,670	28,966	(11,704)
City Sales Tax	1,812,550	1,812,550	1,134,688	(677,862)
Winkelman Intergovernmental Contract	65,000	65,000	65,000	-
Utility Franchise	14,000	14,000	11,844	(2,156)
Licenses, Permits and Other	27,750	27,750	18,436	(9,314)
Fines and Forfeitures	5,500	5,500	3,192	(2,308)
Sanitation Fees	25,000	25,000	18,007	(6,993)
Golf Course Fees	30,000	30,000	33,206	3,206
Interest Income	6,500	6,500	3,513	(2,987)
Gain on Investments	-	-	585	585
Other	62,750	62,750	-	(62,750)
Total Revenues	<u>2,621,860</u>	<u>2,621,860</u>	<u>1,775,001</u>	<u>(846,859)</u>
General Government	609,290	609,490	430,748	178,742
Contingency	900,255	949,920	-	949,920
Police	897,250	873,250	600,199	273,051
Fire	99,155	90,155	64,276	25,879
Sanitation	292,750	280,050	142,399	137,651
Parks and Recreation/Golf Course	302,195	287,855	247,238	40,617
Cemetery	9,000	9,000	2,396	6,604
Pool	50,275	50,275	34,180	16,095
Animal Control	18,000	18,000	9,612	8,388
Capital Outlay	87,000	87,000	20,486	66,514
Total Expenditures	<u>3,265,170</u>	<u>3,254,995</u>	<u>1,551,534</u>	<u>1,703,461</u>
Excess of Revenues over (under) Expenditures	(643,310)	(633,135)	223,467	856,602
<b>Other Financing Sources (Uses)</b>				
Transfer to other Funds	(554,900)	(554,900)	(250,169)	304,731
Net Other Financing Sources (Uses)	<u>(554,900)</u>	<u>(554,900)</u>	<u>(250,169)</u>	<u>304,731</u>
Net change in fund balances	(1,198,210)	(1,188,035)	(26,702)	1,161,333
Fund Balance, Beginning	1,358,414	1,358,414	1,358,414	-
Fund Balance, Ending	<u>\$ 160,204</u>	<u>\$ 170,379</u>	<u>\$ 1,331,712</u>	<u>\$ 1,161,333</u>

**Town of Hayden, Arizona**  
**Budgetary Comparison Schedule**  
**HURF Fund**  
**For the Year Ended June 30, 2016**

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Highway Users Tax	\$ 63,760	\$ 63,760	\$ 62,610	\$ (1,150)
Transportation Excise Tax	48,000	\$ 48,000	58,698	10,698
Total Revenues	<u>111,760</u>	<u>111,760</u>	<u>121,308</u>	<u>9,548</u>
<b>Expenditures:</b>				
Streets	216,905	216,905	129,396	87,509
Total Expenditures	<u>216,905</u>	<u>216,905</u>	<u>129,396</u>	<u>87,509</u>
Excess of Revenues				
(Under) Expenditures	<u>(105,145)</u>	<u>(105,145)</u>	<u>(8,088)</u>	<u>97,057</u>
Fund Balance, Beginning	<u>99,819</u>	<u>99,819</u>	<u>99,819</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (5,326)</u>	<u>\$ (5,326)</u>	<u>\$ 91,731</u>	<u>\$ 97,057</u>

**Town of Hayden, Arizona**  
**Budgetary Comparison Schedule**  
**Grants Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Grant Revenue	\$ 4,000,000	\$ 4,000,000	\$ 124,511	\$ (3,875,489)
Total Revenues	<u>4,000,000</u>	<u>4,000,000</u>	<u>124,511</u>	<u>(3,875,489)</u>
<b>Expenditures:</b>				
General Government	-	-	1,500	(1,500)
Fire	-	-	769	(769)
Library	-	-	4,000	(4,000)
Community Center	-	-	111,848	(111,848)
Capital Outlay	-	-	6,394	(6,394)
Grant Expenditures	4,000,000	4,000,000	-	4,000,000
Total Expenditures	<u>4,000,000</u>	<u>4,000,000</u>	<u>124,511</u>	<u>(124,511)</u>
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Town of Hayden, Arizona**  
**Budgetary Comparison Schedule**  
**Senior Center Fund**  
**For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Grant Revenue	\$ 178,140	\$ 178,140	\$ 137,121	\$ (41,019)
Licenses, Permits and Other	-	-	111,505	111,505
Total Revenues	<u>178,140</u>	<u>178,140</u>	<u>248,626</u>	<u>70,486</u>
<b>Expenditures:</b>				
Senior Center	296,445	298,480	270,973	27,507
Total Expenditures	<u>296,445</u>	<u>298,480</u>	<u>270,973</u>	<u>27,507</u>
Excess of Revenues Over (Under) Expenditures	(118,305)	(120,340)	(22,347)	97,993
<b>Other Financing Sources (Uses)</b>				
Transfer from general fund	118,305	118,305	19,502	(98,803)
Net Other Financing Sources (Uses)	<u>118,305</u>	<u>118,305</u>	<u>19,502</u>	<u>(98,803)</u>
Net Change in Fund Balance	<u>-</u>	<u>(2,035)</u>	<u>(2,845)</u>	<u>(810)</u>
Fund Balance, Beginning	<u>2,845</u>	<u>2,845</u>	<u>2,845</u>	<u>-</u>
Fund Balance, Ending	<u>\$ 2,845</u>	<u>\$ 810</u>	<u>\$ -</u>	<u>\$ (810)</u>

**Town of Hayden, Arizona**  
**Budgetary Comparison Schedule**  
**Library Fund**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues:</b>				
Licenses, Permits and Other	\$ 2,150	\$ 2,150	\$ 762	\$ (1,388)
County Library Property Tax	47,120	47,120	46,900	(220)
Total Revenue	<u>49,270</u>	<u>49,270</u>	<u>47,662</u>	<u>(1,608)</u>
<b>Expenditures:</b>				
Library	149,220	146,580	96,103	50,477
Total Expenditures	<u>149,220</u>	<u>146,580</u>	<u>96,103</u>	<u>50,477</u>
Excess of Revenues Over (Under) Expenditures	(99,950)	(97,310)	(48,441)	48,869
<b>Other Financing Sources (Uses)</b>				
Transfer from general fund	99,950	99,950	44,337	(55,613)
Net Other Financing Sources (Uses)	<u>99,950</u>	<u>99,950</u>	<u>44,337</u>	<u>(55,613)</u>
Net change in fund balance	-	2,640	(4,104)	(6,744)
Fund Balance, Beginning	4,104	4,104	4,104	-
Fund Balance, Ending	<u>\$ 4,104</u>	<u>\$ 6,744</u>	<u>\$ -</u>	<u>\$ (6,744)</u>

**Town of Hayden, Arizona**  
**Required Supplementary Information**  
**Schedule of the Town's Proportionate Share of Net Position Liability**  
**Cost-Sharing Plans**  
**For the Year Ended June 30, 2016**

**Arizona State Retirement System**

	<u>2016</u> <u>(2015)</u>	<u>2015</u> <u>(2014)</u>	<u>2013</u> <u>through</u> <u>2007</u>
Town's proportion of net pension liability	0.00851%	0.01032%	Information not available
Town's proportion share of net pension liability	\$ 1,325,107	\$ 1,526,891	
Town's covered-employee payroll	\$ 646,147	\$ 783,554	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	48.76%	51.32%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	

**Town of Hayden, Arizona**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's Net Pension Liability (Asset) and**  
**Related Ratios – Agent Pension Plans**  
**June 30, 2016**

<b>Public Safety Personnel Retirement System - Police</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<b>(2015)</b>	<b>(2014)</b>	<b>through</b>
	<u>          </u>	<u>          </u>	<u>2007</u>
Total pension liability			Information
Service cost	\$ 95,972	\$ 98,039	not available
Interest on total pension liability	29,545	26,222	
Changes in benefit terms	-	(1,984)	
Difference between expected and actual experience in the measurement of the pension liability	(50,880)	(69,806)	
Changes in assumptions or other inputs	-	2,283	
Benefit payments, including refunds of employee contributions	<u>(14,830)</u>	<u>(7,935)</u>	
Net change in pension liability	59,807	46,819	
Total pension liability - beginning	<u>335,804</u>	<u>288,985</u>	
Total pension liability - ending (a)	<u><u>\$ 395,611</u></u>	<u><u>\$ 335,804</u></u>	
Plan fiduciary net position			
Contributions - employer	95,963	49,263	
Contributions - employee	42,001	40,346	
Net investment income	48,444	145,233	
Benefit payments, including refunds of employee contributions	(14,830)	(7,935)	
Pension plan administrative expense	(1,569)	-	
Other changes	4,693	(50,425)	
Net change in plan fiduciary net position	<u>174,702</u>	<u>176,482</u>	
Total pension liability - beginning	<u>1,248,380</u>	<u>1,071,898</u>	
Total pension liability - ending (b)	<u>1,423,082</u>	<u>1,248,380</u>	
Town's net pension liability - ending (a) - (b)	<u><u>\$ (1,027,471)</u></u>	<u><u>\$ (912,576)</u></u>	
Plan fiduciary net position as a percentage of the total pension liability	359.72%	371.76%	
Covered payroll	318,988	490,868	
County's net pension liability as a percentage of covered payroll	-322.10%	-185.91%	

**Town of Hayden, Arizona**  
**Required Supplementary Information**  
**Schedule of Town Pension Contributions**  
**June 30, 2016**

**Arizona State Retirement System**

	<u>2016 (2015)</u>	<u>2015 (2014)</u>	<u>2014 (2013)</u>	<u>2013 through 2007</u>
Statutorily determined contribution	\$ 69,325	\$ 85,329	\$ 99,532	Information not available
Town's contributions in relation to the statutorily determined contributions	69,325	85,329	99,532	
Town's contribution (deficiency) excess	<u>-</u>	<u>-</u>	<u>-</u>	
Town's covered-employee payroll	<u>\$ 646,147</u>	<u>\$ 783,554</u>	<u>\$ 930,206</u>	
Town's contributions as a percentage of covered payroll	10.85%	10.89%	11.30%	

**Public Safety Personnel Retirement System - Police**

	<u>2016 (2015)</u>	<u>2015 (2014)</u>	<u>2014 (2013)</u>	<u>2013 through 2007</u>
Statutorily determined contribution	\$ 38,748	\$ 39,362	\$ 46,484	Information not available
Town's contributions in relation to the statutorily determined contributions	38,748	39,362	46,484	
Town's contribution (deficiency) excess	<u>-</u>	<u>-</u>	<u>-</u>	
Town's covered-employee payroll	<u>\$ 315,044</u>	<u>\$ 290,924</u>	<u>\$ 354,302</u>	
Town's contributions as a percentage of covered payroll	12.30%	13.53%	13.12%	

**Town of Hayden, Arizona**  
**Required Supplementary Information**  
**Notes to Pension Plan Schedules**  
**June 30, 2016**

**Note 1 - Actuarially determined contribution rates**

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2014 actuarial valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions: Investment rate of return	In the actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS
Wage growth	In 2014 the actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

**Town of Hayden, Arizona**  
**Required Supplementary Information**  
**Schedule of Agent OPEB Plan's Funding Progress and Related Notes**  
**Year Ended June 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL (Funding Excess) as Percentage of Covered Payroll ([b-a]/c)
<b>PSPRS - Police</b>						
6/30/2016	1,618,904	518,911	(1,099,993)	312.0%	315,044	0.0%
6/30/2015	1,456,346	395,611	(1,060,735)	368.1%	290,924	0.0%
6/30/2014	1,265,934	335,804	(930,130)	377.0%	354,302	0.0%

**Note 2 – Factors that affect the identification of trends**

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same pension fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's pension fund to the new health insurance fund.

## **Other Supplementary Information**

**Town of Hayden, Arizona**  
**Budgetary Comparison Schedule**  
**Water Utility Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (negative)
<b>Operating Revenues:</b>				
Charges for Services	\$ 35,000	\$ 35,000	\$ 30,321	\$ (4,679)
Taps, Extensions and Permits	1,000	1,000	60	(940)
Total Operating Revenues	<u>36,000</u>	<u>36,000</u>	<u>30,381</u>	<u>(5,619)</u>
<b>Operating Expenses:</b>				
Personal Services	151,135	151,135	96,705	54,430
Telephone and Utilities	16,200	16,200	15,794	406
Repairs and Maintenance	12,000	12,000	2,131	9,869
Supplies	15,500	15,500	5,464	10,036
Miscellaneous	8,500	8,500	4,471	4,029
Consultants	25,000	25,000	7,872	17,128
Total Operating Expenses	<u>228,335</u>	<u>228,335</u>	<u>132,437</u>	<u>95,898</u>
<b>Operating Income (Loss)</b>	<u>(192,335)</u>	<u>(192,335)</u>	<u>(102,056)</u>	<u>(294,391)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Transfer from General Fund	157,335	157,335	69,858	(87,477)
Water Finance Authority Grant	35,000	35,000	-	(35,000)
Total Non-Operating Revenues (Expenses)	<u>192,335</u>	<u>192,335</u>	<u>69,858</u>	<u>(122,477)</u>
<b>Changes in Net Position-Budgetary Basis</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (32,198)</u>	<u>\$ (32,198)</u>

Budgetary basis above does not include depreciation expense but includes capital acquisitions as expenditures.

**Town of Hayden, Arizona**  
**Budgetary Comparison Schedule**  
**Sewer Utility Fund**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts (Budgetary Basis)	Final Budget Positive (negative)
<b>Operating Revenues:</b>				
Charges for Services	\$ 112,000	\$ 112,000	\$ 113,266	\$ 1,266
Taps, Extensions and Permits	1,000	1,000	-	(1,000)
Total Operating Revenues	<u>113,000</u>	<u>113,000</u>	<u>113,266</u>	<u>266</u>
<b>Operating Expenses:</b>				
Personal Services	110,330	110,330	112,302	(1,972)
Telephone and Utilities	36,000	36,000	36,141	(141)
Repairs and Maintenance	35,000	35,000	35,801	(801)
Supplies	14,500	14,500	942	13,558
Miscellaneous	15,000	15,000	1,596	13,404
Consultants	40,000	40,000	33,817	6,183
Debt Service	19,215	19,215	12,217	6,998
Total Operating Expenses	<u>270,045</u>	<u>270,045</u>	<u>232,816</u>	<u>37,229</u>
<b>Non-Operating Revenues (Expenses):</b>				
Transfer from General Fund	157,045	157,045	116,472	40,573
Total Non-Operating Revenues (Expenses)	<u>157,045</u>	<u>157,045</u>	<u>116,472</u>	<u>40,573</u>
<b>Changes in Net Position-Budgetary Basis</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,078)</u>	<u>\$ (3,078)</u>

Budgetary basis above does not include depreciation expense but includes capital acquisitions as expenditures.