



Financial Statements  
June 30, 2010

# Town of Parker, Arizona

# TOWN OF PARKER, ARIZONA

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## INDEPENDENT AUDITOR'S REPORT

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The Honorable Mayor  
and Members of the Town Council  
**Town of Parker, Arizona**  
Parker, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate fund information of the **Town of Parker, Arizona** (the Town) as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town'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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, 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 a report dated November 15, 2010 on our consideration of the Town's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, the schedule of funding progress and the budgetary information, on pages 3 – 9 and pages 35 – 38, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedules of Expenditures – Budget and Actual – General Fund and the Combining Balance Sheets and Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Special Revenue Funds as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Eide Bailly LLP*

Phoenix, Arizona  
November 15, 2010

## **Management's Discussion and Analysis**

This discussion and analysis is intended to be an easily readable breakdown of the Town of Parker financial activities based on currently know facts, decisions and conditions. This analysis focuses on current year activities and operations and should be read in combination with the financial statements that follow.

### **Report Layout**

Besides the Management's Discussion and Analysis, (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of nonmajor funds and supplementary information.

The first several statements are highly condensed and present a government-wide view of the Town's finances and operations. Within this view, all Town operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services like public safety, culture and recreation, community services, public works and general governmental administration. Business-type activities are water. The government-wide statements include the Statement of Net Assets and Statement of Activities.

### **Statement of Net Assets**

The Statement of Net Assets presents the unrestricted assets of governmental and business-type activities. Governmental and Business-type activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long term liabilities.

Net assets, the difference between assets and liabilities, provide a measure of the Town's financial strength, 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 Town's privilege tax or the condition of roads, parks and libraries to accurately assess the overall health of the Town.

### **Statement of Activities**

The Statement of Activities presents the major program costs and matches major resources with each. To the extent that direct charges and grants do not recover a program's cost, it is paid from general taxes and other resources. The statement simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Following the government-wide statements is a section containing fund financial statements. These statements reinforce information in the government-wide financial statements or provide additional information. The Town's major funds are presented in a separate column titled, "Other Governmental Funds". For each major fund, a Budgetary Comparison Statement is presented. Users who want to obtain information on non-major funds can find it in the Combining Schedules of Non-major Funds and/or the Supplemental Information-Budgetary Comparison Schedules of this report. Finally, the report provides a series of other financial and statistical schedules.

The MD&A is intended to explain significant changes in the financial position and differences in operations between current and prior years

**TOWN OF PARKER, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

**Town as a Whole**

A condensed version of the Statement of Net Assets at June 30, 2010 follows.

**Condensed Statement of Net Assets**

|                          | <b>Governmental<br/>Activities</b> |                    | <b>Business-type<br/>Activities</b> |                    | <b>Total<br/>Government</b> |                    |
|--------------------------|------------------------------------|--------------------|-------------------------------------|--------------------|-----------------------------|--------------------|
|                          | 2010                               | 2009               | 2010                                | 2009               | 2010                        | 2009               |
| Current and other assets | 4,276,429                          | 4,228,638          | 767,762                             | 713,703            | 5,044,191                   | 4,942,341          |
| Capital assets           | 3,961,358                          | 3,892,040          | 3,334,269                           | 3,441,685          | 7,295,627                   | 7,333,725          |
| Total assets             | <u>8,237,787</u>                   | <u>8,120,678</u>   | <u>4,102,031</u>                    | <u>4,155,388</u>   | <u>12,339,818</u>           | <u>12,276,066</u>  |
| Other liabilities        | 225,853                            | 340,367            | 42,464                              | 57,848             | 268,317                     | 398,215            |
| Long-term liabilities    | <u>1,837,725</u>                   | <u>2,233,840</u>   | <u>-</u>                            | <u>-</u>           | <u>1,837,725</u>            | <u>2,233,840</u>   |
| Total liabilities        | <u>2,063,578</u>                   | <u>2,574,207</u>   | <u>42,464</u>                       | <u>57,848</u>      | <u>2,106,042</u>            | <u>2,632,055</u>   |
| Net assets:              |                                    |                    |                                     |                    |                             |                    |
| Invested capital assets  |                                    |                    |                                     |                    |                             |                    |
| net of related debt      | 2,195,820                          | 1,710,992          | 3,334,269                           | 3,441,685          | 5,530,089                   | 5,152,677          |
| Restricted               | 432,932                            | 428,896            | 50,000                              | 50,000             | 482,932                     | 478,896            |
| Unrestricted             | <u>3,545,457</u>                   | <u>3,406,583</u>   | <u>675,298</u>                      | <u>605,855</u>     | <u>4,220,755</u>            | <u>4,012,438</u>   |
| Total net assets         | <u>\$6,74,209</u>                  | <u>\$5,546,471</u> | <u>\$4,059,567</u>                  | <u>\$4,097,540</u> | <u>10,186,569</u>           | <u>\$9,644,011</u> |

**Statement of Net Assets at June 30, 2010:**

During fiscal year 2009-2010 several major events changed the balance of net assets: inclusion of infrastructure and long-term debt, and various capital improvement projects.

The Town's overall financial position has improved during the year as reflected in the increase in net assets above. Additionally the unrestricted net assets of both the governmental and business-type activities amount to \$3.5 million and \$675 thousand respectively. This provides a useful measure of the Town's net assets available for spending at the end of the fiscal year.

There are restrictions of \$433 thousand in restricted net assets of governmental type activities. There are restrictions of \$50 thousand in restricted net assets of business-type activities. The restrictions represent legal or contractual obligations on how the assets may be expended. Within the governmental activities category are taxes and other collections limited to specific transportation construction projects and the repayment of debt. Within the business type activities are debt service reserves.

**Governmental Activities**

**Addition of Infrastructure:** By far the largest change was the inclusion of general government capital assets and infrastructure (land, road and bridge improvements, streets, etc.).

Infrastructure and other improvements total approximately \$5.4 million. The non-land portion of improvements, are now depreciated and the accumulated depreciation at year-end is \$2.7 million. The net value of the assets is \$2.7 million. Long term debt totaling \$1.8 million is now included in the governmental activities. The addition of infrastructure overshadowed the current year activities.

**TOWN OF PARKER, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

**Business –type Activities**

Infrastructure and other improvements total approximately \$5.4 million. The non-land portion of improvements, are depreciated and the net value is \$2.1 million.

**Statement of Activities for the Year Ended June 30, 2010:**

A summary of the statement of activities follows:

**Changes in Net Assets**

|                               | <b>Governmental Activities</b> |                    | <b>Business-type Activities</b> |                    | <b>Total Government</b> |                    |
|-------------------------------|--------------------------------|--------------------|---------------------------------|--------------------|-------------------------|--------------------|
|                               | <u>2010</u>                    | <u>2009</u>        | <u>2010</u>                     | <u>2009</u>        | <u>2010</u>             | <u>2009</u>        |
| Program revenues              |                                |                    |                                 |                    |                         |                    |
| Charges for services          | 326,655                        | 54,879             | 612,049                         | 606,987            | 938,704                 | 661,866            |
| Grants and Contributions      | 1,011,630                      | 595,561            |                                 |                    | 1,011,630               | 595,561            |
| <b>Total Program Revenues</b> | <b>1,338,285</b>               | <b>650,440</b>     | <b>612,049</b>                  | <b>606,987</b>     | <b>1,950,334</b>        | <b>1,257,427</b>   |
| General revenues              |                                |                    |                                 |                    |                         |                    |
| Taxes                         | 1,170,063                      | 1,318,710          |                                 |                    | 1,170,063               | 1,318,710          |
| Intergovernmental             | 1,927,343                      | 2,606,753          |                                 |                    | 1,927,343               | 2,606,753          |
| Interest                      | 11,903                         | 25,605             |                                 |                    | 11,903                  | 25,605             |
| Miscellaneous                 | 71,327                         | 583,007            | 14,012                          | 12,515             | 85,339                  | 595,522            |
| <b>Total general revenues</b> | <b>3,180,636</b>               | <b>4,534,075</b>   | <b>14,012</b>                   | <b>12,515</b>      | <b>3,194,648</b>        | <b>4,546,590</b>   |
|                               | <b>\$4,518,92</b>              |                    |                                 |                    |                         | <b>\$5,804,01</b>  |
| <b>TOTAL REVENUES</b>         | <b>1</b>                       | <b>\$5,184,515</b> | <b>\$626,061</b>                | <b>\$619,502</b>   | <b>\$5,144,982</b>      | <b>7</b>           |
| Expenses                      |                                |                    |                                 |                    |                         |                    |
| General government            | 842,569                        | 1,032,883          | -                               | -                  | 842,569                 | 1,032,883          |
| Public safety                 | 1,250,260                      | 1,347,421          | -                               | -                  | 1,250,260               | 1,347,421          |
| Public Works                  | 692,339                        | 770,520            | -                               | -                  | 692,339                 | 770,520            |
| Culture and recreation        | 1,133,599                      | 1,037,051          | -                               | -                  | 1,133,599               | 1,037,051          |
| Interest on long-term debt    | 10,666                         | 66,564             | -                               | -                  | 10,666                  | 66,564             |
| Contingencies                 | 11,286                         | 37,416             | -                               | -                  | 11,286                  | 37,416             |
| Water                         | -                              | -                  | 614,498                         | 712,390            | 614,498                 | 712,390            |
| <b>Total expenses</b>         | <b>\$3,940,719</b>             | <b>\$4,291,855</b> | <b>\$614,498</b>                | <b>\$712,390</b>   | <b>\$ 4,555,217</b>     | <b>\$5,004,245</b> |
| Transfers                     | 49,536                         | (13,051)           | (49,536)                        | 13,051             |                         |                    |
| Change in net assets          | 627,738                        | 879,609            | (37,973)                        | (79,837)           | 589,765                 | 799,772            |
| Beginning net assets          | 5,546,471                      | 4,666,862          | 4,097,540                       | 4,177,377          | 9,644,011               | 8,844,239          |
| <b>Ending net assets</b>      | <b>\$6,174,209</b>             | <b>\$5,546,471</b> | <b>\$4,059,567</b>              | <b>\$4,097,540</b> | <b>\$10,233,776</b>     | <b>\$9,644,011</b> |

**TOWN OF PARKER, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

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**Government Activities**

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The cost of all governmental activities this year was \$3.9 million. \$327 thousand of this cost was paid for by those who directly benefited from or contributed to the programs. \$1 million was subsidized by grants received from other governmental organizations for both capital and operating activities, and \$1.2 million was financed through general Town taxes. Other governmental revenues, including inter-governmental aid and interest amounted to \$3.3 million.

The Town's governmental functions include the following: general government, culture and recreation, public safety and public works. Each function's net cost, (total cost less revenues generated by the activities) is presented below. The new cost reflects the extent to which the Town's general taxes support each of the Governmental functions.

| <b>Governmental Activities</b> |                           |                    |                         |                    |
|--------------------------------|---------------------------|--------------------|-------------------------|--------------------|
| (in Thousands)                 |                           |                    |                         |                    |
|                                | Total Cost of<br>Services |                    | Net Cost of<br>Services |                    |
|                                | 2010                      | 2009               | 2010                    | 2009               |
| General government             | 842,569                   | 978,004            | 842,569                 | 978,004            |
| Public safety                  | 1,250,260                 | 1,347,421          | 1,250,260               | 1,347,421          |
| Public Works                   | 692,339                   | 770,520            | 692,339                 | 770,520            |
| Culture and recreation         | 1,133,599                 | 1,037,051          | 1,133,599               | 1,037,051          |
| <b>TOTAL</b>                   | <b>\$3,918,767</b>        | <b>\$4,132,996</b> | <b>\$3,918,767</b>      | <b>\$4,132,996</b> |

***Business-type Activities***

The cost of providing all business-type activities this year was \$614 thousand. All of this cost was paid by users.

The Town's business-type programs include water. The program's net cost (total cost, less revenues generated by the activities) is presented below. The new cost reflects the extent to which general business-type revenues support each of the business type programs

| <b>Business-type Activities</b> |                           |                   |                         |                    |
|---------------------------------|---------------------------|-------------------|-------------------------|--------------------|
| (in Thousands)                  |                           |                   |                         |                    |
|                                 | Total Cost of<br>Services |                   | Net Cost of<br>Services |                    |
|                                 | 2010                      | 2009              | 2010                    | 2009               |
| Water                           | 614,498                   | 712,390           | (2,449)                 | (\$105,403)        |
| <b>TOTAL</b>                    | <b>\$ 614,498</b>         | <b>\$ 712,390</b> | <b>(\$2,449)</b>        | <b>(\$105,403)</b> |

**TOWN OF PARKER, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

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**Capital Assets and Debt Administration**

**Capital Assets**

As of June 30, 2010 the Town had invested \$7.2 million in capital assets as reflected in the following table. Of the total additions reflected below, \$565 thousand represent current year infrastructure additions.

The following table reconciles the changes in capital assets.

**Change in Capital Assets**

|                          | <b>Governmental<br/>Activities</b> | <b>Business Type<br/>Activities</b> | <b>Total</b>     |
|--------------------------|------------------------------------|-------------------------------------|------------------|
| <b>Beginning Balance</b> | 3,892,040                          | 3,441,685                           | 7,333,725        |
| Additions                | 530,804                            | 34,650                              | 565,454          |
| Deductions               | (33,633)                           | 0                                   | (33,633)         |
| Depreciation             | (427,853)                          | (142,066)                           | (569,919)        |
| <b>Ending Balance</b>    | <b>3,961,358</b>                   | <b>3,334,269</b>                    | <b>7,295,627</b> |

Additional information of the Town of Parker capital assets can be found in the notes to the financial statements.

***Debt Administration***

As of year-end, the Town had \$1.8 million in debt outstanding compared to \$2.2 million last year. The additions of \$82 thousand in debt to the Governmental Activities resulted from compensated absences for the Town of Parker.

**Outstanding Debt at Year-end**

|                          | <b>Governmental Activities</b> | <b>Business Type<br/>Activities</b> | <b>Total</b>       |
|--------------------------|--------------------------------|-------------------------------------|--------------------|
| <b>Beginning Balance</b> | \$2,233,840                    | \$0                                 | \$2,233,840        |
| Additions                | 81,942                         | 0                                   | 81,942             |
| Retirements              | (478,057)                      | 0                                   | (478,057)          |
| Other                    |                                |                                     |                    |
| <b>Ending Balance</b>    | <b>\$1,837,725</b>             | <b>\$0</b>                          | <b>\$1,837,725</b> |

**TOWN OF PARKER, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

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| <b>Governmental:</b>             | <b>2010</b>        | <b>2009</b>        |
|----------------------------------|--------------------|--------------------|
| Bonds                            | 735,000            | 1,075,000          |
| USDA Loan                        | 422,879            | 449,982            |
| GADA Bonds                       | 607,659            | 632,659            |
| Capital leases and<br>Other Debt | 72,187             | 76,199             |
| <b>Sub-total</b>                 | <b>\$1,837,725</b> | <b>\$2,233,840</b> |
| Business-type:                   |                    |                    |
| Water                            | 0                  | 0                  |
| <b>Sub-total</b>                 | <b>0</b>           | <b>0</b>           |
| <b>Total</b>                     | <b>\$1,837,725</b> | <b>\$2,233,840</b> |

Additional information on the Town of Parker long-term debt can be found in the notes to the financial statements.

## **Economic Factors**

### **Governmental Funds**

The Town relies heavily on state shared revenues and local sales tax. During the year 84% of the general revenues were derived from state shared revenues and local sales tax. The retail picture has not provided sufficient privilege tax revenues to sustain the operational costs of general government. The retail picture will depend upon future development of housing, commercial and industrial business within the community.

The Town's share of state-shared revenues is being carefully watched over the next few years.

The overall decline in the state's economy has lead to further reductions in state shared revenues. This has created a need to evaluate all of the Town's programs and services. Increases in some programming and user fees have been implemented.

### **Next Year's Budget and Rates**

The 2010-2011 fiscal year budget has decreased by about 2% over last year.

The 2010-2011 fiscal year general fund budget has decreased by about 9% over last year.

The 2010-2011 Capital Budgets for next year was limited to the following projects:

- Highway User Fund for \$205 thousand for Equipment and Infrastructure Improvements.
- Water Fund for \$57 thousand for Infrastructure Improvements and Equipment
- General Fund for \$68 thousand –Basic maintenance to Town Hall, the Library, the Senior Center, and Various Equipment
- CDBG Grant Fund for \$187 thousand for ADA Compliance for Town Hall, the Police Department, and the Library

**TOWN OF PARKER, ARIZONA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

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- EECBG Grant Fund for \$90 thousand for retro-fit lighting for Town Hall, the Police Department, the Senior Center, and the Library

**Financial Contact**

The Town's financial statements are designed to present users (citizens, taxpayers, investors, customers and creditors) with general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town's Finance Director at 1314 11<sup>th</sup> Street, Parker, AZ 85344.

**TOWN OF PARKER, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

|   | <b>Primary Government</b>          |                                     |                      |
|---|------------------------------------|-------------------------------------|----------------------|
|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>         |
| <b>ASSETS</b>                                   |                                    |                                     |                      |
| Cash and investments                            | \$ 3,980,632                       | \$ 570,919                          | \$ 4,551,551         |
| Receivables, (net of allowances)                |                                    |                                     |                      |
| Accounts  | 295,797                            | 61,804                              | 357,601              |
| Inventory of supplies, at cost                  | -                                  | 54,039                              | 54,039               |
| Restricted cash and investments:                |                                    |                                     |                      |
| Customer deposits                               | -                                  | 23,000                              | 23,000               |
| Capital replacement                             | -                                  | 58,000                              | 58,000               |
| Non-depreciable capital assets                  | 1,239,780                          | 42,314                              | 1,282,094            |
| Depreciable capital assets                      | 5,401,251                          | 5,377,101                           | 10,778,352           |
| Accumulated depreciation                        | (2,679,673)                        | (2,085,146)                         | (4,764,819)          |
| Total assets                                    | <u>8,237,787</u>                   | <u>4,102,031</u>                    | <u>12,339,818</u>    |
| <b>LIABILITIES</b>                              |                                    |                                     |                      |
| Current liabilities                             |                                    |                                     |                      |
| Accounts payable                                | 127,760                            | 15,880                              | 143,640              |
| Accrued payroll and related taxes               | 62,839                             | 2,033                               | 64,872               |
| Interest payable                                | 12,744                             | -                                   | 12,744               |
| Liabilities payable from restricted assets      |                                    |                                     |                      |
| Customer deposits                               | 22,510                             | 24,551                              | 47,061               |
| Noncurrent liabilities                          |                                    |                                     |                      |
| Due within one year                             | 485,715                            | -                                   | 485,715              |
| Due in more than one year                       | 1,352,010                          | -                                   | 1,352,010            |
| Total liabilities                               | <u>2,063,578</u>                   | <u>42,464</u>                       | <u>2,106,042</u>     |
| <b>NET ASSETS</b>                               |                                    |                                     |                      |
| Invested in capital assets, net of related debt | 2,195,820                          | 3,334,269                           | 5,530,089            |
| Restricted for                                  |                                    |                                     |                      |
| Magistrate court                                | 32,932                             | -                                   | 32,932               |
| Rural Development                               | -                                  | 50,000                              | 50,000               |
| HURF  | 400,000                            | -                                   | 400,000              |
| Unrestricted                                    | 3,545,457                          | 675,298                             | 4,220,755            |
| Total net assets                                | <u>\$ 6,174,209</u>                | <u>\$ 4,059,567</u>                 | <u>\$ 10,233,776</u> |

**TOWN OF PARKER, ARIZONA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**

| FUNCTIONS/PROGRAMS                   | Program Revenues    |                         |                             |                             | Net (Expense) Revenue and<br>Changes in Net Assets |                             |                      |
|--------------------------------------|---------------------|-------------------------|-----------------------------|-----------------------------|--|-----------------------------|----------------------|
|                                      | Expenses            | Charges for<br>Services | Operating                   | Capital                     | Primary Government                                 |                             | Total                |
|                                      |                     |                         | Grants and<br>Contributions | Grants and<br>Contributions | Governmental<br>Activities                         | Business-type<br>Activities |                      |
| <b>Primary government</b>            |                     |                         |                             |                             |  |                             |                      |
| Governmental activities              |                     |                         |                             |                             |  |                             |                      |
| General government                   | \$ 842,569          | \$ 230,432              | \$ -                        | \$ -                        | \$ (612,137)                                       | \$ -                        | \$ (612,137)         |
| Public safety                        | 1,250,260           | 96,223                  | 195,354                     | -                           | (958,683)  | -                           | (958,683)            |
| Public works                         | 692,339             | -                       | 84,519                      | -                           | (607,820)  | -                           | (607,820)            |
| Culture and recreation               | 1,133,599           | -                       | 651,541                     | 80,216                      | (401,842)  | -                           | (401,842)            |
| Contingencies                        | 11,286              | -                       | -                           | -                           | (11,286)   | -                           | (11,286)             |
| Interest                             | 10,666              | -                       | -                           | -                           | (10,666)   | -                           | (10,666)             |
|                                      | <u>3,940,719</u>    | <u>326,655</u>          | <u>931,414</u>              | <u>80,216</u>               | <u>(2,602,434)</u>                                 | <u>-</u>                    | <u>(2,602,434)</u>   |
| Business-type activities             |                     |                         |                             |                             |  |                             |                      |
| Utility enterprise fund              | <u>614,498</u>      | <u>612,049</u>          | <u>-</u>                    | <u>-</u>                    | <u>-</u>   | <u>(2,449)</u>              | <u>(2,449)</u>       |
| <b>Total primary government</b>      | <u>\$ 4,555,217</u> | <u>\$ 938,704</u>       | <u>\$ 931,414</u>           | <u>\$ 80,216</u>            | <u>(2,602,434)</u>                                 | <u>(2,449)</u>              | <u>(2,604,883)</u>   |
| General revenues                     |                     |                         |                             |                             |  |                             |                      |
| Taxes                                |                     |                         |                             |                             | 1,170,063  | -                           | 1,170,063            |
| State shared taxes                   |                     |                         |                             |                             | 664,186  | -                           | 664,186              |
| Gas and auto taxes                   |                     |                         |                             |                             | 1,263,157  | -                           | 1,263,157            |
| Investment earnings                  |                     |                         |                             |                             | 11,903   | -                           | 11,903               |
| Other income                         |                     |                         |                             |                             | 71,327   | 14,012                      | 85,339               |
| Transfers                            |                     |                         |                             |                             | 49,536   | (49,536)                    | -                    |
| Total general revenues and transfers |                     |                         |                             |                             | <u>3,230,172</u>                                   | <u>(35,524)</u>             | <u>3,194,648</u>     |
| Increase in net assets               |                     |                         |                             |                             | <u>627,738</u>                                     | <u>(37,973)</u>             | <u>589,765</u>       |
| Net assets - beginning of year       |                     |                         |                             |                             | <u>5,546,471</u>                                   | <u>4,097,540</u>            | <u>9,644,011</u>     |
| Net assets - end of year             |                     |                         |                             |                             | <u>\$ 6,174,209</u>                                | <u>\$ 4,059,567</u>         | <u>\$ 10,233,776</u> |

**TOWN OF PARKER, ARIZONA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

| <b>ASSETS</b>                            | <b>General<br/>Fund</b> | <b>Highway Users<br/>Revenue<br/>Fund</b> | <b>Impact<br/>Fees</b> | <b>Other<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|---|------------------------|---|---|
| <b>ASSETS</b>                            |                         |   |                        |   |   |
| Cash and investments                     | \$ 1,981,467            | \$ 1,237,285                              | \$ -                   | \$ 761,880                              | \$ 3,980,632                            |
| Receivables                              |                         |   |                        |   |   |
| Accounts, net                            | 148,675                 | 90,196                                    | -                      | 56,926                                  | 295,797                                 |
| Due from other funds                     | 244,373                 | -   | -                      | -                                       | 244,373                                 |
|  | <u>244,373</u>          | <u>-</u>                                  | <u>-</u>               | <u>-</u>                                | <u>244,373</u>                          |
| Total assets                             | <u>\$ 2,374,515</u>     | <u>\$ 1,327,481</u>                       | <u>\$ -</u>            | <u>\$ 818,806</u>                       | <u>\$ 4,520,802</u>                     |
| <br><b>LIABILITIES AND FUND BALANCES</b> |                         |   |                        |   |   |
| <b>LIABILITIES</b>                       |                         |   |                        |   |   |
| Accounts payable                         | \$ 99,226               | \$ 9,656                                  | \$ -                   | \$ 18,878                               | \$ 127,760                              |
| Accrued payroll and related taxes        | 58,269                  | 2,117                                     | -                      | 2,453                                   | 62,839                                  |
| Due to other funds                       | -                       | -   | 234,887                | 9,486                                   | 244,373                                 |
| Payables from restricted assets          |                         |   |                        |   |   |
| Customer deposits                        | 22,510                  | -   | -                      | -                                       | 22,510                                  |
|  | <u>22,510</u>           | <u>-</u>                                  | <u>-</u>               | <u>-</u>                                | <u>22,510</u>                           |
| Total liabilities                        | <u>180,005</u>          | <u>11,773</u>                             | <u>234,887</u>         | <u>30,817</u>                           | <u>457,482</u>                          |
| <br><b>FUND BALANCES</b>                 |                         |   |                        |   |   |
| Reserved                                 |                         |   |                        |   |   |
| Magistrate court                         | 32,932                  | -   | -                      | -                                       | 32,932                                  |
| 1998 Bond Issuance                       | -                       | 400,000                                   | -                      | -                                       | 400,000                                 |
| Unreserved                               | 2,161,578               | 915,708                                   | (234,887)              | 787,989                                 | 3,630,388                               |
|  | <u>2,161,578</u>        | <u>915,708</u>                            | <u>(234,887)</u>       | <u>787,989</u>                          | <u>3,630,388</u>                        |
| Total fund balances (deficit)            | <u>2,194,510</u>        | <u>1,315,708</u>                          | <u>(234,887)</u>       | <u>787,989</u>                          | <u>4,063,320</u>                        |
| Total liabilities and fund balances      | <u>\$ 2,374,515</u>     | <u>\$ 1,327,481</u>                       | <u>\$ -</u>            | <u>\$ 818,806</u>                       | <u>\$ 4,520,802</u>                     |

**TOWN OF PARKER, ARIZONA**  
**RECONCILIATION OF THE GOVERNMENTAL**  
**FUNDS BALANCE TO THE STATEMENT OF NET ASSETS**  
**YEAR ENDED JUNE 30, 2010**

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

|  |                            |
|--|----------------------------|
| Total Governmental Funds -- fund balance   | \$ 4,063,320               |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds   | 3,961,358                  |
| Interest payable on long-term debt does not require current financial resources. Therefore, interest payable was not reported as a liability in Governmental Funds Balance Sheet | (12,744)                   |
| Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds  | <u>(1,837,725)</u>         |
| Government activities net assets   | <u><u>\$ 6,174,209</u></u> |

**TOWN OF PARKER, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2010**

|   | <u>General<br/>Fund</u> | <u>Highway Users<br/>Revenue<br/>Fund</u> | <u>Impact<br/>Fees</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|-------------------------|---|------------------------|---|---|
| <b>REVENUES</b>                                       |                         |   |                        |   |   |
| Taxes   | \$ 1,100,124            | \$ -                                      | \$ -                   | \$ 69,939                               | \$ 1,170,063                            |
| Licenses and permits                                  | 165,656                 | -   | -                      | -                                       | 165,656                                 |
| Intergovernmental revenues                            | 1,057,928               | 1,005,803                                 | -                      | 602,542                                 | 2,666,273                               |
| Charges for services                                  | 64,776                  | -   | -                      | -                                       | 64,776                                  |
| Fines and forfeits                                    | 96,223                  | -   | -                      | -                                       | 96,223                                  |
| Investment earnings                                   | 11,871                  | -   | -                      | 32                                      | 11,903                                  |
| Miscellaneous earnings                                | 70,125                  | 1,202                                     | -                      | 272,700                                 | 344,027                                 |
|   | <u>2,566,703</u>        | <u>1,007,005</u>                          | <u>-</u>               | <u>945,213</u>                          | <u>4,518,921</u>                        |
| <b>EXPENDITURES</b>                                   |                         |   |                        |   |   |
| Current   |                         |   |                        |   |   |
| General government                                    | 667,132                 | -   | -                      | 81,376                                  | 748,508                                 |
| Public safety   | 1,145,568               | -   | -                      | 48,102                                  | 1,193,670                               |
| Public works  | 59,885                  | 428,679                                   | -                      | 29,658                                  | 518,222                                 |
| Culture and recreation                                | 481,123                 | -   | -                      | 519,774                                 | 1,000,897                               |
| Debt service  |                         |   |                        |   |   |
| Principal   | -                       | -   | -                      | 392,103                                 | 392,103                                 |
| Interest and fiscal charges                           | -                       | -   | -                      | 66,971                                  | 66,971                                  |
| Contingencies   | 11,286                  | -   | -                      | -                                       | 11,286                                  |
| Capital outlay  | 80,953                  | 10,546                                    | -                      | 439,305                                 | 530,804                                 |
|   | <u>2,445,947</u>        | <u>439,225</u>                            | <u>-</u>               | <u>1,577,289</u>                        | <u>4,462,461</u>                        |
| REVENUES OVER (UNDER)<br>EXPENDITURES                 | 120,756                 | 567,780                                   | -                      | (632,076)                               | 56,460                                  |
| <b>OTHER FINANCING SOURCES (USES)</b>                 |                         |   |                        |   |   |
| Transfers in (out)                                    | (53,413)                | (356,125)                                 | -                      | 459,074                                 | 49,536                                  |
|   | <u>(53,413)</u>         | <u>(356,125)</u>                          | <u>-</u>               | <u>459,074</u>                          | <u>49,536</u>                           |
| NET CHANGE IN FUND BALANCES                           | 67,343                  | 211,655                                   | -                      | (173,002)                               | 105,996                                 |
| <b>FUND BALANCES (DEFICIT),<br/>beginning of year</b> |                         |   |                        |   |   |
|   | <u>2,127,167</u>        | <u>1,104,053</u>                          | <u>(234,887)</u>       | <u>960,991</u>                          | <u>3,957,324</u>                        |
| <b>FUND BALANCES (DEFICIT),<br/>end of year</b>       |                         |   |                        |   |   |
|   | <u>\$ 2,194,510</u>     | <u>\$ 1,315,708</u>                       | <u>\$ (234,887)</u>    | <u>\$ 787,989</u>                       | <u>\$ 4,063,320</u>                     |

**TOWN OF PARKER, ARIZONA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2010**

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

|  |                   |
|--|-------------------|
| Net change in fund balances - total governmental funds | <u>\$ 105,996</u> |
|--|-------------------|

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

|                        |                 |
|------------------------|-----------------|
| Capital outlay         | 530,804         |
| Depreciation expense   | (427,853)       |
| Loss on asset disposal | <u>(33,633)</u> |
|                        | <u>69,318</u>   |

Payments of certain long-term obligations are reported as expenditures in the governmental funds but are not reported as expenses in the statement of activities.

|                                      |                |
|--------------------------------------|----------------|
| Principal payments on long-term debt | 392,103        |
| Principal payments on capital lease  | <u>23,411</u>  |
|                                      | <u>415,514</u> |

Interest expense on long-term debt is reported in the Government-Wide Statements of Activities and Changes in Net Assets, but does not require the use of current financial resources. The following amount represents the change in accrued interest from the prior year.

|  |               |
|--|---------------|
|  | <u>56,305</u> |
|--|---------------|

Compensated absence expense reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

|  |                 |
|--|-----------------|
|  | <u>(19,395)</u> |
|--|-----------------|

|   |                          |
|---|--------------------------|
| Change in net assets of governmental activities | <u><u>\$ 627,738</u></u> |
|---|--------------------------|

**TOWN OF PARKER, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2010**

| <b>ASSETS</b>                                    | <b>Utility<br/>Enterprise<br/>Fund</b> |
|--|--|
| Current assets                                   |  |
| Cash and cash equivalents                        | \$ 570,919                             |
| Accounts receivable, net of allowance            | 61,804                                 |
| Inventory of supplies, at cost                   | 54,039                                 |
| Total current assets                             | <u>686,762</u>                         |
| Noncurrent assets                                |  |
| Restricted cash:                                 |  |
| Customer deposits                                | 23,000                                 |
| Capital replacement                              | 58,000                                 |
| Capital assets, non-depreciable                  | 42,314                                 |
| Capital assets, depreciable, net                 | 3,291,955                              |
| Total noncurrent assets                          | <u>3,415,269</u>                       |
| Total assets                                     | <u>4,102,031</u>                       |
| <b>LIABILITIES</b>                               |  |
| Current liabilities                              |  |
| Accounts payable                                 | 15,880                                 |
| Accrued payroll and related taxes                | 2,033                                  |
| Total current liabilities                        | <u>17,913</u>                          |
| Customer deposits payable from restricted assets | <u>24,551</u>                          |
| Total liabilities                                | <u>42,464</u>                          |
| <b>NET ASSETS</b>                                |  |
| Invested in capital assets, net of related debt  | 3,334,269                              |
| Restricted for Rural Development                 | 50,000                                 |
| Unrestricted                                     | 675,298                                |
| Total net assets                                 | <u>\$ 4,059,567</u>                    |

**TOWN OF PARKER, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2010**

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|                               | <b>Utility<br/>Enterprise<br/>Fund</b> |
|-------------------------------|--|
| OPERATING REVENUES            |  |
| Water services                | \$ 603,481                             |
| Tap and turn-on fees          | 8,568                                  |
| Penalties                     | 14,012                                 |
|                               | <hr/>                                  |
| Total operating revenue       | 626,061                                |
|                               | <hr/>                                  |
| OPERATING EXPENSES            |  |
| Cost of sales and services    | 472,432                                |
| Depreciation                  | 142,066                                |
|                               | <hr/>                                  |
| Total operating expenses      | 614,498                                |
|                               | <hr/>                                  |
| OPERATING LOSS                | 11,563                                 |
| TRANSFERS IN/(OUT)            | <hr/> (49,536)                         |
| CHANGE IN NET ASSETS          | (37,973)                               |
| NET ASSETS, beginning of year | <hr/> 4,097,540                        |
| NET ASSETS, end of year       | <hr/> <hr/> \$ 4,059,567               |

**TOWN OF PARKER, ARIZONA**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2010**

|   | <b>Utility<br/>Enterprise<br/>Fund</b> |
|---|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |
| Cash received from customers and users  | \$ 628,794                             |
| Cash paid to suppliers  | (258,328)                              |
| Cash paid to employees  | (223,427)                              |
| Net cash provided by operating activities   | <u>147,039</u>                         |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                    |  |
| Transfers (in) out  | <u>(49,536)</u>                        |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                           |  |
| Acquisition and construction of capital assets  | <u>(34,650)</u>                        |
| Net cash used in capital and related financing activities                                 | <u>(34,650)</u>                        |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>  | 62,853                                 |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>                                       | <u>589,066</u>                         |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>   | <u>\$ 651,919</u>                      |
| <b>RECONCILIATION OF OPERATING LOSS TO NET CASH<br/>PROVIDED BY OPERATING ACTIVITIES</b>  |  |
| Operating loss  | <u>\$ 11,563</u>                       |
| Adjustments to reconcile operating income to net cash<br>provided by operating activities |  |
| Depreciation expense  | 142,066                                |
| (Increase) decrease in assets:  |  |
| Accounts receivable   | 2,733                                  |
| Inventory of supplies   | 6,061                                  |
| Increase (decrease) in liabilities:   |  |
| Accounts payable  | (4,742)                                |
| Accrued payroll and related taxes   | (6,546)                                |
| Deposits payable from restricted assets   | (4,096)                                |
| Total adjustments   | <u>135,476</u>                         |
| Net cash provided by operating activities   | <u>\$ 147,039</u>                      |

**TOWN OF PARKER, ARIZONA**  
**STATEMENT OF FIDUCIARY NET ASSETS – FIDUCIARY FUNDS**  
**YEAR ENDED JUNE 30, 2010**

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|                      | <b>Utility Billing<br/>Agency<br/>Fund</b> |
|----------------------|--|
| <b>ASSETS</b>        |  |
| Cash and investments | \$ 23,082                                  |
| Accounts receivable  |  |
| Other                | <u>35,821</u>                              |
| Total assets         | <u>58,903</u>                              |
| <b>LIABILITIES</b>   |  |
| Accounts payable     | <u>58,903</u>                              |
| <b>NET ASSETS</b>    |  |
| Unrestricted         | <u><u>\$ -</u></u>                         |

**TOWN OF PARKER, ARIZONA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2010**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Town of Parker, Arizona (the Town) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the Town's more significant accounting policies follows.

*A. Reporting Entity*

The Town was incorporated on June 7, 1948 under Arizona Revised Statute Chapter 9, Section 101 and is governed by a seven member council. Oversight responsibility includes financial interdependency, the selection of governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

Component Units

As required by accounting principles generally accepted in the United States of America, these financial statements present the primary 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 Town's operations, and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. The blended component unit discussed below has a June 30 year-end. The Town has no discretely presented component units.

**Blended Component Unit**

The Town of Parker Municipal Property Corporation (MPC), a non-profit corporation, was created by the Town in 1998 primarily for the purpose of financing the costs of electric distribution to serve current and future development in Parker South. The MPC is governed by a Board of Directors appointed by the Town Council. For financial reporting purposes, transactions of the MPC are included as if it were part of the Town's operations.

**Joint Venture**

The Colorado River Sewage System Joint Venture is a sewage disposal system that carries out the collection, purification, and disposal of sewage and industrial waste for the Town and Colorado River Indian Tribes. The Joint Venture is controlled by a Board of Directors, composed of five members, two selected by the Town, two by the Tribes, while the fifth member is selected by the other four members with approval of the Secretary of the Interior or delegate. In accordance with terms of the Joint Venture agreement, on or prior to May 1 each year, the manager of the Joint Venture will prepare and submit a budget to the Board of Directors for approval and authorization. Funding is provided by user fees. Due to unavailability of information relating to the Town's joint venture share of profit or losses, a footnote disclosure only has been provided.

*B. Measurement Focus, Basis of Accounting, and Basis of Presentation*

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

## NOTES TO THE FINANCIAL STATEMENTS

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### Government-Wide Financial Statements

The statement of net assets and the statement of activities report all of the non-fiduciary activities of the Town, the primary government, as a whole. These statements distinguish between activities that are governmental and those that are considered business-type activities. Governmental activities, which are normally supported by intergovernmental revenues and transfers from business-type activities, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from any legally separate, discretely presented component units for which the primary government is financially accountable. As mentioned above, the Town has no discretely presented component units.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund and fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements of activities present a comparison between expenses and program revenues for each segment of the business-type activities of the Town and for each governmental program. Direct expenses are those that are specifically associated with the specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the 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. Revenues, which are not classified as program revenue, are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the Town.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use.

### Fund Financial Statements

Fund financial statements report detailed information about the Town. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

### **Net Assets**

Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bond or debt that are attributable to the acquisition, construction, or improvements of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted resources first, then unrestricted resources as needed.

## NOTES TO THE FINANCIAL STATEMENTS

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### Governmental Funds

All governmental funds are accounted for using modified accrual basis of accounting and current financial resources measurement focus. 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. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. The Town considers all revenues reported in the governmental funds to be available if collected within 60 days of year end. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule includes principal and interest on long-term debt, including compensated absences, which is recognized when due.

The Town reports the following major governmental funds:

**GENERAL FUND** – The General Fund is the general operating fund of the Town. It is used to account for all financial resources except for those required to be accounted for in another fund.

**HIGHWAY USER REVENUE FEE FUND** – The HURF Fund accounts for revenue and expenditures that are legally restricted to expenditures for the construction, repair, and maintenance of public works and streets.

**IMPACT FEES FUND** – The Impact Fees Fund accounts for revenues and expenditures that are restricted to the development of Parker South.

### Proprietary Funds

All proprietary funds are accounted for on the flow of economic resources measurement focus and use of the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. 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. Revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The government-wide and proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The Town reports the following major proprietary fund:

**UTILITY ENTERPRISE FUND** – The Utility Enterprise Fund is used to account for provision of water distribution to the residents and commercial users of the Town.

In addition, the Town reports the following agency fund:

**UTILITY BILLING AGENCY FUND** – The Utility Billing Agency Fund (not included in the government-wide statements) is used to account for assets held by the Town as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations.

## NOTES TO THE FINANCIAL STATEMENTS

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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.

### **Budgetary Data**

Budgets are adopted for the General, Special Revenue, Capital Projects and Utility Enterprise Fund. The following procedures are followed in establishing the budgetary information in these financial statements:

1. The Town Manager submits to the Town Council a proposed operating budget for the fiscal year to commence on July 1, of the year. The proposed budget includes proposed expenditures and the means of financing them.
2. Public hearings and council workshops on the budget are held each year to obtain citizen input.
3. Prior to, or on the third Monday of July of each fiscal year, the Town Council must adopt a tentative budget. Once adopted, the total expenditures may not be increased upon final adoption, but may be decreased. The tentative budget must be published once a week for two consecutive weeks prior to final adoption. Final adoption must occur on or before the second Monday in August.
4. The level of control for each adopted budget is the fund level. The Town Manager may, subject to Town Council approval, transfer encumbered appropriation balances within a fund. With Town Council approval, transfers of unencumbered appropriation balances may be transferred between funds. Amounts shown are as originally adopted, or as amended by Council as of June 30, 2010. Appropriations lapse at year-end.
5. Formal budgetary integration was employed in all the budgeted funds as a management control device. All the fund budgets have been adopted on a consistent basis with the basic financial statements.

### *C. Cash and Investments*

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with maturities of three months or less.

A pooled cash account and a pooled investment account are maintained for all Town funds. The pooling of funds provides the Town the ability to maximize earnings by investing larger amounts of idle cash for longer periods of time. The investments are invested primarily with the Arizona State Treasurer's Local Government Investment Pool.

Investments are stated at fair value. The fair value of each share in the Local Government Investment Pool is equal to \$1. Interest earnings, and correspondingly, interest expense for those funds with negative balances, are not allocated to the various funds.

### *D. Receivables*

Accounts receivable consists primarily of utility service charges for water and garbage services and miscellaneous receivables from various sources.

### *E. Transfers*

Legally authorized transfers from funds receiving revenues to funds through which the resources are to be expended and operating loss subsidies are recorded as transfers.

## NOTES TO THE FINANCIAL STATEMENTS

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### *F. Inventories*

Inventories are valued at lower of cost (first-in, first-out method) or market, and consist of water works supplies in the Utility Enterprise Fund. Inventory items in other funds are not significant and are recorded as expenditures at the time of purchase. Therefore, the inventory items in the funds other than the Utility Enterprise Fund are not included in the balance sheets for those funds.

### *G. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town capitalizes all assets with an initial, individual cost greater than \$5,000 with an estimated useful life in excess of one year. The valuation basis for capital assets are historical costs, or where historical costs is not available, estimated historical costs based on replacement costs. Donated capital assets are capitalized at estimated fair value on date donated. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed.

Depreciation of governmental activities' capital assets is computed and recorded by the straight-line method using the following estimated useful lives:

| <u>Asset Classification</u> | <u>Years</u> |
|-----------------------------|--------------|
| Buildings                   | 20-40        |
| Building improvements       | 20           |
| Equipment                   | 5-10         |
| Vehicles                    | 5-10         |

Depreciation of business-type activities' capital assets is computed and recorded by the straight-line method using the following estimated useful lives:

| <u>Asset Classification</u> | <u>Years</u> |
|-----------------------------|--------------|
| Buildings                   | 20-40        |
| Infrastructure              | 30-75        |
| Equipment                   | 5-10         |
| Vehicles                    | 5-10         |

### *H. Compensated Absences*

Employees can earn vacation time at the rate of ten days per year for the first five years, 15 days per year after five years of service through nine years, and 20 days per year after ten years of service. The maximum permissible accumulation is 20 days of vacation for ten years of service or less, and 25 days for employees with more than ten years of service. At termination, employees are paid for any accumulated vacation up to the maximum accumulation. Vested or accumulated vacation leave is recorded as an expense and liability of those funds as the benefits accrue to employees.

Employees earn health leave at the rate of 12 days per year. The maximum accumulation is 24 days. Health leave is not a form of additional vacation time and upon termination, the accumulated health leave is not paid out to the employee. No liability is recorded for non vesting accumulating rights to receive sick pay benefits.

## NOTES TO THE FINANCIAL STATEMENTS

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### *I. Funding of Retirement Plan Costs*

The Town funds retirement plan costs as accrued.

### *J. Use of Estimates*

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

## **NOTE 2 - DEPOSITS AND INVESTMENTS**

### *Deposits*

At year-end, the carrying amount of the Town's deposits was \$1,613,965 and the bank balances were \$1,686,809. The difference represents outstanding checks and deposits which are held in the checking accounts at the financial institutions trust departments until the checks are presented for payment. The deposits include short term certificates of deposits of \$474,889.

### *Restricted Cash and Investments*

At year-end, the Town had restricted cash and investments in the amount of \$81,000 included in the above balances. Of the restricted balances, \$23,000 was restricted for customer deposits and \$58,000 was restricted for the purchase of capital items.

### *Investments*

Arizona Revised Statutes authorize the Town to invest idle funds in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit, repurchase agreements, and in the Local Government Investment Pool of the Arizona State Treasurer.

As of June 30, 2010, the Town's investments included \$3,018,462 which were invested in the Local Government Investment Pool. In this pool, the Town's monies are combined with those of the other investors in the pool. As such, the Town does not own specific securities within the pool; they are, therefore, not categorized. The Local Government Investment Pool, however, is managed by the Arizona State Treasurer in accordance with Arizona law. The majority of the investments in the Pool are rated AAA. Included in the Town's investments are funds related to reserve requirements related to debt instruments of \$450,000 and \$32,932 of funds held by the courts.

### *Risk Disclosures*

*Interest Rate Risk* – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Town's investment portfolio maturities do not exceed five years at time of purchase.

*Credit Risk* – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). The Town limits its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor's, Fitch Ratings, and Moody's Investors Service.

*Custodial Credit Risk* – Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned. As of June 30, 2010 all deposits held by the Town were covered under the FDIC's Temporary Liquidity Guarantee Program.

**NOTES TO THE FINANCIAL STATEMENTS**

**NOTE 3 - RECEIVABLES**

Receivables as of year-end for the governmental individual major and nonmajor funds and agency funds in the aggregate, including the applicable allowances for the uncollectible accounts are as follows:

|                                   | <u>General<br/>Fund</u> | <u>Highway Users<br/>Revenue<br/>Fund</u> | <u>Drug<br/>Seizure</u> | <u>Nonmajor<br/>Governmental<br/>Funds</u> | <u>Utility<br/>Enterprise<br/>Fund</u> | <u>Utility<br/>Billing<br/>Agency Fund</u> | <u>Total</u>      |
|-----------------------------------|-------------------------|---|-------------------------|--|--|--|-------------------|
| Receivables                       |                         |   |                         |  |  |  |                   |
| Customers                         | \$ -                    | \$ -                                      | \$ -                    | \$ 56,926                                  | \$ 72,522                              | \$ -                                       | \$ 129,448        |
| Intergovernmental                 | 148,675                 | 90,196                                    | -                       | -  | -                                      | -  | 238,871           |
| Other                             | -                       | -   | -                       | -  | -                                      | 35,821                                     | 35,821            |
| Gross receivables                 | <u>148,675</u>          | <u>90,196</u>                             | <u>-</u>                | <u>56,926</u>                              | <u>72,522</u>                          | <u>35,821</u>                              | <u>404,140</u>    |
| Less allowance for uncollectibles | -                       | -   | -                       | -  | (10,718)                               | -  | (10,718)          |
| Net total receivables             | <u>\$ 148,675</u>       | <u>\$ 90,196</u>                          | <u>\$ -</u>             | <u>\$ 56,926</u>                           | <u>\$ 61,804</u>                       | <u>\$ 35,821</u>                           | <u>\$ 393,422</u> |

**NOTE 4 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

|                          | <u>Transfers<br/>in (out)</u> | <u>Due<br/>(to) from</u> |
|--------------------------|-------------------------------|--------------------------|
| Governmental funds       |                               |                          |
| Major governmental funds |                               |                          |
| General fund             |                               |                          |
| Unrestricted             | \$ 53,413                     | \$ 244,373               |
| HURF fund                | 356,125                       | -                        |
| Impact Fees              | -                             | (234,887)                |
| Other governmental funds |                               |                          |
| Unrestricted             | (459,074)                     | (9,486)                  |
|                          | <u>(49,536)</u>               | <u>-</u>                 |
| Business-type funds      |                               |                          |
| Utility enterprise fund  |                               |                          |
| Unrestricted             | 49,536                        | -                        |
|                          | <u>49,536</u>                 | <u>-</u>                 |
| Total                    | <u>\$ -</u>                   | <u>\$ -</u>              |

Amounts due from or due to other funds represent short-term obligations on open account, and arise primarily from the nature of the Town's treatment of bank accounts. The Town maintains an overall checking account with each fund's cash pooled for banking purposes. Excess cash is invested in the State of Arizona Local Government Investment Pool to properly manage cash.

Transfers are made primarily to cover debt service payments and certain shared salary expenses.

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010, was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>  | <u>Deletions</u>    | <u>Ending<br/>Balance</u> |
|--|------------------------------|-------------------|---------------------|---------------------------|
| <b>Governmental activities:</b>              |                              |                   |                     |                           |
| Not being depreciated:                       |                              |                   |                     |                           |
| Land   | \$ 881,525                   | \$ -              | \$ -                | \$ 881,525                |
| Construction in Process                      | -                            | 358,255           | -                   | 358,255                   |
| Total capital assets not being depreciated   | <u>881,525</u>               | <u>358,255</u>    | <u>-</u>            | <u>1,239,780</u>          |
| Other capital assets:                        |                              |                   |                     |                           |
| Infrastructure                               | 2,814,017                    | 116,306           | (305,364)           | 2,624,959                 |
| Buildings and improvements                   | 1,284,693                    | -                 | -                   | 1,284,693                 |
| Equipment and vehicles                       | <u>1,607,380</u>             | <u>56,243</u>     | <u>(172,024)</u>    | <u>1,491,599</u>          |
| Total capital assets being depreciated       | <u>5,706,090</u>             | <u>172,549</u>    | <u>(477,388)</u>    | <u>5,401,251</u>          |
| Less: Accumulated depreciation:              |                              |                   |                     |                           |
| Infrastructure                               | (900,677)                    | (144,205)         | 271,731             | (773,151)                 |
| Buildings and improvements                   | (600,453)                    | (35,307)          | -                   | (635,760)                 |
| Equipment and vehicles                       | <u>(1,194,445)</u>           | <u>(248,341)</u>  | <u>172,024</u>      | <u>(1,270,762)</u>        |
| Total accumulated depreciation               | <u>(2,695,575)</u>           | <u>(427,853)</u>  | <u>443,755</u>      | <u>(2,679,673)</u>        |
| Total capital assets being depreciated, net  | <u>3,010,515</u>             | <u>(255,304)</u>  | <u>(33,633)</u>     | <u>2,721,578</u>          |
| Governmental activities capital assets, net  | <u>\$ 3,892,040</u>          | <u>\$ 102,951</u> | <u>\$ (33,633)</u>  | <u>\$ 3,961,358</u>       |
| <br>   |                              |                   |                     |                           |
|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>  | <u>Decreases</u>    | <u>Ending<br/>Balance</u> |
| <b>Business-type activities:</b>             |                              |                   |                     |                           |
| Not being depreciated:                       |                              |                   |                     |                           |
| Land   | 42,314                       | \$ -              | \$ -                | \$ 42,314                 |
| Construction in progress                     | 488,053                      | -                 | (488,053)           | -                         |
| Total capital assets not being depreciated   | <u>530,367</u>               | <u>-</u>          | <u>(488,053)</u>    | <u>42,314</u>             |
| Other capital assets:                        |                              |                   |                     |                           |
| Infrastructure                               | 4,733,278                    | 512,709           | -                   | 5,245,987                 |
| Buildings                                    | 46,580                       | -                 | -                   | 46,580                    |
| Equipment and vehicles                       | <u>74,540</u>                | <u>9,994</u>      | <u>-</u>            | <u>84,534</u>             |
| Total capital assets being depreciated       | <u>4,854,398</u>             | <u>522,703</u>    | <u>-</u>            | <u>5,377,101</u>          |
| Less: Accumulated depreciation:              |                              |                   |                     |                           |
| Infrastructure                               | (1,851,772)                  | (140,790)         | -                   | (1,992,562)               |
| Buildings                                    | (16,880)                     | (1,164)           | -                   | (18,044)                  |
| Equipment and vehicles                       | <u>(74,428)</u>              | <u>(112)</u>      | <u>-</u>            | <u>(74,540)</u>           |
| Total accumulated depreciation               | <u>(1,943,080)</u>           | <u>(142,066)</u>  | <u>-</u>            | <u>(2,085,146)</u>        |
| Total capital assets being depreciated, net  | <u>2,911,318</u>             | <u>380,637</u>    | <u>-</u>            | <u>3,291,955</u>          |
| Business-type activities capital assets, net | <u>\$ 3,441,685</u>          | <u>\$ 380,637</u> | <u>\$ (488,053)</u> | <u>\$ 3,334,269</u>       |

(continued on next page)

## NOTES TO THE FINANCIAL STATEMENTS

Depreciation expense was charged by program/function as follows:

|   |                          |
|---|--------------------------|
| Government Activities                               |                          |
| General government                                  | \$ 94,061                |
| Public safety                                       | 60,606                   |
| Public works  | 174,117                  |
| Culture and recreation                              | <u>99,069</u>            |
| Total governmental activities depreciation expense  | <u><u>\$ 427,853</u></u> |
| Business - type Activities                          |                          |
| Utility enterprise fund                             | <u>\$ 142,066</u>        |
| Total business-type activities depreciation expense | <u><u>\$ 142,066</u></u> |

### NOTE 6 - LONG-TERM DEBT

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

|  | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|--|------------------------------|------------------|---------------------|---------------------------|--|
| <b>Governmental activities:</b>  |                              |                  |                     |                           |  |
| Governmental obligation bonds  |                              |                  |                     |                           |  |
| HURF revenue bonds   | \$ 1,075,000                 | \$ -             | \$ (340,000)        | \$ 735,000                | \$ 360,000                                 |
| GADA revenue bonds   | 632,659                      |                  | (25,000)            | 607,659                   | 25,000                                     |
|  | <u>1,707,659</u>             | <u>-</u>         | <u>(365,000)</u>    | <u>1,342,659</u>          | <u>385,000</u>                             |
| Notes payable  |                              |                  |                     |                           |  |
| USDA loan payable  | 449,982                      |                  | (27,103)            | 422,879                   | 28,528                                     |
|  |                              |                  |                     |                           |  |
| Capital leases   |                              |                  |                     |                           |  |
| Police vehicles, annual payments<br>of \$26,199, including interest<br>at 6.4%, final payment made<br>January 22, 2010 | 23,407                       | -                | (23,407)            | -                         | -  |
|  |                              |                  |                     |                           |  |
| Compensated absences   | 52,792                       | 81,942           | (62,547)            | 72,187                    | 72,187                                     |
|  |                              |                  |                     |                           |  |
| Governmental activities<br>long-term liabilities   | <u>\$ 2,233,840</u>          | <u>\$ 81,942</u> | <u>\$ (478,057)</u> | <u>\$ 1,837,725</u>       | <u>\$ 485,715</u>                          |

**NOTES TO THE FINANCIAL STATEMENTS**

**Governmental Activities - Bonds, Loans, & Leases**

| Year Ended<br>June 30 | HURF Revenue Bonds |                  | USDA Loan         |                   | GADA Revenue Bonds |                   | Total<br>Principal<br>and Interest |
|-----------------------|--------------------|------------------|-------------------|-------------------|--------------------|-------------------|------------------------------------|
|                       | Principal          | Interest         | Principal         | Interest          | Principal          | Interest          |                                    |
| 2011                  | \$ 360,000         | \$ 11,025        | \$ 28,528         | \$ 21,008         | \$ 25,000          | \$ 27,918         | \$ 473,479                         |
| 2012                  | 375,000            | 5,625            | 30,025            | 19,511            | 25,000             | 26,918            | 482,079                            |
| 2013                  | -                  | -                | 31,600            | 17,936            | 30,000             | 25,818            | 105,354                            |
| 2014                  | -                  | -                | 33,258            | 16,278            | 30,000             | 24,581            | 104,117                            |
| 2015                  | -                  | -                | 35,003            | 14,533            | 30,000             | 23,306            | 102,842                            |
| 2016-2020             | -                  | -                | 204,572           | 43,108            | 165,000            | 96,141            | 508,821                            |
| 2021-2025             | -                  | -                | 59,893            | 2,067             | 210,000            | 51,013            | 322,973                            |
| 2026-2030             | -                  | -                | -                 | -                 | 92,659             | 5,000             | 97,659                             |
| Total                 | <u>\$ 735,000</u>  | <u>\$ 16,650</u> | <u>\$ 422,879</u> | <u>\$ 134,441</u> | <u>\$ 607,659</u>  | <u>\$ 280,695</u> | <u>\$ 2,197,324</u>                |

Included in the long-term obligations of the governmental activities is an accrual for vacation time, recorded as compensated absences of \$72,187. Sick time amounts have been earned by employees as of June 30, 2010, but the payment there of will not require available spendable resources.

*HURF Revenue Bonds*

Highway User Revenue Fee (HURF) bonds are issued specifically for the purpose of constructing street and highway projects. These bonds are repaid out of the HURF Fund by gas tax revenues collected by the State of Arizona and distributed to cities and towns based on a formula of population and gas sales within each county.

1998 Highway User Revenue Bonds Projects of 1997, Series A (1998) is due in annual installments of \$100,000 to \$375,000 through July 1, 2012; average interest rate of 4.33 percent. The original issue amount was \$4,000,000.

There are a number of limitations and restrictions contained in the bond indentures. The Town is in compliance with all significant limitations and restrictions.

*GADA Revenue Bonds*

Greater Arizona Development Authority (GADA) bonds are issued specifically for the purpose of reconstruction of streets, construction of a water pipeline for the public works building and additions to a water treatment plant.

Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2007A due in annual installments of \$25,000 to \$50,000 through August 1, 2026, average interest rate of 4.49 percent. Original issuance amount \$690,402.

There are a number of limitations and restrictions contained in the bond indentures. The Town is in compliance with all significant limitations and restrictions.

*Loan Payable – USDA*

In September 2002, the Town obtained a loan of \$600,000 from the United States Department of Agriculture for the construction of a water facility plant for Parker South. The loan requires monthly payments of \$4,128 including principal and interest through September 2022 and has a stated interest rate of 5.125 per annum.

## NOTES TO THE FINANCIAL STATEMENTS

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### *Capital Leases*

The Town has acquired several assets under the provisions of long-term capital lease agreements. The leases call for three annual payments of approximately \$26,199 beginning in 2008 including interest at a stated rate of 6.5 per annum. The leases matured on January 22, 2010. The total cost of the assets acquired under capital lease was \$78,597 with an accumulated depreciation of \$39,299 as of June 30, 2010.

### **NOTE 7 - WASTE BILLING AGREEMENT**

The Town has entered into an agreement with a privately owned waste disposal company whereby the Town bills and collects disposal customers for services provided. These amounts are recorded in the Utility Billing Agency Fund. The Town receives ten percent of the collections and remits the balance to the disposal company. Revenues received by the Town under this agreement are recorded in the Utility Enterprise Fund.

### **NOTE 8 - INVESTMENT IN JOINT VENTURE**

The Town's investment in the Colorado River Sewage System Joint Venture is based upon the ratio of gallonage of sewage contributed to the System to the total gallonage of sewage processed through the plant by each joint venture member. As of June 30, 2010, the percentage of net profits or losses allocable to each joint venture member is not available to adequately record the Town's proportionate share of the joint venture operations. Below are balances as of June 30, 2010:

#### ASSETS

|                                  |                     |
|----------------------------------|---------------------|
| Current assets                   | \$ 500,716          |
| Investments                      | 624,081             |
| Note receivable                  | 32,395              |
| Capital assets, non-depreciable  | 87,653              |
| Capital assets, depreciable, net | 1,067,938           |
| Total Assets                     | <u>\$ 2,312,783</u> |

#### LIABILITIES AND NET ASSETS

|   |                     |
|---|---------------------|
| Current liabilities                             | \$ 57,365           |
| Net assets                                      |                     |
| Invested in capital assets, net of related debt | 1,155,591           |
| Unrestricted                                    | 1,099,827           |
| Total   | <u>\$ 2,312,783</u> |

#### OPERATING REVENUE AND EXPENSES

|                                      |                     |
|--------------------------------------|---------------------|
| Operating revenue                    | <u>\$ 1,282,942</u> |
| Operating expense, less depreciation | 1,292,919           |
| Depreciation expense                 | 190,837             |
| Total expense                        | <u>1,483,756</u>    |
| Operating loss                       | (200,814)           |
| Non-operating income                 | 9,774               |
| Change in net assets                 | <u>\$ (191,040)</u> |

## NOTES TO THE FINANCIAL STATEMENTS

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### NOTE 9 - EMPLOYEE RETIREMENT PLANS

#### *Retirement Systems*

The Town's permanent full-time employees belong to statewide government retirement systems. Sworn police officers belong to the Arizona Public Safety Personnel Retirement System. Other Town employees belong to the Arizona State Retirement Plan.

#### *Arizona State Retirement Plan*

##### A. Plan Description

All full-time Town employees, except public safety personnel, participate in the Arizona State Retirement System (the System), a multiple-employer cost sharing defined benefit plan pension plan. The System was established by the State of Arizona to provide pension benefits for employees of the state and employees of participating political subdivisions and school districts. The System is administered in accordance with Title 38, Chapter 5, of the Arizona Revised Statutes. The System provides for retirement, disability, health insurance benefits, and death and survivor benefits. The Arizona State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Arizona State Retirement System, P.O. Box 33910, Phoenix, AZ 85067 or by calling 1-800-621-33778.

##### B. Funding Policy

The Arizona Revised Statutes (ARS) provide statutory authority for determining the employees' and employers' contributions amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculations, the Arizona legislature is able to legislate a contribution rate other than the actuarially determined rate. The actuarially determined contribution rate for the years ended June 30, 2010, 2009 and 2008 were 9.40, (8.95% retirement and .50% long-term disability) 9.45% and 9.60% respectively, for both employers and employees. The total contributions made by the Town for the years ended June 30, 2010, 2009, and 2008 were \$115,094, \$110,996, and \$79,479, respectively, equal to the required contributions for each year.

#### *Retirement Plan for Public Safety Employees*

##### A. Plan Description

All of the Town's public safety personnel (police officers) participate in the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan. PSPRS was established by Title 38, Chapter 5, article 4 of the Arizona Revised Statutes to provide pension benefits for public safety employees of certain state and local governments. The PSPRS is jointly administered by the fund manager and 229 local boards. PSPRS provides retirement benefits, as well as death and disability benefits. The Public Safety Personnel retirement System of the State of Arizona issues a publicly available financial report that includes financial and required supplementary information. The report may be obtained by writing to Public Safety Personnel Retirement System, 3010 E. Camelback Rd, Suite 200, Phoenix AZ 85016 or by calling (602) 255-5575.

##### B. Funding Policy

The System is funded through member contributions of 7.65% of gross payroll, an employer contribution set by an actuarial valuation expressed as a percent of gross payroll, and a distribution of net earnings of the Fund. The Town's contribution rate for police for the fiscal year ended June 30, 2010 was 9.91% of annual covered payroll. Contribution rates for police were 7.48% and 7.22% in 2009 and 2008, respectively.

**NOTES TO THE FINANCIAL STATEMENTS**

**B. Annual Pension Cost**

For 2010, the Town’s annual pension costs of \$53,747 were equal to the Town’s required and actual contributions. The required contribution was determined as part of the June 30, 2009 actuarial valuation using the individual entry age normal cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases of 5.5% per year compounded annually attributable to inflation, and (c) additional projected salary increases ranging from 1.0% to 3.0% per year, depending on age, attributable to seniority/merit. The actuarial value of APSPRS assets are determined on a smoothed market basis which spreads differences between actual and assumed investment return over a seven-year period.

**Three-Year Trend Information for APSPRS**

| <u>Fiscal Year Ended</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------------|----------------------------------|--------------------------------------|-------------------------------|
| 6/30/2009                | \$ 37,784                        | 100%                                 | \$ -                          |
| 6/30/2008                | \$ 38,685                        | 100%                                 | \$ -                          |
| 6/30/2007                | \$ 23,373                        | 100%                                 | \$ -                          |

The following schedule of funding progress, presented as required supplemental information (RSI) presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits:

**Schedule of Funding Progress for APSPRS**

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets (a)</u> | <u>Actuarial Accrued Liability (AAL) Entry Age (b)</u> | <u>Unfunded AAL (b-a)</u> | <u>Funded Ratio (a/b)</u> | <u>Covered Payroll (c)</u> | <u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u> |
|---------------------------------|--------------------------------------|--|---------------------------|---------------------------|----------------------------|--|
| 6/30/2007                       | 1,445,663                            | 1,680,365  | 234,702                   | 86.0%                     | 536,549                    | 6.56%  |
| 6/30/2008                       | 1,527,840                            | 1,612,505  | 84,665                    | 94.7%                     | 535,743                    | 43.70%   |
| 6/30/2009                       | 1,699,651                            | 1,891,962  | 192,311                   | 89.8%                     | 504,828                    | 15.80%   |

**NOTE 10 - RISK MANAGEMENT**

The Town is exposed to various risks of loss relating to torts; theft of, damage to and destruction of asset; errors and omissions; and natural disasters. Thus, the Town participates in the Arizona Municipal Risk Retention Pool (AMRRP), which provides a comprehensive municipal coverage program including property, general liability, public official’s liability, automobile liability, and physical damage, bonds, and crime. The basic coverage program is standard for all participants and deemed to be appropriate by the governing board of the AMRRP. Individual limits are determined by the Council and staff members.

**NOTES TO THE FINANCIAL STATEMENTS**

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The limit for the basic coverage is \$13 million per occurrence on a claim made basis. The AMRRP is structured such that member premiums are based on the actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligation. The pool has the authority to assess its members' additional premiums should reserves and annual premiums be insufficient to meet the pools obligations. The Town can be assessed up to the amount of the current year's contribution. The Town's obligation is to file claims timely. The AMRRP is responsible for investigating claims and billing the Town for any deductible portion. The Town's loss has not exceeded its coverage in any of the last three years, and the deductible portion has not been material to the Town's financial position.

**NOTE 11 - DEFICIT FUND BALANCES**

The following Special Revenue funds have deficit fund equity balances as of June 30, 2010 as a result of revenues inadequate to cover expenses. Future revenue collected is expected to fund the deficit fund equity balances.

|                  |              |
|------------------|--------------|
| Impact Fees Fund | \$ (234,887) |
| WIFA Fund        | (9,486)      |

**NOTE 12 - CONTINGENT LIABILITY**

The Town is a party to a number of legal actions arising in the ordinary course of its business. In management's opinion, the Town has adequate legal defenses regarding each of these actions and does not believe that they will materially affect the Town's operations or financial position.

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**TOWN OF PARKER,  
ARIZONA**

**REQUIRED AND OTHER SUPPLEMENTAL INFORMATION**

This portion of supplementary information contains statements, schedules or other information that the Governmental Accounting Standards Board (GASB) has determined to be necessary to supplement, although not required to be part of, the basic statements of the Town.

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**TOWN OF PARKER, ARIZONA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROCESS**  
**YEAR ENDED JUNE 30, 2010**

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**Schedule of Funding Progress for APSPRS**

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| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets (a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>Entry<br>Age (b) | Unfunded<br>AAL<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL<br>as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|-------------------------------------|--|--------------------------|--------------------------|---------------------------|--|
| 6/30/2007                      | 1,445,663                           | 1,680,365  | 234,702                  | 86.0%                    | 536,549                   | 6.56%  |
| 6/30/2008                      | 1,527,840                           | 1,612,505  | 84,665                   | 94.7%                    | 535,743                   | 43.70%   |
| 6/30/2009                      | 1,699,651                           | 1,891,962  | 192,311                  | 89.8%                    | 504,828                   | 15.80%   |

**TOWN OF PARKER, ARIZONA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**GENERAL FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2010**

|                                       | <b>Original<br/>and Final<br/>Budget</b> | <b>Actual</b>              | <b>Variance<br/>with<br/>Budget-<br/>Positive<br/>(Negative)</b> |
|---------------------------------------|--|----------------------------|--|
| <b>REVENUES</b>                       |  |                            |  |
| Taxes                                 | \$ 909,375                               | \$ 1,100,124               | \$ 190,749   |
| Licenses and permits                  | 182,000                                  | 165,656                    | (16,344)   |
| Intergovernmental revenues            | 1,017,638                                | 1,057,928                  | 40,290   |
| Charges for services                  | 49,800                                   | 64,776                     | 14,976   |
| Fines and forfeits                    | 90,200                                   | 96,223                     | 6,023  |
| Investment earnings                   | 22,000                                   | 11,871                     | (10,129)   |
| Miscellaneous earnings                | 40,850                                   | 70,125                     | 29,275   |
| Total revenues                        | <u>2,311,863</u>                         | <u>2,566,703</u>           | <u>254,840</u>   |
| <b>EXPENDITURES</b>                   |  |                            |  |
| Current                               |  |                            |  |
| General government                    | 833,690                                  | 667,132                    | 166,558  |
| Public safety                         | 1,266,409                                | 1,145,568                  | 120,841  |
| Public works                          | 67,970                                   | 59,885                     | 8,085  |
| Culture and recreation                | 551,753                                  | 481,123                    | 70,630   |
| Contingencies                         | 140,985                                  | 11,286                     | 129,699  |
| Capital outlay                        | 76,056                                   | 80,953                     | (4,897)  |
| Total expenditures                    | <u>2,936,863</u>                         | <u>2,445,947</u>           | <u>490,916</u>   |
| REVENUES OVER (UNDER)<br>EXPENDITURES | <u>(625,000)</u>                         | <u>120,756</u>             | <u>745,756</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b> |  |                            |  |
| Transfers in (out)                    | <u>(55,000)</u>                          | <u>(53,413)</u>            | <u>1,587</u>   |
| NET CHANGE IN FUND BALANCE            | (680,000)                                | 67,343                     | 747,343  |
| FUND BALANCES, beginning of year      | <u>2,127,167</u>                         | <u>2,127,167</u>           | <u>-</u>   |
| FUND BALANCES, end of year            | <u><u>\$ 1,447,167</u></u>               | <u><u>\$ 2,194,510</u></u> | <u><u>\$ 747,343</u></u>   |

**TOWN OF PARKER, ARIZONA**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**HIGHWAY USERS REVENUE FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2010**

|                                       | <b>Original<br/>and Final<br/>Budget</b> | <b>Actual</b>              | <b>Variance<br/>with<br/>Budget-<br/>Positive<br/>(Negative)</b> |
|---------------------------------------|--|----------------------------|--|
| <b>REVENUES</b>                       |  |                            |  |
| Intergovernmental                     | \$ 1,013,296                             | \$ 1,005,803               | \$ (7,493)   |
| Miscellaneous earnings                | 10,000                                   | 1,202                      | (8,798)  |
| Total revenues                        | <u>1,023,296</u>                         | <u>1,007,005</u>           | <u>(16,291)</u>  |
| <b>EXPENDITURES</b>                   |  |                            |  |
| Current                               |  |                            |  |
| Public works                          | 561,022                                  | 428,679                    | 132,343  |
| Contingencies                         | 504,799                                  | -                          | 504,799  |
| Capital outlay                        | 51,350                                   | 10,546                     | 40,804   |
| Total expenditures                    | <u>1,117,171</u>                         | <u>439,225</u>             | <u>677,946</u>   |
| REVENUES OVER (UNDER)<br>EXPENDITURES | <u>(93,875)</u>                          | <u>567,780</u>             | <u>661,655</u>   |
| <b>OTHER FINANCING USES</b>           |  |                            |  |
| Transfers in (out)                    | <u>(356,125)</u>                         | <u>(356,125)</u>           | <u>-</u>   |
| NET CHANGE IN FUND BALANCE            | <u>(450,000)</u>                         | <u>211,655</u>             | <u>661,655</u>   |
| FUND BALANCES, beginning of year      | <u>1,104,053</u>                         | <u>1,104,053</u>           | <u>-</u>   |
| FUND BALANCES, end of year            | <u><u>\$ 654,053</u></u>                 | <u><u>\$ 1,315,708</u></u> | <u><u>\$ 661,655</u></u>   |

**TOWN OF PARKER, ARIZONA**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**IMPACT FEES FUND**  
**SCHEDULE OF REVENUE, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2010**

|                                       | <b>Original<br/>and Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance<br/>with<br/>Budget-<br/>Positive<br/>(Negative)</b> |
|---------------------------------------|--|-------------------|--|
| REVENUES                              |  |                   |  |
| Miscellaneous earnings                | \$ 287,070                               | \$ -              | \$ 287,070   |
| Total revenues                        | <u>287,070</u>                           | <u>-</u>          | <u>287,070</u>   |
| EXPENDITURES                          |  |                   |  |
| Public works                          | 287,070                                  | -                 | 287,070  |
| Total expenditures                    | <u>287,070</u>                           | <u>-</u>          | <u>287,070</u>   |
| REVENUES OVER (UNDER)<br>EXPENDITURES | <u>-</u>                                 | <u>-</u>          | <u>-</u>   |
| OTHER FINANCING SOURCES (USES)        |  |                   |  |
| Transfers out                         | -  | -                 | -  |
| NET CHANGE IN FUND BALANCE            | -  | -                 | -  |
| FUND BALANCES, beginning of year      | <u>234,887</u>                           | <u>234,887</u>    | <u>-</u>   |
| FUND BALANCES, end of year            | <u>\$ 234,887</u>                        | <u>\$ 234,887</u> | <u>\$ -</u>  |

**TOWN OF PARKER, ARIZONA**  
**SUPPLEMENTAL INFORMATION**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES – BUDGET AND ACTUAL**  
**YEAR ENDED JUNE 30, 2010**

|                                    | <b>Original<br/>and Final<br/>Budget</b> | <b>Actual</b>              | <b>Variance<br/>with<br/>Budget-<br/>Positive<br/>(Negative)</b> |
|------------------------------------|--|----------------------------|--|
| <b>GENERAL GOVERNMENT</b>          |  |                            |  |
| Mayor and Town Council             | \$ 36,760                                | \$ 34,081                  | \$ 2,679   |
| Magistrate                         | 98,000                                   | 90,483                     | 7,517  |
| Town office                        | 254,015                                  | 232,949                    | 21,066   |
| Attorney                           | 105,000                                  | 83,121                     | 21,879   |
| Building maintenance               | 103,640                                  | 79,105                     | 24,535   |
| Finance                            | 223,375                                  | 145,207                    | 78,168   |
| Elections                          | 10,900                                   | 186                        | 10,714   |
| Outside agencies                   | 2,000                                    | 2,000                      | -  |
| Total general government           | <u>833,690</u>                           | <u>667,132</u>             | <u>166,558</u>   |
| <b>PUBLIC SAFETY</b>               |  |                            |  |
| Police                             | 1,137,884                                | 1,031,207                  | 106,677  |
| Building regulation and inspection | 95,305                                   | 81,689                     | 13,616   |
| Animal control                     | 33,220                                   | 32,672                     | 548  |
| Total public safety                | <u>1,266,409</u>                         | <u>1,145,568</u>           | <u>120,841</u>   |
| <b>PUBLIC WORKS</b>                |  |                            |  |
| Waste collection and disposal      | 2,600                                    | 2,093                      | 507  |
| Cemetery                           | 65,370                                   | 57,792                     | 7,578  |
| Total public works                 | <u>67,970</u>                            | <u>59,885</u>              | <u>8,085</u>   |
| <b>CULTURE AND RECREATION</b>      |  |                            |  |
| Parks                              | 254,621                                  | 212,113                    | 42,508   |
| Swimming pool                      | 7,010                                    | 6,546                      | 464  |
| Library                            | 215,220                                  | 197,914                    | 17,306   |
| Other recreation                   | 8,135                                    | 4,811                      | 3,324  |
| Senior citizens                    | 66,767                                   | 59,739                     | 7,028  |
| Total culture and recreation       | <u>551,753</u>                           | <u>481,123</u>             | <u>70,630</u>  |
| CONTINGENCIES                      | 140,985                                  | 11,286                     | 129,699  |
| CAPITAL OUTLAYS                    | <u>76,056</u>                            | <u>80,953</u>              | <u>(4,897)</u>   |
| <b>TOTAL EXPENDITURES</b>          | <u><u>\$ 2,936,863</u></u>               | <u><u>\$ 2,445,947</u></u> | <u><u>\$ 490,916</u></u>   |

**TOWN OF PARKER, ARIZONA**  
**SUPPLEMENTAL INFORMATION**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING BALANCE SHEETS**  
**JUNE 30, 2010**

|                                      | <u>Bed Tax<br/>Fund</u> | <u>Congregate<br/>Meals Fund</u> | <u>Home<br/>Delivered<br/>Meals</u> | <u>GADA<br/>Fund</u> | <u>Local<br/>Transportation<br/>Assistance<br/>Fund</u> | <u>School<br/>Resource<br/>Officer</u> | <u>Library<br/>Fund</u> |
|--------------------------------------|-------------------------|----------------------------------|-------------------------------------|----------------------|---|--|-------------------------|
| <b>ASSETS</b>                        |                         |                                  |                                     |                      |   |  |                         |
| Cash and investments                 | \$ 59,773               | \$ 78,903                        | \$ 48,242                           | \$ 292,002           | \$ 30,558   | \$ 14,071                              | \$ 27,789               |
| Accounts receivable                  | -                       | 39,606                           | 17,223                              | -                    | -   | -                                      | -                       |
| Total assets                         | <u>\$ 59,773</u>        | <u>\$ 118,509</u>                | <u>\$ 65,465</u>                    | <u>\$ 292,002</u>    | <u>\$ 30,558</u>  | <u>\$ 14,071</u>                       | <u>\$ 27,789</u>        |
| <b>LIABILITIES AND FUND BALANCES</b> |                         |                                  |                                     |                      |   |  |                         |
| <b>LIABILITIES</b>                   |                         |                                  |                                     |                      |   |  |                         |
| Accounts payable                     | 260                     | 3,160                            | 3,395                               | -                    | 156   | -                                      | 2,165                   |
| Accrued payroll and related taxes    | -                       | 432                              | 548                                 | -                    | -   | 286                                    | 1,129                   |
| Due to other funds - unrestricted    | -                       | -                                | -                                   | -                    | -   | -                                      | -                       |
| Total liabilities                    | <u>260</u>              | <u>3,592</u>                     | <u>3,943</u>                        | <u>-</u>             | <u>156</u>  | <u>286</u>                             | <u>3,294</u>            |
| <b>FUND BALANCES (DEFICIT)</b>       |                         |                                  |                                     |                      |   |  |                         |
| Unreserved (deficit)                 | <u>59,513</u>           | <u>114,917</u>                   | <u>61,522</u>                       | <u>292,002</u>       | <u>30,402</u>   | <u>13,785</u>                          | <u>24,495</u>           |
| Total liabilities and fund balances  | <u>\$ 59,773</u>        | <u>\$ 118,509</u>                | <u>\$ 65,465</u>                    | <u>\$ 292,002</u>    | <u>\$ 30,558</u>  | <u>\$ 14,071</u>                       | <u>\$ 27,789</u>        |

| <b>Library<br/>Grant C-070</b> | <b>Bequests<br/>Restricted<br/>Fund</b> | <b>CDBG<br/>Fund</b> | <b>WIFA<br/>Fund</b> | <b>Heritage<br/>Fund</b> | <b>Police Grant<br/>Fund</b> | <b>Drug<br/>Seizure</b> | <b>Debt<br/>Service</b> | <b>Totals</b>     |
|--------------------------------|---|----------------------|----------------------|--------------------------|------------------------------|-------------------------|-------------------------|-------------------|
| \$ 23,154                      | \$ 10,014                               | \$ 23,745            | \$ -                 | \$ -                     | \$ 10,314                    | \$ 143,315              | \$ -                    | \$ 761,880        |
| -                              | -                                       | -                    | -                    | -                        | -                            | 97                      | -                       | 56,926            |
| <u>\$ 23,154</u>               | <u>\$ 10,014</u>                        | <u>\$ 23,745</u>     | <u>\$ -</u>          | <u>\$ -</u>              | <u>\$ 10,314</u>             | <u>\$ 143,412</u>       | <u>\$ -</u>             | <u>\$ 818,806</u> |
| 240                            | -                                       | -                    | -                    | -                        | 9,502                        | -                       | -                       | 18,878            |
| 58                             | -                                       | -                    | -                    | -                        | -                            | -                       | -                       | 2,453             |
| -                              | -                                       | -                    | 9,486                | -                        | -                            | -                       | -                       | 9,486             |
| <u>298</u>                     | <u>-</u>                                | <u>-</u>             | <u>9,486</u>         | <u>-</u>                 | <u>9,502</u>                 | <u>-</u>                | <u>-</u>                | <u>30,817</u>     |
| 22,856                         | 10,014                                  | 23,745               | (9,486)              | -                        | 812                          | 143,412                 | -                       | 787,989           |
| <u>\$ 23,154</u>               | <u>\$ 10,014</u>                        | <u>\$ 23,745</u>     | <u>\$ -</u>          | <u>\$ -</u>              | <u>\$ 10,314</u>             | <u>\$ 143,412</u>       | <u>\$ -</u>             | <u>\$ 818,806</u> |

**TOWN OF PARKER, ARIZONA**  
**SUPPLEMENTAL INFORMATION**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2010**

|   | <u>Bed Tax<br/>Fund</u> | <u>Congregate<br/>Meals Fund</u> | <u>Home<br/>Delivered<br/>Meals</u> | <u>GADA<br/>Fund</u> | <u>Local<br/>Transportation<br/>Assistance<br/>Fund</u> | <u>School<br/>Resource<br/>Officer</u> |
|---|-------------------------|----------------------------------|-------------------------------------|----------------------|---|--|
| <b>REVENUES</b>                               |                         |                                  |                                     |                      |   |  |
| Intergovernmental                             | \$ -                    | \$ 121,664                       | \$ 122,738                          | \$ -                 | \$ 12,871   | \$ 41,207                              |
| Taxes   | 69,939                  | -                                | -                                   | -                    | -   | -                                      |
| Investment earnings                           | -                       | -                                | -                                   | -                    | -   | -                                      |
| Miscellaneous earnings                        | -                       | 46,963                           | 48,955                              | -                    | -   | -                                      |
| Total revenues                                | <u>69,939</u>           | <u>168,627</u>                   | <u>171,693</u>                      | <u>-</u>             | <u>12,871</u>   | <u>41,207</u>                          |
| <b>EXPENDITURES</b>                           |                         |                                  |                                     |                      |   |  |
| Current                                       |                         |                                  |                                     |                      |   |  |
| General government                            | 65,317                  | -                                | -                                   | -                    | -   | -                                      |
| Public safety                                 | -                       | -                                | -                                   | -                    | -   | 30,949                                 |
| Public works                                  | -                       | -                                | -                                   | -                    | 5,969   | -                                      |
| Culture and recreation                        | -                       | 129,868                          | 154,774                             | -                    | -   | -                                      |
| Debt service                                  |                         |                                  |                                     |                      |   |  |
| Principal                                     | -                       | -                                | -                                   | -                    | -   | -                                      |
| Interest and fiscal charges                   | -                       | -                                | -                                   | -                    | -   | -                                      |
| Capital Outlay                                | -                       | -                                | -                                   | -                    | -   | -                                      |
| Total expenditures                            | <u>65,317</u>           | <u>129,868</u>                   | <u>154,774</u>                      | <u>-</u>             | <u>5,969</u>  | <u>30,949</u>                          |
| REVENUES OVER<br>(UNDER) EXPENDITURES         | <u>4,622</u>            | <u>38,759</u>                    | <u>16,919</u>                       | <u>-</u>             | <u>6,902</u>  | <u>10,258</u>                          |
| <b>OTHER FINANCING SOURCES (USES)</b>         |                         |                                  |                                     |                      |   |  |
| Transfers in (out)                            | -                       | -                                | -                                   | -                    | -   | -                                      |
| Total other financing<br>sources (uses)       | <u>-</u>                | <u>-</u>                         | <u>-</u>                            | <u>-</u>             | <u>-</u>  | <u>-</u>                               |
| NET CHANGE IN FUND BALANCE                    | 4,622                   | 38,759                           | 16,919                              | -                    | 6,902   | 10,258                                 |
| FUND BALANCES (DEFICIT),<br>beginning of year | <u>54,891</u>           | <u>76,158</u>                    | <u>44,603</u>                       | <u>292,002</u>       | <u>23,500</u>   | <u>3,527</u>                           |
| FUND BALANCES (DEFICIT),<br>end of year       | <u>\$ 59,513</u>        | <u>\$ 114,917</u>                | <u>\$ 61,522</u>                    | <u>\$ 292,002</u>    | <u>\$ 30,402</u>  | <u>\$ 13,785</u>                       |

| <u>Library Fund</u> | <u>Library Grant C-070</u> | <u>Bequests Restricted Fund</u> | <u>CDBG Fund</u> | <u>WIFA Fund</u>  | <u>Heritage Fund</u> | <u>Police Grant Fund</u> | <u>Drug Seizure</u> | <u>Debt Service</u> | <u>Totals</u>     |
|---------------------|----------------------------|---------------------------------|------------------|-------------------|----------------------|--------------------------|---------------------|---------------------|-------------------|
| \$ 158,350          | \$ 16,728                  | \$ -                            | \$ 71,648        | \$ -              | \$ 39,577            | \$ 17,759                | \$ -                | \$ -                | \$ 602,542        |
| -                   | -                          | -                               | -                | -                 | -                    | -                        | -                   | -                   | 69,939            |
| -                   | -                          | 32                              | -                | -                 | -                    | -                        | -                   | -                   | 32                |
| <u>7,060</u>        | <u>2,456</u>               | <u>-</u>                        | <u>-</u>         | <u>-</u>          | <u>167,266</u>       | <u>-</u>                 | <u>-</u>            | <u>-</u>            | <u>272,700</u>    |
| <u>165,410</u>      | <u>19,184</u>              | <u>32</u>                       | <u>71,648</u>    | <u>-</u>          | <u>206,843</u>       | <u>17,759</u>            | <u>-</u>            | <u>-</u>            | <u>945,213</u>    |
| -                   | -                          | -                               | 16,059           | -                 | -                    | -                        | -                   | -                   | 81,376            |
| -                   | -                          | -                               | -                | -                 | -                    | 17,153                   | -                   | -                   | 48,102            |
| -                   | -                          | -                               | 23,689           | -                 | -                    | -                        | -                   | -                   | 29,658            |
| 157,061             | 10,062                     | -                               | -                | -                 | 68,009               | -                        | -                   | -                   | 519,774           |
| -                   | -                          | -                               | -                | -                 | -                    | -                        | -                   | 392,103             | 392,103           |
| -                   | -                          | -                               | -                | -                 | -                    | -                        | -                   | 66,971              | 66,971            |
| <u>-</u>            | <u>-</u>                   | <u>-</u>                        | <u>-</u>         | <u>-</u>          | <u>81,051</u>        | <u>-</u>                 | <u>358,254</u>      | <u>-</u>            | <u>439,305</u>    |
| <u>157,061</u>      | <u>10,062</u>              | <u>-</u>                        | <u>39,748</u>    | <u>-</u>          | <u>149,060</u>       | <u>17,153</u>            | <u>358,254</u>      | <u>459,074</u>      | <u>1,577,289</u>  |
| <u>8,349</u>        | <u>9,122</u>               | <u>32</u>                       | <u>31,900</u>    | <u>-</u>          | <u>57,783</u>        | <u>606</u>               | <u>(358,254)</u>    | <u>(459,074)</u>    | <u>(632,076)</u>  |
| <u>-</u>            | <u>-</u>                   | <u>-</u>                        | <u>-</u>         | <u>-</u>          | <u>-</u>             | <u>-</u>                 | <u>-</u>            | <u>459,074</u>      | <u>459,074</u>    |
| <u>-</u>            | <u>-</u>                   | <u>-</u>                        | <u>-</u>         | <u>-</u>          | <u>-</u>             | <u>-</u>                 | <u>-</u>            | <u>459,074</u>      | <u>459,074</u>    |
| 8,349               | 9,122                      | 32                              | 31,900           | -                 | 57,783               | 606                      | (358,254)           | -                   | (173,002)         |
| <u>16,146</u>       | <u>13,734</u>              | <u>9,982</u>                    | <u>(8,155)</u>   | <u>(9,486)</u>    | <u>(57,783)</u>      | <u>206</u>               | <u>501,666</u>      | <u>-</u>            | <u>960,991</u>    |
| <u>\$ 24,495</u>    | <u>\$ 22,856</u>           | <u>\$ 10,014</u>                | <u>\$ 23,745</u> | <u>\$ (9,486)</u> | <u>\$ -</u>          | <u>\$ 812</u>            | <u>\$ 143,412</u>   | <u>\$ -</u>         | <u>\$ 787,989</u> |



**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***

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To the Honorable Mayor and Members of the Council  
**Town of Parker, Arizona**  
Parker, Arizona

We have audited the financial statements of the **Town of Parker (the Town)** as of and for the year ended June 30, 2010, and have issued our report thereon dated November 15, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as described in the schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies in the Town's internal control described in the accompanying schedule of findings and responses identified as 10-1, 10-2, and 10-3 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses identified as 10-4 and 10-5 to be significant deficiencies.

## 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 that are required to be reported under *Government Auditing Standards*.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Council Members, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in cursive script that reads "Erik Bailly LLP".

Phoenix, Arizona  
November 15, 2010

**TOWN OF PARKER**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**June 30, 2010**

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**MATERIAL WEAKNESSES**

**Finding No. 10-1**

*Subject:* Financial statement preparation

*Condition:* The Town does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the Town's financial statements and accompanying notes to the financial statements.

*Criteria or Specific Requirement:* A good system of internal accounting control contemplates a system designed to prepare financial statements in accordance with generally accepted accounting principles.

*Context:* This finding impacts the Town's ability to prepare their financial statements.

*Effect:* The Town elected to have the auditors prepare the financial statements.

*Cause:* The Town does not have an internal control system designed to provide for the preparation of the financial statements being audited.

*Recommendation:* This circumstance is not unusual in a Town of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Response:* The Town of Parker elected not to have an internal control system designed to provide for the preparation of the financial statements being audited due to budgetary constraints.

**Finding No. 10-2**

*Subject:* Segregation of Duties

*Condition:* The Town has a lack of segregation of duties in certain areas due to a limited staff.

*Criteria or Specific Requirement:* A good system of internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

*Context:* This finding impacts the Town's ability to ensure proper segregation and control over financial processes.

*Effect:* Inadequate segregation of duties could adversely affect the Town's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

*Cause:* There are a limited amount of office employees.

*Recommendation:* While we recognize that your staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the Town.

*Response:* An error was made due to the new roles and responsibilities of new staff. We are working on making internal controls stronger so these mistakes do not happen.

## SCHEDULE OF FINDINGS AND RESPONSES

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### **Finding No. 10-3**

*Subject:* Material Audit Adjustments

*Criteria or Specific Requirement:* A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

*Condition:* During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the Town's existing internal controls, and therefore could have resulted in a material misstatement of the Town's financial statements.

*Context:* This finding impacts the Town's internal control for all significant accounting functions.

*Effect:* A material misstatement of the Town's financial statements that would not be prevented or detected.

*Cause:* Year-end closing procedures were not followed.

*Recommendation:* The Town should establish an internal control system designed to identify all necessary adjustments through appropriate reconciliation of the Town's financial records.

*Response:* An error was made due to the new roles and responsibilities of new staff. We are working on making internal controls stronger so these mistakes do not happen.

## **SIGNIFICANT DEFICIENCIES**

### **Finding No. 10-4**

*Subject:* Revenue Recognition

*Criteria or Specific Requirement:* A good system of internal accounting control contemplates an adequate system for identifying and recording revenues which are subject to accrual.

*Condition:* As part of the audit process it was noted that unbilled utility revenues have not been recorded as earned or recognized for many years, due to the timing of when customers are billed. Grant revenues are also subject to accrual and have not been recorded or accrued properly due to cash basis receipt of the grants on a consistent basis. The revenues and expenses from the Joint Venture have also not been recognized in the past as an Investment.

*Context:* This finding impacts the Town's internal control surrounding revenue recognition.

*Effect:* Recognition of certain revenues may not be appropriately recognized.

*Cause:* Consideration not given based on current materiality levels.

*Recommendation:* The Town's internal control system should be designed to appropriately identify revenues which should be recognized.

*Response:* We will review the Town's current controls and identify steps necessary to identify revenues which are subject to accrual based on the current revenue recognition policy. Implementation of procedures will be done in conjunction with the Town's year end reporting.

### **Finding No. 10-5**

*Subject:* Capital Asset Reconciliation

## SCHEDULE OF FINDINGS AND RESPONSES

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*Criteria or Specific Requirement:* A good system of internal accounting control contemplates an adequate system for identifying and recording capital assets as well as depreciation on a reasonable and rational basis.

*Condition:* During the course of our engagement, we noted that capital asset schedules provided did not agree or reconcile with the current financial records.

*Context:* This finding impacts the Town's internal control surrounding asset capitalization.

*Effect:* Assets could be omitted or duplicated within the Town's financial reporting system and would not be prevented or detected.

*Cause:* Internal controls do not include an annual inventory of capital assets.

*Recommendation:* The Town should have an internal control system designed to inventory capital assets and reconcile changes to the financial records on an annual basis.

*Response:* We will design and implement a policy requiring an annual review of assets held by the Town and reconciliation of those assets to the Town's internal records.