

Town of Hayden, Arizona

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

For the Year Ended June 30, 2018

Town of Hayden, Arizona
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Town of Hayden, Arizona

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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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 through 11, the budgetary comparison schedules on pages 48 through 52, schedule of the Town's proportionate share of the net pension/OPEB liability-cost sharing pension plans on page 53, schedule of changes in the Town's net pension/OPEB liability (asset) and related ratios-agent pension plans on page 54, schedule of Town's pension contributions on page 55, and the schedule of agent OPEB plans' funding progress on page 57 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.

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 January 22, 2019, 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

Tempe, Arizona
January 22, 2019

Town of Hayden, Arizona
Management Discussion and Analysis
June 30, 2018

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, 2018. 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 \$10,526,905 (net position) for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Capital assets of \$9,055,095 include property and equipment, net of accumulated depreciation and related debt.
 - (2) Restricted net position for loan reserve requirements \$5,800.
 - (3) Unrestricted net position of \$1,891,877 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 \$1,879,594 this year. This compares to the prior year total ending fund balance of \$1,982,202 showing a decrease of \$102,608 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, 2018

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 programs and are reported similarly to proprietary funds.

Town of Hayden, Arizona
Management Discussion and Analysis
June 30, 2018

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, 2018:

SUMMARY OF NET POSITION

	Governmental Activities 2018	Business- type Activities 2018	Totals 2018	Totals 2017	Amount Change
Current and other assets	\$ 3,208,140	\$ 28,425	\$ 3,236,565	\$ 3,489,159	\$ (252,594)
Non-current assets					
Capital assets	1,768,130	7,286,965	9,055,095	9,408,705	(353,610)
Total Assets	<u>4,976,270</u>	<u>7,315,390</u>	<u>12,291,660</u>	<u>12,897,864</u>	<u>(606,204)</u>
Deferred Outflow s of Resources	211,184	27,244	238,428	353,230	(114,802)
Current liabilities	132,892	20,814	153,706	139,242	14,464
Non-current liabilities	858,078	629,735	1,487,813	1,608,137	(120,324)
Total Liabilities	<u>990,970</u>	<u>650,549</u>	<u>1,641,519</u>	<u>1,747,379</u>	<u>(105,860)</u>
Deferred Inflow s of Resources	314,079	47,585	361,664	559,378	(197,714)
Invested in capital assets	1,768,130	6,861,098	8,629,228	8,975,448	(346,220)
Restricted	-	5,800	5,800	64,417	(58,617)
Unrestricted	<u>2,114,275</u>	<u>(222,398)</u>	<u>1,891,877</u>	<u>1,904,472</u>	<u>(12,595)</u>
Total Net Position	<u>\$ 3,882,405</u>	<u>\$ 6,644,500</u>	<u>\$ 10,526,905</u>	<u>\$ 10,944,337</u>	<u>\$ (417,432)</u>

The Town reported net position for governmental activities of \$3,882,405 and a net position for business-type activities of \$6,644,500. Net position decreased \$236,148 for governmental activities and decreased \$181,284 for business-type activities.

Town of Hayden, Arizona
Management Discussion and Analysis
June 30, 2018

The following table provides a summary of the Town's changes in net position for the year ended June 30, 2018.

SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities 2018	Business- type Activities 2018	Totals 2018	Totals 2017	Amount Change
Revenues:					
Program revenues:					
Charges for services	\$ 354,275	\$ 172,265	\$ 526,540	\$ 419,654	\$ 106,886
Operating grants and contributions	373,283	-	373,283	308,141	65,142
Capital grants and contributions	-	-	-	-	-
General revenues:					
City sales tax	1,085,204	-	1,085,204	1,216,707	(131,503)
State taxes and shared revenues	289,418	-	289,418	345,652	(56,234)
Property tax	243,224	-	243,224	756,258	(513,034)
Pension revenue	173,551	35,104	208,655	-	208,655
Other	27,497	-	27,497	19,182	8,315
Total Revenues	<u>2,546,452</u>	<u>207,369</u>	<u>2,753,821</u>	<u>3,065,594</u>	<u>(311,773)</u>
Expenses:					
General government	566,260	-	566,260	387,504	178,756
Police	729,202	-	729,202	549,862	179,340
Fire	94,379	-	94,379	85,341	9,038
Sanitation	172,679	-	172,679	118,906	53,773
Parks and Recreation/Golf Course/Pool	323,882	-	323,882	252,017	71,865
Streets	147,415	-	147,415	129,919	17,496
Library	108,034	-	108,034	74,995	33,039
Cemetery	3,160	-	3,160	2,734	426
Senior Center	297,523	-	297,523	231,849	65,674
Community development	120,727	-	120,727	-	120,727
Animal Control	5,015	-	5,015	6,943	(1,928)
Water Utility	-	171,149	171,149	141,970	29,179
Sewer Utility	-	431,828	431,828	483,621	(51,793)
Total Expenses	<u>2,568,276</u>	<u>602,977</u>	<u>3,171,253</u>	<u>2,465,661</u>	<u>705,592</u>
Transfers	(214,324)	214,324	-	-	-
Change in net position	(236,148)	(181,284)	(417,432)	599,933	(1,017,365)
Beginning net position	4,118,553	6,825,784	10,944,337	10,344,404	599,933
Ending net position	<u>\$ 3,882,405</u>	<u>\$ 6,644,500</u>	<u>\$ 10,526,905</u>	<u>\$ 10,944,337</u>	<u>\$ (417,432)</u>

Town of Hayden, Arizona
Management Discussion and Analysis
June 30, 2018

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 \$2,566,370 in 2017-2018, a decrease of 9.0% from 2016-2017.

A comparative summary of principal revenues is as follows:

	Increase (Decrease) from 2016-2017			2016-2017 Amount
	2017-2018 Amount	Amount	%	
State Sales Tax	\$ 60,963	\$ 6,720		\$ 54,243
State Revenue Sharing	185,789	(2,858)		188,647
Highway Users Tax	67,971	(1,279)		69,250
Transportation Excise Tax	46,114	(15,736)		61,850
Property Tax	390,344	(226,203)		616,547
Vehicle Lieu Tax	42,666	1,754		40,912
Grant Revenue	259,198	20,307		238,891
Town Sales Tax	1,085,204	(131,503)		1,216,707
Winkelman Intergovernmental Contract	157,176	80,322		76,854
Utility Franchise	8,676	(2,218)		10,894
Licenses, Permits and Other	112,254	(6,024)		118,278
County Library Property Tax	46,600	(3,000)		49,600
Fines and Forfeitures	6,383	2,178		4,205
Sanitation Fees	47,655	13,844		33,811
Golf Course Fees	30,556	(1,977)		32,533
Interest Income	18,821	10,533		8,288
	<u>\$ 2,566,370</u>	<u>\$ (255,140)</u>	<u>-9.0%</u>	<u>\$ 2,821,510</u>

**Town of Hayden, Arizona
Management Discussion and Analysis
June 30, 2018**

Operating expenditures totaled \$2,454,654 in 2017-2018. This represents a decrease of 18.9% from the prior year. The schedule that follows summarizes the expenditures.

	2017-2018 Amount	Increase (Decrease) from 2016-2017		2016-2017 Amount
		Amount	%	
General Government	\$ 429,044	\$ (8,025)		\$ 437,069
Police	752,334	210,339		541,995
Fire	55,623	10,019		45,604
Streets	145,696	(17,041)		162,737
Sanitation	173,035	39,558		133,477
Parks and Recreation/Golf Course	265,042	17,854		247,188
Cemetery	2,965	426		2,539
Pool	43,492	9,970		33,522
Library	108,859	11,844		97,015
Senior Center	280,900	40,455		240,445
Community Development	120,727	120,727		-
Animal Control	5,301	(4,816)		10,117
Capital Outlay	71,636	(41,419)		113,055
	<u>\$ 2,454,654</u>	<u>\$ 389,891</u>	<u>18.9%</u>	<u>\$ 2,064,763</u>

Operating Revenues (\$2,566,370) exceeded operating expenditures (\$2,454,654) by \$111,716 and transfers to other funds of \$214,324 decreased the Town's overall governmental fund balance carryover. Carryover fund balance decreased from \$1,982,202 at June 30, 2017 to \$1,879,594 at June 30, 2018. The decrease was primarily due to increases in expenditures.

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 \$181,284 for the year ended June 30, 2018 compared to a decrease of \$269,564 for 2016-2017.

Town Payroll and Fringe Benefits

The Town's gross payroll for 2017-2018 was \$1,210,312 an increase of \$224,193, or 22.7% from 2016-2017. Although salary and fringe benefit increases were over 20%, in fiscal year 2017-2018 all Town employees returned to full time status and were no longer on the one day per pay period reduced hours as they were in fiscal year 2016-2017. A summary by department follows:

	2017-2018 Amount	Increase (Decrease) from 2016-2017		2016-2017 Amount
		Amount	%	
Administration	143,306	34,209		109,097
Police	452,149	116,132		336,017
Fire	22,454	337		22,117
Public works	417,195	37,950		379,245
Library	57,119	4,708		52,411
Senior Center	118,089	30,857		87,232
	<u>\$ 1,210,312</u>	<u>\$ 224,193</u>	<u>22.7%</u>	<u>\$ 986,119</u>

Town of Hayden, Arizona
Management Discussion and Analysis
June 30, 2018

The following payroll fringe benefits amounted to \$629,654, an increase of \$124,681, or 24.7%. The increase was due to increases in overall staffing and increases in the health insurance and industrial insurance premiums as follows:

	2017-2018 Amount	Increase (Decrease) from 2016-2017		2016-2017 Amount
		Amount	%	
Social security and Medicare taxes	\$ 89,798	\$ 20,109		\$ 69,689
ASRS Pension/OPEB contributions	85,759	17,849		67,910
PSPRS Pension/OPEB contributions	53,185	15,434		37,751
Volunteer firemen's pension contributions	605	25		580
Unemployment Taxes	1,018	(53)		1,071
Industrial Insurance	103,064	42,685		60,379
Health and life insurance	296,225	28,632		267,593
	<u>\$ 629,654</u>	<u>\$ 124,681</u>	<u>24.7%</u>	<u>\$ 504,973</u>

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 \$1,879,594, a decrease of \$102,608 in comparison with the prior year. Total amount constitutes the General Fund Balance, which is available for its ongoing obligations. At June 30, 2018 fund balances were as follows:

	2017-2018 Amount	Increase (Decrease) from 2016-2017		2016-2017 Amount
		Amount	%	
Governmental Funds:				
General Fund	\$ 1,879,594	\$ (42,514)		\$ 1,922,108
Highway Users Fund	-	(60,094)		60,094
Grants Fund	-	-		-
Senior Center Fund	-	-		-
Library fund	-	-		-
Total	\$ 1,879,594	\$ (102,608)	-5.2%	\$ 1,982,202
Proprietary Funds				
Water utility fund	\$ 105,434	\$ 3,350		\$ 102,084
Sewer utility fund	6,539,066	(184,634)		6,723,700
Total	<u>\$ 8,524,094</u>	<u>\$ (283,892)</u>	<u>-3.2%</u>	<u>\$ 8,807,986</u>

Budgetary Highlights

The Town's budgeted expenditures for the general fund for fiscal year 2018 was \$1,756,634. The amount represents an increase of \$305,873 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, 2018, there were no departments that exceeded the budgeted amounts.

**Town of Hayden, Arizona
Management Discussion and Analysis
June 30, 2018**

The expenditure limit adopted by the Town Council under its voter approved home-rule expenditure limitation option was \$8,750,000 for the year ended June 30, 2018. The Town's expenditures complied with this expenditure limitation.

Capital Asset and Debt Administration

Capital Assets

The following is a comparison of capital assets net of depreciation for 2018 and 2017.

	Governmental Activities		Business-Type Activities	
	2018	2017	2018	2017
Land	\$ 90,570	\$ 90,570	\$ 10,718	\$ 10,718
Buildings	750,278	800,511	-	-
Street infrastructure and other improvements	412,338	412,545	7,275,385	7,511,209
Furniture, Machinery and Equipment	514,944	581,671	862	1,481
	<u>\$ 1,768,130</u>	<u>\$ 1,885,297</u>	<u>\$ 7,286,965</u>	<u>\$ 7,523,408</u>

Long-Term Obligations

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). The loan was used 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%. The balance at June 30, 2018 was \$425,867 and Interest expense for the year ended June 30, 2018 was \$11,822.

Economic Factors and Next Year's Budget

The adopted combined operating and capital expenditure budget for fiscal year 2018-19 totals \$8.43 million, a decrease of \$320,000, or 4 percent, from the fiscal year 2017-18 budget. This decrease is primarily due to the decreased revenue from the IGA with Mammoth for Police Chief Services and the decrease in primary property valuation. The assessed value for primary property taxes decreased \$4.4 million or 41% in 2018-2019.

With the volatility of the Town's assessed valuation the Town is reducing costs where feasible while maintaining the same level of services to its residents. This budget includes a 5% utility rate increase to try and mitigate the general fund subsidies to the water and sewer funds.

Town of Hayden, Arizona
Statement of Net Position
June 30, 2018

	PRIMARY GOVERNMENT		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and investments	\$ 1,773,470	\$ -	\$ 1,773,470
Property Taxes Receivable	15,742	-	15,742
Accounts Receivable	10,349	22,143	32,492
Other Receivables	36,411	-	36,411
Due from Other Governments	156,343	-	156,343
Due from fiduciary fund	34,892	-	34,892
Prepaid Expenses	31,338	5,602	36,940
Net pension/OPEB asset	1,149,595	680	1,150,275
Capital assets, non-depreciable	90,570	10,718	101,288
Capital assets, depreciable, net	1,677,560	7,276,247	8,953,807
Total Assets	<u>4,976,270</u>	<u>7,315,390</u>	<u>12,291,660</u>
Deferred Outflows of Resources - Pensions	<u>211,184</u>	<u>27,244</u>	<u>238,428</u>
Liabilities			
Accounts payable	87,563	18,039	105,602
Accrued Expenses and Other Liabilities	45,329	2,775	48,104
Non-Current Liabilities:			
Due within one year:			
Municipal Property Corporation Loan Payable	-	7,807	7,807
Compensated Absences	11,730	1,573	13,303
Due in more than one year:			
Municipal Property Corporation Loan Payable	-	418,060	418,060
Compensated Absences	46,922	2,438	49,360
Net Pension Liabilities	799,426	199,857	999,283
Total liabilities	<u>990,970</u>	<u>650,549</u>	<u>1,641,519</u>
Deferred Inflows of Resources - Pensions	<u>314,079</u>	<u>47,585</u>	<u>361,664</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	1,768,130	6,861,098	8,629,228
Restricted	-	5,800	5,800
Unrestricted	2,114,275	(222,398)	1,891,877
Total Net Position	<u>\$ 3,882,405</u>	<u>\$ 6,644,500</u>	<u>\$ 10,526,905</u>

See Accompanying Notes to Financial Statements.

**Town of Hayden, Arizona
Statement of Activities
Years Ended June 30, 2018**

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
Governmental Activities:							
General Government	\$ 566,260	\$ 27,948	\$ 750	\$ -	\$ (537,562)	\$ -	\$ (537,562)
Police	729,202	160,146	2,262	-	(566,794)	-	(566,794)
Fire	94,379	-	-	-	(94,379)	-	(94,379)
Streets	147,415	-	114,085	-	(33,330)	-	(33,330)
Sanitation	172,679	47,655	-	-	(125,024)	-	(125,024)
Parks and Recreation/Golf Course	261,573	30,556	5,570	-	(225,447)	-	(225,447)
Cemetery	3,160	2,420	-	-	(740)	-	(740)
Pool	62,309	2,134	-	-	(60,175)	-	(60,175)
Library	108,034	466	2,000	-	(105,568)	-	(105,568)
Senior Center	297,523	82,399	127,889	-	(87,235)	-	(87,235)
Community Development	120,727	-	120,727	-	-	-	-
Animal Control	5,015	551	-	-	(4,464)	-	(4,464)
Total Governmental Activities	<u>2,568,276</u>	<u>354,275</u>	<u>373,283</u>	<u>-</u>	<u>(1,840,718)</u>	<u>-</u>	<u>(1,840,718)</u>
Business-type Activities:							
Water	171,149	57,716	-	-	-	(113,433)	(113,433)
Sewer	431,828	114,549	-	-	-	(317,279)	(317,279)
Total Business-type Activities	<u>602,977</u>	<u>172,265</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(430,712)</u>	<u>(430,712)</u>
Total	<u>\$ 3,171,253</u>	<u>\$ 526,540</u>	<u>\$ 373,283</u>	<u>\$ -</u>	<u>(1,840,718)</u>	<u>(430,712)</u>	<u>(2,271,430)</u>
General Revenues:							
State Sales Tax					60,963	-	60,963
State Revenue Sharing					185,789	-	185,789
Property Tax					243,224	-	243,224
Vehicle Lieu Tax					42,666	-	42,666
City Sales Tax					1,085,204	-	1,085,204
Utility Franchise Fees					8,676	-	8,676
Interest					18,821	-	18,821
Pension revenue					173,551	35,104	208,655
Transfers					(214,324)	214,324	-
Total General Revenues and Transfers					<u>1,604,570</u>	<u>249,428</u>	<u>1,853,998</u>
Change in Net Position					(236,148)	(181,284)	(417,432)
Net Position - Beginning, as restated					4,118,553	6,825,784	10,944,337
Net Position - Ending					<u>\$ 3,882,405</u>	<u>\$ 6,644,500</u>	<u>\$ 10,526,905</u>

See Accompanying Notes to Financial Statements.

Town of Hayden, Arizona
Balance Sheet – Governmental Funds
June 30, 2018

	General Fund	Highway Users Fund	Grants Fund	Senior Center Fund	Library Fund	Total Governmental Funds
Assets						
Cash and investments	\$1,773,470	\$ -	\$ -	\$ -	\$ -	\$ 1,773,470
Property Taxes Receivable	15,742	-	-	-	-	15,742
Accounts Receivable	10,349	-	-	-	-	10,349
Other Receivables	36,411	-	-	-	-	36,411
Due from Other Governments	95,764	9,651	-	50,928	-	156,343
Due from Other Funds	89,242	-	20,602	-	-	109,844
Prepaid Expenses	22,948	1,895	-	2,617	3,878	31,338
Total Assets	<u>\$2,043,926</u>	<u>\$ 11,546</u>	<u>\$ 20,602</u>	<u>\$ 53,545</u>	<u>\$ 3,878</u>	<u>\$ 2,133,497</u>
Liabilities and Deferred Inflows						
Liabilities:						
Accounts payable	\$ 56,887	\$ 5,702	\$ 20,602	\$ 3,647	\$ 725	\$ 87,563
Accrued Expenses and Other Liabilities	40,784	1,014	-	2,479	1,052	45,329
Due to Other Funds	20,602	4,830	-	47,419	2,101	74,952
Total Liabilities	<u>118,273</u>	<u>11,546</u>	<u>20,602</u>	<u>53,545</u>	<u>3,878</u>	<u>207,844</u>
Deferred Inflows of Resources 1/4/2018						
Unavailable revenue-property taxes	13,737	-	-	-	-	13,737
Unavailable revenue-court fines	32,037	-	-	-	-	32,037
Unavailable revenue-loans	285	-	-	-	-	285
Total deferred inflows of resources	<u>46,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,059</u>
Fund Balances:						
Nonspendable	22,948	1,895	-	2,617	3,878	31,338
Restricted:						
Street Improvements	-	-	-	-	-	-
Unassigned	1,856,646	(1,895)	-	(2,617)	(3,878)	1,848,256
Total Fund Balances	<u>1,879,594</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,879,594</u>
Total Liabilities, deferred inflows, and Fund Balances	<u>\$2,043,926</u>	<u>\$ 11,546</u>	<u>\$ 20,602</u>	<u>\$ 53,545</u>	<u>\$ 3,878</u>	<u>\$ 2,133,497</u>

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, 2018

Fund balances-total governmental funds	\$	1,879,594
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of \$5,553,347, net of accumulated depreciation of (\$3,785,217), are not financial resources and therefore, are not reported in the funds		1,768,130
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 \$13,737, magistrate fines of \$32,037 and small business loans of \$285.		46,059
Compensated Absences are payable only upon employee retirement and therefore are not payable from current resources		(58,652)
Net pension assets held in trust for future benefits are not available for current operations and, therefore, are not reported in the funds.		1,149,595
Pension liabilities are not due and payable in the current period and, therefore, are not reported as a liability in the funds.		(799,426)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		(102,895)
Net position of governmental activities	<u>\$</u>	<u>3,882,405</u>

Town of Hayden, Arizona
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Highway Users Fund	Grants Fund	Senior Center Fund	Library Fund	Total Governmental Funds
Revenues:						
State Sales Tax	\$ 60,963	\$ -	\$ -	\$ -	\$ -	\$ 60,963
State Revenue Sharing	185,789	-	-	-	-	185,789
Highway Users Tax	-	67,971	-	-	-	67,971
Transportation Excise Tax	-	46,114	-	-	-	46,114
Property Tax	390,344	-	-	-	-	390,344
Vehicle Lieu Tax	42,666	-	-	-	-	42,666
Grant Revenue	5,570	-	125,739	127,889	-	259,198
Town Sales Tax	1,085,204	-	-	-	-	1,085,204
Winkelman Intergovernmental Contract	157,176	-	-	-	-	157,176
Utility Franchise	8,676	-	-	-	-	8,676
Licenses, Permits and Other	29,389	-	-	82,399	466	112,254
County Library Property Tax	-	-	-	-	46,600	46,600
Fines and Forfeitures	6,383	-	-	-	-	6,383
Sanitation Fees	47,655	-	-	-	-	47,655
Golf Course Fees	30,556	-	-	-	-	30,556
Gain on investment	791	-	-	-	-	791
Interest Income	18,030	-	-	-	-	18,030
Total Revenues	<u>2,069,192</u>	<u>114,085</u>	<u>125,739</u>	<u>210,288</u>	<u>47,066</u>	<u>2,566,370</u>
Expenditures:						
General Government	428,294	-	750	-	-	429,044
Police	750,072	-	2,262	-	-	752,334
Fire	55,623	-	-	-	-	55,623
Streets	-	145,696	-	-	-	145,696
Sanitation	173,035	-	-	-	-	173,035
Parks and Recreation/Golf Course	265,042	-	-	-	-	265,042
Cemetery	2,965	-	-	-	-	2,965
Pool	43,492	-	-	-	-	43,492
Library	-	-	2,000	-	106,859	108,859
Senior Center	-	-	-	280,900	-	280,900
Community Development	-	-	120,727	-	-	120,727
Animal Control	5,301	-	-	-	-	5,301
Capital Outlay	32,810	33,135	-	5,691	-	71,636
Total Expenditures	<u>1,756,634</u>	<u>178,831</u>	<u>125,739</u>	<u>286,591</u>	<u>106,859</u>	<u>2,454,654</u>
Excess of revenues over (Under) Expenditures	312,558	(64,746)	-	(76,303)	(59,793)	111,716
Other Financing Sources (uses):						
Transfers to other funds	(355,072)	-	-	-	-	(355,072)
Transfers from the general fund	-	4,652	-	76,303	59,793	140,748
Net Other Financing Sources (Uses)	<u>(355,072)</u>	<u>4,652</u>	<u>-</u>	<u>76,303</u>	<u>59,793</u>	<u>(214,324)</u>
Net change in fund balances	(42,514)	(60,094)	-	-	-	(102,608)
Fund Balances, Beginning,	1,922,108	60,094	-	-	-	1,982,202
Fund Balances, Ending	<u>\$ 1,879,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,879,594</u>

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, 2018

Net change in fund balances-total governmental funds \$ (102,608)

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	71,636
Depreciation expense	(188,803)

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	(3,085)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (305,890)

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. (3,323)

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	122,374
Pension revenue	173,551

Change in net position of governmental activities	\$ (236,148)
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Town of Hayden, Arizona
Statement of Fund Net Position – Proprietary Funds
For the Year Ended June 30, 2018

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Proprietary Funds</u>
Assets			
Current Assets:			
Accounts Receivable	\$ 7,280	\$ 14,863	\$ 22,143
Prepaid expense	3,294	2,308	5,602
Total Current Assets	<u>10,574</u>	<u>17,171</u>	<u>27,745</u>
Capital Assets:			
Land and Construction in Progress	-	10,718	10,718
Depreciable Capital Assets, Net	211,034	7,065,213	7,276,247
Net Other Postemployment Benefits Asset	306	374	680
Total Assets	<u>221,914</u>	<u>7,093,476</u>	<u>7,315,390</u>
Deferred Outflows of Resources - Pensions	<u>12,260</u>	<u>14,984</u>	<u>27,244</u>
Liabilities			
Current Liabilities:			
Accounts payable	14,728	3,311	18,039
Accrued liabilities	645	2,130	2,775
Current portion of loan payable	-	7,807	7,807
Current portion of compensated absences	319	1,254	1,573
Total Current Liabilities	<u>15,692</u>	<u>14,502</u>	<u>30,194</u>
Non-Current Liabilities:			
Compensated Absences	1,699	739	2,438
Municipal property corporation loan payable	-	418,060	418,060
Net Pension Liabilities	89,936	109,921	199,857
Total Non-Current Liabilities	<u>91,635</u>	<u>528,720</u>	<u>620,355</u>
Total Liabilities	<u>107,327</u>	<u>543,222</u>	<u>650,549</u>
Deferred Inflows of Resources - Pensions	<u>21,413</u>	<u>26,172</u>	<u>47,585</u>
Net Position			
Invested in Capital Assets, Net of Related Debt	211,034	6,650,064	6,861,098
Reserve for Debt Retirement	-	5,800	5,800
Unrestricted	(105,600)	(116,798)	(222,398)
Total Net Position	<u>\$ 105,434</u>	<u>\$ 6,539,066</u>	<u>\$ 6,644,500</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, 2018

	Business-type Activities-Enterprise Funds		
	Water Utility	Sewer Utility	Total
Operating Revenues:			
Charges for Services	\$ 57,591	\$ 114,549	\$ 172,140
Taps, Extensions and Permits	125	-	125
Total Operating Revenues	<u>57,716</u>	<u>114,549</u>	<u>172,265</u>
Operating Expenses:			
Personal Services	99,280	117,481	216,761
Telephone and Utilities	21,357	30,320	51,677
Repairs and Maintenance	1,835	21,617	23,452
Supplies	10,186	2,542	12,728
Miscellaneous	1,844	1,699	3,543
Consultants	24,764	21,787	46,551
Depreciation	11,883	224,560	236,443
Total Operating Expenses	<u>171,149</u>	<u>420,006</u>	<u>591,155</u>
Operating Income (Loss)	<u>(113,433)</u>	<u>(305,457)</u>	<u>(418,890)</u>
Non-Operating Revenues (Expenses):			
Pension revenue	15,797	19,307	35,104
Transfer from General Fund	100,986	113,338	214,324
Interest Expense	-	(11,822)	(11,822)
Total Non-Operating Revenues (Expenses)	<u>116,783</u>	<u>120,823</u>	<u>237,606</u>
Changes in Net Position	3,350	(184,634)	(181,284)
Total Net Position - Beginning, as restated	102,084	6,723,700	6,825,784
Total Net Position - Ending	<u>\$ 105,434</u>	<u>\$ 6,539,066</u>	<u>\$ 6,644,500</u>

See Accompanying Notes to Financial Statements.

**Town of Hayden, Arizona
Statements of Cash Flows
Proprietary Funds
Years Ended June 30, 2018**

	Water Utility	Sewer Utility	Total Proprietary Funds
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 58,331	\$ 115,096	\$ 173,427
Cash Payments to Suppliers for Goods and Services	(100,180)	(118,044)	(218,224)
Cash Payments for Employees, Payroll Taxes and Fringe Benefits	(59,137)	(91,178)	(150,315)
Net Cash Provided(used) by Operating Activities	<u>(100,986)</u>	<u>(94,126)</u>	<u>(195,112)</u>
Cash Flows from Non-Capital Financing Activities:			
Transfers from the General Fund	100,986	113,338	214,324
Net Cash used by Non-Capital Financing Activities	<u>100,986</u>	<u>113,338</u>	<u>214,324</u>
Cash Flows from Capital and Related Financing Activities:			
Interest Expense Payments	-	(11,822)	(11,822)
Principal Payments on Debt	-	(7,390)	(7,390)
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	<u>-</u>	<u>-</u>	<u>-</u>
Cash and Cash Equivalents - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (113,433)	\$ (305,457)	\$ (418,890)
Adjustments to reconcile operating Income (loss) to net cash provided (used) by operating activities:			
Depreciation	11,883	224,560	236,443
Pension revenue	15,797	19,307	35,104
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources			
Increase (Decrease) in Net Pension Liability	(10,600)	(12,955)	(23,555)
(Increase) Decrease in Deferred Outflows Relating to Pensions	5,323	6,507	11,830
Increase (Decrease) in Deferred Inflows Relating to Pensions	(17,983)	(21,979)	(39,962)
(Increase) Decrease in Accounts Receivable	615	547	1,162
(Increase) Decrease in Prepaid Expenses	(986)	(792)	(1,778)
Increase (Decrease) in Accounts Payable	9,298	(3,301)	5,997
Increase (Decrease) in Accrued Payroll	(581)	691	110
Increase (Decrease) in Compensated Absences	(319)	(1,254)	(1,573)
Total Adjustments	<u>12,447</u>	<u>211,331</u>	<u>223,778</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (100,986)</u>	<u>\$ (94,126)</u>	<u>\$ (195,112)</u>

See Accompanying Notes to Financial Statements.

**Town of Hayden, Arizona
Statement of Fiduciary Net Position
Fiduciary Funds
Years Ended June 30, 2018**

	Volunteer Firemen's Relief and Pension Fund
<hr/>	
Assets	
Cash and investments	\$ 74,841
Due from other governments	662
Total Assets	75,503
 Liabilities	
Due to other Funds	34,892
Total Liabilities	34,892
 Net Position Held in Trust for Pension Benefits	\$ 40,611

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, 2018

	Volunteer Firemen's Relief and Pension Fund
<hr/>	
Additions	
Contributions:	
Employer	\$ 605
Plan Members	605
Total Contributions	<hr/> 1,210
Investment Income:	
Gain (Loss) on investments	53
Interest	1,025
Total Investment Income	<hr/> 1,078
Total Additions	<hr/> <hr/> 2,288
Deductions	
Benefits	<hr/> 3,956
Total Deductions	<hr/> 3,956
Change in Net Assets	(1,668)
Net Position Held in Trust for Pension Benefits - Beginning of Year	<hr/> 42,279
Net Position Held in Trust for Pension Benefits - End of Year	<hr/> <hr/> <u>\$ 40,611</u>

See Accompanying Notes to Financial Statements.

Town of Hayden, Arizona
Notes to Financial Statements
June 30, 2018

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, 2018.

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, 2018

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.

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's investments.

Town of Hayden, Arizona
Notes to Financial Statements
June 30, 2018

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, 2018, and therefore, not recorded on the Statement of Net Assets.

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

3. Capital Assets and Depreciation

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

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

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

4. Capitalized Interest

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

Town of Hayden, Arizona
Notes to Financial Statements
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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 and Fund Balance

Government-wide Statements

Net position is displayed in five components:

- a. Invested in capital assets, net of related debt consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net amounts consist of net amounts with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net amounts - All other net amounts that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Statements

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as prepaid expenses, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations. The Town's restricted fund balance consists of Highway Users Tax and Gila County Transportation Excise Tax amounts collected by Arizona specifically for street operations and maintenance.

Town of Hayden, Arizona
Notes to Financial Statements
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The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the Town Council approved, which is the highest level of decision-making authority within the Town. Only the Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but that are neither restricted nor committed.

The Town has no committed or assigned fund balances at June 30, 2018.

The unassigned fund balance is the residual classification and includes all spendable amounts not reported in the other classifications.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the Town's policy to use restricted fund balance first.

7. Use of Estimates

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

8. Pensions

For purposes of measuring the net pension 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, 2018, there were no departments that exceeded the budget.

Town of Hayden, Arizona
Notes to Financial Statements
June 30, 2018

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 \$460,322 and the bank balance was \$514,951. \$318,739 of the bank balance was covered by FDIC coverage and the remaining \$196,212 was uninsured and uncollateralized. The Town also had cash on hand of \$225.

Investments

The Town's investments of \$1,387,764 consist of investments in the State Treasurer external investment pool 5. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the Town held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools. The State Treasurer's investment pools represent external investment pools, which are not subject to the fair value hierarchy.

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.

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.

**Town of Hayden, Arizona
Notes to Financial Statements
June 30, 2018**

2. Receivables, Prepaid Expenses and Deferred Revenues

The following is a description of significant receivables as of June 30, 2018:

PROPERTY TAXES RECEIVABLE - Property taxes due from County; revenue deferred for amounts assessed by County but uncollected (\$15,742) for governmental fund financial statements	\$ 15,742
ACCOUNTS RECEIVABLE:	
Sanitation (\$5,568), Cemetery Services (\$4,781) Water (\$7,280), Sewer (\$14,863)	32,492
OTHER RECEIVABLES:	
Magistrate Fines Receivable (Deferred for Uncollected Amounts)	106,789
Small Business Loan Receivables	41,277
Miscellaneous Receivables	4,089
Allowance for uncollectible accounts	(115,744)
	36,411
DUE FROM OTHER GOVERNMENTS:	
State Sales Tax	2,135
Town Sales Tax	79,561
Vehicle Lieu Tax	1,584
Gila County Transportation Excise Tax	3,409
Highway Users Tax	6,242
Senior Center Grants	50,928
Other Grants	12,484
	156,343
Total	\$ 240,988

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 inflows. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due to 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 2017-2018 this levy limit was \$3,493,713, and the Town levied \$423,130 in primary taxes a difference of \$3,070,583. 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 (\$13,737), magistrate finds (\$32,037) and small business loans receivable (\$285). This total of \$46,059 is recorded as Deferred Inflows of Resources in the governmental fund financial statements.

Town of Hayden, Arizona
Notes to Financial Statements
June 30, 2018

3. Capital Assets

Changes in Capital Assets

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

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
<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	1,903,994	-	-	1,903,994
Street Infrastructure and Improvements	1,072,834	35,135	-	1,107,969
Furniture and equipment	2,492,182	36,501	(77,869)	2,450,814
Total capital assets being depreciated	5,469,010	71,636	(77,869)	5,462,777
<i>Less accumulated depreciation</i>				
Buildings and improvements	(1,103,483)	(50,233)	-	(1,153,716)
Street Infrastructure and Improvements	(660,289)	(35,342)	-	(695,631)
Furniture and equipment	(1,910,511)	(103,228)	77,869	(1,935,870)
Total accumulated depreciation	(3,674,283)	(188,803)	77,869	(3,785,217)
Total capital assets being depreciated, net	1,794,727	(117,167)	-	1,677,560
Governmental activities capital assets, net	<u>\$ 1,885,297</u>	<u>\$ (117,167)</u>	<u>\$ -</u>	<u>\$ 1,768,130</u>

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

Business-type Activities	Beginning Balance	Increases	Reclassification	Ending Balance
<i>Capital assets not being depreciated</i>				
Land	\$ 10,718	\$ -	\$ -	\$ 10,718
Total capital assets not being depreciated	10,718	-	-	10,718
<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	9,493,979	-	-	9,493,979
<i>Less accumulated depreciation</i>				
Buildings and improvements	-	-	-	-
Street Infrastructure and Improvements	(1,921,752)	(235,824)	-	(2,157,576)
Furniture and equipment	(59,537)	(619)	-	(60,156)
Total accumulated depreciation	(1,981,289)	(236,443)	-	(2,217,732)
Total capital assets being depreciated, net	7,512,690	(236,443)	-	7,276,247
Governmental activities capital assets, net	<u>\$ 7,523,408</u>	<u>\$ (236,443)</u>	<u>\$ -</u>	<u>\$ 7,286,965</u>

None of the above equipment amounts are being acquired under capital leases or contracts as of June 30, 2018.

Town of Hayden, Arizona
Notes to Financial Statements
June 30, 2018

Depreciation Expense

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

Governmental Activities		Business-type Activities	
Administration	\$ 34,069	Water Utility	\$ 11,883
Police	39,266	Sewer Utility	224,560
Fire	38,756	Total	<u>\$ 236,443</u>
Streets	8,773		
Sanitation	7,067		
Parks and Recreation	11,077		
Cemetery	195		
Pool	18,817		
Library	5,756		
Senior Center	25,027		
Total	<u>\$ 188,803</u>		

B. Liabilities

1. Long-Term Liabilities

The Town had no special assessment debt at June 30, 2018.

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

	Balance			Balance	Due
	July 01, 2017	Additions	Retirements	June 30, 2018	Within
	(as restated)				One Year
Governmental Activities					
Compensated Absences:	\$ 55,567	\$ 3,085	\$ -	\$ 58,652	\$ 11,730
Net pension and other post employment	890,983	-	(91,557)	799,426	-
Total	<u>\$ 946,550</u>	<u>\$ 3,085</u>	<u>\$ (91,557)</u>	<u>\$ 858,078</u>	<u>\$ 11,730</u>
Business-type Activities					
Municipal Property Corporation Del	\$ 433,257	\$ -	\$ (7,390)	\$ 425,867	\$ 7,807
Compensated Absences:	5,584		(1,573)	4,011	1,573
Net pension and other post employment benefits liabilities	222,746	-	(22,889)	199,857	-
Total	<u>\$ 661,587</u>	<u>\$ -</u>	<u>\$ (31,852)</u>	<u>\$ 629,735</u>	<u>\$ 9,380</u>

**Town of Hayden, Arizona
Notes to Financial Statements
June 30, 2018**

Note Payable

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 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, 2018 was \$11,822. Beginning October 2014, \$215 per month will be designated as the Reserve Account until the sum of \$5,800 is reached. At June 30, 2018 \$5,800 has been accumulated in a required restricted reserve account. Future payments due on the loan are as follows:

	Total	Interest	Principal
2019	\$ 19,212	\$ 11,405	\$ 7,807
2020	19,212	11,187	8,025
2021	19,212	10,964	8,248
2022	19,212	10,734	8,478
2023	19,212	10,498	8,714
2024-2028	96,060	49,994	46,066
2029-2033	96,060	43,212	52,848
2034-2038	96,060	35,431	60,629
2039-2043	96,060	26,505	69,555
2044-2048	96,060	16,266	79,794
2049-2053	81,475	4,655	75,702
	\$ 657,835	\$ 230,849	\$ 425,867

2. Receivables and Payables

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

□

The following is a reconciliation of the interfund receivables and payables at June 30, 2018:

	Governmental Activities		Fiduciary
	Interfund	Interfund	Interfund
	Receivables	Payables	Payables
General Fund	\$ 89,242	\$ (20,602)	\$ -
Highway Users Fund	-	(4,830)	-
Grant Fund	20,602	-	-
Volunteer Firemen's Relief and Pension Fund	-	-	(34,892)
Senior Center Fund	-	(47,419)	-
Library Fund	-	(2,101)	-
	\$ 109,844	\$ (74,952)	\$ (34,892)

Town of Hayden, Arizona
Notes to Financial Statements
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3. Interfund Transfers

Transfers within the reporting entity are for the purposes of subsidizing operating functions. The General Fund transferred \$4,652 to the HURF fund, \$76,303 to the Senior Center Fund, \$214,324 to the Utility Funds, and \$59,793 to the Library Fund for the year ended June 30, 2018.

4. Change in accounting principle

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

	Governmental Activities Net Position	Water	Sewer	Business- type Activities Net Position
Net position as previously reported at June 30, 2017	\$ 4,092,130	\$ 102,078	\$ 6,723,692	\$ 6,825,770
Prior period adjustment - implementation of GASB 75:				
Net OPEB asset (measurement date as of June 30, 2016)	26,368	-	-	-
Net OPEB liability (measurement date as of June 30, 2016)	(3,258)	(367)	(448)	(815)
Deferred outflows - Town contributions made during fiscal year 2017	3,313	373	456	829
Total prior period adjustment	26,423	6	8	14
Fund Balance, net position, June 30, 2017, as restated	<u>\$ 4,118,553</u>	<u>\$ 102,084</u>	<u>\$ 6,723,700</u>	<u>\$ 6,825,784</u>

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.

At June 30, 2018 the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net pension and OPEB asset	\$ 1,149,595	\$ 680	\$ 1,150,275
Net pension and OPEB liabilities	799,426	199,857	999,283
Deferred outflows of resources related to pensions and OPEB	211,184	27,244	238,428
Deferred inflows of resources related to pensions and OPEB	314,079	47,585	361,664
Pension and OPEB revenue	173,551	35,104	208,655

Town of Hayden, Arizona
Notes to Financial Statements
June 30, 2018

The Town reported \$122,374 of pension and OPEB 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.

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.

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.

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

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

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.50 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.50 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 percent for retirement, 0.1 percent for health insurance premium benefit, and 0.13 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS. The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2018, were \$81,432, \$3,152, and \$1,175, respectively.

During fiscal year 2018, the Town paid for ASRS pension and OPEB contributions as follows: 55 percent from the general fund, 25 percent from major funds, and 20 percent from enterprise funds.

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

ASRS	Net pension/OPEB (asset) liability
Pension	\$ 996,995
Health insurance premium benefit	(3,398)
Long-term disability	2,287

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

**Town of Hayden, Arizona
Notes to Financial Statements
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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, 2017. The Town's proportion measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

ASRS	Proportion June 30, 2017 %	Increase (decrease) from June 30, 2016
Pension	0.00640%	-0.00050%
Health insurance premium benefit	0.00624%	0.00000%
Long-term disability	0.00631%	0.00000%

The net asset and net liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the County's net asset and net liabilities as a result of these changes is not known.

Expense—For the year ended June 30, 2018, the County recognized the following pension and OPEB expense.

ASRS	Pension/OPEB revenue (expense)
Pension	175,788
Health insurance premium benefit	(1,940)
Long-term disability	(1,189)

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

ASRS	Pension		Health insurance premium benefit		Long-term disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		\$ 29,895		\$ -		\$ -
Changes of assumptions or other inputs	43,302	29,812				
Net Difference between projected and actual earnings on pension plan investments	7,158	-		3,825		342
Changes in proportion and differences between contributions and proportionate share of contributions	-	174,051		2		
City contributions subsequent to the measurement date	81,432	-	3,152		1,175	
	<u>\$ 131,892</u>	<u>\$ 233,758</u>	<u>\$ 3,152</u>	<u>\$ 3,827</u>	<u>\$ 1,175</u>	<u>\$ 342</u>

Town of Hayden, Arizona
Notes to Financial Statements
June 30, 2018

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

Year ending June 30	Pension	Health insurance premium benefit	Long-term disability
2019	\$ (167,004)	\$ (957)	\$ (86)
2020	(492)	(957)	(86)
2021	7,131	(956)	(86)
2022	(22,934)	(957)	(84)
2023	-	-	-
Thereafter	-	-	-

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

ASRS

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

Actuarial assumptions used in the June 30, 2016, valuation was 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 plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	100%	

Town of Hayden, Arizona
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June 30, 2018

Discount rate - The discount rate used to measure the ASRS total pension/OPEB liability was 8 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the Town's proportionate share of the ASRS net pension/OPEB liability to changes in the discount rate—The following table presents the Town's proportionate share of the net pension/OPEB liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension/OPEB 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%
Town's proportionate share of the			
Net pension liability	\$ 1,279,661	\$ 996,995	\$ 760,804
Net insurance premium benefit liability (asset)	5,642	(3,397)	(11,078)
Net long-term liability	2,735	2,287	1,908

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

B. Public Safety Personnel Retirement System

Plan descriptions - Town Police and Fire employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-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.

Town of Hayden, Arizona
Notes to Financial Statements
June 30, 2018

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 and before July 1, 2017
Retirement and disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 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 thereafter 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	
Survivor benefit		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit of 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. The adjustments are based on inflation for PSPRS. In addition, 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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents

**Town of Hayden, Arizona
Notes to Financial Statements
June 30, 2018**

Employees covered by benefit terms - At June 30, 2018, 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	2
Active employees	6
Total	8

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, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police
Active members -Pension	
PSPRS members with an initial membership date on or before July 19, 2011	7.65%
PSPRS members with an initial membership date after July 19, 2011	11.65%
Town Contributions	
Pension	16.40%
Health Insurance Premium Benefit	0.03%

The Town's contributions to the plans for the year ended June 30, 2018, were:

	PSPRS Police
Pension contributions made	\$ 53,088
Health Insurance Premium Benefit	
Annual OPEB cost	
Contributions made	97

During fiscal year 2018, the Town paid for PSPRS contributions 100 percent from the general fund.

Town of Hayden, Arizona
Notes to Financial Statements
June 30, 2018

Liability—At June 30, 2018, the Town reported the following assets and liabilities:

	Net pension liability (asset)	Net OPEB liability (asset)
PSPRS Police	\$ (1,117,930)	\$ (28,947)

The net assets and net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the County's PSPRS net pension liabilities as a result of the refunds is not known.

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

PSPRS	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price Inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rate	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017, valuation was based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

Town of Hayden, Arizona
Notes to Financial Statements
June 30, 2018

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

Discount rates—At June 30, 2017, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was a decrease of .1 from the discount rate used as of June 30, 2016. 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 plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Town of Hayden, Arizona
Notes to Financial Statements
June 30, 2018

Changes in the net pension/OPEB liability:

	Pension			Health insurance premium benefit		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (a) - (b)	Total OPEB liability (a)	Plan fiduciary net position (b)	Net OPEB liability (asset) (a) - (b)
PSPRS - Police						
Balances at June 30, 2017	\$ 518,911	\$ 1,492,575	\$ (973,664)	\$ 20,746	\$ 47,114	\$ (26,368)
Changes for the year:						
Service cost	76,631	-	76,631	2,042	-	2,042
Interest on the total pension liability	41,792	-	41,792	1,633	-	1,633
Changes of benefit terms	11,303	-	11,303	1,035	-	1,035
Differences between expected and actual experience in the measurement of the pension liability	(34,798)	-	(34,798)	94	-	94
Changes of assumptions or other inputs	12,837	-	12,837	(1,882)	-	(1,882)
Contributions - employer	-	40,028	(40,028)	-	-	-
Contributions - employee	-	34,147	(34,147)	-	-	-
Net investment income	-	179,824	(179,824)	-	5,550	(5,550)
Benefit payments, including refunds of employee contributions	-	-	-	-	-	-
Administrative expense	-	(1,991)	1,991	-	(49)	49
Other changes	-	23	(23)	-	-	-
Net changes	107,765	252,031	(144,266)	2,922	5,501	(2,579)
Balances at June 30, 2018	\$ 626,676	\$ 1,744,606	\$ (1,117,930)	\$ 23,668	\$ 52,615	\$ (28,947)

Sensitivity of the Town's net pension/OPEB liability (asset) to changes in the discount rate—The following table presents the Town's net pension/OPEB liabilities (assets) calculated using the discount rate of 7.4 percent, as well as what the Town's net pension/OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.40 percent) or 1 percentage point higher (8.40 percent) than the current rate:

The Town's proportionate share of net liability (asset)	1% Decrease	Current Discount Rate	1% Increase
	6.40%	7.40%	8.40%
PSPRS - Police			
Pension	\$ 998,399	\$ 1,117,930	\$ 1,213,441
Net OPEB (asset) liability	24,957	28,947	32,224

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

Town of Hayden, Arizona
Notes to Financial Statements
June 30, 2018

Pension expense - For the year ended June 30, 2018, the Town recognized pension and OPEB expense:

	Pension Revenue	OPEB Revenue
PSPRS - Police	36,646	(650)

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

	Pension		Health premium benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
PSPRS - Police				
Differences between expected and actual experience	\$ -	\$ 122,037	\$ 85	\$ -
Changes of assumptions or other inputs	29,444	-	-	1,700
Net Difference between projected and actual earnings on pension plan investments	21,109	-	(1,614)	-
City contributions subsequent to the measurement date	53,088	-	97	-
	\$ 103,641	\$ 122,037	\$ (1,432)	\$ 1,700

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

	PSRPS Police Pension	PSRPS Police Health
	Year ending June 30	
2018	\$ (17,267)	\$ (577)
2019	(5,294)	(577)
2020	(14,935)	(577)
2021	(24,787)	(575)
2022	(4,226)	(173)
Thereafter	(4,975)	(750)
	\$ (71,484)	\$ (3,229)

IV. CONTINGENCIES AND COMMITMENTS

Litigation

There were claims or lawsuits pending against the Town as of June 30, 2017, 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, 2018. 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.

Required Supplementary Information

Town of Hayden, Arizona
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
State Sales Tax	\$ 59,555	\$ 59,555	\$ 60,963	\$ 1,408
State Revenue Sharing	185,770	185,770	185,789	19
Property Tax	20,000	20,000	390,344	370,344
Vehicle Lieu Tax	44,160	44,160	42,666	(1,494)
Grant revenues	-	-	5,570	5,570
City Sales Tax	1,400,000	1,400,000	1,085,204	(314,796)
Winkelman Intergovernmental Contract	100,000	100,000	157,176	57,176
Utility Franchise	14,000	14,000	8,676	(5,324)
Licenses, Permits and Other	1,350	1,350	29,389	28,039
Fines and Forfeitures	2,800	2,800	6,383	3,583
Sanitation Fees	50,000	50,000	47,655	(2,345)
Golf Course Fees	25,000	25,000	30,556	5,556
Interest Income	8,000	8,000	18,030	10,030
Gain on Investments	-	-	791	791
Other	71,950	71,950	-	(71,950)
Total Revenues	<u>1,982,585</u>	<u>1,982,585</u>	<u>2,069,192</u>	<u>86,607</u>
General Government	636,640	636,640	428,294	208,346
Contingency	1,166,270	1,166,270	-	1,166,270
Police	882,845	882,845	750,072	132,773
Fire	88,500	88,500	55,623	32,877
Sanitation	287,410	287,410	173,035	114,375
Parks and Recreation/Golf Course	296,830	296,830	265,042	31,788
Cemetery	9,000	9,000	2,965	6,035
Pool	50,775	50,775	43,492	7,283
Animal Control	13,500	13,500	5,301	8,199
Capital Outlay	87,000	87,000	32,810	54,190
Total Expenditures	<u>3,518,770</u>	<u>3,518,770</u>	<u>1,756,634</u>	<u>1,762,136</u>
Excess of Revenues				
(Under) Expenditures	(1,536,185)	(1,536,185)	312,558	1,848,743
Other Financing Sources (Uses)				
Transfer to other Funds	(515,430)	(515,430)	(355,072)	160,358
Net Other Financing Sources (Uses)	<u>(515,430)</u>	<u>(515,430)</u>	<u>(355,072)</u>	<u>160,358</u>
Net change in fund balances	(2,051,615)	(2,051,615)	(42,514)	2,009,101
Fund Balance, Beginning	1,922,108	1,922,108	1,922,108	-
Fund Balance, Ending	<u>\$ (129,507)</u>	<u>\$ (129,507)</u>	<u>\$ 1,879,594</u>	<u>\$ 2,009,101</u>

Town of Hayden, Arizona
Budgetary Comparison Schedule
HURF Fund
For the Year Ended June 30, 2018

	<u>Original</u>	<u>Final</u>	<u>Basis</u>	<u>Positive (Negative)</u>
Revenues:				
Highway Users Tax	\$ 69,740	\$ 69,740	\$ 67,971	\$ (1,769)
Transportation Excise Tax	65,000	65,000	46,114	(18,886)
Total Revenues	<u>134,740</u>	<u>134,740</u>	<u>114,085</u>	<u>(20,655)</u>
Expenditures:				
Streets	236,120	236,120	145,696	90,424
Capital Outlay	-	-	33,135	(33,135)
Total Expenditures	<u>236,120</u>	<u>236,120</u>	<u>178,831</u>	<u>57,289</u>
Excess of Revenues (Under) Expenditures	(101,380)	(101,380)	(64,746)	36,634
Other Financing Sources (Uses)				
Transfer to other Funds	-	-	4,652	4,652
Net Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>4,652</u>	<u>4,652</u>
Fund Balance, Beginning	<u>60,094</u>	<u>60,094</u>	<u>60,094</u>	<u>-</u>
Fund Balance, Ending	<u>\$ (41,286)</u>	<u>\$ (41,286)</u>	<u>\$ -</u>	<u>\$ 41,286</u>

Town of Hayden, Arizona
Budgetary Comparison Schedule
Grant Fund
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grant Revenue	\$ 4,000,000	\$ 4,000,000	\$ 125,739	\$ (3,874,261)
Total Revenues	<u>4,000,000</u>	<u>4,000,000</u>	<u>125,739</u>	<u>(3,874,261)</u>
Expenditures:				
General Government	-	-	750	(750)
Police	-	-	2,262	(2,262)
Library	-	-	2,000	(2,000)
Community Center	-	-	120,727	(120,727)
Capital Outlay	-	-	-	-
Grant Expenditures	4,000,000	4,000,000	-	4,000,000
Total Expenditures	<u>4,000,000</u>	<u>4,000,000</u>	<u>125,739</u>	<u>3,874,261</u>
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources (Uses)				
Transfer to other Funds	-	-	-	-
Net Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Grant Revenue	\$ 178,140	\$ 178,140	\$ 127,889	\$ (50,251)
Licenses, Permits and Other	-	-	82,399	82,399
Total Revenues	<u>178,140</u>	<u>178,140</u>	<u>210,288</u>	<u>32,148</u>
Expenditures:				
Senior Center	304,805	304,805	280,900	23,905
Capital Outlay	-	-	5,691	(5,691)
Total Expenditures	<u>304,805</u>	<u>304,805</u>	<u>286,591</u>	<u>23,905</u>
Excess of Revenues Over (Under) Expenditures	(126,665)	(126,665)	(76,303)	50,362
Other Financing Sources (Uses)				
Transfer from general fund	126,665	126,665	76,303	(50,362)
Net Other Financing Sources (Uses)	<u>126,665</u>	<u>126,665</u>	<u>76,303</u>	<u>(50,362)</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Town of Hayden, Arizona
Budgetary Comparison Schedule
Library Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Licenses, Permits and Other	\$ 2,750	\$ 2,750	\$ 466	\$ (2,284)
County Library Property Tax	44,120	44,120	46,600	2,480
Total Revenue	<u>46,870</u>	<u>46,870</u>	<u>47,066</u>	<u>196</u>
Expenditures:				
Library	146,255	146,255	106,859	39,396
Total Expenditures	<u>146,255</u>	<u>146,255</u>	<u>106,859</u>	<u>39,396</u>
Excess of Revenues Over (Under) Expenditures	(99,385)	(99,385)	(59,793)	39,592
Other Financing Sources (Uses)				
Transfer from general fund	99,385	99,385	59,793	(39,592)
Net Other Financing Sources (Uses)	<u>99,385</u>	<u>99,385</u>	<u>59,793</u>	<u>(39,592)</u>
Net change in fund balance	-	-	-	-
Fund Balance, Beginning	-	-	-	-
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2018

ASRS - Pension

	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2013 through 2007
Town's proportion of net pension liability	0.00640%	0.00690%	0.00851%	0.01032%	Information
Town's proportion share of net pension liability	\$ 996,995	\$ 1,113,729	\$ 1,325,106	\$ 1,526,891	not available
Town's covered-employee payroll	\$ 591,551	\$ 646,147	\$ 783,554	\$ 930,206	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	168.54%	172.36%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%	

ASRS - Health insurance premium benefit

	2018 (2017)	2017 through 2009
Town's proportion of net pension liability	0.00624%	Information
Town's proportion share of net pension liability	\$ (3,397)	not available
Town's covered-employee payroll	\$ 591,551	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	-0.57%	
Plan fiduciary net position as a percentage of the total pension liability	103.57%	

ASRS - Long-term disability

	2018 (2017)	2017 through 2009
Town's proportion of net pension liability	0.00631%	Information
Town's proportion share of net pension liability	\$ 2,287	not available
Town's covered-employee payroll	\$ 591,551	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	0.39%	
Plan fiduciary net position as a percentage of the total pension liability	84.44%	

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, 2018

Public Safety Personnel Retirement System - Police

	2018	2017	2016	2015	2014
	(2017)	(2016)	(2015)	(2014)	through
					2007
Total pension liability					Information not available
Service cost	\$ 76,631	\$ 65,750	\$ 95,972	\$ 98,039	
Interest on total pension liability	41,792	33,510	29,545	26,222	
Changes in benefit terms	11,303	52,559	-	(1,984)	
Difference between expected and actual experience in the measurement of the pension liability	(34,798)	(50,568)	(50,880)	(69,806)	
Changes in assumptions or other inputs	12,837	25,263	-	2,283	
Benefit payments, including refunds of employee contributions	-	(3,214)	(14,830)	(7,935)	
Net change in pension liability	<u>107,765</u>	<u>123,300</u>	<u>59,807</u>	<u>46,819</u>	
Total pension liability - beginning	518,911	395,611	335,804	288,985	
Total pension liability - ending (a)	<u>\$ 626,676</u>	<u>\$ 518,911</u>	<u>\$ 395,611</u>	<u>\$ 335,804</u>	
Plan fiduciary net position					
Contributions - employer	40,028	39,277	95,963	49,263	
Contributions - employee	34,147	36,703	42,001	40,346	
Net investment income	179,824	8,413	48,444	145,233	
Benefit payments, including refunds of employee contributions	-	(3,214)	(14,830)	(7,935)	
Pension plan administrative expense	(1,991)	(1,612)	(1,569)	-	
Other changes	23	(10,074)	4,693	(50,425)	
Net change in plan fiduciary net position	<u>252,031</u>	<u>69,493</u>	<u>174,702</u>	<u>176,482</u>	
Total pension liability - beginning	<u>1,492,575</u>	<u>1,423,082</u>	<u>1,248,380</u>	<u>1,071,898</u>	
Total pension liability - ending (b)	<u>1,744,606</u>	<u>1,492,575</u>	<u>1,423,082</u>	<u>1,248,380</u>	
Town's net pension liability - ending (a) - (b)	<u>\$ (1,117,930)</u>	<u>\$ (973,664)</u>	<u>\$ (1,027,471)</u>	<u>\$ (912,576)</u>	
Plan fiduciary net position as a percentage of the total pension liability	278.39%	287.64%	359.72%	371.76%	
Covered payroll	323,116	296,319	318,988	490,868	
County's net pension liability as a percentage of covered payroll	-345.98%	-328.59%	-322.10%	-185.91%	

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, 2018

PSPRS - Police OPEB	2018	2014
	(2017)	through
		2009
Total OPEB liability		Information
Service cost	\$ 2,042	not available
Interest on total OPEB liability	1,633	
Changes in benefit terms	1,035	
Difference between expected and actual experience in the measurement of the OPEB liability	94	
Changes in assumptions or other inputs	(1,882)	
Benefit payments, including refunds of employee contributions	-	
Net change in pension liability	<u>2,922</u>	
Total pension liability - beginning	20,746	
Total pension liability - ending (a)	<u>\$ 23,668</u>	
Plan fiduciary net position		
Contributions - employer	-	
Contributions - employee	-	
Net investment income	5,550	
Benefit payments, including refunds of employee contributions	-	
OPEB plan administrative expense	(49)	
Other changes	-	
Net change in plan fiduciary net position	<u>5,501</u>	
Plan fiduciary net position - beginning	<u>47,114</u>	
Plan fiduciary net position - ending (b)	<u>52,615</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ (28,947)</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	222.30%	
Covered payroll	323,116	
County's net OPEB (asset) liability as a percentage of covered payroll	-8.96%	

Town of Hayden, Arizona
Required supplementary information
Schedule of Town Pension Contributions
June 30, 2018

ASRS - Pension

	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)	2013 through 2007
Statutorily determined contribution	\$ 81,431	\$ 67,910	\$ 69,325	\$ 85,329	\$ 99,532	Information not available
Town's contributions in relation to the statutorily determined contributions	<u>81,431</u>	<u>67,910</u>	<u>69,325</u>	<u>85,329</u>	<u>99,532</u>	
Town's contribution (deficiency) excess	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Town's covered-employee payroll	<u>\$ 755,418</u>	<u>\$ 591,551</u>	<u>\$ 646,147</u>	<u>\$ 783,554</u>	<u>\$ 930,206</u>	
Town's contributions as a percentage of covered payroll	10.78%	11.48%	10.85%	10.89%	11.30%	

ASRS - Health insurance premium benefit

	2018 (2017)	2017 (2016)	2013 through 2007
Statutorily determined contribution	\$ 3,152	\$ 3,313	Information not available
Town's contributions in relation to the statutorily determined contributions	<u>3,152</u>	<u>3,313</u>	
Town's contribution (deficiency) excess	<u>-</u>	<u>-</u>	
Town's covered-employee payroll	<u>\$ 755,418</u>	<u>\$ 591,551</u>	
Town's contributions as a percentage of covered payroll	0.42%	0.56%	

ASRS - Long-term disability

	2018 (2017)	2017 (2016)	2013 through 2007
Statutorily determined contribution	\$ 1,175	\$ 828	Information not available
Town's contributions in relation to the statutorily determined contributions	<u>1,175</u>	<u>828</u>	
Town's contribution (deficiency) excess	<u>-</u>	<u>-</u>	
Town's covered-employee payroll	<u>\$ 755,418</u>	<u>\$ 591,551</u>	
Town's contributions as a percentage of covered payroll	0.16%	0.14%	

Town of Hayden, Arizona
Required supplementary information
Schedule of Town Pension Contributions
June 30, 2018

PSPRS - Police Pension

	<u>2018 (2017)</u>	<u>2017 (2016)</u>	<u>2016 (2015)</u>	<u>2015 (2014)</u>	<u>2014 (2013)</u>	<u>2013 through 2007</u>
Statutorily determined contribution	\$ 53,088	\$ 37,751	\$ 38,748	\$ 39,362	\$ 46,484	Information not available
Town's contributions in relation to the statutorily determined contributions	<u>53,088</u>	<u>37,751</u>	<u>38,748</u>	<u>39,362</u>	<u>46,484</u>	
Town's contribution (deficiency) excess	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Town's covered-employee payroll	<u>\$ 323,116</u>	<u>\$ 296,319</u>	<u>\$ 315,044</u>	<u>\$ 290,924</u>	<u>\$ 354,302</u>	
Town's contributions as a percentage of covered payroll	16.43%	12.74%	12.30%	13.53%	13.12%	

PSPRS - Police OPEB

	<u>2018</u>	<u>2017</u>	<u>2016 through 2009</u>
Statutorily determined contribution	\$ 97	\$ -	Information not available
Town's contributions in relation to the statutorily determined contributions	<u>97</u>	<u>-</u>	
Town's contribution (deficiency) excess	<u>-</u>	<u>-</u>	
Town's covered-employee payroll	<u>\$ 323,116</u>	<u>\$ 296,319</u>	
Town's contributions as a percentage of covered payroll	0.03%	0.00%	

Town of Hayden, Arizona
Required supplementary information
Notes to Pension Plan Schedules
June 30, 2018

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-of-pay, closed accrued liability, open for excess
Remaining amortization period as of the 2016 actuarial valuation	21 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions: Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 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, 2018

Note 2 – Factors that affect the identification of trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the County refunded excess employee contributions to PSPRS. PSPRS allowed the County to reduce its actual employer contributions for the refund amounts. As a result, the County's pension contributions were less than the actuarially or statutorily determined contributions for 2018.