

**CITY OF EL MIRAGE, ARIZONA  
SINGLE AUDIT REPORTING PACKAGE  
FISCAL YEAR ENDED JUNE 30, 2010**

## CITY OF EL MIRAGE, ARIZONA

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**CITY OF EL MIRAGE, ARIZONA  
REPORT ON AUDIT OF FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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## 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, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2010, on our consideration of the City of El Mirage, Arizona 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 and budgetary comparison information on pages 56 and 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The Supplementary Information is 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.

*Heinfeld, Meech & Co., P.C.*

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

December 7, 2010

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

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**CITY OF EL MIRAGE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

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, 2010.

**FINANCIAL HIGHLIGHTS**

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2009-10 as follows.

- The City's total net assets of governmental activities increased \$1.3 million to \$42.8 million and business-type activities decreased \$261,380 to \$33.0 million representing 57 percent and 43 percent, respectively, of the total net assets of \$75.8 million.
- General revenues from governmental activities accounted for \$16.5 million in revenue, or 76 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5.2 million or 24 percent of total governmental activities revenues. The City had \$10.6 million of program revenues and \$48,584 in general revenues related to business-type activities.
- The City had \$22.7 million in expenses related to governmental activities, an increase of 6 percent from the prior fiscal year. The City had \$8.7 million in expenses related to business-type activities an increase of 2 percent from the prior fiscal year.
- Among major funds, the General Fund had \$16.8 million in revenues, which primarily consisted of taxes and intergovernmental revenues. The total expenditures of the General Fund were \$18.5 million. The General Fund's fund balance decreased from \$11.8 million to \$8.4 million, due primarily to transfers for street capital projects.
- The Streets Fund had \$1.5 million in revenues which primarily consisted of intergovernmental revenues. The total expenditures of the Streets Fund were \$3.2 million. The Streets Fund reported a fund balance increase of \$2.2 million due primarily to transfers from other funds for street projects.
- The Fire Impact Fees Fund had \$13,747 in revenues which primarily consisted of development impact fees. The total expenditures of the Fire Impact Fees Fund were \$535,521. The Fire Impact Fees Fund reported a fund balance decrease of \$921,774 due to capital outlay for the construction of a fire station.
- The Water and Sewer Fund net assets decreased \$143,417. Operating expenses of \$7.3 million were exceeded by operating revenues of \$9.1 million.

**CITY OF EL MIRAGE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**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.

**CITY OF EL MIRAGE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**OVERVIEW OF FINANCIAL STATEMENTS (Concl'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, 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 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 as required supplementary information.

**CITY OF EL MIRAGE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**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 \$75.8 million at the current fiscal year end.

The largest portion of the City's net assets (80 percent) 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, 2010 and June 30, 2009.

	2010	2009	2010	2009	2010	2009
	Governmental	Governmental	Business-type	Business-type	Total	Total
	Activities	Activities	Activities	Activities		
Current assets	\$ 18,448,412	\$ 20,272,761	\$ 5,142,190	5,890,425	\$ 23,590,602	\$ 26,163,186
Capital assets, net	41,841,584	38,738,731	44,303,773	44,342,767	86,145,357	83,081,498
Other non-current assets	254,933	269,751	1,565,453	1,583,033	1,820,386	1,852,784
<b>Total assets, net</b>	<u>60,544,929</u>	<u>59,281,243</u>	<u>51,011,416</u>	<u>51,816,225</u>	<u>111,556,345</u>	<u>111,097,468</u>
Current and other liabilities	3,550,854	2,822,166	2,806,716	3,177,959	6,357,570	6,000,125
Long-term liabilities	14,183,421	14,864,403	15,251,476	15,423,662	29,434,897	30,288,065
<b>Total liabilities</b>	<u>17,734,275</u>	<u>17,686,569</u>	<u>18,058,192</u>	<u>18,601,621</u>	<u>35,792,467</u>	<u>36,288,190</u>
Invested in capital assets, net of related debt	32,963,664	30,325,304	27,967,960	28,096,706	60,931,624	58,422,010
Restricted			1,372,070	1,372,070	1,372,070	1,372,070
Unrestricted	9,846,990	11,269,370	3,613,194	3,745,828	13,460,184	15,015,198
<b>Total net assets</b>	<u>\$ 42,810,654</u>	<u>\$ 41,594,674</u>	<u>\$ 32,953,224</u>	<u>\$ 33,214,604</u>	<u>\$ 75,763,878</u>	<u>\$ 74,809,278</u>

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 \$4.9 million in governmental activities capital assets.
- The addition of \$2.0 million in business-type activities capital assets.

**CITY OF EL MIRAGE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)**

**Changes in net assets.** The City's total revenues for the current fiscal year were \$32.4 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, 2010 and June 30, 2009.

	2010 Governmental Activities	2009 Governmental Activities	2010 Business-type Activities	2009 Business-type Activities	2010 Total	2009 Total
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,518,242	\$ 1,085,447	\$ 9,983,441	\$ 9,740,241	\$ 11,501,683	\$ 10,825,688
Operating grants and contributions	2,407,165	1,827,229			2,407,165	1,827,229
Capital grants and contributions	1,285,278	7,118,339	642,039		1,927,317	7,118,339
General revenues:						
Property taxes	2,914,705	2,045,848			2,914,705	2,045,848
City sales taxes	5,366,105	5,908,742			5,366,105	5,908,742
Franchise taxes	622,259	636,826			622,259	636,826
State shared revenues	7,567,145	8,450,717			7,567,145	8,450,717
Investment income	54,459	14,750	11,052	22,859	65,511	37,609
Development impact fees	24,494	114,829	37,532	59,252	62,026	174,081
<b>Total revenues</b>	<u>21,759,852</u>	<u>27,202,727</u>	<u>10,674,064</u>	<u>9,822,352</u>	<u>32,433,916</u>	<u>37,025,079</u>
<b>Expenses:</b>						
General government	6,505,436	5,699,131			6,505,436	5,699,131
Public safety	10,748,374	11,167,552			10,748,374	11,167,552
Highways and streets	2,035,720	2,205,517			2,035,720	2,205,517
Culture and recreation	1,645,357	1,479,963			1,645,357	1,479,963
Redevelopment and housing	487,603	171,758			487,603	171,758
Health and welfare	587,306	471,004			587,306	471,004
Interest on long-term debt	722,153	237,188			722,153	237,188
Water and sewer			7,754,833	7,688,567	7,754,833	7,688,567
Solid waste			926,067	858,629	926,067	858,629
<b>Total expenses</b>	<u>22,731,949</u>	<u>21,432,113</u>	<u>8,680,900</u>	<u>8,547,196</u>	<u>31,412,849</u>	<u>29,979,309</u>
<b>Transfers</b>	<u>2,254,544</u>	<u>1,207,429</u>	<u>(2,254,544)</u>	<u>(1,207,429)</u>	<u>31,412,849</u>	<u>29,979,309</u>
<b>Changes in net assets</b>	<u>\$ 1,282,447</u>	<u>\$ 6,978,043</u>	<u>\$ (261,380)</u>	<u>\$ 67,727</u>	<u>\$ 1,021,067</u>	<u>\$ 7,045,770</u>

- Total governmental activities revenues decreased \$5.4 million, or 20 percent, due to a decrease in capital grants and contributions of \$5.1 million related to parks.
- Total governmental activities expenses increased \$1.3 million, or 6 percent, primarily as a result of an increase in general government expenses.
- Total business-type activities revenues increased \$803,128, or 8 percent, primarily due to the award of federal stimulus capital grants.

**CITY OF EL MIRAGE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**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.

	2010		2009	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
<b>Governmental Activities</b>				
General government	\$ 6,505,436	\$ (6,029,140)	\$ 5,699,131	(5,284,069)
Public safety	10,748,374	(9,424,069)	11,167,552	(9,930,313)
Highways and streets	2,035,720	724,066	2,205,517	221,219
Culture and recreation	1,645,357	(1,623,737)	1,479,963	3,700,097
Redevelopment and housing	487,603	55,771	171,758	363,220
Health and welfare	587,306	(502,002)	471,004	(234,064)
Interest on long-term debt	722,153	(722,153)	237,188	(237,188)
<b>Total</b>	<u>\$ 22,731,949</u>	<u>(17,521,264)</u>	<u>\$ 21,432,113</u>	<u>(11,401,098)</u>
<b>Business-type Activities</b>				
Water and sewer	\$ 7,754,833	1,962,614	7,688,567	\$ 1,140,170
Solid waste	926,067	(18,034)	858,629	52,875
<b>Total</b>	<u>\$ 8,680,900</u>	<u>\$ 1,944,580</u>	<u>\$ 8,547,196</u>	<u>\$ 1,193,045</u>

- Federal and State governments and charges for services subsidized certain governmental programs with revenues of \$5.2 million.
- Net cost of governmental activities of \$17.5 million was financed by general revenues, which are made up of primarily sales taxes and state shared revenues of \$12.9 million.

**CITY OF EL MIRAGE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**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, unreserved 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 \$15.5 million, a decrease of \$1.8 million, or 10 percent from the prior year.

The decrease in the General Fund's fund balance of \$3.4 million was due primarily to transfers out of \$2.9 million for street projects.

**Proprietary funds.** Net assets of the Enterprise Funds at the end of the year amounted to \$33.0 million, a decrease of \$261,380, or a less than 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. The significant variances between budget and actual in the General Fund are summarized as follows:

- The favorable variance of \$2.0 million in contingency expenditures was a result of the City not incurring unexpected expenditures during the year.
- The favorable variance of \$1.1 million in other financing sources was a result of a higher than anticipated transfer in for the General Fund.

**CITY OF EL MIRAGE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** At year end, the City had invested \$112.0 million in capital assets. This amount represents a net increase prior to depreciation of \$6.9 million from the prior fiscal year, primarily due to infrastructure improvements. Total depreciation expense for the year was \$3.9 million. Equipment originally costing \$25,423 was disposed of during the current fiscal year.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2010 and June 30, 2009.

	2010	2009	2010	2009
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities
Land	\$ 8,691,931	\$ 8,691,931	\$ 856,187	\$ 856,187
Construction in progress	6,093,440	7,794,361	909,052	1,367,306
Total non-depreciable assets	<u>14,785,371</u>	<u>16,486,292</u>	<u>1,765,239</u>	<u>2,223,493</u>
Sewer plant			19,158,226	19,158,226
Water mains and lines			27,284,993	26,057,063
Sewer collection system			8,192,857	7,131,392
Land improvements	422,133	422,133	4,667,955	4,667,955
Buildings and improvements	3,476,703	3,416,270	225,402	195,721
Infrastructure	22,949,660	16,943,662	1,724,500	1,593,155
Machinery equipment, and vehicles	7,354,460	6,808,318	11,756	11,756
Less: Accumulated depreciation	<u>(7,146,743)</u>	<u>(5,337,944)</u>	<u>(18,727,155)</u>	<u>(16,695,994)</u>
Total depreciable assets, net	<u>27,056,213</u>	<u>22,252,439</u>	<u>42,538,534</u>	<u>42,119,274</u>
<b>Total capital assets, net</b>	<u>\$ 41,841,584</u>	<u>\$ 38,738,731</u>	<u>\$ 44,303,773</u>	<u>\$ 44,342,767</u>

The estimated cost to complete current construction projects is \$2.9 million.

Additional information on the City's capital assets can be found in Note 5.

**CITY OF EL MIRAGE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)**

**Debt Administration.** At year end, the City had \$30.6 million in long-term debt outstanding, \$1.7 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, 2010 and June 30, 2009.

	As of <u>June 30, 2010</u>	As of <u>June 30, 2009</u>
GADA bonds	\$ 14,235,000	\$ 14,740,000
Capital leases	47,719	
WIFA loans	<u>16,335,810</u>	<u>16,244,887</u>
<b>Total</b>	<b><u>\$ 30,618,529</u></b>	<b><u>\$ 30,984,887</u></b>

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 \$11.8 million in the 6% capacity and \$39.2 million in the 20% capacity. The City has no general obligation debt applicable to the 6% limit and \$14.2 million of debt applicable to the 20% limit.

Additional information on the City's long-term debt can be found in Notes 5, 6 and 7.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The adopted combined operating and capital expenditure budget for fiscal year 2010-11 totals \$73.4 million, a decrease of \$17.8 million or 20% less than fiscal year 2009-10.

Although there is a decrease of 20% between this year's and last year's budget, \$43.9 million of the \$73.4 million is in projects that will not be done if resources are not found to fund these projects. The State of Arizona requires funds must be appropriated before they can be spent.

***General Fund***

The budget for the General Fund decreased from \$24.4 million to \$18.0 million. The main reason for this decrease is the reduction of reserves and contingencies.

**CITY OF EL MIRAGE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2010**

**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 Finance Department, 12145 NW Grand Avenue, El Mirage, Arizona 85335.

**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, 2010**

	Governmental Activities	Business-type Activities	Total
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments	\$ 16,689,128	\$ 2,577,835	\$ 19,266,963
Accounts receivable	204,180	1,217,327	1,421,507
Property taxes receivable	185,983		185,983
Due from governmental entities	1,774,821		1,774,821
Loans receivable		782,916	782,916
Internal balances	(564,112)	564,112	
Prepaid items	158,412		158,412
<b>Total current assets</b>	<b>18,448,412</b>	<b>5,142,190</b>	<b>23,590,602</b>
Noncurrent assets:			
Cash and investments - restricted		1,372,070	1,372,070
Deferred charges	254,933	193,383	448,316
Capital assets, non-depreciable	14,785,371	1,765,239	16,550,610
Capital assets, depreciable (net)	27,056,213	42,538,534	69,594,747
<b>Total noncurrent assets</b>	<b>42,096,517</b>	<b>45,869,226</b>	<b>87,965,743</b>
<b>Total assets</b>	<b>60,544,929</b>	<b>51,011,416</b>	<b>111,556,345</b>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	2,174,166	590,584	2,764,750
Accrued payroll and employee benefits	462,156	16,845	479,001
Due to governmental entities	88,332		88,332
Accrued interest		218,850	218,850
Compensated absences payable	204,926	17,316	222,242
Customer deposits	11,675	844,155	855,830
Capital leases payable	19,599		19,599
Loans payable		1,118,966	1,118,966
Revenue bonds payable	590,000		590,000
<b>Total current liabilities</b>	<b>3,550,854</b>	<b>2,806,716</b>	<b>6,357,570</b>
Noncurrent liabilities:			
Compensated absences	409,851	34,632	444,483
Capital leases payable	28,120		28,120
Loans payable		15,216,844	15,216,844
Deferred premium	100,450		100,450
Revenue bonds payable	13,645,000		13,645,000
<b>Total non-current liabilities</b>	<b>14,183,421</b>	<b>15,251,476</b>	<b>29,434,897</b>
<b>Total liabilities</b>	<b>17,734,275</b>	<b>18,058,192</b>	<b>35,792,467</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	32,963,664	27,967,960	60,931,624
Restricted for:			
Capital outlay		1,372,070	1,372,070
Unrestricted	9,846,990	3,613,194	13,460,184
<b>Total net assets</b>	<b>\$ 42,810,654</b>	<b>\$ 32,953,224</b>	<b>\$ 75,763,878</b>

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

**CITY OF EL MIRAGE, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Assets</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Primary Government</b>					<b>Governmental Activities</b>
Governmental activities:					
General government	\$ 6,505,436	\$ 476,296	\$	\$	\$ (6,029,140)
Public safety	10,748,374	955,739	175,151	193,415	(9,424,069)
Highways and streets	2,035,720	4,666	1,663,257	1,091,863	724,066
Culture and recreation	1,645,357	21,620			(1,623,737)
Redevelopment and housing	487,603	58,322	485,052		55,771
Health and welfare	587,306	1,599	83,705		(502,002)
Interest on long-term debt	722,153				(722,153)
<b>Total governmental activities</b>	<u>22,731,949</u>	<u>1,518,242</u>	<u>2,407,165</u>	<u>1,285,278</u>	<u>(17,521,264)</u>
Business-type activities:					
Water and sewer	7,754,833	9,075,408		642,039	
Solid waste	926,067	908,033			
<b>Total business-type activities</b>	<u>8,680,900</u>	<u>9,983,441</u>		<u>642,039</u>	
<b>Total primary government</b>	<u>\$ 31,412,849</u>	<u>\$ 11,501,683</u>	<u>\$ 2,407,165</u>	<u>\$ 1,927,317</u>	<u>(17,521,264)</u>

**General revenues:**

Taxes:

Property taxes, levied for general purposes	1,632,081
Property taxes, levied for debt purposes	1,282,624
City sales taxes	5,366,105
Franchise taxes	622,259
State shared revenues	7,567,145
Investment income	54,459
Development impact fees	24,494

Transfers 2,254,544

**Total general revenues and transfers** 18,803,711

**Changes in net assets** 1,282,447

**Net assets, beginning of year, as restated** 41,528,207

**Net assets, end of year** \$ 42,810,654

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

Net (Expense) Revenue  
and Changes in Net Assets

Business-type Activities	Totals
\$	\$ (6,029,140)
	(9,424,069)
	724,066
	(1,623,737)
	55,771
	(502,002)
	(722,153)
	(17,521,264)
1,962,614	1,962,614
(18,034)	(18,034)
1,944,580	1,944,580
1,944,580	(15,576,684)
	1,632,081
	1,282,624
	5,366,105
	622,259
	7,567,145
11,052	65,511
37,532	62,026
(2,254,544)	16,597,751
(2,205,960)	1,021,067
33,214,604	74,742,811
\$ 32,953,224	\$ 75,763,878

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**FUND FINANCIAL STATEMENTS**

**CITY OF EL MIRAGE, ARIZONA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2010**

	<u>General</u>	<u>Streets</u>	<u>Fire Impact Fees</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 10,233,635	\$ 745,762	\$ 5,404,799
Accounts receivable	204,180		
Property taxes receivable	109,963		
Due from governmental entities	751,029	547,845	
Due from other funds	259,285	1,416,816	119,151
Prepaid items	158,412		
<b>Total assets</b>	<b><u>\$ 11,716,504</u></b>	<b><u>\$ 2,710,423</u></b>	<b><u>\$ 5,523,950</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 489,404	\$ 1,416,816	\$ 119,151
Accrued payroll and employee benefits	443,247		
Due to other funds	2,248,874		
Due to governmental entities	88,332		
Customer deposits			
Deferred revenue	77,664		
<b>Total liabilities</b>	<b><u>3,347,521</u></b>	<b><u>1,416,816</u></b>	<b><u>119,151</u></b>
Fund balances (deficits):			
Unreserved:			
Undesignated	8,368,983	1,293,607	5,404,799
Unreserved reported in:			
Special revenue funds			
Debt service funds			
Capital projects funds			
<b>Total fund balances</b>	<b><u>8,368,983</u></b>	<b><u>1,293,607</u></b>	<b><u>5,404,799</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 11,716,504</u></b>	<b><u>\$ 2,710,423</u></b>	<b><u>\$ 5,523,950</u></b>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 304,932	\$ 16,689,128
	204,180
76,020	185,983
475,947	1,774,821
148,795	1,944,047
	158,412
<u>\$ 1,005,694</u>	<u>\$ 20,956,571</u>

\$ 148,795	\$ 2,174,166
18,909	462,156
259,285	2,508,159
	88,332
11,675	11,675
96,411	174,075
<u>535,075</u>	<u>5,418,563</u>

15,067,389

690,151	690,151
(30,029)	(30,029)
(189,503)	(189,503)
<u>470,619</u>	<u>15,538,008</u>
<u>\$ 1,005,694</u>	<u>\$ 20,956,571</u>

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**CITY OF EL MIRAGE, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010**

<b>Total governmental fund balances</b>		<b>\$ 15,538,008</b>
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:</p>		
Governmental capital assets	\$ 48,988,327	
Less accumulated depreciation	<u>(7,146,743)</u>	41,841,584
<p>Some revenues will not be available to pay for current period expenditures and therefore are deferred in the funds.</p>		
Property taxes	77,664	
Intergovernmental	<u>96,411</u>	174,075
<p>Deferred items related to the issuance of debt are amortized over the life of the associated debt in the government-wide statements.</p>		
		154,483
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:</p>		
Compensated absences	(614,777)	
Capital leases payable	(47,719)	
Loans payable	<u>(14,235,000)</u>	<u>(14,897,496)</u>
<b>Net assets of governmental activities</b>		<b><u>\$ 42,810,654</u></b>

**The notes to the 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, 2010**

	<u>General</u>	<u>Streets</u>	<u>Fire Impact Fees</u>
<b>Revenues:</b>			
Property taxes	\$ 1,694,137	\$	\$
City sales taxes	5,366,105		
Franchise taxes	622,259		
Licenses and permits	167,934		
Intergovernmental	7,701,277	1,466,020	
Charges for services	145,853		
Fines and forfeits	824,451		
Investment income	43,525	3,623	6,562
Rents	28,064		
Development impact fees			7,185
Contributions and donations	7,000		
Miscellaneous	193,446		
<b>Total revenues</b>	<u>16,794,051</u>	<u>1,469,643</u>	<u>13,747</u>
<b>Expenditures:</b>			
Current -			
General government	6,201,789		
Public safety	10,285,464		1,218
Highways and streets			
Culture and recreation	1,568,919		
Redevelopment and housing			
Health and welfare			
Capital outlay	417,145	3,161,512	534,303
Debt service -			
Principal retirement	12,714		
Interest and fiscal charges	1,980		
<b>Total expenditures</b>	<u>18,488,011</u>	<u>3,161,512</u>	<u>535,521</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(1,693,960)</u>	<u>(1,691,869)</u>	<u>(521,774)</u>
<b>Other financing sources (uses):</b>			
Capital lease	60,433		
Transfer in	1,100,000	3,897,195	
Transfer out	(2,902,045)		(400,000)
<b>Total other financing sources (uses)</b>	<u>(1,741,612)</u>	<u>3,897,195</u>	<u>(400,000)</u>
<b>Changes in fund balances</b>	<u>(3,435,572)</u>	<u>2,205,326</u>	<u>(921,774)</u>
<b>Fund balances (deficits), beginning of year, as restated</b>	11,804,555	(911,719)	6,326,573
<b>Fund balances, end of year</b>	<u>\$ 8,368,983</u>	<u>\$ 1,293,607</u>	<u>\$ 5,404,799</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 1,223,411	\$ 2,917,548
	5,366,105
	622,259
	167,934
2,760,504	11,927,801
4,666	150,519
152,329	976,780
749	54,459
	28,064
17,309	24,494
10	7,010
1,599	195,045
<u>4,160,577</u>	<u>22,438,018</u>

24,825	6,226,614
211,847	10,498,529
1,315,079	1,315,079
	1,568,919
485,052	485,052
189,644	189,644
897,377	5,010,337
505,000	517,714
712,432	714,412
<u>4,341,256</u>	<u>26,526,300</u>

(180,679)      (4,088,282)

	60,433
993,039	5,990,234
<u>(433,645)</u>	<u>(3,735,690)</u>
<u>559,394</u>	<u>2,314,977</u>

378,715      (1,773,305)

91,904      17,311,313

\$ 470,619      \$ 15,538,008

**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, 2010**

**Net changes in fund balances - total governmental funds** **\$ (1,773,305)**

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	\$ 4,926,075	
Less current year depreciation	<u>(1,814,563)</u>	3,111,512

Issuance of capital leases provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets. (60,433)

Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(2,843)	
Intergovernmental	<u>(675,323)</u>	(678,166)

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	12,714	
Loans payable	<u>505,000</u>	517,714

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.

Loss on disposal of capital assets	(8,659)	
Amortization of bond items	(7,741)	
Compensated absences	<u>181,525</u>	<u>165,125</u>

**Change in net assets in governmental activities** **\$ 1,282,447**

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

**CITY OF EL MIRAGE, ARIZONA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2010**

	<u>Enterprise Funds</u>		
	<u>Water and Sewer</u>	<u>Non-Major Enterprise Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Current assets:			
Cash and investments	\$ 2,577,835	\$	\$ 2,577,835
Accounts receivable	1,119,312	98,015	1,217,327
Loans receivable	782,916		782,916
Due from other funds	472,463	136,143	608,606
Total current assets	<u>4,952,526</u>	<u>234,158</u>	<u>5,186,684</u>
Noncurrent assets:			
Cash and investments - restricted	1,372,070		1,372,070
Deferred charges	193,383		193,383
Capital assets, non-depreciable	1,765,239		1,765,239
Capital assets, depreciable (net)	42,538,534		42,538,534
Total noncurrent assets	<u>45,869,226</u>		<u>45,869,226</u>
<b>Total assets</b>	<u>50,821,752</u>	<u>234,158</u>	<u>51,055,910</u>
<b><u>LIABILITIES</u></b>			
Current liabilities:			
Accounts payable	454,441	136,143	590,584
Accrued payroll and employee benefits	16,845		16,845
Due to other funds		44,494	44,494
Accrued interest	218,850		218,850
Compensated absences payable	17,316		17,316
Customer deposits	844,155		844,155
Loans payable	1,118,966		1,118,966
Total current liabilities	<u>2,670,573</u>	<u>180,637</u>	<u>2,851,210</u>
Noncurrent liabilities:			
Compensated absences	34,632		34,632
Loans payable	15,216,844		15,216,844
Total non-current liabilities	<u>15,251,476</u>		<u>15,251,476</u>
<b>Total liabilities</b>	<u>17,922,049</u>	<u>180,637</u>	<u>18,102,686</u>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	27,967,960		27,967,960
Restricted for:			
Capital outlay	1,372,070		1,372,070
Unrestricted	3,559,673	53,521	3,613,194
<b>Total net assets</b>	<u>\$ 32,899,703</u>	<u>\$ 53,521</u>	<u>\$ 32,953,224</u>

The notes to the 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, 2010**

	Enterprise Funds		
	Water and Sewer	Non-Major Enterprise Fund	Total
<b>Operating revenues:</b>			
Charges for services	\$ 9,075,408	\$ 908,033	\$ 9,983,441
<b>Total operating revenues</b>	<u>9,075,408</u>	<u>908,033</u>	<u>9,983,441</u>
<b>Operating expenses:</b>			
Cost of sales and services	5,264,376	926,067	6,190,443
Depreciation	2,040,325		2,040,325
<b>Total operating expenses</b>	<u>7,304,701</u>	<u>926,067</u>	<u>8,230,768</u>
<b>Operating income (loss)</b>	<u>1,770,707</u>	<u>(18,034)</u>	<u>1,752,673</u>
<b>Nonoperating revenues (expenses):</b>			
Intergovernmental	39		39
Investment income	10,981	71	11,052
Development impact fees	37,532		37,532
Interest expense	(450,132)		(450,132)
<b>Total nonoperating revenues (expenses)</b>	<u>(401,580)</u>	<u>71</u>	<u>(401,509)</u>
<b>Income (loss) before capital contributions and transfers</b>	<u>1,369,127</u>	<u>(17,963)</u>	<u>1,351,164</u>
<b>Transfer out</b>	(2,154,544)	(100,000)	(2,254,544)
<b>Capital contributions</b>	<u>642,000</u>		<u>642,000</u>
<b>Changes in net assets</b>	<u>(143,417)</u>	<u>(117,963)</u>	<u>(261,380)</u>
<b>Total net assets, beginning of year</b>	33,043,120	171,484	33,214,604
<b>Total net assets, end of year</b>	<u>\$ 32,899,703</u>	<u>\$ 53,521</u>	<u>\$ 32,953,224</u>

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

**CITY OF EL MIRAGE, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2010**

	<b>Enterprise Funds</b>		
	<b>Water and Sewer</b>	<b>Non-Major Enterprise</b>	<b>Totals</b>
<b><u>Increase (Decrease) In Cash and Cash Equivalents</u></b>			
Cash flows from operating activities:			
Cash received from customers	\$ 9,188,947	\$ 915,225	\$ 10,104,172
Cash payments to suppliers for goods and services	(4,264,202)	(795,615)	(5,059,817)
Cash payments to employees for services	(1,749,560)	(2,895)	(1,752,455)
<b>Net cash provided by operating activities</b>	<b>3,175,185</b>	<b>116,715</b>	<b>3,291,900</b>
Cash flows from noncapital and related financing activities:			
Interfund borrowing	(472,463)	(91,649)	(564,112)
Intergovernmental revenues	32,424		32,424
Interfund transfers	(2,154,544)	(100,000)	(2,254,544)
<b>Net cash used for noncapital financing activities</b>	<b>(2,594,583)</b>	<b>(191,649)</b>	<b>(2,786,232)</b>
Cash flows from capital and related financing activities:			
Development impact fees	37,532		37,532
Capital grants received	642,000		642,000
Proceeds from loans	1,061,732		1,061,732
Principal paid on loans	(862,693)		(862,693)
Interest paid on loans	(436,021)		(436,021)
Acquisition and construction of capital assets	(2,001,331)		(2,001,331)
<b>Net cash used for capital and related financing activities</b>	<b>(1,558,781)</b>		<b>(1,558,781)</b>
Cash flows from investing activities:			
Interest on investments	10,981	71	11,052
<b>Net cash provided by investing activities</b>	<b>10,981</b>	<b>71</b>	<b>11,052</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(967,198)</b>	<b>(74,863)</b>	<b>(1,042,061)</b>
<b>Cash and cash equivalents, July 1, 2009</b>	<b>4,917,103</b>	<b>74,863</b>	<b>4,991,966</b>
<b>Cash and cash equivalents, June 30, 2010</b>	<b>\$ 3,949,905</b>	<b>\$</b>	<b>\$ 3,949,905</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u></b>			
<b>Operating income (loss)</b>	<b>\$ 1,770,707</b>	<b>\$ (18,034)</b>	<b>\$ 1,752,673</b>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,040,325		2,040,325
Changes in assets and liabilities:			
Decrease in accounts receivable	122,593	7,192	129,785
Increase (decrease) in accounts payable	(702,908)	127,557	(575,351)
Decrease in accrued payroll and employee benefits	(36,086)		(36,086)
Decrease in compensated absences payable	(10,392)		(10,392)
Decrease in deposits held for others	(9,054)		(9,054)
<b>Total adjustments</b>	<b>1,404,478</b>	<b>134,749</b>	<b>1,539,227</b>
<b>Net cash provided by operating activities</b>	<b>\$ 3,175,185</b>	<b>\$ 116,715</b>	<b>\$ 3,291,900</b>

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

**CITY OF EL MIRAGE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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.

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.

**CITY OF EL MIRAGE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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.

**CITY OF EL MIRAGE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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.

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

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 Fund – This fund accounts for street and highway construction projects.

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.

**CITY OF EL MIRAGE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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.

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."

**CITY OF EL MIRAGE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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

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.

**G. 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.

**H. 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.

**CITY OF EL MIRAGE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010**

**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:

<u>Assets</u>	<u>Years</u>	<u>Assets</u>	<u>Years</u>
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

**I. 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.

**J. 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.

**CITY OF EL MIRAGE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

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.

**K. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose. At June 30, 2010 the City had no reservations of fund balance in the governmental funds.

**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.

**CITY OF EL MIRAGE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

	Deficit
Non-Major Governmental Funds:	
Streets (HURF)	\$ 172,989
Police Grants	7,880
Debt Service - GADA	30,029
Park Improvements	259,285
Parks and Recreation Impact Fees	755

The deficits arose because of operations during the year and prior years. Additional revenues received in fiscal year 2010-11 are expected to eliminate the deficits.

**NOTE 3 – 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.

At year end, the carrying amount of the City’s cash and investment accounts was \$20,639,033 and the bank balance was \$20,884,874. The difference consists of \$2,800 in petty cash as well as outstanding checks, deposits, and other reconciling items.

*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 \$714,595 and the bank balance was \$740,384. Of the bank balance, \$539,458 was covered by Federal depository insurance and \$200,926 was exposed to custodial credit risk and collateralized with securities held by the pledging financial institution’s trust department.

**CITY OF EL MIRAGE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 3 – 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.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
U.S. Treasuries	Less than one year	\$ 1,372,070
Repurchase Agreements	Less than 1 month	3,480,239
State Treasurer's investment pool 5	22 days average	9,064,275
State Treasurer's investment pool 7	29 days average	6,005,054
Total		<u>\$ 19,921,638</u>

*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 did not receive a credit quality rating from a national rating agency.

*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 \$3.5 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.

**CITY OF EL MIRAGE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 4 – 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 funds in the aggregate, were as follows.

	<u>General Fund</u>	<u>Streets Fund</u>	<u>Non-Major Governmental Funds</u>
Due from other governmental entities:			
Due from State government	\$ 692,506	\$	\$ 276,987
Due from County government			151,577
Due from Federal government	58,523		
Due from other governments		<u>547,845</u>	<u>47,383</u>
Net due from governmental entities	<u>\$ 751,029</u>	<u>\$ 547,845</u>	<u>\$ 475,947</u>

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.

	<u>Unavailable</u>
Delinquent property taxes receivable (General Fund)	\$ 77,664
Delinquent property taxes receivable (Non-Major Governmental Funds)	<u>96,411</u>
Total deferred revenue for governmental funds	<u>\$ 174,075</u>

**CITY OF EL MIRAGE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 5 – CAPITAL ASSETS**

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 8,691,931	\$	\$	\$ 8,691,931
Construction in progress	7,794,361	3,304,926	5,005,847	6,093,440
Total capital assets, not being depreciated	<u>16,486,292</u>	<u>3,304,926</u>	<u>5,005,847</u>	<u>14,785,371</u>
Capital assets, being depreciated:				
Land improvements	422,133			422,133
Buildings and improvements	3,416,270	60,433		3,476,703
Infrastructure	16,943,662	6,005,998		22,949,660
Machinery, equipment and vehicles	6,808,318	560,565	14,423	7,354,460
Total capital assets being depreciated	<u>27,590,383</u>	<u>6,626,996</u>	<u>14,423</u>	<u>34,202,956</u>
Less accumulated depreciation for:				
Land improvements	(310,029)	(10,413)		(320,442)
Buildings and improvements	(937,819)	(158,437)		(1,096,256)
Infrastructure	(1,365,369)	(969,878)		(2,335,247)
Machinery, equipment and vehicles	(2,724,727)	(675,835)	(5,764)	(3,394,798)
Total accumulated depreciation	<u>(5,337,944)</u>	<u>(1,814,563)</u>	<u>(5,764)</u>	<u>(7,146,743)</u>
Total capital assets, being depreciated, net	<u>22,252,439</u>	<u>4,812,433</u>	<u>8,659</u>	<u>27,056,213</u>
Governmental activities capital assets, net	<u>\$38,738,731</u>	<u>\$ 8,117,359</u>	<u>\$5,014,506</u>	<u>\$41,841,584</u>

Governmental activities:	
General government	\$ 264,002
Public safety	460,192
Highways and streets	634,745
Culture and recreation	59,708
Health and welfare	395,916
Total depreciation expense – governmental activities	<u>1,814,563</u>
Less: Deleted capital assets	<u>(5,764)</u>
Total increase in accumulated depreciation	<u>\$ 1,808,799</u>

**CITY OF EL MIRAGE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 5 – CAPITAL ASSETS (Concl'd)**

<u>Business-Type Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 856,187	\$	\$	\$ 856,187
Construction in progress	1,367,306	288,490	746,744	909,052
Total	<u>2,223,493</u>	<u>288,490</u>	<u>746,744</u>	<u>1,765,239</u>
Capital assets, being depreciated:				
Sewer plant	19,158,226			19,158,226
Water mains and lines	26,057,063	1,227,930		27,284,993
Sewer collection system	7,131,392	1,061,465		8,192,857
Land improvements	4,667,955			4,667,955
Buildings and improvements	195,721	29,681		225,402
Machinery, equipment and vehicles	1,593,155	142,345	11,000	1,724,500
Infrastructure	11,756			11,756
Total capital assets being depreciated	<u>58,815,268</u>	<u>2,461,421</u>	<u>11,000</u>	<u>61,265,689</u>
Less accumulated depreciation for:				
Sewer plant	(6,169,793)	(439,365)		(6,609,158)
Water mains and lines	(5,525,502)	(1,100,307)		(6,625,809)
Sewer collection system	(3,493,876)	(265,948)		(3,759,824)
Land improvements	(1,030,047)	(81,991)		(1,112,038)
Buildings and improvements	(91,700)	(7,556)		(99,256)
Machinery, equipment and vehicles	(382,444)	(143,983)	(9,165)	(517,262)
Infrastructure	(2,632)	(1,176)		(3,808)
Total accumulated depreciation	<u>(16,695,994)</u>	<u>(2,040,326)</u>	<u>(9,165)</u>	<u>(18,727,155)</u>
Total capital assets, being depreciated, net	42,119,274	421,095	1,835	42,538,534
Business-type activities capital assets, net	<u>\$ 44,342,767</u>	<u>\$ 709,585</u>	<u>\$748,579</u>	<u>\$ 44,303,773</u>

Business-type activities:

Water and Sewer	<u>\$ 2,040,326</u>
Total depreciation expense – business-type activities	<u>2,040,326</u>
Less: Deleted capital assets	<u>(9,165)</u>
Total increase in accumulated depreciation	<u>\$ 2,031,161</u>

**Construction Commitments** – At year end, the City had contractual commitments related to various capital projects for the construction of \$1.2 million in street improvements, \$600,000 in water and wastewater projects, \$800,000 for public safety equipment and improvements, and \$300,000 for other projects.

**CITY OF EL MIRAGE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 6 – 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	3,990
Total	\$ 56,443

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

	Governmental Activities
Year Ending June 30:	
2011	\$ 22,042
2012	22,042
2013	7,347
Total minimum lease payments	51,431
Less: amount representing interest	3,712
Present value of minimum lease payments	\$ 47,719
Due within one year	\$ 19,599

**CITY OF EL MIRAGE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 7 – REVENUE BONDS PAYABLE**

The City has entered into three Greater Arizona Development Authority (GADA) revenue 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, 2010
<u>Governmental activities:</u>				
GADA Bond, Series 2004 A	\$ 4,855,000	3.95-4.80%	7/1/10-24	\$ 3,870,000
GADA Bond, Series 2007 B	1,145,000	4.00-5.00%	7/1/10-27	1,035,000
GADA Bond, Series 2009 B	9,600,000	3.00-5.00%	7/1/10-29	9,330,000
Total				<u>\$ 14,235,000</u>

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

Year ending June 30:	Governmental Activities	
	Principal	Interest
2011	\$ 590,000	\$ 631,689
2012	610,000	610,977
2013	630,000	589,539
2014	655,000	565,913
2015	680,000	541,680
2016-20	3,835,000	2,259,227
2021-25	4,405,000	1,320,137
2026-29	2,830,000	352,438
Total	<u>\$ 14,235,000</u>	<u>\$ 6,871,597</u>

**CITY OF EL MIRAGE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 8 – 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, 2010
<u>Business-type activities:</u>				
WIFA Loan, DW 050-2005	\$ 16,550,000	2.93%	7/1/10-25	\$ 12,988,127
WIFA Loan, CW 030-2005	1,108,911	2.96%	7/1/10-25	935,671
WIFA Loan, CW 2008	1,900,000	2.75%	7/1/10-27	948,965
WIFA Loan, DW 2008	4,040,000	2.75%	7/1/10-27	828,350
WIFA Loan, ARRA 91A121-10	648,000	2.87%	7/1/10-29	356,230
WIFA Loan, ARRA 91A152-10	140,000	2.68%	7/1/10-29	88,587
WIFA Loan, ARRA 91A153-10	498,000	1.50%	7/1/10-29	189,880
Total				<u>\$ 16,335,810</u>

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

Year ending June 30:	Business-type Activities	
	Principal	Interest
2011	\$ 1,118,966	\$ 563,303
2012	804,872	430,935
2013	828,214	407,311
2014	852,236	382,997
2015	876,956	357,974
2016-20	4,781,487	1,388,344
2021-25	5,516,688	644,205
2026-30	1,556,391	47,032
Total	<u>\$ 16,335,810</u>	<u>\$ 4,222,101</u>

**Pledged revenues – business-type activities.** The City has pledged future water and sewer revenues to repay the outstanding WIFA loans of \$16.3 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 \$20.6 million. The current total customer gross revenues were \$9.1 million and the total principal and interest paid on the loans was \$1.3 million, or 14% of gross revenues.

**CITY OF EL MIRAGE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 9 – 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
<b>Governmental activities:</b>					
Compensated absences	\$ 796,302	\$ 738,550	\$ 920,075	\$ 614,777	\$ 204,926
Revenue bonds payable	14,740,000		505,000	14,235,000	590,000
Obligations under leases		60,433	12,714	47,719	19,599
Governmental activity long-term liabilities	<u>\$ 15,536,302</u>	<u>\$ 798,983</u>	<u>\$ 1,437,789</u>	<u>\$ 14,897,496</u>	<u>\$ 814,525</u>
<b>Business-type activities:</b>					
Compensated absences	\$ 62,340	\$ 74,263	\$ 84,655	\$ 51,948	\$ 17,316
Loans payable	16,244,887	953,616	862,693	16,335,810	1,118,966
Business-type activities long-term liabilities	<u>\$ 16,307,227</u>	<u>\$ 1,027,879</u>	<u>\$ 947,348</u>	<u>\$ 16,387,758</u>	<u>\$ 1,136,282</u>

**NOTE 10 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

At year end, interfund balances were as follows.

**Due to/from other funds:**

Due to	Due from						Total
	General Fund	Street Funds	Fire Impact Fees Fund	Non-Major Governmental Funds	Water and Sewer Fund	Non-Major Enterprise Fund	
General Fund	\$	\$1,416,816	\$ 119,151	\$ 148,795	\$ 427,969	\$ 136,143	\$ 2,248,874
Non-Major Governmental Funds	259,285						259,285
Non-Major Enterprise Fund					44,494		44,494
Net Total Receivables	<u>\$ 259,285</u>	<u>\$1,416,816</u>	<u>\$ 119,151</u>	<u>\$ 148,795</u>	<u>\$ 472,463</u>	<u>\$ 136,143</u>	<u>\$ 2,552,653</u>

There were a number of funds with negative cash balances which were reduced by interfund borrowing with the General Fund. The interfund balance is expected to be paid within one year.

**CITY OF EL MIRAGE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 10 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Concl'd)**

**Interfund transfers:**

	Transfers in			Total
	General Fund	Streets Fund	Non-Major Governmental Fund	
Transfers out				
Major Governmental Funds:				
General Fund	\$	\$2,902,045	\$	\$ 2,902,045
Fire Impact Fees Fund			400,000	400,000
Non-Major Governmental Funds			433,645	433,645
Major Enterprise Fund:				
Water and Sewer Fund	1,100,000	995,150	59,394	2,154,544
Non-Major Enterprise Funds			100,000	100,000
Total	<u>\$ 1,100,000</u>	<u>\$3,897,195</u>	<u>\$ 993,039</u>	<u>\$ 5,990,234</u>

Interfund transfers were made by the City during the fiscal year to ensure that sufficient resources were available to cover expenditures in the applicable funds.

**NOTE 11 – CONTINGENT LIABILITIES**

**Lawsuits** – The City is a defendant in a number of lawsuits as of June 30, 2010. It is the opinion of management and City counsel that the amount of losses resulting from these litigations at June 30, 2010, would not be material to the financial position of the City.

**NOTE 12 – PRIOR PERIOD ADJUSTMENTS**

The accompanying financial statements reflect adjustments resulting from a closeout to the court clearing fund.

	Statement of Activities	Non-Major Governmental Funds
Net Assets/Fund balance, June 30, 2009, as previously reported	\$ 41,594,674	\$ 158,371
Court Clearing Fund Closeout	(66,467)	(66,467)
Net Assets/Fund balance, July 1, 2009, as restated	<u>\$ 41,528,207</u>	<u>\$ 91,904</u>

**CITY OF EL MIRAGE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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 – RETIREMENT PLAN**

**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)* administers a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing multiple employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *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.

**CITY OF EL MIRAGE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 14 – RETIREMENT PLAN (Cont'd)**

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**

3300 N. Central Ave.  
Phoenix, AZ 85012-0250  
(602) 240-2200 or (800) 621-3778

**PSPRS**

3010 E. Camelback Road Suite 200  
Phoenix, AZ 85016  
(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 9.40 percent (9.00 percent for retirement and 0.4 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 9.40 percent (8.34 percent for retirement and 0.66 percent for health insurance premiums, and 0.40 percent for long-term disability) of the members' annual covered payroll.

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

Years ended June 30,	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2010	596,101	47,173	28,590
2009	566,403	68,053	35,444
2008	499,046	65,093	30,997

*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 11.58 percent and 11.30 percent for police and fire, respectively. Additional information related to both the police and fire PSPRS agent plans follows.

**CITY OF EL MIRAGE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010**

**NOTE 14 – RETIREMENT PLAN (Cont'd)**

**Actuarial methods and assumptions** – The contribution requirements for the current fiscal year were established by the June 30, 2008 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, 2008
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 closed for unfunded actuarial accrued liability, open for excess
Remaining amortization	28 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value

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

**Police:**

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	N/A	100%	-0-
2009	455,626	100%	-0-
2008	108,916	100%	-0-

**Fire:**

<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2010	N/A	100%	-0-
2009	165,061	100%	-0-
2008	78,666	100%	-0-

**CITY OF EL MIRAGE, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 14 – RETIREMENT PLAN (Concl'd)**

**Funding Progress** – An analysis of funding progress for each of the agent plans as of June 30, 2010 follows.

**Police:**

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Overfunded (Underfunded) Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
2010	\$4,710,572	\$7,650,372	\$(2,939,800)	61.6%	\$2,728,700	(107.7)%
2009	4,227,144	6,328,088	(2,100,944)	66.8%	2,655,232	(79.1)%
2008	3,472,380	5,297,262	(1,842,882)	65.6%	2,667,973	(69.1)%

**Fire:**

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Overfunded (Underfunded) Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
2010	\$2,264,357	\$2,453,145	\$(188,788)	92.3%	\$1,642,082	(11.5)%
2009	1,983,989	2,288,971	(304,982)	86.7%	1,429,228	(21.3)%
2008	1,750,931	1,982,955	(232,024)	88.3%	1,209,703	(19.2)%

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
(REQUIRED SUPPLEMENTARY INFORMATION)**

**CITY OF EL MIRAGE, ARIZONA**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL**  
**YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Property taxes	\$ 1,666,373	\$ 1,666,373	\$ 1,694,137	\$ 27,764
City sales taxes	5,865,000	5,865,000	5,366,105	(498,895)
Franchise taxes	620,000	620,000	622,259	2,259
Licenses and permits	131,000	131,000	167,934	36,934
Intergovernmental	7,404,152	7,404,152	7,701,277	297,125
Charges for services	161,000	161,000	145,853	(15,147)
Fines and forfeits	521,406	521,406	824,451	303,045
Investment income	175,000	175,000	43,525	(131,475)
Rents	25,000	25,000	28,064	3,064
Contributions and donations			7,000	7,000
Miscellaneous	101,200	101,200	193,446	92,246
<b>Total revenues</b>	<u>16,670,131</u>	<u>16,670,131</u>	<u>16,794,051</u>	<u>123,920</u>
<b>Expenditures:</b>				
Current -				
General government	6,031,434	6,631,434	6,201,789	429,645
Public safety	10,583,922	10,848,922	10,285,464	563,458
Culture and recreation	1,476,023	1,676,023	1,568,919	107,104
Contingency	6,000,000	1,985,000		1,985,000
Capital outlay	279,000	279,000	417,145	(138,145)
Debt service -				
Principal retirement			12,714	(12,714)
Interest and fiscal charges			1,980	(1,980)
<b>Total expenditures</b>	<u>24,370,379</u>	<u>21,420,379</u>	<u>18,488,011</u>	<u>2,932,368</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(7,700,248)</u>	<u>(4,750,248)</u>	<u>(1,693,960)</u>	<u>3,056,288</u>
<b>Other financing sources (uses):</b>				
Capital lease			60,433	60,433
Transfer in			1,100,000	1,100,000
Transfer out		(2,950,000)	(2,902,045)	47,955
<b>Total other financing sources (uses)</b>		<u>(2,950,000)</u>	<u>(1,741,612)</u>	<u>1,208,388</u>
<b>Change in fund balances</b>	<u>(7,700,248)</u>	<u>(7,700,248)</u>	<u>(3,435,572)</u>	<u>4,264,676</u>
<b>Fund balances, July 1, 2009</b>	7,700,248	7,700,248	11,804,555	4,104,307
<b>Fund balances, June 30, 2010</b>	<u>\$</u>	<u>\$</u>	<u>\$ 8,368,983</u>	<u>\$ 8,368,983</u>

See accompanying notes to this schedule.

**CITY OF EL MIRAGE, ARIZONA**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2010**

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

The adopted budget of the City is prepared on a basis of accounting consistent with accounting principles generally accepted in the United States of America.

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**SUPPLEMENTARY INFORMATION**

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**OTHER MAJOR GOVERNMENTAL FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

**CITY OF EL MIRAGE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - STREETS  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original &amp; Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Intergovernmental	\$ 3,552,805	\$ 1,466,020	\$ (2,086,785)
Investment income	2,000	3,623	1,623
<b>Total revenues</b>	<u>3,554,805</u>	<u>1,469,643</u>	<u>(2,085,162)</u>
<b>Expenditures:</b>			
Capital outlay	14,803,645	3,161,512	11,642,133
<b>Total expenditures</b>	<u>14,803,645</u>	<u>3,161,512</u>	<u>11,642,133</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(11,248,840)</u>	<u>(1,691,869)</u>	<u>9,556,971</u>
<b>Other financing sources (uses):</b>			
Issuance of bonds	6,600,000		(6,600,000)
Transfer in		3,897,195	3,897,195
<b>Total other financing sources (uses)</b>	<u>6,600,000</u>	<u>3,897,195</u>	<u>(2,702,805)</u>
<b>Change in fund balances</b>	<u>(4,648,840)</u>	<u>2,205,326</u>	<u>6,854,166</u>
<b>Fund balances (deficits), July 1, 2009</b>	4,648,840	(911,719)	(5,560,559)
<b>Fund balances, June 30, 2010</b>	<u>\$</u>	<u>\$ 1,293,607</u>	<u>\$ 1,293,607</u>

**CITY OF EL MIRAGE, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - FIRE IMPACT FEES  
YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Variance with Final Budget Positive (Negative)
	<u>Original &amp; Final</u>	<u>Actual</u>	
<b>Revenues:</b>			
Investment income	\$ 200	\$ 6,562	\$ 6,362
Development impact fees	20,000	7,185	(12,815)
<b>Total revenues</b>	<u>20,200</u>	<u>13,747</u>	<u>(6,453)</u>
<b>Expenditures:</b>			
Current -			
Public safety		1,218	(1,218)
Capital outlay	6,170,697	534,303	5,636,394
<b>Total expenditures</b>	<u>6,170,697</u>	<u>535,521</u>	<u>5,635,176</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(6,150,497)</u>	<u>(521,774)</u>	<u>5,628,723</u>
<b>Other financing sources (uses):</b>			
Transfer out		(400,000)	(400,000)
<b>Total other financing sources (uses)</b>		<u>(400,000)</u>	<u>(400,000)</u>
<b>Change in fund balances</b>	<u>(6,150,497)</u>	<u>(921,774)</u>	<u>5,228,723</u>
<b>Fund balances, July 1, 2009</b>	6,150,497	6,326,573	176,076
<b>Fund balances, June 30, 2010</b>	<u>\$</u>	<u>\$ 5,404,799</u>	<u>\$ 5,404,799</u>

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**NON-MAJOR GOVERNMENTAL FUNDS**

**CITY OF EL MIRAGE, ARIZONA  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2010**

	Municipal Court		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$	\$	\$
Charges for services			
Fines and forfeits		152,329	152,329
Investment income		343	343
Contributions and donations			
Miscellaneous			
<b>Total revenues</b>		<u>152,672</u>	<u>152,672</u>
<b>Expenditures:</b>			
Current -			
General government	77,258	24,825	52,433
Public safety			
Highways and streets			
Redevelopment and housing			
Health and welfare			
Capital outlay			
<b>Total expenditures</b>	<u>77,258</u>	<u>24,825</u>	<u>52,433</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(77,258)</u>	<u>127,847</u>	<u>205,105</u>
<b>Other financing sources (uses):</b>			
Transfer in			
Transfer out			
<b>Total other financing sources (uses)</b>			
<b>Change in fund balances</b>	<u>(77,258)</u>	<u>127,847</u>	<u>205,105</u>
<b>Fund balances (deficits), July 1, 2009, as restated</b>	77,258	219,053	141,795
<b>Fund balances (deficits), June 30, 2010</b>	<u>\$</u>	<u>\$ 346,900</u>	<u>\$ 346,900</u>

Senior Center			Streets (HURF)		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 260,524	\$ 83,695	\$ (176,829)	\$ 1,937,584	\$ 1,821,693	\$ (115,891)
				1,418	1,418
				36	36
3,000	10	(2,990)			
2,000	1,599	(401)			
<u>265,524</u>	<u>85,304</u>	<u>(180,220)</u>	<u>1,937,584</u>	<u>1,823,147</u>	<u>(114,437)</u>
			1,491,065	1,240,331	250,734
410,422	189,644	220,778			
			235,500	286,380	(50,880)
<u>410,422</u>	<u>189,644</u>	<u>220,778</u>	<u>1,726,565</u>	<u>1,526,711</u>	<u>199,854</u>
(144,898)	(104,340)	40,558	211,019	296,436	85,417
	144,898	144,898		99,000	99,000
				(433,645)	(433,645)
	<u>144,898</u>	<u>144,898</u>		<u>(334,645)</u>	<u>(334,645)</u>
(144,898)	40,558	185,456	211,019	(38,209)	(249,228)
144,898	(2,332)	(147,230)	(211,019)	(134,780)	76,239
<u>\$</u>	<u>\$ 38,226</u>	<u>\$ 38,226</u>	<u>\$</u>	<u>\$ (172,989)</u>	<u>\$ (172,989)</u>

(Continued)

**CITY OF EL MIRAGE, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2010**  
**(Continued)**

	Dial-A-Ride (LTAF)		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 137,467	\$ 127,943	\$ (9,524)
Charges for services	1,600	3,248	1,648
Fines and forfeits			
Investment income		186	186
Contributions and donations			
Miscellaneous			
<b>Total revenues</b>	<u>139,067</u>	<u>131,377</u>	<u>(7,690)</u>
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Highways and streets	143,685	74,748	68,937
Redevelopment and housing			
Health and welfare			
Capital outlay			
<b>Total expenditures</b>	<u>143,685</u>	<u>74,748</u>	<u>68,937</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(4,618)</u>	<u>56,629</u>	<u>61,247</u>
<b>Other financing sources (uses):</b>			
Transfer in			
Transfer out			
<b>Total other financing sources (uses)</b>			
<b>Change in fund balances</b>	<u>(4,618)</u>	<u>56,629</u>	<u>61,247</u>
<b>Fund balances (deficits), July 1, 2009, as restated</b>	4,618	200,356	195,738
<b>Fund balances (deficits), June 30, 2010</b>	<u>\$</u>	<u>\$ 256,985</u>	<u>\$ 256,985</u>

Police Grants			Home Rehabilitation		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 615,132	\$ 242,121	\$ (373,011)	\$ 1,729,065	\$ 485,052	\$ (1,244,013)
			2,000		(2,000)
<u>615,132</u>	<u>242,121</u>	<u>(373,011)</u>	<u>1,731,065</u>	<u>485,052</u>	<u>(1,246,013)</u>
580,813	211,847	368,966			
			1,780,065	485,052	1,295,013
<u>76,071</u>	<u>76,070</u>	<u>1</u>	<u>1,780,065</u>	<u>485,052</u>	<u>1,295,013</u>
<u>656,884</u>	<u>287,917</u>	<u>368,967</u>	<u>1,780,065</u>	<u>485,052</u>	<u>1,295,013</u>
<u>(41,752)</u>	<u>(45,796)</u>	<u>(4,044)</u>	<u>(49,000)</u>		<u>49,000</u>
	34,463	34,463		49,000	49,000
	<u>34,463</u>	<u>34,463</u>		<u>49,000</u>	<u>49,000</u>
<u>(41,752)</u>	<u>(11,333)</u>	<u>30,419</u>	<u>(49,000)</u>	<u>49,000</u>	<u>98,000</u>
41,752	3,453	(38,299)	49,000		(49,000)
<u>\$</u>	<u>\$ (7,880)</u>	<u>\$ (7,880)</u>	<u>\$</u>	<u>\$ 49,000</u>	<u>\$ 49,000</u>

(Continued)

**CITY OF EL MIRAGE, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2010**  
**(Concluded)**

	Community Development Block Grant		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Intergovernmental	\$ 983,990	\$	\$ (983,990)
Charges for services			
Fines and forfeits			
Investment income			
Contributions and donations			
Miscellaneous			
<b>Total revenues</b>	983,990		(983,990)
<b>Expenditures:</b>			
Current -			
General government			
Public safety			
Highways and streets			
Redevelopment and housing	118,079		118,079
Health and welfare			
Capital outlay	1,131,589	85,769	1,045,820
<b>Total expenditures</b>	1,249,668	85,769	1,163,899
<b>Excess (deficiency) of revenues over expenditures</b>	(265,678)	(85,769)	179,909
<b>Other financing sources (uses):</b>			
Transfer in		265,678	265,678
Transfer out			
<b>Total other financing sources (uses)</b>		265,678	265,678
<b>Change in fund balances</b>	(265,678)	179,909	445,587
<b>Fund balances (deficits), July 1, 2009, as restated</b>	265,678		(265,678)
<b>Fund balances (deficits), June 30, 2010</b>	\$	\$ 179,909	\$ 179,909

Totals

Budget	Actual	Variance - Positive (Negative)
\$ 5,663,762	\$ 2,760,504	\$ (2,903,258)
1,600	4,666	3,066
	152,329	152,329
	565	565
5,000	10	(4,990)
2,000	1,599	(401)
<u>5,672,362</u>	<u>2,919,673</u>	<u>(2,752,689)</u>
77,258	24,825	52,433
580,813	211,847	368,966
1,634,750	1,315,079	319,671
1,898,144	485,052	1,413,092
410,422	189,644	220,778
<u>1,443,160</u>	<u>448,219</u>	<u>994,941</u>
<u>6,044,547</u>	<u>2,674,666</u>	<u>3,369,881</u>
<u>(372,185)</u>	<u>245,007</u>	<u>617,192</u>
	593,039	593,039
	<u>(433,645)</u>	<u>(433,645)</u>
	<u>159,394</u>	<u>159,394</u>
<u>(372,185)</u>	<u>404,401</u>	<u>776,586</u>
372,185	285,750	(86,435)
<u>\$</u>	<u>\$ 690,151</u>	<u>\$ 690,151</u>

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**CITY OF EL MIRAGE, ARIZONA  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR DEBT SERVICE FUND  
 YEAR ENDED JUNE 30, 2010**

	Debt Service - GADA		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Property taxes	\$ 1,256,182	\$ 1,223,411	\$ (32,771)
Intergovernmental	294,000		(294,000)
Investment income		130	130
<b>Total revenues</b>	1,550,182	1,223,541	(326,641)
<b>Expenditures:</b>			
Debt service -			
Principal retirement	1,013,156	505,000	508,156
Interest and fiscal charges	537,026	712,432	(175,406)
<b>Total expenditures</b>	1,550,182	1,217,432	332,750
<b>Change in fund balances</b>		6,109	6,109
<b>Fund balances (deficits), July 1, 2009</b>		(36,138)	(36,138)
<b>Fund balances (deficits), June 30, 2010</b>	\$	\$ (30,029)	\$ (30,029)

**CITY OF EL MIRAGE, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2010**

	Park Improvements		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Investment income	\$	\$	1
Development impact fees			
<b>Total revenues</b>	1	1	1
<b>Expenditures:</b>			
Capital outlay	6,701,500	449,158	6,252,342
<b>Total expenditures</b>	6,701,500	449,158	6,252,342
<b>Excess (deficiency) of revenues over expenditures</b>	(6,701,500)	(449,157)	6,252,343
<b>Other financing sources (uses):</b>			
Issuance of bonds			
Transfer in		400,000	400,000
<b>Total other financing sources (uses)</b>		400,000	400,000
<b>Change in fund balances</b>	(6,701,500)	(49,157)	6,652,343
<b>Fund balances (deficits), July 1, 2009</b>	6,701,500	(210,128)	(6,911,628)
<b>Fund balances (deficits), June 30, 2010</b>	\$	\$ (259,285)	\$ (259,285)

Parks and Recreation Impact Fees

<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
\$ 200	\$	\$ (200)
500	3,785	3,285
700	3,785	3,085
700		700
700		700
	3,785	3,785
6,700,000		(6,700,000)
6,700,000		(6,700,000)
6,700,000	3,785	(6,696,215)
	(4,540)	(4,540)
<u>\$ 6,700,000</u>	<u>\$ (755)</u>	<u>\$ (6,700,755)</u>

Municipal Facilities and Equipment Impact Fees

<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
\$ 500	\$ 22	\$ (478)
15,000	9,892	(5,108)
15,500	9,914	(5,586)
40,549		40,549
40,549		40,549
(25,049)	9,914	34,963
(25,049)	9,914	34,963
25,049	21,099	(3,950)
<u>\$</u>	<u>\$ 31,013</u>	<u>\$ 31,013</u>

(Continued)

**CITY OF EL MIRAGE, ARIZONA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2010**  
**(Concluded)**

	Police Impact Fees		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Investment income	\$ 150	\$ 31	\$ (119)
Development impact fees	25,000	3,632	(21,368)
<b>Total revenues</b>	25,150	3,663	(21,487)
<b>Expenditures:</b>			
Capital outlay	66,210		66,210
<b>Total expenditures</b>	66,210		66,210
<b>Excess (deficiency) of revenues over expenditures</b>	(41,060)	3,663	44,723
<b>Other financing sources (uses):</b>			
Issuance of bonds			
Transfer in			
<b>Total other financing sources (uses)</b>			
<b>Change in fund balances</b>	(41,060)	3,663	44,723
<b>Fund balances (deficits), July 1, 2009</b>	41,060	35,861	(5,199)
<b>Fund balances (deficits), June 30, 2010</b>	\$	\$ 39,524	\$ 39,524

Totals

Budget	Actual	Variance - Positive (Negative)
\$ 850	\$ 54	\$ (796)
40,500	17,309	(23,191)
41,350	17,363	(23,987)
6,808,959	449,158	6,359,801
6,808,959	449,158	6,359,801
(6,767,609)	(431,795)	6,335,814
6,700,000		(6,700,000)
	400,000	400,000
6,700,000	400,000	(6,300,000)
(67,609)	(31,795)	35,814
6,767,609	(157,708)	(6,925,317)
<u>\$ 6,700,000</u>	<u>\$ (189,503)</u>	<u>\$ (6,889,503)</u>

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**SINGLE AUDIT SECTION**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of El Mirage, Arizona as of and for the year ended June 30, 2010, which collectively comprise City of El Mirage, Arizona's basic financial statements and have issued our report thereon dated December 7, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Heinfeld, Meech & Co., P.C.*

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

December 7, 2010



**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Independent Auditor's Report

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

Compliance

We have audited the City of El Mirage, Arizona's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of El Mirage's major federal programs for the year ended June 30, 2010. City of El Mirage, Arizona's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of El Mirage, Arizona's management. Our responsibility is to express an opinion on City of El Mirage, Arizona's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of El Mirage, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of City of El Mirage, Arizona's compliance with those requirements.

In our opinion, City of El Mirage, Arizona complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The management of City of El Mirage, Arizona is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of El Mirage, Arizona's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of El Mirage, Arizona's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of El Mirage, Arizona as of and for the year ended June 30, 2010, and have issued our report thereon dated December 7, 2010, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates 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 accounts 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 taken as a whole.

This report is intended solely for the information and use of management, the City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Heinfeld, Meech & Co., P.C.*

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

December 7, 2010

**CITY OF EL MIRAGE, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Maricopa County Community Development -			
HOME Investment Partnerships Program	14.239	UC0805	\$ 124,778
HOME Investment Partnerships Program	14.239	UC0805A	30,000
HOME Investment Partnerships Program	14.239	UC0905A	105,000
Passed through Arizona Department of Housing (State Housing Fund)			
HOME Investment Partnerships Program	14.239	304-08	<u>146,444</u>
Total U.S. Department of Housing and Urban Development			<u>406,222</u>
<u>U.S. Department of Transportation</u>			
Passed through Arizona Department of Transportation			
Highway Planning and Construction	20.205	CSE54001A	14,787
Passed Through Arizona Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	2010-PT-032	25,357
National Highway Traffic Safety Administration (NHTSA)			
Discretionary Safety Grants	20.614	2009-NG-005	12,716
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	2010-410-041	<u>50,714</u>
Total U.S. Department of Transportation			<u>103,574</u>
<u>U.S. Department of Homeland Security</u>			
Direct Programs			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	N/A	<u>117,045</u>
<u>U.S. Department of Justice</u>			
Direct Programs			
Bulletproof Vest Partnership Program	16.607	N/A	1,267
Passed Through Maricopa County/County Board of Supervisors			
Recovery Act - Edward Byrne Memorial Justice Assistance			
Grant (JAG) Program / Grants to States and Territories	16.803	N/A	5,875
Edward Byrne Memorial Justice Assistance Grant	16.738	N/A	<u>11,334</u>
Total U.S. Department of Justice			<u>18,476</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through Water Infrastructure Finance Authority of Arizona			
Capitalization Grants for Clean Water State Revolving			
Funds, Recovery Act	66.458	91A121-10	432,000
Capitalization Grants for Drinking Water State Revolving			
Funds, Recovery Act	66.468	92A152-10	<u>210,000</u>
Total U.S. Environmental Protection Agency			<u>642,000</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Area Agency on Aging, Region I, Inc.			
Special Programs for the Aging - Title III -			
Part B - Grants for Supportive Services and Senior Centers	93.044	2008-14-ELM	2,989
Special Programs for the Aging - Title III -			
Part C - Nutrition Services	93.045	2008-14-ELM	29,290
Nutrition Services Incentive Program	93.053	2008-14-ELM	6,367
Social Services Block Grant	93.667	2008-14-ELM	<u>4,019</u>
Total U.S. Department of Health and Human Services			<u>42,665</u>
<b>Total Expenditures of Federal Awards</b>			<u><b>\$ 1,329,982</b></u>

**CITY OF EL MIRAGE, ARIZONA**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2010**

**NOTE 1 - BASIS OF PRESENTATION**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of City of El Mirage, Arizona and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS**

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2010 *Catalog of Federal Domestic Assistance*.

**CITY OF EL MIRAGE, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?       yes   X  no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?       yes   X  none reported

Noncompliance material to financial statements noted?       yes   X  no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?       yes   X  no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?       yes   X  none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?       yes   X  no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds, Recovery Act
66.468	Capitalization Grants for Drinking Water State Revolving Funds, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs:       \$300,000      

Auditee qualified as low-risk auditee?   X  yes       no

**CITY OF EL MIRAGE, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010**

**SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

None reported.

**SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL  
AWARDS**

None reported.

**CITY OF EL MIRAGE, ARIZONA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2010**

**Status of Federal Award Findings and Questioned Costs**

The City had no findings or questioned costs related to federal awards noted in prior audits that require a status.