

# TOWN OF TAYLOR, ARIZONA



## ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED JUNE 30, 2012

# TOWN OF TAYLOR

## Table of Contents

<b>Financial Section:</b>	<u>Page</u>
Independent Auditors' Report on Financial Statements .....	1
Management's Discussion and Analysis .....	3
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position .....	12
Statement of Activities .....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	15
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – General Fund - Budget-and-Actual .....	18
Statement of Net Position - Proprietary Funds.....	19
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds.....	20
Statement of Cash Flows - Proprietary Funds .....	21
Statement of Fiduciary Net Position – Pension Trust Fund .....	22
Statement of Changes in Fiduciary Net Position – Pension Trust Fund.....	23
Notes to Financial Statements .....	24
Required Supplementary Information – Budgetary Comparison Schedules .....	45
Nonmajor Combining and Individual Fund Financial Statements .....	50
Other Communications from Independent Auditor:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters .....	57
Report on Compliance with State Laws and Regulations .....	59

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**Independent Auditors' Report on  
Financial Statements**

The Honorable Mayor and  
Town Council  
Taylor, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Taylor, Arizona, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These 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, 2012, 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 31, 2012, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Taylor, Arizona's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



HintonBurdick, PLLC  
October 31, 2012

**TOWN OF TAYLOR, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2012**

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, 2012. Please read it in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- Total assets (all funds Governmental and Business-type) decreased by \$870,812. Total Liabilities decreased by \$290,858 which resulted in total assets in excess of total liabilities (net position) decreasing by \$579,954 at the close of the fiscal year 2012. Total net position (equity) was \$13,789,088 at June 30, 2012.
- The most significant reason for the decrease is due to depreciation expense for Governmental Activities which exceeded capital outlays in the current year by \$609,487.
- Total business-type revenues exceeded total business-type expenses by \$62,074.
- At the end of the current fiscal year, unassigned and assigned fund balances for the General Fund were \$508,264, or 22% of total General Fund FY 12 expenditures, (approximately 2.6 months of reserves)

**USING THIS ANNUAL REPORT**

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

**Reporting the Town as a Whole**

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

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

These two statements report the Town's net position and changes in them. Net position, the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net position is 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 Position and the Statement of Activities, present information about the following:

- Government activities – All of the Town’s basic services are considered to be governmental activities, including general government, public safety, public works/streets, culture and recreation, 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 Position 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 Position and the Statement of Activities.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by more than \$13.79 million as of June 30, 2012 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 Position

	Governmental activities		Business-type activities		Combined Total	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Current and other assets	\$ 2,709,111	\$ 2,826,772	\$ 76,542	\$ 33,368	\$ 2,785,653	\$ 2,860,140
Capital assets	8,745,151	9,354,638	7,753,082	7,939,920	16,498,233	17,294,558
Total assets	<u>11,454,262</u>	<u>12,181,410</u>	<u>7,829,624</u>	<u>7,973,288</u>	<u>19,283,886</u>	<u>20,154,698</u>
Long-term liabilities outstanding	520,065	558,708	4,332,743	4,563,695	4,852,808	5,122,403
Other liabilities	538,437	584,914	103,553	78,339	641,990	663,253
Total liabilities	<u>1,058,502</u>	<u>1,143,622</u>	<u>4,436,296</u>	<u>4,642,034</u>	<u>5,494,798</u>	<u>5,785,656</u>
Net position:						
Net investment in capital assets	8,224,966	8,788,510	3,427,260	3,385,043	11,652,226	12,173,553
Restricted	1,683,268	1,533,935	116,229	115,330	1,799,497	1,649,265
Unrestricted	487,526	715,343	(150,161)	(169,119)	337,365	546,224
Total net position	<u>\$ 10,395,760</u>	<u>\$ 11,037,788</u>	<u>\$ 3,393,328</u>	<u>\$ 3,331,254</u>	<u>\$ 13,789,088</u>	<u>\$ 14,369,042</u>

### Governmental Activities

The cost of all Governmental activities this year was \$3.5 million. As shown on the Changes in Net Position statement on the following page. \$685,509 of this cost was paid for by those who directly benefited from the programs. \$684,205 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 totaled \$1.37 million. General taxes, State Revenue Sharing and investment earnings totaled \$1.5 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.

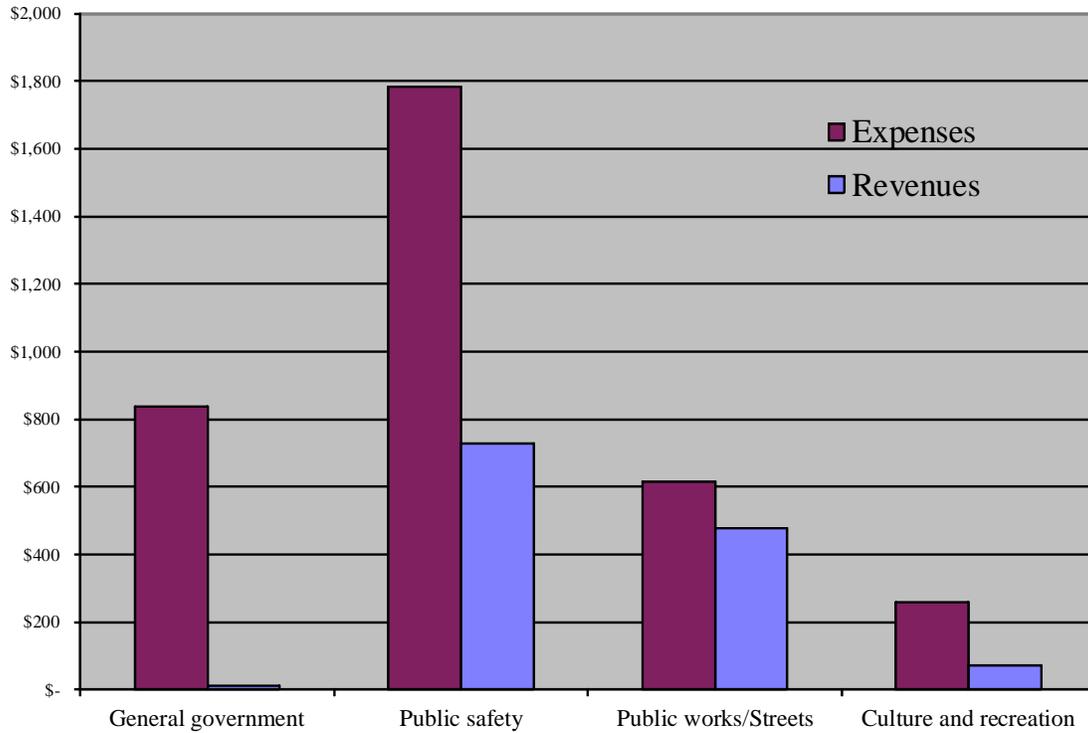
**TOWN OF TAYLOR, ARIZONA**  
**Changes in Net Position**

	Governmental activities		Business-type activities		Combined Total	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Revenues:						
Program revenues:						
Charges for services	\$ 685,509	\$ 680,297	\$ 843,221	\$ 809,935	\$ 1,528,730	\$ 1,490,232
Operating grants and contributions	616,620	727,764	2,850	600	619,470	728,364
Capital grants and contributions	67,585	333,194	600	3,300	68,185	336,494
General revenues:						
Taxes	1,180,211	1,176,794	-	-	1,180,211	1,176,794
State revenue sharing	347,056	399,064	-	-	347,056	399,064
Investment earnings	2,100	2,238	-	-	2,100	2,238
Other revenue/(expense)	4,721	6,597	660	703	5,381	7,300
Total revenues	<u>2,903,802</u>	<u>3,325,948</u>	<u>847,331</u>	<u>814,538</u>	<u>3,751,133</u>	<u>4,140,486</u>
Expenses:						
General government	837,086	796,110	-	-	837,086	796,110
Public safety	1,784,738	1,673,450	-	-	1,784,738	1,673,450
Public works/Streets	616,691	698,373	-	-	616,691	698,373
Culture and recreation	259,898	228,355	-	-	259,898	228,355
Economic development	29,666	-	-	-	29,666	-
Interest on long-term debt	17,751	23,606	-	-	17,751	23,606
Water	-	-	297,542	372,208	297,542	372,208
Sewer	-	-	487,715	526,959	487,715	526,959
Total expenses	<u>3,545,830</u>	<u>3,419,894</u>	<u>785,257</u>	<u>899,167</u>	<u>4,331,087</u>	<u>4,319,061</u>
Increase (Decrease) in net position before transfers	<u>(642,028)</u>	<u>(93,946)</u>	<u>62,074</u>	<u>(84,629)</u>	<u>(579,954)</u>	<u>(178,575)</u>
Net position, beginning	<u>11,037,788</u>	<u>11,131,734</u>	<u>3,331,254</u>	<u>3,415,883</u>	<u>14,369,042</u>	<u>14,547,617</u>
Net position, ending	<u>\$ 10,395,760</u>	<u>\$ 11,037,788</u>	<u>\$ 3,393,328</u>	<u>\$ 3,331,254</u>	<u>\$ 13,789,088</u>	<u>\$ 14,369,042</u>

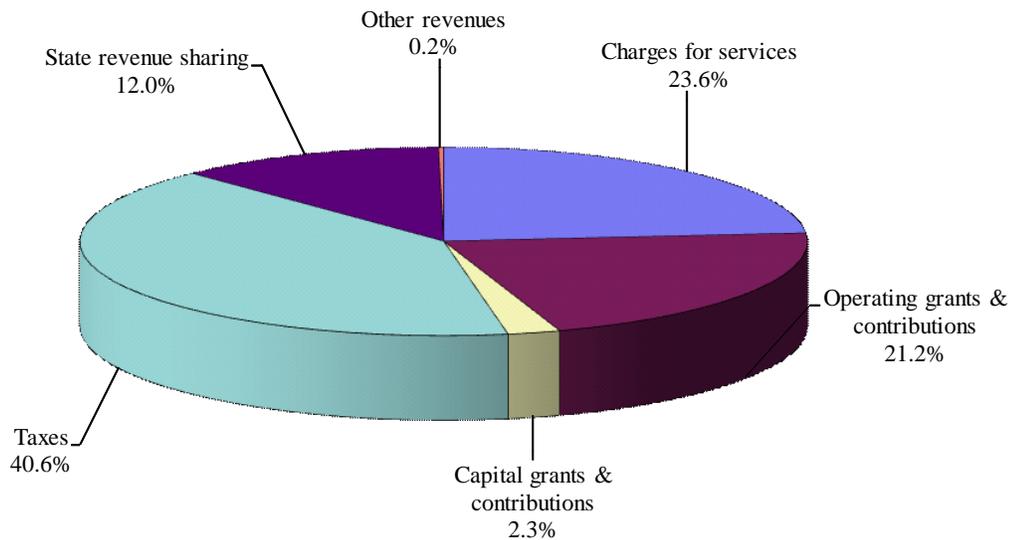
Total resources available during the year to finance governmental operations were \$13.9 million consisting of Net position at July 1, 2011 of \$11 million, program revenues of \$1.4 million and General Revenues of \$1.5 million. Total Governmental Activities during the year were \$3.5 million; thus Governmental Net Position was decreased by \$642,028.

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)



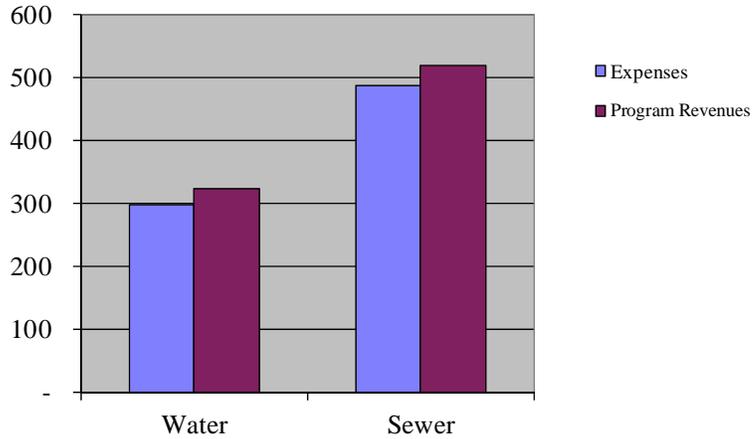
**Revenue By Source - Governmental Activities**



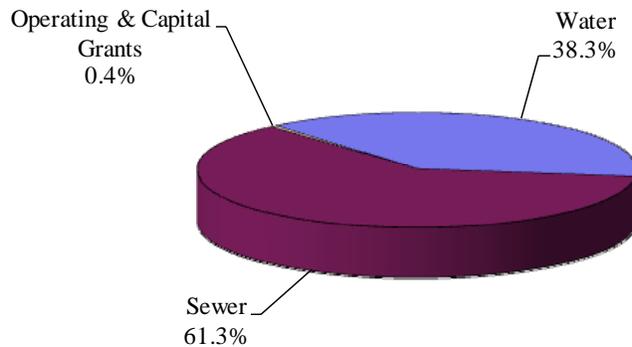
## Business Type Activities

Net position of the Business Type activities at June 30, 2012, as reflected in the Statement of Net Position was \$3.4 million. The cost of providing all Proprietary (Business Type) activities this year was \$785,257. As shown in the statement of Changes in Net Position, the amount paid by users of the system was \$843,221. Net Position increased by \$62,074.

**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 \$2.2 million, a decrease of \$74,969 in comparison with the prior year. Approximately 30% (\$679,889) constitutes assigned or unassigned fund balance, which is available for spending at the government's discretion.

The General Fund has a total fund balance of \$531,181 of which \$467,101 is unassigned. The fund balance decreased during the current year by \$83,455 mainly due to a decrease in intergovernmental revenues of \$51,332.

The Highway User Revenue Fund has a total fund balance of \$1,299,358 all of which is restricted for road construction and maintenance. The fund balance decreased during the current year by \$27,606, mainly due to a decrease in intergovernmental revenues of \$91,611.

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

### **Budgetary Highlights**

General fund revenues of \$2,259,513 were less than budgeted revenues of 2,729,825 by \$470,312. Factors contributing to this shortfall include declining local sales tax and no budgeted contingency revenue was received.

## **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 2012, net capital assets of the government activities totaled \$8.7 million and the net capital assets of the business-type activities totaled \$7.8 million. There were no significant capital additions during the year. 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 \$520,065 in governmental type debt, and \$4,332,742 in proprietary debt. During the current fiscal year, the Town's total debt decreased by \$230,953. (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 2012/2013, 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:

Taylor Finance Department  
PO Box 158  
Taylor, Arizona 85939

**BASIC FINANCIAL STATEMENTS**

**TOWN OF TAYLOR, ARIZONA**  
**Statement of Net Position**  
**June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 248,205	\$ -	\$ 248,205
Cash with paying agent	29,425	-	29,425
Receivables (net of allowance)	318,499	99,634	418,133
Internal balances	215,709	(215,709)	-
Inventories	24,597	50,663	75,260
Prepaid expenses	3,010	-	3,010
Temporarily restricted assets:			-
Cash and cash equivalents	1,479,666	141,954	1,621,620
Net investment in capital lease	390,000	-	390,000
Capital assets (net of accumulated depreciation):			-
Land	979,419	40,000	1,019,419
Construction in progress	353,261	-	353,261
Buildings	755,424	-	755,424
Improvements	4,330,588	-	4,330,588
System improvements	-	7,697,773	7,697,773
Furniture, equipment & vehicles	355,191	15,309	370,500
Infrastructure/Roads	1,971,268	-	1,971,268
Total assets	<u>11,454,262</u>	<u>7,829,624</u>	<u>19,283,886</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	101,247	65,745	166,992
Interest payable	47,190	37,808	84,998
Unearned revenue	390,000	-	390,000
Noncurrent liabilities:			
Due within one year	58,646	239,510	298,156
Due in more than one year	461,419	4,093,233	4,554,652
Total liabilities	<u>1,058,502</u>	<u>4,436,296</u>	<u>5,494,798</u>
<b>Net Position</b>			
Net investment in capital assets	8,224,966	3,427,260	11,652,226
Restricted for:			
Debt service	-	116,229	116,229
Highways & streets	1,505,809	-	1,505,809
Public safety	171,625	-	171,625
Economic development	5,834	-	5,834
Unrestricted	487,526	(150,161)	337,365
Total Net Position	<u>\$ 10,395,760</u>	<u>\$ 3,393,328</u>	<u>\$ 13,789,088</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, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities:							
General government	\$ 837,086	\$ 13,711	\$ -	\$ -	\$ (823,375)	\$ -	\$ (823,375)
Public safety	1,784,738	552,123	168,714	5,819	(1,058,082)	-	(1,058,082)
Public works/Streets	616,691	66,186	412,406	513	(137,586)	-	(137,586)
Culture and recreation	259,898	53,489	-	20,482	(185,927)	-	(185,927)
Interest on long-term debt	17,751	-	-	40,771	23,020	-	23,020
Total governmental activities	<u>3,545,830</u>	<u>685,509</u>	<u>616,620</u>	<u>67,585</u>	<u>(2,176,116)</u>	<u>-</u>	<u>(2,176,116)</u>
Business-type activities:							
Water	297,542	324,075	2,850	-	-	29,383	29,383
Sewer	487,715	519,146	-	600	-	32,031	32,031
Total business-type activities	<u>785,257</u>	<u>843,221</u>	<u>2,850</u>	<u>600</u>	<u>-</u>	<u>61,414</u>	<u>61,414</u>
<b>Total primary government</b>	<u><u>4,331,087</u></u>	<u><u>1,528,730</u></u>	<u><u>619,470</u></u>	<u><u>68,185</u></u>			
General Revenues:							
Taxes:							
City sales tax					587,223	-	587,223
Franchise tax					66,991	-	66,991
State sales tax (unrestricted)					321,313	-	321,313
Auto lieu tax (unrestricted)					204,684	-	204,684
State taxes - revenue sharing (unrestricted)					347,056	-	347,056
Unrestricted investment earnings					2,100	660	2,760
Miscellaneous					4,721	-	4,721
Total general revenues & transfers					<u>1,534,088</u>	<u>660</u>	<u>1,534,748</u>
Change in net position					(642,028)	62,074	(579,954)
Net position - beginning					<u>11,037,788</u>	<u>3,331,254</u>	<u>14,369,042</u>
Net position - ending					<u>\$ 10,395,760</u>	<u>\$ 3,393,328</u>	<u>\$ 13,789,088</u>

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

**TOWN OF TAYLOR ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

<b>Assets</b>	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 198,040	\$ -	\$ 50,165	\$ 248,205
Cash with paying agent	29,425	-	-	29,425
Receivables, net:				
Accounts receivable	54,846	-	-	54,846
Intergovernmental	90,584	42,453	130,616	263,653
Due from other funds	215,709	-	-	215,709
Prepaid travel	3,010	-	-	3,010
Inventory	21,182	3,415	-	24,597
Net investment in capital lease	390,000	-	-	390,000
Restricted cash and investments	1,735	1,262,231	215,700	1,479,666
	<u>1,735</u>	<u>1,262,231</u>	<u>215,700</u>	<u>1,479,666</u>
Total assets	<u>\$ 1,004,531</u>	<u>\$ 1,308,099</u>	<u>\$ 396,481</u>	<u>\$ 2,709,111</u>
 <b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 60,324	\$ 6,208	\$ 9,156	\$ 75,688
Accrued liabilities	21,291	2,533	-	23,824
Customer deposits payable	1,735	-	-	1,735
Unearned revenue	390,000	-	-	390,000
	<u>473,350</u>	<u>8,741</u>	<u>9,156</u>	<u>491,247</u>
Fund balances:				
Nonspendable:				
Inventory	21,182	3,415	-	24,597
Restricted:				
Highways and streets	-	1,295,943	209,866	1,505,809
Economic development	-	-	5,834	5,834
Customer deposits	1,735	-	-	1,735
Assigned:				
Special events	41,163	-	-	41,163
Public safety	-	-	168,101	168,101
Public works	-	-	3,524	3,524
Unassigned	467,101	-	-	467,101
	<u>531,181</u>	<u>1,299,358</u>	<u>387,325</u>	<u>2,217,864</u>
Total liabilities and fund balances	<u>\$ 1,004,531</u>	<u>\$ 1,308,099</u>	<u>\$ 396,481</u>	<u>\$ 2,709,111</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 Position**  
**June 30, 2012**

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Total fund balances - governmental funds		\$ 2,217,864
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 17,334,991	
Accumulated depreciation	<u>(8,589,840)</u>	
		8,745,151
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Notes and loans payable	\$ (414,159)	
Landfill post-closure payable	(58,836)	
Accrued interest payable	(47,190)	
Compensated absences	<u>(47,070)</u>	
		(567,255)
Total net position - governmental activities		<u><u>\$ 10,395,760</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 Balances - Governmental Funds**  
**For the Year Ended June 30, 2012**

<b>Revenues</b>	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Non-major Fund</u>	<u>Total Governmental Funds</u>
Taxes				
Sales taxes	\$ 587,223	\$ -	\$ -	\$ 587,223
Franchise taxes	66,991	-	-	66,991
Licenses and permits	13,711	-	-	13,711
Intergovernmental	873,053	412,406	195,015	1,480,474
Charges for services	660,592	-	-	660,592
Fines and forfeitures	-	-	-	-
Interest revenue	1,246	854	-	2,100
Contributions and donations	-	-	35,500	35,500
Other revenues	56,697	513	-	57,210
Total revenues	<u>2,259,513</u>	<u>413,773</u>	<u>230,515</u>	<u>2,903,801</u>
<b>Expenditures</b>				
Current:				
General government	534,015	-	-	534,015
Public safety	1,527,140	-	163,793	1,690,933
Public works/streets	-	425,218	964	426,182
Culture and recreation	198,534	-	-	198,534
Economic development	-	-	29,666	29,666
Capital outlay	21,128	16,161	-	37,289
Debt service:				
Principal retirement	40,615	-	-	40,615
Interest on long-term debt	21,536	-	-	21,536
Total expenditures	<u>2,342,968</u>	<u>441,379</u>	<u>194,423</u>	<u>2,978,770</u>
Excess of revenues over (under) expenditures	<u>(83,455)</u>	<u>(27,606)</u>	<u>36,092</u>	<u>(74,969)</u>
Fund balances, beginning of year	<u>614,636</u>	<u>1,326,964</u>	<u>351,233</u>	<u>2,292,833</u>
Fund balances, end of year	<u>\$ 531,181</u>	<u>\$ 1,299,358</u>	<u>\$ 387,325</u>	<u>\$ 2,217,864</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, 2012**

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

Net change in fund balances - total governmental funds \$ (74,969)

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 depreciation exceeded capital outlays in the current period.

Capital outlay	\$	49,113	
Depreciation expense		<u>(658,600)</u>	(609,487)

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. 42,158

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. 3,785

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. (3,515)

Change in net position of governmental activities \$ (642,028)

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, 2012**

<b>Revenues:</b>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Taxes	\$ 718,000	\$ 718,000	\$ 654,214	\$ (63,786)
Licenses, permits and fees	23,000	23,000	13,711	(9,289)
Intergovernmental revenue	872,625	872,625	873,053	428
Charges for services	653,700	653,700	660,592	6,892
Interest	1,500	1,500	1,246	(254)
Other revenues	461,000	461,000	56,697	(404,303)
Total revenues	<u>2,729,825</u>	<u>2,729,825</u>	<u>2,259,513</u>	<u>(470,312)</u>
<b>Expenditures:</b>				
Current:				
General government	524,651	524,651	534,015	(9,364)
Public safety	1,560,699	1,560,699	1,527,140	33,559
Culture and recreation	256,400	256,400	198,534	57,866
Capital outlay	337,000	337,000	21,128	315,872
Debt service	51,075	51,075	62,151	(11,076)
Total expenditures	<u>2,729,825</u>	<u>2,729,825</u>	<u>2,342,968</u>	<u>386,857</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(83,455)</u>	<u>(83,455)</u>
Fund balance, beginning of year	<u>614,636</u>	<u>614,636</u>	<u>614,636</u>	<u>-</u>
Fund balance, end of year	<u>\$ 614,636</u>	<u>\$ 614,636</u>	<u>\$ 531,181</u>	<u>\$ (83,455)</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF TAYLOR ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2012**

	Water Fund	Sewer Fund	Combined Total
<b>Assets</b>			
Current Assets:			
Cash	\$ -	\$ -	\$ -
Receivables (net of allowance)	45,653	53,981	99,634
Due from other funds	114,447	-	114,447
Inventory	48,956	1,707	50,663
Restricted cash and investments	27,422	114,532	141,954
Total current assets	<u>236,478</u>	<u>170,220</u>	<u>406,698</u>
Noncurrent assets:			
Land	-	40,000	40,000
Furniture, equipment & vehicles	110,655	66,937	177,592
Distribution system	2,977,974	6,488,441	9,466,415
Accumulated depreciation	(866,794)	(1,064,131)	(1,930,925)
Total noncurrent assets	<u>2,221,835</u>	<u>5,531,247</u>	<u>7,753,082</u>
<b>Total Assets</b>	<u>\$ 2,458,313</u>	<u>\$ 5,701,467</u>	<u>\$ 8,159,780</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	\$ 24,010	\$ 14,160	\$ 38,170
Accrued liabilities	1,592	258	1,850
Customer deposits	24,725	1,000	25,725
Due to other funds	-	330,156	330,156
Interest payable	-	37,808	37,808
Notes payable - current	1,446	200,412	201,858
Capital leases payable - current	32,652	-	32,652
Compensated absences - current	3,000	2,000	5,000
Total current liabilities	<u>87,425</u>	<u>585,794</u>	<u>673,219</u>
Noncurrent liabilities:			
Long-term debt (net of current portion):			
Compensated absences	1,427	494	1,921
Capital leases payable	88,050	-	88,050
Notes payable	32,845	3,970,417	4,003,262
Total long-term debt	<u>122,322</u>	<u>3,970,911</u>	<u>4,093,233</u>
Total Liabilities	<u>209,747</u>	<u>4,556,705</u>	<u>4,766,452</u>
<b>Net Position</b>			
Net Investment in capital assets	2,066,842	1,360,418	3,427,260
Restricted	2,697	113,532	116,229
Unrestricted	179,027	(329,188)	(150,161)
Total net position	<u>\$ 2,248,566</u>	<u>\$ 1,144,762</u>	<u>\$ 3,393,328</u>

The accompanying notes are an integral part of the financial statements

**TOWN OF TAYLOR ARIZONA**  
**Statement Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	Water Fund	Sewer Fund	Combined Total
<b>Operating Revenues</b>			
Charges for services	\$ 323,759	\$ 515,187	\$ 838,946
Other revenues	316	3,959	4,275
<b>Total Operating Revenues</b>	<u>324,075</u>	<u>519,146</u>	<u>843,221</u>
<b>Operating Expenses</b>			
Salaries	69,332	62,316	131,648
Employee benefits	19,371	34,429	53,800
Service, supplies and other	133,704	176,242	309,946
Depreciation	67,548	139,981	207,529
<b>Total Operating Expenses</b>	<u>289,955</u>	<u>412,968</u>	<u>702,923</u>
<b>Operating Income</b>	<u>34,120</u>	<u>106,178</u>	<u>140,298</u>
<b>Non-operating Revenues (Expenses)</b>			
Interest income	590	70	660
Interest expense and fiscal charges	(7,587)	(74,747)	(82,334)
Connection and impact fees	2,850	600	3,450
<b>Total Non-Operating Revenue (Expense)</b>	<u>(4,147)</u>	<u>(74,077)</u>	<u>(78,224)</u>
<b>Income before contributions and transfers</b>	29,973	32,101	62,074
<b>Contributions and Transfers:</b>			
Transfers in	-	29,973	29,973
Transfers out	(29,973)	-	(29,973)
<b>Change in net position</b>	-	62,074	62,074
<b>Total net position, beginning of year</b>	<u>2,248,566</u>	<u>1,082,688</u>	<u>3,331,254</u>
<b>Total net position, end of year</b>	<u><u>\$ 2,248,566</u></u>	<u><u>\$ 1,144,762</u></u>	<u><u>\$ 3,393,328</u></u>

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, 2012**

	Water Fund	Sewer Fund	Combined Total
<b>Cash Flows From Operating Activities:</b>			
Cash received from customers, service fees	\$ 320,371	\$ 518,291	\$ 838,662
Cash received from customers, other	316	3,959	4,275
Cash paid to suppliers	(129,781)	(169,450)	(299,231)
Cash paid to employees	(85,224)	(103,103)	(188,327)
Net cash flows from operating activities	<u>105,682</u>	<u>249,697</u>	<u>355,379</u>
<b>Cash Flows From Noncapital Financing Activities:</b>			
Proceeds/(payments) to other funds	(24,347)	(2,160)	(26,507)
Transfers from/(to) other funds	(29,973)	29,973	-
Net cash flows from noncapital financing activities	<u>(54,320)</u>	<u>27,813</u>	<u>(26,507)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase of capital assets	(13,740)	(6,951)	(20,691)
Principal paid on long-term debt	(32,573)	(196,482)	(229,055)
Interest paid	(7,587)	(74,747)	(82,334)
Connection & impact fees	2,850	600	3,450
Net cash flows from capital and related financing activities	<u>(51,050)</u>	<u>(277,580)</u>	<u>(328,630)</u>
<b>Cash Flows From Investing Activities:</b>			
Interest on investments	590	70	660
Net change in cash and cash equivalents	902	-	902
Cash and cash equivalents, beginning of year	<u>26,520</u>	<u>114,532</u>	<u>141,052</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 27,422</u></u>	<u><u>\$ 114,532</u></u>	<u><u>\$ 141,954</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income	\$ 34,120	\$ 106,178	\$ 140,298
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation/amortization	67,548	139,981	207,529
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	(3,388)	3,104	(284)
(Increase)/decrease in inventory	(15,221)	(260)	(15,481)
Increase/(decrease) in payables	19,144	7,052	26,196
Increase/(decrease) in accrued liabilities & deposits	3,479	(6,358)	(2,879)
Net cash flows from operating activities	<u><u>\$ 105,682</u></u>	<u><u>\$ 249,697</u></u>	<u><u>\$ 355,379</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF TAYLOR ARIZONA**  
**Statement of Fiduciary Net Position**  
**Pension Trust Fund**  
**June 30, 2012**

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	<u>Volunteer Firefighters' Relief and Pension</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 139,938
Intergovernmental receivable	<u>10,410</u>
Total assets	<u>150,348</u>
<b>Net position</b>	
Net position held in trust for pension benefits and other purposes	<u><u>\$ 150,348</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF TAYLOR ARIZONA**  
**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Fund**  
**For the Year Ended June 30, 2012**

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	<u>Volunteer Firefighters' Relief and Pension</u>
<b>Additions:</b>	
Contributions:	
Employer and plan member	\$ 5,205
Other sources	<u>5,205</u>
Total contributions	<u>10,410</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	4,776
Interest earnings	<u>14</u>
Net investment income	<u>4,790</u>
Total additions	<u>15,200</u>
<b>Deductions:</b>	
Contract services	2,724
Benefits	<u>3,870</u>
Total deductions	<u>6,594</u>
Net increase	8,606
Net position held in trust for pension benefits	
Beginning of year	<u>141,742</u>
End of year	<u><u>\$ 150,348</u></u>

The accompanying notes are an integral part of the financial statements

**TOWN OF TAYLOR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**Note 1. Summary of Significant Accounting Policies**

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**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 position and the statement of changes in net position) 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, 2012**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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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, 2012**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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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 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, 2012**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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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.

**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, 2012**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**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 position. 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, 2012**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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**Net Position and Fund Equity**

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When both committed, assigned, or unassigned resources are available for use, it is the Town's policy to use committed resources first, followed by assigned resources and then unassigned resources as they are needed.

Equity is classified in the government-wide financial statements and in the proprietary fund financial statements as net position and is displayed in three components as follows:

**Net investment in capital assets** represents capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.

**Restricted net position** is net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Unrestricted net position** is all other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Equity is classified in the governmental fund financial statements as fund balance and is further classified as nonspendable, restricted, committed, assigned or unassigned as follows:

**Nonspendable fund balance** cannot be spent because it is either (1) not in spendable form, or (2) legally or contractually required to be maintained intact.

**Restricted fund balance** is fund balance with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Committed fund balance** can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Town Council. A resolution, ordinance or vote by the Town Council is required to establish, modify or rescind a fund balance commitment.

**Assigned fund balance** is constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The Town Manager is authorized to assign amounts to a specific purpose in accordance with the Town's budget policy.

**Unassigned fund balance** is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund.

**TOWN OF TAYLOR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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**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.

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

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position 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 position 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, 2012**

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**Note 3. Stewardship, Compliance, and Accountability**

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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 16, 2011.
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, 2012**

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**Note 3. Stewardship, Compliance, and Accountability, Continued**

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**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, 2012, 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, 2012**

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**Note 4. Deposits and Investments**

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

Cash and cash equivalents	\$ 248,205
Cash with paying agent	29,425
Restricted cash and cash equivalents	1,621,620
Fiduciary Fund cash and cash equivalents	<u>139,938</u>
Total	<u>\$ 2,039,188</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, 2012 cash on hand was \$7,000 and the carrying amount of the Town's deposits was \$402,654. As of June 30, 2012 the bank balance of the Town's deposits was \$449,716 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, 2012**

**Note 4. Deposits and Investments, Continued**

As of June 30, 2012 the government had the following investments and maturities:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Cash on deposit	\$ 402,654	N/A	N/A
Cash on hand	7,000	N/A	N/A
Equity Mutual Funds	156,475	N/A	N/A
Local Governments Investment Pool	1,473,059	AAAF/S1+	26 days
	<u>\$ 2,039,188</u>		

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

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

**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. A summary of the Town's investments and investment ratings are provided in the schedule above.

**TOWN OF TAYLOR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

**Note 5.           Restricted Assets**

Restricted assets consist of the following at June 30, 2012

	Governmental Activities	Business-type Activities
LTAf funds	\$ 209,866	\$ -
HURF funds	1,262,231	-
Real AZ Development Council	5,834	
Debt reserves	-	116,229
Customer deposits	1,735	25,725
	\$ 1,479,666	\$ 141,954

**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 <u>June 30,</u>	
2013	\$ 38,350
2014	42,225
2015	40,975
2016	39,725
2017	38,475
2018-2022	205,525
2023-2025	117,750
Total remaining lease payments	\$ 523,025
Less: Amount representing interest	(133,025)
Present value of net remaining minimum lease payments	\$ 390,000

**TOWN OF TAYLOR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**Note 7. Capital Assets**

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

<b>Governmental Activities:</b>	<b>Balance 6/30/2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2012</b>
Capital assets, not being depreciated:				
Land	\$ 979,419	\$ -	\$ -	\$ 979,419
Construction in progress	332,768	20,493	-	353,261
Total capital assets, not being depreciated	<u>1,312,187</u>	<u>20,493</u>	<u>-</u>	<u>1,332,680</u>
Capital assets, being depreciated:				
Buildings	1,016,574	-	-	1,016,574
Improvements	10,427,480	-	-	10,427,480
Furniture, equipment & vehicles	1,916,398	28,620	-	1,945,018
Infrastructure	2,613,239	-	-	2,613,239
Total capital assets, being depreciated	<u>15,973,691</u>	<u>28,620</u>	<u>-</u>	<u>16,002,311</u>
Less accumulated depreciation for:				
Buildings	(238,228)	(22,922)	-	(261,150)
Improvements	(5,712,114)	(384,778)	-	(6,096,892)
Furniture, equipment & vehicles	(1,469,589)	(120,238)	-	(1,589,827)
Infrastructure	(511,309)	(130,662)	-	(641,971)
Total accumulated depreciation	<u>(7,931,240)</u>	<u>(658,600)</u>	<u>-</u>	<u>(8,589,840)</u>
Total capital assets, being depreciated, net	<u>8,042,451</u>	<u>(629,980)</u>	<u>-</u>	<u>7,412,471</u>
Governmental activities capital assets, net	<u>\$ 9,354,638</u>	<u>\$ (609,487)</u>	<u>\$ -</u>	<u>\$ 8,745,151</u>

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

<b>Governmental Activities:</b>	
General government	\$ 319,379
Public safety	89,320
Public works/streets	188,782
Culture & recreation	61,119
Total depreciation expense - governmental activities	<u>\$ 658,600</u>

**TOWN OF TAYLOR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**Note 7. Capital Assets, Continued**

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

<b>Business Type Activities:</b>	<b>Balance 6/30/2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2012</b>
Capital assets not being depreciated:				
Land and water rights	\$ 40,000	\$ -	\$ -	\$ 40,000
Construction in progress	-	-	-	-
Total capital assets, not being depreciated	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>40,000</u>
Capital assets being depreciated:				
Water system	2,969,734	8,240	-	2,977,974
Sewer system	6,481,490	6,951	-	6,488,441
Furniture, equipment & vehicles	172,092	5,500	-	177,592
Total capital assets, being depreciated	<u>9,623,316</u>	<u>20,691</u>	<u>-</u>	<u>9,644,007</u>
Less accumulated depreciation for:				
Water system	(696,403)	(65,756)	-	(762,159)
Sewer system	(869,856)	(136,627)	-	(1,006,483)
Furniture, equipment & vehicles	(157,137)	(5,146)	-	(162,283)
Total accumulated depreciation	<u>(1,723,396)</u>	<u>(207,529)</u>	<u>-</u>	<u>(1,930,925)</u>
Total capital assets, being depreciated, net	<u>7,899,920</u>	<u>(186,838)</u>	<u>-</u>	<u>7,713,082</u>
Business-type activities capital assets, net	<u>\$ 7,939,920</u>	<u>\$ (186,838)</u>	<u>\$ -</u>	<u>\$ 7,753,082</u>

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

<b>Business-Type Activities:</b>	
Water	\$ 67,548
Sewer	139,981
Total depreciation expense - business-type activities	<u>\$ 207,529</u>

**TOWN OF TAYLOR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**Note 8. Long-Term Debt**

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The following is a summary of changes in long-term obligations for the year ended June 30, 2012:

	<u>Balance 6/30/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2012</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
Note payable	\$ 16,261	\$ -	\$ (10,615)	\$ 5,646	\$ 5,646
Loan payable	410,000	-	(20,000)	390,000	20,000
Deferred amount on:					
Premium on loan payable	20,056	-	(1,543)	18,513	-
Landfill post-closure payable	68,836	-	(10,000)	58,836	10,000
Compensated absences	43,555	25,904	(22,389)	47,070	23,000
Total Governmental activity					
Long-term liabilities	<u>\$ 558,708</u>	<u>\$ 25,904</u>	<u>\$ (64,547)</u>	<u>\$ 520,065</u>	<u>\$ 58,646</u>
<b>Business-Type Activities:</b>					
Notes payable	\$ 4,403,003	\$ -	\$ (197,884)	\$ 4,205,119	\$ 201,858
Capital leases	151,874	-	(31,172)	120,702	32,652
Compensated absences	8,818	3,223	(5,120)	6,921	5,000
Total Business-type activity					
Long-term liabilities	<u>\$ 4,563,695</u>	<u>\$ 3,223</u>	<u>\$ (234,176)</u>	<u>\$ 4,332,742</u>	<u>\$ 239,510</u>

**TOWN OF TAYLOR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

**Note 8. Long-Term Debt, Continued**

The following is a listing of notes and loans outstanding as of June 30, 2012:

**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. \$ 5,646

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. 390,000

**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. 4,170,829

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. \$ 34,291

Total Loans and Notes Payable \$ 4,600,766

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
2013	\$ 25,646	\$ 18,854	\$ 205,525	\$ 84,343
2014	25,000	17,225	209,696	80,172
2015	25,000	15,975	213,951	75,917
2016	25,000	14,725	218,294	71,575
2017	25,000	13,475	222,725	67,143
2018-2022	160,000	45,525	1,158,559	267,695
2023-2027	110,000	7,750	1,271,355	147,789
2028-2029	-	-	705,015	22,806
	<u>\$ 395,646</u>	<u>\$ 133,529</u>	<u>\$ 4,205,120</u>	<u>\$ 817,440</u>

**TOWN OF TAYLOR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

**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 ASC 840-30. The lease is shown in the governmental activities of the government-wide statements.

The following is an annual schedule of future minimum lease payments together with the present value of the net minimum lease payments:

June 30,	Business-type Activities
2013	37,659
2014	37,659
2015	37,659
2016	18,829
Total remaining lease payments	\$ 131,806
Less: Amount representing interest	(11,104)
Present value of net remaining minimum lease payments	\$ 120,702

A summary of assets acquired through capital leases follows:

	Business-type Activities
Water system	\$ 300,000
Accumulated depreciation	(38,667)
Net total	\$ 261,333

**TOWN OF TAYLOR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

**Note 10. Interfund Receivables, Payables and Transfers**

As of June 30, 2012, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 215,709	\$ -
Water Fund	114,447	-
Sewer Fund	-	330,156
	\$ 330,156	\$ 330,156

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

Interfund transfers for the current fiscal year are as follows:

	Transfers In	
Transfers Out:	Sewer Fund	Total
Water Fund	\$ 29,973	\$ 29,973
	\$ 29,973	\$ 29,973

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.

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.

**TOWN OF TAYLOR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

**Note 11. Retirement and Pension Plans, Continued**

**Funding Policy** - The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.50 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the Town was required to contribute 9.85 percent (9.87 percent for retirement, 0.63 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The Town's contributions for the current and two previous fiscal years were equal to the required contributions and were as follows:

<u>Year Ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2010	\$ 79,416	\$ 6,285	\$ 3,809
2011	80,553	5,275	2,235
2012	75,055	4,791	1,825

**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, 2012, the State's contribution was \$5,205.

**TOWN OF TAYLOR, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**Note 12.           Segment Information – Enterprise Funds**

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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.

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**Note 13.           Risk Management**

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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.

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**Note 14.           Related Party**

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During the fiscal year ended June 30, 2012, the Town entered into a contract with Hatch Asphalt Maintenance, LLC for pothole repair. The total payments to Hatch Asphalt Maintenance, LLC for this project were \$42,730. The owner of Hatch Asphalt Maintenance, LLC has a related party serving on the Town Council. The awarded contract followed the required bidding procedures.

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**Note 15.           Contingencies**

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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.

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**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.

**TOWN OF TAYLOR, ARIZONA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**General Fund**  
**Budget & Actual**  
**For the Year Ended June 30, 2012**

<b>Revenues</b>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Taxes:</b>				
Tax revenue	\$ 650,000	\$ 650,000	\$ 587,223	\$ (62,777)
Franchise tax	68,000	68,000	66,991	(1,009)
Total taxes	<u>718,000</u>	<u>718,000</u>	<u>654,214</u>	<u>(63,786)</u>
<b>Licenses, permits and fees:</b>				
Licenses and permits	3,000	3,000	3,905	905
Building permits	20,000	20,000	9,806	(10,194)
Total licenses, permits and fees	<u>23,000</u>	<u>23,000</u>	<u>13,711</u>	<u>(9,289)</u>
<b>Intergovernmental:</b>				
Intergovernmental revenue	872,625	872,625	873,053	428
Total intergovernmental	<u>872,625</u>	<u>872,625</u>	<u>873,053</u>	<u>428</u>
<b>Charges for services:</b>				
Charges for services	653,700	653,700	660,592	6,892
Total charges for services	<u>653,700</u>	<u>653,700</u>	<u>660,592</u>	<u>6,892</u>
<b>Interest:</b>				
Interest revenue	1,500	1,500	1,246	(254)
Total interest	<u>1,500</u>	<u>1,500</u>	<u>1,246</u>	<u>(254)</u>
<b>Other revenues:</b>				
Miscellaneous	461,000	461,000	56,697	(404,303)
Total other revenues	<u>461,000</u>	<u>461,000</u>	<u>56,697</u>	<u>(404,303)</u>
Total revenues	<u>2,729,825</u>	<u>2,729,825</u>	<u>2,259,513</u>	<u>(470,312)</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, 2012 (Continued)**

<b>Expenditures</b>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>General government:</b>				
Mayor & council	26,829	26,829	26,715	114
Administration	336,800	336,800	336,669	131
Non-departmental	55,172	55,172	64,780	(9,608)
Cemetery	24,050	24,050	24,050	-
Airport	81,800	81,800	81,801	(1)
Total general government	<u>524,651</u>	<u>524,651</u>	<u>534,015</u>	<u>(9,364)</u>
<b>Public safety:</b>				
Code enforcement	77,700	77,700	77,651	49
Judicial	90,739	90,739	90,739	-
Fire	131,400	131,400	130,486	914
Police	720,360	720,360	720,360	-
Ambulance	540,500	540,500	507,904	32,596
Total public safety	<u>1,560,699</u>	<u>1,560,699</u>	<u>1,527,140</u>	<u>33,559</u>
<b>Culture &amp; recreation:</b>				
Parks & recreation	121,400	121,400	120,256	1,144
Special events	110,000	110,000	60,627	49,373
Non-departmental	25,000	25,000	17,651	7,349
Total culture & recreation	<u>256,400</u>	<u>256,400</u>	<u>198,534</u>	<u>57,866</u>
<b>Debt service:</b>				
Principal	32,075	32,075	40,615	(8,540)
Interest	19,000	19,000	21,536	(2,536)
Total debt service	<u>51,075</u>	<u>51,075</u>	<u>62,151</u>	<u>(11,076)</u>
<b>Capital outlay:</b>				
Capital outlay	337,000	337,000	21,128	315,872
Total capital outlay	<u>337,000</u>	<u>337,000</u>	<u>21,128</u>	<u>315,872</u>
Total expenditures	<u>2,729,825</u>	<u>2,729,825</u>	<u>2,342,968</u>	<u>386,857</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, 2012 (Continued)**

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	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of revenues over/(under) expenditures	<u>-</u>	<u>-</u>	<u>(83,455)</u>	<u>(83,455)</u>
Fund balance, beginning of year	<u>614,636</u>	<u>614,636</u>	<u>614,636</u>	<u>-</u>
Fund balance, end of year	<u>\$ 614,636</u>	<u>\$ 614,636</u>	<u>\$ 531,181</u>	<u>\$ (83,455)</u>

**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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental revenue	\$ 733,193	\$ 733,193	\$ 412,406	\$ (320,787)
Interest income	800	800	854	54
Other revenues	1,000	1,000	513	(487)
	<u>734,993</u>	<u>734,993</u>	<u>413,773</u>	<u>(321,220)</u>
<b>Expenditures:</b>				
Salaries	142,000	142,000	141,125	875
Employee benefits	64,000	64,000	55,699	8,301
Services, supplies, and other	528,993	528,993	228,394	300,599
Capital outlay	-	-	16,161	(16,161)
	<u>734,993</u>	<u>734,993</u>	<u>441,379</u>	<u>293,614</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>(27,606)</u>	<u>(27,606)</u>
Fund balance, beginning of year	<u>1,326,964</u>	<u>1,326,964</u>	<u>1,326,964</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,326,964</u>	<u>\$ 1,326,964</u>	<u>\$ 1,299,358</u>	<u>\$ (27,606)</u>

## TOWN OF TAYLOR, ARIZONA

### Combining and Individual Fund Financial Statements

#### NONMAJOR GOVERNMENTAL 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.

- **Grants Fund** – This fund is used to account for federal and state grants and other contributions that are restricted for specific use.
- **LTAF 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.
- **Real Arizona Development Council Fund** – This fund is used to account for contributions and donations from the White Mountain area municipalities and businesses which are set aside for economic development.

**TOWN OF TAYLOR, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2012**

<b>Assets</b>	Special Revenue			<b>Total</b>
	Grants Fund	LTAF	Real Arizona Development Council	
Cash and cash equivalents	\$ 50,165	\$ -	\$ -	\$ 50,165
Receivables, net:				
Intergovernmental	130,616	-	-	130,616
Restricted cash and investments	-	209,866	5,834	215,700
Total assets	\$ 180,781	\$ 209,866	\$ 5,834	\$ 396,481
 <b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 9,156	\$ -	\$ -	\$ 9,156
Total liabilities	9,156	-	-	9,156
Fund balances:				
Restricted:				
Highways and streets	-	209,866	-	209,866
Economic development	-	-	5,834	5,834
Assigned:				
Public safety	168,101	-	-	168,101
Public works	3,524	-	-	3,524
Unassigned	-	-	-	-
Total fund balances	171,625	209,866	5,834	387,325
Total liabilities and fund balances	\$ 180,781	\$ 209,866	\$ 5,834	\$ 396,481

**TOWN OF TAYLOR, ARIZONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2012**

<b>Revenues</b>	Special Revenue			<b>Total</b>
	Grants Fund	LTAF	Real Arizona Development Council	
Intergovernmental	\$ 195,015	\$ -	\$ -	\$ 195,015
Contributions and donations	-	-	35,500	35,500
Total revenues	195,015	-	35,500	230,515
<b>Expenditures</b>				
Current:				
Public safety	163,793	-	-	163,793
Public works/streets	964	-	-	964
Economic development	-	-	29,666	29,666
Total expenditures	164,757	-	29,666	194,423
Excess of revenues over (under) expenditures	30,258	-	5,834	36,092
Fund balances, beginning of year	141,367	209,866	-	351,233
Fund balances, end of year	\$ 171,625	\$ 209,866	\$ 5,834	\$ 387,325

**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, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Intergovernmental revenue	\$ 950,000	\$ 950,000	\$ 195,015	\$ (754,985)
Total revenues	950,000	950,000	195,015	(754,985)
<b>Expenditures:</b>				
Public safety	950,000	950,000	163,793	786,207
Public works/streets	-	-	964	(964)
Total expenditures	950,000	950,000	164,757	785,243
Excess of revenue and other sources over (under) expenditures and other uses	-	-	30,258	30,258
Fund balance, beginning of year	141,367	141,367	141,367	-
Fund balance, end of year	\$ 141,367	\$ 141,367	\$ 171,625	\$ 30,258

**TOWN OF TAYLOR, ARIZONA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**LTAIF Special Revenue Fund**  
**Budget & Actual**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Total revenue	-	-	-	-
<b>Expenditures:</b>				
Services, supplies, and other	10,000	10,000	-	10,000
Total expenditures	10,000	10,000	-	10,000
Excess of revenue and other sources over (under) expenditures and other uses	(10,000)	(10,000)	-	10,000
Fund balance, beginning of year	209,866	209,866	209,866	-
Fund balance, end of year	<u>\$ 199,866</u>	<u>\$ 199,866</u>	<u>\$ 209,866</u>	<u>\$ 10,000</u>

**TOWN OF TAYLOR, ARIZONA**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Real Arizona Development Council Special Revenue Fund**  
**Budget & Actual**  
**For the Year Ended June 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Contributions	\$ 50,000	\$ 50,000	\$ 35,500	\$ (14,500)
Total revenue	<u>50,000</u>	<u>50,000</u>	<u>35,500</u>	<u>(14,500)</u>
<b>Expenditures:</b>				
Economic development	<u>50,000</u>	<u>50,000</u>	<u>29,666</u>	<u>20,334</u>
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>29,666</u>	<u>20,334</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>5,834</u>	<u>5,834</u>
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 5,834</u></u>	<u><u>\$ 5,834</u></u>

**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**



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

The Honorable Mayor and  
Town Council  
Taylor, Arizona

We have audited the basic financial statements of the Town of Taylor, Arizona as of and for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012. 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

Management of the Town of Taylor, Arizona, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Taylor, Arizona's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Taylor, Arizona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Taylor, Arizona'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 first paragraph of this section and was not designed to 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.

### 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 matters that we reported to management of the Town of Taylor, Arizona, in a separate letter dated October 31, 2012.

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.

A handwritten signature in cursive script that reads "Hinton Burdick, PLLC".

HintonBurdick, PLLC  
October 31, 2012



MEMBERS:

CHAD B. ATKINSON, CPA  
KRIS J. BRAUNBERGER, CPA  
DEAN R. BURDICK, CPA  
ROBERT S. COX, CPA  
TODD B. FELTNER, CPA  
K. MARK FROST, CPA

KENNETH A. HINTON, CPA  
MORRIS J. PEACOCK, CPA  
PHILLIP S. PEINE, CPA  
MICHAEL K. SPILKER, CPA  
KEVIN L. STEPHENS, CPA  
MARK E. TICHENOR, CPA

**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, 2012, and have issued our report thereon dated October 31, 2012. 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, 2012.

HintonBurdick, PLLC  
October 31, 2012