

**COLORADO CITY, ARIZONA**



**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2013**

**WITH REPORT OF**

**CERTIFIED PUBLIC ACCOUNTANTS**

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colorado City, Arizona (the Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 51 through 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2014, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and 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* in considering the Town's internal control over financial reporting and compliance.



HintonBurdick, PLLC  
St. George, Utah  
May 2, 2014

**COLORADO CITY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2013**

As management of the Town of Colorado City (the 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, 2013. Please read it in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- Total net position increased by \$578,862, which resulted in total assets in excess of total liabilities (net position) of \$9,487,521 at the close of the fiscal year.
- Total governmental revenues exceeded total governmental expenses by \$512,904.
- Total business-type revenues exceeded total business-type expenses by \$65,958, which includes affiliate net income of \$65,958.
- The Town's equity in affiliates increased from \$2,522,244 at June 30, 2012 to \$2,588,202 at June 30, 2013.
- Total revenues from all sources were approximately \$6.0 million, including revenue from affiliates of approximately \$1.9 million.
- The total cost of all Town programs was approximately \$5.5 million, including expenses from affiliates of approximately \$1.9 million.
- The General Fund reported excess revenues over (under) expenditures of \$427,163 before inter-fund transfers and \$242,017 after inter-fund transfers.
- Actual revenues in the General Fund were more than the final budget by \$63,532, while actual expenditures were \$306,131 less than the final budget. Transfers in were \$327 more than the final budget and transfers out were less than the final budget by \$62,027.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$781,636 or 52% of total General Fund expenditures, excluding transfers (46% 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 Position 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 Position 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 Position 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 position and its change. Net position, essentially the difference between assets and liabilities, is one way to measure the Town's financial health, or financial position. Over time, increases or decreases in net position 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 Position 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 of 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 Position 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 Position 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 Position. 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 position may serve over time as a useful indicator of the Town's financial position. The Town's combined assets exceed liabilities by \$9,487,521 as of June 30, 2013 as shown in the following condensed statement of net position. 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 Position

	Governmental activities		Business-type activities		Total	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Current and other assets	\$ 1,010,420	\$ 1,518,691	\$ 297	\$ 40,982	\$ 1,010,717	\$ 1,559,673
Capital assets	6,238,237	5,992,561	-	-	6,238,237	5,992,561
Investment in affiliates	-	-	2,588,202	2,522,244	2,588,202	2,522,244
Total assets	<u>7,248,657</u>	<u>7,511,252</u>	<u>2,588,499</u>	<u>2,563,226</u>	<u>9,837,156</u>	<u>10,074,478</u>
Long-term liabilities outstanding	265,469	258,249	-	-	265,469	258,249
Other liabilities	84,062	866,781	104	40,789	84,166	907,570
Total liabilities	<u>349,531</u>	<u>1,125,030</u>	<u>104</u>	<u>40,789</u>	<u>349,635</u>	<u>1,165,819</u>
Net position:						
Net investment in capital assets	6,040,701	5,773,080	2,588,202	2,522,244	8,628,903	8,295,324
Restricted	23,629	75	-	-	23,629	75
Unrestricted	834,796	613,067	193	193	834,989	613,260
Total net position	<u>\$ 6,899,126</u>	<u>\$ 6,386,222</u>	<u>\$ 2,588,395</u>	<u>\$ 2,522,437</u>	<u>\$ 9,487,521</u>	<u>\$ 8,908,659</u>

### Governmental Activities

The cost of all governmental activities this year was \$2,626,837 as shown on the statement of changes in net position on the following page—\$254,862 of this cost was paid for by those who directly benefited from the programs, \$1,511,545 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 \$1,766,407. General revenues totaled \$1,375,950.

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.



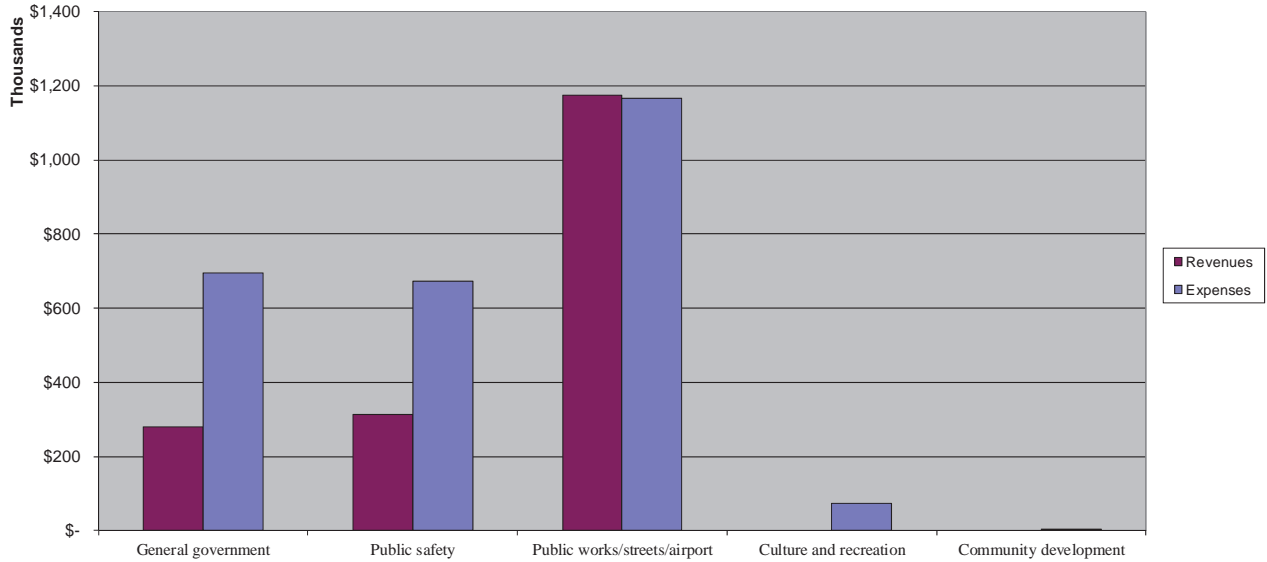
**Colorado City  
Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Revenues:						
Program revenues:						
Charges for services	\$ 254,862	\$ 193,895	\$ 961,436	\$ 875,789	\$ 1,216,298	\$ 1,069,684
Operating grants and contributions	672,344	633,195	-	-	672,344	633,195
Capital grants and contributions	839,201	2,145,493	-	-	839,201	2,145,493
General revenues:						
Taxes	876,909	857,694	-	-	876,909	857,694
State revenue sharing	492,455	406,896	-	-	492,455	406,896
Other revenue (expense)	6,586	10,648	-	-	6,586	10,648
Affiliate revenue	-	-	1,929,993	2,095,759	1,929,993	2,095,759
Total revenues	<u>3,142,357</u>	<u>4,247,821</u>	<u>2,891,429</u>	<u>2,971,548</u>	<u>6,033,786</u>	<u>7,219,369</u>
Expenses:						
General government	696,545	679,211	-	-	696,545	679,211
Public safety	672,622	643,645	-	-	672,622	643,645
Public works/streets/airport	1,166,936	771,453	-	-	1,166,936	771,453
Culture and recreation	72,788	54,534	-	-	72,788	54,534
Community development	615	1,995	-	-	615	1,995
Interest on long-term debt	17,331	6,170	-	-	17,331	6,170
Contract service	-	-	964,052	875,596	964,052	875,596
Affiliate expenses	-	-	1,864,035	2,032,637	1,864,035	2,032,637
Total expenses	<u>2,626,837</u>	<u>2,157,008</u>	<u>2,828,087</u>	<u>2,908,233</u>	<u>5,454,924</u>	<u>5,065,241</u>
Increase (decrease) in net position before transfers	515,520	2,090,813	63,342	63,315	578,862	2,154,128
Transfers	(2,616)	-	2,616	-	-	-
Increase (decrease) in net position	512,904	2,090,813	65,958	63,315	578,862	2,154,128
Net position, beginning	6,386,222	4,295,409	2,522,437	2,459,122	8,908,659	6,754,531
Net position, ending	<u>\$ 6,899,126</u>	<u>\$ 6,386,222</u>	<u>\$ 2,588,395</u>	<u>\$ 2,522,437</u>	<u>\$ 9,487,521</u>	<u>\$ 8,908,659</u>

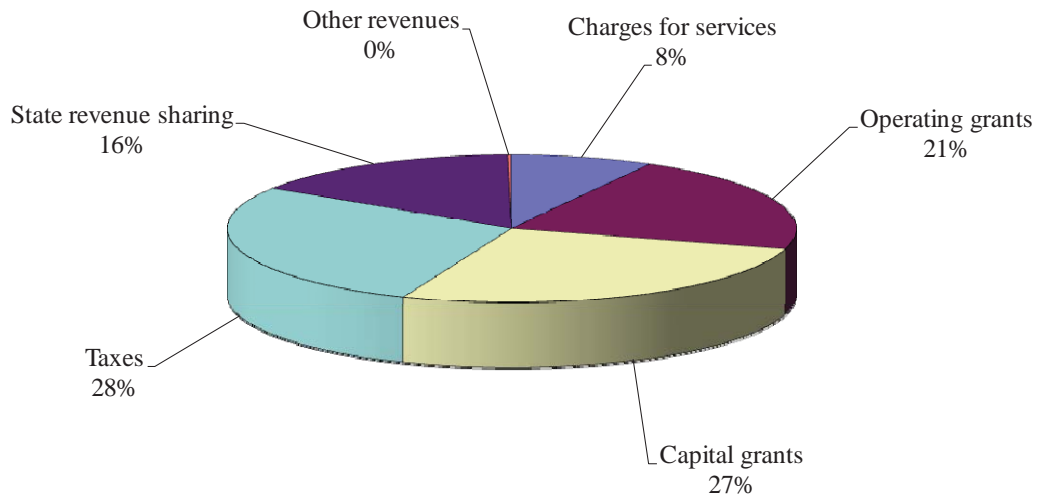
Total resources available during the year to finance governmental operations were \$9,528,579 consisting of net position at July 1, 2012 of \$6,386,222, program revenues of \$1,766,407 and general revenues of \$1,375,950. Total expenses of governmental activities during the year were \$2,629,453 including transfers of \$2,616; thus governmental net position increased by \$512,904 to \$6,899,126.

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)**

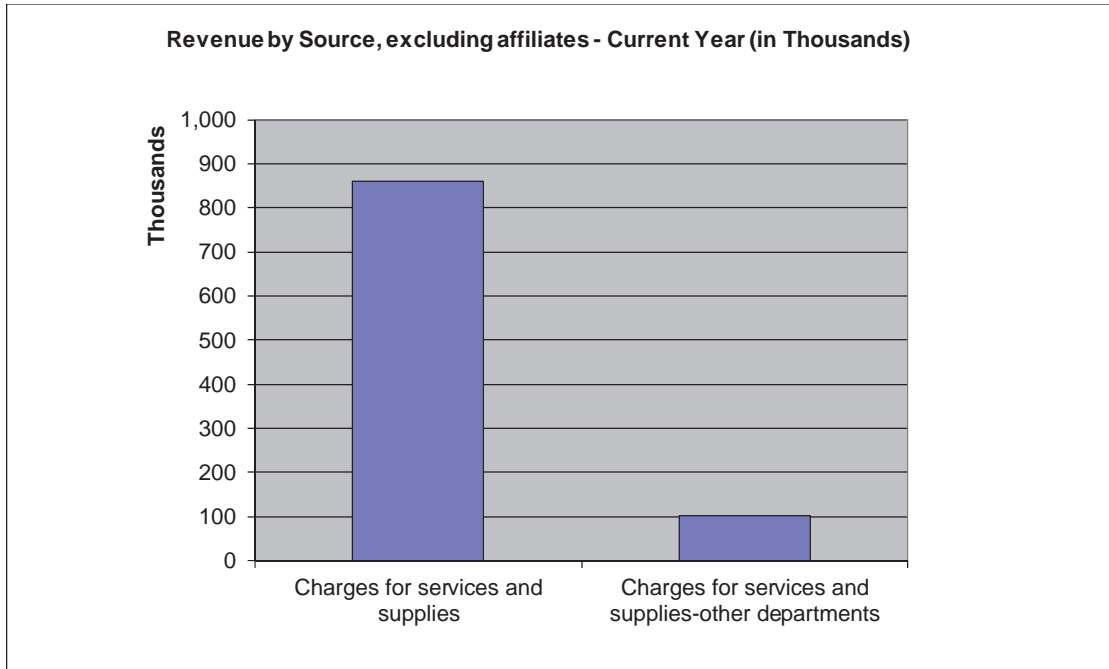


**Revenue By Source - Governmental Activities**

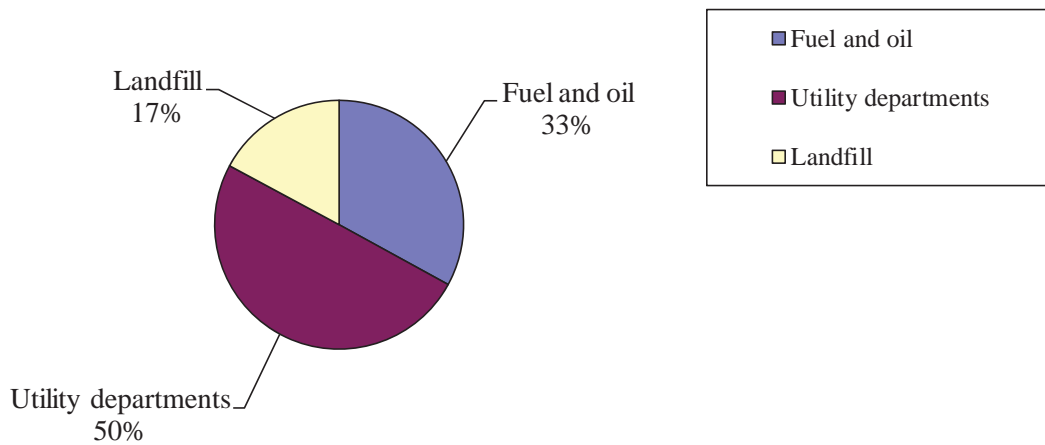


## Business-type Activities

Net position of the business-type activities at June 30, 2013, as reflected in the statement of net position was \$2,588,395. The cost of providing all proprietary (business-type) activities this year was approximately \$2.8 million, which includes approximately \$1.9 million of affiliate expenses. As shown in the statement of changes in net position, the amounts paid by users of the system were approximately \$1 million, and revenues from affiliates were approximately \$1.9 million. Net position increased by \$65,958.



## 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 \$899,207, an increase of \$265,571 from the prior year. Approximately 87% of this total amount, or \$781,636, 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), committed 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 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 \$781,636 and total fund balance is \$875,578. 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 58% and 52%, respectively, of total general fund expenditures before inter-fund transfers. During the fiscal year, the Town's general fund balance increased by \$242,017. Key factors in this increase are as follows:

- The Town budgeted for a \$190,000 decrease.
- Actual revenues were over budget by \$63,532 and expenditures were under budget by \$306,131.
- Transfers out were under budget by \$62,027.
- 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 (\$65,765) and (\$46,890) 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 \$23,629, all of which is restricted for capital outlay. 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 position of the Contract Service fund and Affiliates were \$2,588,395, consisting of \$2,588,202 in net investment in affiliates and \$193 in unrestricted net position.

## **General Fund Budgetary Highlights**

The actual expenditures for the General Fund at fiscal year-end were \$306,131 less than final appropriations. The budget to actual variance in expenditures was due in part to cost control. Actual transfers out were \$62,027 less than the final budget. This was primarily due to over budgeted transfers to the HURF fund to maintain a zero fund balance. Actual revenues were more than the final budget by \$63,532, which is primarily due to an increase in intergovernmental 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 2013, net capital assets of the governmental activities totaled \$6,238,237. 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 \$197,536 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 \$21,945, 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 2013/2014, 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 2012/2013. 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 and/or commit 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 Position**  
**June 30, 2013**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 626,154	\$ -	\$ 626,154
Receivables (net of allowance)	264,430	93,537	357,967
Prepays	11,247	-	11,247
Inventories	-	15,349	15,349
Internal balances	108,589	(108,589)	-
Investment in affiliates	-	2,588,202	2,588,202
Capital assets (net of accumulated depreciation):			
Land	284,981	-	284,981
Buildings	530,885	-	530,885
Improvements other than buildings	2,407,406	-	2,407,406
Automobiles and trucks	161,128	-	161,128
Machinery and equipment	279,150	-	279,150
Office furniture and equipment	10,658	-	10,658
Infrastructure	2,270,678	-	2,270,678
Construction in progress	293,351	-	293,351
Total assets	<u>7,248,657</u>	<u>2,588,499</u>	<u>9,837,156</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	72,636	104	72,740
Unearned revenue	11,426	-	11,426
Noncurrent liabilities:			
Due within one year	108,952	-	108,952
Due in more than one year	156,517	-	156,517
Total liabilities	<u>349,531</u>	<u>104</u>	<u>349,635</u>
<b>Net Position</b>			
Net investment in capital assets	6,040,701	-	6,040,701
Net investment in affiliates	-	2,588,202	2,588,202
Restricted for:			
Capital projects	23,629	-	23,629
Unrestricted	834,796	193	834,989
Total net position	<u>\$ 6,899,126</u>	<u>\$ 2,588,395</u>	<u>\$ 9,487,521</u>

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

**COLORADO CITY, ARIZONA**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 696,545	\$ 251,210	\$ 28,060	\$ -	\$ (417,275)	\$ -	\$ (417,275)
Public safety	672,622	3,652	272,545	37,038	(359,387)	-	(359,387)
Public works/streets/airport	1,166,936	-	371,739	802,163	6,966	-	6,966
Culture and recreation	72,788	-	-	-	(72,788)	-	(72,788)
Community development	615	-	-	-	(615)	-	(615)
Interest on long-term debt	17,331	-	-	-	(17,331)	-	(17,331)
Total governmental activities	2,626,837	254,862	672,344	839,201	(860,430)	-	(860,430)
Business-type activities:							
Contract service fund	964,052	961,436	-	-	-	(2,616)	(2,616)
Investment in affiliate	1,864,035	1,929,993	-	-	-	65,958	65,958
Total business-type activities	2,828,087	2,891,429	-	-	-	63,342	63,342
Total primary government	\$ 5,454,924	\$ 3,146,291	\$ 672,344	\$ 839,201	(860,430)	63,342	(797,088)
General Revenues:							
Taxes:							
State sales taxes					394,608	-	394,608
City sales taxes					259,806	-	259,806
Fee-in-Lieu					222,495	-	222,495
State revenue sharing					492,455	-	492,455
Unrestricted investment earnings					586	-	586
Gain on sale of capital assets					6,000	-	6,000
Transfers					(2,616)	2,616	-
Total general revenues and transfers					1,373,334	2,616	1,375,950
Change in net position					512,904	65,958	578,862
Net position - beginning					6,386,222	2,522,437	8,908,659
Net position - ending					6,899,126	2,588,395	9,487,521

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



**COLORADO CITY, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	General Fund	Highway User Revenue Fund	Miscellaneous Grants Fund	Debt Service Fund	Total Governmental Funds
<b>Assets</b>					
Cash	\$ 593,032	\$ -	\$ 28,759	\$ 4,363	\$ 626,154
Receivables (net of allowance)	450	-	-	-	450
Due from other governments	81,976	36,311	118,542	-	236,829
Due from other funds	230,882	-	-	-	230,882
Prepays	11,247	-	-	-	11,247
Total assets	<u>\$ 917,587</u>	<u>\$ 36,311</u>	<u>\$ 147,301</u>	<u>\$ 4,363</u>	<u>\$ 1,105,562</u>
<b>Liabilities and fund balances</b>					
Liabilities:					
Accounts payable	\$ 17,504	\$ 7,371	\$ 30,319	\$ 4,363	\$ 59,557
Accrued liabilities	13,079	-	-	-	13,079
Due to other funds	-	28,940	93,353	-	122,293
Unearned revenue	11,426	-	-	-	11,426
Total liabilities	<u>42,009</u>	<u>36,311</u>	<u>123,672</u>	<u>4,363</u>	<u>206,355</u>
Fund balances:					
Nonspendable	11,247	-	-	-	11,247
Restricted for:					
Capital outlay	-	-	23,629	-	23,629
Committed for:					
Risk management	82,695	-	-	-	82,695
Unassigned	781,636	-	-	-	781,636
Total fund balances	<u>875,578</u>	<u>-</u>	<u>23,629</u>	<u>-</u>	<u>899,207</u>
<b>Total liabilities and fund balance</b>	<u>\$ 917,587</u>	<u>\$ 36,311</u>	<u>\$ 147,301</u>	<u>\$ 4,363</u>	<u>\$ 1,105,562</u>

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

**COLORADO CITY, ARIZONA**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**To the Statement of Net Position**  
**June 30, 2013**

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

Total fund balances - total governmental funds	\$	899,207
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost of capital assets	\$	9,024,621
Accumulated depreciation	<u>(2,786,384)</u>	6,238,237
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	(265,469)	
Reimbursement receivable relating to comp. absences	<u>27,151</u>	<u>(238,318)</u>
Net position of governmental activities	<u>\$</u>	<u>6,899,126</u>

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, 2013**

<b>Revenues</b>	General Fund	Highway User Revenue Fund	Miscellaneous Grants Fund	Debt Service Fund	Total Governmental Funds
Taxes	\$ 876,909	\$ -	\$ -	\$ -	\$ 876,909
Licenses and permits	5,010	-	-	-	5,010
Intergovernmental revenue	793,060	371,739	839,201	-	2,004,000
Charges for services	94,578	-	-	-	94,578
Interest income	580	-	5	-	585
Fines and forfeitures	24,607	-	-	-	24,607
Miscellaneous	136,668	-	-	-	136,668
Total revenues	<u>1,931,412</u>	<u>371,739</u>	<u>839,206</u>	<u>-</u>	<u>3,142,357</u>
<b>Expenditures</b>					
Current:					
General government	681,420	-	-	-	681,420
Public safety	634,015	-	-	-	634,015
Public works/streets/airport	123,642	367,651	4,810	-	496,103
Culture and recreation	64,557	-	-	-	64,557
Community development	615	-	-	-	615
Debt service:					
Principal	-	-	-	93,755	93,755
Interest	-	-	-	17,331	17,331
Capital outlay	-	69,853	816,521	71,810	958,184
Total expenditures	<u>1,504,249</u>	<u>437,504</u>	<u>821,331</u>	<u>182,896</u>	<u>2,945,980</u>
Excess (deficiency) of revenues over (under) expenditures	<u>427,163</u>	<u>(65,765)</u>	<u>17,875</u>	<u>(182,896)</u>	<u>196,377</u>
<b>Other financing sources (uses):</b>					
Capital leases	-	-	-	71,810	71,810
Transfers in	327	100,163	22,214	111,086	233,790
Transfers out	(185,473)	(34,398)	(16,535)	-	(236,406)
Total other financing sources (uses)	<u>(185,146)</u>	<u>65,765</u>	<u>5,679</u>	<u>182,896</u>	<u>69,194</u>
Net change in fund balances	242,017	-	23,554	-	265,571
Fund balances - beginning of year	<u>633,561</u>	<u>-</u>	<u>75</u>	<u>-</u>	<u>633,636</u>
<b>Fund balances - end of year</b>	<u>\$ 875,578</u>	<u>\$ -</u>	<u>\$ 23,629</u>	<u>\$ -</u>	<u>\$ 899,207</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, 2013**

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

Net change in fund balances - total governmental funds	\$	265,571
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$	709,667
Depreciation expense	<u>(463,991)</u>	245,676
<p>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.</p>		
		(20,288)
<p>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 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.</p>		
Debt issued, including capital lease financing	(71,810)	
Principal paid on debt	<u>93,755</u>	<u>21,945</u>
Change in net position of governmental activities	<u>\$</u>	<u>512,904</u>

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, 2013**

Revenues	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Taxes	\$ 901,800	\$ 901,800	\$ 876,909	\$ (24,891)
Licenses and permits	12,320	12,320	5,010	(7,310)
Intergovernmental revenue	708,410	708,410	793,060	84,650
Charges for services	95,500	95,500	94,578	(922)
Interest income	2,000	2,000	580	(1,420)
Fines and forfeitures	22,850	22,850	24,607	1,757
Miscellaneous	125,000	125,000	136,668	11,668
Total revenues	<u>1,867,880</u>	<u>1,867,880</u>	<u>1,931,412</u>	<u>63,532</u>
<b>Expenditures</b>				
Current:				
Administration and contingencies	752,250	742,250	579,560	162,690
Airport	153,500	153,500	123,642	29,858
Building department	40,115	40,115	37,529	2,586
Community development	16,000	16,000	615	15,385
Law enforcement	394,700	394,700	337,661	57,039
Parks and recreation	69,715	69,715	64,557	5,158
Dispatch	249,600	259,600	258,825	775
Magistrate court	134,500	134,500	101,860	32,640
Total expenditures	<u>1,810,380</u>	<u>1,810,380</u>	<u>1,504,249</u>	<u>306,131</u>
Excess of revenues over (under) expenditures	<u>57,500</u>	<u>57,500</u>	<u>427,163</u>	<u>369,663</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	327	327
Transfers out	<u>(247,500)</u>	<u>(247,500)</u>	<u>(185,473)</u>	<u>62,027</u>
Total other financing sources and uses	<u>(247,500)</u>	<u>(247,500)</u>	<u>(185,146)</u>	<u>62,354</u>
Net change in fund balance	<u>(190,000)</u>	<u>(190,000)</u>	<u>242,017</u>	<u>432,017</u>
Fund balance - beginning of year	<u>633,561</u>	<u>633,561</u>	<u>633,561</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 443,561</u>	<u>\$ 443,561</u>	<u>\$ 875,578</u>	<u>\$ 432,017</u>

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

**COLORADO CITY, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	Contract Service Fund	Affiliates	Total
<b>Assets</b>			
Current assets:			
Due from other governments	\$ 93,537	\$ -	\$ 93,537
Fuel inventory	15,349	-	15,349
Total current assets	<u>108,886</u>	<u>-</u>	<u>108,886</u>
Noncurrent assets:			
Investment in joint venture	-	2,588,202	2,588,202
Total assets	<u>108,886</u>	<u>2,588,202</u>	<u>2,697,088</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	104	-	104
Due to other funds	108,589	-	108,589
Total current liabilities	<u>108,693</u>	<u>-</u>	<u>108,693</u>
<b>Net position</b>			
Net investment in affiliates	-	2,588,202	2,588,202
Unrestricted	<u>193</u>	<u>-</u>	<u>193</u>
Total net position	<u>\$ 193</u>	<u>\$ 2,588,202</u>	<u>\$ 2,588,395</u>

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

**COLORADO CITY, ARIZONA**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

<b>Operating revenues</b>	Contract Service Fund	Affiliates	Total
Charges for services and supplies	\$ 859,331	\$ -	\$ 859,331
Charges for services and supplies-other departments	102,105	-	102,105
Total operating revenues	961,436	-	961,436
<b>Operating expenses</b>			
Costs of sales and services:			
Fuel and oil	318,069	-	318,069
Utility departments	480,677	-	480,677
Landfill	165,306	-	165,306
Total operating expenses	964,052	-	964,052
Operating income (loss)	(2,616)	-	(2,616)
<b>Nonoperating revenues (expenses)</b>			
Net income from affiliates	-	65,958	65,958
Total nonoperating revenue (expenses)	-	65,958	65,958
Income before transfers	(2,616)	65,958	63,342
Transfers in	2,616	-	2,616
<b>Change in net position</b>	-	65,958	65,958
Total net position, beginning of year	193	2,522,244	2,522,437
<b>Total net position, end of year</b>	<b>\$ 193</b>	<b>\$ 2,588,202</b>	<b>\$ 2,588,395</b>

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, 2013**

	<u>Contract Service Fund</u>
<b>Cash flows from operating activities</b>	
Cash received from customers, service fees	\$ 901,889
Cash received from quasi-external transfers	102,105
Cash paid to suppliers	(415,726)
Cash paid to employees	<u>(590,884)</u>
Net cash flows from operating activities	<u>(2,616)</u>
<b>Cash flows from noncapital financing activities</b>	
Transfers in	<u>2,616</u>
Net cash flows from noncapital financing activities	<u>2,616</u>
<b>Cash flows from capital and related financing activities</b>	
Acquisition of capital assets	<u>-</u>
Net cash flows from capital and related financing activities	<u>-</u>
<b>Cash flows from investing activities</b>	
Interest on investments	<u>-</u>
Net cash flows from investing activities	<u>-</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	-
Cash and cash equivalents, beginning of year	<u>-</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities:	
Net operating income (loss)	(2,616)
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	28,162
(Increase)/decrease in fuel inventory	14,396
Increase/(decrease) in due to other funds	(1,873)
Increase/(decrease) in accounts payable	<u>(40,685)</u>
Net cash flows from operating activities	<u><u>\$ (2,616)</u></u>

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



**COLORADO CITY, ARIZONA**  
**Statement of Fiduciary Net Position**  
**Agency Fund**  
**June 30, 2013**

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	<u>Fiduciary Fund Types Trust/Agency</u>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	<u>\$ 48,292</u>
<b>Total assets</b>	<u><u>\$ 48,292</u></u>
<b>Liabilities</b>	
Current liabilities:	
Trust/agency liabilities	<u>\$ 48,292</u>
<b>Total liabilities</b>	<u><u>48,292</u></u>
<b>Net position</b>	
Total net position	<u><u>\$ -</u></u>

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

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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**Description of Government-Wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting Entity**

The Town of Colorado City, Arizona (the Town) is a municipal entity governed by an elected mayor and governing council. The accompanying financial statements present the Town and its component units, entities for which the Town is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Town. 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.

**Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the Town's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the Town's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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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.

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 Town, or to other governments, on a cost-reimbursement basis.

During the course of operations the Town has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***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***

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.

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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***Inventories and Prepaid Items***

Inventories are valued at cost using the first-in/first-out (FIFO) method. However, the costs of any governmental fund-type inventories are deemed immaterial and are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***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.

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

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town does not have any such items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town does not have any such items that qualify for reporting in this category.

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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*Net Position Flow Assumption*

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*Fund Balance Flow Assumption*

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund Balance Policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town’s highest level of decision-making authority. The town council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The town manager is authorized to assign amounts to a specific purpose in accordance with the Town’s budget policy. The town council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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**Revenues and Expenditures/Expenses**

*Program Revenues*

Amounts reported as 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

*Property Taxes*

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

*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 position 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.

*Proprietary Funds Operating and Nonoperating Revenues and Expenses*

Proprietary funds distinguish operating revenues and expenses from nonoperating 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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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**Risk Management**

The Town maintains insurance for general liability, auto liability, employee dishonesty, airport liability and workers compensation.

**New Pronouncement**

In April 2012 the GASB issued statement No. 65, *Items Previously Reported as Assets and Liabilities*. Beginning with fiscal year 2013, the Town implemented the provisions of this statement, which establishes accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

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

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 15.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 17.

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

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



**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

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**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.

**Expenditures over Appropriations**

Expenditures may not legally exceed budgeted appropriations at the department level. The individual statements and schedules of revenues, expenditures and changes in fund balances – budget to actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2013, if any.

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 4. Deposits and Investments**

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

Cash on hand	\$ 350
Cash in bank	139,566
Cash in State Treasurer's Investment Pool	<u>534,530</u>
Total deposits and investments	<u><u>\$ 674,446</u></u>

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

Cash and cash equivalents	\$ 626,154
Fiduciary fund cash and cash equivalents	<u>48,292</u>
Total	<u><u>\$ 674,446</u></u>

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the Town's deposit may not be returned to it. Colorado City does not have a formal policy for custodial credit risk. As of June 30, 2013, none of the Town's bank balance of \$171,209 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**

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

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

The provisions of State law (A.R.S. 35-323) govern the investment of 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.

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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

As of June 30, 2013 the Town had the following deposits, investments, ratings and maturities:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Cash on deposit	\$ 139,566	N/A	N/A
Cash on hand	350	N/A	N/A
Local Governments Investment Pool 5*	534,530	AAAF/S1+	25 days
	\$ 674,446		

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

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

(2) Interest rate risk is estimated using the weighted average days to maturity.

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The 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.

**NOTE 5. 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, 2013**

**NOTE 6. Capital Assets**

The following summarizes the changes in capital assets for governmental activities for the year ended June 30, 2013:

<b>Governmental Activities:</b>	<b>Balance 6/30/2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2013</b>
Capital assets, not being depreciated:				
Land	\$ 284,981	\$ -	\$ -	\$ 284,981
Construction in progress	2,117,881	550,034	(2,374,564)	293,351
Total capital assets, not being depreciated	<u>2,402,862</u>	<u>550,034</u>	<u>(2,374,564)</u>	<u>578,332</u>
Capital assets, being depreciated:				
Buildings	810,959	-	-	810,959
Improvements other than buildings	745,784	2,083,231	-	2,829,015
Machinery and equipment	912,568	76,340	(10,682)	978,226
Office furniture and equipment	87,982	6,469	(17,736)	76,715
Automobiles and trucks	782,413	41,534	(210,604)	613,343
Infrastructure	2,811,408	326,623	-	3,138,031
Total capital assets, being depreciated	<u>6,151,114</u>	<u>2,534,197</u>	<u>(239,022)</u>	<u>8,446,289</u>
Less accumulated depreciation for:				
Buildings	(257,791)	(22,283)	-	(280,074)
Improvements other than buildings	(276,577)	(145,032)	-	(421,609)
Machinery and equipment	(630,740)	(79,018)	10,682	(699,076)
Office furniture and equipment	(78,837)	(4,956)	17,736	(66,057)
Automobiles and trucks	(601,106)	(61,713)	210,604	(452,215)
Infrastructure	(716,364)	(150,989)	-	(867,353)
Total accumulated depreciation	<u>(2,561,415)</u>	<u>(463,991)</u>	<u>239,022</u>	<u>(2,786,384)</u>
Total capital assets, being depreciated, net	<u>3,589,699</u>	<u>2,070,206</u>	<u>-</u>	<u>5,659,905</u>
Governmental activities capital assets, net	<u>\$ 5,992,561</u>	<u>\$ 2,620,240</u>	<u>\$ (2,374,564)</u>	<u>\$ 6,238,237</u>

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

<b>Governmental Activities:</b>	
General government	\$ 20,124
Public safety	33,710
Public works/streets/airport	401,926
Parks and recreation	8,231
Total depreciation expense - governmental activities	<u>\$ 463,991</u>

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 7. Long-term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2013:

	<u>Balance 6/30/2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2013</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
General obligation debt:					
Notes payable	\$ 45,625	\$ -	\$ 15,347	\$ 30,278	\$ 16,171
Capital leases	173,856	71,810	78,408	167,258	67,198
Compensated absences	38,768	57,729	28,564	67,933	25,583
Total governmental activities	<u>258,249</u>	<u>129,539</u>	<u>122,319</u>	<u>265,469</u>	<u>108,952</u>
Total long-term liabilities	<u>\$ 258,249</u>	<u>\$ 129,539</u>	<u>\$ 122,319</u>	<u>\$ 265,469</u>	<u>\$ 108,952</u>

Debt service requirements on notes payable at June 30, 2013 are as follows:

Year Ended June 30,	<u>Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 16,171	\$ 1,431
2015	14,107	563
Total	<u>\$ 30,278</u>	<u>\$ 1,994</u>

The following is a listing of long-term obligations as of June 30, 2013:

**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. \$ 30,278

**Lease Obligations:**

Governmental activities:

Leases payable in various installment methods through fiscal year 2018, at interest ranging from 2.48% to 6.84%. 167,258

**Compensated Absences**

67,933

Total long-term liabilities

265,469

Less current portions:

Governmental activities

(108,952)

Net long-term liabilities

\$ 156,517

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 8. 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 2018. 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:

	Vibromax Compactor	2012 Chrysler 300	2012 Ford F-150s	2011 Ford Expedition	2013 Chevy Tahoe	John Deere Tractor	Total
2014	\$ 10,930	\$ 13,305	\$ 22,013	\$ 10,568	\$ 5,742	\$ 11,929	\$ 74,487
2015	10,931	13,305	20,177	-	5,742	11,929	62,084
2016	10,931	4,051	-	-	4,307	11,929	31,218
2017	-	-	-	-	-	11,929	11,929
2018	-	-	-	-	-	1,988	1,988
Total remaining lease payments:	32,792	30,661	42,190	10,568	15,791	49,704	181,706
Less: amount representing interest:	3,890	3,590	2,292	645	1,507	2,524	14,448
Present value of net remaining minimum lease payments:	<u>\$ 28,902</u>	<u>\$ 27,071</u>	<u>\$ 39,898</u>	<u>\$ 9,923</u>	<u>\$ 14,284</u>	<u>\$ 47,180</u>	<u>\$ 167,258</u>

A summary of assets acquired through capital leases as of June 30, 2013 is as follows:

	Cost	Depreciation Expense	Accumulated Depreciation
Machinery and equipment	\$ 104,390	\$ 13,577	\$ 15,302
Automobiles and trucks	166,797	27,669	35,747
Total	<u>\$ 271,187</u>	<u>\$ 41,246</u>	<u>\$ 51,049</u>

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 9. Investment in Affiliates**

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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 board of trustees 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. Budgeting and financing is done by the board and is ratified by each City's/Town's council.

Twin City Power's audited financial statements as of June 30, 2013 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, 2013**

**NOTE 9. Investment in Affiliates, Continued**

**Twin City Power, (Continued)**

The following is a summary of the total assets, liabilities, revenues, and expenses associated with Twin City Power and the allocation between the Cities for the year ended June 30, 2013:

	Distribution		Generation	Total
	Hildale City	Colorado City	Hildale City	
Total assets	\$ 1,869	\$ 2,069	\$ 1,089,876	\$ 1,093,814
Current liabilities	\$ 1,869	\$ 2,069	\$ 20,000	\$ 23,938
Long-term liabilities	-	-	-	-
Total liabilities	1,869	2,069	20,000	23,938
Net position	-	-	1,069,876	1,069,876
Total net position	-	-	1,069,876	1,069,876
Total liabilities and net position	\$ 1,869	\$ 2,069	\$ 1,089,876	\$ 1,093,814
Total operating revenues	\$ -	\$ -	\$ -	\$ -
Total operating expenses	-	-	-	-
Operating income (loss)	-	-	-	-
Nonoperating revenue (expense)	(53,889)	(56,331)	-	(110,220)
Income (loss) before transfers	(53,889)	(56,331)	-	(110,220)
Transfers in (out)	37,716	30,367	(68,083)	-
Change in net position	\$ (16,173)	\$ (25,964)	\$ (68,083)	\$ (110,220)

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



**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 9. 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 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. Budgeting and financing is done by the board and is ratified by each City's/Town's council.

The Water Departments' audited financial statements as of June 30, 2013, 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, 2013:

	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>\$ 25,623</u>	<u>\$ 47,586</u>	<u>\$ 73,209</u>

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 9. Investment in Affiliates, Continued**

**Water Departments, (Continued)**

Maturities of notes payable are as follows:

Year Ending June 30,	Hildale City		Colorado City	
	Principal	Interest	Principal	Interest
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	6,167	481	11,454	894
2018	2,697	166	5,009	308
	<u>\$ 25,623</u>	<u>\$ 3,834</u>	<u>\$ 47,586</u>	<u>\$ 7,121</u>

The following is a summary of the total assets, liabilities, revenues, and expenses associated with the Water Departments and the allocation between the Cities for the year ended June 30, 2013:

	Hildale City	Colorado City	Total
Total assets	<u>\$ 438,450</u>	<u>\$ 1,002,430</u>	<u>\$ 1,440,880</u>
Current liabilities	\$ 77,035	\$ 151,090	\$ 228,125
Long-term liabilities	21,832	40,530	62,362
Total liabilities	<u>98,867</u>	<u>191,620</u>	<u>290,487</u>
Net position	<u>339,583</u>	<u>810,810</u>	<u>1,150,393</u>
Total net position	<u>339,583</u>	<u>810,810</u>	<u>1,150,393</u>
Total liabilities and net assets	<u>\$ 438,450</u>	<u>\$ 1,002,430</u>	<u>\$ 1,440,880</u>
Total operating revenues	\$ 316,269	\$ 587,500	\$ 903,769
Total operating expenses	337,131	633,534	970,665
Operating income (loss)	(20,862)	(46,034)	(66,896)
Nonoperating revenue (expense)	(473)	(788)	(1,261)
Change in net position	<u>\$ (21,335)</u>	<u>\$ (46,822)</u>	<u>\$ (68,157)</u>

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 9. Investment in Affiliates, Continued**

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**Gas Departments of Hildale/Colorado City**

The Gas Distribution Systems Management, Operations and Maintenance Agreement (the Gas Departments) was formed on June 22, 2009 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 gas system which is independently owned and financed and reflected in the funds of the Gas Departments. Each City’s/Town’s ownership percentage in the Gas 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 expenses are also allocated based on said percentages.

The board of trustees 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. Budgeting and financing is done by the board and is ratified by each City's/Town’s council.

The Gas Departments' audited financial statements as of June 30, 2013, 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, 2013**

**NOTE 9. Investment in Affiliates, Continued**

**Gas Departments, (Continued)**

Notes payable for the Gas Departments consist of the following at June 30, 2013:

	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.	\$ -	\$ 40,410	\$ 40,410
Note payable to Scott Jessop, due in monthly principal installments of \$1,000, non-interest bearing, maturing in September 2014.	-	18,428	18,428
Total	\$ -	\$ 58,838	\$ 58,838

Maturities of notes payable are as follows:

Year Ending June 30,	Principal	Interest
2014	\$ 25,000	\$ -
2015	17,428	-
2016	12,000	-
2017	4,410	-
	\$ 58,838	\$ -

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 9. Investment in Affiliates, Continued**

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**Gas Departments, (Continued)**

The following is a summary of the total assets, liabilities, revenues, and expenses associated with the Gas Departments and the allocation between the Cities for the year ended June 30, 2013:

	Hildale City	Colorado City	Total
Total assets	\$ 1,262,723	\$ 1,497,320	\$ 2,760,043
Current liabilities	\$ 18,183	\$ 67,452	\$ 85,635
Long-term liabilities	1,283	35,822	37,105
Total liabilities	19,466	103,274	122,740
Net position	1,243,257	1,394,046	2,637,303
Total net position	1,243,257	1,394,046	2,637,303
Total liabilities and net position	\$ 1,262,723	\$ 1,497,320	\$ 2,760,043
Total operating revenues	\$ 368,465	\$ 930,903	\$ 1,299,368
Total operating expenses	362,097	840,176	1,202,273
Operating income (loss)	6,368	90,727	97,095
Nonoperating revenue (expense)	1,421	490	1,911
Change in net position	\$ 7,789	\$ 91,217	\$ 99,006

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 9. Investment in Affiliates, Continued**

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**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, 2013 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:

	<u>Year Ending June 30,</u>	<u>Total</u>
	2014	\$ 94,413
	2015	94,413
	2016	<u>50,394</u>
Total remaining lease payments		239,220
Less: amount representing interest		<u>14,840</u>
Present value of net remaining minimum lease payments		<u>\$ 224,380</u>

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 9. Investment in Affiliates, Continued**

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**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, 2013 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 expenses associated with the Corporation and the allocation between the Towns for the year ended June 30, 2013.

	<u>Fredonia Town</u>	<u>Colorado City</u>	<u>Total</u>
Total assets	<u>\$ 220,104</u>	<u>\$ 696,999</u>	<u>\$ 917,103</u>
Current liabilities	\$ 39,218	\$ 124,187	\$ 163,405
Long-term liabilities	<u>59,832</u>	<u>189,466</u>	<u>249,298</u>
Total liabilities	<u>99,050</u>	<u>313,653</u>	<u>412,703</u>
Net position	<u>121,054</u>	<u>383,346</u>	<u>504,400</u>
Total net position	<u>121,054</u>	<u>383,346</u>	<u>504,400</u>
Total liabilities and net position	<u>\$ 220,104</u>	<u>\$ 696,999</u>	<u>\$ 917,103</u>
Total operating revenues	\$ 140,692	\$ 445,523	\$ 586,215
Total operating expenses	<u>123,263</u>	<u>390,325</u>	<u>513,588</u>
Operating income (loss)	<u>17,429</u>	<u>55,198</u>	<u>72,627</u>
Nonoperating revenue (expense)	<u>(2,423)</u>	<u>(7,671)</u>	<u>(10,094)</u>
Change in net position	<u>\$ 15,006</u>	<u>\$ 47,527</u>	<u>\$ 62,533</u>

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 10. Landfill Closure and Postclosure Care Costs**

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State and federal laws and regulations require the Arizona Strip Landfill Corporation (see Note 9) 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 \$66,679 reported as landfill closure and postclosure care liability at June 30, 2013 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 43.06% of the landfill capacity had been used by June 30, 2013. The Company will recognize the remaining estimated cost of closure and postclosure care of \$88,156 as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in 2013. 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.

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**NOTE 11. Restricted Fund Balance**

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At June 30, 2013 the Town's restricted fund balance consists of the following:

Miscellaneous Grant	Balance at
<u>Special Revenue Fund</u>	<u>6/30/2013</u>
County Flood Control	\$ 23,554
Economic development	<u>75</u>
Total	<u>\$ 23,629</u>



**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 12. Interfund Balances and Transfers**

As of June 30, 2013 the Town's interfund balances consist of the following:

<u>Due To</u>	<u>Due From</u>			<u>Total</u>
	<u>Highway User Revenue Fund</u>	<u>Miscellaneous Grants Fund</u>	<u>Contract Service Fund</u>	
General Fund	\$ 28,940	\$ 93,353	\$ 108,589	\$ 230,882
Total	<u>\$ 28,940</u>	<u>\$ 93,353</u>	<u>\$ 108,589</u>	<u>\$ 230,882</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.

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>Misc. Grants Fund</u>	
General Fund	\$ -	\$ -	\$ 327	\$ 327
Highway User Revenue Fund	83,955	-	16,208	100,163
Misc. Grants Fund	22,214	-	-	22,214
Contract Service Fund	2,616	-	-	2,616
Non-major governmental:				
Debt Service Fund	<u>76,688</u>	<u>34,398</u>	<u>-</u>	<u>111,086</u>
Total	<u>\$ 185,473</u>	<u>\$ 34,398</u>	<u>\$ 16,535</u>	<u>\$ 236,406</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.

**COLORADO CITY, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 13. Contingencies and Subsequent Events**

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The Town, in connection with Hildale City, Utah and the joint utility departments, are involved with various matters of litigation. It is deemed possible 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.

In March of 2014 a jury decided against the Town, Hildale City and the utility departments in an ongoing discrimination lawsuit. The total initial award amount is over \$5 million; however, appeals are possible and the effects of this matter on the Town are not measurable and cannot be estimated as of the date these financial statements were available to be issued.

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**NOTE 14. Liquidation – Twin City Power**

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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 obtained services 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 years ended June 30, 2011 through 2013, there were no further extraordinary items relating to the liquidation.

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**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 S. Central St. CDBG SSP 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.
  - The CDBG RA funds account for revenue from CDBG grants for the Central St. Pavement (Chip Seal) and dispatch expansion projects and expenses related to those revenues.

**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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental revenue	\$ 440,000	\$ 440,000	\$ 371,739	\$ (68,261)
Total revenues	440,000	440,000	371,739	(68,261)
<b>Expenditures</b>				
Salaries and employee benefits	202,220	202,220	161,703	40,517
Service, supplies and other	257,780	257,780	205,948	51,832
Capital outlay	80,000	80,000	69,853	10,147
Total expenditures	540,000	540,000	437,504	102,496
Excess of revenues over (under) expenditures	(100,000)	(100,000)	(65,765)	34,235
<b>Other financing sources (uses):</b>				
Transfers in	166,500	166,500	100,163	(66,337)
Transfers out	(66,500)	(66,500)	(34,398)	32,102
Total other financing sources (uses)	100,000	100,000	65,765	(34,235)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental revenue	\$ 3,221,212	\$ 3,221,212	\$ 839,201	\$ (2,382,011)
Interest income	-	-	5	5
Total revenues	<u>3,221,212</u>	<u>3,221,212</u>	<u>839,206</u>	<u>(2,382,006)</u>
<b>Expenditures</b>				
Service, supplies and other	-	-	4,810	(4,810)
Capital outlay	3,221,212	3,221,212	816,521	2,404,691
Total expenditures	<u>3,221,212</u>	<u>3,221,212</u>	<u>821,331</u>	<u>2,399,881</u>
Excess of revenues over (under) expenditures	-	-	17,875	17,875
<b>Other financing sources (uses):</b>				
Transfers in	-	-	22,214	22,214
Transfers to other funds	-	-	(16,535)	(16,535)
Net change in fund balance	-	-	23,554	23,554
Fund balance, beginning of year	75	75	75	-
<b>Fund balance, end of year</b>	<u>\$ 75</u>	<u>\$ 75</u>	<u>\$ 23,629</u>	<u>\$ 23,554</u>

**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**



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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 Auditor's 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  
Town of Colorado City, Arizona

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Colorado City, Arizona (the Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town's basic financial statements and have issued our report thereon dated May 2, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of Town's internal control.

*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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in a separate findings and recommendations letter dated May 2, 2014, that we consider to be significant deficiencies.

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

## **Compliance and Other Matters**

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

## **Response to Findings**

The Town's response to the findings identified in our audit is described in a separate schedule of responses. The Town's response was not subjected to the auditing procedures applies in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC  
St. George, Utah  
May 2, 2014

MEMBERS:

CHAD B. ATKINSON, CPA  
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MARK E. TICHENOR, CPA

**Independent Auditor's 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, 2013, and have issued our report thereon dated May 2, 2014. 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 the Town 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, 2013.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.



HintonBurdick, PLLC  
St. George, Utah  
May 2, 2014

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