

COLORADO CITY, ARIZONA



FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

The Honorable Mayor and
Town Council
Colorado City, 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 Colorado City, Arizona, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Colorado City'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 the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Colorado City as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund 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 February 8, 2012, on our consideration of Colorado City's internal control structure over financial reporting and on our tests of its compliance with laws and regulations. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 51 and 52 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United State of America. 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.

HintonBurdick, PLLC

HintonBurdick, PLLC
February 8, 2012

**COLORADO CITY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2011**

As management of the Town of Colorado City (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, 2011. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total net assets increased by \$650,665, which resulted in total assets in excess of total liabilities (net assets) of \$6,754,531 at the close of the fiscal year.
- Total governmental revenues exceeded total governmental expenses by \$450,031.
- Total business-type revenues exceeded total business-type expenses by \$200,634, which includes the affiliate net income of \$153,758 and affiliate contributed capital of \$78,101.
- The Town's equity in affiliates increased from 2,227,263 at June 30, 2010 to \$2,459,122 at June 30, 2011.
- Total revenues from all sources were approximately \$5.5 million, including revenue from affiliates of approximately \$2.0 million.
- The total cost of all Town programs was approximately \$4.8 million, including expenses from affiliates of approximately \$1.7 million.
- The General Fund reported excess revenues over (under) expenditures of \$178,983 before inter-fund transfers and \$126,608 after inter-fund transfers.
- Actual revenues in the General Fund were less than the final budget by \$109,436, while actual expenditures were \$336,119 less than the final budget.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$592,297 or 43% of total General Fund expenditures, excluding transfers (41% including transfers out).

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, community development, 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 all or 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.
- 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.

Reporting the Town's Fiduciary Responsibilities

The Town is the trustee, or fiduciary, for certain amounts held for a specific purpose for others. These fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. The Town is responsible for ensuring that the assets are used for their intended purpose. Therefore, fiduciary activities are excluded from the Town's other financial statements because the assets cannot be used to finance operations.

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 \$6,754,531 as of June 30, 2011 as shown in the following condensed statement of net assets. The Town has chosen to account for its investment in affiliates and contract services operations in enterprise funds which are shown as Business-type Activities.

Colorado City Statement of Net Assets

	Governmental activities		Business-type activities		Total	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Current and other assets	\$ 853,599	\$ 677,601	\$ -	\$ 39,649	\$ 853,599	\$ 717,250
Capital assets	3,829,880	3,555,068	-	-	3,829,880	3,555,068
Investment in Affiliate	-	-	2,459,122	2,257,663	2,459,122	2,257,663
Total assets	<u>4,683,479</u>	<u>4,232,669</u>	<u>2,459,122</u>	<u>2,297,312</u>	<u>7,142,601</u>	<u>6,529,981</u>
Long-term liabilities outstanding	232,847	312,435	-	30,400	232,847	342,835
Other liabilities	155,223	74,856	-	8,424	155,223	83,280
Total liabilities	<u>388,070</u>	<u>387,291</u>	<u>-</u>	<u>38,824</u>	<u>388,070</u>	<u>426,115</u>
Net assets:						
Invested in capital assets, net of related debt	3,640,448	3,303,246	2,459,122	2,227,263	6,099,570	5,530,509
Restricted	11,603	30,033	-	-	11,603	30,033
Unrestricted	643,358	512,099	-	31,225	643,358	543,324
Total net assets	<u>\$ 4,295,409</u>	<u>\$ 3,845,378</u>	<u>\$ 2,459,122</u>	<u>\$ 2,258,488</u>	<u>\$ 6,754,531</u>	<u>\$ 6,103,866</u>

Governmental Activities

The cost of all governmental activities this year was \$1,977,629 as shown on the statement of changes in net assets on the following page—\$139,455 of this cost was paid for by those who directly benefited from the programs, \$1,046,730 was subsidized by grants received from other governmental organizations and others for both capital and operating activities. Overall governmental program revenues, including intergovernmental aid and fees for services but excluding general revenues were \$1,186,185. General revenues totaled \$1,241,475.

The Town's programs include: General Government, Public Safety, Public Works/Airport/Streets, Culture/Parks and Recreation, and Community Development. Program revenues and each program's expenses are presented on the following page.

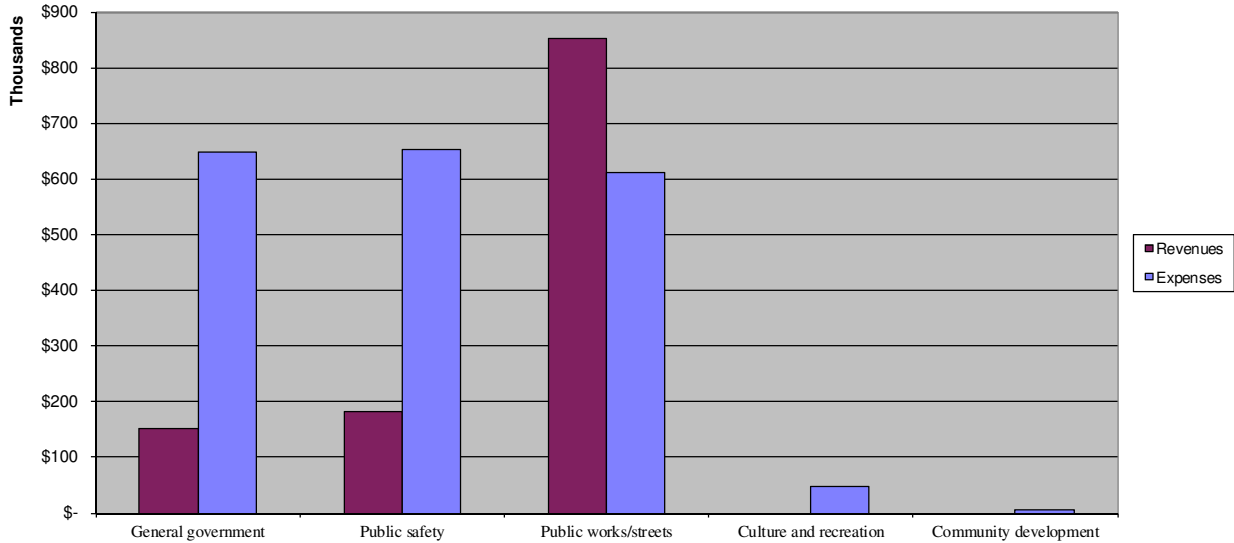
**Colorado City
Changes in Net Assets**

	Governmental activities		Business-type activities		Total	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Revenues:						
Program revenues:						
Charges for services	\$ 139,455	\$ 119,599	\$ 1,094,273	\$ 1,295,325	\$ 1,233,728	\$ 1,414,924
Operating grants and contributions	540,976	587,896	-	-	540,976	587,896
Capital grants and contributions	505,754	584,843	-	-	505,754	584,843
General revenues:						
Taxes	802,343	733,404	-	-	802,343	733,404
State revenue sharing	397,118	526,771	-	-	397,118	526,771
Other revenue/(expense)	42,014	18,003	(34,391)	-	7,623	18,003
Affiliate revenue	-	-	1,971,317	2,294,366	1,971,317	2,294,366
Total revenues	<u>2,427,660</u>	<u>2,570,516</u>	<u>3,031,199</u>	<u>3,589,691</u>	<u>5,458,859</u>	<u>6,160,207</u>
Expenses:						
General government	649,225	651,328	-	-	649,225	651,328
Public safety	651,884	803,539	-	-	651,884	803,539
Public works/streets	612,071	761,985	-	-	612,071	761,985
Culture and recreation	46,977	71,507	-	-	46,977	71,507
Community development	5,259	-	-	-	5,259	-
Interest on long-term debt	12,213	17,487	-	-	12,213	17,487
Contract service	-	-	1,091,107	1,273,538	1,091,107	1,273,538
Affiliate expenses	-	-	1,739,458	1,524,887	1,739,458	1,524,887
Total expenses	<u>1,977,629</u>	<u>2,305,846</u>	<u>2,830,565</u>	<u>2,798,425</u>	<u>4,808,194</u>	<u>5,104,271</u>
Increase/(decrease) in net assets	450,031	264,670	200,634	791,266	650,665	1,055,936
Extraordinary items	-	-	-	(9,252)	-	(9,252)
Net assets, beginning	<u>3,845,378</u>	<u>3,580,708</u>	<u>2,258,488</u>	<u>1,476,474</u>	<u>6,103,866</u>	<u>5,057,182</u>
Net assets, ending	<u>\$ 4,295,409</u>	<u>\$ 3,845,378</u>	<u>\$ 2,459,122</u>	<u>\$ 2,258,488</u>	<u>\$ 6,754,531</u>	<u>\$ 6,103,866</u>

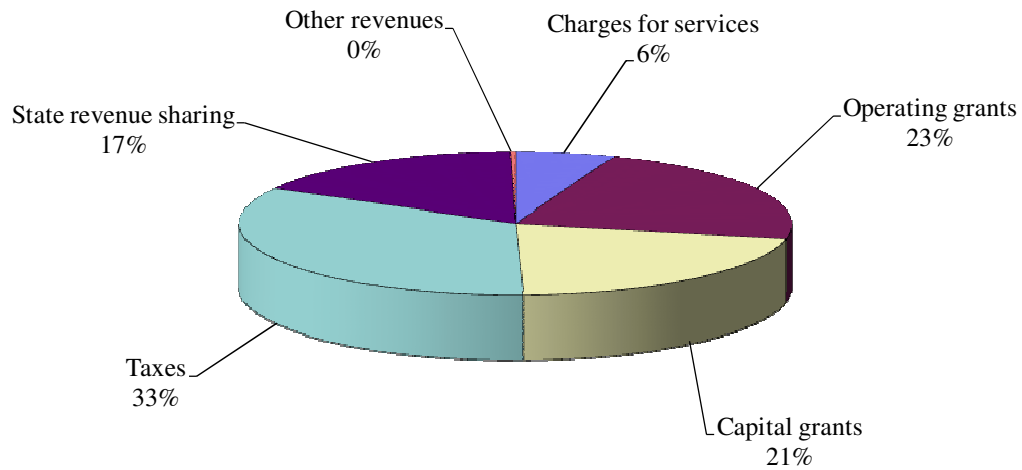
Total resources available during the year to finance governmental operations were \$6,273,038 consisting of net assets at July 1, 2010 of \$3,845,378, program revenues of \$1,186,185 and general revenues of \$1,241,475. Total expenses of governmental activities during the year were \$1,977,629; thus governmental net assets increased by \$450,031 to \$4,295,409.

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)

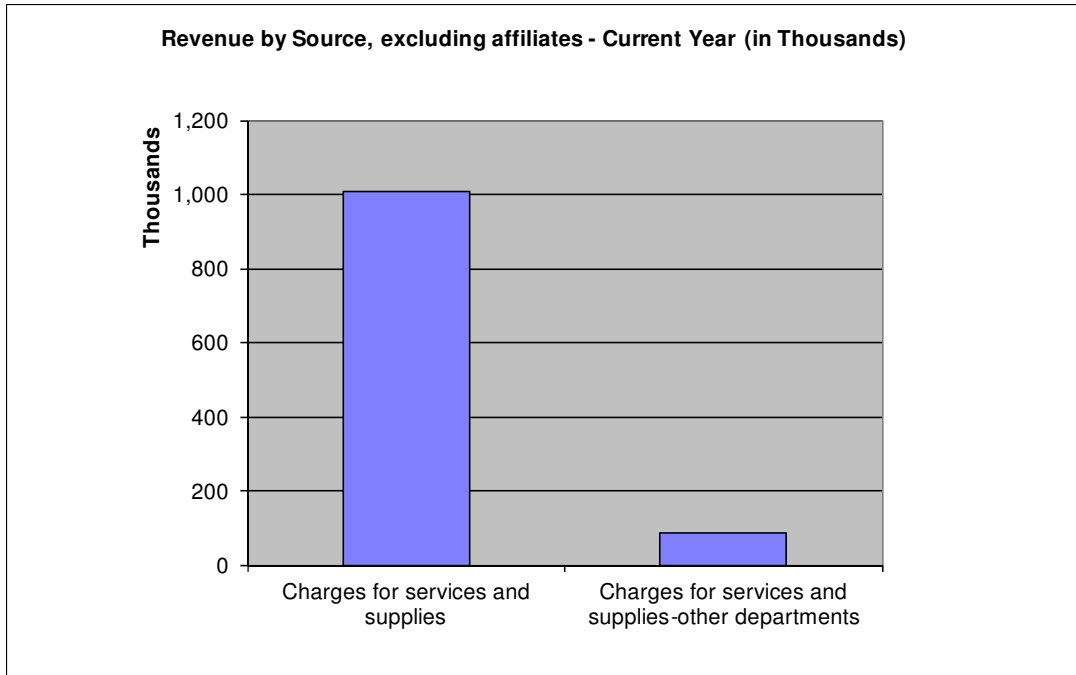


Revenue By Source - Governmental Activities

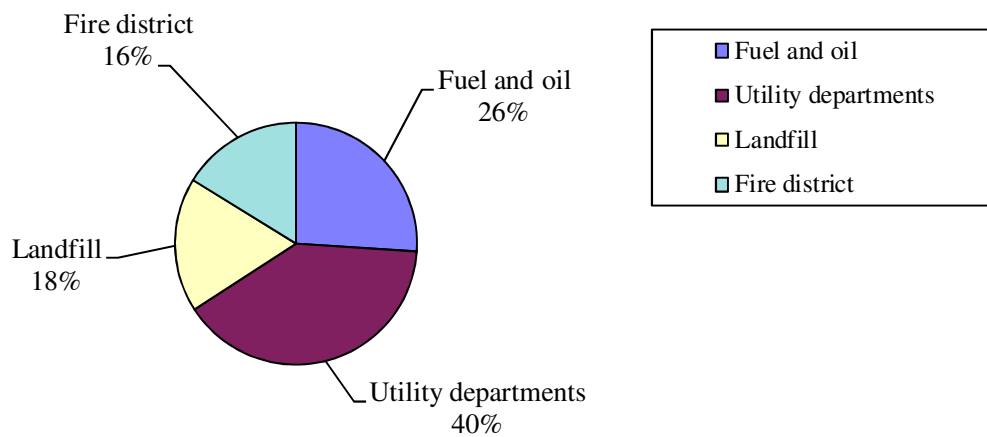


Business-type Activities

Net assets of the business-type activities at June 30, 2011, as reflected in the statement of net assets were \$2,459,122. The cost of providing all proprietary (business-type) activities this year was approximately \$2.8 million, which includes approximately \$1.7 million of affiliate expenses. As shown in the statement of changes in net assets, the amounts paid by users of the system were approximately \$1.1 million, and revenues from affiliates were approximately \$2.0 million, including a capital contribution of \$78,101. Net assets increased by \$200,634.



Operating Expenses, excluding affiliates- Current Year



Financial Analysis of the Government's Funds

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

Governmental funds: The focus of the Town'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'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's governmental funds reported a combined ending fund balance of \$676,386, an increase of \$108,178 from the prior year. Approximately 88% of this total amount, or \$592,297, constitutes unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is in nonspendable form (e.g. prepaids) or restricted 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. At the end of the current fiscal year, unassigned fund balance in the general fund was \$592,297 and total fund balance is \$664,783. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Total fund balance and unassigned fund balance represents 49% and 43%, respectively, of total general fund expenditures before inter-fund transfers. During the fiscal year, the Town's general fund balance increased by \$126,608. Key factors in this increase are as follows:

- The Town budgeted for a \$240,000 decrease.
- Actual revenues, expenditures and transfers out were under budget by \$109,436, \$336,119 and \$105,534, respectively.
- Most of the departments were significantly under budget.

The Highway User Revenue Fund has a fund balance of zero. All activity is for road construction and maintenance. The net revenues (expenditures), before transfers, for the current fiscal year were \$27,073 and \$(48,283) for the prior fiscal year. The General Fund budgets to transfer and cover any of the excess expenditures in the fund in order to maintain a zero fund balance.

The Miscellaneous Grants Fund has a fund balance of \$11,603, all of which is restricted for capital outlay. All of the Town's special revenue grant funds that were presented separately in prior years are now combined and presented as one fund beginning with the year ended June 30, 2011. Essentially all activity is for various capital projects of the Town that are primarily funded by grants. The General Fund budgets to transfer any grant matching requirements relating to these projects.

Proprietary funds: The Town'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 Contract Service fund and Affiliates were \$2,459,122, consisting of \$2,459,122 invested in affiliates, net of related debt and \$0 in unrestricted net assets.

General Fund Budgetary Highlights

The actual expenditures for the General Fund at fiscal year-end were \$336,119 less than final appropriations. The budget to actual variance in expenditures was due in part to cost control. Actual revenues were less than the final budget by \$109,436, which is primarily due to less charges for services and miscellaneous revenues than anticipated. Department budget line item adjustments and supplemental appropriations were made during the year to prevent budget overruns and to increase appropriations (not in total) for unanticipated expenditures after adoption of the original budget.

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, park facilities and roads. At the end of fiscal year 2011, net capital assets of the governmental activities totaled \$3,829,880. Depreciation on capital assets is recognized in the government-wide financial statements (see notes to the financial statements).

Debt

At fiscal year-end, the Town had \$189,432 in governmental-type debt \$0 in business-type debt, excluding all affiliate debt. The debt is a liability of the government. During the current fiscal year, the Town's total debt decreased by \$92,038, excluding all affiliate debt. See the notes to the financial statements for further details.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the Town's budget for fiscal year 2011/2012, the Town Council and management expect a year with little or no growth of revenues and expenditures. Overall, General Fund operating expenditures were budgeted so as to anticipate a minimal or no cost increase from the level of fiscal year 2010/2011. The Town is currently not experiencing significant growth, which could impact future revenue sharing; therefore, the Town intends to budget and control expenditures so that excess fund balances can be carried forward for expenditure in future years. The Town intends to assign some of these excess funds as contingency reserves.

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 Vance Barlow, Town Clerk, Colorado City, P.O. Box 70, Colorado City, AZ, 86021.

BASIC FINANCIAL STATEMENTS

COLORADO CITY, ARIZONA
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 405,146	\$ -	\$ 405,146
Receivables (net of allowance)	206,780	101,439	308,219
Prepays	72,486	-	72,486
Inventories	-	17,951	17,951
Internal balances	119,390	(119,390)	-
Temporarily restricted assets:			
Cash and cash equivalents	49,797	-	49,797
Investment in affiliates	-	2,459,122	2,459,122
Capital assets (net of accumulated depreciation):			
Land	284,981	-	284,981
Buildings	549,976	-	549,976
Improvements other than buildings	510,167	-	510,167
Automobiles and trucks	133,806	-	133,806
Machinery and equipment	267,089	-	267,089
Office furniture and equipment	13,441	-	13,441
Infrastructure	1,795,207	-	1,795,207
Construction in progress	275,213	-	275,213
Total assets	<u>4,683,479</u>	<u>2,459,122</u>	<u>7,142,601</u>
Liabilities			
Accounts payable and other current liabilities	124,394	-	124,394
Unearned revenue	30,829	-	30,829
Noncurrent liabilities:			
Due within one year	118,096	-	118,096
Due in more than one year	114,751	-	114,751
Total liabilities	<u>388,070</u>	<u>-</u>	<u>388,070</u>
Net Assets			
Invested in capital assets, net of related debt	3,640,448	-	3,640,448
Invested in affiliates	-	2,459,122	2,459,122
Restricted for:			
Capital projects	11,603	-	11,603
Unrestricted	643,358	-	643,358
Total net assets	<u>\$ 4,295,409</u>	<u>\$ 2,459,122</u>	<u>\$ 6,754,531</u>

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

COLORADO CITY, ARIZONA
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 649,225	\$ 130,352	\$ 21,549	\$ -	\$ (497,324)	\$ -	\$ (497,324)
Public safety	651,884	9,103	173,716	-	(469,065)	-	(469,065)
Public works/streets	612,071	-	345,711	505,754	239,394	-	239,394
Culture and recreation	46,977	-	-	-	(46,977)	-	(46,977)
Community development	5,259	-	-	-	(5,259)	-	(5,259)
Interest on long-term debt	12,213	-	-	-	(12,213)	-	(12,213)
Total governmental activities	1,977,629	139,455	540,976	505,754	(791,444)	-	(791,444)
Business-type activities:							
Contract service fund	1,091,107	1,094,273	-	-	-	3,166	3,166
Investment in affiliate	1,739,458	1,893,216	-	78,101	-	231,859	-
Total business-type activities	2,830,565	2,987,489	-	78,101	-	235,025	235,025
Total primary government	\$ 4,808,194	\$ 3,126,944	\$ 540,976	\$ 583,855	(791,444)	235,025	(556,419)
General Revenues:							
Taxes:							
State sales taxes					317,038	-	317,038
City sales taxes					283,455	-	283,455
Fee-in-Lieu					201,850	-	201,850
State revenue sharing					397,118	-	397,118
Unrestricted investment earnings					623	-	623
Transfers					34,391	(34,391)	-
Gain on sale of capital assets					7,000	-	7,000
Total general revenues and transfers					1,241,475	(34,391)	1,207,084
Change in net assets					450,031	200,634	650,665
Net assets - beginning					3,845,378	2,258,488	6,103,866
Net assets - ending					\$ 4,295,409	\$ 2,459,122	\$ 6,754,531

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

COLORADO CITY, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2011

	General Fund	Highway User Revenue Fund	Miscellaneous Grants Fund	Debt Service Fund	Total Governmental Funds
Assets					
Cash	\$ 405,146	\$ -	\$ -	\$ -	\$ 405,146
Due from other governments	84,250	35,535	65,005	-	184,790
Due from other funds	161,544	-	-	-	161,544
Prepays	72,486	-	-	-	72,486
Cash - restricted	-	-	49,727	70	49,797
Total assets	\$ 723,426	\$ 35,535	\$ 114,732	\$ 70	\$ 873,763
Liabilities and fund balances					
Liabilities:					
Accounts payable	\$ 16,156	\$ 16,826	\$ 78,434	\$ 70	\$ 111,486
Accrued liabilities	12,908	-	-	-	12,908
Due to other funds	-	18,709	23,445	-	42,154
Deferred revenue	-	-	1,250	-	1,250
Unearned revenue	29,579	-	-	-	29,579
Total liabilities	58,643	35,535	103,129	70	197,377
Fund balances:					
Nonspendable	72,486	-	-	-	72,486
Restricted for:					
Capital outlay	-	-	11,603	-	11,603
Unassigned	592,297	-	-	-	592,297
Total fund balances	664,783	-	11,603	-	676,386
Total liabilities and fund balance	\$ 723,426	\$ 35,535	\$ 114,732	\$ 70	

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.

Cost of capital assets	\$ 6,108,345	
Accumulated depreciation	(2,278,465)	3,829,880

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

Notes/leases payable and compensated absences	(232,847)	
Reimbursement receivable relating to comp. absences	21,990	(210,857)
Net assets of governmental activities		\$ 4,295,409

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

COLORADO CITY, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

Revenues	General Fund	Highway User Revenue Fund	Miscellaneous Grants Fund	Debt Service Fund	Total Governmental Funds
Taxes	\$ 802,343	\$ -	\$ -	\$ -	\$ 802,343
Licenses and permits	10,650	-	-	-	10,650
Intergovernmental revenue	595,620	342,473	502,888	-	1,440,981
Charges for services	58,086	-	-	-	58,086
Interest income	522	-	101	-	623
Fines and forfeitures	9,922	-	-	-	9,922
Miscellaneous	67,797	-	2,867	-	70,664
Total revenues	<u>1,544,940</u>	<u>342,473</u>	<u>505,856</u>	<u>-</u>	<u>2,393,269</u>
Expenditures					
Current:					
General government	636,611	-	-	-	636,611
Public safety	633,048	-	-	-	633,048
Public works/streets	52,721	297,993	-	-	350,714
Culture and recreation	38,318	-	-	-	38,318
Community development	5,259	-	-	-	5,259
Debt service:					
Principal	-	-	-	92,038	92,038
Interest	-	-	-	12,213	12,213
Capital outlay	-	17,407	533,874	29,648	580,929
Total expenditures	<u>1,365,957</u>	<u>315,400</u>	<u>533,874</u>	<u>133,899</u>	<u>2,349,130</u>
Excess (deficiency) of revenues over (under) expenditures	<u>178,983</u>	<u>27,073</u>	<u>(28,018)</u>	<u>(133,899)</u>	<u>44,139</u>
Other financing sources (uses):					
Capital lease	-	-	-	29,648	29,648
Transfers in	34,391	30,892	9,588	104,251	179,122
Transfers out	(86,766)	(57,965)	-	-	(144,731)
Total other financing sources (uses)	<u>(52,375)</u>	<u>(27,073)</u>	<u>9,588</u>	<u>133,899</u>	<u>64,039</u>
Net change in fund balances	126,608	-	(18,430)	-	108,178
Fund balance - beginning of year	538,175	-	30,033	-	568,208
Fund balance - end of year	<u>\$ 664,783</u>	<u>\$ -</u>	<u>\$ 11,603</u>	<u>\$ -</u>	<u>\$ 676,386</u>

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

COLORADO CITY, ARIZONA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$	108,178
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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.

	\$	566,662	
Capital outlay			
Depreciation expense		(291,850)	274,812

Some 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. This amount relates to compensated absences.		4,651
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.

	(29,648)	
Debt issued, including capital lease financing		
Principal paid on debt	92,038	62,390

Change in net assets of governmental activities	\$	450,031
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The accompanying notes are an integral part of the financial statements.

COLORADO CITY, ARIZONA
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2011

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Taxes	\$ 765,000	\$ 765,000	\$ 802,343	\$ 37,343
Licenses and permits	25,700	25,700	10,650	(15,050)
Intergovernmental revenue	607,576	607,576	595,620	(11,956)
Charges for services	97,000	97,000	58,086	(38,914)
Interest income	2,500	2,500	522	(1,978)
Fines and forfeitures	18,600	18,600	9,922	(8,678)
Miscellaneous	138,000	138,000	67,797	(70,203)
Total revenues	<u>1,654,376</u>	<u>1,654,376</u>	<u>1,544,940</u>	<u>(109,436)</u>
Expenditures				
Current:				
Administration and contingencies	598,000	568,000	501,106	66,894
Airport	91,750	81,750	52,721	29,029
Building department	67,300	67,300	47,590	19,710
Community development	126,000	126,000	5,259	120,741
Law enforcement	379,400	379,400	359,699	19,701
Parks and recreation	71,926	61,926	38,318	23,608
Dispatch	239,200	239,200	225,759	13,441
Magistrate court	128,500	178,500	135,505	42,995
Total expenditures	<u>1,702,076</u>	<u>1,702,076</u>	<u>1,365,957</u>	<u>336,119</u>
Excess of revenues over (under) expenditures	<u>(47,700)</u>	<u>(47,700)</u>	<u>178,983</u>	<u>226,683</u>
Other financing sources (uses):				
Transfers in	-	-	34,391	34,391
Transfers out	(192,300)	(192,300)	(86,766)	105,534
Total other financing sources and uses	<u>(192,300)</u>	<u>(192,300)</u>	<u>(52,375)</u>	<u>139,925</u>
Net change in fund balance	(240,000)	(240,000)	126,608	366,608
Fund balance - beginning of year	538,175	538,175	538,175	-
Fund balance, end of year	<u>\$ 298,175</u>	<u>\$ 298,175</u>	<u>\$ 664,783</u>	<u>\$ 366,608</u>

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

COLORADO CITY, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2011

	<u>Contract Service Fund</u>	<u>Affiliates</u>	<u>Total</u>
Assets			
Current assets:			
Due from other governments	\$ 101,439	\$ -	\$ 101,439
Fuel inventory	17,951	-	17,951
Total current assets	<u>119,390</u>	<u>-</u>	<u>119,390</u>
Noncurrent assets:			
Investment in joint venture	-	2,459,122	2,459,122
Total assets	<u>119,390</u>	<u>2,459,122</u>	<u>2,578,512</u>
Liabilities			
Current liabilities:			
Due to other funds	119,390	-	119,390
Total current liabilities	<u>119,390</u>	<u>-</u>	<u>119,390</u>
Net assets			
Invested in affiliates, net of related debt	-	2,459,122	2,459,122
Unrestricted	-	-	-
Total net assets	<u>\$ -</u>	<u>\$ 2,459,122</u>	<u>\$ 2,459,122</u>

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

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

Operating revenues	<u>Service Fund</u>	<u>Affiliates</u>	<u>Total</u>
Charges for services and supplies	\$ 1,007,921	\$ -	\$ 1,007,921
Charges for services and supplies-other departments	<u>86,352</u>	<u>-</u>	<u>86,352</u>
Total operating revenues	<u>1,094,273</u>	<u>-</u>	<u>1,094,273</u>
Operating expenses			
Costs of sales and services:			
Fuel and oil	284,012	-	284,012
Utility departments	434,528	-	434,528
Landfill	195,667	-	195,667
Fire district	<u>176,900</u>	<u>-</u>	<u>176,900</u>
Total operating expenses	<u>1,091,107</u>	<u>-</u>	<u>1,091,107</u>
Operating income	<u>3,166</u>	<u>-</u>	<u>3,166</u>
Nonoperating revenues (expenses)			
Net income from affiliates	<u>-</u>	<u>153,758</u>	<u>153,758</u>
Total nonoperating revenue (expenses)	<u>-</u>	<u>153,758</u>	<u>153,758</u>
Income before contributions and transfers	3,166	153,758	156,924
Contributed capital	-	78,101	78,101
Transfers out	<u>(34,391)</u>	<u>-</u>	<u>(34,391)</u>
Change in net assets	(31,225)	231,859	200,634
Total net assets, beginning of year	<u>31,225</u>	<u>2,227,263</u>	<u>2,258,488</u>
Total net assets, end of year	<u>\$ -</u>	<u>\$ 2,459,122</u>	<u>\$ 2,459,122</u>

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

COLORADO CITY, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Contract Service Fund
Cash flows from operating activities	
Cash received from customers, service fees	\$ 1,022,524
Cash received from quasi-external transfers	86,352
Cash paid to suppliers	(384,822)
Cash paid to employees	(689,663)
Net cash flows from operating activities	34,391
Cash flows from noncapital financing activities	
Transfers out	(34,391)
Net cash flows from noncapital financing activities	(34,391)
Cash flows from capital and related financing activities	
Acquisition of capital assets	-
Net cash flows from capital and related financing activities	-
Cash flows from investing activities	
Interest on investments	-
Net cash flows from investing activities	-
Net increase (decrease) in cash and cash equivalents	
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ -
Reconciliation of operating income to net cash provided by operating activities:	
Net operating income	\$3,166
Adjustments to reconcile operating income/(loss) to net cash provided by operating activities:	
Depreciation	-
Changes in operating assets and liabilities:	
(Increase)/decrease in due from other governments	32,554
(Increase)/decrease in fuel inventory	(17,951)
Increase/(decrease) in due to other funds	25,046
Increase/(decrease) in accounts payable	(8,424)
Net cash flows from operating activities	\$ 34,391

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

COLORADO CITY, ARIZONA
Statement of Fiduciary Net Assets
Agency Fund
June 30, 2011

	<u>Fiduciary Fund Types Trust/Agency</u>
Assets	
Current assets:	
Restricted cash and cash equivalents	\$ 49,937
Total assets	<u>\$ 49,937</u>
Liabilities	
Current liabilities:	
Trust/agency liabilities	\$ 49,937
Total liabilities	<u>49,937</u>
Net assets	
Total net assets	<u>\$ -</u>

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

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies

General

The accounting policies of the Town of Colorado City, 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

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no separate component units combined to form the reporting entity. However, the Town has a joint venture equity interest in Twin City Power, the Arizona Strip Landfill Governmental Financing Corporation, the Water Departments of Hildale/Colorado City and the Gas Departments of Hildale/Colorado City.

The accompanying financial statements include all activities of the Town.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

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 segments 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 other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of a related liability, rather than as expenditures 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.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies, Continued

Sales taxes, state shared revenues, licenses 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current 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 **Miscellaneous Grants Special Revenue Fund** accounts for federal and state grants and other contributions that are restricted to expenditure for particular purposes. All of the Town's special revenue grant funds that were presented separately in prior years are now combined and presented as one fund beginning with the year ended June 30, 2011.

The Town reports the following major proprietary funds:

The **Contract Service Fund** accounts for operations that provide services to other departments or other agencies of the government, or to other governments, on a cost-reimbursement basis.

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.

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 enterprise funds are charges to customers for sales and services.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies, Continued

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

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.

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 uncollectibles. 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

All inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed.

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 \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. 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.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

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:

Buildings	20-40 years
Improvements	20 years
Automobiles and trucks	5-10 years
Machinery and equipment	5-10 years
Infrastructure	20 years

Compensated Absences

For governmental funds, amounts of accumulated personal leave and compensatory time 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. Accumulated personal leave and compensatory time in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Long-term Obligations

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

Net Assets and Fund Equity

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

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies, Continued

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

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

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

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

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

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

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

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

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

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

Estimates

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

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 2. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of Colorado City. 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. State law requires that, prior to April 1, the Economic Estimates Commission provides the Town with a final expenditure limit for the coming fiscal year.
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.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 2. Stewardship, Compliance, and Accountability, Continued

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual schedules of revenues, expenditures and changes in fund balances – budget to actual reports listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2011, if any.

Taxes

The Town does not currently have any primary or secondary real property tax levies.

NOTE 3. Deposits and Investments

The Town's central treasury consists of the following at fiscal year end:

Cash on hand	\$ 350
Cash in bank	99,816
Cash in State Treasurer's Investment Pool	<u>404,714</u>
Total deposits and investments	<u><u>\$ 504,880</u></u>

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

Cash and cash equivalents	\$ 405,146
Cash - restricted	49,797
Fiduciary fund cash and cash equivalents	<u>49,937</u>
Total	<u><u>\$ 504,880</u></u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

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. Colorado City does not have a formal policy for custodial credit risk. As of June 30, 2011, none of the Town's bank balance of \$202,419 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

Investment Fund

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

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

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Arizona State Treasurer's Local Government Investment Pool	\$ 404,714	\$ 404,714	\$ -	\$ -	\$ -
Total fair value	\$ 404,714	\$ 404,714	\$ -	\$ -	\$ -

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

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, 2011 the Town had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Arizona State Treasurer's Local Government Investment Pool	\$ 404,714	\$ -	\$ -	\$ -	\$ 404,714
Total fair value	\$ 404,714	\$ -	\$ -	\$ -	\$ 404,714

NOTE 4. Receivables

Receivables, including due from other governments, in the governmental funds consist primarily of revenues relating to the following: sales taxes, vehicle taxes, highway urban revenues and affiliate and other reimbursements. No allowance for uncollectible accounts has been established as collection of all amounts is expected. Receivables (due from other governments) in the contract service proprietary fund consist of revenues relating to affiliate reimbursements. No allowance for uncollectible accounts has been established as collection of all amounts is expected.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 5. Capital Assets

The following summarizes the changes in capital assets for governmental activities for the year ended June 30, 2011:

Governmental Activities:	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Capital assets, not being depreciated:				
Land	\$ 284,981	\$ -	\$ -	\$ 284,981
Construction in progress	192,089	397,848	(314,724)	275,213
Total capital assets, not being depreciated	<u>477,070</u>	<u>397,848</u>	<u>(314,724)</u>	<u>560,194</u>
Capital assets, being depreciated:				
Buildings	781,116	5,650	-	786,766
Improvements other than buildings	612,068	133,716	-	745,784
Machinery and equipment	841,118	-	-	841,118
Office furniture and equipment	80,801	7,181	-	87,982
Automobiles and trucks	703,554	29,648	(25,002)	708,200
Infrastructure	2,070,958	307,343	-	2,378,301
Total capital assets, being depreciated	<u>5,089,615</u>	<u>483,538</u>	<u>(25,002)</u>	<u>5,548,151</u>
Less accumulated depreciation for:				
Buildings	(215,975)	(20,815)	-	(236,790)
Improvements other than buildings	(198,371)	(37,246)	-	(235,617)
Machinery and equipment	(509,740)	(64,289)	-	(574,029)
Office furniture and equipment	(69,367)	(5,174)	-	(74,541)
Automobiles and trucks	(547,582)	(51,814)	25,002	(574,394)
Infrastructure	(470,582)	(112,512)	-	(583,094)
Total accumulated depreciation	<u>(2,011,617)</u>	<u>(291,850)</u>	<u>25,002</u>	<u>(2,278,465)</u>
Total capital assets, being depreciated, net	<u>3,077,998</u>	<u>191,688</u>	<u>-</u>	<u>3,269,686</u>
Governmental activities capital assets, net	<u>\$ 3,555,068</u>	<u>\$ 589,536</u>	<u>\$ (314,724)</u>	<u>\$ 3,829,880</u>

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

Governmental Activities:	
General government	\$ 17,412
Public safety	29,930
Public works/streets	235,849
Parks and recreation	8,659
Total depreciation expense - governmental activities	<u>\$ 291,850</u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 6. Long-term Liabilities

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

	<u>Balance 6/30/2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2011</u>	<u>Current Portion</u>
Governmental Activities:					
General obligation debt:					
Notes payable	\$ 91,695	\$ -	\$ 22,167	\$ 69,528	23,649
Lease purchases	160,127	29,648	69,871	119,904	77,081
Compensated absences	60,613	37,400	54,598	43,415	17,366
Total governmental activities	<u>312,435</u>	<u>67,048</u>	<u>146,636</u>	<u>232,847</u>	<u>118,096</u>
Business-type Activities:					
Revenue obligation debt:					
Refunding revenue bond	30,400	-	30,400	-	-
Total business-type activities	<u>30,400</u>	<u>-</u>	<u>30,400</u>	<u>-</u>	<u>-</u>
Total long-term liabilities	<u>\$ 342,835</u>	<u>\$ 67,048</u>	<u>\$ 177,036</u>	<u>\$ 232,847</u>	<u>\$ 118,096</u>

Debt service requirements on notes payable at June 30, 2011 are as follows:

Year Ended June 30,	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 23,649	\$ 3,758
2013	15,887	2,277
2014	16,171	1,431
2015	<u>13,821</u>	<u>563</u>
Total	<u>\$ 69,528</u>	<u>\$ 8,029</u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 6. Long-Term Liabilities, Continued

The following is a listing of long-term obligations as of June 30, 2011:

Notes Payable:

Governmental activities:

5.26% note payable to ADOT Aeronautics Division, due in quarterly principal and interest installments of \$4,400, maturing May 15, 2015. \$ 59,905

10.90% note payable to GMAC, due in monthly principal and interest installments of \$817, maturing August 10, 2012, secured by vehicle. 9,623

Lease Obligations:

Governmental activities:

Leases payable in various installment methods through fiscal year 2014, at interest ranging from 4.49% to 7.10%. 119,904

Compensated Absences 43,415

Total long-term liabilities 232,847

Less current portions:

Governmental activities (118,096)

Net long-term liabilities \$ 114,751

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 7. Capital Leases

The Town has entered into a number of lease agreements that are considered capital leases in accordance with accounting standards. The leases are for the acquisition of the items listed below and have varying annual payments through fiscal year 2014. The following is a schedule of future minimum lease payments with the present value of the net minimum lease payments for the years ending June 30:

	Kenworth Truck	Kenworth 950 Wheel Loader	2009 Ford Expeditions	2011 Ford Expedition	Total
2012	\$ 20,743	\$ 30,308	\$ 18,867	\$ 10,568	\$ 80,486
2013	-	22,731	1,572	10,568	34,871
2014	-	-	-	10,568	10,568
Total remaining lease payments:	20,743	53,039	20,439	31,704	125,925
Less: amount representing interest:	517	2,626	822	2,056	6,021
Present value of net remaining minimum lease payments:	<u>\$ 20,226</u>	<u>\$ 50,413</u>	<u>\$ 19,617</u>	<u>\$ 29,648</u>	<u>\$ 119,904</u>

A summary of assets acquired through capital leases as of June 30, 2011 is as follows:

	Cost	Depreciation Expense	Accumulated Depreciation
Machinery and equipment	\$ 135,000	\$ 19,285	\$ 72,321
Automobiles and trucks	221,141	31,888	102,122
Total	<u>\$ 356,141</u>	<u>\$ 51,173</u>	<u>\$ 174,443</u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Investment in Affiliates

The Town has the following investments which are accounted for using the equity method:

Twin City Power

The Twin City Power Joint Management, Operations and Maintenance Agreement (Twin City Power) was formed on April 29, 1994 by the Town of Colorado City, Arizona and Hildale City, Utah (the Cities). The Town of Colorado City, Arizona, pursuant to the provisions of Title 11, Chapter 7, Article 3, Arizona Revised Statutes, as amended (the "Arizona Joint Exercise of Powers Act") and the City of Hildale, Utah, pursuant to the provisions of Title 11, Chapter 13, Utah Code Annotated 1953, as amended (the "Utah Interlocal Co-operation Act") entered into the "Electric Distribution Systems Management Operation and Maintenance Agreement."

Each City/Town has acquired its own electric system which is independently owned and financed and reflected in the funds of Twin City Power. Each City's/Town's ownership percentage in Twin City Power is based upon their original investments in their City's system and subsequent specific contributions. Common operating revenues and expenditures are allocated on the basis of the proportion that the annual energy sales to each City's/Town's electric customers bears to the total annual energy sales.

The "Utility Board" consists of seven Members, three appointed by the Mayor and Council of Hildale City and four Members appointed by the Mayor and Council of Colorado City. Each Member is entitled to one vote; however, budgeting and financing is done by each City's/Town's council and merely ratified by the "Utility Board."

Twin City Power's audited financial statements as of June 30, 2011 can be obtained at the following address:

Hildale City
320 E. Newel Avenue
Hildale, Utah 84784

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Investment in Affiliates, Continued

Twin City Power, (Continued)

The following is a summary of the total assets, liabilities, revenues, and expenditures associated with Twin City Power and their allocation between the Cities for the year ended June 30, 2011:

	Distribution		Generation	Total
	Hildale City	Colorado City	Hildale City	
Total assets	\$ 32,630	\$ 42,444	\$ 1,157,337	\$ 1,232,411
Current liabilities	\$ -	\$ -	\$ 20,000	\$ 20,000
Long-term liabilities	-	-	-	-
Total liabilities	-	-	20,000	20,000
Net assets	32,630	42,444	1,137,337	1,212,411
Total net assets	32,630	42,444	1,137,337	1,212,411
Total liabilities and net assets	\$ 32,630	\$ 42,444	\$ 1,157,337	\$ 1,232,411
Total operating revenues	\$ -	\$ -	\$ -	\$ -
Total operating expenses	-	-	-	-
Operating income (loss)	-	-	-	-
Nonoperating revenue (expense)	(19,584)	(21,413)	(2,413)	(43,410)
Change in net assets	\$ (19,584)	\$ (21,413)	\$ (2,413)	\$ (43,410)

See Note 14 for details on the liquidation status of Twin City Power.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Investment in Affiliates, Continued

Water Departments of Hildale/Colorado City

The Twin City Water Joint Management, Operations and Maintenance Agreement (the Water Departments) was formed on February 22, 1996 by the Town of Colorado City, Arizona and Hildale City, Utah (the Cities). The Town of Colorado City, Arizona, pursuant to the provisions of Title 11, Chapter 7, Article 3, Arizona Revised Statutes, as amended (the "Arizona Joint Exercise of Powers Act") and the City of Hildale, Utah, pursuant to the provisions of Title 11, Chapter 13, Utah Code Annotated 1953, as amended (the "Utah Interlocal Co-operation Act") entered into the "Inter-Governmental Agreement."

Each City/Town has acquired its own water system which is independently owned and financed and reflected in the funds of the Water Departments. Each City's/Town's ownership percentage in the Water Departments was calculated based upon their population, footage of pipe, number of service connections, and value of distribution system within each City's/Town's boundary. Common operating revenues and expenditures are also allocated based on said percentages.

The Board of Trustees consists of seven trustees, three appointed by the Mayor and Council of Hildale City, three appointed by the Mayor and Council of Colorado City, and one appointed by a joint designation of both cities. Each trustee is entitled to one vote.

The Water Departments' audited financial statements as of June 30, 2011, can be obtained at the following address:

Hildale City
 320 E. Newel Avenue
 Hildale, Utah 84784

Notes payable for the Water Departments consist of the following at June 30, 2011:

	Hildale City	Colorado City	Total
Note payable to Twin City Water Authority bearing interest at 5.00 percent, due in monthly principal and interest installments of \$1,583, maturing June 26, 2018.	<u>\$ 35,480</u>	<u>\$ 65,892</u>	<u>\$ 101,372</u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Investment in Affiliates, Continued

Water Departments, (Continued)

Maturities of notes payable are as follows:

Year Ended June 30,	Hildale City		Colorado City	
	Principal	Interest	Principal	Interest
2012	\$ 4,806	\$ 1,843	\$ 8,929	\$ 3,423
2013	5,051	1,597	9,381	2,966
2014	5,310	1,339	9,861	2,486
2015	5,582	1,067	10,366	1,982
2016	5,867	781	10,896	1,451
2017-2018	8,864	647	16,459	1,202
	<u>\$ 35,480</u>	<u>\$ 7,274</u>	<u>\$ 65,892</u>	<u>\$ 13,510</u>

The following is a summary of the total assets, liabilities, revenues, and expenditures associated with the Water Departments and their allocation between the Cities for the year ended June 30, 2011:

	Hildale City	Colorado City	Total
Total assets	<u>\$ 446,932</u>	<u>\$ 1,009,716</u>	<u>\$ 1,456,648</u>
Current liabilities	\$ 61,265	\$ 103,588	\$ 164,853
Long-term liabilities	<u>31,383</u>	<u>58,268</u>	<u>89,651</u>
Total liabilities	<u>92,648</u>	<u>161,856</u>	<u>254,504</u>
Net assets	<u>354,284</u>	<u>847,860</u>	<u>1,202,144</u>
Total net assets	<u>354,284</u>	<u>847,860</u>	<u>1,202,144</u>
Total liabilities and net assets	<u>\$ 446,932</u>	<u>\$ 1,009,716</u>	<u>\$ 1,456,648</u>
Total operating revenues	\$ 288,668	\$ 533,908	\$ 822,576
Total operating expenses	<u>252,486</u>	<u>494,334</u>	<u>746,820</u>
Operating income (loss)	36,182	39,574	75,756
Nonoperating revenue (expense)	<u>(1,237)</u>	<u>(2,248)</u>	<u>(3,485)</u>
Change in net assets	<u>\$ 34,945</u>	<u>\$ 37,326</u>	<u>\$ 72,271</u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Investment in Affiliates, Continued

Gas Departments of Hildale/Colorado City

The Gas Distribution Systems Management, Operations and Maintenance Agreement (the Gas Departments) have not yet been formed by the Town of Colorado City, Arizona and Hildale City, Utah (the Cities). However, the Town of Colorado City, Arizona, pursuant to the provisions of Title 11, Chapter 7, Article 3, Arizona Revised Statutes, as amended (the “Arizona Joint Exercise of Powers Act”) and the City of Hildale, Utah, pursuant to the provisions of Title 11, Chapter 13, Utah Code Annotated 1953, as amended (the “Utah Interlocal Co-operation Act”) intend to enter into an “Inter-Governmental Agreement.”

Each City/Town will acquire its own Gas system which will be independently owned and financed and reflected in the funds of the Gas Departments. Each City’s/Town’s ownership percentage in the Gas Departments will be calculated based upon their population, footage of pipe, number of service connections, and value of distribution system within each City’s/Town’s boundary. Common operating revenues and expenditures will also be allocated based on said percentages.

The Utility Board of Trustees have been assigned the responsibility for the Gas Departments. The board consists of seven trustees, three appointed by the Mayor and Council of Hildale City and four appointed by the Mayor and Council of Colorado City. Each trustee will be entitled to one vote.

The Gas Departments' audited financial statements as of June 30, 2011, can be obtained at the following address:

Hildale City
320 E. Newel Avenue
Hildale, Utah 84784

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Investment in Affiliates, Continued

Gas Departments, (Continued)

Notes payable for the Gas Departments consist of the following at June 30, 2011:

	Hildale City	Colorado City	Total
Note payable to Standard Fuel, due in monthly principal installments of \$1,000, non-interest bearing, maturing in September 2016.	\$ -	\$ 63,409	\$ 63,409
Note payable to Scott Jessop, due in monthly principal installments of \$1,000, non-interest bearing, maturing in September 2014.	-	42,428	42,428
Note payable to PACCAR Financial Corp., due in monthly principal and interest installments of \$1,917, bearing interest at 9.95%, maturing in July 2013, secured by Kenworth truck.	-	46,531	46,531
Total	\$ -	\$ 152,368	\$ 152,368

Maturities of notes payable are as follows:

Year Ended June 30,	Principal	Interest
2012	\$ 43,193	\$ 3,811
2013	45,192	1,812
2014	30,146	54
2015	18,428	-
2016	12,000	-
2017	3,409	-
	\$ 152,368	\$ 5,677

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Investment in Affiliates, Continued

Gas Departments, (Continued)

The following is a summary of the total assets, liabilities, revenues, and expenditures associated with the Gas Departments and their allocation between the Cities for the year ended June 30, 2011:

	Hildale City	Colorado City	Total
Total assets	\$ 1,273,896	\$ 1,467,850	\$ 2,741,746
Current liabilities	\$ 16,497	\$ 92,552	\$ 109,049
Long-term liabilities	599	110,100	110,699
Total liabilities	17,096	202,652	219,748
Net assets	1,256,800	1,265,198	2,521,998
Total net assets	1,256,800	1,265,198	2,521,998
Total liabilities and net assets	\$ 1,273,896	\$ 1,467,850	\$ 2,741,746
Total operating revenues	\$ 379,635	\$ 954,912	\$ 1,334,547
Total operating expenses	327,517	868,997	1,196,514
Operating income (loss)	52,118	85,915	138,033
Nonoperating revenue (expense)	795	(4,419)	(3,624)
Contributed capital	79,535	78,101	157,636
Change in net assets	\$ 132,448	\$ 159,597	\$ 292,045

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Investment in Affiliates, Continued

Arizona Strip Landfill Governmental Financing Corporation

The Arizona Strip Governmental Financing Corporation (the Corporation) was incorporated on May 4, 1996 pursuant to an interlocal agreement between the Town of Colorado City, Arizona and the Town of Fredonia, Arizona. The Corporation is a nonprofit corporation/joint venture formed by the two towns for the purpose of financing, permitting, constructing and operating a landfill and municipal solid waste collection system. The respective shares of the Corporation as of June 30, 2011 are 76% for the Town and 24% for Fredonia.

The Corporation has entered into lease agreements that are considered capital leases in accordance with accounting standards. The following is the Town's estimated proportionate share (76%) of the Corporation's future minimum lease payments with the present value of the net minimum lease payments:

	Year Ended June 30,	Total
	2012	\$ 83,608
	2013	75,293
	2014	75,293
	2015	75,293
	2016	37,648
Total remaining lease payments		347,135
Less: amount representing interest		33,857
Present value of net remaining minimum lease payments		\$ 313,278

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Investment in Affiliates, Continued

Arizona Strip Landfill Governmental Financing Corporation, Continued

Each town appoints two members to the board of directors. The board exercises full power to conduct, manage and direct the business and affairs of the Corporation.

The Corporation's financial statements as of June 30, 2011 can be obtained at the following address:

Town of Colorado City
25 South Central Street
Colorado City, Arizona 86021

The following is a summary of the total assets, liabilities, revenues and expenditures associated with the Corporation and the allocation between the Towns for the year ended June 30, 2011.

	Fredonia Town	Colorado City	Total
	<u> </u>	<u> </u>	<u> </u>
Total assets	\$ 219,638	\$ 695,527	\$ 915,165
Current liabilities	\$ 33,417	\$ 105,829	\$ 139,246
Long-term liabilities	90,340	286,078	376,418
Total liabilities	<u>123,757</u>	<u>391,907</u>	<u>515,664</u>
Net assets	95,881	303,620	399,501
Total net assets	<u>95,881</u>	<u>303,620</u>	<u>399,501</u>
Total liabilities and net assets	<u>\$ 219,638</u>	<u>\$ 695,527</u>	<u>\$ 915,165</u>
Total operating revenues	\$ 128,336	\$ 406,401	\$ 534,737
Total operating expenses	118,775	376,126	494,901
Operating income (loss)	9,561	30,275	39,836
Non-operating revenue (expense)	8,234	26,075	34,309
Change in net assets	<u>\$ 17,795</u>	<u>\$ 56,350</u>	<u>\$ 74,145</u>

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 9. Risk Management

The Town maintains insurance for general liability, auto liability, employee dishonesty, airport liability and workers compensation through the Arizona Municipal Risk Retention Pool and Brown and Brown Insurance Company.

NOTE 10. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the Arizona Strip Landfill Corporation (See Note 8) to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The landfill began accepting waste May 1, 1997. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the Arizona Strip Landfill Corporation (the Company) reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$57,593 reported as landfill closure and postclosure care liability at June 30, 2011 on the Company's books, represents the cumulative amount of closure and postclosure costs reported to date based on the use of the estimated capacity of the landfill. An estimated 37.68% of the landfill capacity had been used by June 30, 2011. The Company will recognize the remaining estimated cost of closure and postclosure care of \$95,238 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in 2011. The Company expects to close the landfill in the year 2032. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. The Company will record the remaining estimated cost of closure and postclosure care as the estimated capacity is filled. The Company has utilized a local government guarantee rather than establishing a trust fund or other financial mechanism to demonstrate financial responsibility for closure and postclosure care costs.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 11. Restricted Fund Balance

At June 30, 2011 the Town's restricted fund balance consists of the following:

<u>Miscellaneous Grant</u>	Balance at
<u>Special Revenue Fund</u>	<u>6/30/2011</u>
Miscellaneous projects	\$ (7,955)
CDBG - Arizona Ave.	(25,831)
County Flood Control	45,314
Economic development	<u>75</u>
 Total	 <u><u>\$ 11,603</u></u>

At June 30, 2011 two of the Town's projects had deficits due to delays in grant funding.

NOTE 12. Interfund Balances and Transfers

As of June 30, 2011 the Town's interfund balances consist of the following:

	Due From			
Due To	Highway User Revenue Fund	Miscellaneous Grants Fund	Contract Service Fund	Total
General Fund	\$ 18,709	\$ 23,445	\$ 119,390	\$ 161,544
 Total	 <u><u>\$ 18,709</u></u>	 <u><u>\$ 23,445</u></u>	 <u><u>\$ 119,390</u></u>	 <u><u>\$ 161,544</u></u>

These interfund balances resulted from the lag time 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. All interfund balances are expected to be repaid within the next fiscal year.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 12. Interfund Balances and Transfers, Continued

The Town made the following interfund transfers during the fiscal year:

<u>Transfers in</u>	<u>Transfers out</u>			<u>Total</u>
	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Contract Service Fund</u>	
General Fund	\$ -	\$ -	\$ 34,391	\$ 34,391
Highway User Revenue Fund	30,892	-	-	30,892
Misc. Grants Fund	9,588	-	-	9,588
Non-major governmental:				
Debt Service Fund	<u>46,286</u>	<u>57,965</u>	<u>-</u>	<u>104,251</u>
Total	<u>\$ 86,766</u>	<u>\$ 57,965</u>	<u>\$ 34,391</u>	<u>\$ 179,122</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in certain funds to finance various programs accounted for in other funds in accordance with budgetary authorizations. The \$34,391 transfer from the contract service fund to the general fund relates to excess revenues accumulated from prior years in the contract service fund due to related expenditures being recognized in the general fund over those years.

NOTE 13. Contingencies

The Town is involved with various matters of litigation. It is deemed possible but not necessarily probable that the Town may experience negative financial impacts as a result of the litigation; however, the effects of any pending or threatened litigation are not measurable and cannot be estimated as of the date of the financial statements.

COLORADO CITY, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 14. Liquidation – Twin City Power

Twin City Power (TCP) has been working with the trustee of the defaulted revenue bonds to achieve the best outcome, given the circumstances, for those who have been obtaining electrical power from TCP. Effective June 30, 2009, a number of agreements relating to the liquidation of TCP were reached and significant extraordinary items were included in the financial statements for the year then ended, including the recognition of the release of the bonds, the transfer of the generating assets and the related debt relief. TCP ceased regular operations on July 1, 2009. Some of the June 30, 2009 agreements also related to extraordinary items for the year ended June 30, 2010. For the year ended June 30, 2011, there were no further extraordinary items relating to the liquidation.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Budgetary Comparison Schedules

For the Following Funds:

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted or committed to expenditures for a particular purpose.

- The **Highway User Revenue Fund** accounts for the Town's share of motor fuel tax revenues and lottery proceeds that are set aside for the maintaining, repairing and upgrading of streets.
- The **Miscellaneous Grants Fund** accounts for federal and state grants and other contributions that are restricted to expenditures for particular purposes. More specifically, this fund accounts for the following projects:
 - The CDBG Central St. fund accounts for revenue from CDBG grants for the Central St. project and expenses related to those revenues.
 - The CDBG Arizona Ave. fund accounts for revenue from CDBG grants for the Arizona Ave. project and expenses related to those revenues.
 - The County Flood Control fund accounts for federal and state grants and other contributions that are restricted for use toward flood control.
 - The ADOT Aeronautics fund accounts for federal and state grants and other contributions that are restricted for a specific purpose.
 - The FAA Airport Grant fund accounts for revenue from FAA grants and expenses related to those revenues.
 - The Economic Development fund accounts for federal and state grants and other contributions that are to be used for economic development.

COLORADO CITY, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Highway User Revenue Special Revenue Fund
Budget-and-Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 342,000	\$ 342,000	\$ 342,473	\$ 473
Total revenues	<u>342,000</u>	<u>342,000</u>	<u>342,473</u>	<u>473</u>
Expenditures				
Salaries and employee benefits	161,500	161,500	143,016	18,484
Service, supplies and other	197,000	197,000	154,977	42,023
Capital outlay	<u>60,000</u>	<u>60,000</u>	<u>17,407</u>	<u>42,593</u>
Total expenditures	<u>418,500</u>	<u>418,500</u>	<u>315,400</u>	<u>103,100</u>
Excess of revenues over (under) expenditures	<u>(76,500)</u>	<u>(76,500)</u>	<u>27,073</u>	<u>103,573</u>
Other financing sources (uses):				
Transfers in	139,500	139,500	30,892	(108,608)
Transfers out	<u>(63,000)</u>	<u>(63,000)</u>	<u>(57,965)</u>	<u>5,035</u>
Total other financing sources (uses)	<u>76,500</u>	<u>76,500</u>	<u>(27,073)</u>	<u>(103,573)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

COLORADO CITY, ARIZONA
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Miscellaneous Grants Special Revenue Fund
Budget-and-Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	\$ 3,298,850	\$ 3,298,850	\$ 502,888	\$ (2,795,962)
Interest income	-	-	101	101
Miscellaneous	-	-	2,867	2,867
Total revenues	<u>3,298,850</u>	<u>3,298,850</u>	<u>505,856</u>	<u>(2,792,994)</u>
Expenditures				
Capital outlay	<u>3,313,850</u>	<u>3,313,850</u>	<u>533,874</u>	<u>2,779,976</u>
Total expenditures	<u>3,313,850</u>	<u>3,313,850</u>	<u>533,874</u>	<u>2,779,976</u>
Excess of revenues over (under) expenditures	(15,000)	(15,000)	(28,018)	(13,018)
Other financing sources (uses):				
Transfers in	-	-	9,588	9,588
Net change in fund balance	(15,000)	(15,000)	(18,430)	(3,430)
Fund balance, beginning of year	<u>30,033</u>	<u>30,033</u>	<u>30,033</u>	<u>-</u>
Fund balance, end of year	<u>\$ 15,033</u>	<u>\$ 15,033</u>	<u>\$ 11,603</u>	<u>\$ (3,430)</u>

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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

The Honorable Mayor and
Town Council
Colorado City, Arizona

We have audited the financial statements of Colorado City, Arizona as of and for the year ended June 30, 2011, and have issued our report thereon dated February 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Colorado City'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 Colorado City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Colorado City'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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in a separate findings and recommendations letter dated February 8, 2012, that we consider to be significant deficiencies in internal control over financial reporting.

- 11-01 Contract Service Fund Misstatements and Reconciliation
- 10-01 Misstatements
- 08-02 Budget Issues
- 07-02 Segregation of Duties

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

Compliance and Other Matters

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

We noted certain other items that we reported to management of Colorado City in a separate letter dated February 8, 2012.

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



HintonBurdick, PLLC
February 8, 2012



MEMBERS:

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

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

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

The Honorable Mayor and
Town Council
Town of Colorado City, Arizona

We have audited the basic financial statements of the Town of Colorado City, Arizona for the year ended June 30, 2011, and have issued our report thereon dated February 8, 2012. Our audit also included test work on the Town of Colorado City'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 Colorado City 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 Colorado City has established separate funds to account for Highway User Revenue funds. Highway user revenue fund monies received by Colorado City 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 Colorado City complied, in all material respects, with the requirements identified above for the year ended June 30, 2011.

HintonBurdick, PLLC

HintonBurdick, PLLC
February 8, 2012