



Financial Statements
June 30, 2011

Town of Parker, Arizona

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Independent Auditor's Report

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, 2011, 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, 2011, 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.

As discussed in Note 14 to the financial statements, the Town applied an adjustment to beginning fund balances and net assets to correct an overstatement of depreciation expense and accrued interest expense, an understatement of accounts receivable balances, and improper recognition of enterprise fund debt.

As described in Notes 1L and 13 to the financial statements, the Town adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in 2011.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2012 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and analysis on pages 3-9, the schedule of funding progress on page 37, and the budgetary schedules on pages 38-40 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Eide Sully LLP

Phoenix, Arizona
February 23, 2012

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.

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

Town as a Whole

A condensed version of the Statement of Net Assets as of June 30, 2011 follows:

	Governmental Activities		Business-type Activities		Total Government	
	2011	Restated 2010	2011	Restated 2010	2011	Restated 2010
Current and other assets	\$ 5,048,745	\$ 4,684,356	\$ 956,615	\$ 767,762	\$ 6,005,360	\$ 5,452,118
Capital assets	4,087,614	4,090,694	3,174,352	3,334,269	7,261,966	7,424,963
Total assets	9,136,359	8,775,050	4,130,967	4,102,031	13,267,326	12,877,081
Other liabilities	571,519	600,379	41,519	42,464	613,038	642,843
Long-term liabilities	1,022,804	1,414,846	394,351	422,879	1,417,155	1,837,725
Total liabilities	1,594,323	2,015,225	435,870	465,343	2,030,193	2,480,568
Net assets:						
Invested in capital assets net of related debt	3,135,445	2,748,036	2,780,001	2,911,390	5,915,446	5,659,426
Restricted	1,997,334	1,765,128	50,000	50,000	2,047,334	1,815,128
Unrestricted	2,409,257	2,246,661	865,096	675,298	3,274,353	2,921,959
Total net assets	\$ 7,542,036	\$ 6,759,825	\$ 3,695,097	\$ 3,636,688	\$ 11,237,133	\$ 10,396,513

Statement of Net Assets at June 30, 2011

During fiscal year 2010-2011 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 \$2.4 million and \$865 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 \$3.1 million 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 \$6 million. The non-land portion of improvements, are now depreciated and the accumulated depreciation at year-end is \$2.8 million. The net value of the assets is \$4.1 million. Long term debt totaling \$1 million is now included in the governmental activities. The addition of infrastructure overshadowed the current year activities.

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 \$3.1 million.

Statement of Activities for the Year Ended June 30, 2011

A summary of the statement of activities follows:

Change in Net Assets

	Governmental Activities		Business-type Activities		Total Government	
	2011	Restated 2010	2011	Restated 2010	2011	Restated 2010
Program revenues						
Charges for services	\$ 259,897	\$ 326,655	\$ 653,692	\$ 612,049	\$ 913,589	\$ 938,704
Grants and contributions	993,605	1,011,630	-	-	993,605	1,011,630
Total Program Revenues	1,253,502	1,338,285	653,692	612,049	1,907,194	1,950,334
General revenues						
Taxes	1,265,730	1,170,063	-	-	1,265,730	1,170,063
Intergovernmental	1,873,021	1,927,343	-	-	1,873,021	1,927,343
Interest	10,499	11,903	-	-	10,499	11,903
Miscellaneous	54,945	71,327	13,376	14,012	68,321	85,339
Total General Revenues	3,204,195	3,180,636	13,376	14,012	3,217,571	3,194,648
Total Revenues	4,457,697	4,518,921	667,068	626,061	5,124,765	5,144,982
Expenses						
General Government	752,014	776,875	-	-	752,014	776,875
Public safety	1,214,223	1,231,421	-	-	1,214,223	1,231,421
Public works	739,728	668,928	-	-	739,728	668,928
Culture and recreation	918,262	1,112,206	-	-	918,262	1,112,206
Interest on long-term debt	32,954	44,544	-	-	32,954	44,544
Contingencies	18,305	11,286	-	-	18,305	11,286
Water	-	-	608,659	636,928	608,659	636,928
	3,675,486	3,845,260	608,659	636,928	4,284,145	4,482,188
Changes in net assets	782,211	673,661	58,409	(10,867)	840,620	662,794
Beginning net assets - restated	6,759,825	6,086,164	3,636,688	3,647,555	10,396,513	9,733,719
Ending net assets	7,542,036	6,759,825	3,695,097	3,636,688	11,237,133	10,396,513

Government Activities

The cost of all governmental activities this year was \$3.7 million. \$260 thousand of this cost was paid for by those who directly benefited from or contributed to the programs. \$993 thousand was subsidized by grants received from other governmental organizations for both capital and operating activities, and \$1.3 million was financed through general Town taxes. Other governmental revenues, including inter-governmental aid and interest amounted to \$2.0 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.

Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2011	Restated 2010	2011	Restated 2010
General Government	\$ 752,014	\$ 776,875	\$ 605,938	\$ 546,443
Public safety	1,214,223	1,231,421	802,503	939,844
Public works	739,728	668,928	620,174	584,409
Culture and recreation	918,262	1,112,206	342,110	380,449
Contingencies	18,305	11,286	18,305	18,305
Interest	32,954	44,544	32,954	32,954
Total	<u>\$ 3,675,486</u>	<u>\$ 3,845,260</u>	<u>\$ 2,421,984</u>	<u>\$ 2,502,404</u>

Business-type Activities

The cost of providing all business-type activities this year was \$609 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

Business-type Activities

	Total Cost of Services		Net Cost of Services	
	2011	Restated 2010	2011	Restated 2010
Water	<u>\$ 608,659</u>	<u>\$ 636,928</u>	<u>\$ (45,033)</u>	<u>\$ 24,879</u>

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2011 the Town had invested \$7.1 million in capital assets as reflected in the following table. Of the total additions reflected below, \$639 thousand represent current year infrastructure additions.

The following table reconciles the changes in capital assets.

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Beginning Balance - restated	\$ 4,090,694	\$ 3,334,269	\$ 7,424,963
Additions	280,793	-	280,793
Deductions	-	-	-
Depreciation	(283,873)	(159,917)	(443,790)
Ending Balance	<u>\$ 4,087,614</u>	<u>\$ 3,174,352</u>	<u>\$ 7,261,966</u>

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 \$1.4 million in debt outstanding compared to \$1.8 million last year. The additions of \$82 thousand in debt to the Governmental Activities resulted from compensated absences for the Town of Parker.

	<u>Governmental Activities</u>	<u>Business Activities</u>	<u>Total</u>
Beginning Balance - restated	\$ 1,414,846	\$ 422,879	\$ 1,837,725
Additions	81,518	-	81,518
Retirements	(473,560)	(28,528)	(502,088)
Ending Balance	<u>\$ 1,022,804</u>	<u>\$ 394,351</u>	<u>\$ 1,417,155</u>

Governmental:	2011	2010 Restated
	<u> </u>	<u> </u>
HURF Revenue bonds	\$ 375,000	\$ 735,000
GADA loans payable	565,000	590,000
Premium on bonds	12,169	17,659
Other debt	<u>70,635</u>	<u>72,187</u>
	<u>1,022,804</u>	<u>1,414,846</u>
Business-type:		
USDA loan payable	<u>394,351</u>	<u>422,879</u>
 Total Debt	<u><u>\$ 1,417,155</u></u>	<u><u>\$ 1,837,725</u></u>

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 97% 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 2011-2012 fiscal year budgets have increased by about 1.4% over last year.

The 2011-2012 fiscal year general fund budget has remained the same as last year.

The 2011-2012 Capital Budgets for next year was limited to the following projects:

Highway User Fund for \$195 thousand for New Vehicles, Equipment and Infrastructure Improvements.

Water Fund for \$46 thousand for Infrastructure Improvements and Equipment

Grant Funds for \$1.1 million for Infrastructure Improvements

General Fund for \$87 thousand –Basic maintenance to Town Hall, the Library, the Senior Center, vehicles for the Police Department and Various Equipment

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 11th Street, Parker, AZ 85344.

Town of Parker, Arizona
Statement of Net Assets
June 30, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 4,233,199	\$ 758,891	\$ 4,992,090
Cash held by trustee	404,221	-	404,221
Receivables, (net of allowances)			
Accounts	-	62,685	62,685
Due from other governments	411,325	-	411,325
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	881,525	42,314	923,839
Depreciable capital assets	6,040,298	5,376,821	11,417,119
Accumulated depreciation	(2,834,209)	(2,244,783)	(5,078,992)
	<u>9,136,359</u>	<u>4,130,967</u>	<u>13,267,326</u>
Liabilities			
Current liabilities			
Accounts payable	74,794	13,111	87,905
Accrued payroll and related taxes	74,052	3,105	77,157
Interest payable	19,221	-	19,221
Matured bonds payable	385,000	-	385,000
Liabilities payable from restricted assets			
Customer deposits	18,452	25,303	43,755
Noncurrent liabilities			
Due within one year	476,455	30,025	506,480
Due in more than one year	546,349	364,326	910,675
	<u>1,594,323</u>	<u>435,870</u>	<u>2,030,193</u>
Net Assets			
Invested in capital assets, net of related debt	3,135,445	2,780,001	5,915,446
Restricted	1,997,334	50,000	2,047,334
Unrestricted	2,409,257	865,096	3,274,353
	<u>\$ 7,542,036</u>	<u>\$ 3,695,097</u>	<u>\$ 11,237,133</u>

Town of Parker, Arizona
Statement of Activities
June 30, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 752,014	\$ 30,796	\$ 4,304	\$ 110,976	\$ (605,938)	\$ -	\$ (605,938)
Public safety	1,214,223	109,618	169,011	133,091	(802,503)	-	(802,503)
Public works	739,728	116,835	2,719	-	(620,174)	-	(620,174)
Culture and recreation	918,262	2,648	573,504	-	(342,110)	-	(342,110)
Contingencies	18,305	-	-	-	(18,305)	-	(18,305)
Interest	32,954	-	-	-	(32,954)	-	(32,954)
	<u>3,675,486</u>	<u>259,897</u>	<u>749,538</u>	<u>244,067</u>	<u>(2,421,984)</u>	<u>-</u>	<u>(2,421,984)</u>
Business-type activities							
Utility enterprise fund	608,659	653,692	-	-	-	45,033	45,033
Total primary government	<u>\$ 4,284,145</u>	<u>\$ 913,589</u>	<u>\$ 749,538</u>	<u>\$ 244,067</u>	<u>(2,421,984)</u>	<u>45,033</u>	<u>(2,376,951)</u>
General revenues							
Taxes					1,265,730	-	1,265,730
State shared taxes					568,873	-	568,873
Gas and auto taxes					1,304,148	-	1,304,148
Investment earnings					10,499	-	10,499
Other income					54,945	13,376	68,321
Total general revenues and transfers					<u>3,204,195</u>	<u>13,376</u>	<u>3,217,571</u>
Increase in net assets					<u>782,211</u>	<u>58,409</u>	<u>840,620</u>
Net assets - beginning of year					6,174,209	4,059,567	10,233,776
Prior period restatement - Note 14					585,616	(422,879)	162,737
Net assets - beginning of year Restated					<u>6,759,825</u>	<u>3,636,688</u>	<u>10,396,513</u>
Net assets - end of year					<u>\$ 7,542,036</u>	<u>\$ 3,695,097</u>	<u>\$ 11,237,133</u>

Town of Parker, Arizona
Balance Sheet - Governmental Funds
June 30, 2011

	General Fund	Highway Users Revenue Fund	Impact Fees	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 1,983,046	\$ 1,458,001	\$ 3,403	\$ -	\$ 788,749	\$ 4,233,199
Cash held by fiscal agent	-	-	-	404,221	-	404,221
Receivables						
Due from other governments	129,580	90,645	-	-	191,100	411,325
Due from other funds	363,382	-	-	-	-	363,382
Total assets	<u>\$ 2,476,008</u>	<u>\$ 1,548,646</u>	<u>\$ 3,403</u>	<u>\$ 404,221</u>	<u>\$ 979,849</u>	<u>\$ 5,412,127</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 51,673	\$ 14,063	\$ -	\$ -	\$ 9,058	\$ 74,794
Accrued payroll and related taxes	64,329	3,479	-	-	6,244	74,052
Accrued interest	-	-	-	19,221	-	19,221
Due to other funds	-	-	238,290	-	125,092	363,382
Payables from restricted assets						
Customer deposits	18,452	-	-	-	-	18,452
Bonds payable	-	-	-	385,000	-	385,000
Total liabilities	<u>134,454</u>	<u>17,542</u>	<u>238,290</u>	<u>404,221</u>	<u>140,394</u>	<u>934,901</u>
Fund Balances						
Restricted	60,300	1,531,104	-	-	405,930	1,997,334
Committed	-	-	-	-	-	-
Assigned	616,000	-	-	-	433,525	1,049,525
Unassigned	1,665,254	-	(234,887)	-	-	1,430,367
Total fund balances (deficit)	<u>2,341,554</u>	<u>1,531,104</u>	<u>(234,887)</u>	<u>-</u>	<u>839,455</u>	<u>4,477,226</u>
Total liabilities and fund balances	<u>\$ 2,476,008</u>	<u>\$ 1,548,646</u>	<u>\$ 3,403</u>	<u>\$ 404,221</u>	<u>\$ 979,849</u>	<u>\$ 5,412,127</u>

Town of Parker, Arizona
Reconciliation of the Governmental Funds Balance to the Statement of Net Assets
Year Ended June 30, 2011

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

Total Governmental Funds fund balance	\$ 4,477,226
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	4,087,614
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds	<u>(1,022,804)</u>
Government activities net assets	<u><u>\$ 7,542,036</u></u>

Town of Parker, Arizona
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2011

	General Fund	Highway Users Revenue Fund	Impact Fees	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 1,198,410	\$ -	\$ -	\$ -	\$ 67,320	\$ 1,265,730
Licenses and permits	59,683	-	-	-	-	59,683
Intergovernmental revenues	833,403	1,045,620	-	-	840,910	2,719,933
Charges for services	64,415	-	-	-	-	64,415
Fines and forfeits	101,236	-	-	-	-	101,236
Investment earnings	10,499	-	-	-	-	10,499
Miscellaneous earnings	120,992	300	-	-	114,909	236,201
Total revenues	2,388,638	1,045,920	-	-	1,023,139	4,457,697
Expenditures						
Current						
General government	665,513	-	-	-	59,226	724,739
Public safety	1,031,351	-	-	-	152,325	1,183,676
Public works	121,343	459,499	-	-	15,660	596,502
Culture and recreation	364,348	-	-	-	472,641	836,989
Debt service						
Principal	-	-	-	385,000	-	385,000
Interest and fiscal charges	-	-	-	38,444	-	38,444
Contingencies	18,305	-	-	-	-	18,305
Capital outlay	9,499	-	-	-	271,293	280,792
Total expenditures	2,210,359	459,499	-	423,444	971,145	4,064,447
Revenues over (Under)						
Expenditures	178,279	586,421	-	(423,444)	51,994	393,250
Other Financing Sources (Uses)						
Transfers in (out)	(52,419)	(371,025)	-	423,444	-	-
Total other financing sources (uses)	(52,419)	(371,025)	-	423,444	-	-
Net Change in Fund Balances	125,860	215,396	-	-	51,994	393,250
Fund Balances (Deficit), Beginning of Year	2,195,038	1,315,708	(234,887)	-	787,461	4,063,320
Prior year restatement (Note 14)	20,656	-	-	-	-	20,656
Fund Balances (Deficit), Beginning of Year - Restated	2,215,694	1,315,708	(234,887)	-	787,461	4,083,976
Fund Balances (Deficit), End of Year	\$ 2,341,554	\$ 1,531,104	\$ (234,887)	\$ -	\$ 839,455	\$ 4,477,226

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, 2011

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

Net change in fund balances - total governmental funds	<u>\$ 393,250</u>
<p>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:</p>	
Capital outlay	280,792
Depreciation expense	<u>(283,873)</u>
	<u>(3,081)</u>
<p>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.</p>	
Principal payments on long-term debt	<u>385,000</u>
<p>Amortization of bond premium 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 bond premium from the prior year.</p>	
	<u>5,490</u>
<p>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.</p>	
	<u>1,552</u>
Change in net assets of governmental activities	<u><u>\$ 782,211</u></u>

Town of Parker, Arizona
Statement of Net Assets - Proprietary Funds
Year Ended June 30, 2011

	Utility Enterprise Fund
Assets	
Current assets	
Cash and cash equivalents	\$ 758,891
Accounts receivable, net of allowance	62,685
Inventory of supplies, at cost	54,039
Total current assets	875,615
Noncurrent assets	
Restricted cash:	
Customer deposits	23,000
Capital replacement	58,000
Capital assets, non-depreciable	42,314
Capital assets, depreciable, net	3,132,038
Total noncurrent assets	3,255,352
Total assets	4,130,967
Liabilities	
Current liabilities	
Accounts payable	13,111
Accrued payroll and related taxes	3,105
Notes payable	30,025
Total current liabilities	46,241
Noncurrent liabilities	
Customer deposits payable from restricted assets	25,303
Notes payable	364,326
Total noncurrent liabilities	389,629
Total liabilities	435,870
Net Assets	
Invested in capital assets, net of related debt	2,780,001
Restricted for debt service	50,000
Unrestricted	865,096
Total net assets	\$ 3,695,097

Town of Parker, Arizona
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds
Year Ended June 30, 2011

	Utility Enterprise Fund
Operating Revenues	
Water services	\$ 637,158
Tap and turn-on fees	16,534
Penalties	13,376
Total operating revenue	667,068
Operating Expenses	
Cost of sales and services	427,734
Depreciation	159,917
Total operating expenses	587,651
Operating Income	79,417
Nonoperating Revenues (Expenses) - Interest expense	(21,008)
Change in Net Assets	58,409
Net Assets, Beginning of Year	4,059,567
Restatement of debt - Note 14	(422,879)
Net Assets, Beginning of Year - Restated	3,636,688
Net Assets, End of Year	\$ 3,695,097

Town of Parker, Arizona
Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2011

	<u>Utility Enterprise Fund</u>
Cash Flows from Operating Activities	
Cash received from customers and users	\$ 666,187
Cash paid to suppliers	(242,515)
Cash paid to employees	(186,164)
Net cash provided by operating activities	<u>237,508</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on capital debt	(28,528)
Interest paid on capital debt	(21,008)
Net cash used in capital and related financing activities	<u>(49,536)</u>
Net Change in Cash and Cash Equivalents	187,972
Cash and Cash Equivalents, Beginning of Year	<u>651,919</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 839,891</u></u>
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating loss	<u>\$ 79,417</u>
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation expense	159,917
(Increase) decrease in assets	
Accounts receivable	(881)
Increase (decrease) in liabilities	
Accounts payable	(2,769)
Accrued payroll and related taxes	1,072
Deposits payable from restricted assets	752
Total adjustments	<u>158,091</u>
Net cash provided by operating activities	<u><u>\$ 237,508</u></u>

Town of Parker, Arizona
Statement of Fiduciary Net Assets – Fiduciary Funds
Year Ended June 30, 2011

	Utility Billing Agency Fund
Assets	
Cash and investments	\$ 51,382
Accounts receivable	
Other	<u>37,029</u>
Total assets	<u>88,411</u>
Liabilities	
Accounts payable	<u>88,411</u>
Net Assets	
Unrestricted	<u><u>\$ -</u></u>

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.

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.

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.

DEBT SERVICE FUND – The Debt Service Fund accounts for funds which have been provided for the payment of the General Long Term Debt of the Town.

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.

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, 2011. 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.

During the course of operations, individual funds within the Town's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

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.

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. Restricted Assets

Certain proceeds of the Town's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Customer deposits are also classified as restricted assets because their use is limited.

H. 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

I. 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. For governmental activities, compensated absences are liquidated by the general fund.

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.

J. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Net Assets

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because capital assets make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the Town. Unrestricted net assets are the remaining net assets not included in the previous two categories.

L. Fund Balance

Beginning with fiscal year 2011, the Town implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Non spendable fund balance—amounts that are not in non spendable form (such as inventory) or are required to be maintained intact.

Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the Town itself, using its highest level of decision-making authority (i.e., Town Council). To be reported as committed, amounts cannot be used for any other purpose unless the Town takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the Town intends to use for a specific purpose. Intent can be expressed by the Town Council or by an official or body to which the Town Council delegates the authority. In fiscal year 2011, the Town Council had authority to assign fund balances intended to be used for specific purposes.

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the Town's governmental funds have been restated to reflect the above classifications.

M. Funding of Retirement Plan Costs

The Town funds retirement plan costs as accrued.

N. 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 \$2,018,942 and the bank balances were \$2,119,324. 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 \$482,257. In addition the cash and investments include cash balances of \$619.

Cash Held by Trustee

As of June 30, 2011, the Town has provided funds of \$365,512 to a bond paying agent and \$38,709 to the Greater Arizona Development Authority. The total amount of \$404,221 represents amounts due for bonds and loans with July 1 maturity.

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, 2011, the Town's investments included \$3,023,911 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 \$24,964 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, 2011 all deposits held by the Town were covered under the current FDIC Program.

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:

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Utility Enterprise Fund	Utility Billing Agency Fund	Total
Receivables						
Customers	\$ -	\$ -	\$ -	\$ 73,302	\$ -	\$ 73,302
Due from governments	129,580	90,645	191,100	-	-	411,325
Other	-	-	-	-	37,029	37,029
Gross receivables	<u>129,580</u>	<u>90,645</u>	<u>191,100</u>	<u>73,302</u>	<u>37,029</u>	<u>521,656</u>
Less allowance for uncollectibles	-	-	-	(10,617)	-	(10,617)
Net total receivables	<u><u>\$ 129,580</u></u>	<u><u>\$ 90,645</u></u>	<u><u>\$ 191,100</u></u>	<u><u>\$ 62,685</u></u>	<u><u>\$ 37,029</u></u>	<u><u>\$ 511,039</u></u>

Note 4 - Interfund Receivables, Payables, and Transfers

	Transfers in (out)	Due (to) from
Governmental Funds		
Major governmental funds		
General fund	\$ 52,419	\$ 363,382
HURF fund	371,025	-
Impact Fees	-	(238,290)
Debt service fund	(423,444)	-
Non major governmental funds	<u>-</u>	<u>(125,092)</u>
	<u><u>\$ -</u></u>	<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.

Note 5 - Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

	Beginning Balance Restated	Increases	Deletions	Ending Balance
Governmental Activities				
Not being depreciated				
Land	\$ 881,525	\$ -	\$ -	\$ 881,525
Construction in Process	358,255	127,224	(485,479)	-
Total capital assets not being depreciated	<u>1,239,780</u>	<u>127,224</u>	<u>(485,479)</u>	<u>881,525</u>
Other capital assets				
Infrastructure	2,628,357	-	-	2,628,357
Buildings and improvements	1,284,693	485,479	-	1,770,172
Equipment and vehicles	1,488,200	153,569	-	1,641,769
Total capital assets being depreciated	<u>5,401,250</u>	<u>639,048</u>	<u>-</u>	<u>6,040,298</u>
Less: Accumulated depreciation				
Infrastructure	(759,476)	(137,465)	-	(896,941)
Buildings and improvements	(635,679)	(34,309)	-	(669,988)
Equipment and vehicles	(1,155,181)	(112,099)	-	(1,267,280)
Total accumulated depreciation	<u>(2,550,336)</u>	<u>(283,873)</u>	<u>-</u>	<u>(2,834,209)</u>
Total capital assets being depreciated, net	<u>2,850,914</u>	<u>355,175</u>	<u>-</u>	<u>3,206,089</u>
Governmental activities capital assets, net	<u>\$ 4,090,694</u>	<u>\$ 482,399</u>	<u>\$ (485,479)</u>	<u>\$ 4,087,614</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Not being depreciated				
Land	42,314	\$ -	\$ -	\$ 42,314
Total capital assets not being depreciated	<u>42,314</u>	<u>-</u>	<u>-</u>	<u>42,314</u>
Other capital assets				
Infrastructure	4,662,535	-	-	4,662,535
Buildings and Improvements	640,032	-	(280)	639,752
Equipment and vehicles	74,534	-	-	74,534
Total capital assets being depreciated	<u>5,377,101</u>	<u>-</u>	<u>(280)</u>	<u>5,376,821</u>
Less: Accumulated depreciation				
Infrastructure	(1,850,057)	(122,885)	-	(1,972,942)
Buildings and Improvements	(169,550)	(36,033)	280	(205,303)
Equipment and vehicles	(65,539)	(999)	-	(66,538)
Total accumulated depreciation	<u>(2,085,146)</u>	<u>(159,917)</u>	<u>280</u>	<u>(2,244,783)</u>
Total capital assets being depreciated, net	<u>3,291,955</u>	<u>(159,917)</u>	<u>-</u>	<u>3,132,038</u>
Business-type activities capital assets, net	<u>\$ 3,334,269</u>	<u>\$ (159,917)</u>	<u>\$ -</u>	<u>\$ 3,174,352</u>

Depreciation expense was charged by program/function as follows:

Government Activities		
General government	\$	28,827
Public safety		30,547
Public works		143,226
Culture and recreation		81,273
Total governmental activities depreciation expense	\$	283,873
Business - type Activities		
Utility enterprise fund	\$	159,917
Total business-type activities depreciation expense	\$	159,917

Note 6 - Long-Term Debt

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

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Governmental obligation bonds					
HURF revenue bonds	\$ 735,000	\$ -	\$ (360,000)	\$ 375,000	\$ 375,000
GADA loan payable	590,000		(25,000)	565,000	30,000
Premium on bonds	17,659		(5,490)	12,169	820
	1,342,659	-	(390,490)	952,169	405,820
Compensated absences	72,187	81,518	(83,070)	70,635	70,635
Governmental activities long-term liabilities	\$ 1,414,846	\$ 81,518	\$ (473,560)	\$ 1,022,804	\$ 476,455
Business Activities					
Notes payable					
USDA loan payable	\$ 422,879	\$ -	\$ (28,528)	\$ 394,351	\$ 30,025

Bond and Note Maturity Schedule

Year Ended June 30	HURF Revenue Bonds		USDA Loan		GADA Revenue Bonds		Total Principal and Interest
	Principal	Interest	Principal	Interest	Principal	Interest	
2012	\$ 375,000	\$ 5,625	\$ 30,025	\$ 19,511	\$ 30,000	\$ 26,419	\$ 486,580
2013	-	-	31,600	17,936	30,000	25,219	104,755
2014	-	-	33,258	16,278	30,000	23,944	103,480
2015	-	-	35,003	14,533	30,000	22,669	102,205
2016	-	-	36,840	12,969	30,000	21,394	101,203
2017-2021	-	-	215,306	32,374	185,000	84,244	516,924
2022-2026	-	-	12,319	105	230,000	35,188	277,612
Total	\$ 375,000	\$ 5,625	\$ 394,351	\$ 113,706	\$ 565,000	\$ 239,077	\$ 1,692,759

Included in the long-term obligations of the governmental activities is an accrual for vacation time, recorded as compensated absences of \$70,635. Sick time amounts have been earned by employees as of June 30, 2011, 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 Loan Payable

Greater Arizona Development Authority (GADA) bonds are issued specifically for the purpose of providing resources through loans to local communities for capital projects.

The Town obtained funds from the Greater Arizona Development Authority through a loan agreement. The funds were used for the reconstruction of streets, construction of a water pipeline for the public works building and additions to a water treatment plant.

The loan agreement calls for annual principal payments of \$25,000 to \$50,000 due July 1, 2008 through July 1, 2026, with interest payments due on July 1 and January 1 of each year. The note carries an average interest rate of 4.49 percent. The original issuance included a principal balance of \$665,000 and a premium of \$25,401.

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.

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 - Fund Balance Classifications

The following is a summary of non spendable, restricted, committed, and assigned fund balances of the Governmental funds:

	General Fund	Highway Users Revenue Fund	Impact Fees	Other Governmental
Fund balances:				
Restricted for:				
Debt service	\$ -	\$ 400,000	\$ -	\$ -
Highways	-	1,131,104	-	26,436
Public safety	24,964	-	-	811
Tourism	-	-	-	71,911
Culture and recreation	35,336	-	-	-
Capital projects	-	-	-	306,772
Assigned for:				
Aging services	-	-	-	249,987
Public safety	-	-	-	140,656
Library services	-	-	-	42,882
Budget policy reservation	616,000	-	-	-
Unassigned	1,665,254	-	(234,887)	
	\$ 2,341,554	\$ 1,531,104	\$ (234,887)	\$ 839,455
Total fund balances				

The Impact Fee Funds has a deficit fund equity balances of \$234,887 as of June 30, 2011 as a result of revenues which were inadequate to cover expenses. Future revenue collected is expected to fund the deficit fund equity balances.

Note 9 - 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.

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 10 - 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, 2011, 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, 2011:

Assets	
Current assets	\$ 1,201,429
Capital assets, non-depreciable	94,927
Capital assets, depreciable, net	895,054
Total Assets	<u>\$ 2,191,410</u>
Liabilities and Net Assets	
Current liabilities	\$ 97,375
Net assets	
Invested in capital assets, net of related debt	989,981
Unrestricted	1,104,054
Total Net Assets	<u>2,094,035</u>
Total Liabilities and Net Assets	<u>\$ 2,191,410</u>
Operating Revenue and Expenses	
Operating revenue	<u>\$ 1,295,073</u>
Operating expense, less depreciation	1,249,735
Depreciation expense	190,018
Total expense	<u>1,439,753</u>
Operating loss	(144,680)
Non-operating income - net	23,297
Change in net assets	<u>\$ (121,383)</u>

Note 11 - 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, 2011, 2010 and 2009 were 9.60, (9.60% retirement and .25% long-term disability) 9.40% and 9.45% respectively, for both employers and employees. The total contributions made by the Town for the years ended June 30, 2011, 2010, and 2009 were \$112,081, \$115,094, and \$110,996, 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, 2011 was 13.94% of annual covered payroll. Contribution rates for police were 9.91% and 7.48% in 2010 and 2009, respectively.

C. Annual Pension Cost

For 2011, the Town's annual pension costs of \$71,749 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>
6/30/2011	\$ 71,749	100%	\$ -
6/30/2010	\$ 53,747	100%	\$ -
6/30/2009	\$ 37,784	100%	\$ -

The following schedule of funding progress, presented here and as required supplemental information (RSI) presents multi-year 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>
6/30/2011	\$ 1,904,646	\$ 2,341,822	\$ 437,176	81.3%	\$ 514,700	84.9%
6/30/2010	1,780,402	2,037,968	257,566	87.4%	495,200	52.0%
6/30/2009	1,699,651	1,891,962	192,311	89.8%	504,828	38.1%

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.

Note 13 - Change in Accounting Policy

The Town has changed accounting policies due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement redefines the elements of fund balance in governmental funds and more clearly describes the different types of governmental funds. The change resulted in a reclassification of \$528 between the non major special revenue funds and the general fund.

Note 14 - Restatement of Fund Balance

The Town determined that debt which was previously included in general long term debt was obtained for the purpose of water projects and was to be paid from proprietary funds and therefore should be included in the Utility Enterprise Fund. The result of this correction increased the beginning debt of the Utility Enterprise Fund and the Business Type Activities by \$422,879 as well a decrease in beginning net assets of the same amount.

In addition the Town identified assets which had been depreciated in excess of their cost in the prior period as well as interest which was accrued in error. The result of the correction for the excess depreciation increased the beginning net depreciable capital assets of the governmental activities by \$129,337 while the excess accrued interest resulted in a \$12,744 decrease of beginning liabilities. A correction was also made to recognize a receivable for franchise taxes of \$20,656 in the general fund which resulted in a like increase in fund balance. The corrections resulted in a \$585,616 increase of the beginning net assets of the governmental activities.



Required Supplementary Information
June 30, 2011

Town of Parker, Arizona

Town of Parker, Arizona
 Required Supplementary Information – Arizona Public Safety Personnel Retirement System
 Schedule of Funding Progress
 Year Ended June 30, 2011

Schedule of Funding Progress for APSPRS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2011	\$ 1,904,646	\$ 2,341,822	\$ 437,176	81.3%	\$ 514,700	84.9%
6/30/2010	1,780,402	2,037,968	257,566	87.4%	495,200	52.0%
6/30/2009	1,699,651	1,891,962	192,311	89.8%	504,828	38.1%

Town of Parker, Arizona
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual –
General Fund
Year Ended June 30, 2011

	Original and Final Budget	Actual	Variance with Budget- Positive (Negative)
Revenues			
Taxes	\$ 1,050,000	\$ 1,198,410	\$ 148,410
Licenses and permits	57,000	59,683	2,683
Intergovernmental revenues	841,277	833,403	(7,874)
Charges for services	75,300	64,415	(10,885)
Fines and forfeits	72,320	101,236	28,916
Investment earnings	12,000	10,499	(1,501)
Miscellaneous earnings	32,410	120,992	88,582
Total revenues	<u>2,140,307</u>	<u>2,388,638</u>	<u>248,331</u>
Expenditures			
Current			
General government	814,240	665,513	148,727
Public safety	1,049,840	1,031,351	18,489
Public works	130,405	121,343	9,062
Culture and recreation	472,272	364,348	107,924
Contingencies	210,550	18,305	192,245
Capital outlay	-	9,499	(9,499)
Total expenditures	<u>2,677,307</u>	<u>2,210,359</u>	<u>466,948</u>
Revenues Over (Under) Expenditures	<u>(537,000)</u>	<u>178,279</u>	<u>715,279</u>
Other Financing Sources (Uses)			
Transfers in (out)	<u>(55,000)</u>	<u>(52,419)</u>	<u>2,581</u>
Net Change in Fund Balance	(592,000)	125,860	717,860
Fund Balances, Beginning of Year - Restated	<u>2,215,694</u>	<u>2,215,694</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,623,694</u>	<u>\$ 2,341,554</u>	<u>\$ 717,860</u>

Town of Parker, Arizona
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual -
Highway Users Revenue Fund
Year Ended June 30, 2011

	Original and Final Budget	Actual	Variance with Budget- Positive (Negative)
Revenues			
Taxes	\$ 970,000	\$ 1,045,620	\$ 75,620
Intergovernmental	281,554	300	(281,254)
Total revenues	<u>1,251,554</u>	<u>1,045,920</u>	<u>(205,634)</u>
Expenditures			
Current			
Public works	535,970	459,499	76,471
Contingencies	308,283	-	308,283
Capital outlay	486,276	-	486,276
Total expenditures	<u>1,330,529</u>	<u>459,499</u>	<u>871,030</u>
Revenues over (Under) Expenditures	<u>(78,975)</u>	<u>586,421</u>	<u>665,396</u>
Other Financing Uses			
Transfers in (out)	<u>(371,025)</u>	<u>(371,025)</u>	<u>-</u>
Net Change in Fund Balance	<u>(450,000)</u>	<u>215,396</u>	<u>665,396</u>
Fund Balances, Beginning of Year	<u>1,315,708</u>	<u>1,315,708</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 865,708</u>	<u>\$ 1,531,104</u>	<u>\$ 665,396</u>

Town of Parker, Arizona
Required Supplementary Information
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual -
Impact Fees Fund
Year Ended June 30, 2011

	Original and Final Budget	Actual	Variance with Budget- Positive (Negative)
Revenues			
Miscellaneous earnings	\$ -	\$ -	\$ -
Total revenues	-	-	-
Expenditures			
Public works	-	-	-
Total expenditures	-	-	-
Revenues Over (Under) Expenditures	-	-	-
Other Financing Sources (Uses)			
Transfers out	-	-	-
Net Change in Fund Balance	-	-	-
Fund Balances, Beginning of Year	(234,887)	(234,887)	-
Fund Balances, End of Year	<u>\$ (234,887)</u>	<u>\$ (234,887)</u>	<u>\$ -</u>

Note RSI -1 Budgetary Information

Budgets for major governmental funds are adopted on the modified accrual basis where capital outlays are treated as expenditures and depreciation is not budgeted. Exceptions to the modified accrual basis include certain GAAP requirements such as those related to accounting for capital lease proceeds as well as gains or losses from sale of general fixed assets. The operation budget includes proposed expenditures and the means of financing them. The Town Council must approve transfers between funds, or increases to the fund's budget. (See Note 1B for additional budgetary information).



Other Supplementary Information
June 30, 2011

Town of Parker, Arizona

Town of Parker, Arizona
Supplemental Information
Schedule of Expenditures – Budget and Actual – General Fund
Year Ended June 30, 2011

	Original and Final Budget	Actual	Variance with Budget- Positive (Negative)
General Government			
Mayor and Town Council	\$ 33,260	\$ 31,856	\$ 1,404
Magistrate	98,825	99,959	(1,134)
Town office	233,300	223,793	9,507
Attorney	105,000	80,924	24,076
Building maintenance	129,705	80,547	49,158
Finance	203,450	139,223	64,227
Elections	8,700	7,211	1,489
Outside agencies	2,000	2,000	-
Total general government	<u>814,240</u>	<u>665,513</u>	<u>148,727</u>
Public Safety			
Police	926,700	919,503	7,197
Building regulation and inspection	76,915	74,495	2,420
Animal control	46,225	37,353	8,872
Total public safety	<u>1,049,840</u>	<u>1,031,351</u>	<u>18,489</u>
Public Works			
Waste collection and disposal	2,600	2,500	100
Streets	68,232	66,086	2,146
Cemetery	59,573	52,757	6,816
Total public works	<u>130,405</u>	<u>121,343</u>	<u>9,062</u>
Culture and Recreation			
Parks	190,147	183,184	6,963
Swimming pool	7,950	15,471	(7,521)
Library	206,930	105,293	101,637
Other recreation	5,000	100	4,900
Senior citizens	62,245	60,300	1,945
Total culture and recreation	<u>472,272</u>	<u>364,348</u>	<u>107,924</u>
Contingencies	210,550	18,305	192,245
Capital Outlays	-	9,499	(9,499)
Total Expenditures	<u><u>\$ 2,677,307</u></u>	<u><u>\$ 2,210,359</u></u>	<u><u>\$ 466,948</u></u>

	Bed Tax Fund	Congregate Meals Fund	Home Delivered Meals	Local Transportation Assistance Fund	School Resource Officer	County Library Grant Fund
Assets						
Cash and investments	\$ 72,911	\$ 162,368	\$ 80,735	\$ 26,728	\$ 23,167	\$ 4,317
Due from other governments	-	12,047	1,585	-	-	20,177
Total assets	<u>\$ 72,911</u>	<u>\$ 174,415</u>	<u>\$ 82,320</u>	<u>\$ 26,728</u>	<u>\$ 23,167</u>	<u>\$ 24,494</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 1,000	\$ 2,078	\$ 2,428	\$ 292	\$ -	\$ -
Accrued payroll and related taxes	-	991	1,251	-	570	1,792
Due to other funds	-	-	-	-	-	-
Total liabilities	<u>1,000</u>	<u>3,069</u>	<u>3,679</u>	<u>292</u>	<u>570</u>	<u>1,792</u>
Fund Balances (Deficit)						
Restricted	71,911	-	-	26,436	-	-
Assigned	-	171,346	78,641	-	22,597	22,702
Unassigned	-	-	-	-	-	-
Total fund balance	<u>71,911</u>	<u>171,346</u>	<u>78,641</u>	<u>26,436</u>	<u>22,597</u>	<u>22,702</u>
Total liabilities and fund balances	<u>\$ 72,911</u>	<u>\$ 174,415</u>	<u>\$ 82,320</u>	<u>\$ 26,728</u>	<u>\$ 23,167</u>	<u>\$ 24,494</u>

Town of Parker, Arizona
 Supplemental Information
 Combining Balance Sheet - Nonmajor Special Revenue Funds
 Year Ended June 30, 2011

Library Grant C-070	CDBG Fund	EECBG Fund	Police Grant Fund	Drug Seizure	Total Special Revenue Funds	GADA Fund	Totals
\$ 20,456	\$ 14,770	\$ 32,482	\$ -	\$ 58,813	\$ 496,747	\$ 292,002	\$ 788,749
-	-	53,156	42,660	61,475	191,100	-	191,100
\$ 20,456	\$ 14,770	\$ 85,638	\$ 42,660	\$ 120,288	\$ 687,847	\$ 292,002	\$ 979,849
\$ 160	\$ -	2,395	\$ -	705	\$ 9,058	\$ -	\$ 9,058
116	-	-	-	1,524	6,244	-	6,244
-	-	83,243	41,849	-	125,092	-	125,092
276	-	85,638	41,849	2,229	140,394	-	140,394
-	14,770	-	811	-	113,928	292,002	405,930
20,180	-	-	-	118,059	433,525	-	433,525
-	-	-	-	-	-	-	-
20,180	14,770	-	811	118,059	547,453	292,002	839,455
\$ 20,456	\$ 14,770	\$ 85,638	\$ 42,660	\$ 120,288	\$ 687,847	\$ 292,002	\$ 979,849

	Bed Tax Fund	Congregate Meals Fund	Home Delivered Meals	Local Transportation Assistance Fund	School Resource Officer	County Library Grant Fund
Revenues						
Intergovernmental	\$ -	\$ 135,083	\$ 128,523	\$ 2,719	\$ 41,207	\$ 113,173
Taxes	67,320	-	-	-	-	-
Miscellaneous earnings	-	56,623	58,286	-	-	-
Total revenues	<u>67,320</u>	<u>191,706</u>	<u>186,809</u>	<u>2,719</u>	<u>41,207</u>	<u>113,173</u>
Expenditures						
Current						
General government	54,922	-	-	-	-	-
Public safety	-	-	-	-	32,395	-
Public works	-	-	-	6,685	-	-
Culture and recreation	-	135,277	169,690	-	-	114,966
Capital Outlay	-	-	-	-	-	-
Total expenditures	<u>54,922</u>	<u>135,277</u>	<u>169,690</u>	<u>6,685</u>	<u>32,395</u>	<u>114,966</u>
Revenues Over (Under) Expenditures	<u>12,398</u>	<u>56,429</u>	<u>17,119</u>	<u>(3,966)</u>	<u>8,812</u>	<u>(1,793)</u>
Net Change in Fund Balance	12,398	56,429	17,119	(3,966)	8,812	(1,793)
Fund Balances						
Beginning of Year	<u>59,513</u>	<u>114,917</u>	<u>61,522</u>	<u>30,402</u>	<u>13,785</u>	<u>24,495</u>
Fund Balances End of Year	<u>\$ 71,911</u>	<u>\$ 171,346</u>	<u>\$ 78,641</u>	<u>\$ 26,436</u>	<u>\$ 22,597</u>	<u>\$ 22,702</u>

Town of Parker, Arizona
 Supplemental Information
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Nonmajor Special Revenue Funds
 Year Ended June 30, 2011

Library Grant C-070	CDBG Fund	EECBG Fund	Police Grant Fund	Drug Seizure	Total Special Revenue	GADA Fund	Totals
\$ 50,032	\$ -	\$ 115,280	\$ 42,660	\$ 212,233	\$ 840,910	\$ -	\$ 840,910
-	-	-	-	-	67,320	-	67,320
-	-	-	-	-	114,909	-	114,909
<u>50,032</u>	<u>-</u>	<u>115,280</u>	<u>42,660</u>	<u>212,233</u>	<u>1,023,139</u>	<u>-</u>	<u>1,023,139</u>
-	-	4,304	-	-	59,226	-	59,226
-	-	-	9,570	110,360	152,325	-	152,325
-	8,975	-	-	-	15,660	-	15,660
52,708	-	-	-	-	472,641	-	472,641
-	-	110,976	33,091	127,226	271,293	-	271,293
<u>52,708</u>	<u>8,975</u>	<u>115,280</u>	<u>42,661</u>	<u>237,586</u>	<u>971,145</u>	<u>-</u>	<u>971,145</u>
<u>(2,676)</u>	<u>(8,975)</u>	<u>-</u>	<u>(1)</u>	<u>(25,353)</u>	<u>51,994</u>	<u>-</u>	<u>51,994</u>
(2,676)	(8,975)	-	(1)	(25,353)	51,994	-	51,994
<u>22,856</u>	<u>23,745</u>	<u>-</u>	<u>812</u>	<u>143,412</u>	<u>495,459</u>	<u>292,002</u>	<u>787,461</u>
<u>\$ 20,180</u>	<u>\$ 14,770</u>	<u>\$ -</u>	<u>\$ 811</u>	<u>\$ 118,059</u>	<u>\$ 547,453</u>	<u>\$ 292,002</u>	<u>\$ 839,455</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*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Parker, Arizona (the Town) as of and for the year ended June 30, 2011, which collectively comprise the Town of Parker, Arizona's basic financial statements and have issued our report thereon dated February 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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 over financial reporting 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.

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 11-1, 11-2, and 11-3 to be material weaknesses.

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 responses and, accordingly, we express no opinion on them.

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.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Phoenix, Arizona
February 23, 2012

MATERIAL WEAKNESSES

Finding No. 11-1

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. 11-2

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.

Finding No. 11-3

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.