

**CITY OF ELOY, ARIZONA**



**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2011**

**WITH REPORT OF**

**CERTIFIED PUBLIC ACCOUNTANTS**

# CITY OF ELOY, ARIZONA

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**Independent Auditors’ Report on  
 Financial Statements**

The Honorable Mayor and  
 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, 2011, which collectively comprise the City’s basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Eloy’s management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Eloy, Arizona as of June 30, 2011, 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 December 3, 2011, on our consideration of the City of Eloy, Arizona’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eloy, Arizona's basic financial statements. The nonmajor combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Eloy, Arizona. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Hinton Burdick Hall & Spilker PLLC".

HINTON, BURDICK, HALL & SPILKER, PLLC  
December 3, 2011

**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, 2011. 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**

The financial statements, which follow Management's Discussion and Analysis, provide those significant key financial highlights for 2011 as follow:

- The assets of the City of Eloy exceeded its liabilities at the close of the most recent fiscal year by \$40,658,011 (net assets). Of this amount, \$10,404,473 (unrestricted net assets) 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 \$19,005,839, an increase of \$1,244,987 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$8,766,677 or 109% of the total general fund expenditures.
- As of June 30, 2011, Capital Assets for the City of Eloy were \$35,480,427, a decrease of \$641,625 from the prior year. Governmental activities increased by \$54,279 while business-type activities decreased by \$695,904.
- General Fund revenues exceeded expenditures by \$1,701,285 before transfers. After transfers of \$944,492, a positive change in fund balance occurred in the amount of \$756,793. This positive change was due to conservative budgeting, fiscal constraints in spending and more construction sales tax being received.
- Total business-type expenses exceeded total business-type revenues (excluding transfers) by \$387,478 due to increases in operating expenses in water, sewer and sanitation.
- The current year net income before transfers in the HURF Fund was \$4,912. After transfers of \$344,908, a positive change in fund balance occurred due from higher than anticipated construction revenue and better fiscal spending on road projects.
- 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 on page 25. 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 assets* 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 assets. The focus of net assets is designed to be similar to the emphasis for businesses. Over time any increases or decreases in net assets 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 assets changed over the most recent fiscal year. Since full accrual is used for the government-wide financial statements, all changes to net assets 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 (page 31).

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 25-47 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) 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, 2011.

### Net Assets

The following table reflects the condensed Statement of Net Assets as of June 30, 2011.

	Governmental Activities		Business-Type Activities		Total	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Current and other assets	\$ 23,243,519	\$ 21,966,420	\$ 1,822,063	\$ 1,611,503	\$ 25,065,582	\$ 23,577,923
Capital assets	17,578,963	17,524,684	17,901,465	18,597,368	35,480,428	36,122,052
Total assets	<u>40,822,482</u>	<u>39,491,104</u>	<u>19,723,528</u>	<u>20,208,871</u>	<u>60,546,010</u>	<u>59,699,975</u>
Long-term liabilities outstanding	3,041,172	3,869,287	8,420,764	8,864,405	11,461,936	12,733,692
Other liabilities	4,184,994	4,187,256	4,241,069	4,191,646	8,426,063	8,378,902
Total liabilities	<u>7,226,166</u>	<u>8,056,543</u>	<u>12,661,833</u>	<u>13,056,051</u>	<u>19,887,999</u>	<u>21,112,594</u>
Net assets:						
Invested in capital assets, net of related debt	15,002,289	16,151,406	9,532,520	9,775,100	24,534,809	25,926,506
Restricted	5,429,281	7,273,444	289,448	343,584	5,718,729	7,617,028
Unrestricted	13,164,746	8,009,711	(2,760,273)	(2,965,864)	10,404,473	5,043,847
Total net assets	<u>\$ 33,596,316</u>	<u>\$ 31,434,561</u>	<u>\$ 7,061,695</u>	<u>\$ 7,152,820</u>	<u>\$ 40,658,011</u>	<u>\$ 38,587,381</u>

For fiscal year 2011, net assets for the City increased by \$2,070,630 or 6%. Of this increase, \$91,125 was a loss in the business-type activities, while governmental activities increased by \$2,161,755.

Net assets consist of two components. The largest portion of net assets, \$24,534,809 or 60%, 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 assets, \$5,718,729 or 15%, represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets of \$10,404,473 or 25% may be used to meet the City's ongoing obligations to the citizens and creditors.

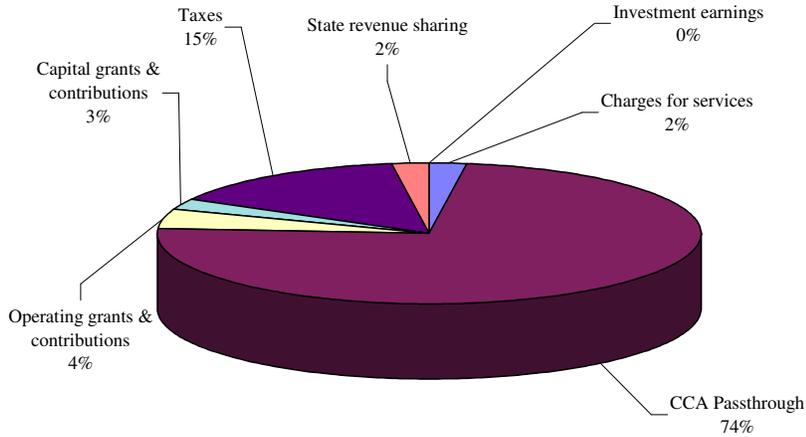
## Changes in Net Assets

The City's total revenue for the year ended June 30, 2011 was \$55,473,887. The total cost of all programs and services was \$53,403,257. The following table presents a summary of the changes in net assets for the year ended June 30, 2011.

	Governmental activities		Business-type activities		Total	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,090,672	\$ 1,044,444	\$ 4,024,421	\$ 4,253,000	\$ 5,115,093	\$ 5,297,444
Operating grants and contributions	40,249,113	40,063,306	-	-	40,249,113	40,063,306
Capital grants and contributions	1,314,342	674,887	69,930	2,821,830	1,384,272	3,496,717
General revenues:						
Taxes	7,576,663	6,135,906	-	-	7,576,663	6,135,906
State revenue sharing	1,082,827	1,436,354	-	-	1,082,827	1,436,354
Other revenue/(expense)	63,965	137,475	1,954	4,152	65,919	141,627
Total revenues	<u>51,377,582</u>	<u>49,492,372</u>	<u>4,096,305</u>	<u>7,078,982</u>	<u>55,473,887</u>	<u>56,571,354</u>
Expenses:						
General government	2,878,214	3,818,804	-	-	2,878,214	3,818,804
CCA passthrough	38,053,366	37,738,433	-	-	38,053,366	37,738,433
Public safety	3,744,811	4,574,432	-	-	3,744,811	4,574,432
Public works/streets	2,609,546	1,797,012	-	-	2,609,546	1,797,012
Culture and recreation	1,570,243	1,178,676	-	-	1,570,243	1,178,676
Health and welfare	-	18,618	-	-	-	18,618
Interest on long-term debt	63,294	93,818	-	-	63,294	93,818
Water	-	-	1,800,394	1,938,888	1,800,394	1,938,888
Sewer	-	-	1,308,335	1,442,414	1,308,335	1,442,414
Sanitation and other	-	-	1,375,054	2,246,727	1,375,054	2,246,727
Total expenses	<u>48,919,474</u>	<u>49,219,793</u>	<u>4,483,783</u>	<u>5,628,029</u>	<u>53,403,257</u>	<u>54,847,822</u>
Increase (Decrease) in net assets before transfers	2,458,108	272,579	(387,478)	1,450,953	2,070,630	1,723,532
Transfers	(296,353)	(396,626)	296,353	396,626	-	-
Increase (Decrease) in net assets	2,161,755	(124,047)	(91,125)	1,847,579	2,070,630	1,723,532
Net assets, beginning	31,434,561	31,558,608	4,000,684	5,305,241	35,435,245	36,863,849
Net assets, ending	<u>\$ 33,596,316</u>	<u>\$ 31,434,561</u>	<u>\$ 7,061,695</u>	<u>\$ 7,152,820</u>	<u>\$ 40,658,011</u>	<u>\$ 38,587,381</u>

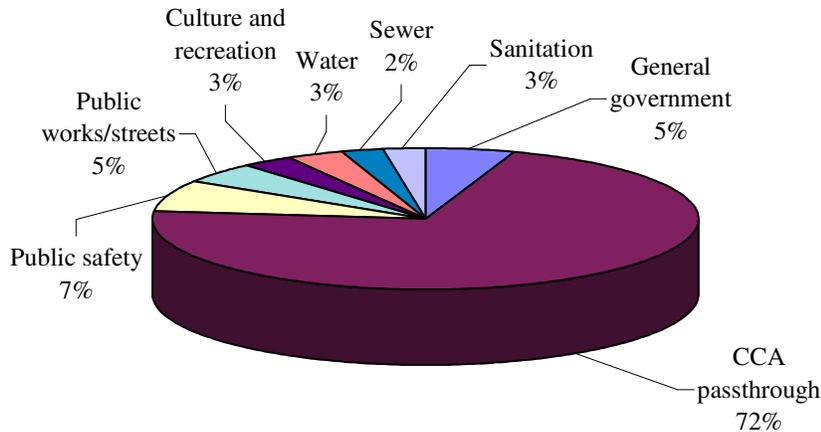
As seen in the following graph, the largest financing source for the City (excluding CCA passthrough funds) is local tax revenue (15%) primarily because this is the major funding source of the governmental activities. The major funding sources of the governmental activities are Operating Grants and Contributions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

**Revenue By Source - Governmental Activities**

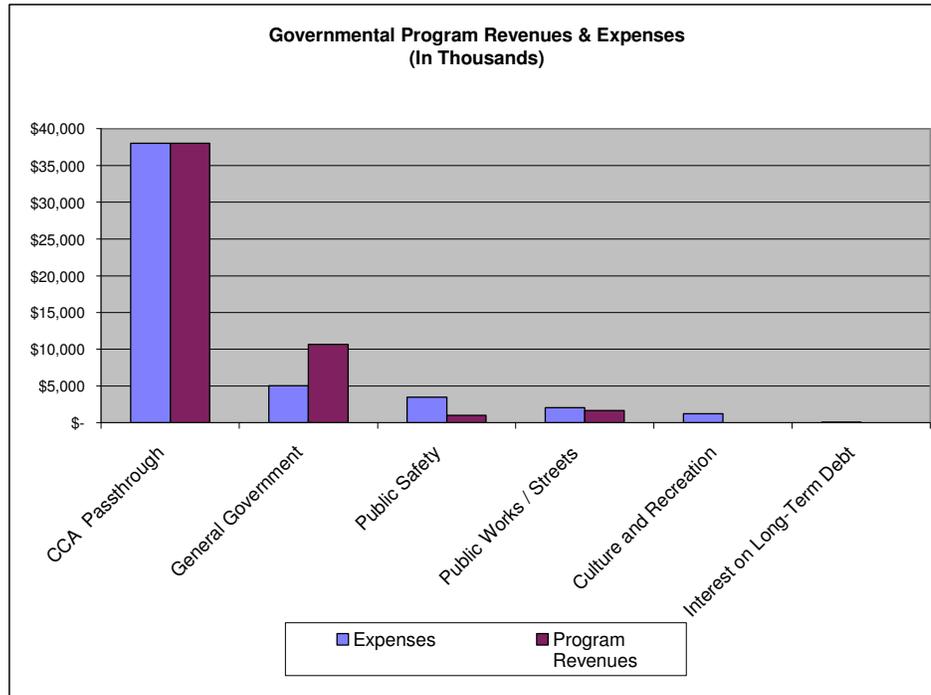


The largest user of resources, for the City as a whole, is the governmental activities (91.65%). For the governmental activities, the largest users of resources are: CCA passthrough (71.29%), public safety (7.02%), general government (5.39%), and public works/streets (4.89%). For the business-type activities, the largest users of resources are water (3.37%), sanitation (2.53%), and sewer (2.45%).

**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.



## 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 17-20) 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, Debt Service Fund, Capital Projects Funds and the Permanent Fund.

For fiscal year ending June 30, 2011, the governmental funds reflect a combined fund balance of \$19,005,839, an increase of \$1,244,987 compared to last fiscal year. Approximately 46% of this total amount, \$8,766,677, constitutes general fund balance, which is available for contribution to assigned or committed fund balance.

At fiscal year ended June 30, 2011 fund balances were as follows:

Fund	F.Y. 2010-2011 Balance	Increase (Decrease) from 2009-2010
General Fund	\$ 8,766,677	\$ 756,793
HURF Fund	5,468,694	349,820
Grants Fund	161,692	16,729
Non-Major Governmental Funds	4,608,776	121,645

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 \$9,730,390 for fiscal year ending June 30, 2011. The expenditures before other financing sources and uses totaled \$8,029,105.

The net change of fund balance for the General Fund had an increase of \$756,793 during the current fiscal year. This positive change was due to fiscal spending constraints, conservative budgeting forecasts, along with an increase in revenue from construction sales tax, permits and fees and charges for services.

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 \$1,808,015, while expenses totaled \$1,803,103 for the fiscal year ending June 30, 2011. The net change of fund balance for the HURF Fund, prior to transfers, was a positive \$4,912.

In the Grants fund, the net change in fund balance for June 30, 2011 was \$16,729. This positive variance is due from receiving revenue from expenses that incur in the prior fiscal year.

Other non-major governmental funds of the City include the Airport Fund, LTAF Fund, Impact Fee 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 \$121,645. 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 discreetly on the fund statements.

Net assets of the Proprietary Funds were \$7,061,695 as of June 30, 2011. Operating revenues in fiscal year 2011 were \$4,096,305, while operating expenses totaled \$4,483,783 resulting in a (\$387,478) operating loss.

## **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 \$75,358,925 occurred during fiscal year 2011. 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 \$8,029,105 were only 89% of budgeted expenditures. Reduced expenditures and unfunded personnel resulted from unspent budget items.
- In the Highway User Revenue Fund, expenditures were 32% under budget yielding a \$865,607 positive variance primarily due to lower than anticipated street maintenance expenditures and infrastructure improvements.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

As of June 30, 2011, the City had invested \$24,534,809 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 \$35,480,428. This is a net decrease of \$641,624. There was an increase in capital assets of \$54,279 within governmental activities. However, there was a decrease of \$695,903 resulting from business-type activities.

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

- The City purchased 2 police vehicles and equipment for \$93,177.
- The City installed new playground at Trezell Park for \$28,795.
- The City refurbished Trezell Park for \$243,388.
- The City installed a new airport beacon and tower for a cost of \$65,504.
- The City installed valves to the water lines along MLK Blvd for \$67,796.
- The City completed the construction of road work on MLK Blvd for \$245,038.
- The City repaired the aeration equipment at the wastewater plant for \$68,197.
- The City repaired the liner and basin at the wastewater plant for \$59,840.

The following table provides a breakdown of capital assets of the City at June 30, 2011 and 2010. Additional information on the City's capital assets may be found on Note 5 on pages 36-37.

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land and Improvements	\$ 5,466,313	\$ 5,466,313	\$ 347,468	\$ 347,468	\$ 5,813,781	\$ 5,813,781
Land Improvements	387,633	143,613	-	-	387,633	143,613
Construction In Progress	255,614	61,421	194,908	1,263,429	450,522	1,324,850
Buildings and Improvements	4,599,813	4,769,557	1,894	1,984	4,601,707	4,771,541
Infrastructure	5,463,097	5,625,448	-	-	5,463,097	5,625,448
Furniture, equipment and vehicles	1,406,493	1,458,332	1,147,427	1,114,363	2,553,920	2,572,695
Sewer lines and equipment	-	-	9,243,966	9,750,241	9,243,966	9,750,241
Water lines and equipment	-	-	6,965,802	6,119,883	6,965,802	6,119,883
Total	\$ 17,578,963	\$ 17,524,684	\$ 17,901,465	\$ 18,597,368	\$ 35,480,428	\$ 36,122,052

### Long-term Debt

The City's outstanding long-term debt, including bonds, notes, leases, and compensated absences, was \$11,462,320 at June 30, 2011. Of this total, \$3,041,172 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, 2011 and 2010. Further details can be found in Note 7 on pages 39-43.

	Governmental Activities		Business-Type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Municipal Property Corporation Bonds	\$ -	\$ 176,179	\$ -	\$ 53,821	\$ -	\$ 230,000
Revenue Bonds	-	-	633,244	732,845	633,244	732,845
Notes Payable	1,516,872	2,076,403	7,736,086	8,023,437	9,252,958	10,099,840
Capital Leases	1,059,802	1,149,118	0	12,163	1,059,802	1,161,281
Compensated absences	464,498	467,587	51,818	42,137	516,316	509,724
	\$ 3,041,172	\$ 3,869,287	\$ 8,421,148	\$ 8,864,403	\$ 11,462,320	\$ 12,733,690

## **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 2011-2012. Three primary factors that were considered were the increasing cost to conduct business, reduction in state revenue and the unstable economy. Also, considered in the development of the budget was the local economy. The adopted fiscal year 2011-2012 budget expects general fund revenues to increase \$668,530. The primary increase is coming from increased revenue in state sales tax and state shared revenue. The overall budget for fiscal year 2011-2012 is expected to decrease by \$3,971,235 over fiscal year 2010-2011. The primary reason for this decrease is reductions in the overall budgets for the special project funds, capital project fund, and the grant fund. The City is expected to increase population at approximately 1.0% in the upcoming year. The unemployment rate in Eloy is 11.20% which is above the national average of 9.20%. These indicators were considered when adopting the budget for fiscal year 2011-2012.

## **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 Assets**  
**June 30, 2011**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 8,126,715	\$ 1,497,356	\$ 9,624,071
Receivables (net of allowance)	1,419,745	475,450	1,895,195
Inventory	-	178,935	178,935
Internal balances	619,126	(619,126)	-
Temporarily restricted assets:			
Cash and cash equivalents	13,077,933	289,448	13,367,381
Capital assets (net of accumulated depreciation):			
Land	5,466,313	347,468	5,813,781
Land improvements	387,633	-	387,633
Buildings	4,599,813	1,894	4,601,707
Distribution systems	-	16,209,768	16,209,768
Infrastructure/Roads	5,463,097	-	5,463,097
Furniture, equipment & vehicles	1,406,493	1,147,427	2,553,920
Construction in progress	255,614	194,908	450,522
Total assets	<u>40,822,482</u>	<u>19,723,528</u>	<u>60,546,010</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	4,080,199	733,442	4,813,641
Interest payable	23,682	-	23,682
Landfill closure and postclosure payable	-	3,507,022	3,507,022
Other current liabilities	81,115	605	81,720
Noncurrent liabilities:			
Due within one year	960,925	403,173	1,364,098
Due in more than one year	2,080,247	8,017,591	10,097,838
Total liabilities	<u>7,226,166</u>	<u>12,661,833</u>	<u>19,887,999</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	15,002,289	9,532,520	24,534,809
Restricted for:			
Debt service	-	147,929	147,929
Highways and streets	2,784,360	-	2,784,360
Other purposes	2,644,921	141,519	2,786,440
Unrestricted	13,164,746	(2,760,273)	10,404,473
Total Net Assets	<u>\$ 33,596,316</u>	<u>\$ 7,061,695</u>	<u>\$ 40,658,011</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, 2011**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 2,878,214	\$ 618,181	\$ -	\$ 221,768	\$ (2,038,265)	\$ -	\$ (2,038,265)
CCA passthrough	38,053,366	-	38,053,366	-	-	-	-
Public safety	3,744,811	380,459	389,320	173,755	(2,801,277)	-	(2,801,277)
Public works/streets	2,609,546	72,434	1,784,398	377,216	(375,498)	-	(375,498)
Culture and recreation	1,570,243	19,598	6,770	690	(1,543,185)	-	(1,543,185)
Health and welfare	-	-	15,259	540,913	556,172	-	556,172
Interest on long-term debt	63,294	-	-	-	(63,294)	-	(63,294)
Total governmental activities	48,919,474	1,090,672	40,249,113	1,314,342	(6,265,347)	-	(6,265,347)
Business-type activities:							
Water	1,800,394	1,734,300	-	18,488	-	(47,606)	(47,606)
Sewer	1,308,335	977,215	-	51,442	-	(279,678)	(279,678)
Sanitation	1,375,054	1,312,906	-	-	-	(62,148)	(62,148)
Total business-type activities	4,483,783	4,024,421	-	69,930	-	(389,432)	(389,432)
Total primary government:	\$ 53,403,257	\$ 5,115,093	\$ 40,249,113	\$ 1,384,272			
General Revenues:							
City sales tax					5,087,733	-	5,087,733
State sales tax					887,563	-	887,563
Auto lieu tax					682,530	-	682,530
State sales taxes - revenue sharing					1,082,827	-	1,082,827
Property taxes					786,184	-	786,184
Franchise taxes					132,653	-	132,653
Unrestricted investment earnings					63,965	1,954	65,919
Transfers					(296,353)	296,353	-
Total general revenues & transfers					8,427,102	298,307	8,725,409
Change in net assets					2,161,755	(91,125)	2,070,630
Net assets - beginning					31,434,561	4,000,684	35,435,245
Prior period adjustment					-	3,152,136	3,152,136
Net assets - ending					\$ 33,596,316	\$ 7,061,695	\$ 40,658,011

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

**CITY OF ELOY, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2011**

<b>Assets</b>	<u>General</u>	<u>HURF</u>	<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents	\$ 8,126,715	-	\$ -	\$ -	\$ 8,126,715
Receivables:					
Other	2,101	4	-	28,814	30,919
Intergovernmental	633,667	157,040	595,118	3,001	1,388,826
Due from Other Funds	619,126	-	-	-	619,126
Restricted Cash and Investments	62,686	5,345,172	3,067,244	4,602,831	13,077,933
<b>Total Assets</b>	<u>\$ 9,444,295</u>	<u>\$ 5,502,216</u>	<u>\$ 3,662,362</u>	<u>\$ 4,634,646</u>	<u>\$ 23,243,519</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts Payable	\$ 232,229	\$ 17,655	\$ 3,497,076	\$ 24,854	\$ 3,771,814
Accrued Wages and Benefits	287,906	15,867	3,594	1,016	308,383
Deferred revenue	76,368	-	-	-	76,368
Other current liabilities	81,115	-	-	-	81,115
<b>Total Liabilities</b>	<u>677,618</u>	<u>33,522</u>	<u>3,500,670</u>	<u>25,870</u>	<u>4,237,680</u>
Fund Balances:					
Restricted for:					
Roads and highways	-	2,784,360	-	101,232	2,885,592
Capital projects	-	-	-	2,171,477	2,171,477
Court equipment	-	-	-	101,915	101,915
Cemetery	-	-	-	108,605	108,605
Other purposes	-	-	161,692	-	161,692
Committed for:					
Airport	-	-	-	148,855	148,855
Cemetery	-	-	-	34,250	34,250
Roads and highways	-	2,684,334	-	-	2,684,334
Assigned for:					
Capital projects	-	-	-	1,942,442	1,942,442
Unassigned	8,766,677	-	-	-	8,766,677
<b>Total fund balances</b>	<u>8,766,677</u>	<u>5,468,694</u>	<u>161,692</u>	<u>4,608,776</u>	<u>19,005,839</u>
<b>Total Liabilities and fund balances</b>	<u>\$ 9,444,295</u>	<u>\$ 5,502,216</u>	<u>\$ 3,662,362</u>	<u>\$ 4,634,646</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 17,578,963

Property taxes not collected within 60 days subsequent to fiscal year-end are deferred in the governmental funds. 76,368

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. (3,064,854)

Net assets of governmental activities \$ 33,596,316

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, 2011**

<b>REVENUES</b>	<u>General</u>	<u>HURF</u>	<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes	\$ 8,661,228	\$ -	\$ -	\$ -	\$ 8,661,228
Licenses, Permits and Fees	409,100	6,089	-	-	415,189
Intergovernmental Revenue	258,003	1,659,398	1,474,134	25,175	3,416,710
Charges for Services	31,707	-	-	74,149	105,856
Capacity Charges	-	-	-	114,901	114,901
Fines and Forfeitures	244,152	-	-	33,449	277,601
Interest	38,422	17,528	-	8,015	63,965
CCA Passthrough	-	-	38,053,366	-	38,053,366
Other Revenues	87,778	125,000	-	57,726	270,504
Total Revenues	<u>9,730,390</u>	<u>1,808,015</u>	<u>39,527,500</u>	<u>313,415</u>	<u>51,379,320</u>
<b>EXPENDITURES</b>					
Current:					
General Government	2,657,909	-	-	71,180	2,729,089
Public Safety	3,311,371	-	151,027	-	3,462,398
Public Works/Streets	606,637	1,217,508	-	214,089	2,038,234
Culture and Recreation	1,200,576	-	8,652	-	1,209,228
CCA Passthrough	-	-	38,053,366	-	38,053,366
Capital Outlay	-	-	1,297,726	123,509	1,421,235
Debt Service:					
Principal	212,428	556,553	-	86,223	855,204
Interest	40,184	29,042	-	-	69,226
Total Expenditures	<u>8,029,105</u>	<u>1,803,103</u>	<u>39,510,771</u>	<u>495,001</u>	<u>49,837,980</u>
Excess of Revenues					
Over (Under) Expenditures	<u>1,701,285</u>	<u>4,912</u>	<u>16,729</u>	<u>(181,586)</u>	<u>1,541,340</u>
<b>Other Financing Sources (Uses):</b>					
Transfers In	190,085	344,908	-	732,562	1,267,555
Transfers Out	<u>(1,134,577)</u>	<u>-</u>	<u>-</u>	<u>(429,331)</u>	<u>(1,563,908)</u>
Total Other Financing Sources (Uses)	<u>(944,492)</u>	<u>344,908</u>	<u>-</u>	<u>303,231</u>	<u>(296,353)</u>
Net change in fund balances	756,793	349,820	16,729	121,645	1,244,987
Fund Balance, Beginning of Year	<u>8,009,884</u>	<u>5,118,874</u>	<u>144,963</u>	<u>4,487,131</u>	<u>17,760,852</u>
Fund Balance, End of Year	<u>\$ 8,766,677</u>	<u>\$ 5,468,694</u>	<u>\$ 161,692</u>	<u>\$ 4,608,776</u>	<u>\$ 19,005,839</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, 2011**

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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	\$	1,244,987
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.		55,783
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		825,026
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.		36,110
Net effect of various miscellaneous transactions involving capital assets (i.e. sales, disposals) is to increase net assets		(1,502)
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.		(1,738)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		3,089
Change in net assets of governmental activities	<u>\$</u>	<u>2,161,755</u>

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

**CITY OF ELOY, ARIZONA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	Water	Sewer	Sanitation	Totals
<b>Assets</b>				
Current Assets:				
Cash	\$ 1,071,361	\$ -	\$ 425,995	\$ 1,497,356
Receivables (net of allowance)	260,413	116,117	98,920	475,450
Due from other governments	-	-	-	-
Inventory	178,935	-	-	178,935
Total Current Assets	<u>1,510,709</u>	<u>116,117</u>	<u>524,915</u>	<u>2,151,741</u>
Noncurrent Assets:				
Restricted cash and investments	227,354	62,094	-	289,448
Prepaid expenses	-	-	-	-
Land	-	347,468	-	347,468
Buildings and improvements	32,704	-	-	32,704
Collection and distribution systems	10,866,624	13,567,910	-	24,434,534
Furniture, equipment and vehicles	560,405	485,994	1,643,618	2,690,017
Construction in progress	-	194,906	-	194,906
Accumulated depreciation	(4,393,432)	(4,703,043)	(701,690)	(9,798,165)
Total Noncurrent Assets	<u>7,293,655</u>	<u>9,955,329</u>	<u>941,928</u>	<u>18,190,912</u>
<b>Total Assets</b>	<u>\$ 8,804,364</u>	<u>\$ 10,071,446</u>	<u>\$ 1,466,843</u>	<u>\$ 20,342,653</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts payable	\$ 152,949	\$ 392,406	\$ 14,978	\$ 560,333
Accrued wages and benefits	14,553	4,199	12,839	31,591
Customer deposits	141,519	-	-	141,519
Due to other funds	-	619,126	-	619,126
Current portion of bonds payable	20,501	-	-	20,501
Current portion of loans payable	33,536	312,136	-	345,672
Current portion of compensated absences	17,390	6,660	12,950	37,000
Landfill closure and postclosure payable	-	-	3,507,022	3,507,022
Other current liabilities	604	-	-	604
Total Current Liabilities	<u>381,052</u>	<u>1,334,527</u>	<u>3,547,789</u>	<u>5,263,368</u>
Noncurrent liabilities (net of current portion):				
Compensated absences	16,771	(3,574)	1,622	14,819
Loans payable	418,012	6,966,154	-	7,384,166
Bonds payable	618,605	-	-	618,605
Total Noncurrent Liabilities	<u>1,053,388</u>	<u>6,962,580</u>	<u>1,622</u>	<u>8,017,590</u>
Total Liabilities	<u>1,434,440</u>	<u>8,297,107</u>	<u>3,549,411</u>	<u>13,280,958</u>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	5,975,647	2,614,945	941,928	9,532,520
Restricted	227,354	62,094	-	289,448
Unrestricted	1,166,923	(902,700)	(3,024,496)	(2,760,273)
Total net assets	<u>\$ 7,369,924</u>	<u>\$ 1,774,339</u>	<u>\$ (2,082,568)</u>	<u>\$ 7,061,695</u>

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

**CITY OF ELOY, ARIZONA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the Year Ended June 30, 2011**

	Water	Sewer	Sanitation	Totals
<b>Operating Revenues</b>				
Charges for Services	\$ 1,715,166	\$ 969,623	\$ 1,307,509	\$ 3,992,298
Rent and Other Revenues	122	7,592	5,397	13,111
Total Operating Revenues	<u>1,715,288</u>	<u>977,215</u>	<u>1,312,906</u>	<u>4,005,409</u>
<b>Operating Expenses</b>				
Salaries	409,674	167,735	320,976	898,385
Employee Benefits	202,496	75,580	156,669	434,745
Service, Supplies and Other	774,075	370,609	701,646	1,846,330
Landfill Closure and Postclosure Expense	-	-	87,231	87,231
Depreciation	352,096	516,728	104,116	972,940
Total Operating Expenses	<u>1,738,341</u>	<u>1,130,652</u>	<u>1,370,638</u>	<u>4,239,631</u>
Operating Income (Loss)	<u>(23,053)</u>	<u>(153,437)</u>	<u>(57,732)</u>	<u>(234,222)</u>
<b>Non-operating Revenues (Expenses)</b>				
Interest Income	1,152	802	-	1,954
Interest Expense and Fiscal Charges	(42,632)	(177,683)	(4,416)	(224,731)
Impact Fees	18,488	51,442	-	69,930
Connection Fees	19,012	-	-	19,012
Loss on disposal of capital assets	(19,421)	-	-	(19,421)
Total Non-Operating Revenue (Expense)	<u>(23,401)</u>	<u>(125,439)</u>	<u>(4,416)</u>	<u>(153,256)</u>
<b>Income (loss) before contributions and transfers</b>	(46,454)	(278,876)	(62,148)	(387,478)
Contributions and Transfers:				
Transfers In	106,890	220,991	13,387	341,268
Transfers Out	-	(44,915)	-	(44,915)
<b>Change in net assets</b>	60,436	(102,800)	(48,761)	(91,125)
Total net assets, Beginning of Year	<u>7,309,488</u>	<u>1,877,139</u>	<u>(5,185,943)</u>	<u>4,000,684</u>
Prior Period Adjustment	-	-	3,152,136	3,152,136
<b>Total net assets, End of Year</b>	<u>\$ 7,369,924</u>	<u>\$ 1,774,339</u>	<u>\$ (2,082,568)</u>	<u>\$ 7,061,695</u>

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, 2011**

	Water	Sewer	Sanitation	Totals
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers, service fees	\$ 1,765,041	\$ 941,613	\$ 1,305,368	\$ 4,012,022
Cash received from customers, other	122	7,592	5,397	13,111
Cash paid to suppliers	(755,719)	(403,550)	(694,547)	(1,853,816)
Cash paid to employees	(609,546)	(243,441)	(472,014)	(1,325,001)
Net cash flows from operating activities	<u>399,898</u>	<u>302,214</u>	<u>144,204</u>	<u>846,316</u>
<b>Cash Flows From Noncapital Financing Activities:</b>				
Proceeds/Payments (to)/from other funds	-	(800,389)	-	(800,389)
Transfers (to)/from other funds	106,890	176,076	13,387	296,353
Net cash flows from noncapital financing activities	<u>106,890</u>	<u>(624,313)</u>	<u>13,387</u>	<u>(504,036)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Proceeds from capital debt	54,645	-	-	54,645
Purchase of capital assets	(106,891)	(137,210)	(52,358)	(296,459)
Principal paid on notes, leases and bonds	(175,574)	(319,653)	(12,163)	(507,390)
Interest paid	(42,632)	(177,683)	(4,416)	(224,731)
Capital grants	-	904,463	-	904,463
Connection & impact fees	30,810	51,442	-	82,252
Net cash flows from capital and related financing activities	<u>(239,642)</u>	<u>321,359</u>	<u>(68,937)</u>	<u>12,780</u>
<b>Cash Flows From Investing Activities:</b>				
Interest on investments	1,152	802	-	1,954
Net change in Cash and Cash Equivalents	268,298	62	88,654	357,014
Cash and cash equivalents, including restricted cash, beginning of year	1,030,417	62,032	337,341	1,429,790
<b>Cash and cash equivalents, including restricted cash, end of year</b>	<u>\$ 1,298,715</u>	<u>\$ 62,094</u>	<u>\$ 425,995</u>	<u>\$ 1,786,804</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>				
Net Operating Income (Loss)	\$ (23,053)	\$ (153,437)	\$ (57,732)	\$ (234,222)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:				
Depreciation/amortization	352,096	516,728	104,116	972,940
Net loss on disposal of capital assets	19,421	-	-	19,421
Changes in operating assets and liabilities:				
(Increase)/Decrease in receivables	49,875	(28,010)	(2,141)	19,724
(Increase)/Decrease in inventory	2,656	-	-	2,656
Increase/(Decrease) in payables	(10,601)	(33,626)	4,800	(39,427)
Increase/(Decrease) in accrued wages and benefits	2,624	(126)	5,631	8,129
Increase/(Decrease) in accrued liabilities & deposits	6,880	685	89,530	97,095
Net cash flows from operating activities	<u>\$ 399,898</u>	<u>\$ 302,214</u>	<u>\$ 144,204</u>	<u>\$ 846,316</u>

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

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2011**

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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, 2011**

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

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, 2011**

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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, 2011**

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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, 2011**

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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 assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

**Long-term Obligations**

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

**Net Assets 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, 2011**

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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 assets and is displayed in three components as follows:

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

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

*Unrestricted net assets* are all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

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

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

*Committed fund balance* can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision making authority, the 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, 2011**

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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 assets.**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. 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	\$ 1,059,802
Compensated absences	464,498
Notes Payable	1,516,872
Accrued interest	<u>23,682</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ 3,064,854</u></u>

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2011**

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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 assets 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	\$ 679,610
Depreciation expense	<u>(623,827)</u>
Net adjustment to increase net changes in fund balance total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 55,783</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, 2011**

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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, 2011, 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, 2011**

**Note 4. Deposits and Investments**

Deposits and investments of the City at June 30, 2011 consisted of the following:

	Carrying Amount-Fair Value
Deposits:	
Cash on hand	\$ 6,919
Cash in bank	22,797,323
Investments:	
State Treasurer's Investment Pool	187,210
Total Cash and Investments	\$ 22,991,452

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

Cash and cash equivalents	\$ 9,624,071
Restricted cash and cash equivalents	13,367,381
Total	\$ 22,991,452

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. At June 30, 2011 cash on hand was \$6,919 and the carrying amount of the City's deposits was \$22,797,323. As of June 30, 2011, \$15,958,783 of the City's bank balance of \$23,370,621 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.

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

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.

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

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
State Treasurer's Investment Pool	187,210	187,210	-	-	-
	<u>\$ 187,210</u>	<u>\$ 187,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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.

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

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
State Treasurer's Investment Pool	187,210	-	-	-	187,210
Total Fair Value	<u>\$ 187,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,210</u>

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2011**

**Note 5. Capital Assets**

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

<b>Governmental Activities:</b>	<b>Balance 6/30/2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2011</b>
Capital assets, not being depreciated:				
Land	\$ 5,466,313	\$ -	\$ -	\$ 5,466,313
Construction in progress	61,421	245,039	(50,846)	255,614
Total capital assets, not being depreciated	<u>5,527,734</u>	<u>245,039</u>	<u>(50,846)</u>	<u>5,721,927</u>
Capital assets, being depreciated:				
Buildings and improvements	6,549,514	-	-	6,549,514
Furniture, equipment & vehicles	4,630,322	232,700	(19,327)	4,843,695
Land improvements	147,295	252,717	-	400,012
Infrastructure	6,440,378	-	-	6,440,378
Total capital assets, being depreciated	<u>17,767,509</u>	<u>485,417</u>	<u>(19,327)</u>	<u>18,233,599</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,779,957)	(169,744)	-	(1,949,701)
Furniture, equipment & vehicles	(3,171,990)	(283,035)	17,823	(3,437,202)
Land improvements	(3,682)	(8,697)	-	(12,379)
Infrastructure	(814,930)	(162,351)	-	(977,281)
Total accumulated depreciation	<u>(5,770,559)</u>	<u>(623,827)</u>	<u>17,823</u>	<u>(6,376,563)</u>
Total capital assets, being depreciated, net	<u>11,996,950</u>	<u>(138,410)</u>	<u>(1,504)</u>	<u>11,857,036</u>
Governmental activities capital assets, net	<u>\$ 17,524,684</u>	<u>\$ 106,629</u>	<u>\$ (52,350)</u>	<u>\$ 17,578,963</u>

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

<b>Governmental Activities:</b>	
General government	\$ 49,043
Public safety	158,615
Public works/streets	326,941
Culture & recreation	89,228
Total depreciation expense - governmental activities	<u>\$ 623,827</u>

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2011**

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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 6/30/2010</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2011</b>
Capital assets not being depreciated:				
Land and water rights	\$ 347,468	\$ -	\$ -	\$ 347,468
Construction in progress	1,263,429	137,210	(1,205,733)	194,906
Total capital assets, not being depreciated	<u>1,610,897</u>	<u>137,210</u>	<u>(1,205,733)</u>	<u>542,374</u>
Capital assets being depreciated:				
Water system	9,769,104	1,206,186	(108,666)	10,866,624
Sewer system	13,567,910	-	-	13,567,910
Buildings and improvements	32,704	-	-	32,704
Furniture, Equipment & Vehicles	2,541,364	158,794	(10,142)	2,690,016
Total capital assets, being depreciated	<u>25,911,082</u>	<u>1,364,980</u>	<u>(118,808)</u>	<u>27,157,254</u>
Less accumulated depreciation for:				
Water system	(3,649,221)	(341,112)	89,511	(3,900,822)
Sewer system	(3,817,669)	(506,275)	-	(4,323,944)
Buildings and improvements	(30,720)	(90)	-	(30,810)
Furniture, Equipment & Vehicles	(1,427,001)	(125,463)	9,875	(1,542,589)
Total accumulated depreciation	<u>(8,924,611)</u>	<u>(972,940)</u>	<u>99,386</u>	<u>(9,798,165)</u>
Total capital assets, being depreciated, net	<u>16,986,471</u>	<u>392,040</u>	<u>(19,422)</u>	<u>17,359,089</u>
Business-type activities capital assets, net	<u>\$ 18,597,368</u>	<u>\$ 529,250</u>	<u>\$(1,225,155)</u>	<u>\$ 17,901,464</u>

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

<b>Business-Type Activities:</b>	
Water	\$ 352,096
Sewer	516,728
Sanitation	104,116
Total depreciation expense - business-type activities	<u>\$ 972,940</u>

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2011**

**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
2012	\$ 145,249
2013	120,904
2014	120,904
2015	108,220
2016	95,536
2017-2021	477,682
2022-2025	382,146
Total remaining lease payments	1,450,642
Less amount representing interest	(390,840)
Present value of net remaining minimum lease payments	\$ 1,059,802

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	(1,185,096)
Total	\$ 545,967

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2011**

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**Note 7. Long-Term Debt**

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Bonds and other long-term obligations consist of the following at June 30, 2011:

**Revenue Bonds:**

Water Revenue Bonds, Series 1997A, bearing interest at 4.5% due in semiannual principal and interest installments, maturing January 1, 2031.	251,715
Water Revenue Bonds, Series 1997B, bearing interest at 4.5% due in semiannual principal and interest installments, maturing January 1, 2031.	<u>381,530</u>
Total revenue bonds payable	633,244
Less current portion	<u>(20,501)</u>
Total revenue bonds, net of current portion	<u><u>\$ 612,743</u></u>

Revenue bond debt service maturities are as follows:

Year Ended June 30,	Principal	Interest	Total
2012	\$ 20,501	\$ 28,218	\$ 48,720
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
2017-2021	140,662	101,941	242,603
2022-2026	176,081	66,450	242,531
2027-2031	<u>204,133</u>	<u>22,390</u>	<u>226,523</u>
Total	<u><u>\$ 633,244</u></u>	<u><u>\$ 323,324</u></u>	<u><u>\$ 956,568</u></u>

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2011**

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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.	\$ 6,246,487
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.	457,663
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.	1,031,551
Great Western Bank, bearing interest at 5.115%, due in monthly principal and interest installments, maturing October 1, 2022.	455,973
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>1,060,900</u>
Total notes payable	9,252,573
Less current portion	<u>(906,347)</u>
Total notes payable, net of current portion	<u><u>\$ 8,346,226</u></u>

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2011**

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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
2012	\$ 906,347	\$ 218,794	\$ 1,125,142
2013	915,329	202,471	1,117,800
2014	394,111	205,694	599,805
2015	403,600	195,039	598,640
2016	413,355	184,096	597,451
2017-2021	2,223,066	784,292	3,007,359
2022-2026	2,302,426	495,995	2,798,420
2027-2031	1,075,514	189,264	1,264,778
2032-2036	168,993	113,840	282,834
2037-2041	207,630	75,929	283,559
2042-2046	242,200	29,351	271,551
Total	<u>\$ 9,252,573</u>	<u>\$ 2,694,765</u>	<u>\$ 11,947,338</u>

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2011**

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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, 2011:

<b>Governmental Activities:</b>	<b>Balance 6/30/2010</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 6/30/2011</b>	<b>Current Portion</b>
Accrued Compensated Absences	\$ 467,587	\$ 252,042	\$ (255,131)	\$ 464,498	\$ 255,000
Notes Payable	2,076,403	-	(559,531)	1,516,872	560,676
Capital Leases	1,149,118	-	(89,316)	1,059,802	145,249
Total other long-term debt	<u>3,693,108</u>	<u>252,042</u>	<u>(903,978)</u>	<u>3,041,172</u>	<u>960,925</u>
<b>General Obligation:</b>					
USDA Bonds - Series 1989, 1992, 1999	<u>176,179</u>	<u>-</u>	<u>(176,179)</u>	<u>-</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 3,869,287</u>	<u>\$ 252,042</u>	<u>\$ (1,080,157)</u>	<u>\$ 3,041,172</u>	<u>\$ 960,925</u>
<b>Business-type Activities:</b>					
<b>General Obligation:</b>					
USDA Bonds - Series 1989, 1992, 1999	<u>\$ 53,821</u>	<u>\$ -</u>	<u>\$ (53,821)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Revenue Bonds:</b>					
USDA Water Bonds - Series 1991, 1997	<u>732,845</u>	<u>-</u>	<u>(99,601)</u>	<u>633,244</u>	<u>20,501</u>
<b>Loans Payable:</b>					
Water Infrastructure Finance Authority (WIFA)					
Loan # 910103-09	6,552,503	-	(306,016)	6,246,487	312,136
Loan # 92A150-10	425,495	54,645	(22,477)	457,663	19,899
USDA Loan 92-12	<u>1,045,439</u>	<u>-</u>	<u>(13,888)</u>	<u>1,031,551</u>	<u>13,637</u>
Total loans payable	<u>8,023,437</u>	<u>54,645</u>	<u>(342,381)</u>	<u>7,735,701</u>	<u>345,672</u>
<b>Other:</b>					
Capital Leases	12,163	-	(12,163)	-	-
Compensated Absences	<u>42,137</u>	<u>46,550</u>	<u>(36,869)</u>	<u>51,818</u>	<u>37,000</u>
Total other long-term debt	<u>54,300</u>	<u>46,550</u>	<u>(49,032)</u>	<u>51,818</u>	<u>37,000</u>
Business-Type Activity Long-Term Liabilities	<u>\$ 8,864,403</u>	<u>\$ 101,195</u>	<u>\$ (544,835)</u>	<u>\$ 8,420,763</u>	<u>\$ 403,173</u>

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2011**

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

**Landfill Closure and Postclosure 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 postclosure care costs as an operating expense annually. The \$3,507,022 reported as landfill closure and postclosure care liability at June 30, 2011 represents the cumulative amount of closure and postclosure 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 postclosure 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 postclosure 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 postclosure care costs.

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

As of June 30, 2011, interfund receivables and payables were as follows:

	Due From	
Due To	Sewer Fund	Total
General Fund	\$ 619,126	\$ 619,126
	\$ 619,126	\$ 619,126

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, 2011**

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

Interfund transfers that took place during fiscal year 2011 consist of the following:

Transfers Out	Transfers In						Total
	General Fund	Highway User Fund	Water Fund	Sewer Fund	Sanitation Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 344,908	\$ -	\$ 60,000	\$ -	\$ 729,669	\$ 1,134,577
Sewer Fund	5,820	-	39,094	-	-	-	44,915
Nonmajor Funds	184,265	-	67,796	160,991	13,387	2,893	429,331
	<u>\$ 190,085</u>	<u>\$ 344,908</u>	<u>\$ 106,890</u>	<u>\$ 220,991</u>	<u>\$ 13,387</u>	<u>\$ 732,562</u>	<u>\$ 1,608,823</u>

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, 2011**

**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 9.45 percent (8.95 percent for retirement, and 0.5 percent for long-term disability) of the members' annual covered payroll and the City was required to contribute 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium, and 0.25 percent for long-term disability) of the members' annual covered payroll.

The 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
2009	\$ 322,545	\$ 42,071	\$ 20,034
2010	\$ 314,345	\$ 41,309	\$ 19,671
2011	\$ 290,026	\$ 22,952	\$ 13,910

**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 12.86 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 0.61 percent of covered payroll.

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2011**

**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, 2011 were established by the June 30, 2010 actuarial valuations using the projected unit credit method. The actuarial assumptions included (a) 8.50 percent investment rate of return and (b) projected salary increases ranging from 5.50 to 8.50 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, 2011, was 25 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, 2011, the City's annual pension cost of \$237,649 and the annual OPEB cost of \$19,816 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	2009	\$ 222,451	100%	\$ -
	2010	209,792	100%	-
	2011	237,649	100%	-
Health Insurance	2009	\$ 18,956	100%	\$ -
	2010	17,143	100%	-
	2011	19,816	100%	-

Additional historical trend information for the City's PSPRS is disclosed on page 50. 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.

**CITY OF ELOY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2011**

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**Note 10.           Segment Information – Enterprise Funds**

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The City maintains three enterprise funds which provide water, sewer, and sanitation utility services to its citizens. Since these utility funds are major funds, detailed or segment information for the funds are provided in the basic financial statements.

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**Note 11.           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 12.           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 can not 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.

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**Note 13.           Prior Period Adjustment**

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The City's estimate for the landfill closure and postclosure care liability is based on an engineer's estimate and is adjusted annually for landfill usage and inflation. In March 2010, the City had an engineer reevaluate the liability; however, the liability was not properly adjusted in the City's fiscal year 2010 financial statements. Hence, a prior period adjustment was posted in the current year to restate the beginning liability balance and adjust beginning net assets. The effect of this adjustment was to increase net assets in the Sanitation Fund and decrease the landfill closure postclosure liability in the amount of \$3,152,136.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF ELOY, ARIZONA**  
**Schedule of Funding Progress**  
**June 30, 2011**

**Public Safety Personnel Retirement System - Police**

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2003 through June 30, 2011, 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
2003	2,617,697	2,270,516	115.29%	(347,181)	1,354,951	0.0%
2004	3,016,100	2,767,281	108.99%	(248,819)	1,484,827	0.0%
2005	3,303,931	3,363,599	98.23%	59,668	1,489,555	4.0%
2006	3,704,776	3,946,424	93.88%	241,648	1,669,780	14.5%
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%

**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
2006	-	143,858	143,858	0.0%	1,669,780	8.62%
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%

\* 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, 2011**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property taxes	\$ 830,800	\$ 830,800	\$ 787,922	\$ (42,878)
Sales and use taxes	4,066,950	4,066,950	5,087,733	1,020,783
State Sales Taxes	834,625	834,625	887,563	52,938
State Revenue Sharing	1,082,665	1,082,665	1,082,827	162
Auto Lieu Tax	692,360	692,360	682,530	(9,830)
Franchise taxes	130,250	130,250	132,653	2,403
Total Taxes	<u>7,637,650</u>	<u>7,637,650</u>	<u>8,661,228</u>	<u>1,023,578</u>
<b>Licenses, Permits and Fees:</b>				
Building Permits	302,250	302,250	353,747	51,497
Business and Other Licenses	47,250	47,250	55,353	8,103
Total Licenses, Fees and Permits	<u>349,500</u>	<u>349,500</u>	<u>409,100</u>	<u>59,600</u>
<b>Intergovernmental:</b>				
Intergovernmental revenues	434,000	434,000	258,003	(175,997)
Total Intergovernmental	<u>434,000</u>	<u>434,000</u>	<u>258,003</u>	<u>(175,997)</u>
<b>Charges for Services:</b>				
Administrative Fees	35,730	35,730	16,287	(19,443)
Park, Swimming Pool & Recreation Fees	19,250	19,250	15,420	(3,830)
Total Charges for Services	<u>54,980</u>	<u>54,980</u>	<u>31,707</u>	<u>(23,273)</u>
<b>Fines and Forfeitures:</b>				
Fines & Forfeitures	250,000	250,000	244,152	(5,848)
Total Fines and Forfeitures	<u>250,000</u>	<u>250,000</u>	<u>244,152</u>	<u>(5,848)</u>
<b>Interest</b>				
Interest Income	68,000	68,000	38,422	(29,578)
Total Interest	<u>68,000</u>	<u>68,000</u>	<u>38,422</u>	<u>(29,578)</u>
<b>Other Revenues:</b>				
Rents	6,250	6,250	7,696	1,446
Insurance Recoveries	35,000	35,000	48,049	13,049
Miscellaneous	15,150	15,150	32,033	16,883
Total Other Revenues	<u>56,400</u>	<u>56,400</u>	<u>87,778</u>	<u>31,378</u>
<b>TOTAL REVENUES</b>	<u>8,850,530</u>	<u>8,850,530</u>	<u>9,730,390</u>	<u>879,860</u>

(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, 2011**

<b>EXPENDITURES</b>	Budget		<b>Actual</b>	Variance
	Original	Final		Favorable (Unfavorable)
<b>General Government:</b>				
Mayor and Council	492,845	492,845	427,878	64,967
Legal and Professional	145,500	145,500	128,066	17,434
Magistrate	406,835	406,835	365,122	41,713
City Clerk	444,600	444,600	384,554	60,046
Finance	502,435	502,435	471,128	31,307
Vehicle Maintenance	178,565	178,565	171,639	6,926
Facilities Maintenance	264,280	264,280	235,120	29,160
Contingency	569,935	569,935	474,402	95,533
Total General Government	3,004,995	3,004,995	2,657,909	347,086
<b>Public safety:</b>				
Law Enforcement	3,744,910	3,744,910	3,311,371	433,539
Total Public Safety	3,744,910	3,744,910	3,311,371	433,539
<b>Public Works/Streets:</b>				
Community Development	567,445	567,445	513,895	53,550
Building Inspection/Administration	211,895	211,895	92,742	119,153
Total Public Works/Streets	779,340	779,340	606,637	172,703
<b>Culture &amp; Recreation:</b>				
Park Maintenance	273,100	273,100	271,405	1,695
Recreation	704,690	704,690	645,466	59,224
Library	279,815	279,815	283,705	(3,890)
Total Culture and Recreation	1,257,605	1,257,605	1,200,576	57,029
<b>Debt Service:</b>				
Principal	242,070	242,070	212,428	29,642
Interest	-	-	40,184	(40,184)
Total Debt Service	242,070	242,070	252,612	(10,542)
<b>TOTAL EXPENDITURES</b>	<b>9,028,920</b>	<b>9,028,920</b>	<b>8,029,105</b>	<b>999,815</b>
Excess of Revenues Over (Under) Expenditures	(178,390)	(178,390)	1,701,285	1,879,675
<b>Other Financing Sources (Uses):</b>				
Transfers In	-	-	190,085	190,085
Transfers Out	(951,950)	(951,950)	(1,134,577)	(182,627)
Total Other Financing Sources (Uses)	(951,950)	(951,950)	(944,492)	7,458
Net change in fund balance	(1,130,340)	(1,130,340)	756,793	1,887,133
Fund Balance, Beginning of Year	8,009,884	8,009,884	8,009,884	-
Fund Balance, End of Year	<b>\$ 6,879,544</b>	<b>\$ 6,879,544</b>	<b>\$ 8,766,677</b>	<b>\$ 1,887,133</b>

**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, 2011**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES:</b>				
Intergovernmental revenue:				
Highway User Revenues	\$ 925,985	\$ 925,985	\$ 928,660	\$ 2,675
County 1/2 cent sales tax	705,000	705,000	730,738	25,738
Total Intergovernmental	<u>1,630,985</u>	<u>1,630,985</u>	<u>1,659,398</u>	<u>28,413</u>
Other revenue:				
Plan check fees	15,000	15,000	6,089	(8,911)
Interest income	25,000	25,000	17,528	(7,472)
Miscellaneous	775	775	125,000	124,225
Total Revenue	<u>1,671,760</u>	<u>1,671,760</u>	<u>1,808,015</u>	<u>136,255</u>
<b>EXPENDITURES:</b>				
Public Works:				
Salaries	535,020	535,020	469,101	65,919
Employee benefits	265,905	265,905	246,011	19,894
Services, supplies, and other	1,158,245	1,158,245	502,396	655,849
Debt service	709,540	709,540	585,595	123,945
Total Expenditures	<u>2,668,710</u>	<u>2,668,710</u>	<u>1,803,103</u>	<u>865,607</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>(996,950)</u>	<u>(996,950)</u>	<u>4,912</u>	<u>1,001,862</u>
Other Financing Sources (Uses):				
Transfers In	316,950	316,950	344,908	27,958
Total Other Financing Sources (Uses):	<u>316,950</u>	<u>316,950</u>	<u>344,908</u>	<u>27,958</u>
Net change in fund balance	(680,000)	(680,000)	349,820	1,029,820
Fund Balance, Beginning of Year	<u>5,118,874</u>	<u>5,118,874</u>	<u>5,118,874</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 4,438,874</u>	<u>\$ 4,438,874</u>	<u>\$ 5,468,694</u>	<u>\$ 1,029,820</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, 2011**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES:</b>				
Intergovernmental revenue:				
Grants and contributions	\$ 5,000,780	\$ 5,000,780	\$ 1,474,134	\$ (3,526,646)
Other revenue:				
CCA pass through	45,000,000	45,000,000	38,053,366	(6,946,634)
Total revenues	<u>50,000,780</u>	<u>50,000,780</u>	<u>39,527,500</u>	<u>(10,473,280)</u>
<b>EXPENDITURES:</b>				
Public Safety:				
Salaries	55,925	55,925	106,151	(50,226)
Employee benefits	21,355	21,355	44,876	(23,521)
Services, supplies, and other	125,000	125,000	-	125,000
Culture and recreation				
Services, supplies, and other	8,500	8,500	8,652	(152)
CCA pass through	45,000,000	45,000,000	38,053,366	6,946,634
Capital outlay	<u>4,790,000</u>	<u>4,790,000</u>	<u>1,297,726</u>	<u>3,492,274</u>
Total Expenditures	<u>50,000,780</u>	<u>50,000,780</u>	<u>39,510,771</u>	<u>10,490,009</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>16,729</u>	<u>16,729</u>
Other Financing Sources (Uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	16,729	16,729
Fund Balance, Beginning of Year	<u>144,963</u>	<u>144,963</u>	<u>144,963</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 144,963</u>	<u>\$ 144,963</u>	<u>\$ 161,692</u>	<u>\$ 16,729</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.
- **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.

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

**NONMAJOR GOVERNMENTAL FUNDS**

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**Debt Service Fund**

Debt service funds are used to account for the accumulation of resources for, and the payment of current and future debt service requirements for governmental debt principal and interest.

- **Municipal Property Corporation (MPC)** – This fund is used for assisting the city in obtaining financing for various projects of the city and for the accumulation of resources for the payment of related debt service.

**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, 2011**

	Special Revenue Funds					
	Airport	LTAF	Impact Fee	JCEF	Court Recovery	Cemetery
<b>ASSETS</b>						
Cash	\$ 128,757	\$ 115,928	\$ 2,171,477	\$ 44,758	\$ 59,347	\$ 30,237
Accounts receivable	20,211	-	-	-	-	8,603
Due from other governments	-	-	-	467	2,534	-
<b>Total Assets</b>	<b><u>\$ 148,968</u></b>	<b><u>\$ 115,928</u></b>	<b><u>\$ 2,171,477</u></b>	<b><u>\$ 45,225</u></b>	<b><u>\$ 61,881</u></b>	<b><u>\$ 38,840</u></b>
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities:						
Accounts payable	\$ -	\$ 14,696	\$ -	\$ 787	\$ 4,404	\$ 3,687
Accrued wages and benefits	113	-	-	-	-	903
<b>Total Liabilities</b>	<b><u>113</u></b>	<b><u>14,696</u></b>	<b><u>-</u></b>	<b><u>787</u></b>	<b><u>4,404</u></b>	<b><u>4,590</u></b>
Fund Balance:						
Restricted for:						
Roads and highways	-	101,232	-	-	-	-
Capital projects	-	-	2,171,477	-	-	-
Court equipment	-	-	-	44,438	57,477	-
Cemetery	-	-	-	-	-	-
Committed for:						
Airport	148,855	-	-	-	-	-
Cemetery	-	-	-	-	-	34,250
Assigned for:						
Capital projects	-	-	-	-	-	-
<b>Total Fund Balance</b>	<b><u>148,855</u></b>	<b><u>101,232</u></b>	<b><u>2,171,477</u></b>	<b><u>44,438</u></b>	<b><u>57,477</u></b>	<b><u>34,250</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 148,968</u></b>	<b><u>\$ 115,928</u></b>	<b><u>\$ 2,171,477</u></b>	<b><u>\$ 45,225</u></b>	<b><u>\$ 61,881</u></b>	<b><u>\$ 38,840</u></b>

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Capital Projects Fund	Debt Service Fund	Permanent Fund	Total Nonmajor Governmental Funds
Capital Projects	Municipal Property Corporation	Perpetual Care	
\$ 1,943,722	\$ -	\$ 108,605	\$ 4,602,831
-	-	-	28,814
-	-	-	3,001
<u>\$ 1,943,722</u>	<u>\$ -</u>	<u>\$ 108,605</u>	<u>\$ 4,634,646</u>
\$ 1,280	\$ -	\$ -	\$ 24,854
-	-	-	1,016
<u>1,280</u>	<u>-</u>	<u>-</u>	<u>25,870</u>
-	-	-	101,232
-	-	-	2,171,477
-	-	-	101,915
-	-	108,605	108,605
-	-	-	148,855
-	-	-	34,250
<u>1,942,442</u>	<u>-</u>	<u>-</u>	<u>1,942,442</u>
<u>1,942,442</u>	<u>-</u>	<u>108,605</u>	<u>4,608,776</u>
<u>\$ 1,943,722</u>	<u>\$ -</u>	<u>\$ 108,605</u>	<u>\$ 4,634,646</u>

**CITY OF ELOY, ARIZONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2011**

	Special Revenue Funds					
	Airport	LTAF	Impact Fee	JCEF	Court Recovery Fund	Cemetery
<b>REVENUES:</b>						
Intergovernmental revenue	\$ -	\$ 15,261	\$ -	\$ 9,914	\$ -	\$ -
Charges for services	15,718	-	-	-	-	58,431
Capacity charges	-	-	114,901	-	-	-
Fines and forfeitures	-	-	-	-	33,449	-
Interest revenue	399	419	6,952	-	-	-
Donations and other	50,627	-	-	-	-	7,099
<b>Total Revenue</b>	<b>66,744</b>	<b>15,680</b>	<b>121,853</b>	<b>9,914</b>	<b>33,449</b>	<b>65,530</b>
<b>EXPENDITURES:</b>						
General government	-	-	-	-	-	71,180
Public works	27,435	186,654	-	-	-	-
Capital outlay	7,355	-	-	3,199	-	-
Debt service	33,374	-	-	-	52,849	-
<b>Total Expenditures</b>	<b>68,164</b>	<b>186,654</b>	<b>-</b>	<b>3,199</b>	<b>52,849</b>	<b>71,180</b>
Excess of Revenues Over (Under) Expenditures	(1,420)	(170,974)	121,853	6,715	(19,400)	(5,650)
Other Financing Sources (Uses):						
Transfers in	10,000	-	-	-	19,400	-
Transfers out	-	-	-	-	-	(2,894)
<b>Total Other Financing Sources (Uses):</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,400</b>	<b>(2,894)</b>
<b>Net change in fund balances</b>	<b>8,580</b>	<b>(170,974)</b>	<b>121,853</b>	<b>6,715</b>	<b>-</b>	<b>(8,544)</b>
<b>Fund Balances, Beginning of Year</b>	<b>140,275</b>	<b>272,206</b>	<b>2,049,624</b>	<b>37,723</b>	<b>57,477</b>	<b>42,794</b>
<b>Fund Balances, End of Year</b>	<b>\$ 148,855</b>	<b>\$ 101,232</b>	<b>\$ 2,171,477</b>	<b>\$ 44,438</b>	<b>\$ 57,477</b>	<b>\$ 34,250</b>

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<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Permanent Fund</u>	<u>Total</u>
<u>Capital Projects</u>	<u>Municipal Property Corporation</u>	<u>Perpetual Care</u>	<u>Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 25,175
-	-	-	74,149
-	-	-	114,901
-	-	-	33,449
-	-	245	8,015
-	-	-	57,726
<u>-</u>	<u>-</u>	<u>245</u>	<u>313,415</u>
-	-	-	71,180
-	-	-	214,089
112,955	-	-	123,509
-	-	-	86,223
<u>112,955</u>	<u>-</u>	<u>-</u>	<u>495,001</u>
<u>(112,955)</u>	<u>-</u>	<u>245</u>	<u>(181,586)</u>
700,268	-	2,894	732,562
<u>(242,172)</u>	<u>(184,265)</u>	<u>-</u>	<u>(429,331)</u>
<u>458,096</u>	<u>(184,265)</u>	<u>2,894</u>	<u>303,231</u>
345,141	(184,265)	3,139	121,645
<u>1,597,301</u>	<u>184,265</u>	<u>105,466</u>	<u>4,487,131</u>
<u>\$ 1,942,442</u>	<u>\$ -</u>	<u>\$ 108,605</u>	<u>\$ 4,608,776</u>

**CITY OF ELOY, ARIZONA**  
**AIRPORT FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES:</b>				
Rents	\$ 65,735	\$ 65,735	\$ 50,627	\$ (15,108)
Charges for services	10,000	10,000	15,718	5,718
Interest	1,000	1,000	399	(601)
Total revenues	<u>76,735</u>	<u>76,735</u>	<u>66,744</u>	<u>(9,991)</u>
<b>EXPENDITURES:</b>				
Public Works:				
Salaries	3,340	3,340	3,149	191
Employee benefits	1,305	1,305	1,276	29
Services, supplies, and other	46,690	46,690	23,010	23,680
Debt service	25,400	25,400	33,374	(7,974)
Capital outlay	10,000	10,000	7,355	2,645
Total Expenditures	<u>86,735</u>	<u>86,735</u>	<u>68,164</u>	<u>18,571</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>(10,000)</u>	<u>(10,000)</u>	<u>(1,420)</u>	<u>8,580</u>
Other Financing Sources (Uses):				
Transfers in	10,000	10,000	10,000	-
Total Other Financing Sources (Uses):	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net change in fund balance	-	-	8,580	8,580
Fund Balance, Beginning of Year	140,275	140,275	140,275	-
Fund Balance, End of Year	<u>\$ 140,275</u>	<u>\$ 140,275</u>	<u>\$ 148,855</u>	<u>\$ 8,580</u>

**CITY OF ELOY, ARIZONA**  
**LTAF SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES:</b>				
Intergovernmental revenue	\$ -	\$ -	\$ 15,261	\$ 15,261
Interest revenue	1,000	1,000	419	(581)
Total Revenue	1,000	1,000	15,680	14,680
<b>EXPENDITURES:</b>				
Public works	251,000	251,000	186,654	64,346
Total Expenditures	251,000	251,000	186,654	64,346
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(250,000)	(250,000)	(170,974)	79,026
Net change in fund balance	(250,000)	(250,000)	(170,974)	79,026
Fund Balance, Beginning of Year	272,206	272,206	272,206	-
Fund Balance, End of Year	\$ 22,206	\$ 22,206	\$ 101,232	\$ 79,026

**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, 2011**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES:</b>				
Capacity charges	\$ 157,500	\$ 157,500	\$ 114,901	\$ (42,599)
Interest revenue	19,500	19,500	6,952	(12,548)
Total Revenue	<u>177,000</u>	<u>177,000</u>	<u>121,853</u>	<u>(55,147)</u>
<b>EXPENDITURES:</b>				
Capital outlay	342,000	342,000	-	342,000
Total Expenditures	<u>342,000</u>	<u>342,000</u>	<u>-</u>	<u>342,000</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>(165,000)</u>	<u>(165,000)</u>	<u>121,853</u>	<u>286,853</u>
Other Financing Sources (Uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(165,000)	(165,000)	121,853	286,853
Fund Balance, Beginning of Year	<u>2,049,624</u>	<u>2,049,624</u>	<u>2,049,624</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,884,624</u>	<u>\$ 1,884,624</u>	<u>\$ 2,171,477</u>	<u>\$ 286,853</u>

**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, 2011**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES:</b>				
Intergovernmental revenue	\$ 10,670	\$ 10,670	\$ 9,914	\$ (756)
Total Revenue	<u>10,670</u>	<u>10,670</u>	<u>9,914</u>	<u>(756)</u>
<b>EXPENDITURES:</b>				
Capital outlay	<u>10,670</u>	<u>10,670</u>	<u>3,199</u>	<u>7,471</u>
Total Expenditures	<u>10,670</u>	<u>10,670</u>	<u>3,199</u>	<u>7,471</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>6,715</u>	<u>6,715</u>
Net change in fund balance	-	-	6,715	6,715
Fund Balance, Beginning of Year	<u>37,723</u>	<u>37,723</u>	<u>37,723</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 37,723</u>	<u>\$ 37,723</u>	<u>\$ 44,438</u>	<u>\$ 6,715</u>

**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, 2011**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES:</b>				
Fines and Forfeitures	\$ 50,000	\$ 50,000	\$ 33,449	\$ (16,551)
Total Revenue	50,000	50,000	33,449	(16,551)
<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	(15,000)	(15,000)	(19,400)	(4,400)
Other Financing Sources (Uses):				
Transfers in	15,000	15,000	19,400	4,400
Total Other Financing Sources (Uses):	15,000	15,000	19,400	4,400
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, 2011**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES:</b>				
Charges for services	\$ 71,260	\$ 71,260	\$ 58,431	\$ (12,829)
Donations and other	9,250	9,250	7,099	(2,151)
Total Revenue	<u>80,510</u>	<u>80,510</u>	<u>65,530</u>	<u>(14,980)</u>
<b>EXPENDITURES:</b>				
General government	<u>80,510</u>	<u>80,510</u>	<u>71,180</u>	<u>9,330</u>
Total Expenditures	<u>80,510</u>	<u>80,510</u>	<u>71,180</u>	<u>9,330</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>(5,650)</u>	<u>(5,650)</u>
Other Financing Sources (Uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(2,894)</u>	<u>(2,894)</u>
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>(2,894)</u>	<u>(2,894)</u>
Net change in fund balance	-	-	(8,544)	(8,544)
Fund Balance, Beginning of Year	<u>42,794</u>	<u>42,794</u>	<u>42,794</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 42,794</u>	<u>\$ 42,794</u>	<u>\$ 34,250</u>	<u>\$ (8,544)</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, 2011**

	Budget		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Donations and other	\$ -	\$ -	\$ -	\$ -
Total Revenue	-	-	-	-
<b>EXPENDITURES:</b>				
Capital outlay	1,928,250	1,928,250	112,955	1,815,295
Total Expenditures	1,928,250	1,928,250	112,955	1,815,295
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	(1,928,250)	(1,928,250)	(112,955)	1,815,295
Other Financing Sources (Uses):				
Transfers in	550,000	550,000	700,268	150,268
Transfers out	-	-	(242,172)	(242,172)
Total Other Financing Sources (Uses):	550,000	550,000	458,096	(91,904)
Net change in fund balance	(1,378,250)	(1,378,250)	345,141	1,723,391
Fund Balance, Beginning of Year	1,597,301	1,597,301	1,597,301	-
Fund Balance, End of Year	\$ 219,051	\$ 219,051	\$ 1,942,442	\$ 1,723,391

**CITY OF ELOY, ARIZONA**  
**MUNICIPAL PROPERTY CORPORATION DEBT SERVICE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2011**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES:</b>				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Total Revenue	-	-	-	-
<b>EXPENDITURES:</b>				
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-
Other Financing Sources (Uses):				
Transfers out	-	-	(184,265)	(184,265)
Total Other Financing Sources (Uses):	-	-	(184,265)	(184,265)
Net change in fund balance	-	-	(184,265)	(184,265)
Fund Balance, Beginning of Year	184,265	184,265	184,265	-
Fund Balance, End of Year	<u>\$ 184,265</u>	<u>\$ 184,265</u>	<u>\$ -</u>	<u>\$ (184,265)</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, 2011**

	Budget		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES:</b>				
Charges for services	\$ 3,150	\$ 3,150	\$ -	\$ (3,150)
Interest revenue	750	750	245	(505)
Total Revenue	<u>3,900</u>	<u>3,900</u>	<u>245</u>	<u>(3,655)</u>
<b>EXPENDITURES:</b>				
General government	3,900	3,900	-	3,900
Total Expenditures	<u>3,900</u>	<u>3,900</u>	<u>-</u>	<u>3,900</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>-</u>	<u>245</u>	<u>245</u>
Other Financing Sources (Uses):				
Transfers in	-	-	2,894	2,894
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>2,894</u>	<u>2,894</u>
Net change in fund balance	-	-	3,139	3,139
Fund Balance, Beginning of Year	<u>105,466</u>	<u>105,466</u>	<u>105,466</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 105,466</u>	<u>\$ 105,466</u>	<u>\$ 108,605</u>	<u>\$ 3,139</u>

**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  
 City Council  
 City of Eloy, Arizona

We have audited the basic financial statements of the City of Eloy, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 3, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of 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 misstatements of the entity’s financial statements will not be prevented, detected and corrected, on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the schedule of findings and recommendations dated December 3, 2011 that we consider to be significant deficiencies in internal control over financial reporting.

- 07-5 Journal Entries
- 10-1 Stale Outstanding Checks
- 11-1 Grant Management

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 of Eloy'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 December 3, 2011.

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



HINTON, BURDICK, HALL & SPILKER, PLLC  
December 3, 2011



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

The Honorable Mayor and  
 City Council  
 Eloy, Arizona

We have audited the basic financial statements of the City of Eloy, Arizona for the year ended June 30, 2011, and have issued our report thereon dated December 3, 2011. 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, 2011.

HINTON, BURDICK, HALL & SPILKER, PLLC  
 December 3, 2011

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