

TOWN OF TAYLOR, ARIZONA



ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010



\$1.6 Million Airport Runway Rehabilitation



\$4.6 Million Mechanical Wastewater Treatment Plant

TOWN OF TAYLOR

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**Independent Auditors' Report on
Financial Statements**

The Honorable Mayor and
Town Council
Taylor, Arizona

MEMBERS:

CHAD B. ATKINSON
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
TODD B. FELTNER
BRENT R. HALL
TODD R. HESS
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Taylor, Arizona, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Taylor's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Taylor as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2010, on our consideration of the Town of Taylor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standard Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The budgetary comparison schedules and financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Town of Taylor, Arizona. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Michael K. Spilker", with a long horizontal flourish extending to the right.

Michael K. Spilker, CPA
October 6, 2010

**TOWN OF TAYLOR, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

As management of the Town of Taylor (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Local sales tax collections of \$618,295 decreased by 29% (\$263,019) over the previous fiscal year.
- The Town obtained U.S. Department of Transportation grants passed through the Federal Aviation Agency in the amount of \$1.8 million. These funds were used for airport improvement projects.
- The Town drew down \$491,450 on their Water Infrastructure Finance Authority loan for completion of a mechanical wastewater treatment plant.

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

The Statement of Net Assets and the Statement of Activities (Government-wide)

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

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

The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the Town's basic services are considered to be governmental activities, including general government, public safety, public works/streets, culture and recreation, economic development, health and welfare and interest on long-term debt. Sales taxes, State Revenue Sharing, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The Town charges a fee to customers to cover most of the cost of the services provided.

Reporting the Town's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The Town's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the Town's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$14.5 million as of June 30, 2010 as shown in the following condensed statement of net assets. The Town has chosen to account for its water and sewer operations in enterprise funds which are shown as Business Activities.

TOWN OF TAYLOR, ARIZONA Statement of Net Assets

	Governmental activities		Business-type activities		Combined Total	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Current and other assets	\$ 2,995,735	\$ 2,917,026	\$ 56,886	\$ (30,902)	\$ 3,052,621	\$ 2,886,124
Capital assets	9,649,686	8,026,395	8,127,152	7,845,202	17,776,838	15,871,597
Total assets	12,645,421	10,943,421	8,184,038	7,814,300	20,829,459	18,757,721
Long-term liabilities outstanding	610,000	671,212	4,678,603	4,175,636	5,288,603	4,846,848
Other liabilities	903,685	636,443	89,552	61,442	993,237	697,885
Total liabilities	1,513,685	1,307,655	4,768,155	4,237,078	6,281,840	5,544,733
Net assets:						
Invested in capital assets, net of related debt	9,028,368	7,358,150	3,534,460	3,672,446	12,562,828	11,030,596
Restricted	1,421,531	1,287,791	899	-	1,422,430	1,287,791
Unrestricted	681,835	989,825	(119,476)	(95,224)	562,359	894,601
Total net assets	\$ 11,131,734	\$ 9,635,766	\$ 3,415,883	\$ 3,577,222	\$ 14,547,617	\$ 13,212,988

Governmental Activities

The cost of all Governmental activities this year was \$3.5 million. As shown on the Changes in net Assets statement on the following page. \$599,869 of this cost was paid for by those who directly benefited from the programs. \$2.6 million was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were nearly \$5 million. General taxes, State Revenue Sharing and investment earnings totaled \$1.7 million.

The Town's programs include: General Government, Public Safety, Public Works/Streets, Culture & Recreation, and Economic Development. Each program's revenues and expenses are presented on page 6.

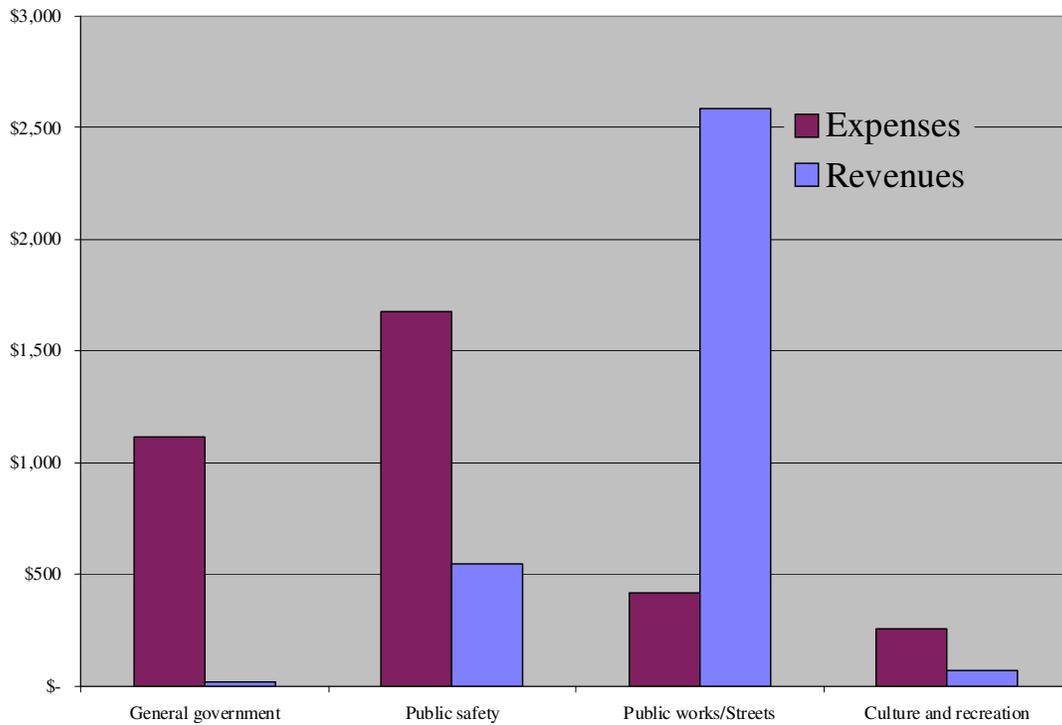
TOWN OF TAYLOR, ARIZONA
Changes in Net Assets

	Governmental activities		Business-type activities		Combined Total	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Revenues:						
Program revenues:						
Charges for services	\$ 599,871	\$ 647,255	\$ 787,567	\$ 662,936	\$ 1,387,438	\$ 1,310,191
Operating grants and contributions	552,764	755,520	6,500	-	559,264	755,520
Capital grants and contributions	2,106,859	563,265	50,600	40,253	2,157,459	603,518
General revenues:						
Taxes	1,199,765	1,510,570	-	-	1,199,765	1,510,570
State revenue sharing	529,353	612,133	-	-	529,353	612,133
Investment earnings	4,869	31,514	-	-	4,869	31,514
Other revenue/(expense)	4,513	28,849	1,210	5,126	5,723	33,975
Total revenues	<u>4,997,994</u>	<u>4,149,106</u>	<u>845,877</u>	<u>708,315</u>	<u>5,843,871</u>	<u>4,857,421</u>
Expenses:						
General government	1,116,269	1,204,911	-	-	1,116,269	1,204,911
Public safety	1,676,716	1,956,754	-	-	1,676,716	1,956,754
Public works/Streets	417,826	1,294,866	-	-	417,826	1,294,866
Culture and recreation	254,313	432,214	-	-	254,313	432,214
Economic development	-	-	-	-	-	-
Interest on long-term debt	36,902	53,484	-	-	36,902	53,484
Water	-	-	405,625	373,327	405,625	373,327
Sewer	-	-	601,592	392,085	601,592	392,085
Total expenses	<u>3,502,026</u>	<u>4,942,229</u>	<u>1,007,217</u>	<u>765,412</u>	<u>4,509,243</u>	<u>5,707,641</u>
Increase (Decrease) in net assets before transfers	1,495,968	(793,123)	(161,340)	(57,097)	1,334,628	(850,220)
Transfers	-	-	-	-	-	-
Net assets, beginning	9,635,766	10,428,889	3,577,223	3,634,319	13,212,989	14,063,208
Net assets, ending	<u>\$ 11,131,734</u>	<u>\$ 9,635,766</u>	<u>\$ 3,415,883</u>	<u>\$ 3,577,222</u>	<u>\$ 14,547,617</u>	<u>\$ 13,212,988</u>

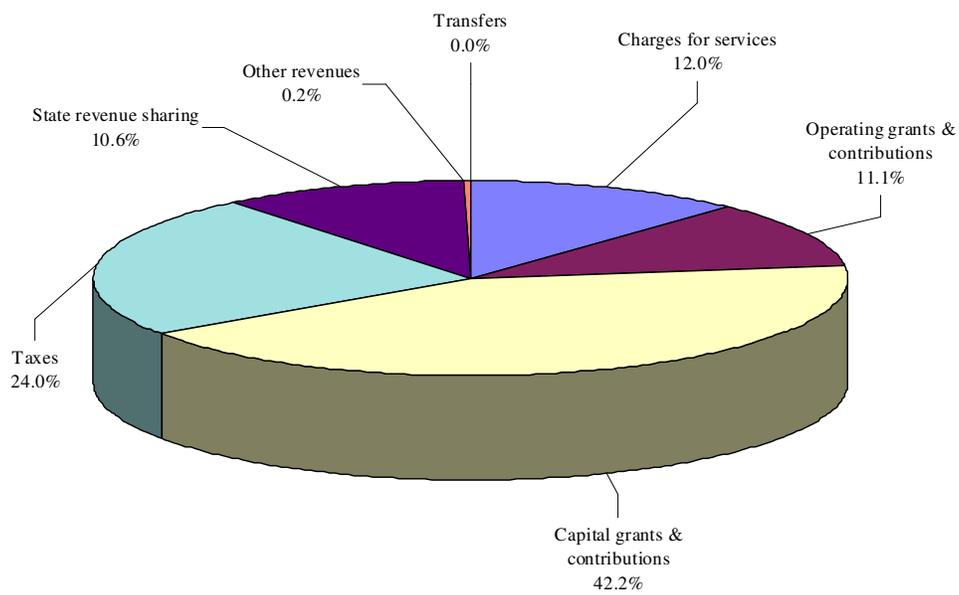
Total resources available during the year to finance governmental operations were \$14.6 million consisting of Net assets at July 1, 2009 of \$9.6 million, program revenues of \$3.25 million and General Revenues of \$1.7 million. Total Governmental Activities during the year were \$3.5 million; thus Governmental Net Assets were increased by nearly \$1.5 to total \$11.1 million.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

Expenses and Program Revenues - Governmental Activities
(in Thousands)



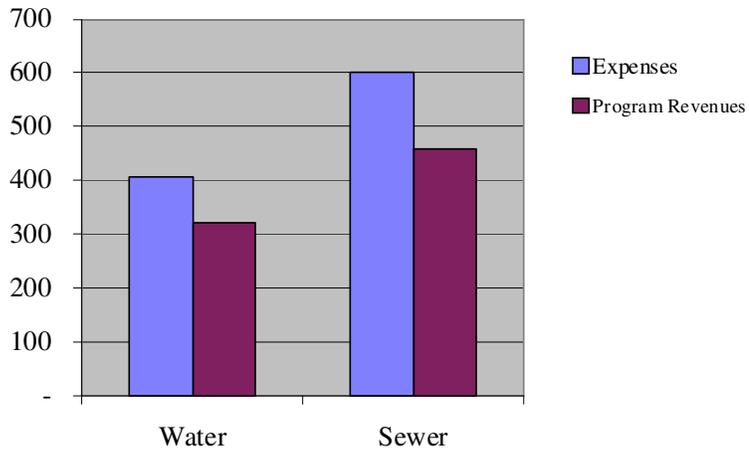
Revenue By Source - Governmental Activities



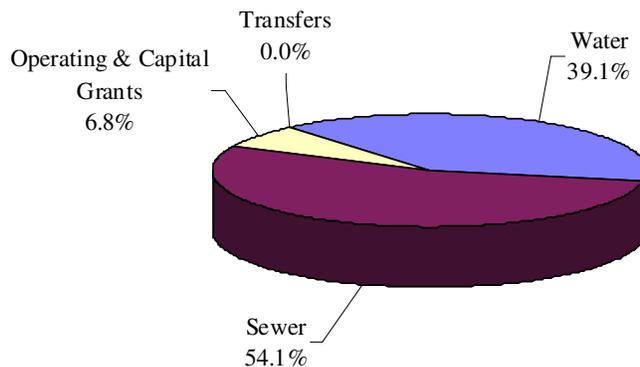
Business Type Activities

Net assets of the Business Type activities at June 30, 2010, as reflected in the Statement of Net Assets were \$3.4 million. The cost of providing all Proprietary (Business Type) activities this year was \$1,007,218. As shown in the statement of Changes in Net Assets, the amounts paid by users of the system were \$787,567 and there was \$57,100 subsidized by capital and operating grants and contributions. Investment earnings and other revenues in were \$1,210. The Net Assets decreased by \$57,097.

Expenses and Program Revenues - Business- type Activities
(in Thousands)



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$2.1 million, a decrease of \$200,000 in comparison with the prior year. Approximately 34% (\$721,650) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay for highways and streets (\$1,205,271) and LTAF qualified projects (\$216,261).

The Highway User Revenue Fund has a total fund balance of \$1,205,271 all of which is reserved for road construction and maintenance. The fund balance increased during the current year by \$144,640 because of a reimbursement from a local developer for the construction progress of a traffic signal in front of the proposed Wal-Mart site.

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

The debt in the Sewer fund increased dramatically during the year as the construction of a mechanical treatment plant was necessary. User fees have increased to help offset the future debt service payments.

Budgetary Highlights

General fund revenues of \$2,389,005 were less than budgeted revenues of 3,071,272 by \$682,267. Factors contributing to this shortfall include declining local sales tax and less than anticipated revenue from Ambulance calls, building permits and interest earned on investments with the State Treasurer.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, system improvements, park facilities and roads. At the end of fiscal year 2010, net capital assets of the government activities totaled \$9.6 million and the net capital assets of the business-type activities totaled \$8.1 million. The most significant capital addition was the construction of a mechanical wastewater treatment plant with a total cost of over \$4.6 million of which \$4.2 million was in construction in progress at the end of fiscal year 2009. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 7 to the financial statements.)

Debt

At year-end, the Town had \$610,000 in governmental type debt, and \$4,678,603 in proprietary debt. During the current fiscal year, the Town's total debt increased by \$573,563 for the financing of the wastewater treatment plant. (See note 8 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2010/2011, the Town Council and management were cautious as to the growth of revenues and expenditures due to a slow economy. Overall governmental and proprietary fund operating expenditures were budgeted to maintain the current level of service at a reduced cost.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact: Town of Taylor, Finance Department, P.O. Box 158, Taylor, Arizona 85939.

BASIC FINANCIAL STATEMENTS

TOWN OF TAYLOR, ARIZONA
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,834,892	\$ 128,706	\$ 1,963,598
Cash with paying agent	30,225	-	30,225
Receivables (net of allowance)	231,157	102,791	333,948
Internal balances	244,543	(244,543)	-
Inventories	8,656	45,849	54,505
Temporarily restricted assets:			
Cash and cash equivalents	216,261	24,083	240,344
Net investment in capital lease	430,000	-	430,000
Capital assets (net of accumulated depreciation):			
Land	979,419	40,000	1,019,419
Construction in progress	492,585	-	492,585
Buildings	730,552	-	730,552
Improvements	5,150,223	-	5,150,223
System improvements	-	8,072,554	8,072,554
Furniture, equipment & vehicles	560,540	14,598	575,138
Infrastructure/Roads	1,736,367	-	1,736,367
Total assets	<u>12,645,420</u>	<u>8,184,038</u>	<u>20,829,458</u>
Liabilities			
Accounts payable and other current liabilities	422,552	49,344	471,896
Interest payable	51,134	40,208	91,342
Unearned revenue	430,000	-	430,000
Noncurrent liabilities:			
Due within one year	88,488	122,925	211,413
Due in more than one year	521,512	4,555,678	5,077,190
Total liabilities	<u>1,513,686</u>	<u>4,768,155</u>	<u>6,281,841</u>
Net Assets			
Invested in capital assets, net of related debt	9,028,368	3,534,460	12,562,828
Restricted for:			
Debt service	-	57,665	57,665
Highways & streets	1,421,532	-	1,421,532
Unrestricted	681,834	(176,242)	505,592
Total Net Assets	<u>\$ 11,131,734</u>	<u>\$ 3,415,883</u>	<u>\$ 14,547,617</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TAYLOR ARIZONA
Statement of Activities
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 1,116,269	\$ 15,063	\$ 300	\$ -	\$ (1,100,906)	\$ -	\$ (1,100,906)
Public safety	1,676,716	485,804	46,014	16,308	(1,128,590)	-	(1,128,590)
Public works/Streets	417,826	44,572	506,450	2,034,463	2,167,659	-	2,167,659
Culture and recreation	254,313	54,432	-	14,403	(185,478)	-	(185,478)
Interest on long-term debt	36,902	-	-	41,685	4,783	-	4,783
Total governmental activities	3,502,026	599,871	552,764	2,106,859	(242,532)	-	(242,532)
Business-type activities:							
Water	405,625	330,212	6,500	44,000	-	(24,913)	(24,913)
Sewer	601,592	457,355	-	6,600	-	(137,637)	(137,637)
Total business-type activities	1,007,217	787,567	6,500	50,600	-	(162,550)	(162,550)
General Revenues:							
Taxes:							
City sales tax					618,295	-	618,295
State sales tax					300,880	-	300,880
Auto lieu tax					213,469	-	213,469
Franchise tax					67,121	-	67,121
State taxes - revenue sharing					529,353	-	529,353
Unrestricted investment earnings					4,869	1,210	6,079
Miscellaneous					4,513	-	4,513
Total general revenues & transfers					1,738,500	1,210	1,739,710
Change in net assets					1,495,968	(161,340)	1,334,628
Net assets - beginning					9,635,766	3,577,223	13,212,989
Net assets - ending					\$ 11,131,734	\$ 3,415,883	\$ 14,547,617

The accompanying notes are an integral part of the financial statements.

TOWN OF TAYLOR ARIZONA
Balance Sheet
Governmental Funds
June 30, 2010

Assets	General	Highway Users Revenue Fund	Grants Fund	Non-major LTAF	Total Governmental Funds
Cash and cash equivalents	\$ 672,925	\$ 1,161,967	\$ -	\$ -	\$ 1,834,892
Cash with paying agent	30,225	-	-	-	30,225
Receivables, net:					
Accounts receivable	55,193	-	-	-	55,193
Intergovernmental	81,962	46,445	47,557	-	175,964
Due from other funds	251,009	-	-	-	251,009
Inventory	7,065	1,591	-	-	8,656
Net investment in capital lease	430,000	-	-	-	430,000
Restricted Cash and Investments	-	-	-	216,261	216,261
Total Assets	<u>\$ 1,528,379</u>	<u>\$ 1,210,003</u>	<u>\$ 47,557</u>	<u>\$ 216,261</u>	<u>\$ 3,002,200</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 374,826	\$ 4,732	\$ 1,501	\$ -	\$ 381,059
Accrued wages	36,630	-	-	-	36,630
Accrued liabilities	3,003	-	-	-	3,003
Customer deposits payable	1,860	-	-	-	1,860
Due to other funds	-	-	6,466	-	6,466
Unearned revenue	430,000	-	-	-	430,000
Total Liabilities	<u>846,319</u>	<u>4,732</u>	<u>7,967</u>	<u>-</u>	<u>859,018</u>
Fund Balances:					
Reserved	-	1,205,271	-	216,261	1,421,532
Unreserved/Undesignated	682,060	-	39,590	-	721,650
Total fund balances	<u>682,060</u>	<u>1,205,271</u>	<u>39,590</u>	<u>216,261</u>	<u>2,143,182</u>
Total Liabilities and fund balances	<u>\$ 1,528,379</u>	<u>\$ 1,210,003</u>	<u>\$ 47,557</u>	<u>\$ 216,261</u>	<u>\$ 3,002,200</u>

The accompanying notes are an integral part of the financial statements.

TOWN OF TAYLOR ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2010

Total fund balances - governmental funds \$ 2,143,182

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

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

Governmental capital assets	\$ 16,878,754	
Accumulated depreciation	<u>(7,229,068)</u>	
		9,649,686

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Notes and loans payable	\$ (477,661)	
Leases payable	(23,687)	
Landfill post-closure payable	(68,836)	
Accrued interest payable	(51,134)	
Compensated absences	<u>(39,816)</u>	
		(661,134)

Total net assets - governmental activities	<u><u>\$ 11,131,734</u></u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF TAYLOR ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2010

REVENUES	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Grants Fund</u>	<u>Non-major LTAF</u>	<u>Total Governmental Funds</u>
Taxes					
Sales taxes	\$ 618,295	\$ -	\$ -	\$ -	\$ 618,295
Franchise taxes	67,121	-	-	-	67,121
Licenses and permits	13,876	-	-	-	13,876
Intergovernmental	1,043,704	609,246	1,867,140	16,932	3,537,022
Charges for services	515,035	-	-	-	515,035
Fines and forfeitures	2,626	-	-	-	2,626
Interest revenue	3,208	1,661	-	-	4,869
Other revenues	125,140	114,011	-	-	239,151
Total Revenues	<u>2,389,005</u>	<u>724,918</u>	<u>1,867,140</u>	<u>16,932</u>	<u>4,997,995</u>
EXPENDITURES					
Current:					
General government	695,180	-	-	-	695,180
Public safety	1,490,587	-	54,605	-	1,545,192
Public works/streets	-	580,278	1,801,994	17,455	2,399,727
Culture and recreation	184,059	-	-	-	184,059
Capital outlay	273,400	-	-	-	273,400
Debt Service:					
Principal retirement	52,070	-	-	-	52,070
Interest on long-term debt	25,991	-	-	-	25,991
Total Expenditures	<u>2,721,287</u>	<u>580,278</u>	<u>1,856,599</u>	<u>17,455</u>	<u>5,175,619</u>
Excess of Revenues					
Over (Under) Expenditures	<u>(332,282)</u>	<u>144,640</u>	<u>10,541</u>	<u>(523)</u>	<u>(177,624)</u>
Other Financing Sources (Uses):					
Transfers in	31,487	-	10,375	-	41,862
Transfers out	-	-	(31,487)	(10,375)	(41,862)
Total Other Financing Sources (Uses)	<u>31,487</u>	<u>-</u>	<u>(21,112)</u>	<u>(10,375)</u>	<u>-</u>
Net change in fund balances	(300,795)	144,640	(10,571)	(10,898)	(177,624)
Fund Balance, Beginning of Year	<u>982,855</u>	<u>1,060,631</u>	<u>50,161</u>	<u>227,159</u>	<u>2,320,806</u>
Fund Balance, End of Year	<u>\$ 682,060</u>	<u>\$ 1,205,271</u>	<u>\$ 39,590</u>	<u>\$ 216,261</u>	<u>\$ 2,143,182</u>

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR ARIZONA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2010

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

Net change in fund balances - total governmental funds		\$ (177,624)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay	\$ 2,311,668	
Depreciation expense	<u>(688,377)</u>	
		1,623,291
Repayment of long term debt principal is an expenditure in the governmental funds funds, but the repayment reduces long-term liabilities in the statement of net assets.		57,837
Accrued Interest for Long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.		(10,911)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		3,375
Change in net assets of governmental activities		<u><u>\$ 1,495,968</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR ARIZONA
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget & Actual
For the Year Ended June 30, 2010

REVENUES	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Taxes	\$ 870,000	\$ 870,000	\$ 685,416	\$ (184,584)
Licenses, permits and fees	40,000	40,000	13,876	(26,124)
Intergovernmental revenue	1,044,547	1,044,547	1,043,704	(843)
Charges for services	583,300	583,300	515,035	(68,265)
Fines and forfeitures	2,775	2,775	2,626	(149)
Interest	30,000	30,000	3,208	(26,792)
Other revenues	500,650	500,650	125,140	(375,510)
Total Revenues	3,071,272	3,071,272	2,389,005	(682,267)
EXPENDITURES				
Current:				
General government	833,678	833,678	695,180	138,498
Public safety	1,596,763	1,596,763	1,490,587	106,176
Culture and recreation	208,500	208,500	184,059	24,441
Capital outlay	355,000	355,000	273,400	81,600
Debt Service	77,025	77,025	78,061	(1,036)
Total Expenditures	3,070,966	3,070,966	2,721,287	349,679
Excess of Revenues				
Over (Under) Expenditures	306	306	(332,282)	(332,588)
Other Financing Sources (Uses):				
Transfers in	-	-	31,487	31,487
Total Other Financing Sources (Uses)	-	-	31,487	31,487
Net change in fund balance	306	306	(300,795)	(301,101)
Fund Balance, Beginning of Year	982,855	982,855	982,855	-
Fund Balance, End of Year	\$ 983,161	\$ 983,161	\$ 682,060	\$ (301,101)

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Water Fund	Sewer Fund	Combined Total
Assets			
Current Assets:			
Cash	\$ 128,706	\$ -	\$ 128,706
Receivables (net of allowance)	48,926	53,865	102,791
Inventory	45,053	796	45,849
Restricted cash and investments	22,883	1,200	24,083
Total current assets	<u>245,568</u>	<u>55,861</u>	<u>301,429</u>
Noncurrent assets:			
Land	-	40,000	40,000
Furniture, equipment & vehicles	105,155	60,166	165,321
Distribution system	2,955,491	6,481,490	9,436,981
Accumulated depreciation	(732,135)	(783,015)	(1,515,150)
Total noncurrent assets	<u>2,328,511</u>	<u>5,798,641</u>	<u>8,127,152</u>
Total Assets	<u>\$ 2,574,079</u>	<u>\$ 5,854,502</u>	<u>\$ 8,428,581</u>
Liabilities			
Current Liabilities:			
Accounts payable	\$ 17,137	\$ 8,124	\$ 25,261
Customer deposits	22,883	1,200	24,083
Due to other funds	-	244,543	244,543
Interest payable	-	40,208	40,208
Notes payable - current	2,421	82,689	85,110
Capital leases payable - current	29,815	-	29,815
Compensated absences - current	3,000	5,000	8,000
Total current liabilities	<u>75,256</u>	<u>381,764</u>	<u>457,020</u>
Noncurrent liabilities:			
Long-term debt (net of current portion):			
Compensated absences	495	306	801
Capital leases payable	151,874	-	151,874
Notes payable	35,692	4,367,311	4,403,003
Total long-term debt	<u>188,061</u>	<u>4,367,617</u>	<u>4,555,678</u>
Total Liabilities	<u>263,317</u>	<u>4,749,381</u>	<u>5,012,698</u>
Net Assets			
Invested in capital assets, net of related debt	2,108,130	1,426,330	3,534,460
Restricted	899	56,766	57,665
Unrestricted	201,733	(377,975)	(176,242)
Total net assets	<u>\$ 2,310,762</u>	<u>\$ 1,105,121</u>	<u>\$ 3,415,883</u>

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR ARIZONA
Statement Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Water Fund	Sewer Fund	Combined Total
Operating Revenues			
Charges for services	\$ 330,152	\$ 457,355	\$ 787,507
Other revenues	60	-	60
Total Operating Revenues	330,212	457,355	787,567
Operating Expenses			
Salaries	105,783	128,837	234,620
Employee benefits	55,730	72,693	128,423
Service, supplies and other	168,128	180,261	348,389
Depreciation	66,398	140,436	206,834
Total Operating Expenses	396,039	522,227	918,266
Operating Income (Loss)	(65,827)	(64,872)	(130,699)
Non-operating Revenues (Expenses)			
Interest income	1,081	129	1,210
Interest expense and fiscal charges	(9,586)	(79,365)	(88,951)
Grant revenue	44,000	-	44,000
Connection and impact fees	6,500	6,600	13,100
Total Non-Operating Revenue (Expense)	41,995	(72,636)	(30,641)
Change in net assets	(23,832)	(137,508)	(161,340)
Total net assets, Beginning of Year	2,334,594	1,242,629	3,577,223
Total net assets, End of Year	\$ 2,310,762	\$ 1,105,121	\$ 3,415,883

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Water Fund	Sewer Fund	Combined Total
Cash Flows From Operating Activities:			
Cash received from customers, service fees	\$ 318,906	\$ 439,913	\$ 758,819
Cash received from customers, other	60	-	60
Cash paid to suppliers	(150,709)	(177,329)	(328,038)
Cash paid to employees	(159,932)	(187,624)	(347,556)
Net cash flows from operating activities	<u>8,325</u>	<u>74,960</u>	<u>83,285</u>
Cash Flows From Noncapital Financing Activities:			
Proceeds/(payments) to other funds	-	(100,125)	(100,125)
Net cash flows from noncapital financing activities	<u>-</u>	<u>(100,125)</u>	<u>(100,125)</u>
Cash Flows From Capital and Related Financing Activities:			
Purchase of capital assets	(96,334)	(392,450)	(488,784)
Principal paid on long-term debt	(28,517)	-	(28,517)
Interest paid	(9,586)	(79,365)	(88,951)
Debt proceeds	82,113	491,450	573,563
Connection & impact fees	6,500	6,600	13,100
Net cash flows from capital and related financing activities	<u>(45,824)</u>	<u>26,235</u>	<u>(19,589)</u>
Cash Flows From Investing Activities:			
Interest on investments	1,081	129	1,210
Net change in cash and cash equivalents	(36,418)	1,199	(35,219)
Cash and cash equivalents, beginning of year	<u>188,008</u>	<u>-</u>	<u>188,008</u>
Cash and Cash Equivalents, End of Year	<u>\$ 151,590</u>	<u>\$ 1,199</u>	<u>\$ 152,789</u>
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income/(loss)	\$ (65,827)	\$ (64,872)	\$ (130,699)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation/amortization	66,398	140,436	206,834
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	(11,246)	(17,442)	(28,688)
(Increase)/decrease in inventory	6,603	(796)	5,807
Increase/(decrease) in payables	10,816	3,728	14,544
Increase/(decrease) in accrued liabilities & deposits	1,581	13,906	15,487
Net cash flows from operating activities	<u>\$ 8,325</u>	<u>\$ 74,960</u>	<u>\$ 83,285</u>
Supplemental Schedule of Non-cash Financing and Investing Activities:			
Debt forgiveness from ARRA funds	\$ 44,000	\$ -	\$ 44,000

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR ARIZONA
Statement of Fiduciary Net Assets
Pension Trust Fund
June 30, 2010

	<u>Volunteer Firefighters' Relief and Pension</u>
ASSETS	
Cash and cash equivalents	<u>\$ 112,956</u>
Total assets	<u>112,956</u>
NET ASSETS	
Net Assets Held in Trust for Pension Benefits and other purposes	<u><u>\$ 112,956</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR ARIZONA
Statement of Changes in Fiduciary Net Assets
Pension Trust Fund
For the Year Ended June 30, 2010

	<u>Volunteer Firefighters' Relief and Pension</u>
ADDITIONS:	
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	14,934
Interest earnings	<u>2,052</u>
Net Investment Income (Loss)	<u>16,986</u>
Total Additions	<u>16,986</u>
DEDUCTIONS:	
Contract services	2,797
Benefits	<u>3,870</u>
Total Deductions	<u>6,667</u>
Net Increase (Decrease)	10,319
Net Assets Held in Trust for Pension Benefits	
Beginning of Year	<u>102,637</u>
End of Year	<u><u>\$ 112,956</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies

General

The accounting policies of the Town of Taylor Arizona (the Town) conform to U.S. generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

The government is a municipal corporation governed by an elected mayor, vice-mayor and three-member council. 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 and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The financial statements include all funds and account groups that account for activities over which the Town's elected mayor and council exercise primary financial management and oversight responsibility. The following is a brief review of the component unit included in defining the Town's reporting entity. There are no discretely presented component units and one blended component unit.

Blended Component Unit included within the reporting entity:

The **Town of Taylor, Arizona Municipal Property Corporation's** (MPC) board of directors consists of three members which are appointed by the Town of Taylor, Arizona's Town Council. The MPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the Town in purchasing land through a note payable due to a private trust separate from the Town. The Town has a "moral obligation" for the repayment of the MPC's note payable. All related receivables and payables between the Town and the MPC have been eliminated. The MPC has a June 30 year end. For financial reporting purposes, transactions of the MPC are combined together and included as if they were part of the Town's operations.

Government-Wide and Fund Financial Statements

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

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies, Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as another financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of a related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies, Continued

Property taxes, sales taxes, state shared revenues, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

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

The **Highway User Special Revenue Fund** accounts for revenue sources that are legally restricted for road construction and maintenance.

The **Grants Fund** is used to account for federal and state grants and other contributions that are restricted for specific use by the granting agency.

The Town reports the following major proprietary funds:

The **Water Fund** accounts for the activities related to the Town's water distribution operations.

The **Sewer Fund** accounts for the activities related to the Town's sewer collection and treatment operations.

Additionally, the Town reports the following fund type:

The **Pension Trust Fund** accounts for the activities of the Firefighters' Pension, which accumulates resources for pension benefit payments to qualified firefighters.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies, Continued

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services.

Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Deposits and Investments

The Town's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds. All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectible accounts. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

Inventories

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories for business type activities consist of various parts and supplies and are valued at cost using the first-in/first-out (FIFO) method.

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

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

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies, Continued

Estimates

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. The details of this difference are reported in the reconciliation on page 15.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 17.

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Town. The use of budgets and monitoring of equity status facilitate the Town's compliance with legal requirements.

Budgets and Budgetary Accounting

The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The Town follows a voter-approved alternative expenditure limitation that was adopted on March 11, 2007.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

No Supplementary budgetary appropriations were made during the year.

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 3. Stewardship, Compliance, and Accountability, Continued

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2010, if any.

Taxes

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

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

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

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 4. Deposits and Investments

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

Cash and cash equivalents	\$ 1,963,598
Cash with paying agent	30,225
Restricted cash and cash equivalents	240,344
Fiduciary Fund cash and cash equivalents	<u>112,956</u>
Total	<u><u>\$ 2,347,123</u></u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. At June 30, 2010 cash on hand was \$500 and the carrying amount of the Town's deposits was \$488,618. As of June 30, 2010 the bank balance of the Town's deposits was \$478,688 in non-interest bearing accounts. FDIC regulations fully extend insurance coverage to all non-interest bearing deposit accounts.

Investments

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P1" by Moody's investors or "A1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 4. Deposits and Investments, Continued

As of June 30, 2010 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State Treasurer's Investment Pool	\$ 1,725,724	\$ 1,725,724	\$ -	\$ -	\$ -
	<u>1,725,724</u>	<u>\$ 1,725,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Investments					
Equity Mutual Funds	132,280				
Total Fair Value	<u>1,858,004</u>				

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35- 323) which requires that the Town's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

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

At June 30, 2010 the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State Treasurer's Investment Pool	\$ 1,725,724	\$ -	\$ -	\$ -	\$ 1,725,724
Total Fair Value	<u>\$ 1,725,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,725,724</u>

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 5. Restricted Assets

Restricted assets consist of the following at June 30, 2010

	Governmental Activities	Business-type Activities
LTAF funds	\$ 216,261	\$ -
Customer deposits	-	24,083
	\$ 216,261	\$ 24,083

Note 6. Net Investment in Capital Lease

The Town has entered into a lease agreement as a lessor for the sale of emergency training towers to a regional training facility. The lease agreement qualifies as a capital lease for accounting purposes as title to the assets transfer to the regional training facility at the end of the lease term. The original principal amount of the lease totaling \$500,000 has been accrued as a receivable on both the General fund financial statements and the governmental activities column of the government-wide financial statements. The lease receivable is offset to unearned revenue on both the fund financial statements and the government-wide financial statements and is recognized when earned on an annual basis.

The following is an annual schedule of future minimum lease payments receivable:

Year Ending June 30,	
2011	\$ 40,150
2012	39,350
2013	38,350
2014	42,225
2015	40,975
2016-2020	200,000
2021-2025	201,475
Total remaining lease payments	\$ 602,525
Less: Amount representing interest	(172,525)
Present value of net remaining minimum lease payments	\$ 430,000

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 7. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year.

Governmental Activities:	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Capital assets, not being depreciated:				
Land	\$ 777,227	\$ 202,192	\$ -	\$ 979,419
Construction in progress	520,075	2,011,049	(2,038,539)	492,585
Total capital assets, not being depreciated	<u>1,297,302</u>	<u>2,213,241</u>	<u>(2,038,539)</u>	<u>1,472,004</u>
Capital assets, being depreciated:				
Buildings	945,858	-	-	945,858
Improvements	8,297,748	2,129,732	-	10,427,480
Furniture, equipment & vehicles	2,048,779	7,234	(139,615)	1,916,398
Infrastructure	2,117,014	-	-	2,117,014
Total capital assets, being depreciated	<u>13,409,399</u>	<u>2,136,966</u>	<u>(139,615)</u>	<u>15,406,750</u>
Less accumulated depreciation for:				
Buildings	(195,920)	(19,386)	-	(215,306)
Improvements	(4,840,249)	(437,008)	-	(5,277,257)
Furniture, equipment & vehicles	(1,369,341)	(126,132)	139,615	(1,355,858)
Infrastructure	(274,796)	(105,851)	-	(380,647)
Total accumulated depreciation	<u>(6,680,306)</u>	<u>(688,377)</u>	<u>139,615</u>	<u>(7,229,068)</u>
Total capital assets, being depreciated, net	<u>6,729,093</u>	<u>1,448,589</u>	<u>-</u>	<u>8,177,682</u>
Governmental activities capital assets, net	<u>\$ 8,026,395</u>	<u>\$ 3,661,830</u>	<u>\$ (2,038,539)</u>	<u>\$ 9,649,686</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental Activities:	
General government	\$ 367,593
Public safety	100,891
Public works/streets	149,510
Culture & recreation	70,383
Total depreciation expense - governmental activities	<u>\$ 688,377</u>

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 7. Capital Assets, Continued

The following table summarizes the changes to capital assets for business-type activities during the year.

Business Type Activities:	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Capital assets not being depreciated:				
Land and water rights	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	4,218,423	388,451	(4,606,874)	-
Total capital assets, not being depreciated	<u>4,258,423</u>	<u>388,451</u>	<u>(4,606,874)</u>	<u>40,000</u>
Capital assets being depreciated:				
Water system	2,859,157	96,334	-	2,955,491
Sewer system	1,870,617	4,610,873	-	6,481,490
Furniture, equipment & vehicles	165,321	-	-	165,321
Total capital assets, being depreciated	<u>4,895,095</u>	<u>4,707,207</u>	<u>-</u>	<u>9,602,302</u>
Less accumulated depreciation for:				
Water system	(566,428)	(64,631)	-	(631,059)
Sewer system	(596,880)	(136,488)	-	(733,368)
Furniture, equipment & vehicles	(145,008)	(5,715)	-	(150,723)
Total accumulated depreciation	<u>(1,308,316)</u>	<u>(206,834)</u>	<u>-</u>	<u>(1,515,150)</u>
Total capital assets, being depreciated, net	<u>3,586,779</u>	<u>4,500,373</u>	<u>-</u>	<u>8,087,152</u>
Business-type activities capital assets, net	<u>\$ 7,845,202</u>	<u>\$ 4,888,824</u>	<u>\$ (4,606,874)</u>	<u>\$ 8,127,152</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Business-Type Activities:	
Water	\$ 66,398
Sewer	140,436
Total depreciation expense - business-type activities	<u>\$ 206,834</u>

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 8. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2010:

	Balance 6/30/2009	Additions	Retirements	Balance 6/30/2010	Current Portion
Governmental Activities:					
Note payable	\$ 35,242	\$ -	\$ (9,180)	\$ 26,062	\$ 9,801
Loan payable	450,000	-	(20,000)	430,000	20,000
Deferred amount on:					
Premium on loan payable	23,142	-	(1,543)	21,599	-
Capital lease	46,577	-	(22,890)	23,687	23,687
Landfill post-closure payable	73,060	-	(4,224)	68,836	-
Compensated absences	43,191	34,507	(37,882)	39,816	35,000
Total Governmental activity					
Long-term liabilities	<u>\$ 671,212</u>	<u>\$ 34,507</u>	<u>\$ (95,719)</u>	<u>\$ 610,000</u>	<u>\$ 88,488</u>
Business-Type Activities:					
Notes payable	\$ 3,958,550	\$ 573,563	\$ (44,000)	\$ 4,488,113	\$ 85,110
Capital leases	210,206	-	(28,517)	181,689	29,815
Compensated absences	6,880	10,299	(8,378)	8,801	8,000
Total Business-type activity					
Long-term liabilities	<u>\$ 4,175,636</u>	<u>\$ 583,862</u>	<u>\$ (80,895)</u>	<u>\$ 4,678,603</u>	<u>\$ 122,925</u>

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 8. Long-Term Debt, Continued

The following is a listing of notes and loans outstanding as of June 30, 2010:

Loans and Notes Payable:

Governmental Activities:

Mortgage note payable, secured by real property, bearing interest at 8%, due in annual principal and interest installments of \$12,000, maturing January, 2013. \$ 26,062

Loan payable to the Greater Arizona Development Authority (GADA), secured by future excise tax and state shared revenue, bearing interest at 2.375% to 5%, due in semi-annual principal and interest installments ranging from \$38,450 to \$42,850, maturing July 1, 2024. 430,000

Business-Type Activities:

Sewer excise revenue loan payable to the Water Infrastructure Finance Authority of Arizona (WIFA), secured by all future sewer revenue, bearing interest at 2% to 3.89%, due in semi-annual principal and interest installments of approximately \$283,800, maturing July 1, 2028. 4,450,000

Water excise revenue loan payable to the Water Infrastructure Finance Authority of Arizona (WIFA), secured by all future water revenue, bearing interest at 3.143% due in semi-annual principal and interest installments of approximately \$4,495, maturing July 1, 2029. This loan was approved in July 2009 with a maximum principal balance of \$110,000, of which \$82,113 was drawn before the loan was closed. Of the amount drawn, \$44,000 is forgivable principal through ARRA assistance. \$ 38,113

Total Loans and Notes Payable \$ 4,944,175

Debt service requirements to maturity, including WIFA draw downs available, are as follows:

Years ending June 30:	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 29,801	\$ 22,349	\$ 87,568	\$ 90,160
2012	30,615	20,735	201,517	88,352
2013	25,646	18,854	205,606	84,262
2014	25,000	17,225	209,779	80,090
2015	25,000	15,975	214,037	75,831
2016-2020	140,000	60,000	1,118,911	312,854
2021-2025	180,000	21,475	1,221,986	197,158
2026-2030	-	-	1,228,709	66,769
	<u>\$ 456,062</u>	<u>\$ 176,613</u>	<u>\$ 4,488,113</u>	<u>\$ 995,476</u>

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 9. Capital Leases Payable

The Town has entered into a lease agreement, which is considered a capital lease in accordance with Financial Accounting Standard Board statement number 13. The lease is shown in the governmental activities of the government-wide statements.

The following is an annual schedule of future minimum lease payments with of 7.5 percent under the capital lease, together with the present value of the net minimum lease payments:

<u>June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2011	24,301	37,659
2012	-	37,659
2013	-	37,659
2014	-	37,659
2015	-	37,659
2016	-	18,829
Total remaining lease payments	\$ 24,301	\$ 207,124
Less: Amount representing interest	<u>(614)</u>	<u>(25,435)</u>
Present value of net remaining minimum lease payments	<u>\$ 23,687</u>	<u>\$ 181,689</u>

A summary of assets acquired through capital leases follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Water system	\$ -	\$ 300,000
Improvements	200,000	-
Vehicles and equipment	283,383	-
Accumulated depreciation	<u>(382,529)</u>	<u>(26,667)</u>
Net total	<u>\$ 100,854</u>	<u>\$ 273,333</u>

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 10. Interfund Receivables, Payables and Transfers

As of June 30, 2010, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 251,009	\$ -
Grants Fund	-	6,466
Sewer Fund	-	244,543
	\$ 251,009	\$ 251,009

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Residual balances outstanding between the governmental activities and the business-type activities are netted and reported in the government-wide financial statements as internal balances. The majority of the Sewer Fund amount due to other funds is not expected to be repaid within one year. However, the amounts payable by the Grants Fund are expected to be repaid within one year.

Interfund transfers for the current fiscal year are as follows:

	Transfers In		
Transfers Out:	General Fund	Grants Fund	Total
Grants Fund	\$ 31,487	\$ -	\$ 31,487
LTAF	-	10,375	10,375
	\$ 31,487	\$ 10,375	\$ 41,862

Transfers are normally used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in certain funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 11. Retirement and Pension Plans

Plan Description - The Town contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The system is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 11. Retirement and Pension Plans, Continued

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix AZ 85067-3910 or by calling (602) 240-2002 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rate. For the year ended June 30, 2010, active plan members and the Town were each required by statute to contribute at the actuarially determined rate of 9.40 percent (9.00 percent retirement and 0.4 percent long-term disability) of the members' annual covered payroll. The Town's contributions to the System for the years ended June 30, 2010, 2009 and 2008 were \$89,510, \$101,251 and \$91,615, respectively, which were equal to the required contributions for the year.

Firefighters' Relief and Pension Fund

The Town of Taylor, Arizona Volunteer Firefighters' Relief and Pension Fund is a defined contribution pension plan administered by the Town and a board of trustees for the Town's volunteer firefighters.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. According to state statute, a volunteer firefighter who has served for 25 years or more or has reached 60 years of age and has served 20 years or more shall be eligible to receive a monthly retirement not to exceed \$150 per month, as determined by the board of trustees. Such pensions, if paid, may be increased or decreased in amount, or discontinued at the discretion of the board of trustees. Pension and relief benefits may only be paid from the income of the trust fund. However, a firefighter who leaves service without eligibility for retirement benefits is entitled to all previous deductions from his salary plus interest at a rate determined by the board of trustees. As established by state statute, in lieu of another acceptable pension plan, all volunteer firefighters must participate in the pension plan from the date they enter service.

No pension provision changes occurred during the year that affected the required contributions made by the Town or its voluntary firefighters.

The Firefighters' Relief and Pension Fund held no securities of the Town or other related parties during the fiscal year or as of the close of the fiscal year.

The State of Arizona is required by statute to contribute a portion of the annual tax received on fire insurance premiums. During the fiscal year ended June 30, 2010, the State's contribution was \$0.

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 12. Segment Information – Enterprise Funds

The Town maintains two enterprise funds which provide water and sewer utility services to its citizens. Detailed information for the funds are provided in the basic financial statements.

Note 13. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis.

The Arizona Municipal Risk Retention Pool is structured such that members premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The Town is insured by Municipal Workers Compensation for potential worker related accidents.

Note 14. Related Party

During the fiscal year ended June 30, 2010, the Town entered into a contract with Hatch Construction and Paving for the airport improvement taxi lane project. The total payments to Hatch Construction and Paving for this project were \$76,081. The owner of Hatch Construction and Paving has a related party serving on the Town Council. The awarded contract followed the required bidding procedures.

In addition, during the year ended June 30, 2010, the Town purchased land in the development park from Tract M, LLC/Hatch Development, LLC for \$200,000. An owner of Hatch Development, LLC has a related party serving on the Town Council.

Note 15. Contingencies

The Town is involved with various matters of litigation from year to year. It is the opinion of Town officials that these cases will either be handled by the Town's insurance coverage or that they will not have a material affect on the Town's financial condition. Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the Town does not anticipate any such amounts.

TOWN OF TAYLOR, ARIZONA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUNDS:

General Fund – Detail Budget-to-Actual

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Major Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- **Highway User Revenue Fund** (Streets) – This fund is used to account for the Town’s share of motor fuel tax revenues which are set aside for the maintaining, repairing, and upgrading of streets.
- **Grants Fund** – This fund is used to account for federal and state grants and other contributions that are restricted for specific use.

TOWN OF TAYLOR, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget & Actual
For the Year Ended June 30, 2010

REVENUES:	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Taxes:				
Tax Revenue	\$ 800,000	\$ 800,000	\$ 618,295	\$ (181,705)
Franchise Tax	70,000	70,000	67,121	(2,879)
Total Taxes	<u>870,000</u>	<u>870,000</u>	<u>685,416</u>	<u>(184,584)</u>
Licenses, Permits and Fees:				
Licenses and Permits	-	-	50	50
Building permits	40,000	40,000	13,826	(26,174)
Total Licenses, Fees and Permits	<u>40,000</u>	<u>40,000</u>	<u>13,876</u>	<u>(26,124)</u>
Intergovernmental:				
Intergovernmental Revenue	1,044,547	1,044,547	1,043,704	(843)
Total Intergovernmental	<u>1,044,547</u>	<u>1,044,547</u>	<u>1,043,704</u>	<u>(843)</u>
Charges for Services:				
Charge for Services	583,300	583,300	515,035	(68,265)
Total Charges for Services	<u>583,300</u>	<u>583,300</u>	<u>515,035</u>	<u>(68,265)</u>
Fines and Forfeitures:				
Fines and Forfeitures	2,775	2,775	2,626	(149)
Total Fines and Forfeitures	<u>2,775</u>	<u>2,775</u>	<u>2,626</u>	<u>(149)</u>
Interest:				
Interest Revenue	30,000	30,000	3,208	(26,792)
Total Interest	<u>30,000</u>	<u>30,000</u>	<u>3,208</u>	<u>(26,792)</u>
Other Revenues:				
Misc Revenue	500,650	500,650	125,140	(375,510)
Total Other Revenues	<u>500,650</u>	<u>500,650</u>	<u>125,140</u>	<u>(375,510)</u>
TOTAL REVENUES	<u>3,071,272</u>	<u>3,071,272</u>	<u>2,389,005</u>	<u>(682,267)</u>

(continued)

TOWN OF TAYLOR, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget & Actual
For the Year Ended June 30, 2010 (Continued)

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government:				
Mayor & Council	24,961	24,961	23,556	1,405
Administration	409,117	409,117	379,441	29,676
Non-Departmental	276,650	276,650	200,781	75,869
Cemetery	30,150	30,150	28,520	1,630
Airport	92,800	92,800	62,882	29,918
Total General Government	<u>833,678</u>	<u>833,678</u>	<u>695,180</u>	<u>138,498</u>
Public Safety:				
Code Enforcement	155,520	155,520	113,355	42,165
Fire	247,200	247,200	178,085	69,115
Police	687,882	687,882	690,504	(2,622)
Ambulance	506,161	506,161	508,643	(2,482)
Total Public Safety	<u>1,596,763</u>	<u>1,596,763</u>	<u>1,490,587</u>	<u>106,176</u>
Culture & Recreation:				
Parks & Recreation	132,500	132,500	117,265	15,235
Non-Departmental	76,000	76,000	66,794	9,206
Total Culture & Recreation	<u>208,500</u>	<u>208,500</u>	<u>184,059</u>	<u>24,441</u>
Debt Service:				
Principal	51,246	51,246	52,070	(824)
Interest	25,779	25,779	25,991	(212)
Total Debt Service	<u>77,025</u>	<u>77,025</u>	<u>78,061</u>	<u>(1,036)</u>
Capital Outlay:				
Capital Outlay	355,000	355,000	273,400	81,600
Total Capital Outlay	<u>355,000</u>	<u>355,000</u>	<u>273,400</u>	<u>81,600</u>
TOTAL EXPENDITURES	<u>3,070,966</u>	<u>3,070,966</u>	<u>2,721,287</u>	<u>349,679</u>

(continued)

TOWN OF TAYLOR, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget & Actual
For the Year Ended June 30, 2010 (Continued)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Excess of Revenues Over/(Under) Expenditures	306	306	(332,282)	(332,588)
Other Financing Sources (Uses):				
Transfer in	-	-	31,487	31,487
Total Other Financing Sources (Uses)	-	-	31,487	31,487
Net change in fund balance	306	306	(300,795)	(301,101)
Fund Balance, Beginning of Year	982,855	982,855	982,855	-
Fund Balance, End of Year	\$ 983,161	\$ 983,161	\$ 682,060	\$ (301,101)

TOWN OF TAYLOR, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Highway User Revenue Special Revenue Fund
Budget & Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 631,037	\$ 631,037	\$ 609,246	\$ (21,791)
Interest income	15,000	15,000	1,661	(13,339)
Other revenues	1,000	1,000	114,011	113,011
	<u>647,037</u>	<u>647,037</u>	<u>724,918</u>	<u>77,881</u>
EXPENDITURES:				
Salaries	137,000	137,000	114,792	22,208
Employee benefits	101,000	101,000	74,416	26,584
Services, supplies, and other	166,050	166,050	111,308	54,742
Capital outlay	190,000	190,000	279,762	(89,762)
	<u>594,050</u>	<u>594,050</u>	<u>580,278</u>	<u>13,772</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>52,987</u>	<u>52,987</u>	<u>144,640</u>	<u>91,653</u>
Net change in fund balance	52,987	52,987	144,640	91,653
Fund Balance, Beginning of Year	<u>1,060,631</u>	<u>1,060,631</u>	<u>1,060,631</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$1,113,618</u></u>	<u><u>\$1,113,618</u></u>	<u><u>\$1,205,271</u></u>	<u><u>\$ 91,653</u></u>

TOWN OF TAYLOR, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Grants Special Revenue Fund
Budget & Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 3,900,000	\$ 3,900,000	\$ 1,867,140	\$ (2,032,860)
Total revenues	3,900,000	3,900,000	1,867,140	(2,032,860)
EXPENDITURES:				
Public safety	1,250,000	1,250,000	54,605	1,195,395
Public works/streets	2,650,000	2,650,000	1,801,994	848,006
Total Expenditures	3,900,000	3,900,000	1,856,599	2,043,401
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	-	-	10,541	10,541
Other Financing Sources (Uses):				
Transfers in	-	-	10,375	10,375
Transfers out	-	-	(31,487)	(31,487)
Total Other Financing Sources (Uses):	-	-	(21,112)	(21,112)
Net change in fund balance	-	-	(10,571)	(10,571)
Fund Balance, Beginning of Year	50,161	50,161	50,161	-
Fund Balance, End of Year	\$ 50,161	\$ 50,161	\$ 39,590	\$ (10,571)

TOWN OF TAYLOR, ARIZONA
SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING NON-MAJOR FUNDS:

Nonmajor Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- **LTA Fund** – This fund is used to account for the Town’s share of lottery proceeds which are set aside for transportation costs and the maintaining, repairing, and upgrading of streets.

TOWN OF TAYLOR, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
LTAFL Special Revenue Fund
Budget & Actual
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue	\$ 27,424	\$ 27,424	\$ 16,932	\$ (10,492)
Total Revenue	<u>27,424</u>	<u>27,424</u>	<u>16,932</u>	<u>(10,492)</u>
EXPENDITURES:				
Services, supplies, and other	<u>27,424</u>	<u>27,424</u>	<u>17,455</u>	<u>9,969</u>
Total Expenditures	<u>27,424</u>	<u>27,424</u>	<u>17,455</u>	<u>9,969</u>
Excess of Revenue and Other Sources Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(523)</u>	<u>(523)</u>
Other Financing Sources (Uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(10,375)</u>	<u>(10,375)</u>
Net change in fund balance	-	-	(10,898)	(10,898)
Fund Balance, Beginning of Year	<u>227,159</u>	<u>227,159</u>	<u>227,159</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 227,159</u>	<u>\$ 227,159</u>	<u>\$ 216,261</u>	<u>\$ (10,898)</u>

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

Independent Auditors' Report on State Legal Compliance

The Honorable Mayor and
Town Council
Taylor, Arizona

We have audited the basic financial statements of the Town of Taylor, Arizona for the year ended June 30, 2010, and have issued our report thereon dated October 6, 2010. Our audit also included test work on the Town of Taylor's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

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

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

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

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

In our opinion, the Town of Taylor complied, in all material respects, with the requirements identified above for the year ended June 30, 2010.

Michael K. Spilker, CPA
October 6, 2010

MEMBERS:

- CHAD B. ATKINSON
- KRIS J. BRAUNBERGER
- DEAN R. BURDICK
- ROBERT S. COX
- TODD B. FELTNER
- BRENT R. HALL
- TODD R. HESS
- KENNETH A. HINTON
- MORRIS J. PEACOCK
- PHILLIP S. PEINE
- MICHAEL K. SPILKER
- MARK E. TICHENOR

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SINGLE AUDIT SECTION

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

MEMBERS:

CHAD B. ATKINSON
 KRIS J. BRAUNBERGER
 DEAN R. BURDICK
 ROBERT S. COX
 TODD B. FELTNER
 BRENT R. HALL
 TODD R. HESS
 KENNETH A. HINTON
 MORRIS J. PEACOCK
 PHILLIP S. PEINE
 MICHAEL K. SPILKER
 MARK E. TICHENOR

The Honorable Mayor and
 Town Council
 Taylor, Arizona

We have audited accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Taylor, Arizona as of and for the year ended June 30, 2010, which collectively comprise the Town of Taylor, Arizona's basic financial statements, and have issued our report thereon dated October 6, 2010. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Town of Taylor's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs, that we consider to be significant deficiencies in internal control over financial reporting.

- 10-1 Reconciliations and Year-end Accounting
- 08-3 Purchase Orders

Compliance and Other Matters

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

We noted certain other matters that we have reported to the management of the Town in a separate letter dated October 6, 2010.

This report is intended solely for the information of the mayor, audit committee, management, and various federal and state agencies, and is not intended to be an should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Michael K. Spilker, CPA
October 6, 2010



**Report on Compliance with Requirements
That Could Have a Direct and Material Effect on
Each Major Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133**

The Honorable Mayor and
Town Council
Taylor, Arizona

MEMBERS:

CHAD B. ATKINSON
KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
TODD B. FELTNER
BRENT R. HALL
TODD R. HESS
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

Compliance

We have audited the compliance of the Town of Taylor, Arizona with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Town of Taylor, Arizona’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town of Taylor, Arizona’s management. Our responsibility is to express an opinion on the Town of Taylor, Arizona’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Taylor, Arizona’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Taylor, Arizona’s compliance with those requirements.

In our opinion, the Town of Taylor, Arizona complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Town of Taylor, Arizona is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Taylor, Arizona’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of

expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Taylor, Arizona's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Town Council, management, and various state agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Michael K. Spilker, CPA
October 6, 2010

TOWN OF TAYLOR, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified
Internal control over financial reporting:

- Material weakness (es) identified? ___yes X no
- Significant deficiency (ies) identified that are not
considered to be material weaknesses? X yes ___none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards

Internal Control over major programs:

- Material weakness (es) identified? ___yes X no
- Significant deficiency (ies) identified that are not
considered to be material weaknesses? ___yes X none reported

Type of auditor's report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133? ___ yes X no

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type
A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ___ yes X no

TOWN OF TAYLOR, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section II - Financial Statement Findings

Significant Deficiencies:

10-1. Reconciliations and Year-end Accounting

Finding

During our audit we made recommendations for a limited number of journal entries that were necessary to record year end accruals and other miscellaneous reclassifications. However the number of adjustments for this year's audit was reduced substantially from the previous two years. Management did a good job this fiscal year at reconciling accounts and getting current year journal entries posted and it appears that management has the capability and expertise necessary to perform these monthly and year-end accounting functions; however, Statement on Auditing Standards number 112 requires us to consider and report material audit adjustments as a significant deficiency.

In addition, during our audit we noticed several items that if done on a monthly basis would significantly reduce the opportunity for misstatements to occur or go undetected. These monthly procedures included bank reconciliations, reconciliation of the accounts payable control account, and reconciliation of the accounts receivable by service report.

Recommendation

We recommend management continue to make efforts to reduce the number of material audit adjustments needed. In addition, we recommend monthly reconciliations be performed in a timely manner for each bank account, the accounts payable control account, and the accounts receivable by service report.

08-3. Purchase Orders

Finding

Apparently the Town does not currently require the use of purchase orders for any set level of purchases. A properly utilized purchase order system where purchase orders are prepared and/or approved before goods and services are ordered would document authorization and strengthen the Town's controls over cash disbursements.

Recommendation

We recommend that the Town consider establishing procedures for the use of purchase orders with a set limit and ensure that a purchase order is prepared and attached to each invoice in order to verify authorization and compliance with the established budget.

TOWN OF TAYLOR, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

Section III - Federal Award Findings and Questioned Costs

No significant matters were noted.

Section IV - Summary Schedule of Prior Audit Findings

None noted.

TOWN OF TAYLOR, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

Grantor Agency	Federal CFDA Number	Grantor's Number	Expenditures
U.S. Department of Transportation:			
Airport Improvement program	20.106	AIP 3-04-0065-0016-2008	65,708
ARRA - Airport Improvement program	20.106	AIP 3-04-0065-17-2009	1,640,523
Airport Improvement program	20.106	AIP 3-04-0065-18	86,633
Airport Improvement program	20.106	AIP 3-04-0065-19	1,219
Total U.S. Department of Transportation			<u>1,794,083</u>
Environmental Protection Agency			
ARRA - Capitalization Grants for Drinking Water State Revolving Funds	66.468		<u>44,000</u>
Total expenditures of federal awards			<u><u>\$ 1,838,083</u></u>

Note: This schedule has been prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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