OFFICIAL STATEMENT DATED JULY 11, 2012

NEW ISSUE – BOOK-ENTRY-ONLY **RATINGS: See "RATINGS" herein**

In the opinion of Bond Counsel, assuming compliance with certain tax covenants, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions. Interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however interest on the Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. See "TAX MATTERS" herein for a description of certain federal tax consequences of ownership of the Bonds. Bond Counsel is further of the opinion that interest on the Bonds will be exempt from income taxation under the laws of the State of Arizona. See also "ORIGINAL ISSUE DISCOUNT" and "BOND PREMIUM" herein.

CITY OF EL MIRAGE, ARIZONA

$14,900,000
GENERAL OBLIGATION BONDS
SERIES 2012

$3,305,000
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2012

Dated: Date of Initial Delivery **Due:** July 1, as shown on the inside front cover

The General Obligation Bonds, Series 2012 (the "New Money Bonds") and the General Obligation Refunding Bonds, Series 2012 (the "Refunding Bonds" and, together with the New Money Bonds, collectively the "Bonds") of the City of El Mirage, Arizona (the "City"), will be available in book-entry-only form through the book-entry system of The Depository Trust Company ("DTC") only through DTC participants in amounts of $5,000 of principal of the applicable series due on a specific maturity date or integral multiples thereof. Except as described herein, purchasers will not receive certificates representing their beneficial interest in the Bonds. Utilization of the book-entry-only system will affect the method and timing of payment and the method of transfer of beneficial interest in the Bonds. The City will make all payments of principal and interest to DTC or its nominee, when due. DTC will be responsible for distributing the principal and interest payments to its direct and indirect participants who will, in turn, be responsible for distribution to the purchasers of beneficial interests in the Bonds (the "Beneficial Owners"). All references herein to owners of the Bonds (except those under the heading "TAX MATTERS", "ORIGINAL ISSUE DISCOUNT" and "BOND PREMIUM") will refer to DTC and not to the Beneficial Owners. See Appendix E – "Book-Entry-Only System".

The Bonds will mature on the dates, in the amounts and will bear interest at the rates set forth on the inside front cover page. Interest on the Bonds will accrue from the dated date of the Bonds and will be paid to the owners of the Bonds semiannually on January 1 and July 1 of each year (each "Interest Payment Date"), commencing on January 1, 2013.

The Bonds will be subject to optional and mandatory redemption prior to maturity as more fully described herein under "THE BONDS – Redemption Provisions."

The New Money Bonds are being issued for the purpose of providing funds to make certain improvements within the City and pay costs relating to the issuance of the New Money Bonds. The Refunding Bonds are being issued to provide funds to refund certain outstanding general obligation bonds of the City (the "Bonds Being Refunded") and to pay costs relating to the issuance of the Refunding Bonds.

See Maturity Schedule and Other Information on Inside Front Cover

The Bonds will be payable as to both principal and interest from *ad valorem* taxes levied against all taxable property within the boundaries of the City as more fully described herein, with the limitation that the total aggregate of taxes levied to pay principal of and interest on the Refunding Bonds in aggregate shall not exceed the total aggregate principal and interest to become due on the Bonds Being Refunded from the date of issuance of the Refunding Bonds to the final date of maturity of the Bonds Being Refunded, but without limitation as to rate or amount with respect to the New Money Bonds. The issuance of the Refunding Bonds will in no way infringe upon the rights of the owners of the Bonds Being Refunded to rely upon a tax levy for payment of the principal and interest on the Bonds Being Refunded to pay when due, or call for redemption, the Bonds Being Refunded, together with interest thereon and with other funds legally available for such purposes deposited in the Depository Trust (as defined herein) and held for the payment of the Bonds Being Refunded prove insufficient. The owners of the Refunding Bonds must rely on the sufficiency of the funds held for payment of the Bonds Being Refunded. See "THE BONDS– Security and Source of Payment" and "PLAN OF REFUNDING" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp.

ASSURED GUARANTY®
MUNICIPAL

This cover page contains only a brief description of the Bonds and the security therefor. It is not a summary of material information with respect to the Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision with respect to the Bonds.

The Bonds are offered when, as and if issued, subject to the approving opinion of Greenberg Traurig, LLP, Phoenix, Arizona, Bond Counsel, as to validity and tax exemption. Certain matters will be passed upon the Underwriters by Squire Sanders (US) LLP, Phoenix, Arizona. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about July 25, 2012.

RBC CAPITAL MARKETS

MATURITY SCHEDULES

$14,900,000
CITY OF EL MIRAGE, ARIZONA
GENERAL OBLIGATION BONDS
SERIES 2012

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP 28328R (a)
2013	$270,000	2.000%	0.500%	AA4
2014	295,000	3.000	0.820	AB2
2015	305,000	3.000	1.090	AC0
2016	315,000	3.000	1.360	AD8
2017	325,000	3.000	1.640	AE6
2018	335,000	3.000	2.000	AF3
2019	345,000	3.000	2.320	AG1
2020	355,000	4.000	2.560	AH9
2021	365,000	4.000	2.820	AJ5
2022	380,000	3.000	3.080	AK2
2023	395,000	3.000	3.170	AL0
2024	405,000	3.250	3.320	AM8
2025	420,000	3.250	3.410	AN6

$875,000 3.500% Term Bonds due July 1, 2027, Yield – 3.680%, CUSIP No. 28328RAP1[(a)]
$3,065,000 4.000% Term Bonds due July 1, 2033, Yield – 4.080%, CUSIP No. 28328RAR7[(a)]
$6,450,000 5.000% Term Bonds due July 1, 2042, Yield – 3.800%*, CUSIP No. 28328RAQ9[(a)]

$3,305,000
CITY OF EL MIRAGE, ARIZONA
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2012

Maturity Date (July 1)	Principal Amount	Interest Rate	Yield	CUSIP 28328R (a)
2013	$25,000	2.000 %	0.500 %	AS5
2014	255,000	3.000	0.820	AT3
2015	265,000	3.000	1.090	AU0
2016	270,000	3.000	1.360	AV8
2017	280,000	3.000	1.640	AW6
2018	285,000	3.000	2.000	AX4
2019	295,000	2.125	2.320	AY2
2020	300,000	4.000	2.560	AZ9
2021	315,000	4.000	2.820	BA3
2022	325,000	3.000	3.080	BB1
2023	340,000	3.000	3.170	BC9
2024	350,000	3.250	3.320	BD7

(a) Copyright 2012, American Bankers' Association. CUSIP data is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers are provided for informational purposes only. The City and the Underwriter take no responsibility for the accuracy of such numbers.

* Yield calculated to July 1, 2022, the first optional redemption date.

CITY OF EL MIRAGE, ARIZONA

CITY COUNCIL

Lana Mook, *Mayor*
David Shapera, *Vice Mayor*
Roy Delgado, *Councilmember*
James McPhetres, *Councilmember*
Jack Palladino, *Councilmember*
Joe Ramirez, *Councilmember*
Lynn Selby, *Councilmember*

CITY ADMINISTRATIVE OFFICERS

Dr. Spencer A. Isom, *City Manager*
Sharon Antes, *Executive Assistant*
Robert Nilles, *Finance Director*
Robert Hall, *City Attorney*
Richard Saathoff, *City Clerk*
Christy Eusebio, *Accounting Manager*

BOND COUNSEL

Greenberg Traurig, LLP
Phoenix, Arizona

FINANCIAL ADVISOR

Piper Jaffray & Co.
Phoenix, Arizona

BOND REGISTRAR, PAYING AGENT AND DEPOSITORY TRUSTEE

U.S. Bank National Association
Phoenix, Arizona

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REGARDING THIS OFFICIAL STATEMENT

This Official Statement does not constitute an offering of any security other than the City of El Mirage, Arizona (the "City") General Obligation Bonds, Series 2012 and General Obligation Refunding Bonds, Series 2012 (together, the "Bonds") identified on the inside front cover page hereof. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall be no sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information set forth in this Official Statement has been provided by the City, Maricopa County, the State of Arizona Department of Revenue and other sources which are considered to be reliable and customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the City or Piper Jaffray & Co. (the "Financial Advisor"). The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No person, including any broker, dealer or salesman has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. All estimates and assumptions contained herein have been based on the latest information available and are believed to be reliable, but no representations are made that such estimates and assumptions are correct, will be realized or will be repeated in the future. The information and any expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or any other parties or matters described herein since the date thereof.

RBC Capital Markets, LLC (the "Underwriter") has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors in accordance with the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The issuance and sale of the Bonds will not be registered under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, or the Arizona Securities Act in reliance upon exemptions provided under such Acts for the issuance and sale of securities such as the Bonds. The Bonds will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, State or other government entity or agency will have passed upon the merits of the Bonds or the accuracy or adequacy of this Official Statement or approved the Bonds for sale.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and "Appendix G - Specimen Municipal Bond Insurance Policy".

The City will covenant to provide continuing disclosure as described in this Official Statement under "CONTINUING SECONDARY MARKET DISCLOSURE" and in Appendix F – "FORM OF CONTINUING DISCLOSURE CERTIFICATE," pursuant to Rule 15c2-12 of the Securities and Exchange Commission.

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Appendix A: City of El Mirage, Arizona — General Economic and Demographic Information
Appendix B: City of El Mirage, Arizona — Financial Data
Appendix C: Form of Approving Legal Opinion
Appendix D: City of El Mirage, Arizona — Audited Financial Statements for the Year Ended June 30, 2011
Appendix E: Book-Entry-Only System
Appendix F: Form of Continuing Disclosure Undertaking
Appendix G: Specimen Municipal Bond Insurance Policy

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OFFICIAL STATEMENT

CITY OF EL MIRAGE, ARIZONA

$14,900,000 GENERAL OBLIGATION BONDS SERIES 2012	$3,305,000 GENERAL OBLIGATION REFUNDING BONDS SERIES 2012

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, inside front cover page and Appendices hereto, sets forth information concerning the offering by the City of El Mirage, Arizona (the "City") of its General Obligation Bonds, Series 2012 in the aggregate principal amount of $14,900,000 (the "New Money Bonds") and General Obligation Refunding Bonds, Series 2012 in the aggregate principal amount of $3,305,000 (the "Refunding Bonds" and, together with the New Money Bonds, collectively the "Bonds"). See Appendix A, Appendix B and Appendix D for certain information regarding the City.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from revenues, taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future.

Reference to provisions of Arizona law, whether codified in the Arizona Revised Statutes (the "A.R.S."), or of the Arizona constitution (the "Arizona Constitution") are references to those current provisions. Those provisions may be amended, repealed or supplemented.

As used in this Official Statement "debt service" means principal and interest on the Bonds referred to, "County" means Maricopa County, Arizona and "State" or "Arizona" means the State of Arizona. Initial capitals denote terms defined herein.

THE BONDS

Authorization and Purpose

The New Money Bonds are being issued by the City pursuant to Title 35, Chapter 3, Article 3 of the Arizona Revised Statutes, and a resolution adopted by the Mayor and Council of the City on June 19, 2012 (the "Bond Resolution"). The New Money Bonds will constitute a portion of the bonds authorized by the voters at special bond elections held in the City on November 4, 2008 and November 8, 2011, and will be issued for the following purposes (collectively, the "Projects") and to pay costs of issuance of the New Money Bonds:

(i) $6,400,000 Street and Highway Improvements
(ii) $6,000,000 Police Facilities
(iii) $2,500,000 Recreational and Swimming Facilities

After the sale and delivery of the New Money Bonds, the City will have $2,000,000 in aggregate principal amount remaining of authorized but unissued general obligation bonds. Additional general obligation bonds may be authorized at future bond elections in the City. General obligation bonds heretofore and hereafter issued by the City have and will have an equal claim with the Bonds upon the proceeds of taxes levied for debt service on the Bonds. See "FINANCIAL INFORMATION – General Obligation Bonded Debt Outstanding" in Appendix B.

The Refunding Bonds will be issued by the City pursuant to Title 35, Chapter 3, Article 4 of the Arizona Revised Statutes and the Bond Resolution to refund the Bonds Being Refunded described herein under "PLAN OF REFUNDING" and to pay costs of issuance of the Refunding Bonds.

Proceeds from the Refunding Bonds will be used (1) to establish an irrevocable trust of moneys and obligations issued or guaranteed by the United States of America (the "Government Obligations") which will provide funds to pay when due, principal of and interest on the Bonds Being Refunded. The moneys and the Government Obligations will be held in an irrevocable trust (the "Depository Trust") for owners of the Bonds Being Refunded with U.S. Bank National Association, as depository trustee thereunder (the "Depository Trustee").

General Provisions

The Bonds will be dated as of the date of initial delivery and will bear interest from such date. The Bonds will mature on the dates and in the principal amounts and bear interest at the rates set forth on the inside front cover page of this Official Statement. Interest on the Bonds will be payable semiannually on January 1 and July 1 of each year (each, an "Interest Payment Date"), commencing January 1, 2013, until maturity or prior redemption.

The Bonds will be issued only in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, a registered securities depository ("DTC"). Beneficial ownership interest in the Bonds may be purchased in book-entry-only form through DTC participants only in amounts of $5,000 of principal due on a specific maturity date or integral multiples thereof. All payments on the Bonds will be made directly to DTC and all references herein to "Owners" or registered owners of the Bonds (other than under the caption "TAX EXEMPTION", "ORIGINAL ISSUE DISCOUNT" and "BOND PREMIUM") shall mean Cede & Co., and shall not mean the beneficial owners in the Bonds. See Appendix E – "BOOK-ENTRY-ONLY SYSTEM".

Bond Registrar and Paying Agent

U.S. Bank National Association will serve as the initial Bond Registrar and Paying Agent (the "Bond Registrar and Paying Agent") for the Bonds. The City may remove the Bond Registrar and Paying Agent at any time without notice to, or the consent of owners of the Bonds.

Redemption Provisions

Optional Redemption. The Bonds maturing on or before July 1, 2022 will not be subject to redemption prior to their stated maturities. The Bonds maturing on or after July 1, 2023 will be subject to redemption at the option of the City on July 1, 2022 and on any date thereafter, in whole or in part, in $5,000 increments, from such maturities as may be selected by the City, at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, without premium.

Mandatory Redemption. The New Money Bonds maturing on July 1, 2027, will be redeemed at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, without premium on the following dates in the following principal amounts:

Date (July 1)		Principal Amount
2026		$430,000
2027	(Maturity)	445,000

The New Money Bonds maturing on July 1, 2033, will be redeemed at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, without premium on the following dates in the following principal amounts:

Date (July 1)		Principal Amount
2028		$465,000
2029		480,000
2030		500,000
2031		520,000
2032		540,000
2033	(Maturity)	560,000

The New Money Bonds maturing on July 1, 2042, will be redeemed at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, without premium on the following dates in the following principal amounts:

Date (July 1)		Principal Amount
2034		$585,000
2035		615,000
2036		645,000
2037		675,000
2038		710,000
2039		745,000
2040		785,000
2041		825,000
2042	(Maturity)	865,000

Notice of Redemption. Notice of the redemption of the Bonds will be given to DTC as described herein in Appendix E – "BOOK-ENTRY-ONLY SYSTEM" not more than 60 days nor less than 30 days prior to the redemption date. Any redemption will be from such maturities as directed by the City.

Notice having been given in the manner provided above, the portions of the Bonds called for redemption will become due and payable on the redemption date and if an amount of money sufficient to redeem all the portions of the Bonds called for redemption is held in a separate account on the redemption date, then the portions thereof to be redeemed will not be considered outstanding under the Bond Resolution and will cease to bear interest from and after such redemption date.

Security For and Sources of Payment of the Bonds

The Bonds will be payable as to principal and interest from *ad valorem* taxes to be levied on all taxable property within the City, without limit as to rate, but limited as to the Refunding Bonds, by statutory provision, to a total amount not greater than the aggregate amount of principal and interest which will become due on the Bonds Being Refunded from the date of issuance of the Refunding Bonds to the final maturity of the Bonds Being Refunded and subject to the prior rights vested in the owners of the Bonds Being Refunded to payment of the Bonds Being Refunded from such ad valorem taxes in the event of a deficiency in the moneys and Government Obligations held in the Depository Trust for the purpose of paying principal of and interest on the Bonds Being Refunded. See "PLAN OF REFUNDING."

Subject to such limitation, but without limitation as to the New Money Bonds, taxes are to be levied, assessed and collected as other taxes of the City, in an amount sufficient to pay the interest on all of the Bonds then outstanding and the installments of the principal of the Bonds becoming due and payable in the ensuing year.

A record of property taxes levied and collected for the City for the most recent five fiscal years may be found in Appendix B – "CITY OF EL MIRAGE, ARIZONA – FINANCIAL DATA," attached hereto. The proceeds of taxes will be kept by the City in a debt service fund and by law may be used only for payment of principal, interest, premium, if any, and costs of the Bonds.

Following collection and deposit of the proceeds of the taxes into the debt service fund, the City may invest such proceeds in investments comprised of, with certain restrictions: federally insured savings accounts or certificates of deposit from eligible depositories; collateralized repurchase agreements; obligations issued or guaranteed by the United States or any agency or instrumentality thereof; obligations of the State or any Arizona county, city (including the City), town or school district; revenue bonds of any Arizona county, municipality or municipal utility or special district; obligations of any Arizona local improvement district payable from property assessments; the local government investment pool established by the State and fixed income securities of corporations organized and doing business in the United States which carry one of the two highest ratings of Moody's Investors Service and Standard & Poor's Financial Services. Neither the proceeds of the Bonds nor the improvements paid for therewith will be pledged to, nor do they secure, payment of the Bonds.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM's financial strength is rated "AA-" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On March 20, 2012, Moody's issued a press release stating that it had placed AGM's "Aa3" insurance financial strength rating on review for possible downgrade. AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012.

Capitalization of AGM

At March 31, 2012, AGM's consolidated policyholders' surplus and contingency reserves were approximately $3,123,869,658 and its total net unearned premium reserve was approximately $2,275,867,231, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2011, and for the quarterly period ended March 31, 2012, which have been filed with the New York State Department of Financial Services and posted on AGL's website at http://www.assuredguaranty.com, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(I) the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (filed by AGL with the SEC on February 29, 2012); and

(II) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (filed by AGL with the SEC on May 10, 2012).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

BOND INSURANCE RISK FACTORS

In regards to the Policy, there are certain risk factors related to any applicable bond insurance policy. In the event of default in the payment of principal or interest with respect to all or a portion of the Bonds when due, any Owner of the Bonds will have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of principal by reason of mandatory or optional redemption, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure the payment of any applicable redemption premium. The payment of principal and interest in connection with mandatory or optional redemption of the Bonds which is recovered from an Owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such redemption unless the Insurer chooses to pay such amounts at an earlier date.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds will be payable solely from the moneys received by the Bond Registrar and Paying Agent pursuant to the legal documents. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) of the Bonds. See "RATINGS" herein.

The Bonds are general obligations of the Insurer and in an event of default by the Insurer, the remedies available to the Bond Registrar and Paying Agent may be limited by applicable bankruptcy law or other similar laws related to insolvency.

None of the City, Bond Counsel, the Underwriter or counsel to the Underwriter will make any independent investigation of the claims paying ability of the Insurer, and no assurance or representation regarding the financial strength or projected financial strength of the Insurer will be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest with respect to the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment.

PLAN OF REFUNDING

General

The net proceeds from the sale of the Refunding Bonds, after payment of the cost of issuance, will be placed in the Depository Trust with the Depository Trustee pursuant to the terms of a Depository Trust Agreement to be dated July 1, 2012, between the City and the Depository Trustee, to be applied to the payment of the Bonds Being Refunded as indentified below. To the extent the moneys and the Government Obligations held in the Depository Trust are not sufficient to pay, when due, the principal of and interest on the Bonds Being Refunded, the ad valorem taxes levied to pay debt service on the Refunding Bonds will be subject to the prior right of the owners of the Bonds Being Refunded to payment of such tax levy. See "THE BONDS – Security for and Sources of Payment of the Bonds" and "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Bonds Being Refunded

Amounts held in the Depository Trust will be applied to pay the interest through July 1, 2013, on $3,225,000 aggregate principal amount of the City's General Obligation Bonds (Projects of 2003) Series A (2004) maturing on July 1, 2014 through 2024 (the "Bonds Being Refunded"), and to redeem the Bonds Being Refunded on July 1, 2013, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. All of the Bonds Being Refunded are currently held by the Greater Arizona Development Authority (GADA), and amounts received with respect to the Bonds Being Refunded will be used, together with other funds held by GADA, to pay interest through August 1, 2013 on the Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2004A, shown below and to redeem such bonds on August 1, 2013 at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

Issue Series	Maturity Date (August 1)	Interest Rate	Principal Amount Outstanding	Principal Amount Refunded	Redemption Date (August 1)	Redemption Premium	GADA CUSIP No. 391577 (a)
Series A (2004)	2014	3.950 %	$ 235,000	$ 235,000	2013	0 %	EV1
(GADA)	2015	4.050	245,000	245,000	2013	0	EW9
	2016	4.200	255,000	255,000	2013	0	EX7
	2017	4.300	265,000	265,000	2013	0	EY5
	2018	4.400	275,000	275,000	2013	0	EZ2
	2019	4.500	290,000	290,000	2013	0	FA6
	2020	4.600	300,000	300,000	2013	0	FB4
	2021	4.650	315,000	315,000	2013	0	FC2
	2022	4.700	330,000	330,000	2013	0	FD0
	2023	4.750	350,000	350,000	2013	0	FE8
	2024	4.800	365,000	365,000	2013	0	FF5

(a) See footnote on the inside front cover

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by Piper Jaffray & Co. (the "Financial Advisor") relating to (i) the computation of forecasted receipts of principal and interest on the Government Obligations and the forecasted payments of principal, interest, and redemption premiums for the Bonds Being Refunded, and (ii) the computation of the yield on the Bonds and the Government Obligations have been examined by the Grant Thornton LLP (the "Verification Agent").

Such computations were based solely upon assumptions and information supplied by the Financial Advisor. The Verification Agent has restricted its procedures to examining the arithmetical accuracy of such computations, has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the ability to achieve the forecasted outcome.

SOURCES AND USES OF FUNDS

	New Money Bonds	Refunding Bonds	Total
Sources of Funds			
Principal Amount	$14,900,000.00	$3,305,000.00	$18,205,000.00
Net Reoffering Premium/(Discount)	741,632.90	122,693.45	864,326.35
Total Sources	$15,641,632.90	$3,427,693.45	$19,069,326.35
Uses of Funds			
Project Costs	$14,808,509.26		$14,808,509.26
Deposit to Escrow Trust		$3,363,985.79	3,363,985.79
Costs of Issuance (a)	319,361.63	60,707.20	380,068.83
Deposit to Debt Service Fund	513,762.01	3,000.46	516,762.47
Total Uses	$15,641,632.90	$3,427,693.45	$19,069,326.35

(a) Includes fees of Bond Counsel, Underwriter's counsel, Depository Trustee, Bond Registrar and Paying Agent, Verification Agent, and Financial Advisor, Underwriter's compensation, the premium for the Policy, printing costs, rating agency fees and other costs related to the issuance and delivery of the Bonds.

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DEBT SERVICE REQUIREMENTS (a)

The following schedule sets forth (i) the annual debt service requirements of the outstanding general obligation bonds of the City net of the Bonds Being Refunded, (ii) the debt service requirements of the Bonds and (iii) the combined total annual general obligation bond debt service requirements of the City after issuance of the Bonds.

Fiscal Year Ended June 30	Outstanding General Obligation Bonded Debt Service(b)	Plus: The New Money Bonds		Plus: The Refunding Bonds		General Obligation Bonded Debt Service To Be Outstanding
		Principal	Interest (c)	Principal	Interest (c)	
2013	$1,074,975	$270,000	$576,415	$25,000	$96,454	$2,042,844
2014	841,350	295,000	612,188	255,000	102,844	2,106,381
2015	841,400	305,000	603,338	265,000	95,194	2,109,931
2016	839,000	315,000	594,188	270,000	87,244	2,105,431
2017	841,000	325,000	584,738	280,000	79,144	2,109,881
2018	841,163	335,000	574,988	285,000	70,744	2,106,894
2019	838,838	345,000	564,938	295,000	62,194	2,105,969
2020	836,713	355,000	554,588	300,000	55,925	2,102,225
2021	838,750	365,000	540,388	315,000	43,925	2,103,063
2022	844,019	380,000	525,788	325,000	31,325	2,106,131
2023	837,956	395,000	514,388	340,000	21,575	2,108,919
2024	839,569	405,000	502,538	350,000	11,375	2,108,481
2025	839,219	420,000	489,375			1,748,594
2026	840,969	430,000	475,725			1,746,694
2027	840,969	445,000	460,675			1,746,644
2028	749,750	465,000	445,100			1,659,850
2029	750,750	480,000	426,500			1,657,250
2030		500,000	407,300			907,300
2031		520,000	387,300			907,300
2032		540,000	366,500			906,500
2033		560,000	344,900			904,900
2034		585,000	322,500			907,500
2035		615,000	293,250			908,250
2036		645,000	262,500			907,500
2037		675,000	230,250			905,250
2038		710,000	196,500			906,500
2039		745,000	161,000			906,000
2040		785,000	123,750			908,750
2041		825,000	84,500			909,500
2042		865,000	43,250			908,250
	$14,336,388	$14,900,000	$12,269,353	$3,305,000	$757,942	$45,568,682

(a) Prepared by the Financial Advisor. Columns may not add up due to rounding.
(b) Shown net of the Bonds Being Refunded.
(c) The first interest payment on the Bonds will be due January 1, 2013. Thereafter, interest payments will be made semiannually on July 1 and January 1 until final maturity or prior redemption of the Bonds.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Financial Services, LLC ("S&P"), have assigned ratings of "Aa3 (on review for possible downgrade)" and "AA- (Stable Outlook)" respectively, to the Bonds with the simultaneous delivery of the Policy. In addition, Moody's and S&P have assigned uninsured ratings of "A1" and "A+," respectively, to the Bonds. Such ratings reflect only the views of Moody's and S&P. An explanation of the significance of the rating assigned by Moody's may be obtained at 7 World Trade Center, 250 Greenwich Street, New York, New York 10007. An explanation of the significance of the rating assigned by S&P may be obtained at 55 Water Street, New York, New York 10041. Such ratings may be revised downward or withdrawn entirely by either Moody's or S&P, if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating may have an adverse effect on the market price and marketability of the Bonds. The City has covenanted in its continuing disclosure undertaking that it will file notice of any formal change in any such rating relating to the Bonds. (See "CONTINUING SECONDARY MARKET DISCLOSURE" herein.)

UNDERWRITING

RBC Capital Markets, LLC (the "Underwriter") has agreed to purchase the Bonds, subject to certain conditions, at a purchase price equal to $18,982,940.24, pursuant to a bond purchase agreement (the "Bond Purchase Agreement") entered into by and between the City and the Underwriter. If the Bonds are sold to produce the yields shown on the inside front cover hereof, the Underwriter's compensation will be $86,386.11. The Underwriter will be obligated to accept delivery and pay for all of the Bonds if any are delivered. The Underwriter may subsequently offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into unit investment trusts) and others at prices lower than the initial public offering prices reflected on the inside front cover page hereof.

LEGAL MATTERS

Legal matters incident to the authorization, sale and issuance by the City of the Bonds and with regard to the tax-exempt status thereof will be passed upon by Greenberg Traurig, LLP, Phoenix, Arizona, as Bond Counsel. The form of that opinion is included as Appendix C hereto.

While Bond Counsel has participated in the preparation of portions of this Official Statement, it has not been engaged to confirm or verify, and expresses and will express no opinion as to, the accuracy, completeness or fairness of any statements in this Official Statement, or in any other reports, financial information, offering or disclosure documents or other information pertaining to the City or the Bonds that may be prepared or made available by the City or others to the bidders for or holders of the Bonds or others.

Certain legal matters will be passed upon for the Underwriter by Squire Sanders (US) LLP.

From time to time, there are legislative proposals (and interpretations of such proposals by courts of law and other entities and individuals) which, if enacted, could alter or amend the property tax system of the State and numerous matters, both financial and nonfinancial, impacting the operations of municipalities which could have a material impact on the City and could adversely affect the secondary market value or marketability of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to obligations (such as the Bonds) issued prior to enactment.

The legal opinions to be delivered concurrently with the delivery of the Bonds will express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein dated and speaking only as of the date of delivery of the Bonds. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements that the City must continue to meet with respect to the Bonds after the issuance thereof in order that interest on the Bonds not to be included in gross income for federal income tax purposes. The failure by the City to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Mayor and City Council have covenanted in the Bond Resolution to take the actions required by the Code in order to maintain the exclusion from federal gross income of interest on the Bonds.

In the opinion of Bond Counsel, rendered with respect to the Bonds on the date of issuance of the Bonds, assuming continuing compliance by the City with the tax covenants referred to above, under existing statutes, regulations, rulings and court decisions, interest on the Bonds will be excluded from gross income for federal income tax purposes. Interest on the Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion upon the date of issuance of the Bonds that the interest thereon will be exempt from income taxation under the laws of the State.

Except as described above, Bond Counsel will express no opinion regarding other tax consequences resulting from the ownership of, receipt or accrual of interest on or disposition of the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of the Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, in the case of a financial institution, that portion of an owner's interest expense allocable to interest on a Bond; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15% of certain items, including the interest income for federal tax purposes; (iii) the inclusion of interest on the Bonds in the earnings of certain foreign corporations doing business in the United States of America for purposes of the branch profits tax; (iv) the inclusion of interest on the Bonds in passive investment income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion in gross income of interest on the Bonds by recipients of certain Social Security and Railroad Retirements benefits.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

ORIGINAL ISSUE DISCOUNT

The difference between the stated principal amount of the New Money Bonds maturing on July 1, 2022 through and including July 1, 2025 and on July 1, 2027 and on July 1, 2033 and the Refunding Bonds maturing on July 1, 2019 and on July 1, 2022 through and including July 1, 2024 (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity will be sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Discount Bonds. Further, such original issue discount should be accrued actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof should be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Bonds.

BOND PREMIUM

The New Money Bonds maturing on July 1, 2013 through and including July 1, 2021 and the Refunding Bonds maturing on July 1, 2013 through and including July 1, 2018 and on July 1, 2020 and on July 1, 2021 (collectively, the "Noncallable Premium Bonds") and the New Money Bonds maturing on July 1, 2042 (the "Callable Premium Bonds" and together with the Noncallable Premium Bonds, the "Premium Bonds") will be reoffered at prices in excess of the principal amount payable at maturity in the case of the Noncallable Premium Bonds or their earlier call date in the case of the Callable Premium Bonds. The difference between the principal amount payable at maturity of the Noncallable Premium Bonds and the tax basis of a Noncallable Premium Bond to a purchaser and the difference between the amount payable at the call date of the Callable Premium Bonds that minimizes the yield to a purchaser of a Callable Premium Bond and the tax basis to the purchaser (in either case, other than a purchaser who holds a Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) will be "bond premium." Bond premium should be amortized over the term of a Noncallable Premium Bond and over the period to the call date of a Callable Premium Bond that minimizes the yield to the purchaser of the Callable Premium Bond. A purchaser of a Premium Bond will be required to decrease his or her adjusted basis in the Premium Bond by the amount of amortizable bond premium attributable to each taxable year he or she holds the Premium Bond. The amount of amortizable bond premium attributable to each taxable year will be determined at a constant interest rate compounded actuarially. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. Purchasers of Premium Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon the sale, redemption or other disposition of Premium Bonds and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

LITIGATION

To the knowledge of the appropriate representatives of the City, no litigation or administrative action or proceeding is pending or threatened restraining or enjoining, or seeking to restrain or enjoin, the execution or delivery of the Bonds or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be executed, sold or delivered, or the validity of the sale of the Bonds.

FINANCIAL ADVISOR

The Financial Advisor has been engaged by the City for the purpose of advising the City as to certain debt service structuring matters specific to the Bonds, and on certain matters relative to the overall debt financing program of the City. The Financial Advisor has assisted in the assemblage and preparation of this Official Statement at the direction and on behalf of the City. No person is entitled to rely on the Financial Advisor's participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of the information contained herein.

POLITICAL DONATIONS

The Financial Advisor and the Underwriter and their employees are not known to have made political contributions to any person seeking a seat on the City Council at the last election of the City.

CONTINUING SECONDARY MARKET DISCLOSURE

The City will covenant for the benefit of the beneficial owners of the Bonds to provide certain financial information and operating data relating to the City by not later than February 1 in each year, commencing February 1, 2013 (the "Annual Reports"), and to provide notices of the occurrence of certain enumerated events (the "Notices") as set forth in APPENDIX F. The Annual Reports and the Notices and any other documentation or information required to be filed by such covenants will be filed by the City with the MSRB in a format prescribed by the MSRB.

Currently, the MSRB requires filing through the MSRB's Electronic Municipal Market Access system, all as described in APPENDIX F - "FORM OF CONTINUING DISCLOSURE UNDERTAKING." The form of the undertaking which describes the content of the Annual Reports and the Notices and method of their dissemination are included as APPENDIX F. A failure by the City to comply with these covenants must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of Bonds in the secondary market. Pursuant to Arizona Law, the ability of the City to comply with such covenants is subject to annual appropriation of funds sufficient to provide for the costs of compliance with such covenants. Should the City not comply with such covenants due to a failure to appropriate for such purpose, the City has covenanted to provide notice of such failure in the same way it does the Notices. Absence of continued disclosure, due to non-appropriation or otherwise, may adversely affect the transferability and marketability of the Bonds.

The City previously entered into continuing disclosure undertaking (the "Existing Disclosure Undertaking") dated February 19, 2004, November 7, 2007 and June 10, 2009. The City is in material compliance with the Existing Disclosure Undertaking.

FINANCIAL STATEMENTS

The financial statements of the City as of June 30, 2011, and for its fiscal year then ended, which is included as Appendix D of this Official Statement, have been audited by Heinfeld, Meech & Co., P.C. These are the most recent audited financial statements available to the City. These financial statements may not represent the current financial conditions of the City. The City did not request the consent of Heinfeld, Meech & Co., P.C. to include its report and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering its opinion on the financial statements.

CITY OF EL MIRAGE, ARIZONA

By: /s/ Lana Mook Lana Mook
Mayor

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APPENDIX A

CITY OF EL MIRAGE, ARIZONA

GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION

Located in the northwest portion of the greater Phoenix metropolitan area, the City has grown from a small town dependent on agriculture to a diverse urban economy with a 2010 census population of 31,767. The City was founded in 1937 from agricultural beginnings. The City was later incorporated in 1951 and was at the time primarily a compact residential community. The City is located approximately 16 miles north of Phoenix, Arizona. As development in the Phoenix metropolitan area accelerated to the northwest, the City experienced significant growth, primarily since the year 2000.

POPULATION STATISTICS

Population	City of El Mirage	Maricopa County	State of Arizona
2010 Census	31,767	3,817,117	6,392,017
2000 Census	7,609	3,072,149	5,130,632
1990 Census	5,001	2,122,101	3,665,339
1980 Census	4,307	1,837,956	2,716,633

Source: The Arizona Department of Economic Security, Research Administration Population and Statistical Unit and U.S. Census Bureau

Municipal Government Organization

The City operates pursuant to a Council/Manager form of government. The Mayor and six City Councilmembers are elected at large on a non-partisan ballot for four-year terms. The Council determines the duties and compensation of City officials and employees, and enacts ordinances and resolutions relating to City services, tax levies, appropriating and borrowing money, licensing and regulating businesses and trades and other municipal purposes. The City Council appoints the City Manager.

The City Manager is responsible for executing City Council policies and administering City operations. The Finance Director is responsible for the financial management of the City. The City government is responsible for furnishing basic municipal services. Primary services delivered by the City's approximately 165 full-time and part-time, permanent employees include police, City courts, fire protection, parks and recreation, library, sanitation, water, sewer, building safety, public works and general administration. For fiscal year 2011-12, the operating budget was $27.2 million and the total adopted budget, which includes the operating budget, grants and capital outlay expenditures, was $74.0 million.

Administrative Staff

Dr. Spencer Isom, ***City Manager***
Dr. Isom was unanimously appointed El Mirage City Manager by the City Council in November 2010, having served as the Assistant City Manager since September 2007. He has nineteen years of diverse experience in management and administration in local and state governments. In addition to a doctorate in philosophy, Dr. Isom holds a master's degree in public administration, and a bachelor's degree in community health and human services.

Robert Nilles, ***Finance Director***
Mr. Nilles has over 20 years of municipal and county finance, technology, and risk management experience with the last fifteen years in the capacity of finance director or deputy treasurer managing budgets ranging from $70 million to $470 million. Over the years, Mr. Nilles has participated in numerous development agreements including Major League Baseball spring training facilities (Kansas City Royals and Texas Rangers) with the City of Surprise,

Arizona, master planned developments, and commercial and retail developments. Mr. Nilles is a CAFR reviewer for the Government Finance Officers Association. Mr. Nilles has a bachelor's degree in accounting and a master's degree in management.

Christy Eusebio, *CPA, Accounting Manager*
Ms. Eusebio manages the City's accounting functions including payroll, accounts payable, financial reporting and budgeting. Ms. Eusebio has over 20 years of municipal finance experience including Deputy Finance Director and Programs Administrator (City of Glendale), Management and Budget Analyst and Financial Services Manager (City of Goodyear), Financial Systems Supervisor (Maricopa Association of Governments), and ten years with the City of Phoenix in various positions. Ms. Eusebio's has a Master's of Business Administration, a Bachelor's degree in Management/Accounting, and a Bachelor's degree in Management/Computer Information Systems.

Economy

Historically the City's economy was based around agriculture and farming. However, due to the tremendous residential growth of the Phoenix metropolitan area, including the City, employment opportunities in the services industries have increased. The City is home to numerous retail establishments that accommodate the City's increased residential population's need for goods and services

Employment and Employers

Following is a list of the City's largest employers.

MAJOR EMPLOYERS (a)
El Mirage, Arizona

Employer	Description	Number of Full Time Employees
Dysart Unified School District No. 89 (b)	Public School	395
Walmart	Store	320
City of El Mirage	Municipality	165
Parks and Sons	Waste Management	145
Walgreens	Drug Store	49
Bashas (Food City)	Grocery	37

Source: City of Mirage

The Phoenix Metropolitan Area features a diverse economic base is illustrated in the table below which outlines the employment structure

2012 NONFARM EMPLOYMENT STRUCTURE
Phoenix Metropolitan Area (a)

Industry	2012 (a)
Natural Resources and Mining	3,300
Construction	89,600
Manufacturing	112,800
Trade, Transportation, Utilities and Information	384,200
Finance, Professional and Business, Educational and Health, and Miscellaneous	935,700
Government	230,600
	1,756,200

(a) Data as of May 2012.

Source: Arizona Department of Economic Security, Bureau of Information and Research Analysis, Labor Force Statistic Unit.

The following table illustrates comparative unemployment averages for the United States of America, the State, the County, Phoenix and the City.

AREA UNEMPLOYMENT AVERAGES

Year	United States	State of Arizona	Maricopa County	City of Phoenix	City of El Mirage
2012(a)	8.2%	8.3%	7.3%	7.8%	8.5%
2011	9.0	9.5	8.4	8.9	10.3
2010	9.6	10.5	9.6	11.2	14.4
2009	9.3	9.7	8.9	10.4	13.4
2008	5.8	5.9	5.1	6.1	7.9

(a) Data through May 2012.

Source: Arizona Department of Economic Security, Bureau of Information and Research Analysis, Labor Force Statistic Unit.

Construction

The following tables illustrate the value of building permits for residential and non-residential construction and new housing starts for the City.

VALUE OF BUILDING PERMITS
City of El Mirage, Arizona
(000's omitted)

Calendar Year	Residential	Commercial and Industrial	Other	Total
2011(a)	266	2	58	326
2010	312	-	15	327
2009	375	156	104	635
2008	2,713	13,251	1,098	17,062
2007	2,416	474	666	3,556

(a) Data shown is through September 30, 2011 and is the most current information reported as of the date of this Official Statement. The Arizona State University Morrison School, Realty Studies has indicated that the collection and reporting of this data has been suspended at this time.

Source: Arizona State University, Polytechnic Campus. Note that the Polytechnic Campus obtains its data from County and municipal divisions that issue such permits. Construction is valued on the basis of estimated cost, not on market price or value of construction at the time the permit is issued. The year in which the permit is issued should not be construed as the year of construction.

NEW HOUSING PERMITS
City of El Mirage, Arizona

Calendar Year	Total Housing Starts
2011(a)	3
2010	3
2009	5
2008	22
2007	18

(a) Data shown is through September 30, 2011 and is the most current information reported as of the date of this Official Statement. The Arizona State University Morrison School, Realty Studies has indicated that the collection and reporting of this data has been suspended at this time.

Source: Arizona State University, Polytechnic Campus. Note that the Polytechnic Campus obtains its data from County and municipal divisions that issue such permits. The date on which the permit is issued is not to be construed as the date of construction.

Tourism

The following table outlines the City's Bed Tax ("Transient Occupancy Tax") collections for the last five fiscal years.

BED TAX COLLECTIONS
City of El Mirage, Arizona

Fiscal Year	Amount	Percent Change
2011-12(a)	$130,300	-19.25 %
2010-11	161,364	-3.59
2009-10	167,379	46.60
2008-09	114,177	-21.93
2007-08	146,253	15.18
2006-07	126,979	36.44

(a) Figure contains eleven months of actual data and estimated data for June 2012.

Source: City of El Mirage, Arizona, Comprehensive Annual Financial Reports and the City.

Transportation

The City is accessible via the Loop 101 and U.S. 60 from the Phoenix Metropolitan area. Glendale Municipal Airport serves the residents of the City with a 5,350 foot lighted and paved runway. Residents also have access to the Phoenix Sky Harbor Airport which is approximately a 45-minute drive away.

Education

Within the City are two elementary schools, one junior high and one high school. Two private elementary schools are also within the City limits. Several community colleges, including Glendale Community College and Estrella Mountain Community College, are located in nearby communities. Arizona State University also has a campus located in Glendale, Arizona, Arizona State University-West, which is approximately nine miles from the City. Arizona State University-West offers resources for study and research including libraries and museums with collections, studios and performing arts spaces and scientific and technological research facilities. Arizona State University-West campus balances the traditions of a liberal arts education with the applied sciences and technologies required in the workplace.

Estrella Mountain Community College offers day and evening classes to over 7,300 students in the western portion of the County. Estrella Mountain Community College offers certificate and degree programs in Business and Personal Computers, Business Technology in the Office, Hospitality and Hotel Management, and Organizational Leadership. Transfer programs are available in Communication, English, Mathematics, and Sociology. Glendale Community College offers day and evening classes to over 32,000 students. Glendale Community College offers a large number of degree and certificate program in Justice Studies, Applied Science, Art History, Athletics, Automotive Technology, Biology, Computer Information Systems, Business Technology for the Office, Chemistry, Child and Family Studies, Computer Science, Electronics and Semiconductor Manufacturing Technology, English, Engineering Science, Geology, Journalism, Mathematics, Psychology and Video Production. Glendale Community College is also the location of the GM Training Center, which was formed in 1985 through a partnership with General Motors. This Training Center offers training and retraining to GM dealership technicians in the latest repair and service procedures. The Center also provides an associate's degree program for new dealership technicians through partnerships with General Motors, Ford, Chrysler, Toyota and Nissan.

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APPENDIX B

CITY OF EL MIRAGE, ARIZONA

FINANCIAL DATA

City of El Mirage, Arizona
Current Year Statistics (For Fiscal Year 2011/12)

Total General Obligation Bonded Debt Outstanding and to be Outstanding	$ 28,015,000	(a)
Total Water and Wastewater Revenue Loans Outstanding	17,557,075	(b)
Primary Assessed Valuation	106,914,674	(c)
Secondary Assessed Valuation	108,151,578	(c)
Estimated Net Full Cash Value	861,034,542	(d)

(a) Includes the Bonds and net of the Bonds to be Refunded. See "STATEMENTS OF BONDED INDEBTEDNESS – General Obligation Bonded Debt Outstanding" herein.

(b) See "STATEMENTS OF BONDED INDEBTEDNESS – Water and Wastewater Revenue Loans Outstanding from the Water Infrastructure Finance Authority" herein.

(c) Arizona legislation divides property taxes into two categories: primary and secondary. Secondary property taxes are those taxes and assessments imposed to pay principal and interest on bonded indebtedness and certain other obligations, those imposed for special districts other than school districts and those imposed to exceed a budget, expenditure or tax limitation pursuant to voter approval. Primary property taxes are all *ad valorem* taxes other than secondary property taxes. Annual increases in the valuation of certain types of property for primary property tax purposes and the amount of primary property taxes which may be levied in any year are subject to certain limitations. These limitations do not apply with respect to secondary property taxes. As provided by the Assessor of the County, the City's preliminary fiscal year 2012/13 secondary assessed valuation is estimated at $96,045,678 a decrease of approximately 11.19% from the fiscal year 2011/12 secondary assessed valuation. The City's preliminary fiscal year 2012/13 primary assessed valuation is estimated at $96,516,405, a decrease of approximately 10.76% from the fiscal year 2011/12 primary assessed valuation. Although the final official valuations are not expected to differ materially from the estimated valuations, the valuations are subject to positive or negative adjustments until approved by the Board of Supervisors of the County no later than August 20.

(d) Estimated net full cash value is the total estimated market value of the property less unsecured personal property and less estimated exempt property within the City, as projected by the Arizona Department of Revenue, Division of Property and Special Taxes.

STATEMENTS OF BONDED INDEBTEDNESS

General Obligation Bonded Debt Outstanding (a)
City of El Mirage, Arizona

Issue Series	Original Amount	Maturity Dates	Balance Outstanding
2004A	$ 4,855,000	7-1-13/24	$ 3,450,000
2007B	1,145,000	7-1-08/27	945,000
2009B	9,600,000	7-1-10/29	8,640,000
Total General Obligation Bonds Outstanding			$ 13,035,000
Plus: The Bonds			18,205,000
Less: The Bonds Being Refunded			(3,225,000)
Total General Obligation Bonds to be Outstanding			$ 28,015,000

(a) All outstanding general obligation bonds have been purchased by the Greater Arizona Development Authority. After the execution and delivery of the Bonds, City will have $2,000,000 in aggregate principal amount remaining of authorized but unissued general obligation bonds.

Water and Wastewater Revenue Loans Outstanding from the Water Infrastructure Finance Authority ("WIFA")
City of El Mirage, Arizona (a)

WIFA Loan	Original Amount	Maturity Date	Balance Outstanding
910080-06	$ 1,108,911	7/1/2025	$ 791,808
920100-06	16,143,128	7/1/2025	11,159,430
910100-08	1,900,000	7/1/2027	1,577,093
920127-08	4,040,000	7/1/2027	3,495,942
91A121-10	788,230	7/1/2029	304,670
92A152-10	298,587	7/1/2028	75,351
92A153-10	189,879	7/1/2029	152,781
Total WIFA Loans Outstanding			$ 17,557,075

(a) Payable from net revenues of the City's water and wastewater systems.

Other Indebtedness
City of El Mirage, Arizona

As of May 1, 2012, the City had $10,821 in outstanding principal amount of capital lease obligations for various equipment, including a police evidence building. The Fiscal Year 2012 lease payment (subject to annual appropriation) for these obligations is $22,042. The Fiscal Year 2013 lease payment (subject to annual appropriation) for these obligations is $7,347.

Direct General Obligation Bonds Outstanding, Debt Limitations and Unused General Obligation Bonding Capacities City of El Mirage, Arizona

The Arizona Constitution provides that the general obligation bonded indebtedness of a city for general municipal purposes may not exceed six percent (6%) of the secondary assessed valuation of the taxable property in that city. In addition to the six percent (6%) limitation for general purpose bonds, cities may issue general obligation bonds up to an additional twenty percent (20%) of the secondary assessed valuation for supplying such city with water, artificial light or sewers and for the acquisition and development of land for open space preserves, parks, playgrounds and recreational facilities, for the acquisition and development of public safety, law enforcement, fire and emergency facilities and streets and transportation facilities.

2011/12 Net Secondary Assessed Valuation: $108,151,578

General Municipal Purpose Bonds		Water, Light, Sewer, Open Space, Public Saftey, Law Enforcement, Fire and Emergency Services, Park, Street, and Transportation Bonds	
Total 6% General Obligation Bonding Capacity	$ 6,489,094	Total 20% General Obligation Bonding Capacity	$ 21,630,315
Less: 6% General Obligation Bonds Outstanding	(6,489,094) (a)	Less: 20% General Obligation Bonds Outstanding	(21,525,906) (a)
Net 6% General Obligation Bonding Capacity	$ - (a)	Net 20% General Obligation Bonding Capacity	$ 104,409 (a)

(a) Includes the Bonds and is net of the Bonds Being Refunded.

Direct and Overlapping General Obligation Debt City of El Mirage, Arizona

Overlapping Jurisdiction	Overlapping General Obligation Bonded Debt (b)	Proportion Applicable to City of El Mirage (a) Approximate Percent	Net Debt Amount
State of Arizona	None	0.175%	None
Maricopa County	None	0.279%	None
Maricopa County Community College District	$ 614,995,000	0.277%	$ 1,705,100
Dysrat Unified School District No. 89	165,725,000	9.287%	15,390,393
City of El Mirage (c)	28,015,000	100.000%	28,015,000
Total Direct and Overlapping General Obligation Bonded Debt to be Outstanding			$ 45,110,493

(a) Proportion applicable to the City as computed on a ratio of secondary assessed valuation of the overlapping entity within the City to the amount of the total secondary assessed valuation of the City. Totals may not add due to independent rounding.

(b) Includes total general obligation bonds outstanding, but does not include the following authorized but unissued general obligation bonds of such jurisdictions which may be issued in the future:

Overlapping Jurisdiction	General Obligation Bonds Authorized but Unissued
State of Arizona	None
Maricopa County	None
City of El Mirage	$2,000,000
Maricopa County Community College District	151,093,000
Dysart Unified School District No. 89	68,050,000

Also does not include the obligation of the Central Arizona Water Conservation District ("CAWCD") to the United States Department of the Interior (the "Department of the Interior"), for repayment of capital costs for construction of the Central Arizona Project ("CAP"), a major reclamation project that has been substantially completed by the Department of the Interior. The obligation is evidenced by a master contract between CAWCD and the Department of the Interior. In April 2003, the United States and CAWCD agreed to settle litigation over the amount of the construction cost repayment obligation, the amount of the respective obligations for payment of the operation, maintenance and replacement costs and the application of certain revenues and credits against such obligations and costs. Under the agreement, CAWCD's obligation for substantially all of the CAP features that have been constructed so far will be set at $1.646 billion, which amount assumes (but does not mandate) that the United States will acquire a total of 667,724 acre feet of CAP water for federal purposes. The United States will complete unfinished CAP construction work related to the water supply system and regulatory storage stages of CAP at no additional cost to CAWCD. Of the $1.646 billion repayment obligation, 73% will be interest bearing and the remaining 27% will be non-interest bearing. These percentages will be fixed for the entire 50-year repayment period, which commenced October l, 1993. Effectiveness of the agreement was subject to a number of conditions including settlement of certain Indian community water claims and other water claims and required certain State legislation. All of the conditions have been met and the agreement was deemed effective by a final judgment issued by the U.S. District Court on November 21, 2007. CAWCD is a multi-county water conservation district having boundaries coterminous with the exterior boundaries of Arizona's Maricopa, Pima and Pinal Counties. It was formed for the express purpose of paying administrative costs and expenses of the CAP and to assist in the repayment to the United States of the CAP capital costs. Repayment will be made from a combination of power revenues, subcontract revenues (i.e., agreements with municipal, industrial and agricultural water users for delivery of CAP water) and a tax levy against all taxable property within CAWCD's boundaries. At the date of this Official Statement, the tax levy is limited to 14 cents per $100 of secondary assessed valuation, of which ten cents is being levied. (See Arizona Revised Statutes, Sections 45-3715 and 48-3715.02.) There can be no assurance that such levy limit will not be increased or removed at any time during the life of the contract. Does not include obligation to contribute $70 to $80 million for the CAP. The Flood Control District's sole source of revenue to pay the contribution will be ad valorem property taxes.

Further Does not include other non-general obligation debt of City as noted in Appendix B – "CITY OF EL MIRAGE, ARIZONA – FINANCIAL DATA."

(c) Includes the Bonds and is net of the Bonds Being Refunded.

Source: City Finance Department and various jurisdictions.

Direct and Overlapping General Obligation Debt Ratios
City of El Mirage, Arizona

	Per Capita Bonded Debt Population @ 31,767 (a)	As % of City's 2011/12 Secondary Assessed Valuation	As % of City's 2011/12 Estimated Net Full Cash Value
Direct General Obligation Bonded Debt (b) ($28,015,000)	$881.89	25.90 %	3.25 %
Direct and Overlapping General Obligation Bonded Debt Outstanding (b) ($45,110,493)	$1,420.04	41.71 %	5.24 %

(a) 2011 population estimate provided by the Office of Employment & Population Statistics, Arizona Department of Administration.

ASSESSED VALUATIONS AND TAX RATES

Arizona through statutes enacted by the Legislature, has established two different valuation bases for levying ad valorem taxes. They are the "limited property value" and "full cash value." Additionally, all property, both real and personal, is assigned a classification to determine its assessed valuation for tax purposes. Each legal classification is defined by property use and has an assessment ratio (a percentage factor) which is multiplied by the limited property or full cash values of the property to obtain the assessed valuations. The Legislature, from time to time, has changed any may change the manner in which taxes are levied, including changing the assessment ratios and property classifications.

The assessment ratios utilized over the five-year period for each class are set forth below:

PROPERTY TAX ASSESSMENT RATIOS

Property Classification (a)	2008	2009	2010	2011	2012
Mining, Utility, Commercial and Industrial (b)(c)	23%	22%	21%	20%	20%
Agriculture and Vacant Land (b)(c)	16	16	16	16	16
Owner-Occupied Residential	10	10	10	10	10
Leased or Rented Residential	10	10	10	10	10
Railroad, Private Car Company and Airline Flight Property (d)	20	18	17	15	15

(a) Several additional classes of property exist, but seldom amount to a significant portion of an entity's total valuation.

(b) The first $68,079 of full cash value for commercial, industrial and agricultural personal property is not subject to taxation for tax year 2012. This exemption is indexed annually for inflation. Any portion of the full cash value in excess of those amounts will be assessed at the applicable rate.

(c) The assessment ratio for commercial and industrial property will be reduced to 19.5% for tax year 2013 and further reduced one-half of one percent for each year to 18% for 2016 and thereafter. The assessment ratio for agricultural and vacant property will be reduced to 15% for tax year 2016 and thereafter. From time to time, there are legislative proposals in the State, including proposals to reduce the assessment ratio for certain property, which, if enacted, could alter or amend the matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would adversely affect the market value of the obligations (including the Bonds).

(d) The percentage is calculated annually based on the ratio of (i) the total assessed valuation of all mining, utility, commercial, industrial and military reuse zone properties, agricultural personal property and certain leasehold personal property to (ii) the total full cash value of such properties.

Source: *State and County Abstract of the Assessment Roll,* Arizona Department of Revenue.

Primary Taxes

Taxes levied against the assessed limited property value (after application of the assessment ratio) are referred to as primary taxes, which are used for the maintenance and operation of counties, cities/towns, school districts, community college districts and the State. The State currently does not levy an *ad valorem* tax. With the exception of personal property (other than mobile homes) and utility, mining and producing oil, gas and geothermal property with limited values equal to full cash values, limited property value cannot exceed the full cash value and is derived statutorily using one of the following two procedures:

(1) The limited property value for parcels in existence in the prior year that did not undergo modification through construction, destruction, split or change in use, is established at the previous year's limited property value increased by the greater of either 10%[a] of last year's limited property value or 25% of the difference between last year's limited property value and the current year's full cash value.

(2) The limited property value for property that was omitted from the tax roll in the prior year, that underwent a change in use or modification through construction, destruction or demolition or that has been split, subdivided or consolidated, is established at a level or percentage of the limited property value to full cash value of existing properties of the same use or legal classification.

The aggregate of the primary taxes levied by a county, city, town and community college district is constitutionally limited to a maximum increase of two percent (2%) over the prior year's levy limit plus any taxes on property not subject to tax in the preceding year (e.g., new construction and property brought into the jurisdiction because of annexation). In November 2006, the maximum allowable primary property tax levy limit was rebased to the amount of actual 2005 primary property taxes levied (plus amounts levied against property not subject to taxation in prior years). The two percent (2%) limitation does not apply to primary taxes levied on behalf of school districts. The limited and full cash values of personal property (other than mobile homes) and for utility, mining and producing oil, gas and geothermal property are the same. Primary taxes on residential property are only constitutionally limited to one percent (1%) of the full cash value of such property.

Since 1997, municipalities have been required to publish "truth in taxation" notices in local newspapers to announce any proposed increases in primary property tax levy in a county, city, town or community college district.

Secondary Taxes

Taxes levied against the assessed full cash value (after application of the assessment ratio) are referred to as secondary taxes, which are used for debt retirement (i.e., debt service on bonds), voter-approved budget overrides and the maintenance and operation of special service districts such as sanitary, fire and road improvement districts. Except for the Property Valuation Protection Option described above, there is no limitation on the annual increase in

[a] The State legislature has passed Senate Concurrent Resolution 1025, that beginning in tax year 2014, would, if approved by the voters at the November 2012 general election, limit the primary and secondary assessed value for locally-assessed property to the lesser of the full cash value or an amount five percent greater than the value of property determined for the prior year.

full cash value of any property. Annual levies for voter-approved bond indebtedness and special district assessments are unlimited.

Determination of Full Cash Value

The first step in the tax process is the determination of the full cash value of each parcel of real property within the State. Most property is valued by the various county assessors, including the County Assessor, with the Arizona Department of Revenue valuing the centrally assessed properties such as gas, water and electrical utilities, pipelines, mines, local and long distance telephone companies and airline flight property.

Full cash value is statutorily defined to mean "that value determined as prescribed by statute" or if no statutory method is prescribed, it is "synonymous with market value." "Market value" means that estimated value derived annually by use of standard appraisal methods and techniques, which generally includes the market approach, the cost approach and the income approach. As a general matter, the County Assessor uses a cost approach for commercial/industrial property and a sales data approach for residential property. Arizona law allows taxpayers to appeal the County Assessor's valuations by providing evidence of a lower value, which may be based upon another approach.

On or before the third Monday in August each year the Board of Supervisors of the County prepares the tax roll setting forth the valuation by taxing district of all property in the County subject to taxation. The Assessor of the County is required to complete the assessment roll by December 15th of the year prior to the levy. This tax roll also shows the valuation and classification of each parcel of land located within the County for the tax year. The tax roll is then forwarded to the Treasurer of the County.

With the various budgetary procedures having been completed by the governmental entities, the appropriate tax rate for each jurisdiction is then applied to the parcel of property in order to determine the total tax owed by each property owner. Any decrease in the value of the assessment roll established in December from the value used on the third Monday in August could reduce the aggregate amount of taxes collected and needed by each jurisdiction.

The property tax lien on real property attaches on January 1 of the year the tax is levied. Such lien is prior and superior to all other liens and encumbrances on the property subject to such tax except liens or encumbrances held by the State or liens for taxes accruing in any other years.

Delinquent Tax Procedures

The property taxes due to the City are billed, along with State and other taxes, in September of the calendar tax year and are due and payable in two installments on October 1 and March 1 and become delinquent on November 1 and May 1. Delinquent taxes are subject to an interest penalty of 16% per annum prorated monthly as of the first day of the month. (However, delinquent interest is waived if a taxpayer, delinquent as to the November 1 payment, pays the entire year's tax bill by December 31.) After the close of the tax collection period, the County Treasurer prepares a delinquent property tax list and the property so listed is subject to a tax lien sale in February of the succeeding year. In the event there is no purchaser for the tax lien at the sale, the tax lien is assigned to the State, and the property is reoffered for sale from time to time until such time as it is sold, subject to redemption, for an amount sufficient to cover all delinquent taxes.

Three years after the sale of the tax lien, the tax lien certificate holder may bring an action in a court of competent jurisdiction to foreclose the right of redemption and, if the delinquent taxes plus accrued interest are not paid by the owner of record or any entity having a right to redeem, a judgment is entered ordering the treasurer of the county to deliver a Treasurer's Deed to the certificate holder as prescribed by law.

It should be noted that in the event of a taxpayer filing for relief pursuant to the United States Bankruptcy Code (the "Bankruptcy Code"), the law is currently unsettled as to whether a lien can be attached against the taxpayer's property for property taxes levied during the pending bankruptcy. Such taxes might constitute an unsecured and possibly non-interest bearing administrative expense payable only to the extent that the secured creditors of a taxpayer are oversecured, and then possibly only on the prorated basis with other allowed administrative claims. It cannot be determined, therefore, what adverse impact bankruptcy might have on the ability to collect *ad valorem* taxes on property of a taxpayer within the City. Proceeds to pay such taxes come only from the taxpayer or from a sale of the tax lien on delinquent property.

It cannot be determined what impact any deterioration of the financial conditions of any taxpayer, whether or not protection under the Bankruptcy Code is sought, may have on payment of or the secondary market for the Bonds. Neither the City, the Financial Advisor, the purchaser nor their respective attorneys, agents or consultants have undertaken any independent investigation of the operations and financial condition of any taxpayer, nor have they assumed responsibility for the same.

In the event the County is expressly enjoined or prohibited by law from collecting taxes due from any taxpayer, such as may result from the bankruptcy of a taxpayer, any resulting deficiency could be collected in subsequent tax years by adjusting the City's tax rate charged to non-bankrupt taxpayers during such subsequent tax years.

PROPERTY TAXES

Unsecured and Secured Property Taxes Levied and Collected (a)
City of El Mirage, Arizona

Fiscal		Collected to June 30 of Initial Fiscal Year		Cumulative Collection to July 3, 2012	
Year	Tax Levy	Amount	% of Levy	Amount	% of Levy
2011/12	$ 3,087,624	(b)	(b)	$ 2,972,987	96.29 %
2010/11	3,068,990	$ 2,910,883	94.85 %	3,040,596	99.07
2009/10	2,921,694	2,784,995	95.32	2,893,468	99.03
2008/09	2,054,590	1,955,368	95.17	2,045,601	99.56
2007/08	1,884,240	1,785,848	94.78	1,876,823	99.61

(a) Taxes are certified and collected by the County Treasurer. Taxes in support of debt service are levied by the County Board of Supervisors as required by Arizona Revised Statutes. Delinquent taxes are subject to an interest and penalty charge of 16% per annum, which is prorated at a monthly rate of 1.33%. Interest and penalty collections for delinquent taxes are not included in the collection figures above, but are deposited in the County General Fund.

(b) In the process of collection.

Source: County Treasurer's Office.

Direct and Overlapping Assessed Valuations and Total Tax Rates
Per $100 Assessed Valuation

	2011-12 Secondary Assessed Valuation	2011-12 Primary Assessed Valuation	2011-12 Total Tax Rates Per $100 Assessed Valuation
State of Arizona	$ 61,700,292,915	$ 60,900,480,130	-
Maricopa County	38,760,296,714	38,492,098,635	$ 1.6666 (a)
Maricopa County Community College District	38,760,296,714	38,492,098,635	1.2082
Maricopa County Library District	38,760,296,714	N/A	0.0492
Maricopa County Fire District (Assistance Tax)	38,760,296,714	N/A	0.0084
Maricopa County Flood Control District	35,056,838,356	N/A	0.1780
Maricopa County Special Healthcare District	38,760,296,714	N/A	0.0149
Central Arizona Water Conservation District	38,760,296,714	N/A	0.1000
Dysart Unified School District	1,164,584,962	1,157,167,087	5.9924
City of El Mirage	108,059,167	106,787,687	2.8740

(a) Includes the State Equalization Assistance Property Tax. The State Equalization Assistance Property Tax in fiscal year 2011/12 has been set at $0.4259 and is adjusted annually pursuant to Arizona Revised Statues, Section 41-1276.

Source: County Treasurer's Office.

Direct and Overlapping Tax Rates Per $100 Assessed Valuation
City of El Mirage, Arizona

Inside the City and Inside:	Tax Rate
Dysart Unified School District No. 89	$12.0917

Source: *Property Tax Rates and Assessed Values*, Arizona Tax Research Association.

Secondary Assessed Valuation of Major Taxpayers (a)
City of El Mirage, Arizona

Taxpayer (a)	Description	2011-12 Secondary Assessed Valuation	As % of City's Total 2011-12 Secondary Assessed Valuation
Arizona Public Service Company	Electric Utility	$3,839,970	3.55 %
Roberts Properties Ltd.	Real Estate Developer	2,822,457	2.61
Walmart Stores	Superstore	2,385,057	2.21
Hanson Piper & Products Inc.	Building Products	2,380,530	2.20
Clayton Homes	Housing Development	1,617,732	1.50
Qwest Corporation	Telecommunications	1,596,759	1.48
BNSF Railway Company	Railway Transportation	1,588,920	1.47
Premiere RV & Storage Llc.	RV Sales and Storage Units	993,040	0.92
JIA Corp.	Real Estate Developer	784,716	0.73
El Mirage Dysart Investors Llc.	Real Estate Developer	768,058	0.71
Arizona Sand & Rock	Sand and Gravel Suppliers	740,027	0.68
MCS Enterprises Llc.	Real Estate Developer	635,800	0.59
Arizona American Water Company (Sun City)	Water Utility	620,066	0.57
Sumerlin Llc.	Real Estate Developer	608,574	0.56
Union Rock & Material	Sand and Gravel Suppliers	599,338	0.55
Total		**$21,981,044**	**20.32%**
Total City Net Secondary Assessed Valuation		**$ 108,151,578**	

(a) Based upon data obtained from the tax rolls of the County Assessor. None of the City, Bond Counsel, the Underwriter or the Financial Advisor has made an independent determination of the financial position of any of the major taxpayers.

Source: County Treasurer's Office.

Primary and Secondary Property Tax History
City of El Mirage, Arizona
(Tax Rates per $100 Assessed Valuation)

Year	Primary Tax Rate	Secondary Tax Rate	Total Tax Rate
2011-12	$1.6710	$1.2030	$2.8740
2010-11	1.3498	0.9441	2.2939
2009-10	0.9303	0.6410	1.5713
2008-09	0.9817	0.2211	1.2028
2007-08	1.0753	0.2034	1.2787

Source: *Property Tax Rates and Assessed Values,* Arizona Tax Research Foundation and the County Department of Finance.

Comparative Secondary Assessed Valuation Histories (a)

Fiscal Year	City of El Mirage	Maricopa County	State of Arizona
2012-13(b)	$ 96,516,405	$ 34,400,455,712	$ 56,283,023,907
2011-12	108,151,578	38,760,296,714	61,700,292,915
2010-11	137,691,524	49,662,543,618	75,664,423,588
2009-10	195,957,979	58,105,204,146	86,525,272,506
2008-09	212,567,076	58,303,635,287	86,090,579,647
2007-08	185,042,960	49,534,573,826	71,852,630,420

(a) As has been reported for a number of years, the slowdown in the housing market and generally depressed conditions in real estate both nationally and in Arizona have resulted in declining property values within the City since fiscal year 2008-09. As shown above, the City expects property values for fiscal year 2012-13 to decline further. There can also be no assurance that property values will not decline further in future years.

(b) Estimated preliminary valuations, subject to change prior to final adoption on August 20, 2012.

Source: County Assessor's Office.

Secondary Assessed Valuation By Property Classification (a)
City of El Mirage, Arizona

A comparison of net secondary assessed valuation by property classification of the City for the five most recent fiscal years is as follows:

	2008/09 Secondary Assessed Valuation	2009/10 Secondary Assessed Valuation	2010/11 Secondary Assessed Valuation	2011/12 Secondary Assessed Valuation	2012/13 Secondary Assessed Valuation (b)	2012/13 Annual Percent Change (b)
Mining, Utility, Commercial and Industrial	$ 29,766,174	$ 37,105,905	$ 38,229,042	$ 32,675,834	$ 28,711,763	-12.13%
Agriculture and Vacant Land	11,722,882	14,071,749	13,208,486	8,352,162	6,385,768	-23.54%
Owner-Occupied Residential	146,147,329	120,644,066	67,089,722	49,724,402	44,291,924	-10.93%
Leased or Rented Residential	22,689,916	22,129,498	17,387,617	15,810,260	15,522,447	-1.82%
Railroad, Private Car Company and Airline Flight Property	2,240,775	2,006,761	1,776,657	1,588,920	1,604,503	0.98%
	$ 212,567,076	$ 195,957,979	$ 137,691,524	$ 108,151,578	$ 96,516,405	-10.76%

(a) As has been reported for a number of years, the slowdown in the housing market and generally depressed conditions in real estate both nationally and in Arizona have resulted in declining property values within the City since fiscal year 2008-09. As shown above, the City expects property values for fiscal year 2012-13 to decline further. There can also be no assurance that property values will not decline further in future years.

(b) Estimated preliminary valuations, subject to change prior to final adoption on August 20, 2012.

Source: County Assessor's Office.

Estimated Net Full Cash Valuation (a)
City of El Mirage, Arizona

Fiscal Year	City's Estimated Full Cash Value
2012/13(b)	$ 772,685,060
2011/12	861,034,542
2010/11	1,108,661,222
2009/10	1,660,382,015
2008/09	1,878,414,538

(a) Estimated net full cash value is the total estimated market value of the taxable property less estimated exempt property within the City as provided to the City by the Arizona Department of Revenue, Division of Property and Special Taxes. As has been reported for a number of years, the slowdown in the housing market and generally depressed conditions in real estate both nationally and in Arizona have resulted in declining property values within the City since fiscal year 2008-09. As shown above, the City expects property values for fiscal year 2012-13 to decline further. There can also be no assurance that property values will not decline further in future years.

(b) Estimated preliminary valuations, subject to change prior to final adoption on August 20, 2012.

Source: County Assessor's Office.

THE FOLLOWING INFORMATION IS INCLUDED FOR INFORMATIONAL PURPOSES ONLY. THE BONDS ARE PAYABLE ONLY FROM THE AD VALOREM PROPERTY TAX COLLECTIONS, AS DESCRIBED UNDER "THE BONDS – SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" IN THIS OFFICIAL STATEMENT.

City General Fund

Set forth below is a record of City general fund revenues, expenditures and changes in fund balance taken from the audited financial statements for fiscal years 2006-07 through and including 2010-11 and 2011-12 unaudited from the City.

	Audited					Unaudited
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12 (a)
REVENUES						
Property Taxes	$ 1,432,342	$ 1,398,621	$ 1,537,591	$ 1,694,137	$ 1,730,436	$ 1,737,000
City Sales Taxes	5,819,145	5,931,713	5,908,742	5,366,105	5,368,649	5,500,000
Franchise Taxes	617,759	643,844	636,826	622,259	654,999	650,000
Licenses and Permits	439,521	205,823	138,369	167,934	190,237	193,000
Intergovernmental	8,145,709	8,817,478	8,510,092	7,701,277	8,380,043	6,355,000
Charges for Services	449,464	348,212	182,384	145,853	190,835	175,000
Fines and Forfeits	251,067	238,787	423,995	824,451	952,346	30,000
Investment Income	359,559	614,019	7,884	43,525	16,987	20,000
Rents	24,542	25,105	26,552	28,064	29,486	35,000
Miscellaneous	200,888	787,757	253,558	200,446	61,872	200,000
TOTAL REVENUES	$ 17,739,996	$ 19,011,359	$ 17,625,993	$ 16,794,051	$ 17,575,890	$ 14,895,000
EXPENDITURES						
Current:						
General Government	$ 5,228,687	$ 5,125,800	$ 5,603,847	$ 6,201,789	$ 5,330,097	$ 4,000,000
Public Safety	7,160,863	10,433,887	10,482,654	10,285,464	9,106,278	9,000,000
Culture and Recreation	835,658	1,180,295	1,486,715	1,568,919	1,292,708	1,500,000
Redevlopment and Housing	3,394	5,321	-	417,145	-	-
Health and Welfare	312	41,192	-	-	-	-
Capital Outlay	-	-	-	-	133,678	33,000
Debt Service:						
Principal Retirement	-	-	-	12,714	19,599	20,000
Interest and Fiscal Charges	-	-	-	1,980	2,443	2,000
TOTAL EXPENDITURES	$ 13,228,914	$ 16,786,495	$ 17,573,216	$ 18,488,011	$ 15,884,803	$ 14,555,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	$ 4,511,082	$ 2,224,864	$ 52,777	$ (1,693,960)	$ 1,691,087	$ 340,000
OTHER FINANCING SOURCES (USES)						
Capital Lease	-	-	-	$ 60,433	-	-
Operating Transfers In	$ 1,336,868	$ 1,457,057	$ 1,207,429	1,100,000	$ 1,800,000	$ 2,057,000
Operating Transfers Out	(542,016)	(1,481,956)	(5,635,974)	(2,902,045)	(653,000)	(608,000)
TOTAL OTHER FINANCING SOURCES (USES)	$ 794,852	$ (24,899)	$ (4,428,545)	$ (1,741,612)	$ 1,147,000	$ 1,449,000
CHANGES IN FUND BALANCES	$ 5,305,934	$ 2,199,965	$ (4,375,768)	$ (3,435,572)	$ 2,838,087	$ 1,789,000
FUND BALANCE, BEGINNING OF YEAR	$ 8,674,424	$ 13,980,358	$ 16,180,323	$ 11,804,555	$ 8,368,983	$ 11,207,070
FUND BALANCE, END OF YEAR	$ 13,980,358	$ 16,180,323	$ 11,804,555	$ 8,368,983	$ 11,207,070	$ 12,996,070

(a) Figures contain eleven months of actual data and estimated data for June 2012.

Source: Comprehensive Audited Financial Reports for fiscal years 2006-07 through and including 2010-11 and 2011-12 unaudited from the City

THE FOLLOWING INFORMATION IS INCLUDED FOR INFORMATIONAL PURPOSES ONLY. THE BONDS ARE PAYABLE ONLY FROM THE AD VALOREM PROPERTY TAX COLLECTIONS, AS DESCRIBED UNDER "THE BONDS – SECURITY FOR AND SOURCES OF PAYMENT OF THE BONDS" IN THIS OFFICIAL STATEMENT.

The City's Transaction Privilege and Use Tax is levied on persons conducting business activities within the City. The amount of tax due is calculated by applying the tax rate against the gross proceeds of sales or gross income derived from the following business activities:

Advertising	Parking Facilities
Amusements	Resturants and Bars
Construction Contracting	Retail
Printing	Short-Term Car Rental
Publishing	Tranporting for Hire
Apartments/Rooming	Leasing/Rental of Tangible Property
Trailer Courts	Utility Services
Commercial Rentals	Telecommunications
Auto Rentals	

TRANSACTION PRIVILEGE AND USE TAX RECEIPTS
City of El Mirage, Arizona

Transaction Privilege and Use Tax Receipts consists of Retail Sales (shown on the bottom of the page and consisting of automotive, food store, miscellaneous retail store and restaurant tax categories) and non-retail sales (construction, hotel/motel, rentals, utilities and other taxable activity categories).

Fiscal Year	Amount	Percent Change
2011-12(a)	$5,500,000	4.67 %
2010-11	5,254,423	-1.95
2009-10	5,358,808	-8.94
2008-09	5,884,883	-0.75
2007-08	5,929,568	5.35
2006-07	5,628,284	14.41

(a) Figure contains eleven months of actual data and estimated data for June 2012.

Source: City of El Mirage, Arizona, Comprehensive Annual Financial Reports and the City.

RETAIL SALES TAX RECEIPTS
City of El Mirage, Arizona

Retail sales consist of the automotive, food store, miscellaneous retail store and restaurant tax categories and are included in the Transaction Privilege and Use Tax Receipts shown above. The following chart illustrates retail sales tax receipts by the City for the previous five years.

Fiscal Year	Amount	Percent Change
2011-12(a)	$2,875,000	4.62 %
2010-11	2,747,959	0.43
2009-10	2,736,216	-10.42
2008-09	3,054,355	3.18
2007-08	2,960,263	90.16
2006-07	1,556,715	11.34

(a) Figure contains eleven months of actual data and estimated data for June 2012.

Source: City of El Mirage, Arizona, Comprehensive Annual Financial Reports and the City.

CITY EMPLOYEE RETIREMENT SYSTEM

Pension and Other Post-Employment Benefits

All benefited employees of the City, except public safety personnel and the Mayor and City Council, participate in the Arizona State Retirement System (the "ASRS"), a multiple-employer cost sharing defined-benefit pension plan. Sworn public safety personnel participate in the Public Safety Personnel Retirement System (the "PSPRS"), which is an agent multiple-employer pension plan. Both pension plans are administered by the State. For Fiscal Year 2011/12 the City's contribution rate to the ASRS was 10.50%, to the PSPRS was 16.72% for police and 10.35% for fire.

Legislation effective July 1, 2011 required employees to pay 53% of the contributions and employers to pay 47% of the contributions to the ASRS (the "Contribution Legislation"). The Contribution Legislation changed the past system requiring equal contributions from member employees and employers. Under the Contribution Legislation, for the fiscal year ending June 30, 2012, active plan members were required by statute to contribute at the actuarially determined rate of 11.395% of the members' annual covered payroll. The City was required by statute to contribute at the actuarially determined rate of 10.105% of the members' annual covered payroll. For fiscal year 2012/13, starting July 1, 2012, the contribution rates would have increased to 11.81% for member employees and to 10.48% for the City, with additional increases scheduled through fiscal year 2018.

However, the Contribution Legislation was challenged by affected employees. On February 1, 2012, the Maricopa County Superior Court ruled that the Contribution Legislation is unconstitutional as to those public employees who were members of the ASRS prior to the date the law was enacted. It is unknown at this time if the ASRS will appeal this decision, or the impact of the decision in light of the additional legislation discussed below.

Following the legal challenge to the Contribution Legislation, the legislature enacted HB2264, which was signed into law by the Governor and became effective on May 7, 2012. HB2264 effectively reverses the effect on contribution rates of the Contribution Legislation by providing that the ASRS member employee contributions be reduced to 50 percent of the total contributions (from the 53 percent required in the Contribution Legislation); the ASRS employer contributions be increased to 50 percent (from the 47 percent required in the Contribution Legislation); and by September 30, 2012, that ASRS employers (including the City) return any contributions made or to be made by employee members in excess of 50 percent during the year ending June 30, 2012 or during fiscal year 2012/13, starting July 1, 2012. Under HB2264, for the year ending June 30, 2012, active plan members and employers were again required by statute to contribute to the ASRS equally at the actuarially determined rate of 10.75% of the members' annual covered payroll. For fiscal year 2012/13, starting July 1, 2012, active plan members and employers are required to contribute equally at the actuarially determined rate of 11.15% of the members' annual covered payroll. The impact to the City of these changes is not expected to be materially adverse. For fiscal year 2011/12, ending June 30, 2012, the City's contribution rate to the PSPRS was 16.72% for police and 10.35% for fire. For fiscal year 2012/13, starting July 1, 2012, the City's contribution rate to the PSPRS will be 23.90% for police and 12.45% for fire.

Additionally, other enacted State legislation made changes to how the ASRS operates, effective July 1, 2011, which includes requiring employers to pay an alternative contribution rate for retired ASRS employees that return to work, changing the age at which an employee can retire without penalty based upon years of service, limiting permanent increases in retirement benefits and establishing a study committee that will review the feasibility and cost to changing the current defined benefit plan to a defined contribution plan.

The ASRS has reported increases in its unfunded liabilities. The most recent annual reports for the ASRS may be accessed at: https://www.azasrs.gov/web/FinancialReports.do. The effect of the increase in the ASRS' unfunded liabilities on the City, or on the City's and its employees' future annual contributions to the ASRS, are projected to increase to 11.50% by 2019.

The PSPRS has reported increases in its unfunded liabilities. The most recent annual reports for the PSPRS may be accessed at: http://www.psprs.com/sys_psprs/AnnualReports/cato_annual_rpts_psprs.htm.
The effect of the increase in the PSPRS's unfunded liabilities on the City, or on the City's and its employees' future annual contributions to the PSPRS, is projected to increase approximately 1.79%, in the aggregate, on the total payroll in Fiscal Year 2011/12.

See Note 14 in Appendix D – "CITY OF EL MIRAGE, ARIZONA – AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011" for further discussion of the City's retirement plans and other post-employment benefits.

Other Post-Employment Retirement Benefits

Government Accounting Standards Board Statement Number 45, *Accounting by Employers for Post-Employment Benefits Other than Pensions* ("GASB 45") require that the City report the actuarially accrued cost of post-employment benefits, other than pension benefits ("OPEB"), such as health and life insurance for current and future retirees. GASB 45 requires that such benefits be recognized as current costs over the working lifetime of employees, and to the extent such costs are not pre-funded, GASB 45 will require the reporting of such costs as a financial statement liability.

The City does not offer OPEBs. The City employees, their spouses and survivors may, however, be eligible for certain retiree health care benefits under health care programs provided by the State. Employees on long-term disability and their spouses may also qualify for retiree health care benefits through the State. It is expected that substantially all the city employees that reach normal or early retirement age while working for the City will become eligible for such benefits. Currently, such retirees may obtain the health care benefits offered by the State by paying the applicable health care insurance premium; such plan is available toall participants, whether retired or not, in the State's health care program. It is not the responsibility of the City to fund such costs.

APPENDIX C

FORM OF APPROVING LEGAL OPINION

July 25, 2012

Mayor and Council of the
City of El Mirage, Arizona
12145 Northwest Grand Avenue
El Mirage, Arizona 85335

Re: City of El Mirage, Arizona General Obligation and General Obligation Refunding Bonds, Series 2012

We have examined copies of the proceedings of the Mayor and Council of the City of El Mirage, Arizona (the "City"), and other proofs submitted to us relative to the issuance of the captioned Bonds (the two series together, the "Bonds"), described more particularly as follows:

$14,900,000 City of El Mirage, Arizona General Obligation Bonds Series 2012 (the "New Money Bonds")	$3,305,000 City of El Mirage, Arizona General Obligation Refunding Bonds Series 2012 (the "Refunding Bonds")

Dated the Date Hereof

Bearing interest (payable January 1, 2013, and semiannually thereafter on July 1 and January 1) at the rate per annum, and maturing on July 1 of each year, in the years and amounts, as follows:

NEW MONEY BONDS

Maturity Date (July 1)	Principal Amount	Interest Rate	Maturity Date (July 1)	Principal Amount	Interest Rate
2013	$270,000	2.000 %	2022	$380,000	3.000 %
2014	295,000	3.000	2023	395,000	3.000
2015	305,000	3.000	2024	405,000	3.250
2016	315,000	3.000	2025	420,000	3.250
2017	325,000	3.000	2027	875,000	3.500
2018	335,000	3.000	2033	3,065,000	4.000
2019	345,000	3.000	2042	6,450,000	5.000
2020	355,000	4.000			
2021	365,000	4.000			

REFUNDING BONDS

Maturity Date (July 1)	Principal Amount	Interest Rate
2013	$25,000	2.000%
2014	255,000	3.000
2015	265,000	3.000
2016	270,000	3.000
2017	280,000	3.000
2018	285,000	3.000
2019	295,000	2.125
2020	300,000	4.000
2021	315,000	4.000
2022	325,000	3.000
2023	340,000	3.000
2024	350,000	3.250

Principal of the Bonds being payable at the designated corporate trust office of U.S. Bank National Association, the Bond Registrar and Paying Agent, and semiannual interest being payable by check mailed to the registered owners thereof, as shown on the registration books for the Bonds maintained by the Bond Registrar and Paying Agent at the address appearing thereon at the close of business on the 15th day of the calendar month next preceding that interest payment date.

The Bonds maturing on or before July 1, 2022 are not being subject to redemption prior to their stated maturities. The Bonds maturing on or after July 1, 2023 being subject to redemption at the option of the City on July 1, 2022 and on any date thereafter, in whole or in part, in $5,000 increments, from such maturities as may be selected by the City, at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, without premium.

The New Money Bonds maturing on July 1, 2027, being redeemed at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, without premium on the following dates in the following principal amounts:

Date (July 1)		Principal Amount
2026		$430,000
2027	(Maturity)	445,000

The New Money Bonds maturing on July 1, 2033, being at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, without premium on the following dates in the following principal amounts:

Date (July 1)		Principal Amount
2028		$465,000
2029		480,000
2030		500,000
2031		520,000
2032		540,000
2033	(Maturity)	560,000

The New Money Bonds maturing on July 1, 2042, being redeemed at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, without premium on the following dates in the following principal amounts:

Date (July 1)		Principal Amount
2034		$585,000
2035		615,000
2036		645,000
2037		675,000
2038		710,000
2039		745,000
2040		785,000
2041		825,000
2042	(Maturity)	865,000

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity to the original documents of all documents submitted to us as copies. As to any facts material to our opinion, we have, when relevant facts were not independently established, relied upon the aforesaid proceedings and proofs.

We are of the opinion that such proceedings and proofs show lawful authority for the sale and issuance of the Bonds pursuant to the Constitution and laws of the State of Arizona now in force and that the Bonds are valid and legally binding obligations of the City, all of the taxable property within which is subject to the levy of a tax without limitation as to rate to pay the principal of and interest on the Bonds, but limited with respect to the Refunding Bonds to a total amount not greater than the total aggregate principal and interest to become due on the bonds being refunded with proceeds of the sale of the Refunding Bonds (the "Bonds Being Refunded") from the date of issuance of the Bonds to the final date of maturity of the Bonds Being Refunded. The net proceeds of the Refunding Bonds have been deposited in the respective principal and interest redemption funds for the payment of the Bonds Being Refunded with interest and redemption premiums, if any, on maturity or upon an available redemption date. The owners of the Refunding Bonds must rely on the sufficiency of such funds for payment of the Bonds Being Refunded. The issuance of the Refunding Bonds shall in no way infringe upon the rights of the holders of the Bonds Being Refunded to rely upon a tax levy for the payment of principal and interest on the Bonds Being Refunded if such funds prove insufficient.

Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated in the last sentence of this paragraph, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and the interest on the Bonds is exempt from income taxation under the laws of the State of Arizona. Furthermore, interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding other tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Bonds. The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the City must continue to meet after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The failure of the City to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The Mayor and Council of the City have resolved in Resolution No. R-12-06-25, adopted by the Mayor and Council of the City on June 19, 2012, to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. (Subject to the same limitations in the penultimate paragraph hereof with respect to such covenants, the City has full legal power and authority to comply with such covenants.) In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal tax purposes.

The rights of the holders of the Bonds and the enforceability of those rights may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights. The enforcement of those rights may also be subject to the exercise of judicial discretion in accordance with general principles of equity.

This opinion represents our legal judgment based upon our review of the law and the facts we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof, and we assume no obligation to review or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX D

CITY OF EL MIRAGE, ARIZONA

AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

The following audited Financial Statements are for the fiscal year ended June 30, 2011. These are the most recent audited financial statements available to the City. These financial statements may not represent the current financial conditions of the City. The City did not request the consent of Heinfeld, Meech & Co., P.C. to include its report and Heinfeld, Meech & Co., P.C. has performed no procedures subsequent to rendering its opinion on the financial statements.

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HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Heinfeld, Meech & Co. 25th Anniversary 1986-2011

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of El Mirage, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of El Mirage, Arizona (City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of El Mirage, Arizona, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended June 30, 2011, which represents a change in accounting principle.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2011, on our consideration of the City of El Mirage, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

10120 N. Oracle Road, Tucson, Arizona 85704
Tel: (520) 742-2611 Fax: (520) 742-2718

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 and budgetary comparison information on pages 56 through 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

December 14, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

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As management of the City of El Mirage, Arizona (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2010-11 as follows.

- The City's total net assets of governmental activities increased $1.9 million to $44.7 million and business-type activities decreased $317,933 to $32.6 million representing 58 percent and 42 percent, respectively, of the total net assets of $77.3 million.

- General revenues from governmental activities accounted for $15.7 million in revenue, or 68 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for $7.4 million or 32 percent of total governmental activities revenues. The City had $9.8 million of program revenues and $62,092 in general revenues related to business-type activities.

- The City had $22.4 million in expenses related to governmental activities, a decrease of one percent from the prior fiscal year. The City had $9.0 million in expenses related to business-type activities an increase of four percent from the prior fiscal year.

- Among major funds, the General Fund had $17.6 million in revenues, which primarily consisted of taxes and intergovernmental revenues. The total expenditures of the General Fund were $15.9 million. The General Fund's fund balance increased from $8.4 million to $11.2 million, due primarily to a significant decrease in general government and public safety expenditures.

- The Streets (HURF) Fund had $1.9 million in revenues, which primarily consisted of intergovernmental revenues. The total expenditures of the Streets (HURF) Fund were $1.3 million. The Street (HURF) Fund's fund balance increased from a deficit balance of $172,989 to a positive balance of $714,197, due primarily to a decrease in capital outlay expenditures.

- The Fire Impact Fees Fund had $19,139 in revenues which primarily consisted of development impact fees. The total expenditures of the Fire Impact Fees Fund were $888,495. The Fire Impact Fees Fund reported a fund balance decrease of $1.1 million due to capital outlay for the construction of a fire station.

- The Water and Sewer Fund net assets decreased $470,531. Operating expenses of $7.7 million were exceeded by operating revenues of $8.7 million.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used for the government-wide financial statements.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the government-wide financial statements the City's activities are presented in the following categories:

- **Governmental activities** – Most of the City's basic services are included here, such as general government, public safety, highways and streets, culture and recreation, redevelopment and housing, health and welfare, and interest on long-term debt. General revenues finance most of these activities.

- **Business-type activities** – The services provided by the City included here are water, sewer and solid waste services. The services are primarily financed through user fees and charges.

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

OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Streets (HURF), and Fire Impact Fees Funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

Proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer and solid waste operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Water and Sewer and Non-Major Enterprise Fund.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process. The City adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and major Special Revenue Fund as required supplementary information.

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

During the year ended June 30, 2011, the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* GASB Statement No. 54 establishes standards for financial reporting, including note disclosures requirements, for fund balance classifications of the governmental funds and clarifies existing governmental fund type definitions. Additional information on the fund balance classifications, components of fund balance, and other information related to fund balance can be found in Note 2.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by $77.3 million at the current fiscal year end.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, land improvements; buildings and improvements; sewer plant; water mains and lines; sewer collection system; infrastructure; vehicles, machinery, and equipment; and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table presents a summary of the City's net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

	2011 Governmental Activities	2010 Governmental Activities	2011 Business-type Activities	2010 Business-type Activities	2011 Total	2010 Total
Current assets	$ 19,170,061	$ 18,448,412	$ 5,325,981	$ 5,142,190	$ 24,496,042	$ 23,590,602
Capital assets, net	40,497,357	41,841,584	45,043,608	44,303,773	85,540,965	86,145,357
Other non-current assets	240,116	254,933	175,803	1,565,453	415,919	1,820,386
Total assets, net	59,907,534	60,544,929	50,545,392	51,011,416	110,452,926	111,556,345
Current and other liabilities	1,056,178	3,550,854	2,654,758	2,806,716	3,710,936	6,357,570
Long-term liabilities	14,144,965	14,183,421	15,255,343	15,251,476	29,400,308	29,434,897
Total liabilities	15,201,143	17,734,275	17,910,101	18,058,192	33,111,244	35,792,467
Invested in capital assets, net of related debt	31,113,879	32,963,664	29,826,764	27,967,960	60,940,643	60,931,624
Restricted	1,640,241			1,372,070	1,640,241	1,372,070
Unrestricted	11,952,271	9,846,990	2,808,527	3,613,194	14,760,798	13,460,184
Total net assets	$ 44,706,391	$ 42,810,654	$ 32,635,291	$ 32,953,224	$ 77,341,682	$ 75,763,878

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant current year transactions that had an impact on the Statement of Net Assets.

- The addition of $818,462 in governmental activities capital assets.
- The addition of $2.9 million in business-type activities capital assets.
- The payment of $609,599 in long-term liabilities

Changes in net assets. The City's total revenues for the current fiscal year were $33.0 million. The total cost of all programs and services was $31.4 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

	2011 Governmental Activities	2010 Governmental Activities	2011 Business-type Activities	2010 Business-type Activities	2011 Total	2010 Total
Revenues:						
Program revenues:						
Charges for services	$ 1,598,199	$ 1,518,242	$ 9,830,303	$ 9,983,441	$ 11,428,502	$ 11,501,683
Operating grants and contributions	3,753,356	2,407,165			3,753,356	2,407,165
Capital grants and contributions	2,031,513	1,285,278		642,039	2,031,513	1,927,317
General revenues:						
Property taxes	2,998,935	2,914,705			2,998,935	2,914,705
City sales taxes	5,368,649	5,366,105			5,368,649	5,366,105
Franchise taxes	654,999	622,259			654,999	622,259
State shared revenues	6,620,951	7,567,145			6,620,951	7,567,145
Investment income	23,200	54,459	5,116	11,052	28,316	65,511
Development impact fees	49,677	24,494	56,976	37,532	106,653	62,026
Total revenues	23,099,479	21,759,852	9,892,395	10,674,064	32,991,874	32,433,916
Expenses:						
General government	5,559,107	6,505,436			5,559,107	6,505,436
Public safety	9,899,205	10,748,374			9,899,205	10,748,374
Highways and streets	3,692,419	2,035,720			3,692,419	2,035,720
Culture and recreation	1,563,881	1,645,357			1,563,881	1,645,357
Redevelopment and housing	557,830	487,603			557,830	487,603
Health and welfare	497,956	587,306			497,956	587,306
Interest on long-term debt	646,132	722,153			646,132	722,153
Water and sewer			8,132,429	7,754,833	8,132,429	7,754,833
Solid waste			865,111	926,067	865,111	926,067
Total expenses	22,416,530	22,731,949	8,997,540	8,680,900	31,414,070	31,412,849
Transfers	1,212,788	2,254,544	(1,212,788)	(2,254,544)		
Changes in net assets	$ 1,895,737	$ 1,282,447	$ (317,933)	$ (261,380)	$ 1,577,804	$ 1,021,067

- Expenses for general government and public safety decreased by $946,329 and $849,169, respectively as a result of cost cutting measures to compensate for decreased state shared revenues.
- Expenses for highways and streets increased approximately $1.7 million due to the reconstruction of the intersection of Dysart and Thunderbird Roads.
- Capital grants increased by $746,235, due to increased Community Development Block Grants.
- State shared revenues decreased by $946,194 due to economic and state budgetary reasons.

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

Governmental and Business-type activities. The following table presents the cost of the City's functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	2011		2010	
Governmental Activities	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
General government	$ 5,559,107	$ (5,139,337)	$ 6,505,436	$ (6,029,140)
Public safety	9,899,205	(8,484,359)	10,748,374	(9,424,069)
Highways and streets	3,692,419	196,246	2,035,720	724,066
Culture and recreation	1,563,881	(1,530,925)	1,645,357	(1,623,737)
Redevelopment and housing	557,830	905,141	487,603	55,771
Health and welfare	497,956	(334,096)	587,306	(502,002)
Interest on long-term debt	646,132	(646,132)	722,153	(722,153)
Total	$ 22,416,530	$ (15,033,462)	$ 22,731,949	(17,521,264)
Business-type Activities				
Water and sewer	$ 8,132,429	$ 575,165	$ 7,754,833	$ 1,962,614
Solid waste	865,111	257,598	926,067	(18,034)
Total	$ 8,997,540	$ 832,763	8,680,900	$ 1,944,580

- Federal and State governments and charges for services subsidized certain governmental programs with revenues of $7.4 million.
- Net cost of governmental activities of $15.0 million was financed by general revenues, which are made up of primarily sales taxes and state shared revenues of $12.0 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of $18.0 million, an increase of $2.5 million, or 16 percent from the prior year.

The increase in the General Fund's fund balance of $2.8 million was due primarily to a reimbursement of $1.5 million from the Maricopa County Department of Transportation and transfers in to help fund utility-related administrative costs.

The Street (HURF) Fund's fund balance increased from a deficit balance of $172,989 to a positive balance of $714,197, due primarily to a decrease in capital outlay expenditures.

The Fire Impact Fees Fund reported a fund balance decrease of $1.1 million due to increased capital outlay for the construction of a fire station.

Proprietary funds. Net assets of the Enterprise Funds at the end of the year amounted to $32.6 million, a decrease of $317,933, or one percent decrease from the prior year.

BUDGETARY HIGHLIGHTS

A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information. There were no significant variances between the original budget and the final amended budget. The significant variances between budget and actual in the General Fund are summarized as follows:

- The favorable variance of $1.5 million in intergovernmental revenue was a result of a $1.5 million reimbursement from the Maricopa County Department of Transportation.
- The favorable variance of $1.2 million in public safety was a result of a reduction in personnel costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the City had invested $115.7 million in capital assets. This amount represents a net increase prior to depreciation of $3.7 million from the prior fiscal year, primarily due to infrastructure improvements. Total depreciation expense for the year was $4.3 million. Equipment originally costing $15,000 was disposed of during the current fiscal year. Depreciable assets totaling $582,212 were transferred from governmental activities to business-type activities.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2011 and June 30, 2010.

	2011 Governmental Activities	2010 Governmental Activities	2011 Business-type Activities	2010 Business-type Activities
Non-depreciable assets	$ 11,548,357	$ 14,785,371	$ 2,488,236	$ 1,765,239
Depreciable assets	38,258,432	34,202,956	63,434,444	61,265,689
Less: Accumulated depreciation	(9,309,432)	(7,146,743)	(20,879,072)	(18,727,155)
Total capital assets, net	$ 40,497,357	$ 41,841,584	$ 45,043,608	$ 44,303,773

Additional information on the City's capital assets can be found in Note 6.

Debt Administration. At year end, the City had $28.9 million in long-term debt outstanding, $1.6 million due within one year. The following table presents a summary of the City's outstanding long-term debt for the fiscal years ended June 30, 2011 and June 30, 2010.

	As of June 30, 2011	As of June 30, 2010
GADA bonds	$ 13,645,000	$ 14,235,000
Capital leases	28,120	47,719
WIFA loans	15,216,848	16,335,810
Total	$ 28,889,968	$ 30,618,529

The Arizona Constitution and State Statutes limit a municipality's bonded debt capacity to certain percentages of its secondary assessed valuation and by the type of project to be constructed with general obligation (GO) bonds. For projects involving water, wastewater, artificial lighting, parks, open space, recreational facility improvements, streets, public safety, and fire and emergency facilities, the City can issue GO bonds up to 20% of its secondary assessed valuation. For any other general-purpose improvements, the City may issue bonds up to 6% of its secondary assessed valuation. The City's available debt margin at year end was $8.3 million in the 6% capacity and $27.5 million in the 20% capacity. The City has no general obligation debt applicable to the 6% limit and $13.6 million of debt applicable to the 20% limit.

Additional information on the City's long-term debt can be found in Notes 7 through 10.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The adopted combined operating and capital expenditure budget for fiscal year 2011-12 totals $70.1 million, a decrease of $3.3 million or 4.5% less than fiscal year 2010-11.

Although there is a decrease of 4.5%, $31.7 million of the $70.1 million is related to projects that won't commence if resources are not found to fund them. The State of Arizona requires that funding must be appropriated before they can be spent.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Department of Finance and Technology, 12145 NW Grand Avenue, El Mirage, Arizona 85335.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CITY OF EL MIRAGE, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activites	Business-type Activites	Total
ASSETS			
Current assets:			
Cash and investments	$ 17,480,766	$ 4,137,126	$ 21,617,892
Accounts receivable	6,838	1,102,392	1,109,230
Property taxes receivable	262,271		262,271
Due from governmental entities	1,407,498	86,463	1,493,961
Prepaid items	12,688		12,688
Total current assets	19,170,061	5,325,981	24,496,042
Noncurrent assets:			
Deferred charges	240,116	175,803	415,919
Capital assets, non-depreciable	11,548,357	2,488,236	14,036,593
Capital assets, depreciable (net)	28,949,000	42,555,372	71,504,372
Total noncurrent assets	40,737,473	45,219,411	85,956,884
Total assets	59,907,534	50,545,392	110,452,926
LIABILITIES			
Current liabilities:			
Accounts payable	716,517	1,303,090	2,019,607
Accrued payroll and employee benefits	172,429	23,172	195,601
Accrued interest		220,306	220,306
Due to governmental entities	50,024		50,024
Compensated absences payable	159,615	12,833	172,448
Unearned revenue	16,593		16,593
Customer deposits	7,242	1,108,190	1,115,432
Capital leases payable	20,868		20,868
Loans payable		996,583	996,583
General obligation bonds payable	610,000		610,000
Total current liabilities	1,753,288	3,664,174	5,417,462
Noncurrent liabilities:			
Compensated absences payable	312,230	25,666	337,896
Capital leases payable	7,252		7,252
Loans payable		14,220,261	14,220,261
Deferred premium	93,373		93,373
General obligation bonds payable	13,035,000		13,035,000
Total noncurrent liabilities	13,447,855	14,245,927	27,693,782
Total liabilities	15,201,143	17,910,101	33,111,244
NET ASSETS			
Invested in capital assets, net of related debt	31,113,879	29,826,764	60,940,643
Restricted for:			
Grants	752,967		752,967
Debt service	67,028		67,028
Capital projects	820,246		820,246
Unrestricted	11,952,271	2,808,527	14,760,798
Total net assets	$ 44,706,391	$ 32,635,291	$ 77,341,682

The notes to the basic financial statements are an integral part of this statement.

CITY OF EL MIRAGE, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Primary Government					
Governmental activities:					
General government	$ 5,559,107	$ 395,327	$ 24,443	$	$ (5,139,337)
Public safety	9,899,205	1,005,833	403,411	5,602	(8,484,359)
Highways and streets	3,692,419	36,145	2,777,548	1,074,972	196,246
Culture and recreation	1,563,881	32,456		500	(1,530,925)
Redevelopment and housing	557,830	128,438	535,951	798,582	905,141
Health and welfare	497,956		12,003	151,857	(334,096)
Interest on long-term debt	646,132				(646,132)
Total governmental activites	22,416,530	1,598,199	3,753,356	2,031,513	(15,033,462)
Business-type activities:					
Water and sewer	8,132,429	8,707,594			
Solid waste	865,111	1,122,709			
Total business-type activites	8,997,540	9,830,303			
Total primary government	$ 31,414,070	$ 11,428,502	$ 3,753,356	$ 2,031,513	(15,033,462)

General revenues:	
Taxes:	
Property taxes, levied for general purposes	1,735,596
Property taxes, levied for debt purposes	1,263,339
City sales taxes	5,368,649
Franchise taxes	654,999
State shared revenues	6,620,951
Investment income	23,200
Development impact fees	49,677
Transfers	1,212,788
Total general revenues and transfers	16,929,199
Changes in net assets	1,895,737
Net assets, beginning of year	42,810,654
Net assets, end of year	$ 44,706,391

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets	
Business-type Activities	Totals
$	$ (5,139,337)
	(8,484,359)
	196,246
	(1,530,925)
	905,141
	(334,096)
	(646,132)
	(15,033,462)
575,165	575,165
257,598	257,598
832,763	832,763
832,763	(14,200,699)
	1,735,596
	1,263,339
	5,368,649
	654,999
	6,620,951
5,116	28,316
56,976	106,653
(1,212,788)	
(1,150,696)	15,778,503
(317,933)	1,577,804
32,953,224	75,763,878
$ 32,635,291	$ 77,341,682

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FUND FINANCIAL STATEMENTS

CITY OF EL MIRAGE, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	General	Streets (HURF)	Fire Impact Fees
ASSETS			
Cash and investments	$ 10,665,345	$ 726,898	$ 4,289,642
Accounts receivable	6,838		
Property taxes receivable	149,314		
Due from governmental entities	884,438	162,446	
Due from other funds	160,000		
Prepaid items	12,688		
Total assets	$ 11,878,623	$ 889,344	$ 4,289,642
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 372,208	$ 173,128	$ 22,516
Accrued payroll and employee benefits	166,497	2,019	
Due to governmental entities	50,024		
Due to other funds			
Deferred revenue	82,824		
Customer deposits			
Total liabilities	671,553	175,147	22,516
Fund balances (deficits):			
Nonspendable	12,688		
Restricted		714,197	4,267,126
Committed	170,634		
Assigned	148,381		
Unassigned	10,875,367		
Total fund balances	11,207,070	714,197	4,267,126
Total liabilities and fund balances	$ 11,878,623	$ 889,344	$ 4,289,642

The notes to the basic financial statements are an integral part of this statement.

Non-Major Governmental Funds	Total Governmental Funds
$ 1,798,881	$ 17,480,766
	6,838
112,957	262,271
360,614	1,407,498
	160,000
	12,688
$ 2,272,452	$ 19,330,061
$ 148,665	$ 716,517
3,913	172,429
	50,024
160,000	160,000
109,518	192,342
7,242	7,242
429,338	1,298,554
	12,688
926,044	5,907,367
914,719	1,085,353
75,651	224,032
(73,300)	10,802,067
1,843,114	18,031,507
$ 2,272,452	$ 19,330,061

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CITY OF EL MIRAGE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total governmental fund balances		**$ 18,031,507**
Amounts reported for *governmental activities* in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Governmental capital assets	$ 49,806,789	
Less accumulated depreciation	(9,309,432)	40,497,357
Some revenues will not be available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes	144,012	
Intergovernmental	31,737	175,749
Deferred items related to the issuance of debt are amortized over the life of the associated debt in the government-wide statements.		146,743
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	(471,845)	
Capital leases payable	(28,120)	
Revenue bonds payable	(13,645,000)	(14,144,965)
Net assets of governmental activities		**$ 44,706,391**

The notes to the basic financial statements are an integral part of this statement.

CITY OF EL MIRAGE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2011

	General	Streets (HURF)	Fire Impact Fees
Revenues:			
Property taxes	$ 1,730,436	$	$
City sales taxes	5,368,649		
Franchise taxes	654,999		
Licenses and permits	190,237		
Intergovernmental	8,380,043	1,840,086	
Charges for services	190,835		
Fines and forfeits	952,346		
Investment income	16,987		5,729
Rents	29,486		
Development impact fees			13,410
Contributions and donations	2,500		
Miscellaneous	59,372	36,134	
Total revenues	17,575,890	1,876,220	19,139
Expenditures:			
Current -			
General government	5,330,097		
Public safety	9,106,278		13,233
Highways and streets		1,061,985	
Culture and recreation	1,292,708		
Redevelopment and housing			
Health and welfare			
Capital outlay	133,678	217,049	875,262
Debt service -			
Principal retirement	19,599		
Interest and fiscal charges	2,443		
Total expenditures	15,884,803	1,279,034	888,495
Excess (deficiency) of revenues over expenditures	1,691,087	597,186	(869,356)
Other financing sources (uses):			
Transfers in	1,800,000	300,000	
Transfers out	(653,000)	(10,000)	(268,317)
Total other financing sources (uses):	1,147,000	290,000	(268,317)
Changes in fund balances	2,838,087	887,186	(1,137,673)
Fund balances (deficits), beginning of year	8,368,983	(172,989)	5,404,799
Fund balances (deficits), end of year	$ 11,207,070	$ 714,197	$ 4,267,126

The notes to the basic financial statements are an integral part of this statement.

Non-Major Governmental Funds	Total Governmental Funds
$ 1,298,562	$ 3,028,998
	5,368,649
	654,999
	190,237
2,103,282	12,323,411
12	190,847
139,777	1,092,123
483	23,199
	29,486
36,267	49,677
	2,500
48,172	143,678
3,626,555	23,097,804
76,997	5,407,094
246,509	9,366,020
22,108	1,084,093
	1,292,708
535,952	535,952
101,698	101,698
2,137,761	3,363,750
590,000	609,599
635,948	638,391
4,346,973	22,399,305
(720,418)	698,499
626,317	2,726,317
	(931,317)
626,317	1,795,000
(94,101)	2,493,499
1,937,215	15,538,008
$ 1,843,114	$ 18,031,507

CITY OF EL MIRAGE, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

Net changes in fund balances - total governmental funds		**$ 2,493,499**
Amounts reported for *governmental activities* in the Statement of Activities are different because:		
Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.		
Expenditures for capitalized assets	$ 818,462	
Less current year depreciation	(2,162,689)	(1,344,227)
Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	(30,062)	
Intergovernmental	31,737	1,675
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Capital leases payable	19,599	
Revenue bonds payable	590,000	609,599
Some revenues and expenses reported in the Statement of Activities do not provide or require the use of current financial resources and therefore are not reported in governmental funds.		
Amortization of bond items	(7,741)	
Compensated absences	142,932	135,191
Change in net assets in governmental activities		**$ 1,895,737**

The notes to the basic financial statements are an integral part of this statement.

CITY OF EL MIRAGE, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2011

	Enterprise Funds		
	Water and Sewer	Non-Major Enterprise Funds	Totals
ASSETS			
Current assets:			
Cash and investments	$ 3,975,888	$ 161,238	$ 4,137,126
Accounts receivable	990,012	112,380	1,102,392
Due from governmental entities	86,463		86,463
Total current assets	5,052,363	273,618	5,325,981
Noncurrent assets:			
Deferred charges	175,803		175,803
Capital assets, non-depreciable	2,488,236		2,488,236
Capital assets, depreciable (net)	42,555,372		42,555,372
Total noncurrent assets	45,219,411		45,219,411
Total assets	50,271,774	273,618	50,545,392
LIABILITIES			
Current liabilities:			
Accounts payable	1,235,591	67,499	1,303,090
Accrued payroll and employee benefits	23,172		23,172
Accrued interest	220,306		220,306
Compensated absences payable	12,833		12,833
Customer deposits	1,108,190		1,108,190
Loans payable	996,583		996,583
Total current liabilities	3,596,675	67,499	3,664,174
Noncurrent liabilities:			
Compensated absences payable	25,666		25,666
Loans payable	14,220,261		14,220,261
Total noncurrent liabilities	14,245,927		14,245,927
Total liabilities	17,842,602	67,499	17,910,101
NET ASSETS			
Invested in capital assets, net of related debt	29,826,764		29,826,764
Unrestricted	2,602,408	206,119	2,808,527
Total net assets	$ 32,429,172	$ 206,119	$ 32,635,291

The notes to the basic financial statements are an integral part of this statement.

CITY OF EL MIRAGE, ARIZONA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise Funds		
	Water and Sewer	Non-Major Enterprise Funds	Totals
Operating revenues:			
Charges for services	$ 8,707,594	$ 1,122,709	$ 9,830,303
Total operating revenues	8,707,594	1,122,709	9,830,303
Operating expenses:			
Cost of sales and services	5,521,295	865,111	6,386,406
Depreciation	2,151,917		2,151,917
Total operating expenses	7,673,212	865,111	8,538,323
Operating income (loss)	1,034,382	257,598	1,291,980
Nonperating revenues (expenses):			
Investment income	5,116		5,116
Development impact fees	56,976		56,976
Interest expense	(459,217)		(459,217)
Total nonoperating revenues (expenses)	(397,125)		(397,125)
Income (loss) before capital contributions and transfers	637,257	257,598	894,855
Transfers out	(1,690,000)	(105,000)	(1,795,000)
Capital contributions	582,212		582,212
Changes in net assets	(470,531)	152,598	(317,933)
Total net assets, beginning of year	32,899,703	53,521	32,953,224
Total net assets, end of year	$ 32,429,172	$ 206,119	$ 32,635,291

The notes to the basic financial statements are an integral part of this statement.

CITY OF EL MIRAGE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2011

	Enterprise Funds		
	Water and Sewer	Non-Major Enterprise	Totals
Increase (Decrease) In Cash and Cash Equivalents			
Cash flows from operating activities:			
Cash received from customers	$ 9,100,929	$ 1,108,344	$ 10,209,273
Cash payments to suppliers for goods and services	(2,980,030)	(933,755)	(3,913,785)
Cash payments to employees for services	(1,767,237)		(1,767,237)
Net cash provided by operating activities	4,353,662	174,589	4,528,251
Cash flows from noncapital and related financing activities:			
Loans receivable repayment proceeds	782,916		782,916
Interfund borrowing	386,000	91,649	477,649
Interfund transfers	(1,690,000)	(105,000)	(1,795,000)
Net cash used for noncapital financing activities	(521,084)	(13,351)	(534,435)
Cash flows from capital and related financing activities:			
Development impact fees	56,976		56,976
Capital contributions	582,212		582,212
Principal paid on loans	(1,118,966)		(1,118,966)
Interest paid on loans	(440,181)		(440,181)
Acquisition and construction of capital assets	(2,891,752)		(2,891,752)
Net cash used for capital and related financing activities	(3,811,711)		(3,811,711)
Cash flows from investing activities:			
Interest on investments	5,116		5,116
Net cash provided by investing activities	5,116		5,116
Net increase in cash and cash equivalents	25,983	161,238	187,221
Cash and cash equivalents, July 1, 2010	3,949,905		3,949,905
Cash and cash equivalents, June 30, 2011	$ 3,975,888	$ 161,238	$ 4,137,126
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	$ 1,034,382	$ 257,598	$ 1,291,980
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,151,917		2,151,917
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable	129,300	(14,365)	114,935
Increase (decrease) in accounts payable	781,150	(68,644)	712,506
Increase in accrued payroll and employee benefits	6,327		6,327
Decrease in compensated absences payable	(13,449)		(13,449)
Increase in deposits held for others	264,035		264,035
Total adjustments	3,319,280	(83,009)	3,236,271
Net cash provided by operating activities	$ 4,353,662	$ 174,589	$ 4,528,251
Non-cash capital and financing activities			
Contribution of assets from governmental funds	$ 582,212	$ -	$ 582,212

The notes to the basic financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of El Mirage, Arizona have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2011, the City implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* GASB Statement No. 54 establishes standards for financial reporting, including note disclosure requirements, for fund balance classifications of the governmental funds, and clarifies existing governmental fund type definitions.

The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City is a municipal entity governed by an elected mayor and council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City, the primary government.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The City is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units combined with the City for financial statement presentation purposes, and the City, are not included in any other governmental reporting entity. Consequently, the City's financial statements include the funds of those organizational entities for which its elected governing body is financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property taxes, sales taxes, franchise taxes, licenses and permits, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenue arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes and other receivables that will not be collected within the available period have been reported as deferred revenue on the governmental fund financial statements.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The City reports the following major governmental funds.

General Fund – This fund accounts for all financial resources of the City, except those required to be accounted for in other funds.

Streets (HURF) Fund – this fund accounts for state shared highway user tax revenues for street improvements, maintenance, and capital additions.

Fire Impact Fees Fund – this fund accounts for fire impact fees and construction projects.

The City reports the following major proprietary fund.

Water and Sewer Fund – This fund is used to account for all water and wastewater operations.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The Proprietary Fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting and are presented in a single column.

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 City's enterprise fund are charges to customers for water, sewer and solid waste. Operating expenses for these funds include the cost of sales and services and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Cash and Investments

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year end were cash on hand, restricted and unrestricted cash in bank and investments.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables, are shown net of an allowance for uncollectibles.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

G. Property Tax Calendar

The property tax levy, as described in the Arizona State Statutes, is divided into two levies, a primary levy and a secondary levy. Secondary taxes are levied strictly for the retirement and redemption of bonded indebtedness, while the primary levy may be used for any legal operating purpose. The primary property tax levy is limited to a 2% annual increase over the prior year's maximum allowable levy plus an adjustment for properties that were not taxed in the previous year.

Property taxes are levied by the City and collected by the County Treasurer. Real property taxes are levied on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. The billings are considered past due after these dates, at which time the applicable property is subject to penalties and interest.

Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in both the government-wide and fund financial statements.

I. Capital Assets

Capital assets, which include land, land improvements, buildings and improvements, sewer plant, water mains and lines, sewer collection system, vehicles, machinery, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. General government infrastructure capital assets include only those assets acquired or constructed since July 1, 2003.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

Certain capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

Assets	Years	Assets	Years
Buildings	10-50	Land improvements	10-25
Improvements other than buildings	10-50	Sewer plant	20-50
Vehicles, machinery and equipment	5-20	Sewer collection system	15-25
Streets infrastructure	7-30	Water infrastructure	10

J. Compensated Absences

The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Vacation benefits vest at the employee's current rate of pay. Sick leave benefits vest at one-fourth (25%) the hours accumulated at the employee's current rate of pay, after ten years of service, up to 480 hours of service. The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

K. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Debt premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the debt using the straight-line method over the term of the related debt.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

L. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

M. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – FUND BALANCE CLASSIFICATIONS

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

Nonspendable. The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact.

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those accounts.

NOTE 2 – FUND BALANCE CLASSIFICATIONS (Concl'd)

Assigned. Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or a management official delegated that authority by the formal City Council action.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had be restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

The table below provides detail of the major components of the City's fund balance classifications at year end.

	General Fund	Streets (HURF) Fund	Fire Impact Fees Fund	Non-Major Governmental Funds
Fund Balances:				
Nonspendable:				
Prepaid items	$ 12,688	$	$	$
Restricted:				
Grants				752,967
Debt service				67,028
Capital projects		714,197	4,267,126	106,049
Committed				
Streets projects				914,719
Other purposes	170,634			
Assigned	148,381			75,651
Unassigned	10,875,367			(73,300)
Total fund balances	$ 11,207,070	$ 714,197	$4,267,126	$ 1,843,114

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Individual Deficit Fund Balances – At year end, the following individual non-major governmental funds reported deficits in fund balance.

	Deficit
Non-Major Governmental Funds:	
Police Grants	$ 3,019
Other Capital Projects	24,367

The deficits arose because of operations during the year and prior years. Additional revenues received in fiscal year 2011-12 are expected to eliminate the deficits.

Excess Expenditures Over Budget – At year end, the City had expenditures in a fund that exceeded the budget, however, this does not constitute a violation of any legal provisions.

NOTE 4 – CASH AND INVESTMENTS

Arizona statutes authorize the City to invest public monies in the State Treasurer's local government investment pools, the County Treasurer's investment pool, in obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. By identification of permitted investments, all other investments are prohibited by the same statutes. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City's investments.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the City's deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the City's deposits was $574,457 and the bank balance was $609,444. Of the bank balance, $137,662 was covered by collateral held by the pledging financial institution in the City's name.

NOTE 4 – CASH AND INVESTMENTS (Concl'd)

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant's position in the State Treasurer investment pools approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments.

At year end, the City's investments consisted of the following.

Investment Type	Maturities	Fair Value
Repurchase Agreements	Less than 1 month	$ 1,981,710
State Treasurer's investment pool 5	27 days average	14,749,959
State Treasurer's investment pool 7	47 days average	4,311,766
Total		$ 21,043,435

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City has no investment policy that would further limit its investment choices. As of year end, the City's investment in the State's investment pool 5 received a credit quality rating of AAAF/S1+ from Standard & Poor's and the underlying investments of the State's investment pool 7 are securities backed by the U.S. Government with a AAA weighted average rating.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments. The City's $2.0 million investment in repurchase agreements was collateralized with securities held by the counterparty. The City's investment in the State Treasurer's investment pools represents a proportionate interest in the pool's portfolio; however, the City's portion is not identified with specific investments and is not subject to custodial credit risk.

NOTE 5 – RECEIVABLES

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the City's individual major funds and non-major governmental and proprietary funds funds in the aggregate, were as follows.

	General Fund	Streets (HURF) Fund	Non-Major Governmental Funds	Water and Sewer Fund
Due from other governmental entities:				
Due from State government	$ 656,714	$ 162,446	$ 59,888	$ 86,463
Due from County government			267,363	
Due from Federal government	84,316		31,737	
Due from other governments	143,408		1,626	
Net due from governmental entities	$ 884,438	$ 162,446	$ 360,614	$ 86,463

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows.

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	$ 82,824	$
Delinquent property taxes receivable (Non-Major Governmental Funds)	61,188	
Grant drawdown prior to meeting all eligibility requirements (Non-Major Governmental Funds)		16,593
Measurable but unavailable revenues (Non-Major Governmental Funds)	31,737	
Total deferred revenue for governmental funds	$ 175,749	$ 16,593

NOTE 6 – CAPITAL ASSETS

A summary of capital asset activity for the current fiscal year follows.

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	$ 8,691,931	$	$	$ 8,691,931
Construction in progress	6,093,440	782,840	4,019,854	2,856,426
Total capital assets, not being depreciated	14,785,371	782,840	4,019,854	11,548,357
Capital assets, being depreciated:				
Land improvements	422,133	30,696		452,829
Buildings and improvements	3,476,70	31,737		3,508,440
Infrastructure	22,949,660	3,207,992		26,157,652
Machinery, equipment and vehicles	7,354,460	785,051		8,139,511
Total capital assets being depreciated	34,202,956	4,055,476		38,258,432
Less accumulated depreciation for:				
Land improvements	(320,442)	(10,420)		(330,862)
Buildings and improvements	(1,096,256)	(161,600)		(1,257,856)
Infrastructure	(2,335,247)	(1,267,458)		(3,602,705)
Machinery, equipment and vehicles	(3,394,798)	(723,211)		(4,118,009)
Total accumulated depreciation	(7,146,743)	(2,162,689)		(9,309,432)
Total capital assets, being depreciated, net	27,056,213	1,892,787		28,949,000
Governmental activities capital assets, net	$41,841,584	$ 2,675,627	$ 4,019,854	$ 40,497,357

Governmental activities:	
General government	$ 262,878
Public safety	513,834
Highways and streets	694,415
Culture and recreation	295,310
Health and welfare	396,252
Total depreciation expense	$ 2,162,689

NOTE 6 – CAPITAL ASSETS (Concl'd)

Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	$ 856,187	$ 65,433	$	$ 921,620
Construction in progress	909,052	1,259,657	602,093	1,566,616
Total	1,765,239	1,325,090	602,093	2,488,236
Capital assets, being depreciated:				
Sewer plant	19,158,226	1,296,875		20,455,101
Water mains and lines	27,284,993	690,088		27,975,081
Sewer collection system	8,192,857	130,654		8,323,511
Land improvements	4,667,955			4,667,955
Buildings and improvements	225,402	38,939		264,341
Machinery, equipment and vehicles	1,724,500	27,199	15,000	1,736,699
Infrastructure	11,756			11,756
Total capital assets being depreciated	61,265,689	2,183,755	15,000	63,434,444
Less accumulated depreciation for:				
Sewer plant	(6,609,158)	(439,436)		(7,048,594)
Water mains and lines	(6,625,809)	(1,161,641)		(7,787,450)
Sewer collection system	(3,759,824)	(313,660)		(4,073,484)
Land improvements	(1,112,038)	(81,991)		(1,194,029)
Buildings and improvements	(99,256)	(8,663)		(107,919)
Machinery, equipment and vehicles	(517,262)	(144,068)		(661,330)
Infrastructure	(3,808)	(2,458)		(6,266)
Total accumulated depreciation	(18,727,155)	(2,151,917)		(20,879,072)
Total capital assets, being depreciated, net	42,538,534	31,838	15,000	42,555,372
Business-type activities capital assets, net	$ 44,303,773	$ 1,356,928	$ 617,093	$ 45,043,608

Business-type activities:	
Water and Sewer	$ 2,151,917
Total depreciation expense – business-type activities	$ 2,151,917

Construction Commitments – At year end, the City had contractual commitments related to various capital projects for the construction of street improvements, water and wastewater projects, and a fire station. At year end, the City had spent $4.4 million on the projects and had estimated remaining contractual commitments of $270,000. The water, wastewater, and fire station projects are being funded with bond proceeds.

Asset Transfers – Improvements totaling $582,212 were transferred from governmental activities to business-type activities. The transfer explains the differences in revenue, expenditures, and transfers between the fund financial statements and the government-wide financial statements.

NOTE 7 – OBLIGATIONS UNDER CAPITAL LEASES

The City has acquired a refurbished building under the provisions of a long-term lease agreement classified as a capital lease. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the General Fund, a major governmental fund, are used to pay the capital lease obligation.

The assets acquired through capital leases that meet the City's capitalization threshold are as follows.

	Governmental Activities
Asset:	
Buildings and improvements	$ 60,433
Less: Accumulated depreciation	10,034
Total	$ 50,399

The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows.

Year Ending June 30:	Governmental Activities
2012	$ 22,042
2013	7,347
Total minimum lease payments	29,389
Less: amount representing interest	1,269
Present value of minimum lease payments	$ 28,120
Due within one year	$ 20,868

NOTE 8 – GENERAL OBLIGATION BONDS PAYABLE

The City has entered into three Greater Arizona Development Authority (GADA) bond agreements to refund a prior year issuance and to finance street and highway projects.

	Original Amount Issued	Interest Rate	Maturity	Outstanding Principal June 30, 2011
Governmental activities:				
GADA Bond, Series 2004 A	$ 4,855,000	3.95-4.80%	7/1/11-24	$ 3,665,000
GADA Bond, Series 2007 B	1,145,000	4.00-5.00%	7/1/11-27	990,000
GADA Bond, Series 2009 B	9,600,000	3.00-5.00%	7/1/11-29	8,990,000
Total				$ 13,645,000

Principal and interest payments on the governmental activities bonds payable at year end are summarized as follows.

		Governmental Activities	
Year ending June 30:		Principal	Interest
	2012	$ 610,000	$ 610,977
	2013	630,000	589,539
	2014	655,000	565,913
	2015	680,000	541,680
	2016	705,000	514,359
	2017-21	4,000,000	2,092,921
	2022-26	4,235,000	1,113,053
	2027-30	2,130,000	211,469
Total		$ 13,645,000	$ 6,239,911

NOTE 9 – LOANS PAYABLE

The City has entered into a number of separate Water Infrastructure Finance Authority (WIFA) loan agreements to refund a prior year issuance and to finance water facilities and infrastructure upgrades. The funding is drawn-down from the lender as the upgrade costs are incurred, as such not all proceeds have been received as of year-end.

	Original Amount Issued	Interest Rate (Including Fees)	Maturity	Outstanding Principal June 30, 2011
Business-type activities:				
WIFA Loan, DW 050-2005	$ 16,550,000	2.93%	7/1/11-25	$ 12,223,130
WIFA Loan, CW 030-2005	1,108,911	2.96%	7/1/11-25	889,105
WIFA Loan, CW 2008	1,900,000	2.75%	7/1/11-27	869,363
WIFA Loan, DW 2008	4,040,000	2.75%	7/1/11-27	651,896
WIFA Loan, ARRA 91A121-10	648,000	2.87%	7/1/11-29	331,800
WIFA Loan, ARRA 91A152-10	140,000	2.68%	7/1/11-29	83,206
WIFA Loan, ARRA 91A153-10	498,000	1.50%	7/1/11-29	168,344
Total				$ 15,216,844

Principal and interest payments on business-type activities loans payable at year end are summarized as follows.

		Business-type Activities	
Year ending June 30:		Principal	Interest
	2012	$ 996,583	$ 426,496
	2013	1,025,199	397,474
	2014	1,054,640	367,615
	2015	981,112	339,022
	2016	913,991	310,928
	2017-21	4,925,550	1,136,676
	2022-26	5,182,086	404,916
	2027-30	137,683	7,802
Total		$ 15,216,844	$ 3,390,929

Pledged revenues – business-type activities. The City has pledged future water and sewer revenues to repay the outstanding WIFA loans of $15.2 million as of year end. Proceeds from the original loan issuances provided financing for improvements to the City's water systems infrastructure and to refund certificates of participation. The loans are paid solely from water and sewer revenues and are payable through 2030. The total principal and interest to be paid on the loans is $18.6 million. The current total customer gross revenues were $8.7 million and the total principal and interest paid on the loans was $1.6 million, or 18% of gross revenues.

NOTE 10 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the current fiscal year was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	$ 614,777	$ 552,617	$ 695,549	$ 471,845	$ 159,615
General obligation bonds payable	14,235,000		590,000	13,645,000	610,000
Obligations under capital leases	47,719		19,599	28,120	20,868
Governmental activity long-term liabilities	$ 14,897,496	$ 552,617	$ 1,305,148	$ 14,144,965	$ 790,483
Business-type activities:					
Compensated absences	$ 51,948	$ 65,548	$ 78,997	$ 38,499	$ 12,833
Loans payable	16,335,810		1,118,966	15,216,844	996,583
Business-type activities long-term liabilities	$ 16,387,758	$ 65,548	$ 1,197,963	$ 15,255,343	$ 1,009,416

NOTE 11 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, interfund balances were as follows.

Due to/from other funds – Negative cash balances of $160,000 were reduced by interfund borrowing with the General Fund. The interfund balance is expected to be paid within one year.

Interfund transfers:

	Transfers in			
Transfers out	General Fund	Streets (HURF) Fund	Non-Major Governmental Fund	Total
General Fund	$	$ 300,000	$ 353,000	$ 653,000
Steets (HURF) Fund	10,000			10,000
Fire Impact Fees Fund			268,317	268,317
Water and Sewer Fund	1,690,000			1,690,000
Non-Major Enterprise Fund	100,000		5,000	105,000
Total	$ 1,800,000	$ 300,000	$ 626,317	$ 2,726,317

Transfers between funds were primarily used to (1) move $300,000 from the General Fund to the Streets (HURF) Fund to support the operations of the fund, (2) move $268,317 from the Fire Impact Fees Fund to the Parks Improvements Fund to cover park costs that were eligible for bond funding, and (3) move approximately $1.7 million from the Water and Sewer Fund to the General Fund to help fund utility-related administrative costs.

NOTE 12 – CONTINGENT LIABILITIES

Lawsuits – The City is a defendant in a number of lawsuits as of June 30, 2011. It is the opinion of management and City counsel that the amount of losses resulting from these litigations at June 30, 2011, would not be material to the financial position of the City.

NOTE 13 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the City is a participating member. The limit for basic coverage is $2.0 million per occurrence on a claims made basis. Excess coverage is for an additional $8.0 million per occurrence on a follow form, claims made basis. The aggregate limit is also $2.0 million. The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

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

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions – The City contributes to the two plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System* (ASRS) benefits are established by state statute and the plan generally provides retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

The *Public Safety Personnel Retirement System* (PSPRS) administers agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS	**PSPRS**
3300 N. Central Ave.	3010 E. Camelback Road Suite 200
Phoenix, AZ 85012-0250	Phoenix, AZ 85016
(602) 240-2200 or (800) 621-3778	(602) 255-5575

Funding policy – The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rates.

Cost-sharing plan – The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.85 percent (9.60 percent for retirement and 0.25 percent for long-term disability) of the members' annual covered payroll and the City was required by statute to contribute at the actuarially determined rate of 9.85 percent (9.01 percent for retirement and 0.59 percent for health insurance premiums, and 0.25 percent for long-term disability) of the members' annual covered payroll.

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

The City's contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows.

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Years ended June 30,			
2011	$ 541,444	$ 35,427	$ 13,580
2010	596,101	47,173	28,590
2009	566,403	68,053	35,444

Agent plan – For the current fiscal year, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rates of 16.72 percent and 10.35 percent for police and fire, respectively. Additional information related to both the police and fire PSPRS agent plans follows.

Actuarial methods and assumptions – The contribution requirements for the current fiscal year were established by the June 30, 2009 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The required schedule of funding programs which follows provides multi-year trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial valuation date	June 30, 2009
Actuarial cost method	Projected unit credit
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.50% - 8.50%
Includes inflation at	5.00%
Amortization method	Level percent of pay closed for UAAL
Remaining amortization	27 years for UAAL
Asset valuation method	7-year smoothed market value

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

Annual Pension/OPEB Cost – The City's pension/OPEB cost for the agent plans for the current fiscal year end and related information follows.

	Police		Fire	
	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	$ 415,225	$ 21,574	$ 169,735	$ 7,636
Contributions made	415,225	21,574	169,735	7,636

Trend Information – Information for each of the agent plans as of most recent actuarial valuations follows.

Police:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Pension			
2011	$415,225	100%	-0-
2010	326,474	100%	-0-
2009	437,711	100%	-0-
Health Insurance			
2011	$21,574	100%	-0-
2010	14,140	100%	-0-
2009	20,543	100%	-0-

Fire:

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Pension			
2011	$169,735	100%	-0-
2010	132,175	100%	-0-
2009	223,230	100%	-0-
Health Insurance			
2011	$7,636	100%	-0-
2010	5,565	100%	-0-
2009	6,290	100%	-0-

NOTE 14 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Concl'd)

Funding Progress – An analysis of funding progress for each of the agent plans as of the most recent actuarial valuations follows.

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([b-a]/c)
Police:						
Pension						
2011	$5,615,375	$8,940,191	$3,324,816	62.8%	$2,647,318	125.6%
2010	4,710,572	7,500,844	2,790,272	62.8%	2,728,700	102.3%
2009	4,227,144	6,328,088	2,100,944	66.8%	2,655,232	79.1%
Health Insurance						
2011	-0-	$ 230,835	$ 230,835	0.0%	$2,647,318	8.7%
2010	-0-	149,528	149,528	0.0%	2,728,700	5.5%
2009	-0-	125,855	125,855	0.0%	2,655,232	4.7%

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll [b-a]/c)
Fire:						
Pension						
2011	$2,727,166	$2,939,132	$211,966	92.8%	$1,626,296	13.0%
2010	2,264,357	2,407,400	143,043	94.1%	1,642,082	8.7%
2009	1,983,989	2,288,971	304,982	86.7%	1,429,228	21.3%
Health Insurance						
2011	-0-	$ 79,032	$79,032	0.0%	$1,626,296	4.9%
2010	-0-	45,745	45,745	0.0%	1,642,082	2.8%
2009	-0-	38,811	38,811	0.0%	1,429,228	2.7%

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APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

The description set forth below of the procedures and record-keeping with respect to beneficial ownership interests in the Bonds, payment of principal of, and interest on, the Bonds to Direct Participants, Indirect Participants and Beneficial Owners (as hereinafter defined), and other information concerning DTC and the book-entry-only system of registration and transfer of beneficial ownership interests in the Bonds is based solely on information furnished by DTC to the City for inclusion in this Official Statement. None of the City, the Bond Registrar and Paying Agent, the Financial Advisor or the Underwriter make any representations as to the accuracy or completeness thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity thereof, each in the aggregate principal amount of such maturity and the Bonds will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's rating of: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds, except in the event that use of the book-entry-only system for the Bonds is discontinued.

To facilitate subsequent transfers, all the Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Bond Registrar and Paying Agent on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct Participant or Indirect Participant and not of DTC, the City or the Bond Registrar and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Bond Registrar and Paying Agent, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Direct Participant or Indirect Participant, to the Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Direct Participant's or Indirect Participant's interest in the Bonds, on DTC's records, to the Registrar. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Bond Registrar and Paying Agent's DTC account.

DTC may discontinue providing its services with respect to the Bonds at any time by giving reasonable notice to the Bond Registrar and Paying Agent and/or to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds will be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

NONE OF THE CITY, THE BOND REGISTRAR AND PAYING AGENT, THE FINANCIAL ADVISOR, THE UNDERWRITER OR THEIR RESPECTIVE COUNSEL OR AGENTS HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR TO ANY BENEFICIAL OWNER WITH RESPECT TO: (I) THE BONDS, (II) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (III) THE TIMELY OR ULTIMATE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF OR OF INTEREST ON THE BONDS; (IV) THE TRANSMITTAL BY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; (V) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER; OR (VI) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR

INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS.

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APPENDIX F

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (b)(5) OF RULE 15c2-12

CITY OF EL MIRAGE, ARIZONA
$14,900,000
GENERAL OBLIGATION BONDS, SERIES 2012
AND
$3,305,000
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012

This Continuing Disclosure Undertaking (this "Undertaking") is executed and delivered on behalf of the City of El Mirage, Arizona (the "City"), in connection with the sale and issuance of the captioned Bonds (the two series together, the "Bonds").

In connection with the Bonds, the City covenants and agrees as follows:

1. Definitions. In addition to the terms defined hereinabove, the terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires:

"Annual Information" means the financial information and operating data set forth in Exhibit I.

"Annual Information Disclosure" means the dissemination of disclosure concerning Annual Information and the dissemination of the Audited Financial Statements as set forth in Section 3.

"Audited Financial Statements" means the audited financial statements of the City prepared pursuant to the standards and as described in Exhibit I.

"Commission" means the Securities and Exchange Commission.

"Dissemination Agent" means any agent designated as such in writing by the City and which has filed with the City a written acceptance of such designation, and such agent's successors and assigns.

"*EMMA*" means the Electronic Municipal Market Access system of the MSRB. Information regarding submissions to EMMA is available at http://emma.msrb.org.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended.

"*Listed Event*" means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II.

"MSRB" means the Municipal Securities Rulemaking Board.

"Rule" means Rule 15c-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

"State" means the State of Arizona.

"Undertaking" means the obligations of the City pursuant to Sections 3, 4, 5 and 6 hereof.

"Underwriter" means the broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

2. Purpose of this Undertaking. This Undertaking is executed and delivered by the City as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Underwriter in complying with the requirements of the Rule.

3. Annual Information Disclosure. Subject to Section 7 of this Undertaking, the City shall disseminate the Annual Information and the Audited Financial Statements, if any (in the form and by the dates set forth in Exhibit I), to the MSRB through EMMA, in a format prescribed by the MSRB. The City is required to deliver such information in such manner and by such time so that such entity receives the information on the date specified.

If any part of the Annual Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the City will disseminate a statement to such effect as part of the Annual Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Information for the year in which such amendment is made shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

4. Listed Events Disclosure. Subject to Section 7 of this Undertaking, the City shall disseminate in a timely manner notice of occurrence of a Listed Event to the MSRB through EMMA not later than ten business days after the occurrence of the Listed Event, in a format prescribed by the MSRB, except that for the events 2, 7, 10, 13 and 14, listed in Exhibit II, the City will provide such notice if it determines that such event would be material under applicable federal securities laws.

5. Consequences of Failure of the City to Provide Information. The City shall give notice in a timely manner to the MSRB through EMMA, in a format prescribed by the MSRB, of any failure to provide Annual Information Disclosure when the same is due hereunder.

In the event of a failure of the City to comply with any provision of this Undertaking, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the City to comply with its obligations under this Undertaking. A default under this Undertaking shall not be an event of default on the Bonds or the ordinance pursuant to which they were authorized. The sole remedy under this Undertaking in the event of any failure of the City to comply with this Undertaking shall be an action to compel performance.

6. Amendments; Waiver. Notwithstanding any provision of this Undertaking, the City by certified resolutions authorizing each amendment or waiver, may amend this Undertaking, and any provision of the Undertaking may be waived, if:

(a) The amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(b) This Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the role, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of the beneficial owners of the Bonds, as determined by an independent counsel or other entity unaffiliated with the City.

7. Non-Appropriation. The performance by the City of its obligations in this Undertaking shall be subject to the annual appropriation of any funds that may be necessary to permit such performance. In the event of a failure by the City to comply with its covenants under this Undertaking due to a failure to appropriate the necessary funds, the City covenants to provide prompt notice of such fact to the MSRB through EMMA, in a format prescribed by the MSRB.

8. Termination of Undertaking. This Undertaking shall be terminated hereunder if the City shall no longer have liability for any obligation or relating to repayment of the Bonds. The City shall give notice in a timely manner if this Section is applicable to the MSRB through EMMA, in a format prescribed by the MSRB.

9. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

10. Additional Information. Nothing in this Undertaking shall be deemed to prevent the City from disseminating any other information using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information Disclosure or notice of occurrence of a Listed Event, in addition to that which is required by this Undertaking. If the City chooses to include any information from any document or notice of occurrence of Listed Event in addition to that which is specifically required by this Undertaking, the City shall have no obligation under this Undertaking to update such information or include it in any future disclosure or notice of occurrence of a Listed Event.

11. Beneficiaries. This Undertaking has been executed in order to assist the Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the City, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

12. Recordkeeping. The City shall maintain records of all Annual Information Disclosure and notices of occurrence of Listed Events including the content of such disclosure or notices, the names of the entities with whom such disclosure or notices were filed and the date of filing such disclosure or notices.

13. Governing Law. This Undertaking shall be governed by the laws of the State and is subject to the provisions of Section 38-511, Arizona Revised Statutes, the provisions of which are incorporated herein by this reference.

CITY OF EL MIRAGE, ARIZONA

By...................................
Mayor

Address: 12145 Northwest Grand Avenue
El Mirage, Arizona 85335

ATTEST:

....
Clerk
Dated: July 25, 2012

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND AUDITED FINANCIAL STATEMENTS

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB. The City shall clearly identify each such item of information included by reference.

The Annual Financial Information exclusive of the Audited Financial Statements will be provided to the MSRB through EMMA, in a format prescribed by the MSRB, if any, no later than the first business day of February in each year commencing February 1, 2013. The Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If the Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, to be followed up by the Audited Financial Statements when available.

The Audited Financial Statements will be prepared according to generally accepted accounting principles, as applied to governmental units as modified by State law. The Audited Financial Statements will be provided to the MSRB through EMMA, in a format prescribed by the MSRB, within 30 days after availability to the City.

If any change is made to the Annual Financial Information as permitted by Section 4 of this Undertaking, the City will disseminate a notice of such change as required by Section 4, including changes in fiscal year or accounting principles.

"Annual Financial Information" means the quantitative, financial information and operating data of the type included in the Final Official Statement relating to the Bonds on the following pages:

p. B-2	General Obligation Bonded Debt Outstanding
p. B-3	Direct General Obligation Bonds Outstanding, Debt Limitations and Unused General Obligation Bonding Capacities
p. B-5	Unsecured and Secured Property Taxes Levied and Collected
p. B-8	Primary and Secondary Property Tax History

EXHIBIT II

EVENTS FOR WHICH NOTICE OF OCCURRENCE
OF LISTED EVENTS IS REQUIRED

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

7. Modifications to rights of security holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution or sale of property securing repayment of securities, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the City;

    Note: for the purposes of the event identified in paragraph 12, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

PiperJaffray®