

TOWN OF EAGAR, ARIZONA



FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

TOWN OF EAGAR, ARIZONA

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**Independent Auditors' Report on
Financial Statements**

The Honorable Mayor and
Town Council
Eagar, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Eagar, Arizona, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Town of Eagar's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Town of Eagar as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3 2010, on our consideration of the Town of Eagar'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, the Public Safety Personnel Retirement System schedule of funding progress and the budgetary comparison schedules 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 Town of Eagar, Arizona's basic financial statements. The nonmajor individual fund budgetary comparison 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 Town of Eagar, 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 black ink, appearing to read "Michael K. Spilker", with a long horizontal flourish extending to the right.

Michael K. Spilker, CPA
November 3, 2010

**TOWN OF EAGAR, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010**

As management of the Town of Eagar (Town), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2010. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Net assets in Governmental activities increased by \$65,271 to \$8,146,753.
- Net Assets in Business-type activities decreased by \$96,692 to \$4,488,120.
- General Fund expenditures exceeded revenues by \$195,178.
- Highway User Revenues of \$811,955 was \$110,973 over the budget of \$700,982.
- Highway User Revenue Fund revenues exceeded expenditures by \$182,118.
- Thirty-seven percent of the governmental funds revenue received was from Operating Grants & Contributions and from Capital Grants & Contributions.
- Total Proprietary Funds expenses exceeded total revenues by \$136,357. This includes an expense of \$440,753 for depreciation.

- The following is a list of projects during fiscal year 2010:
 - Basha's Parking Lot \$112,146
 - Alpine Building \$24,107
 - Fire Department Remodel \$22,718

USING THIS ANNUAL REPORT

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

Reporting the Town as a Whole

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

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

These two statements report the Town's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial

health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's property tax base or condition of the Town's roads to accurately assess the overall health of the Town.

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

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

Reporting the Town's Most Significant Funds

Fund Financial Statements

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$12.6 million as of June 30, 2010 as shown in the following condensed statement of net assets. The Town has chosen to account for its water and sewer operations in enterprise funds which are shown as Business Activities.

TOWN OF EAGAR, ARIZONA Statement of Net Assets

	Governmental activities		Business-type activities		Total	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Current and other assets	\$ 2,257,472	\$ 2,487,519	\$ (642,183)	\$ (749,709)	\$ 1,615,289	\$ 1,737,810
Capital assets	9,027,191	9,235,596	7,756,354	8,145,260	16,783,545	17,380,856
Total assets	<u>11,284,663</u>	<u>11,723,115</u>	<u>7,114,171</u>	<u>7,395,551</u>	<u>18,398,834</u>	<u>19,118,666</u>
Long-term liabilities outstanding	2,855,889	3,165,737	2,510,532	2,712,305	5,366,421	5,878,042
Other liabilities	282,021	475,896	115,519	98,435	397,540	574,331
Total liabilities	<u>3,137,910</u>	<u>3,641,633</u>	<u>2,626,051</u>	<u>2,810,740</u>	<u>5,763,961</u>	<u>6,452,373</u>
Net assets:						
Invested in capital assets, net of related debt	6,226,512	6,133,729	5,246,050	5,433,045	11,472,562	11,566,774
Restricted	366,562	200,681	-	-	366,562	200,681
Unrestricted	<u>1,553,679</u>	<u>1,747,072</u>	<u>(757,931)</u>	<u>(848,234)</u>	<u>795,748</u>	<u>898,838</u>
Total net assets	<u>\$ 8,146,753</u>	<u>\$ 8,081,482</u>	<u>\$ 4,488,119</u>	<u>\$ 4,584,811</u>	<u>\$ 12,634,872</u>	<u>\$ 12,666,293</u>

Governmental Activities

The cost of all Governmental activities this year was \$3.6 million. As shown on the statement of Changes in Net Assets on the following page, \$328,983 of this cost was paid for by those who directly benefited from the programs, \$1.37 million was subsidized by grants received from other governmental organizations for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services were \$1.7 million. General taxes, State Revenue Sharing and investment earnings totaled \$1.95 million.

The Town's programs include: General Government, Public Safety, Public Works/Streets, Culture & Recreation, and Health & Welfare. Each program's revenues and expenses are presented below.

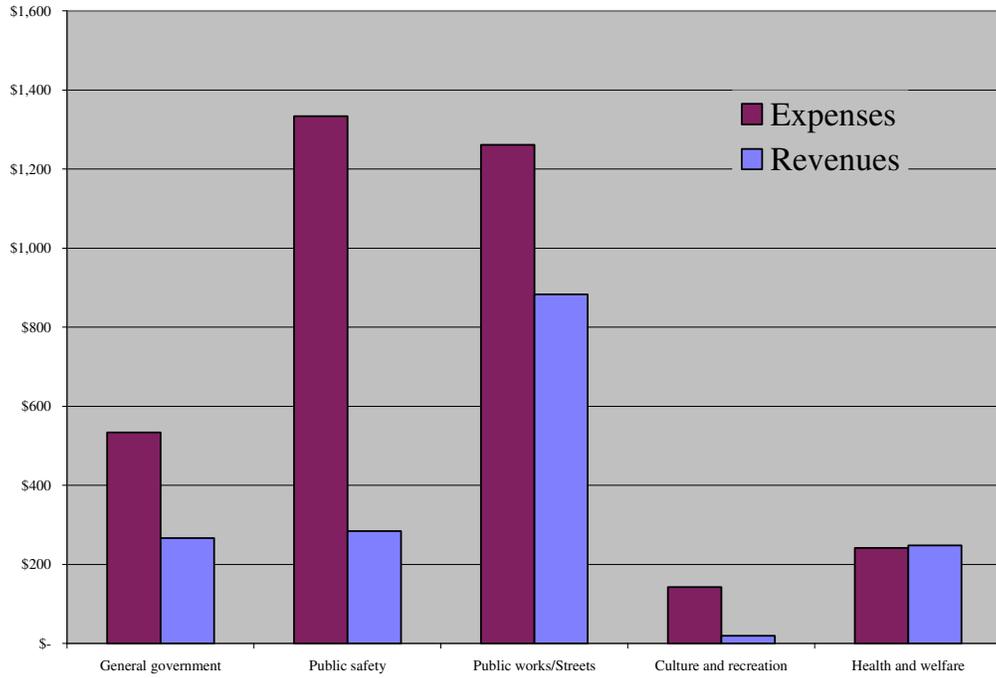
TOWN OF EAGAR, ARIZONA
Changes in Net Assets

	Governmental activities		Business-type activities		Total	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Revenues:						
Program revenues:						
Charges for services	\$ 328,982	\$ 345,801	\$ 1,208,067	\$ 1,174,713	\$ 1,537,049	\$ 1,520,514
Operating grants and contributions	1,097,060	1,311,264	-	-	1,097,060	1,311,264
Capital grants and contributions	275,132	1,657,607	28,230	38,909	303,362	1,696,516
General revenues:						
Taxes	1,377,340	1,536,347	-	-	1,377,340	1,536,347
State revenue sharing	572,605	663,705	-	-	572,605	663,705
Other revenue/(expense)	1,750	4,832	965	350	2,715	5,182
Total revenues	<u>3,652,869</u>	<u>5,519,556</u>	<u>1,237,262</u>	<u>1,213,972</u>	<u>4,890,131</u>	<u>6,733,528</u>
Expenses:						
General government	534,130	566,557	-	-	534,130	566,557
Public safety	1,333,851	1,482,333	-	-	1,333,851	1,482,333
Public works/Streets	1,221,882	1,480,701	-	-	1,221,882	1,480,701
Culture and recreation	142,501	211,330	-	-	142,501	211,330
Health and welfare	241,935	647,489	-	-	241,935	647,489
Interest on long-term debt	73,633	116,761	-	-	73,633	116,761
Water & Sewer	-	-	1,373,619	1,327,305	1,373,619	1,327,305
Total expenses	<u>3,547,932</u>	<u>4,505,171</u>	<u>1,373,619</u>	<u>1,327,305</u>	<u>4,921,551</u>	<u>5,832,476</u>
Increase (Decrease) in net assets before transfers	104,937	1,014,385	(136,357)	(113,333)	(31,420)	901,052
Transfers	(39,666)	-	39,666	-	-	-
Increase (Decrease) in net assets	65,271	1,014,385	(96,691)	(113,333)	(31,420)	901,052
Net assets, beginning	8,081,482	7,067,097	4,584,810	4,698,144	12,666,292	11,765,241
Net assets, ending	<u>\$ 8,146,753</u>	<u>\$ 8,081,482</u>	<u>\$ 4,488,119</u>	<u>\$ 4,584,811</u>	<u>\$ 12,634,872</u>	<u>\$ 12,666,293</u>

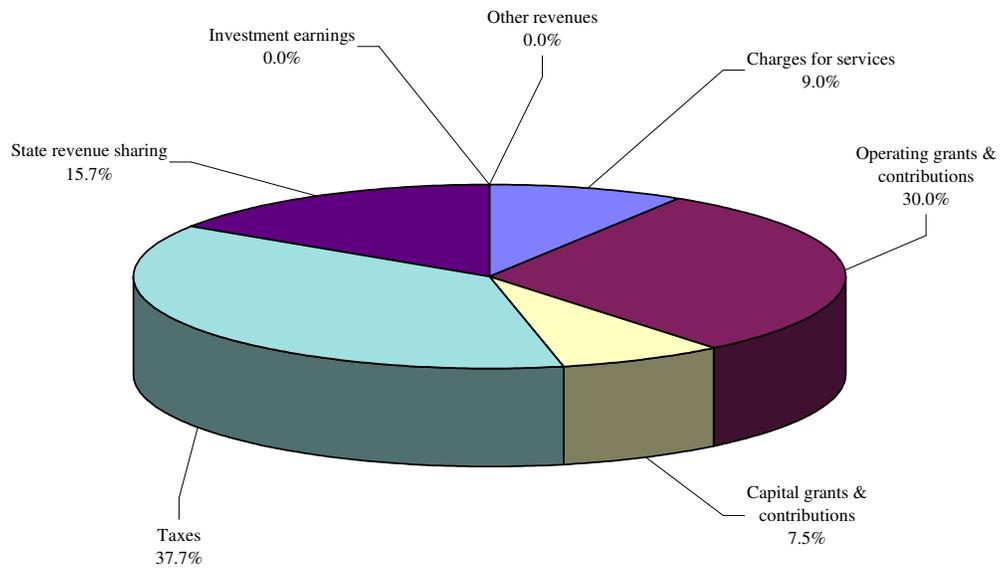
Total resources available during the year to finance governmental operations were \$12.63 million consisting of Net assets at July 1, 2009 of \$8.08 million, program revenues of \$1.7 million and General Revenues of \$1.95 million. Total Governmental Activities during the year were \$3.59 million; thus Governmental Net Assets were increased by \$65,271.

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

Expenses and Program Revenues - Governmental Activities
(in Thousands)



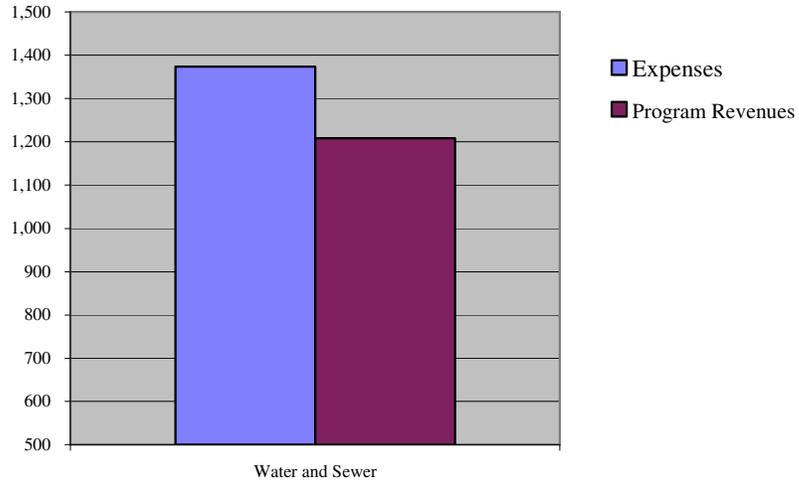
Revenue By Source - Governmental Activities



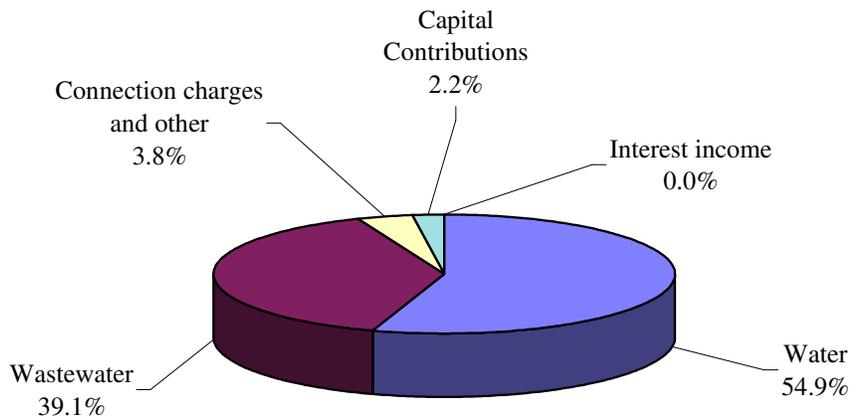
Business Type Activities

Net assets of the Business Type activities at June 30, 2010, as reflected in the Statement of Net Assets were \$4.49 million. The cost of providing all Proprietary (Business Type) activities this year was \$1.37 million. As shown in the statement of Changes in Net Assets, the amounts paid by users of the system were \$1.21 million and there were \$28,230 subsidized by capital grants and contributions. Investment earnings and other revenues in were \$944. The Net Assets decreased by \$96,691.

**Expenses and Program Revenues - Business- type Activities
(in Thousands)**



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the Town of Eagar uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the Town of Eagar's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town of Eagar's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Eagar's governmental funds reported combined ending fund balances of \$1,954,818, a decrease of \$43,486 in comparison with the prior year. Approximately, 793% of this total amount or \$1,553,889 constitutes unreserved, undesignated fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is reserved or designated because it has already been committed 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the Town of Eagar. At the end of the current fiscal year, unreserved, undesignated fund balance in the general fund was \$1,553,889, and total fund balance is \$1,553,889. As a measure of liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Total fund balance and unreserved, undesignated fund balance represents 61% of total general fund expenditures. During the year, the Town of Eagar's general fund balance decreased by \$195,178. Key factors in this increase are as follows:

- Total revenues decreased by \$358,720 which was partly caused by a decrease in taxes of \$115,496.
- Total expenditures were \$52,572 less than the prior year. General Government expenditures increased significantly due to the Basha's parking lot.

The highway user revenue fund has a total fund balance of \$227,020, all of which is reserved for road construction and maintenance. Actual intergovernmental revenues were 15% higher than budget. Expenditures were down significantly from the prior year due to a drop in wages.

The grants fund has a total fund balance of \$7,171, all of which is reserved and designated for specific use.

The debt service fund has a total fund balance of \$156,141, all of which is reserved and designated for debt service. The Town no longer receives a secondary tax levy for debt service which had previously been accounted for in the debt service fund.

Proprietary funds: The Town of Eagar's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Total net assets of the Water/Wastewater fund were \$4,488,119 consisting of \$5,246,050 invested in capital assets, net of related debt and \$(757,931) in unrestricted net assets.

Budgetary Highlights

The General Fund's revenues of \$2,388,513 are less than budgeted revenues by \$498,271. The General fund departmental expenditures were \$373,321 less than their budget appropriation for fiscal year 2010.

The Highway User's revenues of \$822,088 exceeded budgeted revenues by \$110,973 excluding a contingency of \$604,000. Highway User's expenditures of \$639,970 were less than budgeted expenditures by \$659,976 due to a budgeted contingency for \$600,000.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the Town are those assets that are used in performance of Town functions including infrastructure assets. Capital Assets include equipment, buildings, land, system improvements, park facilities and roads. At the end of fiscal year 2010, net capital assets of the government activities totaled \$9 million and the net capital assets of the business-type activities totaled \$7.8 million. Depreciation on capital assets for both government activities and business-type activities is recognized in the Government-Wide financial statements. (See note 4 to the financial statements.)

Debt

At year-end, the Town had \$2.86 million in governmental type debt, and \$2.5 million in proprietary debt. There were no new borrowings during the current fiscal year. (See note 5 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town Budget for fiscal year 2010/2011, the Town Council and management were cautious as to the growth of revenues and expenditures due to a slow economy. Overall governmental and proprietary fund operating expenditures were budgeted to maintain the current level of service.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact, Town of Eagar, Accounting Department, 22 W. 2nd Street, Eagar, Arizona 85925.

BASIC FINANCIAL STATEMENTS

TOWN OF EAGAR, ARIZONA
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 254,269	\$ -	\$ 254,269
Receivables (net of allowance)	398,757	176,542	575,299
Inventory	-	96,274	96,274
Internal balances	1,204,371	(1,204,371)	-
Temporarily restricted assets:			
Cash and cash equivalents	345,075	176,872	521,947
Deferred charges	55,000	112,500	167,500
Capital assets (net of accumulated depreciation):			
Land	1,993,379	19,730	2,013,109
Land improvements	780,671	-	780,671
Buildings	1,642,988	-	1,642,988
Distribution systems	-	7,653,690	7,653,690
Infrastructure/roads	2,841,867	-	2,841,867
Furniture, equipment & vehicles	774,873	80,324	855,197
Construction in progress	993,413	2,610	996,023
Total assets	<u>11,284,663</u>	<u>7,114,171</u>	<u>18,398,834</u>
Liabilities			
Accounts payable and other current liabilities	191,340	72,764	264,104
Deferred revenue	56,314	-	56,314
Interest payable	34,367	42,755	77,122
Noncurrent liabilities:			
Due within one year	353,811	241,397	595,208
Due in more than one year	2,502,078	2,269,135	4,771,213
Total liabilities	<u>3,137,910</u>	<u>2,626,051</u>	<u>5,763,961</u>
Net Assets			
Invested in capital assets, net of related debt	6,226,512	5,246,050	11,472,562
Restricted for:			
Debt service	121,774	-	121,774
Highways and streets	227,020	-	227,020
Other purposes	17,768	-	17,768
Unrestricted	1,553,679	(757,931)	795,748
Total Net Assets	<u>\$ 8,146,753</u>	<u>\$ 4,488,119</u>	<u>\$ 12,634,872</u>

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

TOWN OF EAGAR, ARIZONA
Statement of Activities
For the Year Ended June 30, 2010

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	\$ 534,130	\$ 205,517	\$ 53,247	\$ 7,552	\$ (267,814)	\$ -	\$ (267,814)
Public safety	1,333,851	54,728	223,697	5,614	(1,049,812)	-	(1,049,812)
Public works/Streets	1,221,882	50,487	812,790	20,104	(338,501)	-	(338,501)
Culture and recreation	142,501	18,250	1,433	(57)	(122,875)	-	(122,875)
Health and welfare	241,935	-	5,893	241,919	5,877	-	5,877
Interest on long-term debt	73,633	-	-	-	(73,633)	-	(73,633)
Total governmental activities	<u>3,547,932</u>	<u>328,982</u>	<u>1,097,060</u>	<u>275,132</u>	<u>(1,846,758)</u>	<u>-</u>	<u>(1,846,758)</u>
Business-type activities:							
Water and Sewer	<u>1,373,619</u>	<u>1,208,067</u>	<u>-</u>	<u>28,230</u>	<u>-</u>	<u>(137,322)</u>	<u>(137,322)</u>
Total business-type activities	<u>1,373,619</u>	<u>1,208,067</u>	<u>-</u>	<u>28,230</u>	<u>-</u>	<u>(137,322)</u>	<u>(137,322)</u>
Total Primary Government	<u>\$ 4,921,551</u>	<u>\$ 1,537,049</u>	<u>\$ 1,097,060</u>	<u>\$ 303,362</u>	<u>(1,846,758)</u>	<u>(137,322)</u>	<u>(1,984,080)</u>
General Revenues:							
Taxes:							
City sales tax					816,633	-	816,633
State sales tax					325,465	-	325,465
Auto lieu tax					235,242	-	235,242
State sales taxes - revenue sharing					572,605	-	572,605
Unrestricted investment earnings					633	21	654
Gain on sale of assets					1,117	944	2,061
Transfers					(39,666)	39,666	-
Total general revenues & transfers					<u>1,912,029</u>	<u>40,631</u>	<u>1,952,660</u>
Change in net assets					65,271	(96,691)	(31,420)
Net assets - beginning					<u>8,081,482</u>	<u>4,584,810</u>	<u>12,666,292</u>
Net assets - ending					<u>\$ 8,146,753</u>	<u>\$ 4,488,119</u>	<u>\$ 12,634,872</u>

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

TOWN OF EAGAR, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2010

Assets	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Grants</u>	<u>Non-major</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 254,269	\$ -	\$ -	\$ -	\$ 254,269
Receivables:					
Other	57,702	-	-	-	57,702
Intergovernmental	198,477	76,729	65,849	-	341,055
Due from other funds	1,251,074	-	-	-	1,251,074
Restricted cash and investments	<u>6,205</u>	<u>172,132</u>	<u>-</u>	<u>166,738</u>	<u>345,075</u>
 Total Assets	 <u>\$ 1,767,727</u>	 <u>\$ 248,861</u>	 <u>\$ 65,849</u>	 <u>\$ 166,738</u>	 <u>\$ 2,249,175</u>
 Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 50,141	\$ 6,521	\$ -	\$ -	\$ 56,662
Accrued wages and benefits	116,339	15,320	3,019	-	134,678
Due to other funds	-	-	46,703	-	46,703
Deferred Revenue	<u>47,358</u>	<u>-</u>	<u>8,956</u>	<u>-</u>	<u>56,314</u>
 Total Liabilities	 <u>213,838</u>	 <u>21,841</u>	 <u>58,678</u>	 <u>-</u>	 <u>294,357</u>
Fund Balances:					
Reserved	-	227,020	7,171	166,738	400,929
Unreserved/undesignated	<u>1,553,889</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,553,889</u>
 Total fund balances	 <u>1,553,889</u>	 <u>227,020</u>	 <u>7,171</u>	 <u>166,738</u>	 <u>1,954,818</u>
Total Liabilities and Fund Balances	<u>\$ 1,767,727</u>	<u>\$ 248,861</u>	<u>\$ 65,849</u>	<u>\$ 166,738</u>	<u>\$ 2,249,175</u>

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

TOWN OF EAGAR, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
June 30, 2010

Total governmental fund balances \$ 1,954,818

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

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

Governmental capital assets	\$ 18,055,382	
Accumulated depreciation	(9,028,191)	
		9,027,191

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	\$ (1,854,777)	
Notes payable	(56,381)	
Capital leases payable	(842,329)	
Compensated absences	(102,402)	
Accrued interest	(34,367)	
Deferred charges	55,000	
		(2,835,256)

Total net assets of governmental activities		\$ 8,146,753
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The accompanying notes are an integral part of the financial statements.

TOWN OF EAGAR, ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Year Ended June 30, 2010

REVENUES	General	Highway Users Revenue Fund	Grants	Non-major Funds	Totals (Memorandum Only)
Taxes	\$ 816,633	\$ -	\$ -	\$ -	\$ 816,633
Licenses, permits and fees	46,274	-	-	-	46,274
Intergovernmental revenue	1,133,312	811,955	411,163	-	2,356,430
Charges for services	178,075	-	-	30,700	208,775
Fines and forfeitures	42,383	-	-	-	42,383
Interest	227	-	-	406	633
Other revenues	171,609	10,133	-	-	181,742
Total Revenues	<u>2,388,513</u>	<u>822,088</u>	<u>411,163</u>	<u>31,106</u>	<u>3,652,870</u>
EXPENDITURES					
Current:					
General government	766,270	-	-	56,977	823,247
Public safety	1,160,442	-	148,062	-	1,308,504
Public works/streets	409,664	543,923	6,538	-	960,125
Culture and recreation	83,135	-	16,000	-	99,135
Health and welfare	-	-	241,920	-	241,920
Debt Service:					
Principal	86,424	56,388	-	-	142,812
Interest	41,288	39,659	-	-	80,947
Total Expenditures	<u>2,547,223</u>	<u>639,970</u>	<u>412,520</u>	<u>56,977</u>	<u>3,656,690</u>
Excess of Revenues Over (Under) Expenditures	<u>(158,710)</u>	<u>182,118</u>	<u>(1,357)</u>	<u>(25,871)</u>	<u>(3,820)</u>
Other Financing Sources (Uses):					
Debt issued	-	-	-	-	-
Transfers in	-	-	-	36,468	36,468
Transfers out	(36,468)	-	-	(39,666)	(76,134)
Total Other Financing Sources (Uses)	<u>(36,468)</u>	<u>-</u>	<u>-</u>	<u>(3,198)</u>	<u>(39,666)</u>
Net change in fund balances	(195,178)	182,118	(1,357)	(29,069)	(43,486)
Fund balances, beginning of year	<u>1,749,067</u>	<u>44,902</u>	<u>8,528</u>	<u>195,807</u>	<u>1,998,304</u>
Fund balances, end of year	<u>\$ 1,553,889</u>	<u>\$ 227,020</u>	<u>\$ 7,171</u>	<u>\$ 166,738</u>	<u>\$ 1,954,818</u>

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

TOWN OF EAGAR, 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, 2010

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

Net change in fund balances - total governmental funds	\$	(43,486)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlay	\$	236,172
Depreciation expense		<u>(444,577)</u>
		(208,405)
<p>Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		310,058
<p>Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
		(6,875)
<p>Accrued Interest for Long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.</p>		
		14,189
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		(210)
Change in net assets of governmental activities	<u>\$</u>	<u>65,271</u>

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

TOWN OF EAGAR, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2010

	Utility Fund	
	6/30/2010	6/30/2009
Assets		
Current Assets:		
Cash	\$ -	\$ -
Receivables (net of allowance)	176,542	150,791
Inventory	96,274	91,492
Total Current Assets	<u>272,816</u>	<u>242,283</u>
Noncurrent Assets:		
Restricted cash and investments	176,872	-
Deferred charges	112,500	121,875
Land	19,730	19,730
Water wells and distribution system	7,838,820	7,811,130
Wastewater treatment plant and distribution system	7,361,362	7,337,205
Furniture, equipment and vehicles	323,360	323,360
Construction in progress	2,610	2,610
Accumulated depreciation	<u>(7,789,528)</u>	<u>(7,348,775)</u>
Total Noncurrent Assets	<u>8,045,726</u>	<u>8,267,135</u>
Total Assets	<u>\$ 8,318,542</u>	<u>\$ 8,509,418</u>
Liabilities		
Current Liabilities:		
Accounts payable	\$ 22,119	\$ 12,559
Accrued wages and benefits	18,683	10,208
Accrued liabilities	6,137	2,477
Customer deposits	25,825	30,436
Due to other funds	1,204,371	1,113,867
Accrued interest payable	42,755	42,755
Current portion of long-term debt	<u>241,397</u>	<u>305,503</u>
Total Current Liabilities	<u>1,561,287</u>	<u>1,517,805</u>
Noncurrent liabilities (net of current portion):		
Compensated absences	228	90
Leases payable	372,134	383,828
Notes and loans payable	250,746	223,989
Revenue bonds payable	<u>1,646,027</u>	<u>1,798,895</u>
Total Noncurrent Liabilities	<u>2,269,135</u>	<u>2,406,802</u>
Total Liabilities	<u>3,830,422</u>	<u>3,924,607</u>
Net Assets		
Invested in capital assets, net of related debt	5,246,050	5,433,045
Restricted	-	-
Unrestricted	<u>(757,931)</u>	<u>(848,235)</u>
Total net assets	<u>\$ 4,488,119</u>	<u>\$ 4,584,810</u>

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

TOWN OF EAGAR, ARIZONA
Statement Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2010

	Utiltiy Fund	
	6/30/2010	6/30/2009
Operating Revenues		
Water charges for services	\$ 688,628	\$ 657,739
Wastewater charges for services	491,016	484,246
Connection fees	10,315	17,346
Other revenues	18,108	15,382
Total Operating Revenues	<u>1,208,067</u>	<u>1,174,713</u>
Operating Expenses		
Salaries	469,259	376,639
Employee benefits	174,111	148,611
Service, supplies and other	159,570	237,220
Depreciation	440,753	424,998
Total Operating Expenses	<u>1,243,693</u>	<u>1,187,468</u>
Operating Income (Loss)	<u>(35,626)</u>	<u>(12,755)</u>
Non-operating Revenues (Expenses)		
Interest income	21	-
Interest expense and fiscal charges	(129,926)	(139,838)
Gain on sale of assets	944	350
Impact fees	28,230	27,240
Total Non-Operating Revenue (Expense)	<u>(100,731)</u>	<u>(112,248)</u>
Income (loss) before contributions and transfers	(136,357)	(125,003)
Contributions and Transfers:		
Capital contributions	-	11,669
Transfers	39,666	-
Change in net assets	(96,691)	(113,334)
Total net assets, beginning of year	<u>4,584,810</u>	<u>4,698,144</u>
Total net assets, end of year	<u>\$ 4,488,119</u>	<u>\$ 4,584,810</u>

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

TOWN OF EAGAR, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Utility Fund	
	6/30/2010	6/30/2009
Cash Flows From Operating Activities:		
Cash received from customers, service fees	\$ 1,153,893	\$ 1,173,282
Cash received from customers, other	28,423	32,728
Cash paid to suppliers	(154,792)	(284,407)
Cash paid to employees	(635,708)	(549,073)
Net cash flows from operating activities	<u>391,816</u>	<u>372,530</u>
Cash Flows From Noncapital Financing Activities:		
Proceeds/(Payments) to other funds	90,504	(12,420)
Transfers (to)/from other funds	39,666	-
Net cash flows from noncapital financing activities	<u>130,170</u>	<u>(12,420)</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds from capital debt	90,217	37,092
Purchase of capital assets	(51,847)	(105,707)
Principal paid on notes, leases and bonds	(292,128)	(225,867)
Interest paid	(120,551)	(128,789)
Proceeds from sale of assets	944	350
Impact fees	28,230	27,240
Net cash flows from capital and related financing activities	<u>(345,135)</u>	<u>(395,681)</u>
Cash Flows From Investing Activities:		
Interest on investments	21	-
Net change in cash and cash equivalents	176,872	(35,571)
Cash and cash equivalents, beginning of year, including temporarily restricted cash	-	35,571
Cash and cash equivalents, end of year, including temporarily restricted cash	<u>\$ 176,872</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Net Operating Income (Loss)	\$ (35,626)	\$ (12,755)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation/amortization	440,753	424,998
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	(25,751)	31,297
(Increase)/Decrease in inventory and prepaids	(4,782)	8,568
Increase/(Decrease) in payables	9,560	(55,756)
Increase/(Decrease) in accrued liabilities & deposits	7,662	(23,822)
Net cash flows from operating activities	<u>\$ 391,816</u>	<u>\$ 372,530</u>
Supplemental Schedule of Non-cash Financing and Investing Activities:		
Contributions of capital assets from Government	\$ -	\$ 11,669

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

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies

General

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

Reporting Entity

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

Blended Component Unit included within the reporting entity:

Eagar Municipal Property Corporation. The Eagar Municipal Property Corporation's (EMPC) board of directors consists of six members which are appointed by the Eagar Town Council. The EMPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the Town in obtaining financing for various projects of the Town. The Town has a "moral obligation" for the repayment of the Eagar Municipal Property Corporation's bonds. All related receivables and payables between the Town and the EMPC have been eliminated. The EMPC has a June 30 year end. Separate financial statements for this blended component unit are not prepared and thus, are not available.

Government-Wide and Fund Financial Statements

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

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies, Continued

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies, Continued

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 Town.

The Town reports the following major governmental funds:

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

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

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

The Town reports the following major proprietary fund:

The **Utility Fund** accounts for the activities related to the Town's water storage and distribution system and sewer 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.

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.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies, Continued

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

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

Deposits and Investments

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

Receivables and Payables

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

Inventories

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories for business type activities consist of materials and supplies for the water and sewer system and are recorded at the lower of cost or market using the first-in/first-out method.

Capital Assets

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

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

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 1. Summary of Significant Accounting Policies, Continued

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

Building and improvements	10 to 50 years
Treatment facilities and improvements	20-40 years
Machinery and equipment	3 to 7 years
Vehicles	3 to 20 years
Streets and sidewalks	20-40 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.

Estimates

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

Encumbrances

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

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 2. Stewardship, Compliance, and Accountability

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

Budgets and Budgetary Accounting

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

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The Town follows a voter-approved alternative expenditure limitation that was adopted on December 1, 2009.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager subject to Town Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

Supplementary budgetary appropriations were made during the year.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 2. Stewardship, Compliance, and Accountability, Continued

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 and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2010, if any.

Taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. The County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter.

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

Note 3. Deposits and Investments

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

Cash and cash equivalents	\$ 254,269
Restricted cash and cash equivalents	<u>521,946</u>
Total	<u><u>\$ 776,215</u></u>

Restricted cash consists of the following at June 30, 2010:

Highway User Revenues	\$ 172,132
Debt Service - Governmental Activities	172,943
Debt Service - Business-Type Activities	151,046
Customer Deposits - Business-Type Activities	<u>25,825</u>
Total Restricted Cash and Investments	<u><u>\$ 521,946</u></u>

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 3. Deposits and Investments, Continued

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 Town does not have a formal policy for custodial credit risk. At June 30, 2010 cash on hand was \$275 and the carrying amount of the Town's deposits was 238,275. As of June 30, 2010, \$0 of the City's bank balance of \$298,267 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

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

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

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or 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, 2010 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
Local Government					
Investment Pool	\$ 265,319	\$ 265,319	\$ -	\$ -	\$ -
U.S. Treasury Obligations	298,172	298,172	-	-	-
	<u>\$ 563,491</u>	<u>\$ 563,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 3. Deposits and Investments, Continued

Interest rate risk

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

Credit risk

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

At June 30, 2010 the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Local Government Investment Pool	\$ 265,319	\$ -	\$ -	\$ -	\$ 265,319
U.S. Treasury Obligations	298,172	298,172	-	-	-
Total Fair Value	\$ 563,491	\$ 298,172	\$ -	\$ -	\$ 265,319

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 4. Capital Assets

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

Governmental Activities:	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Capital assets, not being depreciated:				
Land	\$ 1,993,379	\$ -	\$ -	\$ 1,993,379
Construction in progress	944,619	224,940	(176,146)	993,413
Total capital assets, not being depreciated	<u>2,937,998</u>	<u>224,940</u>	<u>(176,146)</u>	<u>2,986,792</u>
Capital assets, being depreciated:				
Land improvements	830,100	112,147	-	942,247
Buildings and improvements	2,584,768	64,001	-	2,648,769
Furniture, equipment & vehicles	2,601,414	11,227	-	2,612,641
Infrastructure - roads	8,864,933	-	-	8,864,933
Total capital assets, being depreciated	<u>14,881,215</u>	<u>187,375</u>	<u>-</u>	<u>15,068,590</u>
Less accumulated depreciation for:				
Land improvements	(117,414)	(44,162)	-	(161,576)
Buildings and improvements	(956,253)	(49,528)	-	(1,005,781)
Furniture, equipment & vehicles	(1,716,057)	(121,711)	-	(1,837,768)
Infrastructure - roads	(5,793,893)	(229,173)	-	(6,023,066)
Total accumulated depreciation	<u>(8,583,617)</u>	<u>(444,574)</u>	<u>-</u>	<u>(9,028,191)</u>
Total capital assets, being depreciated, net	<u>6,297,598</u>	<u>(257,199)</u>	<u>-</u>	<u>6,040,399</u>
Governmental activities capital assets, net	<u>\$ 9,235,596</u>	<u>\$ (32,259)</u>	<u>\$ (176,146)</u>	<u>\$ 9,027,191</u>

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

Governmental Activities:	
General government	\$ 39,025
Public safety	65,159
Public works/streets	297,030
Culture & recreation	43,360
Health & welfare	-
Total depreciation expense - governmental activities	<u>\$ 444,574</u>

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 4. Capital Assets, Continued

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

Business Type Activities:	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Capital assets not being depreciated:				
Land and water rights	\$ 19,730	\$ -	\$ -	\$ 19,730
Construction in progress	2,610	51,847	(51,847)	2,610
Total capital assets, not being depreciated	<u>22,340</u>	<u>51,847</u>	<u>(51,847)</u>	<u>22,340</u>
Capital assets being depreciated:				
Wastewater treatment plant and system improvements	7,337,205	24,157	-	7,361,362
Wells and water system improvements	7,811,130	27,690	-	7,838,820
Furniture, Equipment & Vehicles	323,360	-	-	323,360
Total capital assets, being depreciated	<u>15,471,695</u>	<u>51,847</u>	<u>-</u>	<u>15,523,542</u>
Less accumulated depreciation for:				
Wastewater treatment plant and system improvements	(2,961,422)	(250,096)	-	(3,211,518)
Wells and water system improvements	(4,165,909)	(169,064)	-	(4,334,973)
Furniture, Equipment & Vehicles	(221,444)	(21,592)	-	(243,036)
Total accumulated depreciation	<u>(7,348,775)</u>	<u>(440,752)</u>	<u>-</u>	<u>(7,789,527)</u>
Total capital assets, being depreciated, net	<u>8,122,920</u>	<u>(388,905)</u>	<u>-</u>	<u>7,734,015</u>
Business-type activities capital assets, net	<u>\$ 8,145,260</u>	<u>\$ (337,058)</u>	<u>\$ (51,847)</u>	<u>\$ 7,756,355</u>

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

Business-Type Activities:	
Water	\$ 190,656
Sewer	250,096
Total depreciation expense - business-type activities	<u>\$ 440,752</u>

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 5. Long-Term Debt

The following is a summary of changes in long-term obligations during the year:

Governmental Activities:	Balance 6/30/2009	Additions	Retirements	Balance 6/30/2010	Current Portion
Revenue Bonds:					
GADA Revenue Bonds, Series 2007A *	\$ 1,621,077	\$ -	\$ (52,500)	\$ 1,568,577	\$ 55,704
Excise Tax Revenue Bonds, Series 2003 *	373,650	-	(87,450)	286,200	90,100
Other:					
Notes Payable	65,279	-	(8,898)	56,381	3,913
Capital Leases	1,003,539	-	(161,210)	842,329	114,094
Compensated Absences	102,192	118,691	(118,481)	102,402	90,000
Governmental Activity Long-Term Liabilities	<u>\$ 3,165,737</u>	<u>\$ 118,691</u>	<u>\$ (428,539)</u>	<u>\$ 2,855,889</u>	<u>\$ 353,811</u>
Business-type Activities:					
General Obligation:					
General Obligation Bonds, Series 1980	\$ 1,552	\$ -	\$ (1,552)	\$ -	\$ -
Revenue Bonds:					
Water/Sewer Revenue Bond, Series 1980A	15,000	-	(15,000)	-	-
Water/Sewer Revenue Bond, Series 1980B	36,000	-	(18,000)	18,000	18,000
GADA Revenue Bonds, Series 2007A *	1,578,923	-	(52,500)	1,526,423	54,296
Excise Tax Revenue Bonds, Series 2003 *	331,350	-	(77,550)	253,800	79,900
Total Revenue Bonds	<u>1,961,273</u>	<u>-</u>	<u>(163,050)</u>	<u>1,798,223</u>	<u>152,196</u>
Other:					
Notes and Loans Payable	312,855	90,217	(88,617)	314,455	63,709
Capital Leases	421,535	-	(32,909)	388,626	16,492
Compensated Absences	15,090	5,843	(11,705)	9,228	9,000
Business-Type Activity Long-Term Liabilities	<u>\$ 2,712,305</u>	<u>\$ 96,060</u>	<u>\$ (297,833)</u>	<u>\$ 2,510,532</u>	<u>\$ 241,397</u>

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 5. Long-Term Debt, Continued

The following is a listing of bonds outstanding as of June 30, 2010:

Revenue Bonds:

Water and Sewer Revenue Bonds, Series 1980B due in semiannual principal and interest installments, bearing interest at 5.0%, maturing July 1, 2010.	18,000	
GADA Revenue Bond, Series 2007A due in semiannual principal and interest installments, bearing interest at 4.0 to 5.0%, maturing August 1, 2028.	3,095,000	*
Excise Tax Revenue Bonds, Series 2003 secured by lease, due in semiannual principal and interest installments, bearing interest at 4.0 to 5.0%, maturing July 1, 2013.	<u>540,000</u>	*
Total bonds payable	\$ 3,653,000	
Less current portion	<u>(298,000)</u>	
Total Bonds net of current portion	<u><u>\$ 3,355,000</u></u>	

* The Excise Tax Revenue Bonds, Series 2003 and the GADA Bonds, Series 2007A were used by both the general government and the utility fund and are allocated across the funds as follows:

Governmental Activities	\$ 286,200	\$ 1,568,577
Business-type Activities	<u>253,800</u>	<u>1,526,423</u>
Total Series 2003/2007	<u><u>\$ 540,000</u></u>	<u><u>\$ 3,095,000</u></u>

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 5. Long-Term Debt, Continued

Bond debt service maturities are as follows:

Year Ended June 30,	Business-Type Activities			Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 152,196	\$ 83,405	\$ 235,601	\$ 145,804	\$ 85,832	\$ 231,636
2012	138,896	76,238	215,134	151,104	79,099	230,203
2013	146,064	69,787	215,851	158,936	72,050	230,986
2014	59,232	62,928	122,160	60,768	64,559	125,327
2015	61,700	60,358	122,058	63,300	61,923	125,223
2016-2020	352,924	258,428	611,352	362,076	265,127	627,203
2021-2025	446,708	162,748	609,456	458,292	166,969	625,261
2026-2029	440,503	43,005	483,508	454,497	44,121	498,618
Total	<u>\$ 1,798,223</u>	<u>\$ 816,897</u>	<u>\$ 2,615,120</u>	<u>\$ 1,854,777</u>	<u>\$ 839,680</u>	<u>\$ 2,694,457</u>

The City utilized a portion of the \$3,300,000 GADA Revenue Bonds, Series 2007A to provide resources to purchase U.S. Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for a portion of the debt service payments of the Excise Tax Revenue Bonds, Series 2003. As a result, \$1,365,000 of the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The reacquisition price is equal to the net carrying amount of the old debt. Thus, there is no difference to net against the new debt and be amortized over the remaining life of the new debt, which is approximately the same life as the refunded debt. The principal will be paid on the new debt over the next 13 years whereas the principal on the refunded debt would not be paid until fiscal year 2014 and thereafter. The advance refunding was undertaken to reduce total debt service payments over the next 13 years by \$206,850 and resulted in an economic gain of \$177,656.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 5. Long-Term Debt, Continued

The following is a listing of Notes Payable outstanding as of June 30, 2010:

Notes Payable:

Governmental Notes Payable:

MPC Note payable to David E. Pulsipher, secured by real property, bearing interest at 5.0%, due in monthly principal and interest installments, maturing February, 2023.	<u>\$ 56,381</u>
Total Governmental Notes Payable	<u>56,381</u>

Business-type Notes Payable:

Note payable to Bank of the West, secured by inventory, bearing interest at 5.25%, due in monthly principal and interest installments, maturing May, 2011.	41,844
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Note payable to Water Infrastructure Finance Authority, secured by utility fund net revenues, bearing interest at 3.504%, due in semiannual principal and interest installments, maturing July, 2028. The original amount of the loan is \$413,667. As of June 30, 2010, the principal balance remaining to be drawn down is \$286,402.	94,438
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Note payable to Water Infrastructure Finance Authority, secured by utility fund net revenues, bearing interest at 3.504%, due in semiannual principal and interest installments, maturing July, 2028. The original amount of the loan is \$208,000. As of June 30, 2010, the principal balance remaining to be drawn down is \$17,527.	<u>178,173</u>
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Total Business-type Notes Payable	<u>314,455</u>
Total Notes Payable	\$ 370,836
Less current portion	<u>(67,622)</u>
Total Notes Payable net of current portion	<u>\$ 303,214</u>

Note Payable debt service maturities are as follows:

Year Ended June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 3,913	\$ 2,730	\$ 6,643	\$ 63,709	\$ 20,459	\$ 84,168
2012	4,113	2,530	6,643	22,631	18,642	41,273
2013	4,323	2,320	6,643	23,424	17,821	41,245
2014	4,544	2,098	6,642	24,245	16,972	41,217
2015	4,777	1,866	6,643	25,094	16,093	41,187
2016-2020	27,809	5,405	33,214	139,296	66,158	205,454
2021-2025	6,902	201	7,103	165,473	39,066	204,539
2026-2029	-	-	-	154,502	8,354	162,856
Less unfunded amounts	-	-	-	(303,919)	-	(303,919)
Total	<u>\$ 56,381</u>	<u>\$ 17,150</u>	<u>\$ 73,531</u>	<u>\$ 314,455</u>	<u>\$ 203,565</u>	<u>\$ 518,020</u>

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 6. Capital Leases Payable

The Town has entered into five lease agreements, which are considered capital leases in accordance with Financial Accounting Standard Board statement number 13. The leases are shown in the business-type activities of the government-wide statements.

The following is an annual schedule of future minimum lease payments with interest rates ranging from 2.31 percent to 5 percent under the capital leases, together with the present value of the net minimum lease payments:

<u>June 30,</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
2011	\$ 142,136	\$ 44,402	\$ 186,538
2012	142,151	44,383	186,534
2013	138,091	44,400	182,491
2014	58,127	44,402	102,529
2015	36,000	44,370	80,370
2016-2020	180,000	221,976	401,976
2021-2025	180,000	222,005	402,005
2026-2028	<u>36,000</u>	<u>118,173</u>	<u>154,173</u>
Total remaining lease payments	912,505	784,111	1,696,616
Less amount representing interest	<u>(70,176)</u>	<u>(395,485)</u>	<u>(465,661)</u>
Present value of net remaining minimum lease payments	<u>\$ 842,329</u>	<u>\$ 388,626</u>	<u>\$ 1,230,955</u>

A summary of assets acquired through capital leases follows:

Governmental Capital Assets:	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land	\$ 570,000	\$ -
Furniture, Equipment & Vehicles	74,185	18,545
Business-Type Capital Assets:		
System Improvements	\$ 492,825	\$ 32,854
Furniture, Equipment & Vehicles	85,309	51,795

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 7. Interfund Receivables, Payables and Transfers

As of June 30, 2010, interfund receivables and payables were as follows:

Due To	Due From		Total
	Grants Fund	Utility Fund	
General Fund	\$ 46,703	\$ 1,204,371	\$ 1,251,074
	-	-	-
	\$ 46,703	\$ 1,204,371	\$ 1,251,074

The outstanding balance in the Utility fund is for working capital loans borrowed from the other funds in order to offset net losses sustained for several years. Currently there are no terms for repayment and the amount expected to be repaid in the next year is unknown. The other 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.

Interfund transfers for the fiscal year ended June 30, 2010 are as follows:

Transfers In	Transfers Out		Total
	General Fund	Nonmajor Fund	
Nonmajor Fund	\$ 36,468	\$ -	\$ 36,468
Utility Fund	-	39,666	39,666
	\$ 36,468	\$ 39,666	\$ 76,134

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.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 8. Equity Classifications

Equity is classified in the government-wide financial statements as net assets and is displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of 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.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.

In the fund financial statements governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

Note 9. Retirement and Pension Plans

Arizona State Retirement System (ASRS)

Plan Description – The Town 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.

Funding Policy – The Arizona State Legislature establishes and may amend active plan members’ and the Town’s contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.45 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 9.45 percent (7.99 percent for retirement, 0.96 percent for health insurance premium, and 0.5 percent for long-term disability) of the members’ annual covered payroll.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 9. Retirement and Pension Plans, Continued

The Town'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
2008	\$ 142,919	\$ 18,642	\$ 8,877
2009	127,667	15,339	7,989
2010	104,016	12,498	6,509

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The Town 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 fiscal year ended June 30, 2009, active PSPRS member employees were required by statute to contribute 7.65 percent of their annual covered salary to the PSPRS and the Town was required to contribute 16.41 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 0.78 percent of covered payroll.

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, 2009 were established by the June 30, 2008 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, 2009, was 27 years for unfunded actuarial accrued liability and 20 years for excess.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 9. Retirement and Pension Plans, Continued

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 43 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, 2009, the City's annual pension cost of \$71,925 and the annual OPEB cost of \$9,227 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	2008	\$ 42,179	100%	\$ -
	2009	71,925	100%	-
	2010	*	*	*
Health Insurance	2008	\$ 4,359	100%	\$ -
	2009	\$ 9,227	100%	-
	2010	*	*	*

* Information for fiscal year 2010 is not yet available

Note 10. Segment Information – Enterprise Funds

The Town maintains one enterprise funds which provides water and sewer utility services to its citizens. Since the utility fund is a major fund, detailed or segment information for the fund is provided in the basic financial statements.

TOWN OF EAGAR, ARIZONA
Notes to the Financial Statements
June 30, 2010

Note 11. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$3,000,000 per occurrence on a claims made basis.

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

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

Note 12. Contingencies

The Town is involved with various matters of litigation from year to year. It is the opinion of Town officials that these cases will either be handled by the Town's insurance coverage or that they will not have a material affect on the Town's financial condition.

Note 13. Related Party Transaction

The Town currently rents the house owned by the City which is located next to Ramsey Park to a City employee for \$500 per month. The terms are considered to be an arms length transaction at market value.

The Town participates in various housing rehabilitation projects throughout the fiscal year and contracts with various contractors to complete the projects. One of the contractors that the Town has contracted with is owned by the son of a Town employee that is assigned various accounting responsibilities for the projects.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF EAGAR, ARIZONA
Required Supplementary Information
Schedule of Funding Progress
June 30, 2010

Public Safety Personal Retirement System - Police

Valuation Date <u>June 30,</u>	Actuarial Value of <u>Assets</u>	(AAL) Entry Age Actuarial Accrued <u>Liability</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
2004	\$ 871,836	\$ 648,169	\$ (223,667)	134.5%	\$ 275,095	-
2005	1,231,755	1,352,530	120,775	91.1%	421,833	28.6%
2006	1,303,368	1,520,925	217,557	85.7%	468,444	46.4%
2007	1,333,786	1,824,949	491,163	73.1%	403,141	121.8%
2008	1,396,650	1,697,404	300,754	82.3%	463,689	64.9%
2009 *	1,519,853	1,962,588	442,735	77.4%	429,677	103.0%
2010	**	**	**	**	**	**

* - 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 2008, GASB Statement Nos. 43 and 45 measurements are made and reported; thus, these benefits are disaggregated and reported separately.

** - Information for fiscal year 2010 is not yet available.

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

Valuation Date <u>June 30,</u>	Actuarial Value of <u>Assets</u>	(AAL) Actuarial Accrued <u>Liability</u>	Unfunded <u>AAL</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	Unfunded AAL As a Percentage Of Covered <u>Payroll</u>
2006	\$ 0	\$38,965	\$38,965	0.00%	\$468,444	8.32%
2007	0	103,303	103,303	0.00%	403,141	25.62%
2008	0	44,996	44,996	0.00%	463,689	9.70%
2009	0	44,148	44,148	0.00%	429,677	10.27%
2010	*	*	*	*	*	*

* - Information for fiscal year 2010 is not yet available.

There were no Health Insurance Subsidy payments reported for fiscal year 2009.

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TOWN OF EAGAR, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING FUNDS:

General Fund – Detail Budget and Actual

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

Special Revenue Funds

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

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

TOWN OF EAGAR, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
City sales tax	\$ 875,000	\$ 875,000	\$ 816,633	\$ (58,367)
Total Taxes	<u>875,000</u>	<u>875,000</u>	<u>816,633</u>	<u>(58,367)</u>
Licenses, Permits and Fees:				
Building permits	45,000	45,000	42,306	(2,694)
Business and other licenses	4,000	4,000	3,968	(32)
Total Licenses, Fees and Permits	<u>49,000</u>	<u>49,000</u>	<u>46,274</u>	<u>(2,726)</u>
Intergovernmental:				
State sales taxes	340,965	340,965	325,465	(15,500)
State revenue sharing	572,588	572,588	572,605	17
Auto lieu tax	186,331	186,331	235,242	48,911
Total Intergovernmental	<u>1,099,884</u>	<u>1,099,884</u>	<u>1,133,312</u>	<u>33,428</u>
Charges for Services:				
Park & cemetery fees	64,400	64,400	72,349	7,949
Recreation fees	11,400	11,400	12,167	767
Fire, police and animal control	107,000	107,000	93,559	(13,441)
Total Charges for Services	<u>182,800</u>	<u>182,800</u>	<u>178,075</u>	<u>(4,725)</u>
Fines and Forfeitures:				
Fines & forfeitures	48,000	48,000	42,383	(5,617)
Total Fines and Forfeitures	<u>48,000</u>	<u>48,000</u>	<u>42,383</u>	<u>(5,617)</u>
Interest				
Interest income	-	-	227	227
Total Interest	<u>-</u>	<u>-</u>	<u>227</u>	<u>227</u>
Other Revenues:				
Rents	96,400	96,400	72,590	(23,810)
Donations	-	-	1,500	1,500
Sale of assets	-	-	-	-
User fees	35,700	35,700	-	(35,700)
Miscellaneous	569,766	500,000	97,519	(402,481)
Total Other Revenues	<u>701,866</u>	<u>632,100</u>	<u>171,609</u>	<u>(460,491)</u>
TOTAL REVENUES	<u>2,956,550</u>	<u>2,886,784</u>	<u>2,388,513</u>	<u>(498,271)</u>

(continued)

TOWN OF EAGAR, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2010 (Continued)

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General Government:				
Mayor & council	345,040	148,710	204,777	(56,067)
Magistrate	59,606	59,606	62,414	(2,808)
Town manager	86,417	86,417	82,945	3,472
Town clerk	145,675	145,675	147,816	(2,141)
Finance	141,878	141,878	268,318	(126,440)
Contingency	400,000	359,000	-	359,000
Total General Government	<u>1,178,616</u>	<u>941,286</u>	<u>766,270</u>	<u>175,016</u>
Public Safety:				
Police	875,858	875,858	778,952	96,906
Fire	388,511	388,511	335,014	53,497
Animal control	65,572	65,572	46,476	19,096
Total Public Safety	<u>1,329,941</u>	<u>1,329,941</u>	<u>1,160,442</u>	<u>169,499</u>
Public Works/Streets:				
Planning and zoning	-	128,913	129,069	(156)
Facilities	157,019	157,019	167,553	(10,534)
Fleet maintenance	122,975	122,975	113,042	9,933
Total Public Works/Streets	<u>279,994</u>	<u>408,907</u>	<u>409,664</u>	<u>(757)</u>
Culture & Recreation:				
Parks and Recreation	44,080	44,080	83,135	(39,055)
Total Culture and Recreation	<u>44,080</u>	<u>44,080</u>	<u>83,135</u>	<u>(39,055)</u>
Debt Service:				
Principal	-	142,590	86,424	56,166
Interest	-	53,740	41,288	12,452
Total Debt Service	<u>-</u>	<u>196,330</u>	<u>127,712</u>	<u>68,618</u>
TOTAL EXPENDITURES	<u>2,832,631</u>	<u>2,920,544</u>	<u>2,547,223</u>	<u>373,321</u>
Excess of Revenues Over Expenditures	<u>123,919</u>	<u>(33,760)</u>	<u>(158,710)</u>	<u>(124,950)</u>
Other Financing Sources (Uses):				
Debt issued	100,000	100,000	-	(100,000)
Transfers in	-	-	-	-
Transfers out	-	-	(36,468)	(36,468)
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>100,000</u>	<u>(36,468)</u>	<u>(136,468)</u>
Net change in fund balance	<u>223,919</u>	<u>66,240</u>	<u>(195,178)</u>	<u>(261,418)</u>
Fund balance, beginning of year	<u>1,749,067</u>	<u>1,749,067</u>	<u>1,749,067</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,972,986</u>	<u>\$ 1,815,307</u>	<u>\$ 1,553,889</u>	<u>\$ (261,418)</u>

TOWN OF EAGAR, 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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 700,982	\$ 700,982	\$ 811,955	\$ 110,973
Interest income	-	-	-	-
Other revenue	-	604,000	10,133	(593,867)
Total Revenue	<u>700,982</u>	<u>1,304,982</u>	<u>822,088</u>	<u>(482,894)</u>
EXPENDITURES:				
Public Works:				
Salaries	127,503	236,800	254,394	(17,594)
Employee benefits	52,242	97,025	99,380	(2,355)
Services, supplies, and other	422,812	785,250	190,149	595,101
Debt Service:				
Principal	70,896	131,669	56,388	75,281
Interest	26,491	49,202	39,659	9,543
Total Expenditures	<u>699,944</u>	<u>1,299,946</u>	<u>639,970</u>	<u>659,976</u>
Excess of Revenues Over (Under) Expenditures	<u>1,038</u>	<u>5,036</u>	<u>182,118</u>	<u>177,082</u>
Other Financing Sources (Uses):				
Debt issued	22,556	22,556	-	(22,556)
Transfers in	50,000	-	-	-
Total Other Financing Sources (Uses):	<u>72,556</u>	<u>22,556</u>	<u>-</u>	<u>(22,556)</u>
Net change in fund balance	73,594	27,592	182,118	154,526
Fund balance, beginning of year	<u>44,902</u>	<u>44,902</u>	<u>44,902</u>	<u>-</u>
Fund balance, end of year	<u>\$ 118,496</u>	<u>\$ 72,494</u>	<u>\$ 227,020</u>	<u>\$ 154,526</u>

TOWN OF EAGAR, ARIZONA
GRANTS SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue	\$ 2,906,683	\$ 2,906,683	\$ 411,162	\$ (2,495,521)
Total revenues	<u>2,906,683</u>	<u>2,906,683</u>	<u>411,162</u>	<u>(2,495,521)</u>
EXPENDITURES:				
Public Safety	639,979	639,979	148,059	491,920
Public Works/Streets	1,936,704	1,936,704	6,539	1,930,165
Culture and Recreation	-	-	16,001	(16,001)
Health and Welfare	330,000	330,000	241,920	88,080
Total Expenditures	<u>2,906,683</u>	<u>2,906,683</u>	<u>412,519</u>	<u>2,494,164</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(1,357)</u>	<u>(1,357)</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	-	-	(1,357)	(1,357)
Fund balance, beginning of year	<u>8,528</u>	<u>8,528</u>	<u>8,528</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,528</u>	<u>\$ 8,528</u>	<u>\$ 7,171</u>	<u>\$ (1,357)</u>

TOWN OF EAGAR, ARIZONA
Combining and Individual Fund
Financial Statements

Nonmajor Governmental Funds

Debt Service Fund

The **Debt Service Fund** is 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.

The **Impact Fee Fund** is used to account for the collection of impact fees and the expenditure of these fees on public facilities and infrastructure.

TOWN OF EAGAR, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010

	<u>Debt Service Fund</u>	<u>Impact Fee Fund</u>	<u>Total</u>
ASSETS			
Cash	\$ 156,141	\$ 10,597	\$ 166,738
Due From Other Governments	-	-	-
Due from Other Funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 156,141</u>	<u>\$ 10,597</u>	<u>\$ 166,738</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ -	-	\$ -
Accrued Wages and Benefits	-	-	-
Due to other funds	-	-	-
Deferred Revenue	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:			
Reserved by Statute or for Specific Use	156,141	10,597	166,738
Unreserved	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>156,141</u>	<u>10,597</u>	<u>166,738</u>
Total Liabilities and Fund Balance	<u>\$ 156,141</u>	<u>\$ 10,597</u>	<u>\$ 166,738</u>

TOWN OF EAGAR, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2010

REVENUES:	Debt Service Fund	Impact Fee Fund	Total
	<u> </u>	<u> </u>	<u> </u>
Property taxes	\$ -	\$ -	\$ -
Charges for services	-	30,700	30,700
Other revenues	-	406	406
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>-</u>	<u>31,106</u>	<u>31,106</u>
EXPENDITURES:			
General government	-	56,977	56,977
Debt Service:			
Principal	-	-	-
Interest	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>-</u>	<u>56,977</u>	<u>56,977</u>
Excess of Revenues			
Over (Under) Expenditures	<u>-</u>	<u>(25,871)</u>	<u>(25,871)</u>
Other Financing Sources (Uses):			
Transfers in	-	36,468	36,468
Transfers out	(39,666)	-	(39,666)
	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses):	<u>(39,666)</u>	<u>36,468</u>	<u>(3,198)</u>
Net change in fund balances	<u>(39,666)</u>	<u>10,597</u>	<u>(29,069)</u>
Fund Balance, Beginning of Year	<u>195,807</u>	<u>-</u>	<u>195,807</u>
Fund Balance, End of Year	<u>\$ 156,141</u>	<u>\$ 10,597</u>	<u>\$ 166,738</u>

TOWN OF EAGAR, ARIZONA
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total Revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers out:				
To General fund	<u>-</u>	<u>-</u>	<u>(39,666)</u>	<u>(39,666)</u>
Total Other Financing Sources (Uses):	<u>-</u>	<u>-</u>	<u>(39,666)</u>	<u>(39,666)</u>
Net change in fund balance	-	-	(39,666)	(39,666)
Fund balance, beginning of year	<u>195,807</u>	<u>195,807</u>	<u>195,807</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 195,807</u></u>	<u><u>\$ 195,807</u></u>	<u><u>\$ 156,141</u></u>	<u><u>\$ (39,666)</u></u>

TOWN OF EAGAR, ARIZONA
Impact Fee Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:			
Charges for services	\$ -	\$ 30,700	\$ 30,700
Interest	-	406	406
Total Revenue	<u>-</u>	<u>31,106</u>	<u>31,106</u>
EXPENDITURES:			
Salaries	-	9,814	(9,814)
Employee Benefits	-	4,596	(4,596)
Services, Supplies, and Other	-	4,519	(4,519)
Capital Outlay	<u>-</u>	<u>38,048</u>	<u>(38,048)</u>
Total Expenditures	<u>-</u>	<u>56,977</u>	<u>(56,977)</u>
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>(25,871)</u>	<u>(25,871)</u>
Other Financing Sources (Uses):			
Operating Transfers in:			
From General Fund	<u>-</u>	<u>36,468</u>	<u>36,468</u>
Total Other Financing Sources (Uses):	<u>-</u>	<u>36,468</u>	<u>36,468</u>
Net change in fund balance	-	10,597	10,597
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ 10,597</u>	<u>\$ 10,597</u>

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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

The Honorable Mayor and
 Town Council
 Eagar, Arizona

We have audited the basic financial statements of the Town of Eagar, Arizona as of and for the year ended June 30, 2010, and have issued our report thereon dated November 3, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the 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 November 3, 2010, that we consider to be significant deficiencies in internal control over financial reporting.

07-2 Reconciliations and Year-End Accounting

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

Compliance and Other Matters

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

We noted certain other matters that we have reported to the management of the Town in the schedule of findings and recommendations dated November 3, 2010.

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.



Michael K. Spilker, CPA
November 3, 2010



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

The Honorable Mayor and
 Town Council
 Eagar, Arizona

We have audited the basic financial statements of the Town of Eagar, Arizona for the year ended June 30, 2010, and have issued our report thereon dated November 3, 2010. Our audit also included test work on the Town of Eagar's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

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

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

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

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

In our opinion, the Town of Eagar complied, in all material respects, with the requirements identified above for the year ended June 30, 2010.

Michael K. Spilker, CPA
 November 3, 2010

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