

TOWN OF TAYLOR, ARIZONA



ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED JUNE 30, 2011

TOWN OF TAYLOR

Table of Contents

Financial Section:	<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 Assets	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 Assets	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 Assets - Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds.....	21
Statement of Fiduciary Net Assets – Pension Trust Fund.....	22
Statement of Changes in Fiduciary Net Assets – Pension Trust Fund	23
Notes to Financial Statements	24
Required Supplementary Information – Budgetary Comparison Schedules.....	45
Nonmajor Individual Fund Financial Statement	51
Other Communications from Independent Auditor:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters.....	55
Report on Compliance with State Laws and Regulations.....	57

This page intentionally left blank



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
BRENT R. HALL, CPA

TODD R. HESS, 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
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, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Taylor's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Taylor as of June 30, 2011, 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 14, 2011, on our consideration of the Town of Taylor's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



HINTON, BURDICK, HALL & SPILKER, ARIZONA, PLLC
October 14, 2011

**TOWN OF TAYLOR, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

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, 2011. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The Town completed the construction of a traffic controlled intersection as required by a development agreement with a local developer for the future construction of a Wal-Mart.
- Ambulance fee revenue of \$534,765 exceeded budget expectations by 7% and was a 10% increase over prior year revenues.

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

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

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

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

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

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

Reporting the Town’s Most Significant Funds

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by more than \$14 million as of June 30, 2011 as shown in the following condensed statement of net assets. The Town has chosen to account for its Water and Sewer operations in enterprise funds which are shown as Business Activities.

TOWN OF TAYLOR, ARIZONA Statement of Net Assets

	Governmental activities		Business-type activities		Combined Total	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Current and other assets	\$ 2,826,772	\$ 2,995,734	\$ 33,368	\$ 56,886	\$ 2,860,140	\$ 3,052,620
Capital assets	9,354,638	9,649,686	7,939,920	8,127,152	17,294,558	17,776,838
Total assets	<u>12,181,410</u>	<u>12,645,420</u>	<u>7,973,288</u>	<u>8,184,038</u>	<u>20,154,698</u>	<u>20,829,458</u>
Long-term liabilities outstanding	558,708	610,000	4,563,695	4,678,603	5,122,403	5,288,603
Other liabilities	584,914	903,686	78,339	89,552	663,253	993,238
Total liabilities	<u>1,143,622</u>	<u>1,513,686</u>	<u>4,642,034</u>	<u>4,768,155</u>	<u>5,785,656</u>	<u>6,281,841</u>
Net assets:						
Invested in capital assets, net of related debt	8,788,510	9,028,368	3,385,043	3,534,460	12,173,553	12,562,828
Restricted	1,533,935	1,421,532	115,330	57,665	1,649,265	1,479,197
Unrestricted	715,343	681,834	(169,119)	(176,242)	546,224	505,592
Total net assets	<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>

Governmental Activities

The cost of all Governmental activities this year was \$3.4 million. As shown on the Changes in net Assets statement on the following page. \$680,297 of this cost was paid for by those who directly benefited from the programs. \$1 million was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services totaled \$3.3 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.

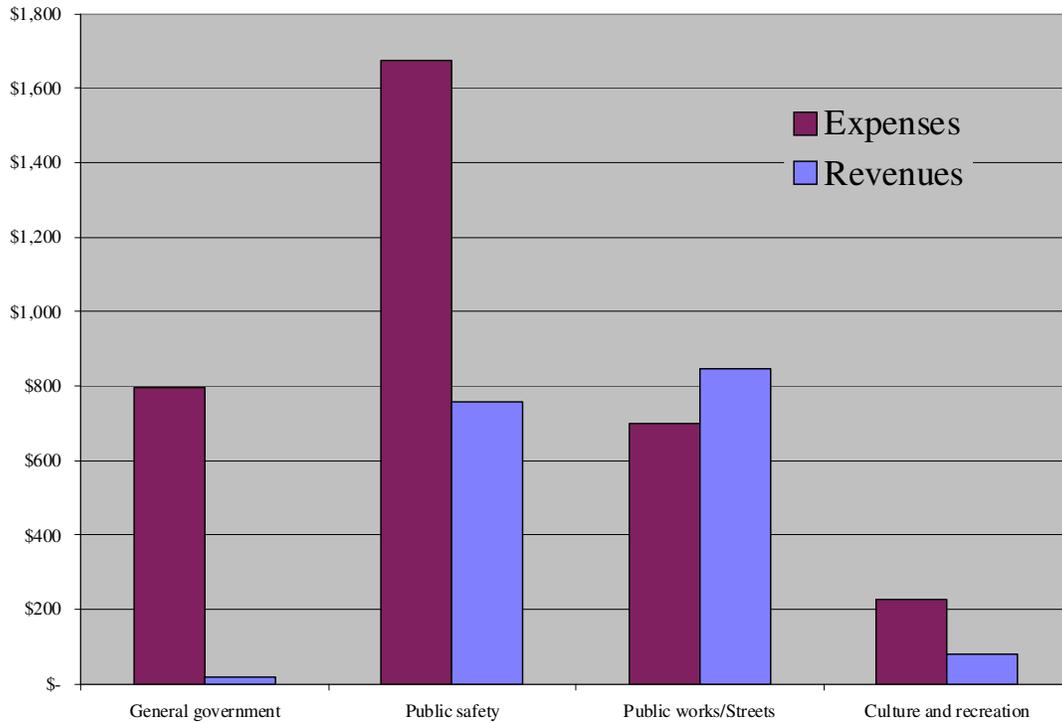
TOWN OF TAYLOR, ARIZONA
Changes in Net Assets

	Governmental activities		Business-type activities		Combined Total	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Revenues:						
Program revenues:						
Charges for services	\$ 680,297	\$ 599,871	\$ 809,935	\$ 787,567	\$ 1,490,232	\$ 1,387,438
Operating grants and contributions	727,764	552,764	600	6,500	728,364	559,264
Capital grants and contributions	333,194	2,106,859	3,300	50,600	336,494	2,157,459
General revenues:						
Taxes	1,176,794	1,199,765	-	-	1,176,794	1,199,765
State revenue sharing	399,064	529,353	-	-	399,064	529,353
Investment earnings	2,238	4,869	-	-	2,238	4,869
Other revenue/(expense)	6,597	4,513	703	1,210	7,300	5,723
Total revenues	<u>3,325,948</u>	<u>4,997,994</u>	<u>814,538</u>	<u>845,877</u>	<u>4,140,486</u>	<u>5,843,871</u>
Expenses:						
General government	796,110	1,116,269	-	-	796,110	1,116,269
Public safety	1,673,450	1,676,716	-	-	1,673,450	1,676,716
Public works/Streets	698,373	417,826	-	-	698,373	417,826
Culture and recreation	228,355	254,313	-	-	228,355	254,313
Interest on long-term debt	23,606	36,902	-	-	23,606	36,902
Water	-	-	372,208	405,625	372,208	405,625
Sewer	-	-	526,959	601,592	526,959	601,592
Total expenses	<u>3,419,894</u>	<u>3,502,026</u>	<u>899,167</u>	<u>1,007,217</u>	<u>4,319,061</u>	<u>4,509,243</u>
Increase (Decrease) in net assets before transfers	(93,946)	1,495,968	(84,629)	(161,340)	(178,575)	1,334,628
Net assets, beginning	11,131,734	9,635,766	3,415,883	3,577,223	14,547,617	13,212,989
Net assets, ending	<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>

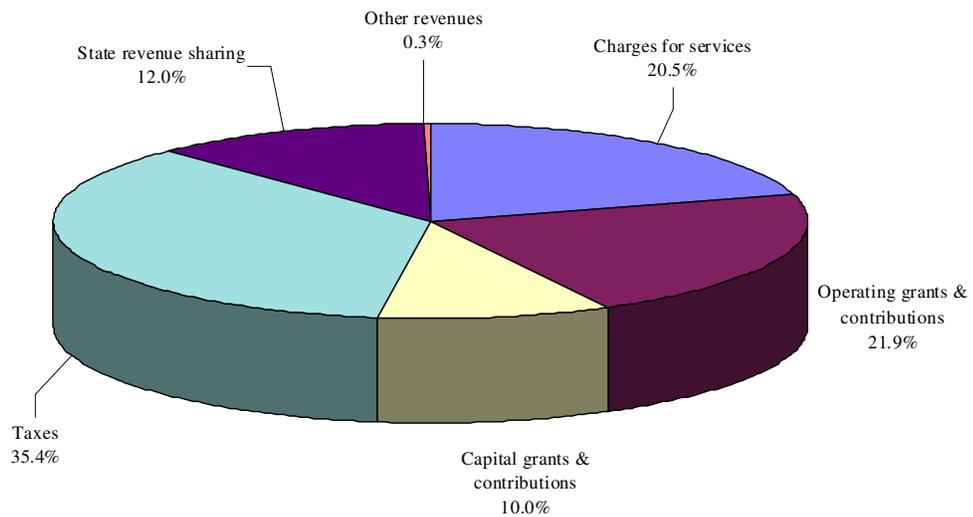
Total resources available during the year to finance governmental operations were \$14.4 million consisting of Net assets at July 1, 2010 of \$11.1 million, program revenues of \$1.8 million and General Revenues of \$1.5 million. Total Governmental Activities during the year were \$3.4 million; thus Governmental Net Assets were decreased by less than \$100,000.

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

Expenses and Program Revenues - Governmental Activities
(in Thousands)



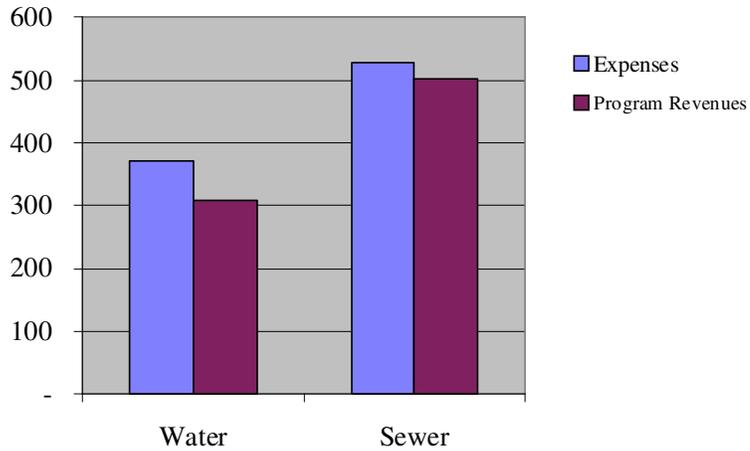
Revenue By Source - Governmental Activities



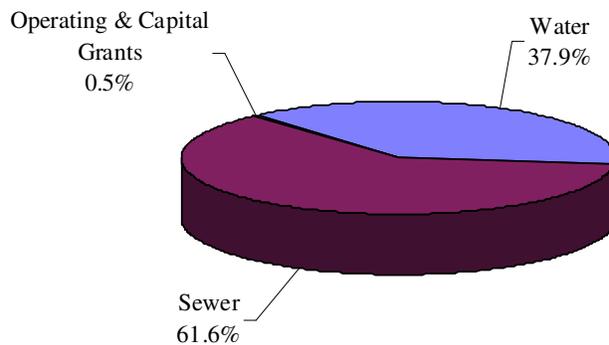
Business Type Activities

Net assets of the Business Type activities at June 30, 2011, as reflected in the Statement of Net Assets were \$3.3 million. The cost of providing all Proprietary (Business Type) activities this year was \$899,167. As shown in the statement of Changes in Net Assets, the amount paid by users of the system was \$813,835. Net Assets decreased by \$84,629.

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, an increase of \$149,651 in comparison with the prior year. Approximately 32.4% (\$743,163) constitutes assigned or unassigned fund balance, which is available for spending at the government's discretion.

The Highway User Revenue Fund has a total fund balance of \$1,326,964 all of which is restricted for road construction and maintenance. The fund balance increased during the current year by \$121,694 mainly because of a reimbursement from a local developer for the construction progress of a traffic signal in front of the proposed Wal-Mart site.

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

Budgetary Highlights

General fund revenues of \$2,304,656 were less than budgeted revenues of 2,844,850 by \$540,194. 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 2011, net capital assets of the government activities totaled \$9.3 million and the net capital assets of the business-type activities totaled \$7.9 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 \$558,708 in governmental type debt, and \$4,563,695 in proprietary debt. During the current fiscal year, the Town's total debt decreased by \$166,200. (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 2011/2012, 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 Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 258,512	\$ -	\$ 258,512
Cash with paying agent	29,925	-	29,925
Receivables (net of allowance)	434,224	99,350	533,574
Internal balances	242,216	(242,216)	-
Inventories	15,736	35,182	50,918
Temporarily restricted assets:			
Cash and cash equivalents	1,436,159	141,052	1,577,211
Net investment in capital lease	410,000	-	410,000
Capital assets (net of accumulated depreciation):			
Land	979,419	40,000	1,019,419
Construction in progress	332,768	-	332,768
Buildings	778,346	-	778,346
Improvements	4,715,366	-	4,715,366
System improvements	-	7,884,965	7,884,965
Furniture, equipment & vehicles	446,809	14,955	461,764
Infrastructure/Roads	2,101,930	-	2,101,930
Total assets	<u>12,181,410</u>	<u>7,973,288</u>	<u>20,154,698</u>
Liabilities			
Accounts payable and other current liabilities	94,014	37,696	131,710
Interest payable	50,975	40,643	91,618
Unearned revenue	439,925	-	439,925
Noncurrent liabilities:			
Due within one year	70,615	235,057	305,672
Due in more than one year	488,093	4,328,638	4,816,731
Total liabilities	<u>1,143,622</u>	<u>4,642,034</u>	<u>5,785,656</u>
Net Assets			
Invested in capital assets, net of related debt	8,788,510	3,385,043	12,173,553
Restricted for:			
Debt service	-	115,330	115,330
Highways & streets	1,533,935	-	1,533,935
Unrestricted	715,343	(169,119)	546,224
Total Net Assets	<u>\$ 11,037,788</u>	<u>\$ 3,331,254</u>	<u>\$ 14,369,042</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, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities:							
General government	\$ 796,110	\$ 17,687	\$ -	\$ -	\$ (778,423)	\$ -	\$ (778,423)
Public safety	1,673,450	536,765	220,113	2,200	(914,372)	-	(914,372)
Public works/Streets	698,373	68,070	507,651	268,805	146,153	-	146,153
Culture and recreation	228,355	57,775	-	21,614	(148,966)	-	(148,966)
Interest on long-term debt	23,606	-	-	40,575	16,969	-	16,969
Total governmental activities	<u>3,419,894</u>	<u>680,297</u>	<u>727,764</u>	<u>333,194</u>	<u>(1,678,639)</u>	<u>-</u>	<u>(1,678,639)</u>
Business-type activities:							
Water	372,208	308,784	600	-	-	(62,824)	(62,824)
Sewer	526,959	501,151	-	3,300	-	(22,508)	(22,508)
Total business-type activities	<u>899,167</u>	<u>809,935</u>	<u>600</u>	<u>3,300</u>	<u>-</u>	<u>(85,332)</u>	<u>(85,332)</u>
Total primary government	<u>4,319,061</u>	<u>1,490,232</u>	<u>728,364</u>	<u>336,494</u>			
General Revenues:							
Taxes:							
City sales tax					584,701	-	584,701
State sales tax					313,738	-	313,738
Auto lieu tax					211,582	-	211,582
Franchise tax					66,773	-	66,773
State taxes - revenue sharing					399,064	-	399,064
Unrestricted investment earnings					2,238	703	2,941
Miscellaneous					6,597	-	6,597
Total general revenues & transfers					<u>1,584,693</u>	<u>703</u>	<u>1,585,396</u>
Change in net assets					(93,946)	(84,629)	(178,575)
Net assets - beginning					<u>11,131,734</u>	<u>3,415,883</u>	<u>14,547,617</u>
Net assets - ending					<u>\$ 11,037,788</u>	<u>\$ 3,331,254</u>	<u>\$ 14,369,042</u>

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

TOWN OF TAYLOR ARIZONA
Balance Sheet
Governmental Funds
June 30, 2011

Assets	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Grants Fund</u>	<u>Non-major LTAF</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 258,125	\$ -	\$ 387	\$ -	\$ 258,512
Cash with paying agent	29,925	-	-	-	29,925
Receivables, net:					
Accounts receivable	57,646	54,824	-	-	112,470
Intergovernmental	82,000	44,834	194,920	-	321,754
Due from other funds	242,216	-	-	-	242,216
Inventory	12,841	2,895	-	-	15,736
Net investment in capital lease	410,000	-	-	-	410,000
Restricted cash and investments	-	1,226,293	-	209,866	1,436,159
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,092,753</u>	<u>\$ 1,328,846</u>	<u>\$ 195,307</u>	<u>\$ 209,866</u>	<u>\$ 2,826,772</u>
 Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 35,377	\$ 1,882	\$ 53,940	\$ -	\$ 91,199
Accrued liabilities	830	-	-	-	830
Customer deposits payable	1,985	-	-	-	1,985
Unearned revenue	439,925	-	-	-	439,925
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>478,117</u>	<u>1,882</u>	<u>53,940</u>	<u>-</u>	<u>533,939</u>
 Fund balances:					
Nonspendable:					
Inventory	12,841	2,895	-	-	15,736
Restricted:					
Highways and streets		1,324,069		209,866	1,533,935
Assigned:					
Special events	30,297	-	-	-	30,297
Public safety	-	-	141,367	-	141,367
Unassigned	571,498	-	-	-	571,498
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>614,636</u>	<u>1,326,964</u>	<u>141,367</u>	<u>209,866</u>	<u>2,292,833</u>
Total liabilities and fund balances	<u>\$ 1,092,753</u>	<u>\$ 1,328,846</u>	<u>\$ 195,307</u>	<u>\$ 209,866</u>	<u>\$ 2,826,772</u>

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

TOWN OF TAYLOR ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
June 30, 2011

Total fund balances - governmental funds	\$ 2,292,833	
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	\$ 17,285,878	
Accumulated depreciation	<u>(7,931,240)</u>	
		9,354,638
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Notes and loans payable	\$ (446,317)	
Landfill post-closure payable	(68,836)	
Accrued interest payable	(50,975)	
Compensated absences	<u>(43,555)</u>	
		(609,683)
Total net assets - governmental activities		<u><u>\$11,037,788</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, 2011

Revenues	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Grants Fund</u>	<u>Non-major LTAF</u>	<u>Total Governmental Funds</u>
Taxes					
Sales taxes	\$ 584,701	\$ -	\$ -	\$ -	\$ 584,701
Franchise taxes	66,773	-	-	-	66,773
Licenses and permits	17,687	-	-	-	17,687
Intergovernmental	924,385	504,017	457,909	3,634	1,889,945
Charges for services	595,728	-	-	-	595,728
Fines and forfeitures	55,882	-	-	-	55,882
Interest revenue	1,328	910	-	-	2,238
Other revenues	58,172	54,823	-	-	112,995
Total revenues	<u>2,304,656</u>	<u>559,750</u>	<u>457,909</u>	<u>3,634</u>	<u>3,325,949</u>
Expenditures					
Current:					
General government	642,648	-	-	-	642,648
Public safety	1,457,595	-	140,695	-	1,598,290
Public works/streets	-	384,491	220,924	4,542	609,957
Culture and recreation	159,923	-	-	-	159,923
Capital outlay	34,662	53,566	-	-	88,228
Debt service:					
Principal retirement	53,487	-	-	-	53,487
Interest on long-term debt	23,765	-	-	-	23,765
Total expenditures	<u>2,372,080</u>	<u>438,057</u>	<u>361,619</u>	<u>4,542</u>	<u>3,176,298</u>
Excess of revenues over (under) expenditures	<u>(67,424)</u>	<u>121,693</u>	<u>96,290</u>	<u>(908)</u>	<u>149,651</u>
Other Financing Sources (Uses):					
Transfers in	-	-	5,487	-	5,487
Transfers out	-	-	-	(5,487)	(5,487)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,487</u>	<u>(5,487)</u>	<u>-</u>
Net change in fund balances	(67,424)	121,693	101,777	(6,395)	149,651
Fund balances, beginning of year	<u>682,060</u>	<u>1,205,271</u>	<u>39,590</u>	<u>216,261</u>	<u>2,143,182</u>
Fund balances, end of year	<u>\$ 614,636</u>	<u>\$ 1,326,964</u>	<u>\$ 141,367</u>	<u>\$ 209,866</u>	<u>\$ 2,292,833</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, 2011

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

Net change in fund balances - total governmental funds		\$ 149,651
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay	\$ 407,124	
Depreciation expense	<u>(702,172)</u>	(295,048)
<p>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.</p>		
		55,031
<p>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.</p>		
		159
<p>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.</p>		
		(3,739)
Change in net assets of governmental activities		<u><u>\$ (93,946)</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR ARIZONA
Statement of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget & Actual
For the Year Ended June 30, 2011

Revenues:	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Taxes	\$ 820,000	\$ 820,000	\$ 651,474	\$ (168,526)
Licenses, permits and fees	22,000	22,000	17,687	(4,313)
Intergovernmental revenue	1,026,400	1,026,400	924,385	(102,015)
Charges for services	563,800	563,800	595,728	31,928
Fines and forfeitures	52,500	52,500	55,882	3,382
Interest	6,000	6,000	1,328	(4,672)
Other revenues	354,150	354,150	58,172	(295,978)
Total revenues	2,844,850	2,844,850	2,304,656	(540,194)
Expenditures:				
Current:				
General government	738,444	738,444	642,648	95,796
Public safety	1,454,406	1,454,406	1,457,595	(3,189)
Culture and recreation	185,200	185,200	159,923	25,277
Capital outlay	389,275	389,275	34,662	354,613
Debt service	77,525	77,525	77,252	273
Total expenditures	2,844,850	2,844,850	2,372,080	472,770
Excess of revenues over (under) expenditures	-	-	(67,424)	(67,424)
Fund balance, beginning of year	682,060	682,060	682,060	-
Fund balance, end of year	\$ 682,060	\$ 682,060	\$ 614,636	\$ (67,424)

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Water Fund	Sewer Fund	Combined Total
Assets			
Current Assets:			
Cash	\$ -	\$ -	\$ -
Receivables (net of allowance)	42,265	57,085	99,350
Due from other funds	90,100	-	90,100
Inventory	33,735	1,447	35,182
Restricted cash and investments	26,520	114,532	141,052
Total current assets	<u>192,620</u>	<u>173,064</u>	<u>365,684</u>
Noncurrent assets:			
Land	-	40,000	40,000
Furniture, equipment & vehicles	105,155	66,937	172,092
Distribution system	2,969,734	6,481,490	9,451,224
Accumulated depreciation	(799,246)	(924,150)	(1,723,396)
Total noncurrent assets	<u>2,275,643</u>	<u>5,664,277</u>	<u>7,939,920</u>
Total Assets	<u>\$ 2,468,263</u>	<u>\$ 5,837,341</u>	<u>\$ 8,305,604</u>
Liabilities			
Current Liabilities:			
Accounts payable	\$ 4,866	\$ 7,108	\$ 11,974
Customer deposits	24,722	1,000	25,722
Due to other funds	-	332,316	332,316
Interest payable	-	40,643	40,643
Notes payable - current	1,402	196,483	197,885
Capital leases payable - current	31,172	-	31,172
Compensated absences - current	2,000	4,000	6,000
Total current liabilities	<u>64,162</u>	<u>581,550</u>	<u>645,712</u>
Noncurrent liabilities:			
Long-term debt (net of current portion):			
Compensated absences	543	2,275	2,818
Capital leases payable	120,702	-	120,702
Notes payable	34,290	4,170,828	4,205,118
Total long-term debt	<u>155,535</u>	<u>4,173,103</u>	<u>4,328,638</u>
Total Liabilities	<u>219,697</u>	<u>4,754,653</u>	<u>4,974,350</u>
Net Assets			
Invested in capital assets, net of related debt	2,088,077	1,296,966	3,385,043
Restricted	1,798	113,532	115,330
Unrestricted	158,691	(327,810)	(169,119)
Total net assets	<u>\$ 2,248,566</u>	<u>\$ 1,082,688</u>	<u>\$ 3,331,254</u>

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR ARIZONA
Statement Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Water Fund	Sewer Fund	Combined Total
Operating Revenues			
Charges for services	\$ 308,730	\$ 501,151	\$ 809,881
Other revenues	54	-	54
Total Operating Revenues	308,784	501,151	809,935
Operating Expenses			
Salaries	89,272	98,937	188,209
Employee benefits	33,922	46,384	80,306
Service, supplies and other	172,900	160,086	332,986
Depreciation	67,110	141,136	208,246
Total Operating Expenses	363,204	446,543	809,747
Operating Income (Loss)	(54,420)	54,608	188
Non-operating Revenues (Expenses)			
Interest income	628	75	703
Interest expense and fiscal charges	(9,004)	(80,416)	(89,420)
Grant revenue	-	-	-
Connection and impact fees	600	3,300	3,900
Total Non-Operating Revenue (Expense)	(7,776)	(77,041)	(84,817)
Change in net assets	(62,196)	(22,433)	(84,629)
Total net assets, beginning of year	2,310,762	1,105,121	3,415,883
Total net assets, end of year	\$ 2,248,566	\$ 1,082,688	\$ 3,331,254

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, 2011

	Water Fund	Sewer Fund	Combined Total
Cash Flows From Operating Activities:			
Cash received from customers, service fees	\$ 315,392	\$ 497,930	\$ 813,322
Cash received from customers, other	54	-	54
Cash paid to suppliers	(173,853)	(161,753)	(335,606)
Cash paid to employees	(122,307)	(144,117)	(266,424)
Net cash flows from operating activities	<u>19,286</u>	<u>192,060</u>	<u>211,346</u>
Cash Flows From Noncapital Financing Activities:			
Proceeds/(payments) to other funds	<u>(90,100)</u>	<u>87,773</u>	<u>(2,327)</u>
Net cash flows from noncapital financing activities	<u>(90,100)</u>	<u>87,773</u>	<u>(2,327)</u>
Cash Flows From Capital and Related Financing Activities:			
Purchase of capital assets	(14,243)	(6,771)	(21,014)
Principal paid on long-term debt	(32,236)	(82,689)	(114,925)
Interest paid	(9,004)	(80,416)	(89,420)
Connection & impact fees	600	3,300	3,900
Net cash flows from capital and related financing activities	<u>(54,883)</u>	<u>(166,576)</u>	<u>(221,459)</u>
Cash Flows From Investing Activities:			
Interest on investments	<u>628</u>	<u>75</u>	<u>703</u>
Net change in cash and cash equivalents	(125,069)	113,332	(11,737)
Cash and cash equivalents, beginning of year	<u>151,589</u>	<u>1,200</u>	<u>152,789</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 26,520</u></u>	<u><u>\$ 114,532</u></u>	<u><u>\$ 141,052</u></u>
Reconciliation of operating income to net cash provided by operating activities:			
Net operating income/(loss)	\$ (54,420)	\$ 54,608	\$ 188
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation/amortization	67,110	141,136	208,246
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	6,662	(3,221)	3,441
(Increase)/decrease in inventory	11,318	(651)	10,667
Increase/(decrease) in payables	(12,271)	(1,016)	(13,287)
Increase/(decrease) in accrued liabilities & deposits	887	1,204	2,091
Net cash flows from operating activities	<u><u>\$ 19,286</u></u>	<u><u>\$ 192,060</u></u>	<u><u>\$ 211,346</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR ARIZONA
Statement of Fiduciary Net Assets
Pension Trust Fund
June 30, 2011

	<u>Volunteer Firefighters' Relief and Pension</u>
Assets	
Cash and cash equivalents	\$ 131,997
Intergovernmental receivable	<u>9,745</u>
Total assets	<u>141,742</u>
Net assets	
Net assets held in trust for pension benefits and other purposes	<u><u>\$ 141,742</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR ARIZONA
Statement of Changes in Fiduciary Net Assets
Pension Trust Fund
For the Year Ended June 30, 2011

	<u>Volunteer Firefighters' Relief and Pension</u>
Additions:	
Contributions:	
Employer and plan member	\$ 4,872
Other sources	<u>4,872</u>
Total contributions	<u>9,744</u>
Investment income:	
Net appreciation (depreciation) in fair value of investments	25,074
Interest earnings	<u>501</u>
Net investment income (loss)	<u>25,575</u>
Total additions	<u>35,319</u>
Deductions:	
Contract services	2,663
Benefits	<u>3,870</u>
Total deductions	<u>6,533</u>
Net increase (decrease)	28,786
Net assets held in trust for pension benefits	
Beginning of year	<u>112,956</u>
End of year	<u><u>\$ 141,742</u></u>

The accompanying notes are an integral part of the financial statements

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies

General

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

Reporting Entity

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

Blended Component Unit included within the reporting entity:

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

Government-Wide and Fund Financial Statements

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

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies, Continued

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies, Continued

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

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major proprietary funds:

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

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

Additionally, the Town reports the following fund type:

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

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

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies, Continued

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

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

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

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

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

Deposits and Investments

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

Receivables and Payables

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

Inventories

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

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies, Continued

Capital Assets

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

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

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

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

Compensated Absences

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

Long-term Obligations

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

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies, Continued

Net Assets 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 assets and is displayed in three components as follows:

Invested in capital assets, net of related debt 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 assets are net assets 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 assets are all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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, 2011

Note 1. Summary of Significant Accounting Policies, Continued

Estimates

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

Encumbrances

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

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

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

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

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 3. Stewardship, Compliance, and Accountability

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

Budgets and Budgetary Accounting

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

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The Town follows a voter-approved alternative expenditure limitation that was adopted on March 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, 2011

Note 3. Stewardship, Compliance, and Accountability, Continued

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2011, 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, 2011

Note 4. Deposits and Investments

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

Cash and cash equivalents	\$ 258,512
Cash with paying agent	29,925
Restricted cash and cash equivalents	1,577,211
Fiduciary Fund cash and cash equivalents	<u>131,997</u>
Total	<u>\$ 1,997,645</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, 2011 cash on hand was \$6,000 and the carrying amount of the Town's deposits was \$368,082. As of June 30, 2011 the bank balance of the Town's deposits was \$491,097 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, 2011

Note 4. Deposits and Investments, Continued

As of June 30, 2011 the government had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State Treasurer's Investment Pool	\$ 1,468,664	\$ 1,468,664	\$ -	\$ -	\$ -
	1,468,664	\$ 1,468,664	\$ -	\$ -	\$ -
Other Investments					
Equity Mutual Funds	154,900				
Total Fair Value	1,623,564				

Interest rate risk

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

Credit risk

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

At June 30, 2011 the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State Treasurer's Investment Pool	\$ 1,468,664	\$ -	\$ -	\$ -	\$ 1,468,664
Total Fair Value	\$ 1,468,664	\$ -	\$ -	\$ -	\$ 1,468,664

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 5. Restricted Assets

Restricted assets consist of the following at June 30, 2011

	Governmental Activities	Business-type Activities
LTAF funds	\$ 209,866	\$ -
HURF funds	1,326,964	-
Debt reserves	-	115,330
Customer deposits	-	25,722
	\$ 1,536,830	\$ 141,052

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>	
2012	\$ 39,350
2013	38,350
2014	42,225
2015	40,975
2016	39,725
2017-2021	202,925
2022-2025	158,825
Total remaining lease payments	\$ 562,375
Less: Amount representing interest	(152,375)
Present value of net remaining minimum lease payments	\$ 410,000

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 7. Capital Assets

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

Governmental Activities:	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Capital assets, not being depreciated:				
Land	\$ 979,419	\$ -	\$ -	\$ 979,419
Construction in progress	492,585	300,731	(460,548)	332,768
Total capital assets, not being depreciated	<u>1,472,004</u>	<u>300,731</u>	<u>(460,548)</u>	<u>1,312,187</u>
Capital assets, being depreciated:				
Buildings	945,858	70,716	-	1,016,574
Improvements	10,427,480	-	-	10,427,480
Furniture, equipment & vehicles	1,916,398	-	-	1,916,398
Infrastructure	2,117,014	496,225	-	2,613,239
Total capital assets, being depreciated	<u>15,406,750</u>	<u>566,941</u>	<u>-</u>	<u>15,973,691</u>
Less accumulated depreciation for:				
Buildings	(215,306)	(22,922)	-	(238,228)
Improvements	(5,277,257)	(434,857)	-	(5,712,114)
Furniture, equipment & vehicles	(1,355,858)	(113,731)	-	(1,469,589)
Infrastructure	(380,647)	(130,662)	-	(511,309)
Total accumulated depreciation	<u>(7,229,068)</u>	<u>(702,172)</u>	<u>-</u>	<u>(7,931,240)</u>
Total capital assets, being depreciated, net	<u>8,177,682</u>	<u>(135,231)</u>	<u>-</u>	<u>8,042,451</u>
Governmental activities capital assets, net	<u>\$ 9,649,686</u>	<u>\$ 165,500</u>	<u>\$ (460,548)</u>	<u>\$ 9,354,638</u>

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

Governmental Activities:	
General government	\$ 366,713
Public safety	90,862
Public works/streets	176,364
Culture & recreation	68,233
Total depreciation expense - governmental activities	<u>\$ 702,172</u>

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 7. Capital Assets, Continued

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

Business Type Activities:	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
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	2,955,491	14,243	-	2,969,734
Sewer system	6,481,490	-	-	6,481,490
Furniture, equipment & vehicles	165,321	6,771	-	172,092
Total capital assets, being depreciated	<u>9,602,302</u>	<u>21,014</u>	<u>-</u>	<u>9,623,316</u>
Less accumulated depreciation for:				
Water system	(631,059)	(65,344)	-	(696,403)
Sewer system	(733,368)	(136,488)	-	(869,856)
Furniture, equipment & vehicles	(150,723)	(6,414)	-	(157,137)
Total accumulated depreciation	<u>(1,515,150)</u>	<u>(208,246)</u>	<u>-</u>	<u>(1,723,396)</u>
Total capital assets, being depreciated, net	<u>8,087,152</u>	<u>(187,232)</u>	<u>-</u>	<u>7,899,920</u>
Business-type activities capital assets, net	<u>\$ 8,127,152</u>	<u>\$ (187,232)</u>	<u>\$ -</u>	<u>\$ 7,939,920</u>

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

Business-Type Activities:	
Water	\$ 67,110
Sewer	141,136
Total depreciation expense - business-type activities	<u>\$ 208,246</u>

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 8. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2011:

	<u>Balance 6/30/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2011</u>	<u>Current Portion</u>
Governmental Activities:					
Note payable	\$ 26,062	\$ -	\$ (9,801)	\$ 16,261	\$ 10,615
Loan payable	430,000	-	(20,000)	410,000	20,000
Deferred amount on:					
Premium on loan payable	21,599	-	(1,543)	20,056	-
Capital lease	23,687	-	(23,687)	-	-
Landfill post-closure payable	68,836	-	-	68,836	10,000
Compensated absences	39,816	31,895	(28,156)	43,555	30,000
Total Governmental activity					
Long-term liabilities	<u>\$ 610,000</u>	<u>\$ 31,895</u>	<u>\$ (83,187)</u>	<u>\$ 558,708</u>	<u>\$ 70,615</u>
Business-Type Activities:					
Notes payable	\$ 4,488,113	\$ -	\$ (85,110)	\$ 4,403,003	\$ 197,884
Capital leases	181,689	-	(29,815)	151,874	31,172
Compensated absences	8,801	5,695	(5,678)	8,818	6,000
Total Business-type activity					
Long-term liabilities	<u>\$ 4,678,603</u>	<u>\$ 5,695</u>	<u>\$ (120,603)</u>	<u>\$ 4,563,695</u>	<u>\$ 235,056</u>

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 8. Long-Term Debt, Continued

The following is a listing of notes and loans outstanding as of June 30, 2011:

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. \$ 16,261

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. 410,000

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. 4,367,311

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. \$ 35,692

Total Loans and Notes Payable \$ 4,829,264

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
2012	\$ 30,615	\$ 20,735	\$ 201,517	\$ 88,352
2013	25,646	18,854	205,606	84,262
2014	25,000	17,225	209,779	80,090
2015	25,000	15,975	214,037	75,831
2016	25,000	14,725	218,382	71,486
2017-2021	150,000	52,925	1,137,803	290,382
2022-2026	145,000	13,825	1,246,426	172,718
2027-2029	-	-	969,454	42,195
	<u>\$ 426,261</u>	<u>\$ 154,264</u>	<u>\$ 4,403,004</u>	<u>\$ 905,316</u>

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2011

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
2012	\$ 37,659
2013	37,659
2014	37,659
2015	37,659
2016	18,829
Total remaining lease payments	\$ 169,465
Less: Amount representing interest	(17,591)
Present value of net remaining minimum lease payments	\$ 151,874

A summary of assets acquired through capital leases follows:

	Business-type Activities
Water system	\$ 300,000
Accumulated depreciation	(32,667)
Net total	\$ 267,333

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 10. Interfund Receivables, Payables and Transfers

As of June 30, 2011, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 242,216	\$ -
Water Fund	90,100	-
Sewer Fund	-	332,316
	\$ 332,316	\$ 332,316

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:	Grants Fund	Total
LTAf	5,487	5,487
	\$ 5,487	\$ 5,487

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, 2011

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 9.85 percent (9.60 percent for retirement, and 0.25 percent for long-term disability) of the members' annual covered payroll and the Town was required to contribute 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium, and 0.25 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</u> <u>June 30,</u>	<u>Retirement</u> <u>Fund</u>	<u>Health Benefit</u> <u>Supplement Fund</u>	<u>Long-Term</u> <u>Disability Fund</u>
2009	\$ 85,608	\$ 10,286	\$ 5,357
2010	79,416	6,285	3,809
2011	80,553	5,275	2,235

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, 2011, the State's contribution was \$4,872.

TOWN OF TAYLOR, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 12. Segment Information – Enterprise Funds

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

Note 13. Risk Management

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

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

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

Note 14. Related Party

During the fiscal year ended June 30, 2011, the Town entered into a contract with Hatch Construction and Paving for the Pinedale Road repair project. The total payments to Hatch Construction and Paving for this project were \$47,843. The owner of Hatch Construction and Paving has a related party serving on the Town Council. The awarded contract followed the required bidding procedures.

Note 15. Contingencies

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

This page intentionally left blank

TOWN OF TAYLOR, ARIZONA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUNDS:

General Fund – Detail Budget-to-Actual

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

Major Special Revenue Funds

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

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

TOWN OF TAYLOR, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
General Fund
Budget & Actual
For the Year Ended June 30, 2011

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Taxes:				
Tax revenue	\$ 750,000	\$ 750,000	\$ 584,701	\$ (165,299)
Franchise tax	70,000	70,000	66,773	(3,227)
Total taxes	<u>820,000</u>	<u>820,000</u>	<u>651,474</u>	<u>(168,526)</u>
Licenses, permits and fees:				
Licenses and permits	2,000	2,000	1,915	(85)
Building permits	20,000	20,000	15,772	(4,228)
Total licenses, permits and fees	<u>22,000</u>	<u>22,000</u>	<u>17,687</u>	<u>(4,313)</u>
Intergovernmental:				
Intergovernmental revenue	1,026,400	1,026,400	924,385	(102,015)
Total intergovernmental	<u>1,026,400</u>	<u>1,026,400</u>	<u>924,385</u>	<u>(102,015)</u>
Charges for services:				
Charges for services	563,800	563,800	595,728	31,928
Total charges for services	<u>563,800</u>	<u>563,800</u>	<u>595,728</u>	<u>31,928</u>
Special events				
Special events	52,500	52,500	55,882	3,382
Total special events	<u>52,500</u>	<u>52,500</u>	<u>55,882</u>	<u>3,382</u>
Interest:				
Interest revenue	6,000	6,000	1,328	(4,672)
Total interest	<u>6,000</u>	<u>6,000</u>	<u>1,328</u>	<u>(4,672)</u>
Other revenues:				
Miscellaneous	354,150	354,150	58,172	(295,978)
Total other revenues	<u>354,150</u>	<u>354,150</u>	<u>58,172</u>	<u>(295,978)</u>
Total revenues	<u>2,844,850</u>	<u>2,844,850</u>	<u>2,304,656</u>	<u>(540,194)</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, 2011 (Continued)

Expenditures	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General government:				
Mayor & council	27,961	27,961	27,220	741
Administration	361,000	361,000	334,663	26,337
Non-departmental	251,983	251,983	177,260	74,723
Cemetery	24,250	24,250	25,085	(835)
Airport	73,250	73,250	78,420	(5,170)
Total general government	<u>738,444</u>	<u>738,444</u>	<u>642,648</u>	<u>95,796</u>
Public safety:				
Code enforcement	79,011	79,011	75,701	3,310
Fire	191,600	191,600	170,472	21,128
Police	711,495	711,495	711,495	-
Ambulance	472,300	472,300	499,927	(27,627)
Total public safety	<u>1,454,406</u>	<u>1,454,406</u>	<u>1,457,595</u>	<u>(3,189)</u>
Culture & recreation:				
Parks & recreation	117,700	117,700	102,991	14,709
Non-departmental	67,500	67,500	56,932	10,568
Total culture & recreation	<u>185,200</u>	<u>185,200</u>	<u>159,923</u>	<u>25,277</u>
Debt service:				
Principal	55,760	55,760	53,487	2,273
Interest	21,765	21,765	23,765	(2,000)
Total debt service	<u>77,525</u>	<u>77,525</u>	<u>77,252</u>	<u>273</u>
Capital outlay:				
Capital outlay	389,275	389,275	34,662	354,613
Total capital outlay	<u>389,275</u>	<u>389,275</u>	<u>34,662</u>	<u>354,613</u>
Total expenditures	<u>2,844,850</u>	<u>2,844,850</u>	<u>2,372,080</u>	<u>472,770</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, 2011 (Continued)

	<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>(67,424)</u>	<u>(67,424)</u>
Fund balance, beginning of year	<u>682,060</u>	<u>682,060</u>	<u>682,060</u>	<u>-</u>
Fund balance, end of year	<u>\$ 682,060</u>	<u>\$ 682,060</u>	<u>\$ 614,636</u>	<u>\$ (67,424)</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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenue	\$ 553,854	\$ 553,854	\$ 504,017	\$ (49,837)
Interest income	1,200	1,200	910	(290)
Other revenues	1,000	1,000	54,823	53,823
	<u>556,054</u>	<u>556,054</u>	<u>559,750</u>	<u>3,696</u>
Expenditures:				
Salaries	157,000	157,000	149,243	7,757
Employee benefits	80,000	80,000	78,148	1,852
Services, supplies, and other	269,054	269,054	157,100	111,954
Capital outlay	50,000	50,000	53,566	(3,566)
	<u>556,054</u>	<u>556,054</u>	<u>438,057</u>	<u>117,997</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>121,693</u>	<u>121,693</u>
Fund balance, beginning of year	<u>1,205,271</u>	<u>1,205,271</u>	<u>1,205,271</u>	<u>-</u>
Fund balance, end of year	<u><u>\$1,205,271</u></u>	<u><u>\$1,205,271</u></u>	<u><u>\$1,326,964</u></u>	<u><u>\$ 121,693</u></u>

TOWN OF TAYLOR, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
Grants Special Revenue Fund
Budget & Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenue	\$ 1,000,000	\$ 1,000,000	\$ 457,909	\$ (542,091)
Total revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>457,909</u>	<u>(542,091)</u>
Expenditures:				
Public safety	700,000	700,000	140,695	559,305
Public works/streets	300,000	300,000	220,924	79,076
Total expenditures	<u>1,000,000</u>	<u>1,000,000</u>	<u>361,619</u>	<u>638,381</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>-</u>	<u>-</u>	<u>96,290</u>	<u>96,290</u>
Other financing sources (uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>5,487</u>	<u>5,487</u>
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>5,487</u>	<u>5,487</u>
Net change in fund balance	-	-	101,777	101,777
Fund balance, beginning of year	<u>39,590</u>	<u>39,590</u>	<u>39,590</u>	<u>-</u>
Fund balance, end of year	<u>\$ 39,590</u>	<u>\$ 39,590</u>	<u>\$ 141,367</u>	<u>\$ 101,777</u>

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

Nonmajor Special Revenue Funds

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

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

TOWN OF TAYLOR, ARIZONA
Schedule of Revenues, Expenditures and Changes in Fund Balance
LTAIF Special Revenue Fund
Budget & Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental revenue	\$ -	\$ -	\$ 3,634	\$ 3,634
Total revenue	-	-	3,634	3,634
Expenditures:				
Services, supplies, and other	50,000	50,000	4,542	45,458
Total expenditures	50,000	50,000	4,542	45,458
Excess of revenue and other sources over (under) expenditures and other uses	(50,000)	(50,000)	(908)	49,092
Other financing sources (uses):				
Transfers out	-	-	(5,487)	(5,487)
Net change in fund balance	(50,000)	(50,000)	(6,395)	43,605
Fund balance, beginning of year	216,261	216,261	216,261	-
Fund balance, end of year	<u>\$ 166,261</u>	<u>\$ 166,261</u>	<u>\$ 209,866</u>	<u>\$ 43,605</u>

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

This page intentionally left blank



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
 BRENT R. HALL, CPA

TODD R. HESS, 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

**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, 2011, and have issued our report thereon dated October 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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 the 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. However, we identified certain deficiencies in internal control over financial reporting, described the schedule of findings and recommendations dated October 14, 2011, that we consider to be significant deficiencies in internal control over financial reporting.

10-01 Reconciliations and Year-End Accounting

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain other matters that we have reported to the management of the Town in the schedule of findings and recommendations dated October 14, 2011.

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.



HINTON, BURDICK, HALL & SPILKER, ARIZONA, PLLC
October 14, 2011



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
 BRENT R. HALL, CPA

TODD R. HESS, 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, 2011, and have issued our report thereon dated October 14, 2011. 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, 2011.

HINTON, BURDICK, HALL & SPILKER, ARIZONA, PLLC
 October 14, 2011