



# City of Eloy, Arizona



## Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 2012

# **City of Eloy, Arizona**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended June 30, 2012**

Prepared by the Finance Department  
Brian M. Wright, Finance Director

# CITY OF ELOY, ARIZONA

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## **FINANCE DEPARTMENT**

November 20, 2012

Honorable Mayor, City Council and City Manager:

The Comprehensive Annual Financial Report (CAFR) of the City of Eloy, Arizona (the City), for the fiscal year ended June 30, 2012 is submitted herewith. These financial statements are prepared and presented in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed in pronouncements of the Governmental Accounting Standards Board (GASB).

This report consists of management's representations concerning the finances of the City of Eloy. Consequently, management assumes full responsibility for the accuracy of the data, and the completeness and fairness of all of the information presented in this report. To provide a reasonable basis for making these representations, the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the basic financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement.

The City of Eloy's financial statements have been audited by HintonBurdick CPAs and Advisors, a firm of licensed certified public accountants. The goal of the independent audit is to prove reasonable assurance that the financial statements of the City of Eloy for the fiscal year ended June 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements; assessing the accounting principles used and significant estimates made by

management; and evaluating the overall financial statement preparation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Eloy's statements for the fiscal year ended June 30, 2012 and are presented fairly in conformity with GAAP. The report of the independent auditor is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditor.

### **PROFILE OF THE CITY OF ELOY**

The City provides a full range of municipal services, including police protection, the construction and maintenance of streets and infrastructure; as well as recreational and cultural activities. The City's three enterprise funds provide water, wastewater, and solid waste disposal. The City also operates a library, a cemetery, and general aviation airport.

The area surrounding the City began to carry the name of Eloy when a railroad switchyard was constructed by Southern Pacific Railroad to connect Tucson and Casa Grande in 1902. In 1918, during the period at the of World War I, three men W.L. Bernard, J.E. Meyer, and John Alsdorf purchased land with the idea to call the area Cotton City. After they purchased the land, they subdivided the land and began to grow cotton. In 1919, an application was made to establish a post office at which time the City founders favored the name Cotton City. However, this name was rejected by the Postal Service and the name Eloy was chosen instead.

The City of Eloy officially incorporated in 1949 and was home to approximately 4,700 residents. In 1965, the Toltec area was annexed and increased the City's incorporated area to 11 square miles. By the year 2000, the City had increased to 71 square miles and approximately 10,375 residents. As of 2011, the incorporated city limits is 112.88 square miles with a planning area of 542 square miles and has a population of 16,631.

Eloy is located in central Pinal County along Interstate 10 (I-10) approximately halfway between the cities of Phoenix and Tucson. Historically, the City's economy has been largely dependent upon agriculture. The area is part of the Santa Cruz Basin which is one of Arizona's most fertile soil and agricultural areas. The economy has diversified, with over three-quarters of its businesses and nearly half its employment now in the industrial, wholesale/retail trade, and service sector.

The City of Eloy operates under a Council-Manager form of government. Under this organization structure, the Mayor and Council appoint a city manager to act as the chief operating officer. The Mayor and City Council set policy direction and the city manager implements those policies in an efficient and effective manner. The City Manager is responsible for carrying out the policies and ordinances of the City Council as well as overseeing the day-to-day operations.

## **FINANCIAL INFORMATION**

### **Internal Controls**

The City is responsible for establishing and maintaining a system of internal budgetary controls which are designed to ensure compliance with legal provisions of the annual budget adopted by the City Council.

Internal account controls are designed to provide reasonable, but not absolute, assurance regarding: 1) safeguarding of assets against loss from unauthorized use or disposition, and 2) reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

The system of internal controls is subject to periodic evaluation by management and is also considered by the independent auditors in connections with the annual audit of the City's financial statements. All internal control evaluations occur within the above framework. The City's internal accounting controls are considered to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

### **Budgetary Controls**

The City of Eloy, like many cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20(1) of the Arizona Constitution sets limits on the City's legal budget capacity.

The City operates under the Home Rule Option that must be adopted by the local voters every four years. Home Rule allows the Mayor and Council, as part of the annual budget process, to adopt an Alternative Expenditure Limitation equal to the total amount of budgeted expenditures/expenses as it appears on the annual budget to be adopted each year after a public hearing at which the citizens of the City of Eloy may comment. The City of Eloy last adopted the Local Alternative Expenditure Limitation in March 2010 to be used through June 30, 2014.

Under the Local Alternative Expenditure Limitation, the City is allowed to adjust the state imposed expenditure base from \$71,387,690 to \$71,956,210 for fiscal year 2012-2013.

The City maintains budgetary controls, which are designed to ensure compliance with legal provisions of the annual operating budget adopted by the City Council. An operating budget is legally adopted by ordinance each fiscal year for the General fund, debt service, enterprise funds and several special revenue funds. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. After final adoption, transfers between budget appropriations for non-exempt areas may be made by the City Council.

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

### **Cash Management**

The City's investment strategy is to invest public funds with maximum security in a manner which provides a reasonable return while meeting the daily cash flow demands of the City and conforms to all applicable state and local statutes.

Cash not held with fiscal agents is invested on a pooled basis with the Arizona State Treasurer's Office in the Local Governments Investment Pool and with Great Western Bank. Investment income is allocated to the funds monthly, on the basis of cash provided for investment.

### **Risk Management**

The City is a member in the Arizona Municipal Risk Retention Pool along with approximately 60 other members. The Pool provides coverage for claims to a maximum of \$2 million per occurrence on a claim made basis. No significant reduction in insurance coverage occurred in 2011-2012 and no settlements exceeded insurance coverage during any of the past three fiscal years.

The City is also insured by Arizona Workers' Compensation for potential worker related accidents.

## ECONOMIC CONDITIONS AND OUTLOOK

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Eloy operates.

The economy of Eloy is a diverse combination of agriculture, manufacturing, commercial, private prisons, and service activities. Local indicators are pointing to continued stability. All local excise taxes, state-shared revenue, state income tax and highway user revenue have increased over the last several years.

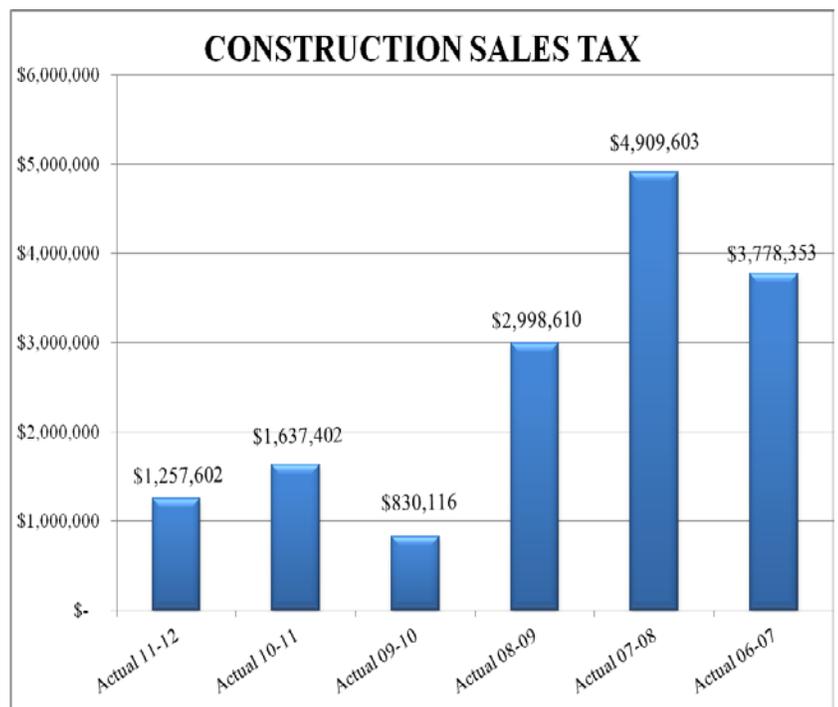
In 2000, Eloy's population was 10,375 but in 2010 the new census population had Eloy's population at 16,631. Much of this growth was due to the development of Robson Ranch and the building of three privately run prisons by Corporation Corrections of America (CCA). These two developments helped fuel Eloy's economy when much of the State was slowly overcoming the recession and housing turmoil.

Local sales tax, also known as city sales tax, indicators have been mixed since 2007. Local Sales Taxes are comprised of retail, construction, manufacturing, restaurant/bar, hotel/motel, and other taxing categories. In 2006-2007, total city sales taxes were \$7,113,848 then rose to \$8,441,969 in 2007-2008 then fell to \$4,119,155 in 2009-2010 then rose to \$5,114,261 in 2011-2012. Much of this fluctuation is driven from the collection of construction sales tax.

Construction Sales Tax represents the largest taxing source from the City's local tax base. The tax rate for Construction Sales Tax is 4.5%.

It is also the most volatile and unstable tax. The graph to the right shows the fluctuations in construction sales tax collected from 2006-2012. In 2011-2012, construction sales tax was \$1,257,602 or 25% of overall tax collected.

The City of Eloy does not budget construction sales tax into the operations of city services but uses this one-time revenue source to fund capital projects or one-time expenses.



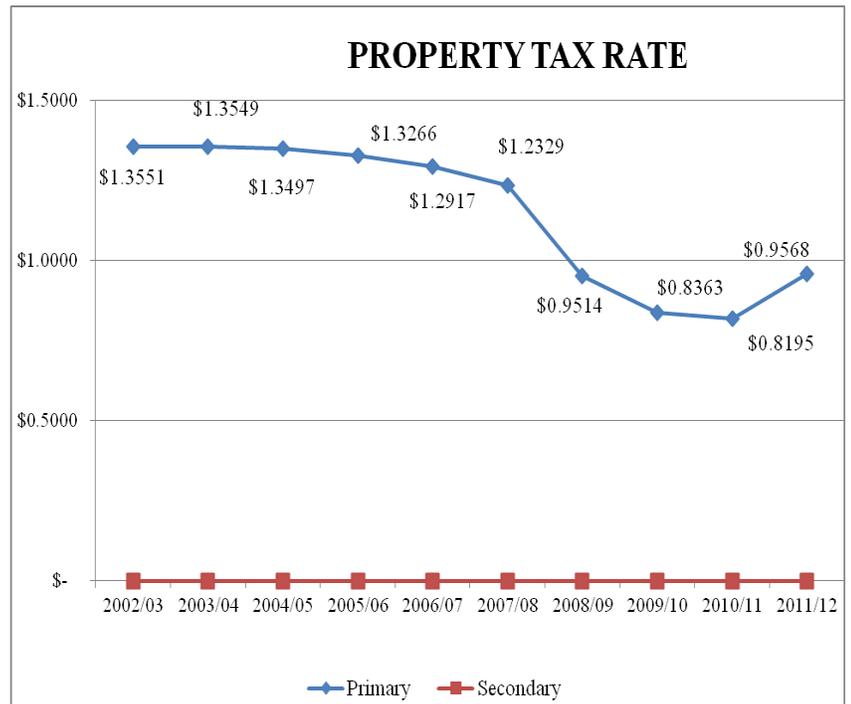
Retail Sales are collected on items such as supplies, tools, clothing, materials, and etc. The tax rate for Retail Sales is 3%.

This tax category has been very stable over the past five years. The graph to the right indicates this stability. Since 2006-07, retail sales tax has increased over 27% over six years. Growth factors from retail sales point to the growth of the City’s residential development sector to the private prison system expansions.



Property Tax is one of the most stable sources of revenue because it is not subject to the same fluctuations sometimes experienced with other excise taxes.

Eloy has a primary property tax rate only. The City does not have a secondary tax. The primary property tax increased from .8195 in 2010-2011 to .9562 in 2011-2012 per \$100 of assessed valuation. Despite the increase in tax levy rate, most residential properties will not experience an increase due to decreasing property values.



## **LONG-TERM FINANCIAL PLANNING**

The City's responsiveness to emerging economic challenges and its careful long-range planning have been key factors in Eloy's fiscal health. The City will continue to use General Fund one-time revenue to fund capital projects along with constructing, repairing and maintaining city road ways. The City will be undertaking strategic planning to set newly revised long-term plans for the City during the City's budgeting sessions.

The City of Eloy is dedicated to enhancing the quality of life for its citizens and to provide municipal services in the most effective and efficient manner while exercising fiscal responsibility. The City has completed several major capital projects this past year which include:

- The City purchased a new Cisco VOIP telephone system for all city departments. The cost to upgrade the City's telephone system was \$128,996. Before this upgrade the City had 3 different phones systems. This upgrade centralized the City's telephone system for the entire City.
- The City purchased five police vehicles in the amount of \$182,939 which includes vehicle and equipment. The City maintains a vehicle replacement plan for its fleet.
- The City completed the last phase of the USDA Toltec Sewer Tie-In Project. This project connected approximately 160 residential homes in the Toltec area to the City sewer system. The total project cost \$1,022,558 which included a Rural Development Grant through the United States Department of Agriculture (USDA) in the amount of \$663,554 and \$359,034 which was the City's portion of this full cost.
- The City is in the design stages of constructing a new 16 inch-water line along a new alignment of Houser Road and a 12-inch water line along Toltec Road. The total cost of this project is 3,565,000. Construction will begin in fiscal year 2013-2014.
- The City is constructing a new 180-foot radio police tower. In fiscal year 2011-12 \$121,672 has been spent with the total project cost of approximately \$160,000. The project will be completed in fiscal year 2012-2013.

## **OTHER INFORMATION**

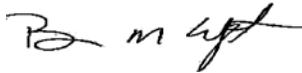
### **Independent Audit**

The accounting firm of HintonBurdick was selected by the City to perform the annual independent audit. The annual audit is designed to meet the requirements of the Single Audit Act of 1984 and OMB Circular A-133. The independent auditors' report and federal compliance reports are included in the Financial Sections of this report.

## Acknowledgements

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated staff of the Finance Department and the assistance of all City departments. I also want to thank the City Manager for her commitment to enhancing the financial performance of the City, and to the Mayor and Council in maintaining the excellent financial status of the City in a responsible manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Brian M. Wright". The signature is fluid and cursive, with the first name "Brian" being the most prominent.

Brian M. Wright  
Finance Director

# CITY OF ELOY



## **Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2012**

### **City Council**

Joseph Nagy  
*Mayor*

Joel G. Belloc  
*Vice Mayor*

Belinda Akes

Etta Ruth Amerson

Micah Powell

Augustine Saucedo

J.W. Tidwell

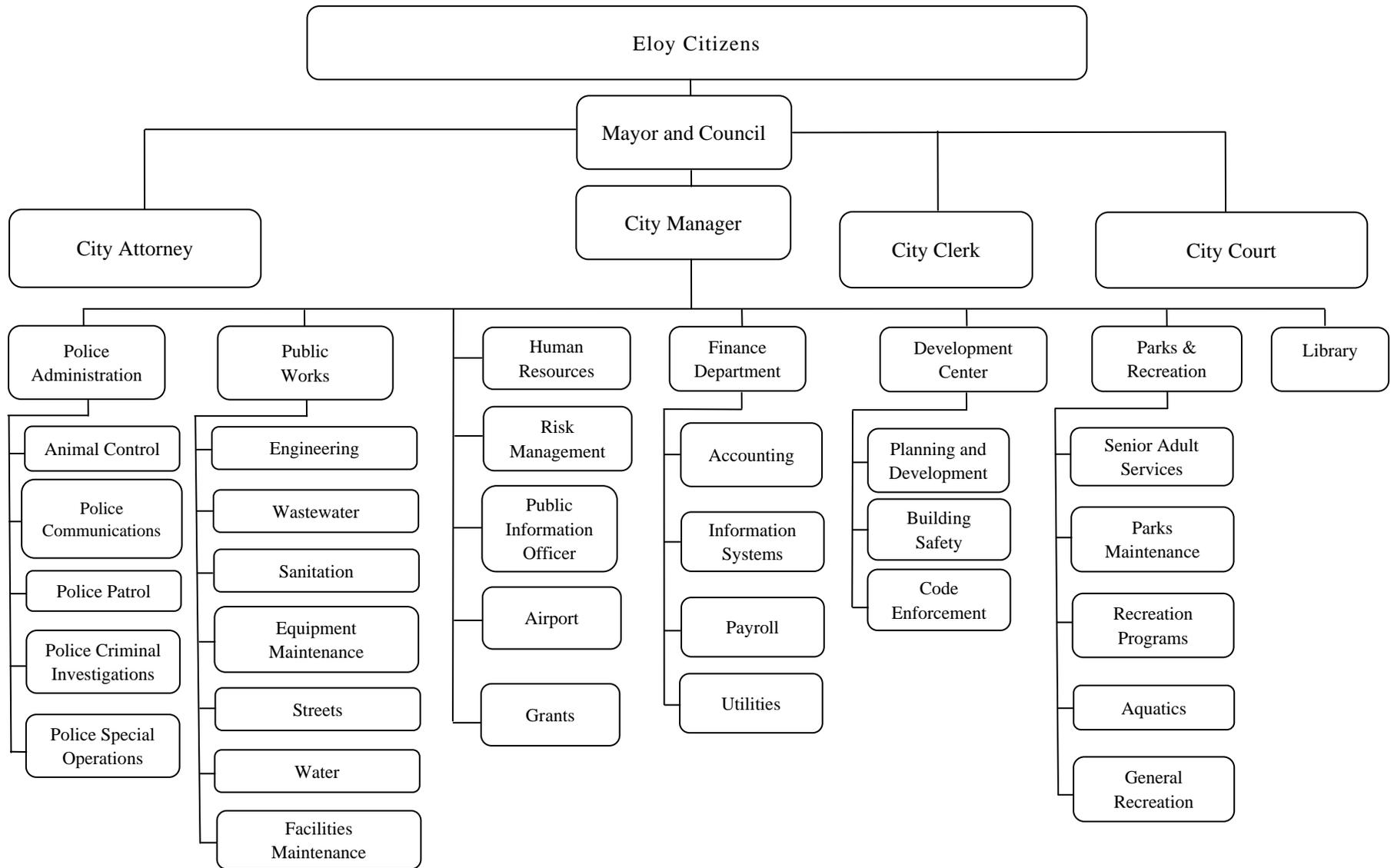
### **City Manager**

Ruth Osuna

### **Finance Director**

Brian Wright

# City of Eloy Organizational Chart





MEMBERS:

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

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

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**Independent Auditors' Report**

The Honorable Mayor and  
Members of the City Council  
City of Eloy, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eloy, Arizona, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Eloy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Eloy, Arizona as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012, on our consideration of the City of Eloy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 14 and 52 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers

it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



HintonBurdick, PLLC  
November 27, 2012

**CITY OF ELOY, ARIZONA**  
**Management's Discussion and Analysis Section**

As management of the City of Eloy, Arizona (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2012. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any material deviations from the financial plan which is the City's approved annual budget, and (5) identify individual fund issues or concerns.

**FINANCIAL HIGHLIGHTS**

Financial statements, which follow the Management's Discussion and Analysis, provide those significant key financial highlights for 2012 as follow:

- The assets of the City of Eloy exceeded its liabilities at the close of the most recent fiscal year by \$42,356,437 (net position). Of this amount, \$12,010,880 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City of Eloy governmental funds reported the combined ending fund balances of \$19,943,497, an increase of \$937,657 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$9,855,191 or 120% of the total general fund expenditures.
- As of June 30, 2012, Capital Assets for the City of Eloy were \$35,000,266, a decrease of \$480,160 from the prior year. Governmental activities increased by \$328,820 while business-type activities decreased by \$808,980.
- General Fund revenues exceeded expenditures by \$2,062,001 before transfers. After transfers of \$973,487, a positive change in fund balance occurred in the amount of \$1,088,514. This positive change was due to conservative budgeting, fiscal constraints in spending and more local sales tax being received.
- Total business-type expenses exceeded total business-type revenues (excluding transfers) by \$597,570 due to increases in operating expenses in water and sewer.
- The current year net loss before transfers in the HURF Fund was \$429,793.
- The City includes a separate legal entity in its report – a Municipal Property Corporation. Although legally separate, this “component unit” is important because the City is financially accountable for it. A description of this component unit is available in Note 1 to financial statements. Separate financial statements are not available for this entity.

## **OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide reporting – while governments have traditionally focused reporting on groupings of funds (i.e. General Fund, Special Revenue Funds, Capital Project Funds, etc.), the new model also contains financial statements on a government-wide basis.

Fund financial statements – the new model maintains governmental, proprietary and fiduciary fund financial statements, but the focus is on major funds within each fund.

New focus of governmental activities – in the government-wide financial statements all activities, including the governmental activities, are reported using the economic resources measurement focus and accrual basis of accounting. The traditional current financial resources focus and modified accrual basis of accounting are maintained for the governmental fund and financial statements in the new model.

Infrastructure reporting – the new model requires governments to report the value of infrastructure assets of governmental activities (roads, bridges, storm drainage systems, parks, street lighting, etc.). These assets are reported in the governmental-wide financial statements.

Changes in budgetary reporting – the new model requires the display of both the original adopted budget and the amended budget in the budgetary comparison schedules. These schedules are only required for the general fund and major special revenue funds, although they may be presented for other funds as additional information.

Required narrative analysis – The new model requires that the financial statements be accompanied by narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A).

## **Government-wide Financial Statements**

The government-wide financial statements (see pages 17-18) are designed to provide a broad overview of the City's finances in a manner similar to those used by private businesses. All of the activities of the City, except those of a fiduciary nature, are included in these statements.

The activities of the City are broken into two columns on these statements – governmental activities and business-type activities. A total column for the City is also provided.

The *governmental activities* include the basic services of the City including general government, culture and recreation, public safety, airport, and highway and streets. Taxes and general revenues generally support these activities.

The *business-type activities* include the private sector activities such as water, sewer, and sanitation. User charges and fees primarily support these activities.

The *statement of net position* presents information on all of the City's assets and liabilities, both current and long-term, with the difference between the two reported as net position. The focus of net position is designed to be similar to the emphasis for businesses. Over time any increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. To assess the overall health of the City, other indicators, including non-financial indicators like the City's infrastructure condition should be considered.

The *statement of activities* presents information showing how the City's net position changed over the most recent fiscal year. Since full accrual is used for the government-wide financial statements, all changes to net position are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also focuses on both the gross and net costs of the various functions of the City, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general taxes and revenues for support.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** - Governmental funds are used to account for most of the City's basic services. Unlike the governmental activities column on the government-wide financial statements, these fund financial statements (pages 19-20) focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information is useful in looking at the City's near-term financing requirements.

Since the governmental fund financial statements focus on near-term spendable resources, while the government activities on the government-wide financial statements have a long-term focus, a reconciliation of the differences between the two is provided with the fund financial statements and also in Note 2 (pages 31-32).

Fund Balance Reporting and Governmental Fund Type Definitions, also known as GASB 54, is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. GASB 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Clarifications of the governmental fund type definitions, in Note 1 (page 30), will reduce uncertainty about which resources can or should be reported in the respective fund types.

**Proprietary funds** – Proprietary funds are used to account for business-type activities of the City. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. Enterprise funds are used for activities that primarily serve customers outside the governmental unit for which fees are charged. The City has three enterprise funds: the sewer, water and sanitation funds. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

**Notes to the financial statements** - The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-48 of this report.

**Required supplementary information other than MD&A** – Governments have an option of including the budgetary comparison statements for the general fund and major special revenue funds as either part of the fund financial statements or as required supplementary information after the notes. The City has chosen to present these budgetary statements as part of the required supplementary information after the notes. Additionally, governments are required to disclose certain information about employee pension funds. The City has disclosed this information starting with Note 9 (page 44-47) of the financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year ended June 30, 2012.

### Net position

The following table reflects the condensed Statement of Net position as of June 30, 2012.

	Governmental Activities		Business-Type Activities		Total	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Current and other assets	\$ 24,163,906	\$ 23,243,519	\$ 2,137,181	\$ 1,822,063	\$ 26,301,087	\$ 25,065,582
Capital assets	17,907,782	17,578,963	17,092,483	17,901,465	35,000,265	35,480,428
Total assets	42,071,688	40,822,482	19,229,664	19,723,528	61,301,352	60,546,010
Long-term liabilities outstanding	2,418,102	3,041,172	8,049,997	8,420,764	10,468,099	11,461,936
Other liabilities	4,182,252	4,184,994	4,294,564	4,241,069	8,476,816	8,426,063
Total liabilities	6,600,354	7,226,166	12,344,561	12,661,833	18,944,915	19,887,999
Net position:						
Net investment in capital assets	15,985,323	15,002,289	9,090,283	9,532,520	25,075,606	24,534,809
Restricted	4,978,419	5,429,281	291,532	289,448	5,269,951	5,718,729
Unrestricted	14,507,592	13,164,746	(2,496,712)	(2,760,273)	12,010,880	10,404,473
Total net position	\$ 35,471,334	\$ 33,596,316	\$ 6,885,103	\$ 7,061,695	\$ 42,356,437	\$ 40,658,011

For fiscal year 2012, net position for the City increased by \$1,698,425 or 4%. Of this increase, \$176,592 was a loss in the business-type activities, while governmental activities increased by \$1,875,017.

Net position consists of two components. The largest portion of net position, \$25,075,606 or 59% reflects the City's investment in capital assets net of accumulated depreciation and any related outstanding debt used to acquire or construct those assets. The City uses these capital assets to provide services to its citizens; consequently, it is not the City's intention to sell these assets and they are therefore not available for future spending.

The second portion of the City's net position, \$5,269,951 or 12% represents resources that are subject to external restrictions on how they may be used. The unrestricted net position of \$12,010,880 or 29% may be used to meet the City's ongoing obligations to the citizens and creditors.

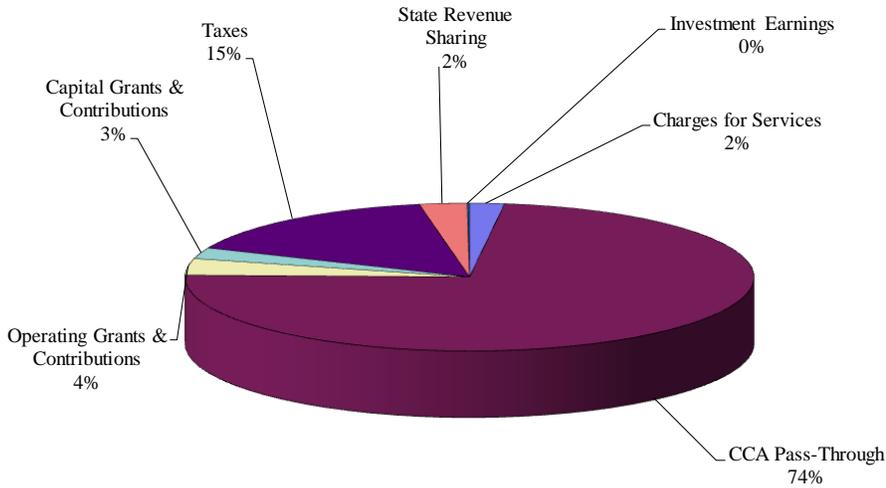
## Changes in Net Position

The City's total revenue for the year ended June 30, 2012 was \$56,709,695. The total cost of all programs and services was \$55,011,270. The following table presents a summary of the changes in net position for the year ended June 30, 2012.

	Governmental activities		Business-type activities		Total	
	6/30/2012	6/30/2011	6/30/2012	6/30/2011	6/30/2012	6/30/2011
Revenues:						
Program revenues:						
Charges for services	\$ 1,020,578	\$ 1,090,672	\$ 4,203,361	\$ 4,024,421	\$ 5,223,939	\$ 5,115,093
Operating grants and contributions	39,824,399	40,249,113	-	-	39,824,399	40,249,113
Capital grants and contributions	1,251,911	1,314,342	792,051	69,930	2,043,962	1,384,272
General revenues:						
Taxes	8,147,231	7,576,663	-	-	8,147,231	7,576,663
State revenue sharing	1,403,669	1,082,827	-	-	1,403,669	1,082,827
Other revenue/(expense)	64,587	63,965	1,908	1,954	66,495	65,919
Total revenues	<u>51,712,375</u>	<u>51,377,582</u>	<u>4,997,320</u>	<u>4,096,305</u>	<u>56,709,695</u>	<u>55,473,887</u>
Expenses:						
General government	2,451,503	2,878,214	-	-	2,451,503	2,878,214
CCA passthrough	37,964,365	38,053,366	-	-	37,964,365	38,053,366
Public safety	4,106,470	3,744,811	-	-	4,106,470	3,744,811
Public works/streets	2,509,477	2,609,546	-	-	2,509,477	2,609,546
Culture and recreation	1,438,463	1,570,243	-	-	1,438,463	1,570,243
Community development	597,877	-	-	-	597,877	-
Health and welfare	290,000	-	-	-	290,000	-
Interest on long-term debt	58,225	63,294	-	-	58,225	63,294
Water	-	-	1,950,484	1,800,394	1,950,484	1,800,394
Sewer	-	-	2,264,921	1,308,335	2,264,921	1,308,335
Sanitation and other	-	-	1,379,485	1,375,054	1,379,485	1,375,054
Total expenses	<u>49,416,380</u>	<u>48,919,474</u>	<u>5,594,890</u>	<u>4,483,783</u>	<u>55,011,270</u>	<u>53,403,257</u>
Increase (Decrease) in net position before transfers	2,295,995	2,458,108	(597,570)	(387,478)	1,698,425	2,070,630
Transfers	(420,978)	(296,353)	420,978	296,353	-	-
Increase (Decrease) in net position	1,875,017	2,161,755	(176,592)	(91,125)	1,698,425	2,070,630
Net position, beginning	33,596,317	31,434,561	7,061,695	4,000,684	40,658,012	35,435,245
Prior period adjustment	-	-	-	3,152,136	-	3,152,136
Net position, ending	<u>\$ 35,471,334</u>	<u>\$ 33,596,316</u>	<u>\$ 6,885,103</u>	<u>\$ 7,061,695</u>	<u>\$ 42,356,437</u>	<u>\$ 40,658,011</u>

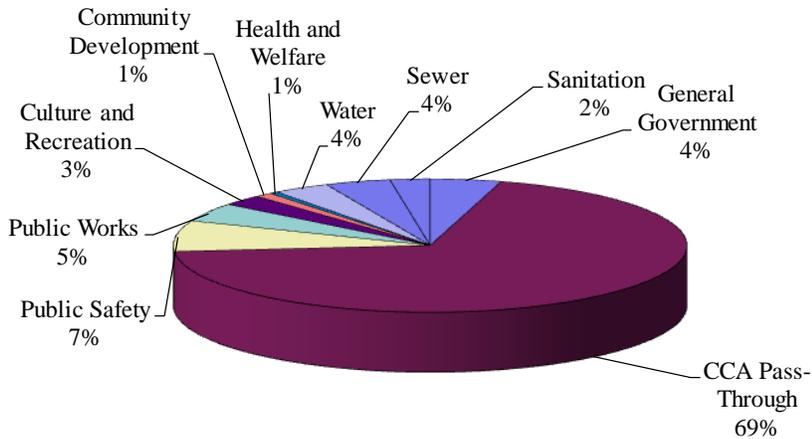
As seen in the following graph, the largest financing source for the City (excluding CCA pass-through funds) is local tax revenue (15%) primarily because this is the major funding source of the governmental activities. The major funding sources of the governmental activities are Operating Grants and Contributions (4%), Capital Grants and Contributions (3%), State Shared Revenues (2%), and Charges for Services (2%).

**Revenue By Source - Governmental Activities**



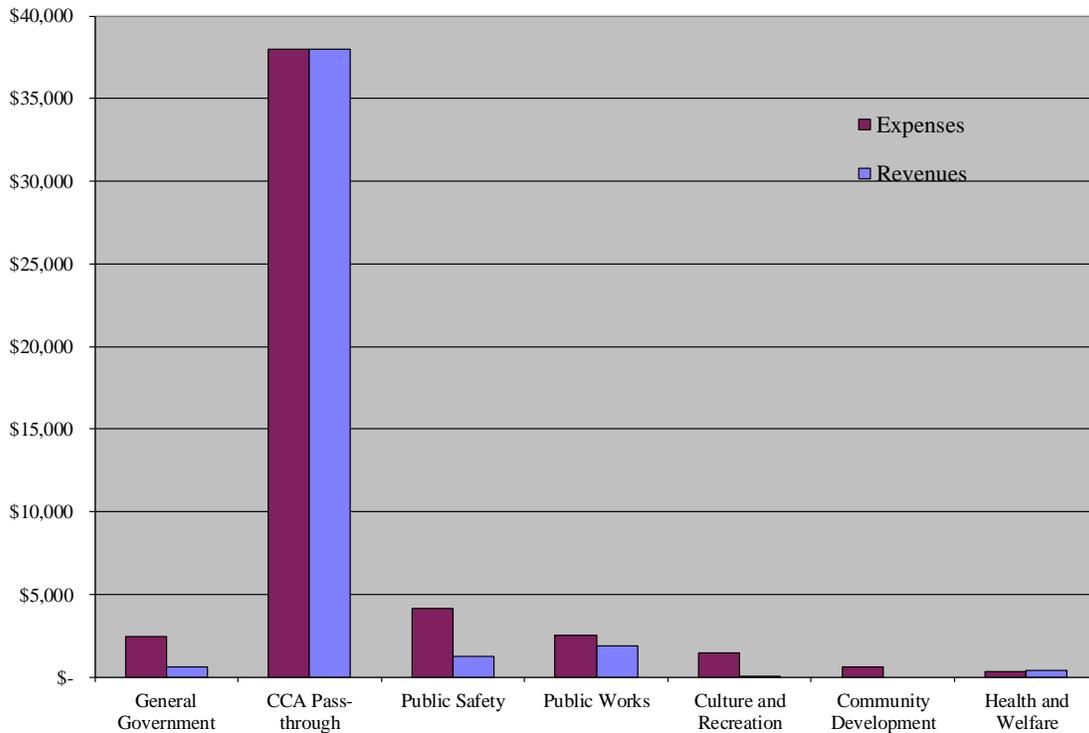
The largest user of resources, for the City as a whole, is the governmental activities (90%). For the governmental activities, the largest users of resources are: CCA pass-through (69%), public safety (7%), general government (4%), and public works/streets (5%). For the business-type activities, the largest users of resources are water (4%), sanitation (2%), and sewer (4%).

**Functional Expenses**



The following graph shows the functional revenue and expenses of governmental activities to demonstrate the extent to which the governmental functions produce direct revenues to offset the program costs. It should be noted that this is not intended to represent full cost allocation to these functions. General revenues of the City cover expenses not covered by direct program revenues.

**Expenses and Program Revenues - Governmental Activities**  
(in Thousands)



## FINANCIAL ANALYSIS OF THE CITY’S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

### Governmental funds

The focus of the City’s governmental fund financial statements (pages 16-21) is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Capital Projects Funds and the Permanent Fund.

For fiscal year ending June 30, 2012, the governmental funds reflect a combined fund balance of \$19,943,497, an increase of \$937,657 compared to last fiscal year. Approximately 49% of this total amount, \$9,855,191, constitutes general fund balance, which is available for contribution to assigned or committed fund balance.

At June 30, 2012 fund balances were as follows:

Fund	F.Y. 2011-2012 Balance	Increase (Decrease) from 2010-2011
General Fund	\$ 9,855,191	\$ 1,088,514
HURF Fund	5,038,902	(429,793)
Grants Fund	147,581	(14,111)
Non-Major Governmental Funds	4,901,823	293,047

The General fund is the principal operating fund of the City and accounts for many functions of the government, including public safety, culture and recreation, and general government. The general fund revenues total \$10,268,486 for fiscal year ending June 30, 2012. The expenditures before other financing sources and uses totaled \$8,206,485.

The net change of fund balance for the General Fund had an increase of \$1,088,514 during the current fiscal year. This positive change was due to fiscal spending constraints, conservative budgeting forecasts, along with an increase in revenue from taxes, permits and fees and intergovernmental revenue.

The Highway User Revenue Fund is required by state statute to track the state allocation of gasoline taxes and other state revenues shared with local governments and are required to be used for transportation purposes. Revenues in this fund totaled \$1,545,691, while expenses totaled \$1,975,484 for the fiscal year ending June 30, 2012. The net change of fund balance for the HURF Fund, prior to transfers, was a negative \$429,793.

In the Grants fund, the net change in fund balance for June 30, 2012 was a negative \$14,111. This negative variance is due from the City completing grants for which the funds were received in the prior fiscal year.

Other non-major governmental funds of the City include the Airport Fund, LTAF Fund, Impact Fee Fund, Public Works Fund, JCEF Fund, Court Recovery Fund, Cemetery Fund, and Capital Projects Fund. All non-major funds of the City are combined into one column on the governmental fund statements. The fund balance for all other major governmental funds has increased by \$293,047. This increase is attributed from impact fees and airport revenue.

## **Proprietary Funds**

The proprietary fund financial statements are prepared on the same accounting basis and measurement focus as the government-wide financial statements, but provide additional detail since each major enterprise fund is shown discretely on the fund statements.

Net position of the Proprietary Funds was \$6,885,103 as of June 30, 2012. Operating revenues in fiscal year 2012 were \$4,182,538, while operating expenses totaled \$5,373,706 resulting in an operating loss of \$1,191,168. Non-operating revenues were \$1,267,603 and non-operating expenses totaled \$253,027. Thus, there was an overall decrease in net position of \$176,592.

## **BUDGETARY HIGHLIGHTS**

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the general fund and all major special revenue funds and may be found on pages 52-55. These statements compare the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 3 on pages 32-33 for more information on budget policies). No amendments increasing the City's total adopted budget of \$1,387,690 occurred during fiscal year 2012. Budget amendments between funds or from budgeted contingencies into operational expense/expenditures accounts did not occur.

Budgetary comparison highlights for the major governmental funds are as follows:

- General fund expenditures of \$8,206,485 were only 92% of budgeted expenditures. Reduced expenditures and unfunded personnel resulted from unspent budget items.
- In the Highway User Revenue Fund, expenditures were 53% under budget yielding a \$2,194,936 positive variance primarily due to lower than anticipated street maintenance expenditures and the postponement of infrastructure improvements.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of June 30, 2012, the City had invested \$25,075,606 in various capital assets, net of accumulated depreciation and related debt. The capital assets of the City (net of depreciation, but not capital debt) are \$35,000,266. This is a net decrease of \$480,160. There was an increase in capital assets of \$328,820 within governmental activities. However, there was a decrease of \$808,980 resulting from business-type activities.

Major additions to capital assets during the fiscal year included the following:

- The City purchased 5 police vehicles and equipment for \$182,939.
- The City installed new Cisco VOIP telephone system for all city departments for \$128,996.
- The City is constructing a new 180-foot radio police tower for \$121,672.
- The City completed the last phase of the USDA Toltec Sewer Tie-In Project. The total project was \$1,022,558 with the USDA contributing \$663,554 and the City's portion was \$359,034.
- The City removed obstructions around the Airport for \$111,593.
- The City installed a new Ramada at Jones Park for \$48,955.
- The City replaced air conditioning units at various city buildings for \$32,242.
- The City purchased the Dust Bowl Theatre for \$25,000.

The following table provides a breakdown of capital assets of the City at June 30, 2012 and 2011. Additional information on the City's capital assets may be found on Note 5 on pages 36-37.

Capital Assets at Year End  
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land and Improvements	\$ 5,468,128	\$ 5,466,313	\$ 347,468	\$ 347,468	\$ 5,815,596	\$ 5,813,781
Land Improvements	378,935	387,633	-	-	378,935	387,633
Construction In Progress	129,845	255,614	181,249	194,908	311,094	450,522
Buildings and Improvements	4,452,986	4,599,813	1,803	1,894	4,454,789	4,601,707
Infrastructure	5,662,383	5,463,097	-	-	5,662,383	5,463,097
Furniture, equipment and vehicles	1,815,506	1,406,493	1,023,698	1,147,427	2,839,204	2,553,920
Sewer lines and equipment	-	-	8,896,600	9,243,966	8,896,600	9,243,966
Water lines and equipment	-	-	6,641,664	6,965,802	6,641,664	6,965,802
<b>Total</b>	<b>\$ 17,907,783</b>	<b>\$ 17,578,963</b>	<b>\$ 17,092,482</b>	<b>\$ 17,901,465</b>	<b>\$ 35,000,265</b>	<b>\$ 35,480,428</b>

### Long-term Debt

The City's outstanding long-term debt, including bonds, notes, leases, and compensated absences, was \$10,468,098 at June 30, 2012. Of this total, \$2,418,103 was in governmental activities. All outstanding debt is secured by pledges of specific revenue sources of the City.

The following schedule shows the outstanding debt of the City (both current and long-term) as of June 30, 2012 and 2011. Further details can be found in Note 7 on pages 39-43.

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Municipal Property Corporation Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Bonds	-	-	612,743	633,244	612,743	633,244
Notes Payable	956,582	1,516,872	7,389,455	7,735,701	8,346,037	9,252,573
Capital Leases	965,877	1,059,802	-	-	965,877	1,059,802
Compensated absences	495,643	464,498	47,798	51,818	543,441	516,316
	<u>\$ 2,418,102</u>	<u>\$ 3,041,172</u>	<u>\$ 8,049,996</u>	<u>\$ 8,420,763</u>	<u>\$ 10,468,098</u>	<u>\$ 11,461,935</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City's officials have considered many factors during the process of developing the budget for fiscal year 2012-2013. Three primary factors that were considered were the increasing cost to conduct business, aging infrastructure and failure of roadways. Also, considered in the development of the budget was the local economy. The adopted fiscal year 2012-2013 budget expects general fund revenues to increase \$921,560. The primary increase is coming from increased revenue in state sales tax, state shared revenue and local sales tax. The overall budget for fiscal year 2012-2013 is expected to increase by \$568,660 over fiscal year 2011-2012. The primary reasons for this increase were in the General Fund, \$655,080, and Capital Projects Fund, \$490,400. The City is expected to increase population at approximately 1.0% in the upcoming year. The unemployment rate in Eloy is 13.50% which is above the national average of 8.3%. These indicators were considered when adopting the budget for fiscal year 2012-2013.

## FINANCIAL CONTACT

This financial report is designed to provide a general overview of the City of Eloy, Arizona's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to the City's Finance Director at the following address: City of Eloy, Brian Wright, 624 North Main Street, Eloy, AZ 85131.

**BASIC FINANCIAL STATEMENTS**

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**CITY OF ELOY, ARIZONA**  
**Statement of Net Position**  
**June 30, 2012**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and Cash equivalents	\$ 8,805,379	\$ 1,759,345	\$ 10,564,724
Receivables (net of allowance)	4,220,078	1,156,292	5,376,370
Inventory	-	119,126	119,126
Internal Balances	1,189,114	(1,189,114)	-
Temporarily Restricted Assets:			
Cash and Cash equivalents	9,949,335	291,532	10,240,867
Capital Assets (net of accumulated depreciation):			
Land	5,468,127	347,468	5,815,595
Land Improvements	378,935	-	378,935
Buildings	4,452,986	1,803	4,454,789
Distribution Systems	-	15,538,264	15,538,264
Infrastructure/Roads	5,662,383	-	5,662,383
Furniture, Equipment & Vehicles	1,815,506	1,023,698	2,839,204
Construction in Progress	129,845	181,250	311,095
Total Assets	<u>42,071,688</u>	<u>19,229,664</u>	<u>61,301,352</u>
<b>Liabilities</b>			
Accounts Payable and Other Current Liabilities	4,084,137	660,730	4,744,867
Interest Payable	15,457	-	15,457
Landfill Closure and Post Closure Payable	-	3,633,483	3,633,483
Other Current Liabilities	82,658	351	83,009
Noncurrent Liabilities:			
Due within One Year	920,998	406,111	1,327,109
Due in More than One Year	1,497,104	7,643,886	9,140,990
Total Liabilities	<u>6,600,354</u>	<u>12,344,561</u>	<u>18,944,915</u>
<b>Net Position</b>			
Net Investment in Capital Assets	15,985,323	9,090,283	25,075,606
Restricted for:			
Debt Service	-	148,163	148,163
Highways and Streets	2,354,568	-	2,354,568
Other Purposes	2,623,851	143,369	2,767,220
Unrestricted	14,507,592	(2,496,712)	12,010,880
Total Net Position	<u>\$ 35,471,334</u>	<u>\$ 6,885,103</u>	<u>\$ 42,356,437</u>

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

**CITY OF ELOY, ARIZONA**  
**Statement of Activities**  
**For the Year Ended June 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 2,451,503	\$ 589,588	\$ -	\$ 27,911	\$ (1,834,004)	\$ -	\$ (1,834,004)
CCA Pass-through	37,964,365	-	37,964,365	-	-	-	-
Public Safety	4,106,470	332,861	313,295	604,399	(2,855,915)	-	(2,855,915)
Public Works	2,509,477	79,779	1,527,133	243,865	(658,700)	-	(658,700)
Culture and Recreation	1,438,463	18,350	13,106	1,446	(1,405,561)	-	(1,405,561)
Community Development	597,877	-	-	-	(597,877)	-	(597,877)
Health and Welfare	290,000	-	6,500	374,290	90,790	-	90,790
Interest on Long-Term Debt	58,225	-	-	-	(58,225)	-	(58,225)
<b>Total Governmental Activities</b>	<b>49,416,380</b>	<b>1,020,578</b>	<b>39,824,399</b>	<b>1,251,911</b>	<b>(7,319,492)</b>	<b>-</b>	<b>(7,319,492)</b>
Business-Type Activities:							
Water	1,950,484	1,781,941	-	5,269	-	(163,274)	(163,274)
Sewer	2,264,921	945,290	-	786,782	-	(532,849)	(532,849)
Sanitation	1,379,485	1,476,130	-	-	-	96,645	96,645
<b>Total Business-Type Activities</b>	<b>5,594,890</b>	<b>4,203,361</b>	<b>-</b>	<b>792,051</b>	<b>-</b>	<b>(599,478)</b>	<b>(599,478)</b>
<b>Total Primary Government:</b>	<b>\$ 55,011,270</b>	<b>\$ 5,223,939</b>	<b>\$ 39,824,399</b>	<b>\$ 2,043,962</b>			
General Revenues:							
City Sales tax					5,160,839	-	5,160,839
State Sales tax					1,299,551	-	1,299,551
Auto Lieu tax					703,979	-	703,979
State Sales taxes - revenue sharing					1,403,669	-	1,403,669
Property taxes					846,923	-	846,923
Franchise taxes					135,939	-	135,939
Unrestricted Investment Earnings					64,587	1,908	66,495
Transfers					(420,978)	420,978	-
<b>Total General Revenues &amp; Transfers</b>					<b>9,194,509</b>	<b>422,886</b>	<b>9,617,395</b>
Change in Net Position					1,875,017	(176,592)	1,698,425
Net Position - Beginning					33,596,317	7,061,695	40,658,012
Net Position - Ending					<b>\$ 35,471,334</b>	<b>\$ 6,885,103</b>	<b>\$ 42,356,437</b>

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

**CITY OF ELOY, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

<b>Assets</b>	General	Highway User Revenue Fund	Grants	Nonmajor Governmental Funds	Total Governmental Funds
Cash and Cash equivalents	\$ 8,805,379	-	\$ -	\$ -	\$ 8,805,379
Receivables:					
Other	136	12	-	30,954	31,102
Intergovernmental	569,841	141,495	3,475,489	2,151	4,188,976
Due from Other Funds	1,206,854	-	-	-	1,206,854
Restricted Cash and Investments	61,160	4,947,267	-	4,940,908	9,949,335
<b>Total Assets</b>	<b>\$ 10,643,370</b>	<b>\$ 5,088,774</b>	<b>\$ 3,475,489</b>	<b>\$ 4,974,013</b>	<b>\$ 24,181,646</b>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts Payable	\$ 277,433	\$ 35,740	\$ 3,307,204	\$ 71,339	\$ 3,691,716
Accrued Wages and Benefits	374,474	14,132	2,964	851	392,421
Deferred Revenue	53,614	-	-	-	53,614
Due to Other Funds	-	-	17,740	-	17,740
Other Current Liabilities	82,658	-	-	-	82,658
<b>Total Liabilities</b>	<b>788,179</b>	<b>49,872</b>	<b>3,327,908</b>	<b>72,190</b>	<b>4,238,149</b>
Fund Balances:					
Restricted for:					
Roads and Highways	-	2,354,568	-	24,450	2,379,018
Capital Projects	-	-	-	2,225,845	2,225,845
Court Equipment	-	-	-	114,621	114,621
Cemetery	-	-	-	111,354	111,354
Other purposes	-	-	147,581	-	147,581
Committed for:					
Airport	-	-	-	152,519	152,519
Cemetery	-	-	-	23,642	23,642
Roads and Highways	-	2,684,334	-	-	2,684,334
Assigned for:					
Capital Projects	-	-	-	2,249,392	2,249,392
Unassigned	9,855,191	-	-	-	9,855,191
<b>Total Fund Balances</b>	<b>9,855,191</b>	<b>5,038,902</b>	<b>147,581</b>	<b>4,901,823</b>	<b>19,943,497</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,643,370</b>	<b>\$ 5,088,774</b>	<b>\$ 3,475,489</b>	<b>\$ 4,974,013</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 17,907,782

Property taxes not collected within 60 days subsequent to fiscal year-end are deferred in the governmental funds. 53,614

Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds. (2,433,559)

Net position of governmental activities \$ 35,471,334

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

**CITY OF ELOY, ARIZONA**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2012**

<b>REVENUES</b>	General	Highway User Revenue Fund	Grants	Nonmajor Governmental Funds	Total Governmental Funds
Taxes	\$ 9,220,294	\$ -	\$ -	\$ 353,357	\$ 9,573,651
Licenses, Permits and Fees	360,531	642	-	-	361,173
Intergovernmental Revenue	322,752	1,525,747	1,340,843	19,612	3,208,954
Charges for Services	33,042	-	-	80,883	113,925
Impact Fees	-	-	-	50,521	50,521
Fines and Forfeitures	228,555	-	-	36,184	264,739
Interest	38,794	17,916	-	7,877	64,587
CCA Pass-through	-	-	37,964,365	-	37,964,365
Other Revenues	64,518	1,386	-	67,310	133,214
Total Revenues	<u>10,268,486</u>	<u>1,545,691</u>	<u>39,305,208</u>	<u>615,744</u>	<u>51,735,129</u>
<b>EXPENDITURES</b>					
Current:					
General Government	2,185,580	-	-	77,169	2,262,749
Public Safety	3,580,784	-	146,299	-	3,727,083
Public Works	518,783	1,403,103	25,991	109,296	2,057,173
Community Development	547,728	-	50,149	-	597,877
Health and Welfare	-	-	290,000	-	290,000
Culture and Recreation	1,265,603	-	5,178	-	1,270,781
CCA Pass-through	-	-	37,964,365	-	37,964,365
Capital Outlay	37,939	-	857,963	589,898	1,485,800
Debt Service:					
Principal	33,274	556,552	-	51,758	641,584
Interest	36,794	15,829	-	26,459	79,082
Total Expenditures	<u>8,206,485</u>	<u>1,975,484</u>	<u>39,339,945</u>	<u>854,580</u>	<u>50,376,494</u>
Excess of Revenues Over (Under) Expenditures	<u>2,062,001</u>	<u>(429,793)</u>	<u>(34,737)</u>	<u>(238,836)</u>	<u>1,358,635</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	-	-	20,626	736,583	757,209
Transfers Out	(973,487)	-	-	(204,700)	(1,178,187)
Total Other Financing Sources (Uses)	<u>(973,487)</u>	<u>-</u>	<u>20,626</u>	<u>531,883</u>	<u>(420,978)</u>
Net Change in Fund Balances	1,088,514	(429,793)	(14,111)	293,047	937,657
Fund Balance, Beginning of Year	<u>8,766,677</u>	<u>5,468,695</u>	<u>161,692</u>	<u>4,608,776</u>	<u>19,005,840</u>
Fund Balance, End of Year	<u>\$ 9,855,191</u>	<u>\$ 5,038,902</u>	<u>\$ 147,581</u>	<u>\$ 4,901,823</u>	<u>\$ 19,943,497</u>

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

**CITY OF ELOY, ARIZONA**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2012**

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

Net change in fund balances - total governmental funds	\$	937,657
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		328,820
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		654,215
Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.		8,226
Revenues that do not provide current financial resources are not reported as revenues in the funds. This represents the change in unearned revenues for property taxes and assessments receivable that have previously been deferred in the funds.		(22,754)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(31,147)
Change in net position of governmental activities	<u>\$</u>	<u>1,875,017</u>

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

**CITY OF ELOY, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2012**

	Water	Sewer	Sanitation	Totals
<b>Assets</b>				
Current Assets:				
Cash	\$ 1,009,854	\$ -	\$ 749,491	\$ 1,759,345
Receivables (net of allowance)	254,767	802,265	99,260	1,156,292
Inventory	119,126	-	-	119,126
<b>Total Current Assets</b>	<b>1,383,747</b>	<b>802,265</b>	<b>848,751</b>	<b>3,034,763</b>
Noncurrent Assets:				
Restricted Cash and Investments	229,376	62,156	-	291,532
Land	-	347,468	-	347,468
Buildings and Improvements	32,704	-	-	32,704
Collection and Distribution Systems	10,884,322	13,732,299	-	24,616,621
Furniture, Equipment and Vehicles	560,404	485,994	1,643,618	2,690,016
Construction in Progress	143,626	37,623	-	181,249
Accumulated Depreciation	(4,745,230)	(5,224,907)	(805,439)	(10,775,576)
<b>Total Noncurrent Assets</b>	<b>7,105,202</b>	<b>9,440,633</b>	<b>838,179</b>	<b>17,384,014</b>
<b>Total Assets</b>	<b>\$ 8,488,949</b>	<b>\$ 10,242,898</b>	<b>\$ 1,686,930</b>	<b>\$ 20,418,777</b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 73,417	\$ 407,767	\$ 7,339	\$ 488,523
Accrued Wages and Benefits	13,415	4,126	11,298	28,839
Customer Deposits	143,369	-	-	143,369
Due to Other Funds	-	1,189,114	-	1,189,114
Current Portion of Bonds Payable	21,443	-	-	21,443
Current Portion of Loans Payable	20,482	333,186	-	353,668
Current Portion of Compensated Absences	20,460	930	9,610	31,000
Landfill Closure and Post Closure Payable	-	-	3,633,483	3,633,483
Other Current Liabilities	350	-	-	350
<b>Total Current Liabilities</b>	<b>292,936</b>	<b>1,935,123</b>	<b>3,661,730</b>	<b>5,889,789</b>
Noncurrent liabilities (net of current portion):				
Compensated Absences	11,500	139	5,158	16,797
Loans Payable	417,282	6,618,506	-	7,035,788
Bonds Payable	591,300	-	-	591,300
<b>Total Noncurrent Liabilities</b>	<b>1,020,082</b>	<b>6,618,645</b>	<b>5,158</b>	<b>7,643,885</b>
<b>Total Liabilities</b>	<b>1,313,018</b>	<b>8,553,768</b>	<b>3,666,888</b>	<b>13,533,674</b>
<b>Net Position</b>				
Net Investment in Capital Assets	5,825,319	2,426,785	838,179	9,090,283
Restricted	229,376	62,156	-	291,532
Unrestricted	1,121,236	(799,811)	(2,818,137)	(2,496,712)
<b>Total Net Position</b>	<b>\$ 7,175,931</b>	<b>\$ 1,689,130</b>	<b>\$ (1,979,958)</b>	<b>\$ 6,885,103</b>

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

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

	Water	Sewer	Sanitation	Totals
<b>Operating Revenues</b>				
Charges for Services	\$ 1,755,394	\$ 945,290	\$ 1,475,174	\$ 4,175,858
Rent and Other Revenues	5,724	-	956	6,680
<b>Total Operating Revenues</b>	<b>1,761,118</b>	<b>945,290</b>	<b>1,476,130</b>	<b>4,182,538</b>
<b>Operating Expenses</b>				
Salaries	447,212	138,096	302,039	887,347
Employee Benefits	215,400	58,845	136,315	410,560
Services, Supplies and Other	890,406	1,374,810	706,711	2,971,927
Landfill Closure and Post Closure expense	-	-	126,461	126,461
Depreciation	351,798	521,864	103,749	977,411
<b>Total Operating Expenses</b>	<b>1,904,816</b>	<b>2,093,615</b>	<b>1,375,275</b>	<b>5,373,706</b>
Operating Income (Loss)	(143,698)	(1,148,325)	100,855	(1,191,168)
<b>Non-Operating Revenues (Expenses)</b>				
Interest Income	1,124	784	-	1,908
Interest Expense and Fiscal Charges	(45,668)	(171,306)	(4,210)	(221,184)
Grant Revenue	-	663,554	-	663,554
Impact Fees	5,269	123,228	-	128,497
Connection Fees	20,823	-	-	20,823
<b>Total Non-Operating Revenue (Expense)</b>	<b>(18,452)</b>	<b>616,260</b>	<b>(4,210)</b>	<b>593,598</b>
<b>Income (loss) before Contributions and Transfers</b>	<b>(162,150)</b>	<b>(532,065)</b>	<b>96,645</b>	<b>(597,570)</b>
Contributions and Transfers:				
Transfers in	-	446,856	5,965	452,821
Transfers out	(31,843)	-	-	(31,843)
<b>Change in Net Position</b>	<b>(193,993)</b>	<b>(85,209)</b>	<b>102,610</b>	<b>(176,592)</b>
Total Net Position, Beginning of Year	7,369,924	1,774,339	(2,082,568)	7,061,695
<b>Total Net Position, End of Year</b>	<b>\$ 7,175,931</b>	<b>\$ 1,689,130</b>	<b>\$ (1,979,958)</b>	<b>\$ 6,885,103</b>

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

**CITY OF ELOY, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2012**

	Water	Sewer	Sanitation	Totals
<b>Cash Flows From Operating Activities:</b>				
Cash received from Customers, Service Fees	\$ 1,761,040	\$ 922,694	\$ 1,474,834	\$ 4,158,568
Cash received from Customers, Other	5,724	-	956	6,680
Cash paid to Suppliers	(910,480)	(1,361,466)	(714,154)	(2,986,100)
Cash paid to Employees	(663,750)	(197,264)	(439,895)	(1,300,909)
Net Cash Flows from Operating Activities	<u>192,534</u>	<u>(636,036)</u>	<u>321,741</u>	<u>(121,761)</u>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Proceeds/Payments (to)/from other funds	-	569,988	-	569,988
Transfers (to)/from other funds	(31,843)	446,856	5,965	420,978
Net Cash Flows from Noncapital Financing Activities	<u>(31,843)</u>	<u>1,016,844</u>	<u>5,965</u>	<u>990,966</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Purchase of Capital Assets	(161,324)	(7,106)	-	(168,430)
Principal paid on Notes, Leases and Bonds	(40,400)	(326,346)	-	(366,746)
Interest paid	(45,668)	(171,306)	(4,210)	(221,184)
Connection & Impact Fees	26,092	123,228	-	149,320
Net Cash Flows from Capital and Related Financing Activities	<u>(221,300)</u>	<u>(381,530)</u>	<u>(4,210)</u>	<u>(607,040)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest on Investments	1,124	784	-	1,908
Net Change in Cash and Cash Equivalents	(59,485)	62	323,496	264,073
Cash and Cash Equivalents, including Restricted Cash, Beginning of Year	<u>1,298,715</u>	<u>62,094</u>	<u>425,995</u>	<u>1,786,804</u>
<b>Cash and Cash Equivalents, including Restricted Cash, End of Year</b>	<u>\$ 1,239,230</u>	<u>\$ 62,156</u>	<u>\$ 749,491</u>	<u>\$ 2,050,877</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Net Operating Income (Loss)	\$ (143,698)	\$ (1,148,325)	\$ 100,855	\$ (1,191,168)
Adjustments to Reconcile Net Income/(Loss) to net Cash Provided by Operating Activities:				
Depreciation/Amortization	351,798	521,864	103,749	977,411
Changes in Operating Assets and Liabilities:				
(Increase)/Decrease in Receivables	5,646	(22,596)	(340)	(17,290)
(Increase)/Decrease in Inventory	59,809	-	-	59,809
Increase/(Decrease) in Payables	(79,532)	15,361	(7,639)	(71,810)
Increase/(Decrease) in Accrued Wages and Benefits	(1,138)	(323)	(1,541)	(3,002)
Increase/(Decrease) in Accrued Liabilities & Deposits	(351)	(2,017)	126,657	124,289
Net Cash Flows from Operating Activities	<u>\$ 192,534</u>	<u>\$ (636,036)</u>	<u>\$ 321,741</u>	<u>\$ (121,761)</u>

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

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

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**General**

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

**Reporting Entity**

The government is a municipal corporation governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based upon the application of these criteria, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally separate from the government. Each blended and discretely presented component unit has a June 30 year end. The following is a brief summary of the component units included in defining the City's reporting entity.

**Blended Component Unit:** Eloy Municipal Property Corporation (MPC). The MPC board of directors consists of six members which are appointed by the City of Eloy, Arizona City Council. The MPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the City in obtaining financing for various projects of the City. The City has a "moral obligation" for the repayment of the MPC's bonds. For financial reporting purposes, transactions of the MPC are combined together and included as if they were part of the City's operations.

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

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**Government-Wide and Fund Financial Statements**

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

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

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

Property taxes, sales taxes, state shared revenues, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

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

The **Grants Special Revenue Fund** is used to account for federal and state grants and other contributions that are restricted for a specific use.

The City reports the following major proprietary funds:

The **Water Fund** accounts for the activities related to the City's water storage and distribution system.

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

The **Sanitation Fund** accounts for the activities related to the City's garbage collection and treatment operations.

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

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

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

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

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

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

**Deposits and Investments**

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

**Receivables and Payables**

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

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

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General infrastructure assets acquired prior to July 1, 2003 are not reported in the basic financial statements. Those assets are not required to be retroactively stated in accordance with GASB Statement 34.

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

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

Building and Improvements	40 years
Improvements other than Buildings	5 - 50 years
Water and Sewer Plants	50 years
Furniture, Equipment and Vehicles	5-20 years
Infrastructure (roads, runways, etc.)	10 - 50 years

**Compensated Absences**

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

**Long-term Obligations**

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

**Net Position and Fund Equity**

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

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

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

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

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

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

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

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

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

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

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

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

**Estimates**

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

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

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**Encumbrances**

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

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

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**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows.

Capital Leases Payable	\$ 965,877
Compensated Absences	495,643
Notes Payable	956,582
Accrued Interest	<u>15,457</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 2,433,559</u></u>

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

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**Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital Outlay	\$ 948,465
Depreciation Expense	<u>(619,645)</u>
Net adjustment to increase net changes in fund balance total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 328,820</u>

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

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

**Budgets and Budgetary Accounting**

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

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

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

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4. The City follows a voter-approved alternative expenditure limitation that was adopted on November 2, 2009.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Manager subject to City Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without City Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

No Supplementary budgetary appropriations were made during the year.

**Expenditures over Appropriations**

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2012, if any.

**Taxes**

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

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

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**Note 4. Deposits and Investments**

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A reconciliation of cash and investments as shown on the financial statements follows:

Cash and Cash Equivalents	\$ 10,564,724
Restricted Cash and Cash Equivalents	<u>10,240,867</u>
Total	<u>\$ 20,805,591</u>

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. At June 30, 2012 cash on hand was \$2,637 and the carrying amount of the City's deposits was \$20,615,427. As of June 30, 2012, \$0 of the City's bank balance of \$21,189,485 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**

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

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

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

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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

As of June 30, 2012 the City had the following deposits and investments:

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
Deposits:			
Cash on hand	\$ 2,637	N/A	N/A
Cash in bank	20,615,427	N/A	N/A
Investments:			
Local Governments Investment Pool 5*	20,802	AAAF/S1+	26 days
Local Governments Investment Pool 7*	<u>166,725</u>	AA+	29 days
Total cash and investments	<u>\$ 20,805,591</u>		

\* The fair value of the City's position in each pool is the same as the value of the pool shares.

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

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

**Interest rate risk**

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

**Credit risk**

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

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**Note 5. Capital Assets**

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

<b>Governmental Activities:</b>	<b>Balance 6/30/2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2012</b>
Capital Assets, not being depreciated:				
Land	\$ 5,466,313	\$ 1,815	\$ -	\$ 5,468,128
Construction in Progress	255,614	129,845	(255,614)	129,845
Total Capital Assets, not being depreciated	<u>5,721,927</u>	<u>131,660</u>	<u>(255,614)</u>	<u>5,597,973</u>
Capital Assets, being depreciated:				
Buildings and Improvements	6,549,514	25,000	-	6,574,514
Furniture, Equipment & Vehicles	4,843,695	681,141	-	5,524,836
Land Improvements	400,012	-	-	400,012
Infrastructure	6,440,378	366,278	-	6,806,656
Total Capital Assets, being depreciated	<u>18,233,599</u>	<u>1,072,419</u>	<u>-</u>	<u>19,306,018</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,949,701)	(171,827)	-	(2,121,528)
Furniture, Equipment & Vehicles	(3,437,202)	(272,128)	-	(3,709,330)
Land Improvements	(12,379)	(8,698)	-	(21,077)
Infrastructure	(977,281)	(166,992)	-	(1,144,273)
Total Accumulated Depreciation	<u>(6,376,563)</u>	<u>(619,645)</u>	<u>-</u>	<u>(6,996,208)</u>
Total Capital Assets, being depreciated, net	<u>11,857,036</u>	<u>452,774</u>	<u>-</u>	<u>12,309,810</u>
Governmental Activities Capital Assets, net	<u>\$ 17,578,963</u>	<u>\$ 584,434</u>	<u>\$ (255,614)</u>	<u>\$ 17,907,783</u>

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

<b>Governmental Activities:</b>	
General Government	\$ 50,703
Public Safety	151,996
Public Works/Streets	326,795
Culture & Recreation	90,151
Total Depreciation Expense - Governmental Activities	<u>\$ 619,645</u>

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**Note 5. Capital Assets, Continued**

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

<b>Business-Type Activities:</b>	<b>Balance 6/30/2011</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2012</b>
Capital Assets not being depreciated:				
Land and Water Rights	\$ 347,468	\$ -	\$ -	\$ 347,468
Construction in Progress	194,906	143,911	(157,568)	181,249
Total Capital Assets, not being depreciated	<u>542,374</u>	<u>143,911</u>	<u>(157,568)</u>	<u>528,717</u>
Capital Assets being depreciated:				
Water System	10,866,624	17,698	-	10,884,322
Sewer System	13,567,910	164,389	-	13,732,299
Buildings and Improvements	32,704	-	-	32,704
Furniture, Equipment & Vehicles	2,690,016	-	-	2,690,016
Total Capital Assets, being depreciated	<u>27,157,254</u>	<u>182,087</u>	<u>-</u>	<u>27,339,341</u>
Less Accumulated Depreciation for:				
Water System	(3,900,822)	(341,836)	-	(4,242,658)
Sewer System	(4,323,944)	(511,755)	-	(4,835,699)
Buildings and Improvements	(30,810)	(91)	-	(30,901)
Furniture, Equipment & Vehicles	(1,542,589)	(123,729)	-	(1,666,318)
Total Accumulated Depreciation	<u>(9,798,165)</u>	<u>(977,411)</u>	<u>-</u>	<u>(10,775,576)</u>
Total Capital Assets, being depreciated, net	<u>17,359,089</u>	<u>(795,324)</u>	<u>-</u>	<u>16,563,765</u>
Business-Type Activities Capital Assets, net	<u>\$ 17,901,463</u>	<u>\$ (651,413)</u>	<u>\$ (157,568)</u>	<u>\$ 17,092,483</u>

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

<b>Business-Type Activities:</b>	
Water	\$ 351,798
Sewer	521,864
Sanitation	103,749
Total Depreciation Expense - Business-Type Activities	<u>\$ 977,411</u>

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

**Note 6. Capital Leases Payable**

The City has entered into lease agreements which are considered capital leases in accordance with the Financial Accounting Standards Board, Accounting Standards Codification 840-30-50-1. The leases are for the purchase of street lights, library facilities, park facilities, building improvements, airport improvements, and other various capital items with varying annual payments through May 2025, including interest at 3.25% to 6% and are shown as Governmental debt. Equipment and improvements capitalized under the capitalized leases are shown below. The following is an annual schedule of future minimum lease payments with the present value of the net minimum lease payments for the years ending June 30:

Year Ended June 30,	Governmental Activities
2013	\$ 120,904
2014	120,904
2015	108,220
2016	95,536
2017	95,536
2018-2022	477,682
2023-2025	286,600
Total remaining lease payments	1,305,384
Less amount representing interest	(339,507)
Present value of net remaining minimum lease payments	\$ 965,877

A summary of assets acquired through capital leases follows:

	Governmental Activities
Asset:	
Buildings and Improvements	\$ 715,836
Furniture, Equipment and Vehicles	1,015,227
Less: Accumulated Depreciation	(1,202,977)
Total	\$ 528,086

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

**Note 7. Long-Term Debt**

Bonds and other long-term obligations consist of the following at June 30, 2012:

**Revenue Bonds:**

Water Revenue Bonds, Series 1997A, bearing interest at 4.5% due in semiannual principal and interest installments, maturing January 1, 2031.	243,565
Water Revenue Bonds, Series 1997B, bearing interest at 4.5% due in semiannual principal and interest installments, maturing January 1, 2031.	<u>369,178</u>
Total revenue bonds payable	612,743
Less current portion	<u>(21,443)</u>
Total revenue bonds, net of current portion	<u><u>\$ 591,300</u></u>

Revenue bond debt service maturities are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 21,443	\$ 27,573	\$ 49,017
2014	22,428	26,609	49,037
2015	23,459	25,599	49,058
2016	24,536	24,544	49,080
2017	25,664	23,439	49,103
2018-2022	147,124	98,776	245,900
2023-2027	184,170	62,488	246,658
2028-2031	<u>163,918</u>	<u>17,797</u>	<u>181,715</u>
Total	<u><u>\$ 612,743</u></u>	<u><u>\$ 306,826</u></u>	<u><u>\$ 919,568</u></u>

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**Note 7. Long-Term Debt, Continued**

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**Notes Payable:**

Water Infrastructure Finance Authority (WIFA), bearing interest at 2.312% to 3.24% due in semiannual principal and interest installments, maturing July 1, 2021.	\$ 5,934,351
Water Infrastructure Finance Authority (WIFA), bearing interest at 2.933% due in semiannual principal and interest installments. \$1,200,000 has been authorized by WIFA however, at June 30,2010 the City had only drawn \$470,459 of this amount. The City repaid \$44,964 during fiscal year 2010 leaving an outstanding balance of \$425,495 at June 30, 2010. The debt is currently scheduled to mature on July 1, 2029, however, the repayment schedule is subject to change based on the actual amount of authorized funding the City utilizes.	437,764
United States Department of Agriculture (USDA), bearing interest at 4.125% due in annual principal and interest installments beginning September 1, 2008, maturing September 1, 2045.	1,017,340
Great Western Bank, bearing interest at 5.115%, due in monthly principal and interest installments, maturing October 1, 2022.	426,133
Arizona Department of Transportation (ADOT) Highway Expansion and Extension Loan Program (H.E.L.P.), bearing interest at 3.5% due in annual principal and interest installments beginning August 15, 2009, maturing August 15, 2013.	<u>530,450</u>
Total notes payable	8,346,038
Less current portion	<u>(915,987)</u>
Total notes payable, net of current portion	<u><u>\$ 7,430,051</u></u>

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**Note 7. Long-Term Debt, Continued**

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Notes payable debt service maturities are as follows:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 915,987	\$ 202,467	\$ 1,118,455
2014	394,090	205,691	599,782
2015	403,578	195,038	598,616
2016	413,332	184,096	597,428
2017	423,361	172,855	596,216
2018-2022	2,277,540	733,524	3,011,065
2023-2027	2,329,558	463,814	2,793,371
2028-2032	636,528	148,738	785,265
2033-2037	183,501	99,487	282,988
2038-2042	225,454	58,321	283,775
2043-2046	143,110	11,402	154,512
Total	<u>\$ 8,346,038</u>	<u>\$ 2,475,434</u>	<u>\$ 10,821,472</u>

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**Note 7. Long-Term Debt, Continued**

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

<b>Governmental Activities:</b>	<b>Balance 6/30/2011</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 6/30/2012</b>	<b>Current Portion</b>
Accrued Compensated Absences	\$ 464,498	\$ 316,772	\$ (285,626)	\$ 495,643	\$ 285,000
Notes Payable	1,516,872	-	(560,290)	956,582	562,319
Capital Leases	1,059,802	-	(93,925)	965,877	73,679
	<u>\$ 3,041,172</u>	<u>\$ 316,772</u>	<u>\$ (939,841)</u>	<u>\$ 2,418,103</u>	<u>\$ 920,998</u>
Governmental Activity Long-Term Liabilities					
	<u>\$ 3,041,172</u>	<u>\$ 316,772</u>	<u>\$ (939,841)</u>	<u>\$ 2,418,103</u>	<u>\$ 920,998</u>
<b>Business-Type Activities:</b>					
<b>Revenue Bonds:</b>					
USDA Water Bonds - Series 1991, 1997	\$ 633,244	\$ -	\$ (20,501)	\$ 612,743	\$ 21,443
<b>Loans Payable:</b>					
Water Infrastructure Finance Authority (WIFA)					
Loan # 910103-09	6,246,487	-	(312,136)	5,934,351	318,378
Loan # 92A150-10	457,663	-	(19,899)	437,764	20,482
USDA Loan 92-12	1,031,551	-	(14,211)	1,017,340	14,808
	<u>7,735,701</u>	<u>-</u>	<u>(346,246)</u>	<u>7,389,455</u>	<u>353,668</u>
Total Loans Payable					
	<u>7,735,701</u>	<u>-</u>	<u>(346,246)</u>	<u>7,389,455</u>	<u>353,668</u>
<b>Other:</b>					
Compensated Absences	51,818	26,499	(30,519)	47,798	31,000
	<u>51,818</u>	<u>26,499</u>	<u>(30,519)</u>	<u>47,798</u>	<u>31,000</u>
Total other long-term debt					
	<u>51,818</u>	<u>26,499</u>	<u>(30,519)</u>	<u>47,798</u>	<u>31,000</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 8,420,763</u>	<u>\$ 26,499</u>	<u>\$ (397,266)</u>	<u>\$ 8,049,996</u>	<u>\$ 406,112</u>

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

**Note 7. Long-Term Debt, Continued**

**Landfill Closure and Post closure Payable**

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating expense annually. The \$3,633,483 reported as landfill closure and post closure care liability at June 30, 2012 represents the cumulative amount of closure and post closure costs reported to date. These amounts are based on a 2010 engineer's estimate of what it would have cost to perform all closure and post closure care at that time. These figures are adjustment annually for inflation. The Engineer estimates the landfill will reach capacity and be closed in the year 2030. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The City will record the remaining estimated cost of closure and post closure care annually as the liability is adjusted for inflation. The City has utilized a local government guarantee rather than establishing a trust fund or other financial mechanism to demonstrate financial responsibility for closure and post closure care costs.

**Note 8. Interfund Receivables, Payables and Transfers**

As of June 30, 2012, interfund receivables and payables were as follows:

	Due From	
Due To	Sewer Fund	Total
General Fund	\$ 1,189,114	\$ 1,189,114
	\$ 1,189,114	\$ 1,189,114

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Residual balances outstanding between the governmental activities and the business-type activities are netted and reported in the government-wide financial statements as internal balances. The terms for repayment of the interfund balances will be determined by the City Council and any amounts expected to be repaid within one year have not been determined as of the date of the financial statements.

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

**Note 8. Interfund Receivables, Payables and Transfers, Continued**

Interfund transfers that took place during fiscal year 2012 consist of the following:

Transfer Out	Transfer In				Total
	Grants Fund	Sewer Fund	Sanitation Fund	Nonmajor Funds	
General Fund	\$ -	\$ 233,435	\$ 5,965	\$ 734,087	\$ 973,487
Water Fund	-	31,843	-	-	31,843
Nonmajor Funds	20,626	181,578	-	2,495	204,699
	\$ 20,626	\$ 446,856	\$ 5,965	\$ 736,582	\$ 1,210,029

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

**Note 9. Retirement and Pension Plans**

**Arizona State Retirement System (ASRS)**

**Plan Description** – The City contributes to a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System (ASRS). The plan covers employees of the State of Arizona and participating political subdivisions and school districts. The ASRS (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

**Note 9. Retirement and Pension Plans, Continued**

**Funding Policy** - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 10.74 percent (10.5 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the City was required to contribute 10.74 percent (9.87 percent for retirement, 0.63 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

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

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2010	\$ 333,001	\$ 26,353	\$ 15,971
2011	\$ 299,011	\$ 21,903	\$ 8,297
2012	\$ 369,239	\$ 23,568	\$ 8,978

**Public Safety Personnel Retirement System (PSPRS)**

**Plan Description** - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

**Funding Policy** - For the current fiscal year, active PSPRS member employees were required by statute to contribute 7.65 percent of their annual covered salary to the PSPRS and the City was required to contribute 12.06 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 0.89 percent of covered payroll.

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

**Note 9. Retirement and Pension Plans, Continued**

**Actuarial Methods and Assumptions** – The significant actuarial methods and assumptions used for the PSPRS plan and related benefits (unless noted), and the actuarial assumptions used to establish the contribution requirements are as follows:

The PSPRS contribution requirements for the year ended June 30, 2012 were established by the June 30, 2012 actuarial valuations using the projected unit credit method. The actuarial assumptions included (a) 8.0 percent investment rate of return and (b) projected salary increases of 5.0 percent per year. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 24 years for unfunded actuarial accrued liability and 20 years for excess.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information on page 50 provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**Annual Pension/OPEB Cost** – During the year ended June 30, 2012, the City's annual pension cost of \$271,377 and the annual OPEB cost of \$20,720 was equal to the City's required and actual contributions.

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Pension	2010	\$ 209,792	100%	\$ -
	2011	237,649	100%	-
	2012	271,377	100%	-
Health Insurance	2010	\$ 17,143	100%	\$ -
	2011	19,816	100%	-
	2012	20,720	100%	-

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**Note 9. Retirement and Pension Plans, Continued**

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**Funded Status and Funding Progress** – The funded status of the plan as of June 30, 2012 is as follows:

Actuarial accrued liability (AAL)	\$ 7,200,563
Actuarial value of plan assets	<u>5,626,814</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,573,749</u>
Funded ratio (actuarial value of plan assets/AAL)	78.1%
Covered payroll (active plan members)	\$ 1,750,752
UAAL as a percentage of covered payroll	89.9%

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. This historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

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**Note 10. Risk Management**

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The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the City is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

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

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

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**Note 11. Commitments and Contingencies**

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The City is involved in various matters of litigation. Any pending or threatened litigation is not measurable and cannot be estimated as of the date of the financial statements. It is the opinion of City officials that none of these cases would have a material effect on the City's financial condition.

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2012**

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**Note 12.            Corrections Corporation of America (CCA) Pass-through**

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There is a private prison in the City limits which had a contract with the Department of Homeland Security that was going to be discontinued since the federal government required that the contract be with a political entity. The City did not want the prison to close due to jobs, etc. Therefore, the City entered into a contract with the Department of Homeland Security for the prison and in turn entered into a contract with the prison to provide funding and retain 25 cents per inmate per day. Revenues and expenses for this agreement are reflected in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ELOY, ARIZONA**  
**Schedule of Funding Progress**  
**June 30, 2012**

**Public Safety Personnel Retirement System - Police**

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2007 through June 30, 2012, based on actuarial valuations follows:

Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(a)/(b) Percent Funded	(b)-(a) Unfunded AAL	[c] Annual Covered Payroll	[(b)-(a)/(c)] Unfunded AAL As a Percentage of Covered Payroll
2007	4,022,900	4,924,981	81.68%	902,081	1,772,801	50.9%
2008	4,253,067	4,806,428	88.49%	553,361	1,648,344	33.6%
2009 *	4,970,269	5,852,455	84.93%	882,186	1,798,333	49.1%
2010 *	4,827,060	6,056,756	79.70%	1,229,696	1,807,403	68.0%
2011 *	5,374,288	6,579,788	81.68%	1,205,500	1,683,248	71.6%
2012 *	5,626,814	7,200,563	78.14%	1,573,749	1,750,752	89.9%

**Post-retirement health insurance subsidy measurements under GASB Statement No. 45**

Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b)-(a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	[(b)-(a)/(c)] Unfunded AAL As a Percentage of Covered Payroll
2007	-	195,651	195,651	0.0%	1,772,801	11.04%
2008	-	156,160	156,160	0.0%	1,648,344	9.47%
2009 *	-	141,877	141,877	0.0%	1,798,333	7.89%
2010 *	-	141,898	141,898	0.0%	1,807,403	7.85%
2011 *	-	192,081	192,081	0.0%	1,683,248	11.41%
2012 *	-	167,631	167,631	0.0%	1,750,752	9.57%

\* For fiscal years prior to 2009 (which were prior to the implementation of GASB Statement Nos. 43 and 45), the pension and health insurance benefit amounts were aggregated. In fiscal year 2009, GASB Statements Nos. 43 and 45 measurements are made and reported; thus, these benefits are disaggregated and reported separately.

**CITY OF ELOY, ARIZONA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULES**  
**MAJOR GOVERNMENTAL FUNDS:**

**General Fund**

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

**Special Revenue Funds**

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

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

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds.

**CITY OF ELOY, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2012**

<b>REVENUES:</b>	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Taxes:</b>				
Property Taxes	\$ 862,500	\$ 862,500	\$ 869,674	\$ 7,174
Sales and Use Taxes	4,276,500	4,276,500	4,807,482	530,982
State Sales Taxes	1,258,240	1,258,240	1,299,551	41,311
State Revenue Sharing	1,403,725	1,403,725	1,403,669	(56)
Auto Lieu Tax	734,675	734,675	703,979	(30,696)
Franchise Taxes	131,650	131,650	135,939	4,289
Total Taxes	8,667,290	8,667,290	9,220,294	553,004
<b>Licenses, Permits and Fees:</b>				
Building Permits	161,750	161,750	302,902	141,152
Business and Other Licenses	52,000	52,000	57,629	5,629
Total Licenses, Fees and Permits	213,750	213,750	360,531	146,781
<b>Intergovernmental:</b>				
Intergovernmental Revenues	288,500	288,500	322,752	34,252
Total Intergovernmental	288,500	288,500	322,752	34,252
<b>Charges for Services:</b>				
Administrative Fees	21,000	21,000	16,352	(4,648)
Park, Swimming Pool & Recreation Fees	18,170	18,170	16,690	(1,480)
Total Charges for Services	39,170	39,170	33,042	(6,128)
<b>Fines and Forfeitures:</b>				
Fines & Forfeitures	220,000	220,000	228,555	8,555
Total Fines and Forfeitures	220,000	220,000	228,555	8,555
<b>Interest</b>				
Interest Income	45,000	45,000	38,794	(6,206)
Total Interest	45,000	45,000	38,794	(6,206)
<b>Other Revenues:</b>				
Rents	7,600	7,600	5,698	(1,902)
Insurance Recoveries	55,000	55,000	53,417	(1,583)
Miscellaneous	14,250	14,250	5,403	(8,847)
Total Other Revenues	76,850	76,850	64,518	(12,332)
TOTAL REVENUES	9,550,560	9,550,560	10,268,486	717,926

(continued)

**CITY OF ELOY, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual, Continued**  
**For the Year Ended June 30, 2012**

EXPENDITURES	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>General Government:</b>				
Mayor and Council	198,835	198,835	198,756	79
City Manager	464,575	464,575	387,803	76,772
Legal and Professional	153,630	153,630	136,363	17,267
Magistrate	420,965	420,965	356,021	64,944
City Clerk	342,370	342,370	323,536	18,834
Finance	489,535	489,535	438,373	51,162
Contingency	592,000	592,000	344,728	247,272
Total General Government	<u>2,661,910</u>	<u>2,661,910</u>	<u>2,185,580</u>	<u>476,330</u>
<b>Public safety:</b>				
Law Enforcement	3,702,815	3,702,815	3,580,784	122,031
Total Public Safety	<u>3,702,815</u>	<u>3,702,815</u>	<u>3,580,784</u>	<u>122,031</u>
<b>Community Development</b>				
Community Development	<u>574,895</u>	<u>574,895</u>	<u>547,728</u>	<u>27,167</u>
<b>Public Works</b>				
Vehicle Maintenance	179,460	179,460	174,831	4,629
Facilities Maintenance	265,975	265,975	256,057	9,918
Public Works Administration	87,965	87,965	87,895	70
Total Public Works	<u>533,400</u>	<u>533,400</u>	<u>518,783</u>	<u>68,951</u>
<b>Culture &amp; Recreation:</b>				
Park Maintenance	285,130	285,130	284,433	697
Recreation	767,030	767,030	698,817	68,213
Library	291,210	291,210	282,353	8,857
Total Culture and Recreation	<u>1,343,370</u>	<u>1,343,370</u>	<u>1,265,603</u>	<u>77,767</u>
<b>Debt Service:</b>				
Principal	81,945	81,945	33,274	48,671
Interest	-	-	36,794	(36,794)
Total Debt Service	<u>81,945</u>	<u>81,945</u>	<u>70,068</u>	<u>11,877</u>
<b>Capital Outlay</b>				
	<u>-</u>	<u>-</u>	<u>37,939</u>	<u>(37,939)</u>
TOTAL EXPENDITURES	<u>8,898,335</u>	<u>8,898,335</u>	<u>8,206,485</u>	<u>719,017</u>
Excess of Revenues Over (Under) Expenditures	<u>652,225</u>	<u>652,225</u>	<u>2,062,001</u>	<u>1,409,776</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out	<u>(3,026,400)</u>	<u>(3,026,400)</u>	<u>(973,487)</u>	<u>2,052,913</u>
Total Other Financing Sources (Uses)	<u>(3,026,400)</u>	<u>(3,026,400)</u>	<u>(973,487)</u>	<u>2,052,913</u>
Net Change in Fund Balance	(2,374,175)	(2,374,175)	1,088,514	3,462,689
Fund Balance, Beginning of Year	<u>8,766,677</u>	<u>8,766,677</u>	<u>8,766,677</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 6,392,502</u>	<u>\$ 6,392,502</u>	<u>\$ 9,855,191</u>	<u>\$ 3,462,689</u>

**CITY OF ELOY, ARIZONA**  
**HIGHWAY USER REVENUE SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2012**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Revenue:				
Highway User Revenues	\$ 958,930	\$ 958,930	\$ 959,272	\$ 342
County 1/2 Cent Sales Tax	695,000	695,000	566,475	(128,525)
Total Intergovernmental	<u>1,653,930</u>	<u>1,653,930</u>	<u>1,525,747</u>	<u>(128,183)</u>
Other revenue:				
Plan Check Fees	3,500	3,500	642	(2,858)
Interest Income	15,000	15,000	17,916	2,916
Miscellaneous	-	-	1,386	1,386
Total Revenue	<u>1,672,430</u>	<u>1,672,430</u>	<u>1,545,691</u>	<u>(126,739)</u>
<b>EXPENDITURES:</b>				
Public Works:				
Salaries	526,900	526,900	509,140	17,760
Employee Benefits	274,400	274,400	269,859	4,541
Services, Supplies, and Other	2,793,300	2,793,300	624,104	2,169,196
Debt Service	575,820	575,820	572,381	3,439
Total Expenditures	<u>4,170,420</u>	<u>4,170,420</u>	<u>1,975,484</u>	<u>2,194,936</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>(2,497,990)</u>	<u>(2,497,990)</u>	<u>(429,793)</u>	<u>2,068,197</u>
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(2,497,990)	(2,497,990)	(429,793)	2,068,197
Fund Balance, Beginning of Year	<u>5,468,695</u>	<u>5,468,695</u>	<u>5,468,695</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,970,705</u>	<u>\$ 2,970,705</u>	<u>\$ 5,038,902</u>	<u>\$ 2,068,197</u>

**CITY OF ELOY, ARIZONA**  
**GRANTS SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2012**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Revenue:				
Grants and Contributions	\$ 5,126,560	\$ 5,126,560	\$ 1,340,843	\$ (3,785,717)
Other revenue:				
CCA Pass Through	40,000,000	40,000,000	37,964,365	(2,035,635)
Total Revenues	<u>45,126,560</u>	<u>45,126,560</u>	<u>39,305,208</u>	<u>(5,821,352)</u>
<b>EXPENDITURES:</b>				
Public Safety:				
Salaries	105,415	105,415	81,040	24,375
Employee benefits	53,380	53,380	30,686	22,694
Services, Supplies, and Other	175,000	175,000	34,573	140,427
Public Works:				
Services, Supplies, and Other	145,000	145,000	25,991	119,009
Culture and Recreation:				
Services, Supplies, and Other	8,500	8,500	5,178	3,322
Community Development:				
Services, Supplies, and Other	99,000	99,000	50,149	48,851
Health and Welfare:				
Services, Supplies, and Other	-	-	290,000	(290,000)
CCA Pass Through	40,000,000	40,000,000	37,964,365	2,035,635
Capital Outlay	4,540,265	4,540,265	857,963	3,682,302
Total Expenditures	<u>45,126,560</u>	<u>45,126,560</u>	<u>39,339,945</u>	<u>5,786,615</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>(34,737)</u>	<u>(34,737)</u>
Other Financing Sources (Uses):				
Transfers in	-	-	20,626	20,626
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>20,626</u>	<u>20,626</u>
Net Change in Fund Balance	-	-	(14,111)	(14,111)
Fund Balance, Beginning of Year	<u>161,692</u>	<u>161,692</u>	<u>161,692</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 161,692</u>	<u>\$ 161,692</u>	<u>\$ 147,581</u>	<u>\$ (14,111)</u>

**CITY OF ELOY, ARIZONA**  
**Combining and Individual Fund**  
**Financial Statements**  
**NONMAJOR GOVERNMENTAL FUNDS**

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**Special Revenue Funds**

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

- **Airport** – This fund is used to account for fuel sales, charges for services and related costs and expenses for operation of the City airport.
- **Local Transportation Assistance Fund (LTAF)** – This fund is used to account for the City’s share of lottery proceeds which are set aside for transportation costs and the maintaining, repairing, and upgrading of streets.
- **Impact Fee** – This fund is used to account for the collection of impact fees and the various infrastructure projects they fund.
- **Public Works Fund** – This fund is used to account for the collection of sales tax revenues which are set aside for the maintaining, repairing, and upgrading of streets.
- **Judicial Collection Enhancement Fund (JCEF)** – This fund accounts for monies received to improve the city’s court operations.
- **Court Recovery** – This fund is used to account for court enhancement fee revenues and the capital outlays funded by these revenues.
- **Cemetery** – This fund is used to account for the activities of the city’s cemetery.

**Capital Projects Fund**

Capital Projects Funds are used to account for the construction and acquisition of capital assets.

- **Capital Projects** – This fund is used to account for the construction and acquisition of capital assets to be utilized by the City’s governmental funds.

**Permanent Fund**

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government’s programs.

- **Perpetual Care Permanent Fund** – This fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the community cemetery.

**CITY OF ELOY, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2012**

Special Revenue Funds

	Airport	LTAF	Impact Fee	Public Works Facility	JCEF	Court Recovery	Cemetery
<b>ASSETS</b>							
Cash	\$ 130,632	\$ 24,449	\$ 2,225,845	\$ 344,346	\$ 56,829	\$ 60,046	\$ 23,070
Accounts Receivable	27,987	-	-	-	-	-	2,967
Due from Other Governments	-	1	-	-	315	1,835	-
<b>Total Assets</b>	<b>\$ 158,619</b>	<b>\$ 24,450</b>	<b>\$ 2,225,845</b>	<b>\$ 344,346</b>	<b>\$ 57,144</b>	<b>\$ 61,881</b>	<b>\$ 26,037</b>
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities:							
Accounts Payable	\$ 5,994	\$ -	\$ -	\$ 69	\$ -	\$ 4,404	\$ 1,650
Accrued Wages and Benefits	106	-	-	-	-	-	745
<b>Total Liabilities</b>	<b>6,100</b>	<b>-</b>	<b>-</b>	<b>69</b>	<b>-</b>	<b>4,404</b>	<b>2,395</b>
Fund Balance:							
Restricted for:							
Roads and Highways	-	24,450	-	-	-	-	-
Capital Projects	-	-	2,225,845	-	-	-	-
Court Equipment	-	-	-	-	57,144	57,477	-
Cemetery	-	-	-	-	-	-	-
Committed for:							
Airport	152,519	-	-	-	-	-	-
Cemetery	-	-	-	-	-	-	23,642
Assigned for:							
Capital Projects	-	-	-	344,277	-	-	-
<b>Total Fund Balance</b>	<b>152,519</b>	<b>24,450</b>	<b>2,225,845</b>	<b>344,277</b>	<b>57,144</b>	<b>57,477</b>	<b>23,642</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 158,619</b>	<b>\$ 24,450</b>	<b>\$ 2,225,845</b>	<b>\$ 344,346</b>	<b>\$ 57,144</b>	<b>\$ 61,881</b>	<b>\$ 26,037</b>

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Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
Capital Projects	Perpetual Care	Funds
\$ 1,964,337	\$ 111,354	\$ 4,940,908
-	-	30,954
-	-	2,151
<u>\$ 1,964,337</u>	<u>\$ 111,354</u>	<u>\$ 4,974,013</u>

\$ 59,222	\$ -	\$ 71,339
-	-	851
<u>59,222</u>	<u>-</u>	<u>72,190</u>

-	-	24,450
-	-	2,225,845
-	-	114,621
-	111,354	111,354
-	-	152,519
-	-	23,642
<u>1,905,115</u>	<u>-</u>	<u>2,249,392</u>
<u>1,905,115</u>	<u>111,354</u>	<u>4,901,823</u>
<u>\$ 1,964,337</u>	<u>\$ 111,354</u>	<u>\$ 4,974,013</u>

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

	Special Revenue Funds						
	Airport	LTAF	Impact Fee	Public Works Facility	JCEF	Court Recovery Fund	Cemetery
<b>REVENUES:</b>							
Sales and Use Taxes	\$ -	\$ -	\$ -	\$ 353,357	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	6,500	-	-	13,112	-	-
Charges for Services	20,063	-	-	-	-	-	60,820
Impact Fees	-	-	50,521	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	36,184	-
Interest Revenue	390	446	6,787	-	-	-	-
Donations and Other	59,074	-	-	-	-	-	8,236
<b>Total Revenue</b>	<b>79,527</b>	<b>6,946</b>	<b>57,308</b>	<b>353,357</b>	<b>13,112</b>	<b>36,184</b>	<b>69,056</b>
<b>EXPENDITURES:</b>							
General Government	-	-	-	-	-	-	77,169
Public Works	25,568	83,728	-	-	-	-	-
Capital Outlay	4,301	-	2,940	9,080	406	-	-
Debt Service	25,368	-	-	-	-	52,849	-
<b>Total Expenditures</b>	<b>55,237</b>	<b>83,728</b>	<b>2,940</b>	<b>9,080</b>	<b>406</b>	<b>52,849</b>	<b>77,169</b>
Excess of Revenues Over (Under) Expenditures	24,290	(76,782)	54,368	344,277	12,706	(16,665)	(8,113)
Other Financing Sources (Uses):							
Transfers in	-	-	-	-	-	16,665	-
Transfers out	(20,626)	-	-	-	-	-	(2,495)
<b>Total Other Financing Sources (Uses):</b>	<b>(20,626)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,665</b>	<b>(2,495)</b>
<b>Net Change in Fund Balances</b>	<b>3,664</b>	<b>(76,782)</b>	<b>54,368</b>	<b>344,277</b>	<b>12,706</b>	<b>-</b>	<b>(10,608)</b>
<b>Fund Balances, Beginning of Year</b>	<b>148,855</b>	<b>101,232</b>	<b>2,171,477</b>	<b>-</b>	<b>44,438</b>	<b>57,477</b>	<b>34,250</b>
<b>Fund Balances, End of Year</b>	<b>\$ 152,519</b>	<b>\$ 24,450</b>	<b>\$ 2,225,845</b>	<b>\$ 344,277</b>	<b>\$ 57,144</b>	<b>\$ 57,477</b>	<b>\$ 23,642</b>

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<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Capital Projects</u>	<u>Perpetual Care</u>	
\$ -	\$ -	\$ 353,357
-	-	19,612
-	-	80,883
-	-	50,521
-	-	36,184
-	254	7,877
-	-	67,310
<u>-</u>	<u>-</u>	<u>67,310</u>
-	254	615,744
-	-	77,169
-	-	109,296
573,171	-	589,898
-	-	78,217
<u>573,171</u>	<u>-</u>	<u>854,580</u>
<u>(573,171)</u>	<u>254</u>	<u>(238,836)</u>
717,423	2,495	736,583
<u>(181,579)</u>	<u>-</u>	<u>(204,700)</u>
<u>535,844</u>	<u>2,495</u>	<u>531,883</u>
(37,327)	2,749	293,047
<u>1,942,442</u>	<u>108,605</u>	<u>4,608,776</u>
<u>\$ 1,905,115</u>	<u>\$ 111,354</u>	<u>\$ 4,901,823</u>

**CITY OF ELOY, ARIZONA**  
**AIRPORT SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2012**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Rents	\$ 60,810	\$ 60,810	\$ 59,074	\$ (1,736)
Charges for Services	11,500	11,500	20,063	8,563
Interest	150	150	390	240
Total Revenues	<u>72,460</u>	<u>72,460</u>	<u>79,527</u>	<u>7,067</u>
<b>EXPENDITURES:</b>				
Public Works:				
Salaries	3,270	3,270	3,278	(8)
Employee Benefits	1,300	1,300	1,314	(14)
Services, Supplies, and Other	28,490	28,490	20,976	7,514
Debt Service	25,400	25,400	25,368	32
Capital Outlay	35,960	35,960	4,301	31,659
Total Expenditures	<u>94,420</u>	<u>94,420</u>	<u>55,237</u>	<u>39,183</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>(21,960)</u>	<u>(21,960)</u>	<u>24,290</u>	<u>46,250</u>
Other Financing Sources (Uses):				
Transfers in (out)	<u>25,500</u>	<u>25,500</u>	<u>(20,626)</u>	<u>(46,126)</u>
Total Other Financing Sources (Uses):	<u>25,500</u>	<u>25,500</u>	<u>(20,626)</u>	<u>(46,126)</u>
Net Change in Fund Balance	3,540	3,540	3,664	124
Fund Balance, Beginning of Year	<u>148,855</u>	<u>148,855</u>	<u>148,855</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 152,395</u></u>	<u><u>\$ 152,395</u></u>	<u><u>\$ 152,519</u></u>	<u><u>\$ 124</u></u>

**CITY OF ELOY, ARIZONA**  
**LTAFF SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2012**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Revenue	\$ -	\$ -	\$ 6,500	\$ 6,500
Interest Revenue	500	500	446	(54)
Total Revenue	<u>500</u>	<u>500</u>	<u>6,946</u>	<u>6,446</u>
<b>EXPENDITURES:</b>				
Public Works	<u>165,000</u>	<u>165,000</u>	<u>83,728</u>	<u>81,272</u>
Total Expenditures	<u>165,000</u>	<u>165,000</u>	<u>83,728</u>	<u>81,272</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>(164,500)</u>	<u>(164,500)</u>	<u>(76,782)</u>	<u>87,718</u>
Net Change in Fund Balance	(164,500)	(164,500)	(76,782)	87,718
Fund Balance, Beginning of Year	<u>101,232</u>	<u>101,232</u>	<u>101,232</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (63,268)</u></u>	<u><u>\$ (63,268)</u></u>	<u><u>\$ 24,450</u></u>	<u><u>\$ 87,718</u></u>

**CITY OF ELOY, ARIZONA**  
**IMPACT FEE SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2012**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Impact Fees	\$ 137,000	\$ 137,000	\$ 50,521	\$ (86,479)
Interest Revenue	8,500	8,500	6,787	(1,713)
Total Revenue	<u>145,500</u>	<u>145,500</u>	<u>57,308</u>	<u>(88,192)</u>
<b>EXPENDITURES:</b>				
Capital Outlay	350,500	350,500	2,940	347,560
Total Expenditures	<u>350,500</u>	<u>350,500</u>	<u>2,940</u>	<u>347,560</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>(205,000)</u>	<u>(205,000)</u>	<u>54,368</u>	<u>259,368</u>
Other Financing Sources (Uses):				
Transfers out	-	-	-	-
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(205,000)	(205,000)	54,368	259,368
Fund Balance, Beginning of Year	<u>2,171,477</u>	<u>2,171,477</u>	<u>2,171,477</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,966,477</u>	<u>\$ 1,966,477</u>	<u>\$ 2,225,845</u>	<u>\$ 259,368</u>

**CITY OF ELOY, ARIZONA**  
**PUBLIC WORKS FACILITY SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2012**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Sales and Use Taxes	\$ -	\$ -	\$ 353,357	\$ 353,357
Total Revenue	-	-	353,357	353,357
<b>EXPENDITURES:</b>				
Capital Outlay	250,000	250,000	9,080	240,920
Total Expenditures	250,000	250,000	9,080	240,920
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(250,000)	(250,000)	344,277	594,277
Other Financing Sources (Uses):				
Transfers in	250,000	250,000	-	(250,000)
Total Other Financing Sources (Uses):	250,000	250,000	-	(250,000)
Net Change in Fund Balance	-	-	344,277	344,277
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ 344,277	\$ 344,277

**CITY OF ELOY, ARIZONA**  
**JCEF SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2012**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Revenue	\$ 9,800	\$ 9,800	\$ 13,112	\$ 3,312
Total Revenue	9,800	9,800	13,112	3,312
<b>EXPENDITURES:</b>				
Capital Outlay	9,800	9,800	406	9,394
Total Expenditures	9,800	9,800	406	9,394
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	-	-	12,706	12,706
Net Change in Fund Balance	-	-	12,706	12,706
Fund Balance, Beginning of Year	44,438	44,438	44,438	-
Fund Balance, End of Year	\$ 44,438	\$ 44,438	\$ 57,144	\$ 12,706

**CITY OF ELOY, ARIZONA**  
**COURT RECOVERY SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2012**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Fines and Forfeitures	\$ 40,000	\$ 40,000	\$ 36,184	\$ (3,816)
Total Revenue	40,000	40,000	36,184	(3,816)
<b>EXPENDITURES:</b>				
Debt Service	65,000	65,000	52,849	12,151
Total Expenditures	65,000	65,000	52,849	12,151
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(25,000)	(25,000)	(16,665)	8,335
Other Financing Sources (Uses):				
Transfers in	25,000	25,000	16,665	(8,335)
Total Other Financing Sources (Uses):	25,000	25,000	16,665	(8,335)
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning of Year	57,477	57,477	57,477	-
Fund Balance, End of Year	\$ 57,477	\$ 57,477	\$ 57,477	\$ -

**CITY OF ELOY, ARIZONA**  
**CEMETERY SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2012**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Charges for Services	\$ 81,235	\$ 81,235	\$ 60,820	\$ (20,415)
Donations and Other	11,260	11,260	8,236	(3,024)
Total Revenue	<u>92,495</u>	<u>92,495</u>	<u>69,056</u>	<u>(23,439)</u>
<b>EXPENDITURES:</b>				
General Government	<u>88,955</u>	<u>88,955</u>	<u>77,169</u>	<u>11,786</u>
Total Expenditures	<u>88,955</u>	<u>88,955</u>	<u>77,169</u>	<u>11,786</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>3,540</u>	<u>3,540</u>	<u>(8,113)</u>	<u>(11,653)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(3,540)</u>	<u>(3,540)</u>	<u>(2,495)</u>	<u>1,045</u>
Total Other Financing Sources (Uses):	<u>(3,540)</u>	<u>(3,540)</u>	<u>(2,495)</u>	<u>1,045</u>
Net Change in Fund Balance	-	-	(10,608)	(10,608)
Fund Balance, Beginning of Year	<u>34,250</u>	<u>34,250</u>	<u>34,250</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 34,250</u>	<u>\$ 34,250</u>	<u>\$ 23,642</u>	<u>\$ (10,608)</u>

**CITY OF ELOY, ARIZONA**  
**CAPITAL PROJECTS FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2012**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Donations and Other	\$ -	\$ -	\$ -	\$ -
Total Revenue	-	-	-	-
<b>EXPENDITURES:</b>				
Capital Outlay	2,044,500	2,044,500	573,171	1,471,329
Total Expenditures	2,044,500	2,044,500	573,171	1,471,329
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(2,044,500)	(2,044,500)	(573,171)	1,471,329
Other Financing Sources (Uses):				
Transfers in	506,500	506,500	717,423	210,923
Transfers out	-	-	(181,579)	(181,579)
Total Other Financing Sources (Uses):	506,500	506,500	535,844	29,344
Net Change in Fund Balance	(1,538,000)	(1,538,000)	(37,327)	1,500,673
Fund Balance, Beginning of Year	1,942,442	1,942,442	1,942,442	-
Fund Balance, End of Year	<u>\$ 404,442</u>	<u>\$ 404,442</u>	<u>\$ 1,905,115</u>	<u>\$ 1,500,673</u>

**CITY OF ELOY, ARIZONA**  
**PERPETUAL CARE PERMANENT FUND**  
**Schedule of Revenues, Expenses, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2012**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Charges for Services	\$ -	\$ -	\$ -	\$ -
Interest Revenue	500	500	254	(246)
Total Revenue	500	500	254	(246)
<b>EXPENDITURES:</b>				
General Government	4,040	4,040	-	4,040
Total Expenditures	4,040	4,040	-	4,040
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(3,540)	(3,540)	254	3,794
Other Financing Sources (Uses):				
Transfers in	3,540	3,540	2,495	(1,045)
Total Other Financing Sources (Uses):	3,540	3,540	2,495	(1,045)
Net Change in Fund Balance	-	-	2,749	2,749
Fund Balance, Beginning of Year	108,605	108,605	108,605	-
Fund Balance, End of Year	<u>\$ 108,605</u>	<u>\$ 108,605</u>	<u>\$ 111,354</u>	<u>\$ 2,749</u>

## STATISTICAL SECTION

This part of the City of Eloy’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends .....	71
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well being have changed over time.</i>	
Revenue Capacity .....	76
<i>These schedules contain information to help the reader assess the government’s property taxes and the most significant local revenues source, the sales tax.</i>	
Debt Capacity .....	82
<i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information.....	86
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information .....	89
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	

**CITY OF ELOY, ARIZONA**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

Fiscal Year	Fiscal Year									
	<u>2003*</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Governmental Activities</b>										
Net Investment in Capital Assets:	\$ -	\$ 5,053,159	\$ 5,597,733	\$ 8,746,981	\$ 10,520,431	\$ 10,963,272	\$ 13,325,913	\$ 16,151,406	\$ 15,002,289	\$ 15,985,323
Restricted	-	1,640,154	3,096,941	3,821,864	5,556,173	8,049,208	10,268,206	7,273,444	5,429,281	4,978,419
Unrestricted	-	1,633,119	950,379	2,827,121	4,480,947	8,617,832	7,964,489	8,009,711	13,164,747	14,507,592
Total Governmental Activities Net Assets	\$ -	\$ 8,326,432	\$ 9,645,053	\$ 15,395,966	\$ 20,557,551	\$ 27,630,312	\$ 31,558,608	\$ 31,434,561	\$ 33,596,317	\$ 35,471,334
<b>Business-type activities</b>										
Net Investment in Capital Assets:	\$ -	\$ 2,503,907	\$ 3,976,728	\$ 5,061,783	\$ 5,024,582	\$ 5,415,998	\$ 7,665,730	\$ 9,775,100	\$ 9,532,520	\$ 9,090,283
Restricted	-	-	-	269,560	311,257	380,056	379,454	343,584	289,448	291,532
Unrestricted	-	(762,817)	(333,944)	(1,465,858)	(3,145,956)	(3,195,169)	(2,739,943)	(2,965,864)	(2,760,273)	(2,496,712)
Total Business-Type Activities Net Assets	\$ -	\$ 1,741,090	\$ 3,642,784	\$ 3,865,485	\$ 2,189,883	\$ 2,600,885	\$ 5,305,241	\$ 7,152,820	\$ 7,061,695	\$ 6,885,103
<b>Primary government</b>										
Net Investment in Capital Assets:	\$ -	\$ 7,557,066	\$ 9,574,461	\$ 13,808,764	\$ 15,545,013	\$ 16,379,270	\$ 20,991,643	\$ 25,926,506	\$ 24,534,809	\$ 25,075,606
Restricted	-	1,640,154	3,096,941	4,091,424	5,867,430	8,429,264	10,647,660	7,617,028	5,718,729	5,269,951
Unrestricted	-	870,302	616,435	1,361,263	1,334,991	5,422,663	5,224,546	5,043,847	10,404,475	12,010,880
	\$ -	\$ 10,067,522	\$ 13,287,837	\$ 19,261,451	\$ 22,747,434	\$ 30,231,197	\$ 36,863,849	\$ 38,587,381	\$ 40,658,013	\$ 42,356,437

\* Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

**CITY OF ELOY, ARIZONA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

Expenses	Fiscal Year									
	2003*	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities:</b>										
General Government	\$ -	\$ 2,508,825	\$ 2,803,340	\$ 8,319,675	\$ 39,069,442	\$ 39,039,411	\$ 40,977,710	\$ 41,557,237	\$ 2,878,214	\$ 2,451,503
CCA Passthrough	-	-	-	-	-	-	-	-	38,053,366	37,964,365
Public Safety	-	3,091,169	3,019,759	3,769,710	4,010,314	3,805,011	4,591,751	4,574,432	3,744,811	4,106,470
Public Works	-	1,609,599	1,461,415	2,045,436	2,390,394	2,914,884	3,170,470	1,797,012	2,609,546	2,509,477
Culture and Recreation	-	1,012,065	962,893	1,108,839	1,077,769	1,248,404	1,303,247	1,178,676	1,570,243	1,438,463
Community Development	-	-	-	-	-	-	-	-	-	597,877
Health and Welfare	-	-	-	86,907	24,067	103,896	84,934	18,618	-	290,000
Interest on Long-Term Debt	-	110,673	98,177	190,454	128,102	179,565	175,834	93,818	63,294	58,225
<b>Total Governmental Activities Expenses</b>	<b>-</b>	<b>8,332,331</b>	<b>8,345,584</b>	<b>15,521,021</b>	<b>46,700,088</b>	<b>47,291,171</b>	<b>50,303,946</b>	<b>49,219,793</b>	<b>48,919,474</b>	<b>49,416,380</b>
<b>Business-Type Activities:</b>										
Water	-	1,304,661	1,702,780	1,931,084	2,449,351	1,906,929	1,978,848	1,938,888	1,800,394	1,950,484
Sewer	-	1,098,685	1,078,813	993,279	1,232,493	1,094,058	1,476,568	1,442,414	1,308,335	2,264,921
Sanitation and Other	-	933,963	894,983	1,175,329	1,270,086	1,188,915	1,178,667	5,398,863	1,375,054	1,379,485
Memorial Park	-	64,075	78,289	-	-	-	-	-	-	-
Airport	-	49,387	73,396	-	-	-	-	-	-	-
<b>Total Business-Type Activities Expenses</b>	<b>-</b>	<b>3,450,771</b>	<b>3,828,261</b>	<b>4,099,692</b>	<b>4,951,930</b>	<b>4,189,902</b>	<b>4,634,083</b>	<b>8,780,165</b>	<b>4,483,783</b>	<b>5,594,890</b>
<b>Total Primary Government Expenses</b>	<b>\$ -</b>	<b>\$ 11,783,102</b>	<b>\$ 12,173,845</b>	<b>\$ 19,620,713</b>	<b>\$ 51,652,018</b>	<b>\$ 51,481,073</b>	<b>\$ 54,938,029</b>	<b>\$ 57,999,958</b>	<b>\$ 53,403,257</b>	<b>\$ 55,011,270</b>
<b>Program Revenues</b>										
<b>Governmental Activities:</b>										
<b>Charges for Services:</b>										
General Government	-	616,307	1,115,204	6,770,433	35,873,813	36,281,572	38,079,648	38,389,247	618,181	589,588
Public Safety	-	4,752	63,946	588,580	656,561	1,315,283	289,858	282,085	380,459	332,861
Public Works	-	-	-	187,878	290,368	86,457	402,654	89,682	72,434	79,779
Culture and Recreation	-	15,676	26,941	20,571	24,896	25,185	24,407	21,863	19,598	18,350
Operating Grants and Contributions	-	2,178,095	2,184,007	2,593,428	2,893,405	3,372,261	2,398,640	2,324,873	40,249,113	39,824,399
Capital Grants and Contributions	-	-	-	1,306,561	931,184	1,090,919	3,103,924	674,887	1,314,342	1,251,911
<b>Total Governmental Activities Program Revenues</b>	<b>-</b>	<b>2,814,830</b>	<b>3,390,098</b>	<b>11,467,451</b>	<b>40,670,227</b>	<b>42,171,677</b>	<b>44,299,131</b>	<b>41,782,637</b>	<b>42,654,127</b>	<b>42,096,888</b>
<b>Business-Type Activities:</b>										
<b>Charges for Services:</b>										
Water	-	3,615,614	1,609,750	1,681,997	1,496,447	1,623,516	1,838,440	1,867,418	1,734,300	1,781,941
Sewer	-	-	944,830	835,754	819,109	925,591	1,025,676	1,053,803	977,215	945,290
Sanitation and Other	-	-	935,797	1,010,678	1,202,242	1,239,003	1,329,058	1,331,779	1,312,906	1,476,130
Memorial Park	-	138,315	86,545	-	-	-	-	-	-	-
Airport	-	-	80,038	-	-	-	-	-	-	-
Operating Grants and Contributions	-	-	603,806	-	-	-	-	-	-	-
Capital Grants and Contributions	-	395,793	1,287,356	2,474,963	512,508	113,016	2,314,606	2,821,830	69,930	792,051
<b>Total Business-Type Activities Program Revenues</b>	<b>-</b>	<b>4,149,722</b>	<b>5,548,122</b>	<b>6,003,392</b>	<b>4,030,306</b>	<b>3,901,126</b>	<b>6,507,780</b>	<b>7,074,830</b>	<b>4,094,351</b>	<b>4,995,412</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ -</b>	<b>\$ 6,964,552</b>	<b>\$ 8,938,220</b>	<b>\$ 17,470,843</b>	<b>\$ 44,700,533</b>	<b>\$ 46,072,803</b>	<b>\$ 50,806,911</b>	<b>\$ 48,857,467</b>	<b>\$ 46,748,478</b>	<b>\$ 47,092,300</b>

(continued)

**CITY OF ELOY, ARIZONA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(Continued)**

	<u>2003*</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Net (expense)/revenue</b>										
Governmental Activities	\$ -	\$ (5,517,501)	\$ (4,955,486)	\$ (4,053,570)	\$ (6,029,861)	\$ (5,119,494)	\$ (6,004,815)	\$ (7,437,156)	\$ (6,265,347)	\$ (7,319,492)
Business-Type Activities	-	698,951	1,719,861	1,903,700	(921,624)	(288,776)	1,873,697	(1,705,335)	(389,432)	(599,478)
Total Primary Government Net Expense	\$ -	\$ (4,818,550)	\$ (3,235,625)	\$ (2,149,870)	\$ (6,951,485)	\$ (5,408,270)	\$ (4,131,118)	\$ (9,142,491)	\$ (6,654,779)	\$ (7,918,970)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
City Sales Tax	\$ -	\$ 2,941,389	\$ 3,314,147	\$ 4,734,172	\$ 7,113,852	\$ 8,444,552	6,446,587	\$ 3,787,899	\$ 5,087,733	\$ 5,160,839
State Sales taxes	-	872,849	961,143	1,101,748	1,057,403	1,022,432	885,140	816,412	887,563	1,299,551
Auto Lieu Tax	-	489,963	502,289	639,807	696,508	753,544	728,472	696,980	682,530	703,979
State Sales taxes-Revenue Sharing	-	935,507	953,748	1,086,256	1,263,084	1,565,622	1,665,549	1,436,354	1,082,827	1,403,669
Property tax	-	397,381	430,980	558,062	476,317	580,882	648,196	713,073	786,184	846,923
Franchise tax	-	104,217	106,263	118,019	112,137	135,324	129,343	121,542	132,653	135,939
Unrestricted Investment Earnings	-	11,470	40,949	118,291	297,313	373,733	232,670	137,475	63,965	64,587
Gain on Sale of Assets	-	-	139,447	-	174,832	-	-	-	-	-
Transfers	-	(168,635)	(174,859)	(79,961)	-	(683,834)	(802,846)	(396,626)	(296,353)	(420,978)
Total Governmental Activities	-	5,584,141	6,274,107	8,276,394	11,191,446	12,192,255	9,933,111	7,313,109	8,427,102	9,194,509
Business-Type Activities:										
Unrestricted Investment Earnings	-	2,181	6,974	11,580	33,638	15,944	27,813	4,152	1,954	1,908
Transfers	-	168,635	174,859	79,961	-	683,834	802,846	396,626	296,353	420,978
Total Business-Type Activities	-	170,816	181,833	91,541	33,638	699,778	830,659	400,778	298,307	422,886
Total Primary Government	\$ -	\$ 5,754,957	\$ 6,455,940	\$ 8,367,935	\$ 11,225,084	\$ 12,892,033	\$ 10,763,770	\$ 7,713,887	\$ 8,725,409	\$ 9,617,395
<b>Change in Net Asset</b>										
Governmental Activities	\$ -	\$ 66,640	\$ 1,318,621	\$ 4,222,824	\$ 5,161,585	\$ 7,072,761	\$ 3,928,296	\$ (124,047)	\$ 2,161,755	\$ 1,875,017
Business-Type Activities	-	869,767	1,901,694	1,995,241	(887,986)	411,002	2,704,356	(1,304,557)	(91,125)	(176,592)
Total Primary Government	\$ -	\$ 936,407	\$ 3,220,315	\$ 6,218,065	\$ 4,273,599	\$ 7,483,763	\$ 6,632,652	\$ (1,428,604)	\$ 2,070,630	\$ 1,698,425

\* Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

**CITY OF ELOY, ARIZONA**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>General Fund</b>										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,589,430	1,675,989	2,172,591	3,908,190	6,130,614	8,421,061	7,954,418	8,009,884	8,766,677	9,855,191
<b>Total General Fund</b>	<b>\$ 1,589,430</b>	<b>\$ 1,675,989</b>	<b>\$ 2,172,591</b>	<b>\$ 3,908,190</b>	<b>\$ 6,130,614</b>	<b>\$ 8,421,061</b>	<b>\$ 7,954,418</b>	<b>\$ 8,009,884</b>	<b>\$ 8,766,677</b>	<b>\$ 9,855,191</b>
<b>All other Governmental Funds</b>										
Reserved:										
Roads and Highways	\$ -	\$ 950,272	\$ 945,612	\$ 1,283,364	\$ 1,954,498	\$ 4,387,854	\$ 7,926,530	\$ 5,391,080	\$ 2,885,592	\$ 2,379,018
Capital Projects	-	-	1,352,273	637,788	1,167,674	3,051,765	4,077,563	3,646,925	2,171,477	2,225,845
Court Equipment	-	-	-	114,111	147,972	77,675	87,644	95,200	101,915	114,621
Cemetery	-	-	-	25,923	-	-	-	-	108,605	111,354
Other Purposes	1,720,945	689,882	785,467	522,661	446,995	531,914	542,002	434,694	161,692	147,581
Committed for:										
Airport	-	-	-	131,349	140,451	140,925	114,271	140,275	148,855	152,519
Cemetery	-	-	-	-	23,371	39,896	48,702	42,794	34,250	23,642
Roads and Highways	-	-	-	-	-	-	-	-	2,684,334	2,684,334
Assigned for:										
Capital Projects	-	-	-	-	-	-	-	-	1,942,442	2,249,392
Unassigned:	-	-	-	-	-	-	-	-	-	-
<b>Total all other Governmental Funds</b>	<b>\$ 1,720,945</b>	<b>\$ 1,640,154</b>	<b>\$ 3,083,352</b>	<b>\$ 2,715,196</b>	<b>\$ 3,880,961</b>	<b>\$ 8,230,029</b>	<b>\$ 12,796,712</b>	<b>\$ 9,750,968</b>	<b>\$ 10,239,162</b>	<b>\$ 10,088,306</b>

**CITY OF ELOY, ARIZONA**  
**Changes in Fund Balance of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Revenues</b>										
Taxes	\$ 3,226,151	\$ 3,442,980	\$ 3,836,516	\$ 8,244,935	\$ 10,723,392	\$ 12,505,986	\$ 10,472,716	\$ 7,555,102	\$ 8,661,228	\$ 9,573,651
Licenses and Permits	157,000	235,615	403,314	724,423	897,405	1,352,303	654,224	311,252	415,189	361,173
Intergovernmental	5,148,023	4,476,414	4,601,187	3,654,447	3,636,904	3,307,019	4,137,474	3,052,439	3,416,710	3,208,954
Charges for Services	38,028	46,036	375,620	118,662	103,595	114,303	119,015	118,283	105,856	113,925
Impact Fees	-	-	-	432,400	530,406	715,465	59,193	110,755	114,901	50,521
Fines and Forfeitures	214,598	255,551	266,792	292,066	364,033	381,384	340,520	292,267	277,601	264,739
Interest	(28,828)	11,470	40,949	118,291	297,313	373,733	232,670	137,475	63,965	64,587
CCA pass-through	-	-	-	5,945,019	34,950,830	35,327,401	37,205,992	37,738,433	38,053,366	37,964,365
Other Revenues	67,927	99,533	160,365	300,434	187,054	973,802	130,040	159,211	270,504	133,214
<b>Total Revenues</b>	<b>\$ 8,822,899</b>	<b>\$ 8,567,599</b>	<b>\$ 9,684,743</b>	<b>\$ 19,830,677</b>	<b>\$ 51,690,932</b>	<b>\$ 55,051,396</b>	<b>\$ 53,351,844</b>	<b>\$ 49,475,217</b>	<b>\$ 51,379,320</b>	<b>\$ 51,735,129</b>
<b>Expenditures</b>										
Current:										
General Government	\$ 2,615,393	\$ 2,437,850	\$ 2,806,405	\$ 2,272,310	\$ 3,681,115	\$ 3,490,572	\$ 3,093,446	\$ 2,588,439	\$ 2,729,089	\$ 2,262,749
Public Safety	2,851,447	2,968,827	3,262,770	3,606,255	3,824,777	3,644,286	3,959,263	3,717,712	3,462,398	3,727,083
Public Works	2,663,939	1,714,639	1,912,079	2,052,251	2,179,189	2,572,959	2,787,310	2,401,112	2,038,234	2,057,173
Health and Welfare	-	-	-	10,798	24,071	103,790	84,842	18,587	-	290,000
Community Development	-	-	-	-	-	-	-	-	-	597,877
Culture and Recreation	1,820,155	1,061,888	1,099,607	1,040,826	1,010,410	1,163,310	1,209,750	1,239,954	1,209,228	1,270,781
CCA pass-through	-	-	-	5,923,351	34,922,393	35,327,401	37,205,992	37,738,433	38,053,366	37,964,365
Capital Outlay	-	-	-	2,733,783	2,043,192	1,249,583	2,649,461	2,281,142	1,421,235	1,485,800
Debt service:										
Principal	209,680	220,968	229,995	684,011	740,497	578,008	508,096	1,996,608	855,204	641,584
Interest and Fiscal Charges	122,323	110,673	98,177	174,494	153,928	151,198	151,198	86,882	69,226	79,082
<b>Total Expenditures</b>	<b>10,282,937</b>	<b>8,514,845</b>	<b>9,409,033</b>	<b>18,498,079</b>	<b>48,579,572</b>	<b>48,281,107</b>	<b>51,648,958</b>	<b>52,068,869</b>	<b>49,837,980</b>	<b>50,376,494</b>
Revenues over (under) Expenditures	(1,460,038)	52,754	275,710	1,332,598	3,111,360	6,770,289	1,702,886	(2,593,652)	1,541,340	1,358,635
<b>Other Finance Sources (Uses)</b>										
Sale of Assets	-	-	205,000	-	276,832	3,060	-	-	-	-
Bond Proceeds	743,756	50,000	1,633,949	-	-	550,000	3,200,000	-	-	-
Transfers in (out)	(56,816)	(168,635)	(174,859)	(79,960)	-	(683,834)	(802,846)	(396,626)	(296,353)	(420,978)
Total other Finance Sources (uses)	686,940	(118,635)	1,664,090	(79,960)	276,832	(130,774)	2,397,154	(396,626)	(296,353)	(420,978)
<b>Net Change in Fund Balances</b>	<b>\$ (773,098)</b>	<b>\$ (65,881)</b>	<b>\$ 1,939,800</b>	<b>\$ 1,252,638</b>	<b>\$ 3,388,192</b>	<b>\$ 6,639,515</b>	<b>\$ 4,100,040</b>	<b>\$ (2,990,278)</b>	<b>\$ 1,244,987</b>	<b>\$ 937,657</b>
Debt Service as a Percentage of Noncapital Expenditures	3.34%	4.05%	3.61%	5.76%	1.96%	1.57%	1.36%	4.37%	1.95%	1.50%

**CITY OF ELOY, ARIZONA**  
**Assessed, Limited and Full Cash Value of Taxable Property**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Limited Property Value -Primary</u>		<u>Full Cash Value-Secondary</u>		<u>Ratio of Net Assessed to Total Values</u>
	<u>Net Assessed Value</u>	<u>Total Value</u>	<u>Net Assessed Value</u>	<u>Total Value</u>	
2002-2003	28,041,451	192,568,062	29,217,647	200,815,946	15%
2003-2004	30,083,715	220,730,828	32,092,485	230,987,841	14%
2004-2005	31,345,318	228,572,057	32,608,443	236,283,676	14%
2005-2006	33,084,566	239,929,880	34,074,814	246,154,691	14%
2006-2007	35,488,716	264,545,940	36,833,437	271,302,992	14%
2007-2008	47,148,069	353,590,419	63,489,149	456,137,673	14%
2008-2009	70,389,857	530,151,332	119,026,192	842,248,039	14%
2009-2010	81,605,192	616,477,382	125,354,097	900,434,027	14%
2010-2011	101,317,831	747,069,356	115,615,201	821,585,705	14%
2011-2012	90,183,109	659,116,219	94,517,290	675,875,514	14%

Source: Pinal County Assessor

**CITY OF ELOY, ARIZONA**  
**Property Tax Rates - Direct and Overlapping Governments**  
**(Inclusive of Primary & Secondary Tax Rates)**  
**Per \$100 of Assessed Value**  
**Last Ten Fiscal Years**

Tax Authority	Fiscal Year									
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
City of Eloy	1.3551	1.3549	1.3497	1.3266	1.2917	1.2326	0.9514	0.8363	0.8195	0.9562
Pinal County	4.4532	4.4532	4.4532	4.4532	4.3035	4.0183	3.4355	3.2316	3.9999	3.9999
Eloy Fire District	1.7690	1.7734	1.8429	1.9546	1.9792	1.9533	1.6388	1.6881	1.9655	2.2835
Pinal County Jr. College	2.1737	2.1737	2.1500	2.1000	2.0528	1.8000	1.4100	1.4636	1.5854	1.8529
Toltec Elementary School District	3.0460	3.0228	2.2815	4.8805	3.6983	3.1657	3.0585	2.3283	2.3255	2.3255
Casa Grande Union High School District	3.1322	3.0307	2.9961	2.9355	2.8074	3.2091	2.8887	2.3972	2.3624	2.4860
Santa Cruz Unified School District	4.4467	4.4168	4.4011	4.4050	4.2236	4.0708	3.9656	3.7581	3.6517	3.7308
Eloy Elementary School District	5.7704	5.5230	6.9661	6.0801	6.2520	5.5102	5.4636	4.0013	3.9656	4.1156
Other Taxing Authorities	0.9112	0.8741	0.8592	0.8383	0.3834	0.3692	0.4008	0.7516	0.7878	0.8664

Source: Pinal County Treasurer

**CITY OF ELOY, ARIZONA**  
**Property Tax Billings and Collections**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Current Assessments Billed</u>	<u>Total Current Assessments Collected</u>	<u>Ratio of Collections to Amount Due</u>	<u>Total Current Outstanding Assessments</u>
2002-2003	*	*	0.00%	*
2003-2004	*	*	0.00%	*
2004-2005	*	*	0.00%	*
2005-2006	439,836	439,135	99.84%	701
2006-2007	468,028	467,246	99.83%	782
2007-2008	580,736	579,726	99.83%	1,010
2008-2009	657,975	650,178	98.82%	7,796
2009-2010	721,062	701,389	97.27%	19,673
2010-2011	829,433	796,574	96.04%	32,859
2011-2012	850,209	796,594	93.69%	53,614

Source: Pinal County Assessors Office and City of Eloy Finance Department

\* Means no data available during that fiscal year.

**CITY OF ELOY, ARIZONA**  
**Sales Tax Revenues by Industry**  
**Fiscal Years 2012, 2011, 2010, 2009, 2008 and 2007**

	Fiscal Year 2006-2007		Fiscal Year 2007-2008		Fiscal Year 2008-2009		Fiscal Year 2009-2010		Fiscal Year 2010-2011		Fiscal Year 2011-2012	
	Tax Paid	Percentage of Total										
Construction	\$ 3,778,353	53.11%	\$ 4,909,603	58.16%	\$ 2,998,610	46.51%	\$ 830,116	20.15%	\$ 1,637,402	31.17%	\$ 1,257,602	24.59%
Manufacturing	144,267	2.03%	162,936	1.93%	215,210	3.34%	286,748	6.96%	273,899	5.21%	268,820	5.26%
Transportation/Communication/ Utilities	580,435	8.16%	677,648	8.03%	683,760	10.61%	684,547	16.62%	659,001	12.55%	638,519	12.49%
Wholesale Trade	10,730	0.15%	33,601	0.40%	63,534	0.99%	91,143	2.21%	124,332	2.37%	118,652	2.32%
Retail Trade	853,859	12.00%	926,918	10.98%	1,071,019	16.61%	940,694	22.84%	981,398	18.68%	1,172,126	22.92%
Restaurants/Bars	1,112,458	15.64%	1,062,237	12.58%	942,401	14.62%	836,373	20.30%	1,042,401	19.84%	1,107,200	21.65%
Insurance/Real Estate	85,739	1.21%	129,904	1.54%	101,791	1.58%	121,700	2.95%	219,347	4.18%	202,784	3.97%
Hotel/Lodging	125,886	1.77%	127,598	1.51%	87,157	1.35%	84,893	2.06%	84,651	1.61%	82,686	1.62%
Services	330,193	4.64%	305,641	3.62%	129,296	2.01%	154,429	3.75%	126,222	2.40%	156,361	3.06%
All Other	91,929	1.29%	105,883	1.25%	153,807	2.39%	88,512	2.15%	104,424	1.99%	109,512	2.14%
Total	\$ 7,113,848	100.00%	\$ 8,441,969	100.00%	\$ 6,446,586	100.00%	\$ 4,119,155	100.00%	\$ 5,253,078	100.00%	\$ 5,114,261	100.00%

Source: Arizona Department of Revenue

Note:

The categories presented are intended to provide alternative information regarding the source of the City's revenue. Information prior to 2006 is not available.

**CITY OF ELOY, ARIZONA**  
**Direct and Overlapping Sales Tax Rates**  
**As of June 30, 2012**

	<u>Rates</u>		
	<u>City</u>	<u>State and Pinal County</u>	<u>Combined</u>
Privilege Tax, except retail, utilities, and telecommunication	3.0%	7.70%	10.700%
Retail	3.0%	7.70%	10.700%
Retail - privilege tax for single item over \$6,000	1.5%	7.70%	9.200%
Hotel/Motel (additional Tax)	4.0%	7.70%	11.700%
Restaurant/Bar	6.0%	7.70%	13.700%
Use Tax	3.0%	6.60%	9.600%
Construction	4.5%	7.70%	12.200%

Sources: City of Eloy Finance Department and Arizona Department of Revenue

**CITY OF ELOY, ARIZONA**  
**Actual Excise Tax Collections**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

<u>Fiscal Year</u>	<u>City Sales Tax</u>	<u>State Shared Sales Tax</u>	<u>Urban Revenue Share</u>	<u>Franchise Tax</u>	<u>Vehicle License Tax</u>	<u>Total</u>
2002-2003	2,562,136	808,768	1,104,223	100,400	411,976	4,987,503
2003-2004	2,941,389	792,827	935,507	102,768	484,673	5,257,164
2004-2005	3,164,171	961,143	953,748	79,577	502,289	5,660,928
2005-2006	4,734,172	1,101,748	1,086,256	118,018	639,807	7,680,001
2006-2007	7,113,848	1,057,403	1,263,084	112,137	696,508	10,242,980
2007-2008	8,441,969	1,022,432	1,565,622	135,324	753,544	11,918,891
2008-2009	6,446,586	885,140	1,665,549	129,343	728,472	9,855,090
2009-2010	4,119,155	816,413	1,436,354	121,542	696,980	7,190,444
2010-2011	5,253,078	887,563	1,082,827	132,654	682,530	8,038,652
2011-2012	5,114,261	1,229,551	1,403,669	135,939	703,979	8,587,399

Source: City of Eloy Finance Department and Department of Revenue

**CITY OF ELOY, ARIZONA**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities			Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita (a)
	Capital Leases	General Obligation Bonds	Loans Payable	Capital Leases	General Obligation Bonds	Revenue Bonds	Loans Payable			
2002-2003	1,071,915	2,267,033	-	330,611	1,087,967	1,302,952	4,304,610	10,365,088	*	\$ 982
2003-2004	906,885	2,046,065	-	274,730	883,934	1,233,639	4,109,076	9,454,329	*	908
2004-2005	2,182,075	1,816,070	-	505,417	663,931	1,158,668	3,909,020	10,235,181	*	1,002
2005-2006	1,959,931	1,528,160	-	304,247	466,841	1,083,010	4,784,338	10,126,527	*	966
2006-2007	1,584,470	1,141,332	-	172,586	348,668	1,001,632	4,573,580	8,822,268	*	824
2007-2008	1,436,419	746,845	536,932	93,123	228,155	914,502	4,351,499	8,307,475	*	650
2008-2009	1,295,853	333,208	3,711,329	35,687	101,792	826,585	7,548,401	13,852,855	*	948
2009-2010	1,149,118	176,179	2,076,403	12,163	53,821	732,845	8,023,437	12,223,966	*	735
2010-2011	1,059,802	-	1,516,872	-	-	633,244	7,735,701	10,945,619	*	658
2011-2012	965,877	-	956,582	-	-	612,743	7,389,455	9,924,657	*	585

(a) See page 86 for population data.

\* Means no data available during that fiscal year.

**CITY OF ELOY, ARIZONA**  
**Computation of Direct and Overlapping Debt**  
**June 30, 2012**

Jurisdiction	2011-2012 Secondary Assessed Valuation	Net Debt Outstanding	Percentage Applicable to the City of Eloy	Amount Applicable to the City of Eloy	2011-2012 Combined Tax Rate Per \$100 Assessed
State of Arizona	\$ 61,700,292,915	\$ -	0.15%	\$ -	None
Pinal County	\$ 2,218,641,620	\$ -	4.26%	\$ -	4.8563%
Central Arizona Valley Institute of Technology	\$ 1,395,502,252	\$ -	6.77%	\$ -	0.0500%
Eloy Fire District	\$ 94,510,311	\$ -	100.00%	\$ -	2.2835%
Toltec ESD #022	\$ 87,251,693	\$ 4,000,000	50.63%	\$ 2,025,116	2.3255%
Casa Grande UHS #82	\$ 592,392,337	\$ 31,880,000	7.46%	\$ 2,377,260	2.4860%
Eloy ESD #011	\$ 25,227,779	\$ 1,490,000	50.25%	\$ 748,695	4.1156%
Santa Cruz Valley UHS #840	\$ 113,000,113	\$ 8,070,000	11.22%	\$ 905,276	3.7308%
Pinal County Jr. College	\$ 2,218,641,620	\$ 97,150,000	4.26%	\$ 4,138,784	1.8529%
<b>City of Eloy</b>	<b>\$ 94,517,290</b>	<b>\$ 9,924,657</b>	<b>100.00%</b>	<b>\$ 9,924,657</b>	<b>0.9562%</b>
		<u><b>\$ 152,514,657</b></u>		<u><b>\$ 20,119,789</b></u>	<u><b>22.6568%</b></u>

Source: Assessed value data used to estimate applicable percentages provided by Pinal County Assessor's Office. Debt outstanding data provided by each governmental agency.

Note:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Eloy. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsibility for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining their portion of Pinal County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

**CITY OF ELOY, ARIZONA**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
Secondary Assessed Value	\$ 29,217,647	\$ 32,092,485	\$ 32,608,443	\$ 34,074,814	\$ 36,833,437	\$ 63,489,149	\$ 119,026,192	\$ 125,354,097	\$ 115,615,201	\$ 94,517,290
<b>20% Limitation (a)</b>										
Debt Limit Equal to 20% of Assessed Valuation	\$ 5,843,529	\$ 6,418,497	\$ 6,521,689	\$ 6,814,963	\$ 7,366,687	\$ 12,697,830	\$ 23,805,238	\$ 25,070,819	\$ 23,123,040	\$ 18,903,458
Total Debt Applicable to 20% Limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal 20% Debt Margin (Available Borrowing Capacity)	\$ 5,843,529	\$ 6,418,497	\$ 6,521,689	\$ 6,814,963	\$ 7,366,687	\$ 12,697,830	\$ 23,805,238	\$ 25,070,819	\$ 23,123,040	\$ 18,903,458
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>6% Limitation (b)</b>										
Debt Limit Equal to 6% of Assessed Valuation	\$ 1,753,059	\$ 1,925,549	\$ 1,956,507	\$ 2,044,489	\$ 2,210,006	\$ 3,809,349	\$ 7,141,572	\$ 7,521,246	\$ 6,936,912	\$ 5,671,037
Total Debt Applicable to 6% Limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal 6% Debt Margin (Available Borrowing Capacity)	\$ 1,753,059	\$ 1,925,549	\$ 1,956,507	\$ 2,044,489	\$ 2,210,006	\$ 3,809,349	\$ 7,141,572	\$ 7,521,246	\$ 6,936,912	\$ 5,671,037
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Source: Pinal County Assessor's records

(a) 20% Debt Limitation can be used for Water, Sewer, Light, Parks, and Open Space Purposes.

(b) 6% Debt Limitation can be used for all other General Obligation Bonds.

**CITY OF ELOY, ARIZONA**  
**Pledged Revenue coverage**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30,	Water Revenue Bonds					
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2003	*	*	*	*	*	*
2004	*	*	*	*	*	*
2005	1,589,986	1,353,109	236,877	74,971	59,289	1.76
2006	1,614,248	1,580,737	33,511	75,658	55,740	0.26
2007	1,554,039	2,097,765	(543,726)	76,378	52,035	(4.23)
2008	1,593,681	1,560,635	33,046	87,130	46,435	0.25
2009	1,819,378	1,543,338	276,040	87,917	42,117	2.12
2010	1,846,457	1,362,606	483,851	93,740	38,132	3.67
2011	1,715,288	1,386,245	329,043	99,601	33,378	2.47
2012	1,761,118	1,553,018	208,100	20,501	28,496	4.25

\* Detailed information is not available.

Source: City of Eloy finance department

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation or amortization expenses.

**CITY OF ELOY, ARIZONA**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>City Population</u>	<u>County Population</u>	<u>County Personal Income (in thousands)+</u>	<u>County Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>City Unemployment Rate</u>	<u>Pinal County Unemployment Rate</u>
2002-2003	10,553	202,940	4,147,179	20.44	1825	11.2%	7.6%
2003-2004	10,407	217,465	4,682,261	22	1923	9.5%	6.4%
2004-2005	10,216	246,660	5,585,829	23	1741	8.8%	5.9%
2005-2006	10,480	299,875	6,432,734	21	1820	7.8%	5.2%
2006-2007	10,701	327,670	7,187,122	22	1730	6.4%	4.2%
2007-2008	12,781	350,558	8,169,017	23	1760	10.6%	7.1%
2008-2009	14,620	368,244	8,259,897	22	1658	18.5%	12.9%
2009-2010	16,620	356,303	7,843,598	22	1579	17.4%	12.1%
2010-2011	16,631	375,770	7,701,629	20	1450	16.1%	11.1%
2011-2012	16,964	382,992	7,624,613	20	1370	13.5%	9.2%

Sources: Population, County Per Capita Income and City Unemployment Rate - Arizona Department of Commerce and Arizona Department of Economic Security. School Enrollment - Toltec Elementary School District, Eloy Elementary School District and Santa Cruz Valley High School District based on 100th day count.

+ 2009-2011 amounts estimated based on an Bureau of Economic Analysis for personal income percent change from the proceeding year.

**CITY OF ELOY, ARIZONA**  
**Principal Employers**  
**Current Year and Nine Years Ago**

Employer	2012		2003	
	Employees	Percentage of Total City Employment	Employees	Percentage of Total City Employment
Corporation Corrections of America	1639	47.78%	417	20.69%
Eloy Elementary School District	155	4.52%	190	9.43%
City of Eloy	112	3.27%	124	6.15%
Republic Plastics	110	3.21%	0	0.00%
Otto Plastics Arizona, LLC	70	2.04%	26	1.29%
Arizona Environmental Container Corp.	65	1.90%	20	0.99%
Santa Cruz Valley High School District	55	1.60%	60	2.98%
Toltec Elementary School District	48	1.40%	52	2.58%
Arizona Pacific Wood Preserving, Inc.	31	0.90%	28	1.39%
Townley Manufacturing	20	0.58%	25	1.24%
	<u>2305</u>	<u>67.20%</u>	<u>942</u>	<u>46.75%</u>

Sources: Central Arizona Regional Economic Development Foundation; various employers

**CITY OF ELOY, ARIZONA**  
**Authorized Full-time Government Employees by Function/Program**  
**Last Ten Fiscal Years**

Fiscal Year	Function/Program							Total
	General Government	Public Safety	Public Works/Streets	Culture & Recreation	Public Works/Water	Public Works/Sewer	Public Works/Sanitation	
2002-2003	24	48	21	14	10	5	7	129
2003-2004	24	49	21	14	10	5	7	130
2004-2005	24	50	21	14	10	5	7	131
2005-2006	24	51	21	14	10	5	7	132
2006-2007	24	51	21	14	10	5	7	132
2007-2008	24	50	23	14	9	5	7	132
2008-2009	23	46	22	13	9	3	7	123
2009-2010	22	46	21	13	9	3	7	121
2010-2011	20	40	21	13	9	2	7	112
2011-2012	19	41	21	13	9	2	7	112

Source: City Budget

Note: Information is based on authorized positions approved by Council in the Budget.

**CITY OF ELOY, ARIZONA**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012
General Government										
Registered Voters	*	3,438	*	3,047	*	3,135	*	3,314	*	3,322
Votes cast last primary election	*	708	*	531	*	369	*	638	*	891
Police										
Arrests	1,561	1,380	1,956	1,568	1,428	1,273	937	1,048	972	248
Citations	5,507	3,446	6,065	4,033	3,005	2,992	702	1,007	1,535	371
Traffic Stops	3,447	2,813	4,987	4,386	4,557	4,554	2,504	2,189	1,902	618
Officer Reports	2,036	2,787	2,571	2,703	2,985	4,110	3,905	3,717	3,435	1,031
Photo Enforcement - Notices Printed	*	*	*	*	*	*	864	1,172	2,383	1,525
Calls for Service	23,810	23,986	18,131	17,021	15,828	16,118	16,707	14,112	13,076	14,524
Highways & Streets										
Street resurfacing (miles)	*	*	*	*	*	3	3	4	3	1
Potholes repaired	*	*	*	*	*	41	37	37	37	37
Street sweeping (miles)	40	40	40	40	40	42	42	42	46	46
Water										
New Residential Connections	34	50	75	76	34	8	1	0	3	0
Line Breaks	*	*	*	*	*	179	252	204	177	69
Average Daily Consumption	*	*	1.31	1.31	1.31	1	1	1	1	1
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	*	*	*	*	*	*	550	490	490	490
Line cleaning (feet)	*	*	*	*	*	*	*	*	90,000	150,000
Line Plugs	*	*	*	*	*	*	52	54	58	22
Parks and Recreation										
Park Areas	7	7	7	7	9	9	9	9	9	9
Parkland Acreage	15	15	15	15	15	15	15	15	15	15
Playgrounds	5	5	5	5	6	6	6	6	6	6
Afterschool Program Participants	845	970	485	333	355	378	382	272	228	216
Aquatic Center Admissions	3,714	3,644	2,350	4,536	5,223	2,530	2,120	2,357	2,075	2,268
Airport										
Hangers	5	5	5	5	5	5	5	5	5	5
T-Hangers	12	12	12	12	12	12	12	12	12	12
Economic Development										
Building Permits-Commercial	7	10	26	23	23	38	22	20	14	12
Building Permits-Residential	55	74	94	310	113	44	35	78	48	37
Housing Rehabilitations	29	1	10	11	3	4	6	7	12	1
Code Enforcement Cases	*	*	*	*	*	*	1,104	1,267	2,087	1,601
Planning Cases	18	25	65	110	97	75	58	50	24	25
Culture - Library										
Items in Collections	14,704	14,388	15,433	16,046	16,386	17,809	16,362	18,924	19,086	20,857
Total Items Circulated	10,691	11,184	11,954	11,830	16,381	13,433	14,559	16,544	32,281	35,398
Reference Transactions	940	989	1,020	684	718	864	920	817	858	975
Computer Uses	8,122	8,760	7,990	8,200	9,000	9,318	11,636	16,544	17,490	17,481
Inter Library Loan	476	549	359	401	307	628	790	1,821	2,204	2,274

Sources: Various City Departments  
Note: Voter registration is taken every two years.  
\* Not available

**CITY OF ELOY, ARIZONA**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b><u>2002-2003</u></b>	<b><u>2003-2004</u></b>	<b><u>2004-2005</u></b>	<b><u>2005-2006</u></b>	<b><u>2006-2007</u></b>	<b><u>2007-2008</u></b>	<b><u>2008-2009</u></b>	<b><u>2009-2010</u></b>	<b><u>2010-2011</u></b>	<b><u>2011-2012</u></b>
Public Safety										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	12	12	12	12	12	12	12	12	12	12
Highways and Streets										
Streets (miles)	*	*	*	*	*	85	90	90	91	93
Streetlights	579	575	575	591	605	616	598	598	598	598
Street poles	558	554	550	570	582	593	575	575	575	598
Water										
Water mains (miles)	*	*	120	120	120	120	120	123	123	123
Fire hydrants	*	*	315	315	315	321	321	321	326	326
Sewer										
Sanitary Sewer (miles)	*	*	44	44	44	45	45	47	47	47
Maximum daily treatment capacity (thousands of gallons)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Recreation and Aquatics										
Parks Acreage	15	15	15	15	15	15	15	15	15	15
Number of Parks	7	7	7	7	9	9	9	9	9	9
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	1	1	1	1	1	1	1	1	1	1
Ball Fields	3	3	3	3	3	3	3	3	3	3

\* Not available

Sources: Various City Departments

**FEDERAL AND STATE REPORTS**

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

The Honorable Mayor and  
 Members of the City Council  
 City of Eloy, 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 City of Eloy, Arizona as of and for the year ended June 30, 2012, which collectively comprise the City of Eloy, Arizona's basic financial statements and have issued our report thereon dated November 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the schedule of findings and recommendations dated November 27, 2012 that we consider to be a significant deficiency in internal control over financial reporting.

07-5 Journal Entries

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

### **Compliance and Other Matters**

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

We noted certain other matters that we have reported to the management of the City of Eloy in a separate letter dated November 27, 2012.

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



HintonBurdick, PLLC

November 27, 2012



**Independent Auditors' Report on  
 State Legal Compliance**

The Honorable Mayor and  
 Members of the City Council  
 Eloy, Arizona

We have audited the basic financial statements of the City of Eloy, Arizona for the year ended June 30, 2012, and have issued our report thereon dated November 27, 2012. Our audit also included test work on the City of Eloy's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

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

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

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

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

In our opinion, the City of Eloy complied, in all material respects, with the requirements identified above for the year ended June 30, 2012.

HintonBurdick, PLLC  
 November 27, 2012



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