

**CITY OF EL MIRAGE, ARIZONA
SINGLE AUDIT REPORTING PACKAGE
FISCAL YEAR ENDED JUNE 30, 2009**

CITY OF EL MIRAGE, ARIZONA

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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, 2009**

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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, 2009, 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, 2009, 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 February 1, 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.

The management's discussion and analysis on pages 5 through 14 and budgetary comparison information on pages 54 and 55 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heinfeld, Meech & Co., P.C.

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

February 1, 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, 2009**

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, 2009.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2008-09 as follows.

- The City's total net assets of governmental activities increased \$7.0 million to \$41.6 million and business-type activities increased \$67,727 to \$33.2 million representing 56 percent and 44 percent, respectively, of the total net assets of \$74.8 million.
- General revenues from governmental activities accounted for \$17.2 million in revenue, or 63 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$10.0 million or 37 percent of total governmental activities revenues. The City had \$9.7 million of program revenues and \$82,111 in general revenues related to business-type activities.
- The City had \$21.4 million in expenses related to governmental activities, an increase of 14 percent from the prior fiscal year. The City had \$8.5 million in expenses related to business-type activities an increase of 4 percent from the prior fiscal year.
- Among major funds, the General Fund had \$17.6 million in revenues, which primarily consisted of taxes and intergovernmental revenues. The total expenditures of the General Fund were \$17.6 million. The General Fund's fund balance decreased from \$16.2 million to \$11.8 million, due primarily to transfers to other funds for street capital projects.
- The Streets Fund had \$103,256 in revenues which primarily consisted of intergovernmental revenues. The total expenditures of the Streets Fund were \$7.0 million. The Streets Fund reported a fund balance decrease of \$1.6 million due to expenditures for street projects exceeding the transfers from other funds.
- The Park Improvements Fund had \$751,229 in revenues which primarily consisted of intergovernmental revenues. The total expenditures of the Park Improvements Fund were \$4.1 million. The Park Improvements Fund reported a fund balance decrease of \$823,090 after an issuance of \$2.6 million in bonds.
- The Fire Impact Fees Fund had \$41,078 in revenues which primarily consisted of development impact fees. The total expenditures of the Fire Impact Fees Fund were \$717,535. The Fire Impact Fees Fund reported a fund balance increase of \$6.3 million after an issuance of \$7.0 million in bonds.
- The Water and Sewer Fund net assets increased \$33,486. Operating expenses of \$7.2 million were exceeded by operating revenues of \$8.8 million.

**CITY OF EL MIRAGE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

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, and health and welfare. 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, 2009**

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, Park Improvements, 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, 2009**

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 \$74.8 million at the current fiscal year end.

The largest portion of the City's net assets (78 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, 2009 and June 30, 2008.

	2009	2008	2009	2008	2009	2008
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
Current assets	\$ 20,272,761	\$ 21,417,608	\$ 5,890,425	\$ 6,285,208	\$ 26,163,186	\$ 27,702,816
Capital assets, net	38,738,731	21,784,624	44,342,767	43,103,446	83,081,498	64,888,070
Other non-current assets	269,751	75,078	1,583,033	1,877,635	1,852,784	1,952,713
Total assets, net	<u>59,281,243</u>	<u>43,277,310</u>	<u>51,816,225</u>	<u>51,266,289</u>	<u>111,097,468</u>	<u>94,543,599</u>
Current and other liabilities	2,822,166	3,000,998	3,177,959	3,210,228	6,000,125	6,211,226
Long-term liabilities	14,864,403	5,659,681	15,423,662	14,909,184	30,288,065	20,568,865
Total liabilities	<u>17,686,569</u>	<u>8,660,679</u>	<u>18,601,621</u>	<u>18,119,412</u>	<u>36,288,190</u>	<u>26,780,091</u>
Invested in capital assets, net of related debt	30,325,304	16,414,625	28,096,706	27,467,007	58,422,010	43,881,632
Restricted			1,372,070		1,372,070	
Unrestricted	11,269,370	18,202,006	3,745,828	5,679,870	15,015,198	23,881,876
Total net assets	<u>\$ 41,594,674</u>	<u>\$ 34,616,631</u>	<u>\$ 33,214,604</u>	<u>\$ 33,146,877</u>	<u>\$ 74,809,278</u>	<u>\$ 67,763,508</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 \$18.3 million in governmental activities capital assets.
- The addition of \$3.1 million in business-type activities capital assets.
- The issuance of \$9.6 million in new loans for capital improvements in governmental activities.
- The issuance of \$1.4 million in new loans for capital improvements in business-type activities.

**CITY OF EL MIRAGE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The City's total revenues for the current fiscal year were \$37.0 million. The total cost of all programs and services was \$30.0 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2009 and June 30, 2008.

	2009 Governmental Activities	2008 Governmental Activities	2009 Business-type Activities	2008 Business-type Activities	2009 Total	2008 Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,085,447	\$ 1,308,876	\$ 9,740,241	\$ 9,437,535	\$ 10,825,688	\$ 10,746,411
Operating grants and contributions	1,827,229	2,097,098			1,827,229	2,097,098
Capital grants and contributions	7,118,339	3,790,817		417,795	7,118,339	4,208,612
General revenues:						
Property taxes	2,045,848	1,879,993			2,045,848	1,879,993
City sales taxes	5,908,742	5,931,713			5,908,742	5,931,713
Franchise taxes	636,826	643,844			636,826	643,844
State shared revenues	8,450,717	8,744,518			8,450,717	8,744,518
Investment income	14,750	839,564	22,859	331,023	37,609	1,170,587
Development impact fees	114,829	428,434	59,252	155,212	174,081	583,646
Miscellaneous				9,547		9,547
Total revenues	<u>27,202,727</u>	<u>25,664,857</u>	<u>9,822,352</u>	<u>10,351,112</u>	<u>37,025,079</u>	<u>36,015,969</u>
Expenses:						
General government	5,699,131	5,054,911			5,699,131	5,054,911
Public safety	11,167,552	9,355,876			11,167,552	9,355,876
Highways and streets	2,205,517	1,804,617			2,205,517	1,804,617
Culture and recreation	1,479,963	1,232,624			1,479,963	1,232,624
Redevelopment and housing	171,758	621,504			171,758	621,504
Health and welfare	471,004	498,598			471,004	498,598
Interest on long-term debt	237,188	262,285			237,188	262,285
Water and sewer			7,688,567	7,293,423	7,688,567	7,293,423
Solid waste			858,629	896,410	858,629	896,410
Total expenses	<u>21,432,113</u>	<u>18,830,415</u>	<u>8,547,196</u>	<u>8,189,833</u>	<u>29,979,309</u>	<u>27,020,248</u>
Transfers	<u>1,207,429</u>	<u>1,068,516</u>	<u>(1,207,429)</u>	<u>(1,068,516)</u>		
Increase in net assets	<u>\$ 6,978,043</u>	<u>\$ 7,902,958</u>	<u>\$ 67,727</u>	<u>\$ 1,092,763</u>	<u>\$ 7,045,770</u>	<u>\$ 8,995,721</u>

- Total governmental activities revenues increased \$1.5 million, or 6 percent, primarily as a result of capital grants and contributions for parks.
- Total governmental activities expenses increased \$2.6 million, or 14 percent, primarily as a result of an increase in public safety operations due to expanded police and fire services.

**CITY OF EL MIRAGE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

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.

	2009		2008	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 5,699,131	\$ (5,284,069)	\$ 5,054,911	\$ (4,163,356)
Public safety	11,167,552	(9,930,313)	9,355,876	(9,117,163)
Highways and streets	2,205,517	221,219	1,804,617	2,525,562
Culture and recreation	1,479,963	3,700,097	1,232,624	(1,073,741)
Redevelopment and housing	171,758	363,220	621,504	736,125
Health and welfare	471,004	(234,064)	498,598	(278,766)
Interest on long-term debt	237,188	(237,188)	262,285	(262,285)
Total	<u>\$ 21,432,113</u>	<u>\$ (11,401,098)</u>	<u>\$ 18,830,415</u>	<u>\$ (11,633,624)</u>
Business-type Activities				
Water and sewer	\$ 7,688,567	\$ 1,140,170	\$ 7,293,423	\$ 1,626,683
Solid waste	858,629	52,875	896,410	38,814
Total	<u>\$ 8,547,196</u>	<u>\$ 1,193,045</u>	<u>\$ 8,189,833</u>	<u>\$ 1,665,497</u>

- Federal and State governments and charges for services subsidized certain governmental programs with revenues of \$10.0 million.
- Net cost of governmental activities of \$11.4 million was financed by general revenues, which are made up of primarily sales taxes and state shared revenues of \$14.4 million.

**CITY OF EL MIRAGE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

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 \$17.4 million, a decrease of \$742,923, or 4 percent from the prior year.

The decrease in the General Fund's fund balance of \$4.4 million was due primarily to transfers to other funds of \$5.6 million to fund various streets projects and senior center operations.

Proprietary funds. Net assets of the Enterprise Funds at the end of the year amounted to \$33.2 million, an increase of \$67,727, or a less than one percent increase 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 \$6.6 million in contingency was a result of the City not incurring unexpected expenditures during the year.
- The favorable variance of \$889,091 in transfers out was a result of lower than expected expenses in other funds.

**CITY OF EL MIRAGE, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2009, the City had invested \$105.1 million in capital assets. This amount represents a net increase prior to depreciation of \$21.4 million from the prior fiscal year, primarily due to infrastructure improvements and construction of the Heritage Park. Total depreciation expense for the year was \$3.2 million. Equipment originally costing \$95,441 was disposed of during the current fiscal year.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2009 and June 30, 2008.

	2009 Governmental Activities	2008 Governmental Activities	2009 Business-type Activities	2008 Business-type Activities
Land	\$ 8,691,931	\$ 3,629,310	\$ 856,187	\$ 856,187
Construction in progress	7,794,361	2,931,238	1,367,306	1,217,208
Total non-depreciable assets	<u>16,486,292</u>	<u>6,560,548</u>	<u>2,223,493</u>	<u>2,073,395</u>
Sewer plant			19,158,226	18,243,697
Water mains and lines			26,057,063	24,592,511
Sewer collection system			7,131,392	7,096,247
Land improvements	422,133	397,166	4,667,955	4,667,955
Buildings and improvements	3,416,270	3,416,270	195,721	162,087
Infrastructure	16,943,662	8,984,145	1,593,155	
Machinery equipment, and vehicles	6,808,318	6,463,530	11,756	1,087,219
Less: Accumulated depreciation	<u>(5,337,944)</u>	<u>(4,037,034)</u>	<u>(16,695,994)</u>	<u>(14,819,665)</u>
Total depreciable assets, net	<u>22,252,439</u>	<u>15,224,077</u>	<u>42,119,274</u>	<u>41,030,051</u>
Total capital assets, net	<u>\$ 38,738,731</u>	<u>\$ 21,784,625</u>	<u>\$ 44,342,767</u>	<u>\$ 43,103,446</u>

The estimated cost to complete current construction projects is \$53.9 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, 2009**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Concl'd)

Debt Administration. At year end, the City had \$31.0 million in long-term debt outstanding, \$1.4 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, 2009 and June 30, 2008.

	As of June 30, 2009	As of June 30, 2008
GADA bonds	\$ 14,740,000	\$ 5,370,000
WIFA loans	16,244,887	15,636,439
Total	<u>\$ 30,984,887</u>	<u>\$ 21,006,439</u>

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 June 30, 2009, 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 \$14.7 million of debt applicable to the 20% limit.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The adopted combined operating and capital expenditure budget for fiscal year 2009-10 totals \$91.2 million, a decrease of \$7.7 million or 8% less than fiscal year 2008-09.

Although there is a decrease of 8% between this year's and last year's budget, \$53.9 million of the \$91.2 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 \$25.3 million to \$24.4 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, 2009**

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, 2009

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 17,795,162	\$ 3,619,896	\$ 21,415,058
Accounts receivable	275,478	1,347,112	1,622,590
Property taxes receivable	176,919		176,919
Due from governmental entities	1,910,853	32,385	1,943,238
Loans receivable		891,032	891,032
Prepaid items	114,349		114,349
Total current assets	20,272,761	5,890,425	26,163,186
Noncurrent assets:			
Cash and investments - restricted		1,372,070	1,372,070
Deferred charges	269,751	210,963	480,714
Capital assets, non-depreciable	16,486,292	2,223,493	18,709,785
Capital assets, depreciable (net)	22,252,439	42,119,274	64,371,713
Total noncurrent assets	39,008,482	45,925,800	84,934,282
Total assets	59,281,243	51,816,225	111,097,468
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	1,503,912	1,165,935	2,669,847
Accrued payroll and employee benefits	520,004	52,931	572,935
Accrued interest		222,319	222,319
Compensated absences payable	274,426	20,871	295,297
Customer deposits	18,824	853,209	872,033
Loans payable		862,694	862,694
Revenue bonds payable	505,000		505,000
Total current liabilities	2,822,166	3,177,959	6,000,125
Noncurrent liabilities:			
Compensated absences	521,876	41,469	563,345
Loans payable		15,382,193	15,382,193
Deferred premium	107,527		107,527
Revenue bonds payable	14,235,000		14,235,000
Total non-current liabilities	14,864,403	15,423,662	30,288,065
Total liabilities	17,686,569	18,601,621	36,288,190
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	30,325,304	28,096,706	58,422,010
Restricted for:			
Capital outlay		1,372,070	1,372,070
Unrestricted	11,269,370	3,745,828	15,015,198
Total net assets	\$ 41,594,674	\$ 33,214,604	\$ 74,809,278

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, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental activities:					
General government	\$ 5,699,131	\$ 415,062	\$	\$	\$ (5,284,069)
Public safety	11,167,552	531,233	148,361	557,645	(9,930,313)
Highways and streets	2,205,517	2,127	1,284,482	1,140,127	221,219
Culture and recreation	1,479,963	9,493		5,170,567	3,700,097
Redevelopment and housing	171,758	124,647	160,331	250,000	363,220
Health and welfare	471,004	2,885	234,055		(234,064)
Interest on long-term debt	237,188				(237,188)
Total governmental activities	<u>21,432,113</u>	<u>1,085,447</u>	<u>1,827,229</u>	<u>7,118,339</u>	<u>(11,401,098)</u>
Business-type activities:					
Water and sewer	7,688,567	8,828,737			
Solid waste	858,629	911,504			
Total business-type activities	<u>8,547,196</u>	<u>9,740,241</u>			
Total primary government	<u>\$ 29,979,309</u>	<u>\$ 10,825,688</u>	<u>\$ 1,827,229</u>	<u>\$ 7,118,339</u>	<u>(11,401,098)</u>

General revenues:

Taxes:

Property taxes, levied for general purposes	2,031,521
Property taxes, levied for debt purposes	14,327
City sales taxes	5,908,742
Franchise taxes	636,826
State shared revenues	8,450,717
Investment income	14,750
Development impact fees	114,829

Transfers

1,207,429

Total general revenues and transfers

18,379,141

Changes in net assets

6,978,043

Net assets, beginning of year

34,616,631

Net assets, end of year

\$ 41,594,674

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
\$	\$ (5,284,069)
	(9,930,313)
	221,219
	3,700,097
	363,220
	(234,064)
	(237,188)
	(11,401,098)
1,140,170	1,140,170
52,875	52,875
1,193,045	1,193,045
1,193,045	(10,208,053)
	2,031,521
	14,327
	5,908,742
	636,826
	8,450,717
22,859	37,609
59,252	174,081
(1,207,429)	
(1,125,318)	17,253,823
67,727	7,045,770
33,146,877	67,763,508
\$ 33,214,604	\$ 74,809,278

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FUND FINANCIAL STATEMENTS

CITY OF EL MIRAGE, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

	General	Streets	Park Improvements
<u>ASSETS</u>			
Cash and investments	\$ 9,756,252	\$ 797,586	\$ 137,214
Accounts receivable	238,129		
Property taxes receivable	139,721		
Due from governmental entities	762,252	675,323	
Due from other funds	1,958,650		
Prepaid items	114,349		
Total assets	\$ 12,969,353	\$ 1,472,909	\$ 137,214
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 526,264	\$ 234,542	\$ 347,342
Accrued payroll and employee benefits	485,614		
Due to other funds		1,474,763	
Customer deposits	13,200		
Deferred revenue	139,720	675,323	
Total liabilities	1,164,798	2,384,628	347,342
Fund balances (deficits):			
Unreserved:			
Undesignated	11,804,555	(911,719)	(210,128)
Unreserved reported in:			
Special revenue funds			
Debt service funds			
Capital projects funds			
Total fund balances	11,804,555	(911,719)	(210,128)
Total liabilities and fund balances	\$ 12,969,353	\$ 1,472,909	\$ 137,214

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

<u>Fire Impact Fees</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,524,628	\$ 579,482	\$ 17,795,162
	37,349	275,478
	37,198	176,919
	473,278	1,910,853
		1,958,650
		114,349
<u>\$ 6,524,628</u>	<u>\$ 1,127,307</u>	<u>\$ 22,231,411</u>

\$ 198,055	\$ 197,709	\$ 1,503,912
	34,390	520,004
	483,887	1,958,650
	5,624	18,824
	37,198	852,241
<u>198,055</u>	<u>758,808</u>	<u>4,853,631</u>

6,326,573		17,009,281
	352,217	352,217
	(36,138)	(36,138)
	52,420	52,420
<u>6,326,573</u>	<u>368,499</u>	<u>17,377,780</u>
<u>\$ 6,524,628</u>	<u>\$ 1,127,307</u>	<u>\$ 22,231,411</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, 2009**

Total governmental fund balances **\$ 17,377,780**

Amounts reported for *governmental activities* in the Statement of Net Assets are different because:

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

Governmental capital assets	\$ 44,076,675	
Less accumulated depreciation	<u>(5,337,944)</u>	38,738,731

Some revenues will not be available to pay for current period expenditures and therefore are deferred in the funds.

Property taxes	176,918	
Intergovernmental	<u>675,323</u>	852,241

Deferred items related to the issuance of debt are amortized over the life of the associated debt in the government-wide statements.		162,224
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated absences	(796,302)	
Loans payable	<u>(14,740,000)</u>	<u>(15,536,302)</u>

Net assets of governmental activities **\$ 41,594,674**

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, 2009

	General	Streets	Park Improvements
Revenues:			
Property taxes	\$ 1,537,591	\$	\$
City sales taxes	5,908,742		
Franchise taxes	636,826		
Licenses and permits	138,369		
Intergovernmental	8,510,092	100,000	750,000
Charges for services	182,384		
Fines and forfeits	423,995		
Investment income	7,884	3,256	1,229
Rents	26,552		
Development impact fees			
Contributions and donations	4,797		
Miscellaneous	248,761		
Total revenues	17,625,993	103,256	751,229
Expenditures:			
Current -			
General government	5,603,847		
Public safety	10,482,654		
Highways and streets		6,962,776	
Culture and recreation	1,486,715		4,074,319
Redevelopment and housing			
Health and welfare			
Debt service -			
Principal retirement			
Interest and fiscal charges			
Bond issuance costs			37,928
Total expenditures	17,573,216	6,962,776	4,112,247
Excess (deficiency) of revenues over expenditures	52,777	(6,859,520)	(3,361,018)
Other financing sources (uses):			
Issuance of bonds			2,553,633
Discount on sale of bonds			(15,705)
Transfer in	1,207,429	5,245,734	
Transfer out	(5,635,974)		
Total other financing sources (uses)	(4,428,545)	5,245,734	2,537,928
Changes in fund balances	(4,375,768)	(1,613,786)	(823,090)
Fund balances, beginning of year	16,180,323	702,067	612,962
Fund balances (deficits), end of year	\$ 11,804,555	\$ (911,719)	\$ (210,128)

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

Fire Impact Fees	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 455,582	\$ 1,993,173
		5,908,742
		636,826
		138,369
	2,911,132	12,271,224
	2,971	185,355
	62,004	485,999
107	2,274	14,750
		26,552
40,971	73,858	114,829
	2,104	6,901
	2,885	251,646
<u>41,078</u>	<u>3,512,810</u>	<u>22,034,366</u>
	10,177	5,614,024
614,990	187,188	11,284,832
	2,446,520	9,409,296
	6,905	5,567,939
	607,800	607,800
	431,889	431,889
	230,000	230,000
	239,423	239,423
102,545		140,473
<u>717,535</u>	<u>4,159,902</u>	<u>33,525,676</u>
<u>(676,457)</u>	<u>(647,092)</u>	<u>(11,491,310)</u>
7,046,367		9,600,000
(43,337)		(59,042)
	390,240	6,843,403
		(5,635,974)
<u>7,003,030</u>	<u>390,240</u>	<u>10,748,387</u>
<u>6,326,573</u>	<u>(256,852)</u>	<u>(742,923)</u>
	625,351	18,120,703
<u>\$ 6,326,573</u>	<u>\$ 368,499</u>	<u>\$ 17,377,780</u>

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, 2009

Net changes in fund balances - total governmental funds **\$ (742,923)**

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	\$ 13,269,637	
Less current year depreciation	<u>(1,375,677)</u>	11,893,960

Capital assets contributed by developers are not shown on the governmental fund statements, but are included in the assets of the City. On the Statement of Activities these donations are shown as capital expenditures 5,062,620

Issuance of long-term debt and applicable premium, discount and bond issuance costs provide or use current financial resources in governmental funds, but the issuance increases long-term liabilities in the Statement of Net Assets. Bond premium, bond discount and bond issuance costs are deferred and amortized in the Statement of Activities.

Issuance of bonds	(9,600,000)	
Discount on sale of bonds	59,042	
Bond issuance costs	<u>140,473</u>	<u>(9,400,485)</u>

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

Property taxes	52,675	
Intergovernmental	<u>55,540</u>	108,215

Repayment of bonds is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 230,000

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	(2,474)	
Amortization of bond items	2,235	
Compensated absences	<u>(173,105)</u>	<u>(173,344)</u>

Change in net assets in governmental activities **\$ 6,978,043**

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, 2009

	Enterprise Funds		
	Water and Sewer	Non-Major Enterprise Fund	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 3,545,033	\$ 74,863	\$ 3,619,896
Accounts receivable	1,241,905	105,207	1,347,112
Due from governmental entities	32,385		32,385
Loans receivable	891,032		891,032
Total current assets	5,710,355	180,070	5,890,425
Noncurrent assets:			
Cash and investments - restricted	1,372,070		1,372,070
Deferred charges	210,963		210,963
Capital assets, non-depreciable	2,223,493		2,223,493
Capital assets, depreciable (net)	42,119,274		42,119,274
Total noncurrent assets	45,925,800		45,925,800
Total assets	51,636,155	180,070	51,816,225
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	1,157,349	8,586	1,165,935
Accrued payroll and employee benefits	52,931		52,931
Accrued interest	222,319		222,319
Compensated absences payable	20,871		20,871
Customer deposits	853,209		853,209
Loans payable	862,694		862,694
Total current liabilities	3,169,373	8,586	3,177,959
Noncurrent liabilities:			
Compensated absences	41,469		41,469
Loans payable	15,382,193		15,382,193
Total non-current liabilities	15,423,662		15,423,662
Total liabilities	18,593,035	8,586	18,601,621
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	28,096,706		28,096,706
Restricted for:			
Capital outlay	1,372,070		1,372,070
Unrestricted	3,574,344	171,484	3,745,828
Total net assets	\$ 33,043,120	\$ 171,484	\$ 33,214,604

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, 2009

	Enterprise Funds		
	Water and Sewer	Non-Major Enterprise Fund	Total
Operating revenues:			
Charges for services	\$ 8,828,737	\$ 911,504	\$ 9,740,241
Total operating revenues	<u>8,828,737</u>	<u>911,504</u>	<u>9,740,241</u>
Operating expenses:			
Cost of sales and services	5,340,304	858,629	6,198,933
Depreciation	1,889,780		1,889,780
Total operating expenses	<u>7,230,084</u>	<u>858,629</u>	<u>8,088,713</u>
Operating income	<u>1,598,653</u>	<u>52,875</u>	<u>1,651,528</u>
Nonoperating revenues (expenses):			
Investment income	22,493	366	22,859
Development impact fees	59,252		59,252
Interest expense	(458,483)		(458,483)
Total nonoperating revenues (expenses)	<u>(376,738)</u>	<u>366</u>	<u>(376,372)</u>
Income before capital contributions and transfers	<u>1,221,915</u>	<u>53,241</u>	<u>1,275,156</u>
Transfer out	<u>(1,188,429)</u>	<u>(19,000)</u>	<u>(1,207,429)</u>
Changes in net assets	<u>33,486</u>	<u>34,241</u>	<u>67,727</u>
Total net assets, beginning of year	33,009,634	137,243	33,146,877
Total net assets, end of year	<u>\$ 33,043,120</u>	<u>\$ 171,484</u>	<u>\$ 33,214,604</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, 2009**

	Enterprise Funds		
	Water and Sewer	Non-Major Enterprise	Totals
<u>Increase (Decrease) In Cash and Cash Equivalents</u>			
Cash flows from operating activities:			
Cash received from customers	\$ 8,859,667	\$ 932,114	\$ 9,791,781
Cash payments to suppliers for goods and services	(3,739,227)	(932,772)	(4,671,999)
Cash payments to employees for services	(1,634,812)	(7,518)	(1,642,330)
Net cash provided by (used for) operating activities	3,485,628	(8,176)	3,477,452
Cash flows from noncapital and related financing activities:			
Interfund transfers	(1,188,429)	(19,000)	(1,207,429)
Net cash used for noncapital financing activities	(1,188,429)	(19,000)	(1,207,429)
Cash flows from capital and related financing activities:			
Development impact fees	59,252		59,252
Proceeds from loans	654,831		654,831
Principal paid on loans	(768,924)		(768,924)
Interest paid on loans	(445,501)		(445,501)
Acquisition and construction of capital assets	(3,129,101)		(3,129,101)
Net cash provided by (used for) capital and related financing activities	(3,629,443)		(3,629,443)
Cash flows from investing activities:			
Interest on investments	22,493	366	22,859
Net cash provided by investing activities	22,493	366	22,859
Net decrease in cash and cash equivalents	(1,309,751)	(26,810)	(1,336,561)
Cash and cash equivalents, July 1, 2008	6,226,854	101,673	6,328,527
Cash and cash equivalents, June 30, 2009	\$ 4,917,103	\$ 74,863	\$ 4,991,966
<u>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities</u>			
Operating income	\$ 1,598,653	\$ 52,875	\$ 1,651,528
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	1,889,780		1,889,780
Changes in assets and liabilities:			
Decrease in accounts receivable	69,560	20,610	90,170
Increase in due from governments	(32,385)		(32,385)
Decrease in accounts payable	(26,771)	(81,661)	(108,432)
Decrease in accrued payroll and employee benefits	(5,199)		(5,199)
Decrease in compensated absences payable	(1,765)		(1,765)
Decrease in deposits held for others	(6,245)		(6,245)
Total adjustments	1,886,975	(61,051)	1,825,924
Net cash provided by (used for) operating activities	\$ 3,485,628	\$ (8,176)	\$ 3,477,452

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

CITY OF EL MIRAGE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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, 2009

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, 2009

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 have been recorded as deferred revenue. Receivables that will not be collected within the available period have also 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.

Park Improvements Fund – This fund accounts for park impact fees and construction projects.

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

The City reports the following major proprietary funds.

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, 2009

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 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, 2009

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, 2009**

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 immediately 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, 2009

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, 2009 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, 2009**

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
Major Funds:	
Streets	\$ 911,719
Park Improvements	210,128
Non-Major Governmental Funds:	
Senior Center	2,332
Streets (HURF)	134,780
Debt Service - GADA	36,138
Parks and Recreation Impact Fees	4,540

The deficits arose because of operations during the year and prior years. Additional revenues received in fiscal year 2009-10 are expected to eliminate the deficits.

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

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 \$22,787,128 and the bank balance was \$23,406,321. 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 \$395,462 and the bank balance was \$496,307. Of the bank balance, \$433,185 was covered by Federal depository insurance and \$63,125 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, 2009**

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	\$ 1,372,079
Repurchase Agreements	Less than 1 month	5,602,874
State Treasurer's investment pool 5	40 days average	9,415,199
State Treasurer's investment pool 7	11 days average	5,998,714
Total		<u>\$22,388,866</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 \$5.6 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, 2009

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>	<u>Water and Sewer Fund</u>
Due from other governmental entities:				
Due from State government	\$762,252	\$	\$ 208,474	\$ 32,385
Due from County government		188,000	215,514	
Due from other districts		487,323	49,290	
Net due from governmental entities	<u>\$762,252</u>	<u>\$ 675,323</u>	<u>\$ 473,278</u>	<u>\$ 32,385</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)	\$ 139,720
Delinquent property taxes receivable (Non-Major Governmental Funds)	37,198
Measurable but unavailable revenues (Street Fund)	<u>675,323</u>
Total deferred revenue for governmental funds	<u>\$ 852,241</u>

CITY OF EL MIRAGE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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	\$ 3,629,310	\$ 5,062,621	\$	\$ 8,691,931
Construction in progress	2,931,238	6,463,936	1,600,813	7,794,361
Total capital assets, not being depreciated	<u>6,560,548</u>	<u>11,526,557</u>	<u>1,600,813</u>	<u>16,486,292</u>
Capital assets, being depreciated:				
Land improvements	397,166	24,967		422,133
Buildings and improvements	3,416,270			3,416,270
Infrastructure	8,984,145	7,959,517		16,943,662
Machinery, equipment and vehicles	6,463,530	422,029	77,241	6,808,318
Total capital assets being depreciated	<u>19,261,111</u>	<u>8,406,513</u>	<u>77,241</u>	<u>27,590,383</u>
Less accumulated depreciation for:				
Land improvements	(300,883)	(9,146)		(310,029)
Buildings and improvements	(783,705)	(154,114)		(937,819)
Infrastructure	(782,769)	(582,600)		(1,365,369)
Machinery, equipment and vehicles	(2,169,677)	(629,817)	(74,767)	(2,724,727)
Total accumulated depreciation	<u>(4,037,034)</u>	<u>(1,375,677)</u>	<u>(74,767)</u>	<u>(5,337,944)</u>
Total capital assets, being depreciated, net	<u>15,224,077</u>	<u>7,030,836</u>	<u>2,474</u>	<u>22,252,439</u>
Governmental activities capital assets, net	<u>\$21,784,625</u>	<u>\$18,557,393</u>	<u>\$1,603,287</u>	<u>\$ 38,738,731</u>

Governmental activities:	
General government	\$ 251,103
Public safety	429,473
Highways and streets	600,692
Culture and recreation	55,242
Health and welfare	39,167
Total depreciation expense – governmental activities	<u>1,375,677</u>
Less: Deleted capital assets	<u>(74,767)</u>
Total increase in accumulated depreciation	<u>\$ 1,300,910</u>

CITY OF EL MIRAGE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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	1,217,208	1,013,659	863,561	1,367,306
Total	<u>2,073,395</u>	<u>1,013,659</u>	<u>863,561</u>	<u>2,223,493</u>
Capital assets, being depreciated:				
Sewer plant	18,243,697	914,529		19,158,226
Water mains and lines	24,592,511	1,464,552		26,057,063
Sewer collection system	7,096,247	35,145		7,131,392
Land improvements	4,667,955			4,667,955
Buildings and improvements	162,087	33,634		195,721
Machinery, equipment and vehicles	1,075,463	535,892	18,200	1,593,155
Infrastructure	11,756			11,756
Total capital assets being depreciated	<u>55,849,716</u>	<u>2,983,752</u>	<u>18,200</u>	<u>58,815,268</u>
Less accumulated depreciation for:				
Sewer plant	(5,776,029)	(393,764)		(6,169,793)
Water mains and lines	(4,498,379)	(1,027,123)		(5,525,502)
Sewer collection system	(3,215,482)	(278,394)		(3,493,876)
Land improvements	(948,056)	(81,991)		(1,030,047)
Buildings and improvements	(88,033)	(3,667)		(91,700)
Machinery, equipment and vehicles	(292,230)	(103,666)	(13,452)	(382,444)
Infrastructure	(1,456)	(1,176)		(2,632)
Total accumulated depreciation	<u>(14,819,665)</u>	<u>(1,889,781)</u>	<u>(13,452)</u>	<u>(16,695,994)</u>
Total capital assets, being depreciated, net	41,030,051	1,093,971	4,748	42,119,274
Business-type activities capital assets, net	<u>\$ 43,103,446</u>	<u>\$ 2,107,630</u>	<u>\$ 868,309</u>	<u>\$ 44,342,767</u>

Business-type activities:

Water and Sewer	<u>\$1,889,781</u>
Total depreciation expense – business-type activities	<u>1,889,781</u>
Less: Deleted capital assets	<u>(13,452)</u>
Total increase in accumulated depreciation	<u>\$ 1,876,329</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, \$2.7 million in water and wastewater bond projects, \$400,000 in park improvements bond projects, and \$300,000 for a fire station. At year end the City had spent \$9.2 million on the projects and had estimated remaining contractual commitments of \$4.6 million. These projects are being funded with bond proceeds.

CITY OF EL MIRAGE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 6 – 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, 2009
<u>Governmental activities:</u>				
GADA Bond, Series 2004 A	\$ 4,855,000	3.95-4.80%	7/1/09-24	\$ 4,065,000
GADA Bond, Series 2007 B	1,145,000	4.00-5.00%	7/1/09-27	1,075,000
GADA Bond, Series 2009 B	9,600,000	3.00-5.00%	7/1/10-29	9,600,000
Total				<u>\$ 14,740,000</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
2010	\$ 505,000	\$ 709,423
2011	590,000	631,689
2012	610,000	610,977
2013	630,000	589,539
2014	655,000	565,913
2015-19	3,685,000	2,416,092
2020-24	4,570,000	1,530,733
2025-29	3,495,000	526,656
Total	<u>\$ 14,740,000</u>	<u>\$ 7,581,022</u>

NOTE 7 – 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, 2009
<u>Business-type activities:</u>				
WIFA Loan, DW 050-2005	\$ 16,550,000	2.93%	7/1/09-25	\$ 13,728,130
WIFA Loan, CW 030-2005	1,108,911	2.96%	7/1/09-25	980,895
WIFA Loan, CW 2008	1,900,000	2.75%	7/1/09-27	914,529
WIFA Loan, DW 2008	4,040,000	2.75%	7/1/09-27	621,334
Total				<u>\$ 16,244,888</u>

CITY OF EL MIRAGE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 7 – LOANS PAYABLE (Concl'd)

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
2010	\$ 862,694	\$ 437,888
2011	852,023	448,391
2012	879,395	423,525
2013	902,008	397,862
2014	929,560	371,537
2015-19	5,069,325	1,434,420
2020-24	4,750,501	682,423
2025-28	1,999,381	98,327
Total	<u>\$ 16,244,887</u>	<u>\$ 4,294,373</u>

Pledged revenues – business-type activities. The City has pledged future water and sewer revenues to repay the outstanding WIFA loans of \$16.2 million as of year end. Proceeds from the original loan issuances provided financing for improvements to the City’s water systems infrastructure and to refund certificates of participation. The loans are paid solely from water and sewer revenues and are payable through 2028. The total principal and interest to be paid on the loans is \$16.2 million. The current total customer gross revenues were \$8.8 million and the total principal and interest paid on the loans was \$1.2 million, or 14% of gross revenues.

NOTE 8 – CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 623,196	\$ 861,123	\$ 688,017	\$ 796,302	\$ 274,426
Revenue bonds payable	<u>5,370,000</u>	<u>9,600,000</u>	<u>230,000</u>	<u>14,740,000</u>	<u>505,000</u>
Governmental activity long-term liabilities	<u>\$ 5,993,196</u>	<u>\$10,461,123</u>	<u>\$ 918,017</u>	<u>\$ 15,536,302</u>	<u>\$ 779,426</u>
Business-type activities:					
Compensated absences	\$ 64,105	\$ 69,903	\$ 71,668	\$ 62,340	\$ 20,871
Loans payable	<u>15,636,439</u>	<u>1,377,372</u>	<u>768,924</u>	<u>16,244,887</u>	<u>862,694</u>
Business-type activities long-term liabilities	<u>\$ 15,700,544</u>	<u>\$ 1,447,275</u>	<u>\$ 840,592</u>	<u>\$ 16,307,227</u>	<u>\$ 883,565</u>

CITY OF EL MIRAGE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 9 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, interfund balances were as follows.

Due to/from other funds:

Due to	Due from		
	Streets Fund	Non-Major Governmental Funds	Total
General Fund	\$ 1,474,763	\$ 483,887	\$ 1,958,650
Total	\$ 1,474,763	\$ 483,887	\$ 1,958,650

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.

Interfund transfers:

Transfers out	Transfers in			
	General Fund	Streets Fund	Non-Major Governmental Funds	Total
Major Funds:				
General Fund	\$	\$5,245,734	\$ 390,240	\$ 5,635,974
Water and Sewer Fund	1,188,429			1,188,429
Non-Major Enterprise Fund	19,000			19,000
Total	\$ 1,207,429	\$5,245,734	\$ 390,240	\$ 6,843,403

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 10 – CONTINGENT LIABILITIES

Lawsuits – The City is a defendant in a number of lawsuits as of June 30, 2009. It is the opinion of management and City counsel that the amount of losses resulting from these litigations at June 30, 2009, would not be material to the financial position of the City.

CITY OF EL MIRAGE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 11 – 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 12 – 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, 2009**

NOTE 12 – 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 9.45 percent (8.95 percent for retirement and 0.5 percent for long-term disability) of the members’ annual covered payroll and the City was required by statute to contribute at the actuarially determined rate of 9.45 percent (7.99 percent for retirement and 0.96 percent for health insurance premiums, and 0.5 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.

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Years ended June 30,			
2009	\$ 566,403	\$ 68,053	\$ 35,444
2008	499,046	65,093	30,997
2007	325,608	45,283	21,563

Agent plan – For the current fiscal year, active PSPRS members were required by statute to contribute 7.65 percent of the members’ annual covered payroll, and the City was required to contribute at the actuarially determined rates of 16.00 percent and 12.71 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, 2009**

NOTE 12 – RETIREMENT PLAN (Cont'd)

Actuarial methods and assumptions – The contribution requirements for the current fiscal year were established by the June 30, 2007 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, 2007
Actuarial cost method	Projected unit credit
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.59-8.50%
Includes inflation at	5.00%
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization	30 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:			
Year Ended	Annual Pension	Percentage of APC	Net Pension
<u>June 30,</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
2009	\$455,626	100%	-0-
2008	219,179	100%	-0-
2007	108,916	100%	-0-

Fire:			
Year Ended	Annual Pension	Percentage of APC	Net Pension
<u>June 30,</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
2009	\$165,061	100%	-0-
2008	78,666	100%	-0-
2007	58,793	100%	-0-

**CITY OF EL MIRAGE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 12 – RETIREMENT PLAN (Concl'd)

Funding Progress – An analysis of funding progress for each of the agent plans as of June 30, 2009 follows.

Police:

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Overfunded (Underfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
June 30,	(a)	(b)	(a-b)	(a/b)	(c)	([a-b]/c)
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)%
2007	2,391,771	4,026,539	(1,634,768)	59.4%	1,395,876	(117.1)%

Fire:

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Overfunded (Underfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
June 30,	(a)	(b)	(a-b)	(a/b)	(c)	([a-b]/c)
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)%
2007	1,648,201	1,953,860	(305,659)	84.4%	1,005,445	(30.4)%

NOTE 13 – SUBSEQUENT EVENTS

After year end the City issued \$1.3 million in WIFA debt to be repaid from water and sewer funds. Debt issued has a final maturity date of 2029 with interest rates varying from 2.7% to 2.9%.

**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, 2009

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property taxes	\$ 1,575,939	\$ 1,575,939	\$ 1,537,591	\$ (38,348)
City sales taxes	5,840,000	5,840,000	5,908,742	68,742
Franchise taxes	700,000	700,000	636,826	(63,174)
Licenses and permits	160,000	160,000	138,369	(21,631)
Intergovernmental	8,561,471	8,561,471	8,510,092	(51,379)
Charges for services	105,000	105,000	182,384	77,384
Fines and forfeits	236,820	236,820	423,995	187,175
Investment income	325,000	325,000	7,884	(317,116)
Rents	25,000	25,000	26,552	1,552
Contributions and donations			4,797	4,797
Miscellaneous	72,200	72,200	248,761	176,561
Total revenues	<u>17,601,430</u>	<u>17,601,430</u>	<u>17,625,993</u>	<u>24,563</u>
Expenditures:				
Current -				
General government	6,009,517	6,085,045	5,603,847	481,198
Public safety	11,174,587	11,099,059	10,482,654	616,405
Culture and recreation	1,531,839	1,531,839	1,486,715	45,124
Contingency	6,611,096	6,611,096		6,611,096
Total expenditures	<u>25,327,039</u>	<u>25,327,039</u>	<u>17,573,216</u>	<u>7,753,823</u>
Excess (deficiency) of revenues over expenditures	<u>(7,725,609)</u>	<u>(7,725,609)</u>	<u>52,777</u>	<u>7,778,386</u>
Other financing sources (uses):				
Transfer in	1,207,429	1,207,429	1,207,429	
Transfer out	(6,525,065)	(6,525,065)	(5,635,974)	889,091
Total other financing sources (uses)	<u>(5,317,636)</u>	<u>(5,317,636)</u>	<u>(4,428,545)</u>	<u>889,091</u>
Change in fund balances	<u>(13,043,245)</u>	<u>(13,043,245)</u>	<u>(4,375,768)</u>	<u>8,667,477</u>
Fund balances, July 1, 2008	13,043,245	13,043,245	16,180,323	3,137,078
Fund balances, June 30, 2009	<u>\$</u>	<u>\$</u>	<u>\$ 11,804,555</u>	<u>\$ 11,804,555</u>

See accompanying notes to this schedule.

CITY OF EL MIRAGE, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2009

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 FUND
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, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$	\$ 100,000	\$ 100,000
Investment income	2,000	3,256	1,256
Development impact fees	3,710,000		(3,710,000)
Total revenues	<u>3,712,000</u>	<u>103,256</u>	<u>(3,608,744)</u>
Expenditures:			
Current -			
Highways and streets	16,600,000	6,962,776	9,637,224
Total expenditures	<u>16,600,000</u>	<u>6,962,776</u>	<u>9,637,224</u>
Excess (deficiency) of revenues over expenditures	<u>(12,888,000)</u>	<u>(6,859,520)</u>	<u>6,028,480</u>
Other financing sources (uses):			
Issuance of bonds	6,600,000		(6,600,000)
Transfer in	5,115,435	5,245,734	130,299
Total other financing sources (uses)	<u>11,715,435</u>	<u>5,245,734</u>	<u>(6,469,701)</u>
Change in fund balances	<u>(1,172,565)</u>	<u>(1,613,786)</u>	<u>(441,221)</u>
Fund balances, July 1, 2008	1,172,565	702,067	(470,498)
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (911,719)</u>	<u>\$ (911,719)</u>

CITY OF EL MIRAGE, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - PARK IMPROVEMENTS
YEAR ENDED JUNE 30, 2009

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 750,000	\$ 750,000	\$
Investment income	5,000	1,229	(3,771)
Total revenues	<u>755,000</u>	<u>751,229</u>	<u>(3,771)</u>
Expenditures:			
Current -			
Culture and recreation	3,674,420	4,074,319	(399,899)
Debt service -			
Bond issuance costs		37,928	(37,928)
Total expenditures	<u>3,674,420</u>	<u>4,112,247</u>	<u>(437,827)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,919,420)</u>	<u>(3,361,018)</u>	<u>(441,598)</u>
Other financing sources (uses):			
Issuance of bonds	2,500,000	2,553,633	53,633
Discount on sale of bonds		(15,705)	(15,705)
Transfer in	130,299		(130,299)
Total other financing sources (uses)	<u>2,630,299</u>	<u>2,537,928</u>	<u>(92,371)</u>
Change in fund balances	<u>(289,121)</u>	<u>(823,090)</u>	<u>(533,969)</u>
Fund balances, July 1, 2008	289,121	612,962	323,841
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ (210,128)</u>	<u>\$ (210,128)</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, 2009**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Investment income	\$ 200	\$ 107	\$ (93)
Development impact fees	20,000	40,971	20,971
Total revenues	<u>20,200</u>	<u>41,078</u>	<u>20,878</u>
Expenditures:			
Current -			
Public safety	6,964,195	614,990	6,349,205
Debt service -			
Bond issuance costs		102,545	(102,545)
Total expenditures	<u>6,964,195</u>	<u>717,535</u>	<u>6,246,660</u>
Excess (deficiency) of revenues over expenditures	<u>(6,943,995)</u>	<u>(676,457)</u>	<u>6,267,538</u>
Other financing sources (uses):			
Issuance of bonds	6,900,000	7,046,367	146,367
Discount on sale of bonds		(43,337)	(43,337)
Total other financing sources (uses)	<u>6,900,000</u>	<u>7,003,030</u>	<u>103,030</u>
Change in fund balances	<u>(43,995)</u>	<u>6,326,573</u>	<u>6,370,568</u>
Fund balances, July 1, 2008	43,995		(43,995)
Fund balances, June 30, 2009	<u>\$</u>	<u>\$ 6,326,573</u>	<u>\$ 6,326,573</u>

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, 2009**

	Municipal Court		
	Budget*	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$	\$	\$
Charges for services			
Fines and forfeits		62,004	62,004
Investment income		875	875
Contributions and donations			
Miscellaneous			
Total revenues		<u>62,879</u>	<u>62,879</u>
Expenditures:			
Current -			
General government		1,824	(1,824)
Public safety			
Highways and streets			
Redevelopment and housing			
Health and welfare			
Total expenditures		<u>1,824</u>	<u>(1,824)</u>
Excess (deficiency) of revenues over expenditures		<u>61,055</u>	<u>61,055</u>
Other financing sources (uses):			
Transfer in			
Total other financing sources (uses)			
Change in fund balances		<u>61,055</u>	<u>61,055</u>
Fund balances (deficits), July 1, 2008		224,465	224,465
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$ 285,520</u>	<u>\$ 285,520</u>

*The Municipal Court Fund was included in the City's budget, however, the budget was -0-.

Senior Center			Streets (HURF)		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 260,524	\$ 231,951	\$ (28,573)	\$ 2,308,000	\$ 1,922,826	\$ (385,174)
				305	305
3,000	2,104	(896)			
2,000	2,885	885			
<u>265,524</u>	<u>236,940</u>	<u>(28,584)</u>	<u>2,308,000</u>	<u>1,923,131</u>	<u>(384,869)</u>
			2,467,019	2,217,536	249,483
458,296	431,889	26,407			
<u>458,296</u>	<u>431,889</u>	<u>26,407</u>	<u>2,467,019</u>	<u>2,217,536</u>	<u>249,483</u>
(192,772)	(194,949)	(2,177)	(159,019)	(294,405)	(135,386)
192,772	192,772				
<u>192,772</u>	<u>192,772</u>				
	(2,177)	(2,177)	(159,019)	(294,405)	(135,386)
	(155)	(155)	159,019	159,625	606
<u>\$</u>	<u>\$ (2,332)</u>	<u>\$ (2,332)</u>	<u>\$</u>	<u>\$ (134,780)</u>	<u>\$ (134,780)</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, 2009
(Continued)

	Community Action Program		
	Budget*	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$	\$	\$
Charges for services			
Fines and forfeits			
Investment income			
Contributions and donations			
Miscellaneous			
Total revenues			
Expenditures:			
Current -			
General government			
Public safety			
Highways and streets			
Redevelopment and housing		1	(1)
Health and welfare			
Total expenditures		1	(1)
Excess (deficiency) of revenues over expenditures		(1)	(1)
Other financing sources (uses):			
Transfer in			
Total other financing sources (uses)			
Change in fund balances		(1)	(1)
Fund balances (deficits), July 1, 2008		1	1
Fund balances (deficits), June 30, 2009	\$	\$	\$

*The Community Action Program Fund was included in the City's budget, however, the budget was -0-

Dial-A-Ride (LTAF)		
Budget	Actual	Variance - Positive (Negative)
\$ 174,485	\$ 202,460	\$ 27,975
1,600	2,971	1,371
	407	407
<u>176,085</u>	<u>205,838</u>	<u>29,753</u>
333,943	170,710	163,233
<u>333,943</u>	<u>170,710</u>	<u>163,233</u>
<u>(157,858)</u>	<u>35,128</u>	<u>192,986</u>
<u>(157,858)</u>	<u>35,128</u>	<u>192,986</u>
157,858	165,228	7,370
<u>\$</u>	<u>\$ 200,356</u>	<u>\$ 200,356</u>

Police Grants		
Budget	Actual	Variance - Positive (Negative)
\$ 96,347	\$ 143,564	\$ 47,217
<u>96,347</u>	<u>143,564</u>	<u>47,217</u>
96,347	180,895	(84,548)
<u>96,347</u>	<u>180,895</u>	<u>(84,548)</u>
	<u>(37,331)</u>	<u>(37,331)</u>
	<u>(37,331)</u>	<u>(37,331)</u>
	40,784	40,784
<u>\$</u>	<u>\$ 3,453</u>	<u>\$ 3,453</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, 2009
(Concluded)

	Home Rehabilitation		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$ 1,806,724	\$ 160,331	\$ (1,646,393)
Charges for services			
Fines and forfeits			
Investment income			
Contributions and donations	2,500		(2,500)
Miscellaneous			
Total revenues	<u>1,809,224</u>	<u>160,331</u>	<u>(1,648,893)</u>
Expenditures:			
Current -			
General government			
Public safety			
Highways and streets			
Redevelopment and housing	1,951,724	171,757	1,779,967
Health and welfare			
Total expenditures	<u>1,951,724</u>	<u>171,757</u>	<u>1,779,967</u>
Excess (deficiency) of revenues over expenditures	<u>(142,500)</u>	<u>(11,426)</u>	<u>131,074</u>
Other financing sources (uses):			
Transfer in	142,500	11,426	(131,074)
Total other financing sources (uses)	<u>142,500</u>	<u>11,426</u>	<u>(131,074)</u>
Change in fund balances			
Fund balances (deficits), July 1, 2008			
Fund balances (deficits), June 30, 2009	<u>\$</u>	<u>\$</u>	<u>\$</u>

Community Development Block Grant			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$ 250,000	\$ 250,000	\$	\$ 4,896,080	\$ 2,911,132	\$ (1,984,948)
			1,600	2,971	1,371
				62,004	62,004
				1,587	1,587
			5,500	2,104	(3,396)
			2,000	2,885	885
<u>250,000</u>	<u>250,000</u>		<u>4,905,180</u>	<u>2,982,683</u>	<u>(1,922,497)</u>
				1,824	(1,824)
			96,347	180,895	(84,548)
			2,800,962	2,388,246	412,716
1,194,059	436,042	758,017	3,145,783	607,800	2,537,983
			458,296	431,889	26,407
<u>1,194,059</u>	<u>436,042</u>	<u>758,017</u>	<u>6,501,388</u>	<u>3,610,654</u>	<u>2,890,734</u>
<u>(944,059)</u>	<u>(186,042)</u>	<u>758,017</u>	<u>(1,596,208)</u>	<u>(627,971)</u>	<u>968,237</u>
<u>944,059</u>	<u>186,042</u>	<u>(758,017)</u>	<u>1,279,331</u>	<u>390,240</u>	<u>(889,091)</u>
<u>944,059</u>	<u>186,042</u>	<u>(758,017)</u>	<u>1,279,331</u>	<u>390,240</u>	<u>(889,091)</u>
			<u>(316,877)</u>	<u>(237,731)</u>	<u>79,146</u>
			316,877	589,948	273,071
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 352,217</u>	<u>\$ 352,217</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, 2009**

	Debt Service - GADA		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Property taxes	\$ 1,889,909	\$ 455,582	\$ (1,434,327)
Investment income		574	574
Total revenues	1,889,909	456,156	(1,433,753)
Expenditures:			
Debt service -			
Principal retirement	670,000	230,000	440,000
Interest and fiscal charges	1,222,285	239,423	982,862
Total expenditures	1,892,285	469,423	1,422,862
Change in fund balances	(2,376)	(13,267)	(10,891)
Fund balances (deficits), July 1, 2008	2,376	(22,871)	(25,247)
Fund balances (deficits), June 30, 2009	\$	\$ (36,138)	\$ (36,138)

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, 2009

	Streets (2007 GADA)		
	Budget*	Actual	Variance - Positive (Negative)
Revenues:			
Investment income	\$	\$	\$
Development impact fees			
Total revenues			
Expenditures:			
Current -			
General government			
Public safety			
Highways and streets		58,274	(58,274)
Culture and recreation			
Total expenditures		58,274	(58,274)
Excess (deficiency) of revenues over expenditures		(58,274)	(58,274)
Other financing sources (uses):			
Issuance of bonds			
Total other financing sources (uses)			
Change in fund balances		(58,274)	(58,274)
Fund balances, July 1, 2008		58,274	58,274
Fund balances (deficits), June 30, 2009	\$	\$	\$

*The Streets (2007 GADA) Fund was included in the City's budget, however, the budget was -0-.

Parks and Recreation Impact Fees

Budget	Actual	Variance - Positive (Negative)
\$ 200	\$	\$ (200)
500	2,365	1,865
700	2,365	1,665
25,580	6,905	18,675
25,580	6,905	18,675
(24,880)	(4,540)	20,340
(24,880)	(4,540)	20,340
24,880		(24,880)
\$	\$ (4,540)	\$ (4,540)

Municipal Facilities and Equipment Impact Fees

Budget	Actual	Variance - Positive (Negative)
\$ 500	\$ 39	\$ (461)
15,000	29,413	14,413
15,500	29,452	13,952
20,079,760	8,353	20,071,407
20,079,760	8,353	20,071,407
(20,064,260)	21,099	20,085,359
20,000,000		(20,000,000)
20,000,000		(20,000,000)
(64,260)	21,099	85,359
64,260		(64,260)
\$	\$ 21,099	\$ 21,099

(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, 2009
(Concluded)

	Police Impact Fees		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Investment income	\$ 150	\$ 74	\$ (76)
Development impact fees	25,000	42,080	17,080
Total revenues	25,150	42,154	17,004
Expenditures:			
Current -			
General government			
Public safety	67,317	6,293	61,024
Highways and streets			
Culture and recreation			
Total expenditures	67,317	6,293	61,024
Excess (deficiency) of revenues over expenditures	(42,167)	35,861	78,028
Other financing sources (uses):			
Issuance of bonds			
Total other financing sources (uses)			
Change in fund balances	(42,167)	35,861	78,028
Fund balances, July 1, 2008	42,167		(42,167)
Fund balances (deficits), June 30, 2009	\$	\$ 35,861	\$ 35,861

Totals

Budget	Actual	Variance - Positive (Negative)
\$ 850	\$ 113	\$ (737)
40,500	73,858	33,358
41,350	73,971	32,621
20,079,760	8,353	20,071,407
67,317	6,293	61,024
	58,274	(58,274)
25,580	6,905	18,675
20,172,657	79,825	20,092,832
(20,131,307)	(5,854)	20,125,453
20,000,000		(20,000,000)
20,000,000		(20,000,000)
(131,307)	(5,854)	125,453
131,307	58,274	(73,033)
\$	\$ 52,420	\$ 52,420

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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
of the 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 the City of El Mirage, Arizona as of and for the year ended June 30, 2009 which collectively comprise the City of El Mirage, Arizona's basic financial statements and have issued our report thereon dated February 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 the 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*.

We noted certain matters that we reported to management of the City of El Mirage, Arizona in a separate letter dated February 1, 2010.

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

February 1, 2010



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

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

Compliance

We have audited the compliance of the City of El Mirage, Arizona with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The 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 the City of El Mirage, Arizona's management. Our responsibility is to express an opinion on the 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, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 the 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 the City of El Mirage, Arizona's compliance with those requirements.

In our opinion, the 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, 2009.

Internal Control Over Compliance

The management of the 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 the 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 our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 the City of El Mirage, Arizona as of and for the year ended June 30, 2009, and have issued our report thereon dated February 1, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of El Mirage, Arizona's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic 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

February 1, 2010

**CITY OF EL MIRAGE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

<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 - Community Development Block Grant	14.218	DG0802	\$ 250,000
HOME Investment Partnerships Program (HOME)	14.239	UC0705	1,296
HOME Investment Partnerships Program (HOME)	14.239	UC0705A	75,000
HOME Investment Partnerships Program (HOME)	14.239	UC0805A	<u>38,750</u>
Total U.S. Department of Housing and Urban Development			<u>365,046</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	93.044	2008-14-ELM	11,310
Special Programs for the Aging - Title III, Part C	93.045	2008-14-ELM	73,593
Nutrition Services Incentive Program	93.053	2008-14-ELM	22,820
Social Services Block Grant	93.667	2008-14-ELM	<u>16,022</u>
Total U.S. Department of Health and Human Services			<u>123,745</u>
<u>U.S. Department of Homeland Security</u>			
Passed through Arizona Department of Emergency Management - Assistance to Firefighters	97.044	EMW-2007-FO-04892	<u>16,116</u>
Total Expenditures of Federal Awards			<u><u>\$ 504,907</u></u>

CITY OF EL MIRAGE, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the 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 2009 *Catalog of Federal Domestic Assistance*.

**CITY OF EL MIRAGE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2009**

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:

CFDA Numbers
14.218

Name of Federal Program or Cluster
Community Development Block Grant

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, 2009**

**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, 2009**

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.