

# City of Maricopa



Audited Financial Statements  
June 30, 2006

**CITY OF MARICOPA, ARIZONA  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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**FINANCIAL  
SECTION**

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**INDEPENDENT AUDITORS' REPORT**

Honorable Mayor and Members of the City Council  
City of Maricopa, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Maricopa, Arizona (the "City") as of and for the year ended June 30, 2006, 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 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, each major fund, and the aggregate remaining fund information of the City of Maricopa, Arizona, as of June 30, 2006, and the respective changes in financial position 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 November 29, 2006, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 10 and budgetary comparison information on pages 37 through 40 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 supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary 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

November 29, 2006

**City of Maricopa, Arizona**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2006**

As management of the City of Maricopa (City), we offer readers of the City's financial statements this narrative and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the financial statements and the notes thereto. The discussion that follows compares financial activities and results with the prior fiscal year, however the reader should be aware that because of the hyper-growth mode the City currently is in, year to year comparisons may not yield the normal expected results.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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 basic finances, in a manner similar to a private-sector business.

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. Net assets are categorized as invested in capital assets less related debt, restricted by a third party, and unrestricted. 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 category:

- **Governmental activities** – All of the City's basic services are included here, including general government, judicial, public safety, highways and streets, public works, and culture and recreation. Sales taxes, state shared revenues, and charges for services finance most of these activities.

The government-wide financial statements can be found on pages 13 through 15 of this report.



**City of Maricopa, Arizona**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2006**

**OVERVIEW OF FINANCIAL STATEMENTS, continued**

**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 currently used by the City are governmental funds.

**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 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 decisions. 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. These reconciliations are provided on pages 19 and 23, respectively.

During the fiscal year ended June 30, 2006, the City maintained the following governmental funds: (1) General Fund, (2) Highway Users Revenue Fund ('HURF'), (3) LTAF Fund, (4) Road Maintenance Fund, (5) Grants Fund, (6) County Road Tax Fund, (7) Voluntary Regional Transportation Fund, (8) Parks Impact Fee Fund, (9) Library Impact Fee Fund, (10) Public Safety Impact Fee Fund, (11) General Government Impact Fee Fund, and (12) Transportation Impact Fee Fund. Of these twelve funds, only the General, HURF and Transportation Impact Fee Fund were considered to be major funds.

The governmental funds financial statements can be found on pages 16 through 21 of this report.

**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 on pages 25 through 33 of this report.

**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 budget for all governmental funds. Budgetary comparison schedules have been provided for the major funds as required supplementary information. The required supplementary information can be found on pages 37 through 39 of this report.

**City of Maricopa, Arizona**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2006**

**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 \$ 120,966,649 as of June 30, 2006.

	Governmental Activities		Total	
	2006	2005	2006	2005
Current assets	\$ 61,011,886	\$ 17,757,177	\$ 61,011,886	\$ 17,757,177
Capital assets, net	62,802,743	14,309,850	62,802,743	14,309,850
Total assets	<u>\$ 123,814,629</u>	<u>\$ 32,067,027</u>	<u>\$ 123,814,629</u>	<u>\$ 32,067,027</u>
Current liabilities	\$ 2,847,980	\$ 873,065	\$ 2,847,980	\$ 873,065
Total liabilities	<u>2,847,980</u>	<u>873,065</u>	<u>2,847,980</u>	<u>873,065</u>
Net assets:				
Invested in capital assets, net of related debt	62,802,743	14,309,850	62,802,743	14,309,850
Restricted	12,328,627	2,749,549	12,328,627	2,749,549
Unrestricted	45,835,279	14,134,563	45,835,279	14,134,563
Total net assets	<u>\$ 120,966,649</u>	<u>\$ 31,193,962</u>	<u>\$ 120,966,649</u>	<u>\$ 31,193,962</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- The City accepted residential and collector streets valued at \$ 15,881,653 into its street maintenance program during the fiscal year. These infrastructure type assets were constructed and donated by developers as part of the residential development process.
- The City implemented its development impact fee program in November 2005. The revenues generated by this program, \$ 9,737,123 during the current fiscal year, are restricted in use to capital type projects.

**City of Maricopa, Arizona**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2006**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued**

**Changes in net assets.** The City's total revenues for the fiscal year ended June 30, 2006 were \$ 98,906,342. The total cost of all programs and services was \$ 9,133,655. The following table presents a comparative summary of the changes in net assets for the fiscal years ended June 30, 2006 and 2005.

	Governmental Activities		Total	
	2006	2005	2006	2005
<b>Revenues:</b>				
Program revenues				
Charges for services	\$ 10,993,547	\$ 8,522,207	\$ 10,993,547	\$ 8,522,207
Operating grants and contributions	1,873,086	1,030,950	1,873,086	1,030,950
Capital grants and contributions	57,471,658	15,827,680	57,471,658	15,827,680
General revenues			-	-
Sales taxes	25,432,643	7,439,799	25,432,643	7,439,799
Franchise taxes	303,480	97,362	303,480	97,362
Intergovernmental revenues	1,515,829	1,912,697	1,515,829	1,912,697
Investment income	1,315,924	127,403	1,315,924	127,403
Contributions	175	34,059	175	34,059
Total revenues	<u>98,906,342</u>	<u>34,992,157</u>	<u>98,906,342</u>	<u>34,992,157</u>
<b>Expenses:</b>				
General government	4,583,480	2,808,741	4,583,480	2,808,741
Judicial	112,863	-	112,863	-
Public safety	1,624,485	810,924	1,624,485	810,924
Highways and streets	1,766,389	672,895	1,766,389	672,895
Public works	351,707	171,735	351,707	171,735
Culture and recreation	368,726	129,531	368,726	129,531
Economic and community develop.	326,005	-	326,005	-
Total expenses	<u>9,133,655</u>	<u>4,593,826</u>	<u>9,133,655</u>	<u>4,593,826</u>
Change in net assets	89,772,687	30,398,331	89,772,687	30,398,331
Net assets-beginning of year	31,193,962	795,631	31,193,962	795,631
Net assets-end of year	<u>\$ 120,966,649</u>	<u>\$ 31,193,962</u>	<u>\$ 120,966,649</u>	<u>\$ 31,193,962</u>

**City of Maricopa, Arizona**  
**Management's Discussion and Analysis (MD&A)**  
**Year Ended June 30, 2006**

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

**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. At June 30, 2006 the total unreserved fund balance in the City's governmental funds was \$ 45,638,270.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the general fund reported an unreserved fund balance of \$ 43,914,118. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 467% of total fund expenditures.

**BUDGETARY HIGHLIGHTS**

The City adopted the operating budget for the fiscal year ended June 30, 2006 in July 2005 in accordance with State Statutes. The budget was amended several times during the year to reallocate expenditure authority across the City's departments and funds. A schedule showing the budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2006, the City had invested \$ 64,241,385 in capital assets of which approximately \$ 61.9 million consisted of donated infrastructure type assets. Total depreciation expense for the year was \$ 1,114,626. Additional information on the City's capital assets can be found in Notes 1 and 3 on pages 28 and 30 of this report.

**City of Maricopa, Arizona  
Management's Discussion and Analysis (MD&A)  
Year Ended June 30, 2006**

**CAPITAL ASSETS AND DEBT ADMINISTRATION, continued**

**Debt Administration.** As of June 30, 2006, the City had no long-term debt outstanding and lacked the legal capacity to issue most common forms of long-term debt obligations. Arizona state statutes require the City to obtain the approval of the voters prior to issuing most forms of general obligation and revenue type bonds. To date, the City has not yet had to seek the approval of the voters to issue debt.

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

City management considered many factors in the process of developing the operating budget for the fiscal year 2006-2007. The most significant factors affecting the subsequent year's budget are:

- The City's "hyper-growth" phase is expected to continue over the next few years, however at a slightly slower pace than seen over the past two years. The City's population is projected to grow to approximately 150,000 from the 15,934 counted in the December 2005 special census over the next ten years. As a result of this growth, the City anticipates that it will have to add approximately forty new full-time employees and an equal number of contract employees during the next fiscal year.
- As a result of the continuing growth, the City will be expanding its contract with the Pinal County Sheriff's Office for police services within the incorporated city limits. The costs of police services are projected to increase to \$ 2.3 million in fiscal year 07 from the \$ 1.5 million expended in fiscal year 06. The City is in the process of forming its own police department, and is targeting late in calendar year 2007 to transition from the contracted services provided by the Pinal County Sheriff's Office.
- In May of 2006, the City's voters approved a primary property tax levy for the City to fund public safety services. That tax levy is expected to provide approximately \$ 2.4 million in revenue in fiscal year 07.
- The City adopted its first capital improvement plan in October of 2005 which provides a twenty year outlook on the infrastructure needs of the City. That program has programmed expenditures of \$ 199,481,837 over the first five years of its life.
- The City adopted and implemented a development impact fee program which requires residential and commercial developments to help pay for the effects growth has on the City's capital infrastructure needs. The fees generated by this program are expected to fund a significant portion of the capital improvement plan.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Finance Department, City of Maricopa, P.O. Box 610, Maricopa, AZ 85239.

**BASIC FINANCIAL  
STATEMENTS**

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**CITY OF MARICOPA, ARIZONA  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

	Governmental Activities
<b><u>ASSETS</u></b>	
Current assets:	
Cash and investments	\$ 53,873,837
Interest receivable	132,636
Taxes receivable	6,600,442
Intergovernmental receivables	403,435
Prepaid items	1,536
Total current assets	61,011,886
Noncurrent assets:	
Land and other non-depreciable assets	33,335,145
Infrastructure, buildings, equipment and other depreciable assets	30,906,241
Accumulated depreciation	(1,438,643)
Total noncurrent assets	62,802,743
<b>Total assets</b>	<b>\$ 123,814,629</b>
 <b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	\$ 1,260,551
Accrued wages payable	44,436
Compensated absences payable	49,287
Intergovernmental payables	5,684
Deferred revenue	1,488,022
Total current liabilities	2,847,980
<b>Total liabilities</b>	<b>2,847,980</b>
 <b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	62,802,743
Restricted for:	
Capital projects	10,609,721
Highways and streets	1,718,906
Unrestricted	45,835,279
<b>Total net assets</b>	<b>\$ 120,966,649</b>

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



**CITY OF MARICOPA, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2006**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Governmental activities:</b>				
General government	\$ 4,583,480	\$ 10,817,160	\$ -	\$ 1,234,618
Judicial	112,863	98,870	-	-
Public safety	1,624,485	-	-	274,646
Highways and streets	1,766,389	-	1,859,940	54,526,879
Public works	351,707	-	-	120,095
Culture and recreation	368,726	77,517	13,146	1,315,420
Economic and community development	326,005	-	-	-
<b>Total governmental activities</b>	<b>\$ 9,133,655</b>	<b>\$ 10,993,547</b>	<b>\$ 1,873,086</b>	<b>\$ 57,471,658</b>

**General revenues:**

Taxes:

Sales taxes

Franchise taxes

Intergovernmental revenues

Investment income

Miscellaneous

**Total general revenues**

**Changes in net assets**

**Net assets, beginning of year**

**Net assets, end of year**

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

Net (Expense)  
Revenue and  
Changes in Net  
Assets

---

Governmental  
Activities

---

\$ 7,468,298  
(13,993)  
(1,349,839)  
54,620,430  
(231,612)  
1,037,357  
(326,005)  

---

61,204,636

25,432,643  
303,480  
1,515,829  
1,315,924  
175

---

28,568,051

89,772,687

---

31,193,962

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\$ 120,966,649

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**CITY OF MARICOPA, ARIZONA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2006**

	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Transportation Impact Fee</u>
<b><u>ASSETS</u></b>			
Cash and investments	\$ 38,320,236	\$ 326,870	\$ 8,038,582
Interest receivable	93,311	796	20,599
Taxes receivable	6,600,442	-	-
Intergovernmental receivables	213,100	127,302	-
Due from other funds	15,445	-	-
Prepaid items	1,536	-	-
<b>Total assets</b>	<b><u>\$ 45,244,070</u></b>	<b><u>\$ 454,968</u></b>	<b><u>\$ 8,059,181</u></b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 1,036,348	\$ 28,347	\$ 85,362
Accrued wages payable	41,624	2,812	-
Intergovernmental payables	5,684	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	1,041,631
<b>Total liabilities</b>	<b><u>1,083,656</u></b>	<b><u>31,159</u></b>	<b><u>1,126,993</u></b>
Fund balances:			
Reserved for encumbrances	246,296	-	-
Reserved for capital projects	-	-	6,932,188
Reserved for highways and streets	-	423,809	-
Unreserved:			
Undesignated	43,914,118		
Unreserved reported in:			
Special revenue funds			
<b>Total fund balances</b>	<b><u>44,160,414</u></b>	<b><u>423,809</u></b>	<b><u>6,932,188</u></b>
 <b>Total liabilities and fund balances</b>	 <b><u>\$ 45,244,070</u></b>	 <b><u>\$ 454,968</u></b>	 <b><u>\$ 8,059,181</u></b>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 7,188,149	\$ 53,873,837
17,930	132,636
-	6,600,442
63,033	403,435
-	15,445
-	1,536
<u>\$ 7,269,112</u>	<u>\$ 61,027,331</u>

\$ 110,494	\$ 1,260,551
-	44,436
-	5,684
15,445	15,445
446,391	1,488,022
<u>572,330</u>	<u>2,814,138</u>

-	246,296
3,677,533	10,609,721
1,295,097	1,718,906
	43,914,118
<u>1,724,152</u>	<u>1,724,152</u>
<u>6,696,782</u>	<u>58,213,193</u>

<u>\$ 7,269,112</u>	<u>\$ 61,027,331</u>
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**CITY OF MARICOPA, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2006**

Fund balances - total governmental funds balance sheet \$ 58,213,193

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  
governmental funds.

Governmental capital assets	\$ 64,241,386	
Less accumulated depreciation	<u>(1,438,642)</u>	62,802,744

Compensated absences are not due and payable in the current  
period and therefore are not reported in the governmental  
fund financial statements.

(49,288)

Net assets of the governmental activities - statement of net assets

\$ 120,966,649

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

**CITY OF MARICOPA, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2006**

	General	Highway Users Revenue Fund	Transportation Impact Fee
<b>Revenues:</b>			
Sales taxes	\$ 25,432,643	\$ -	\$ -
Franchise taxes	303,480	-	-
Licenses and permits	8,916,082	-	-
Intergovernmental revenues	1,515,829	605,394	-
Charges for services	1,968,618	-	-
Fines and forfeitures	95,795	-	-
Investment income	995,080	8,407	134,635
Miscellaneous	184,580	-	6,912,439
<b>Total revenues</b>	<u>39,412,107</u>	<u>613,801</u>	<u>7,047,074</u>
<b>Expenditures:</b>			
Current -			
General government	4,370,884	-	-
Judicial	112,863	-	-
Public safety	1,624,485	-	-
Highways and streets	-	379,680	-
Public works	346,356	-	-
Culture and recreation	237,305	-	-
Economic and community development	326,005	-	-
Capital outlay	2,385,346	-	118,509
<b>Total expenditures</b>	<u>9,403,244</u>	<u>379,680</u>	<u>118,509</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>30,008,863</u>	<u>234,121</u>	<u>6,928,565</u>
Transfers in	8,015	-	3,623
Transfers out	(5,176)	-	-
<b>Total other financing sources (uses)</b>	<u>2,839</u>	<u>-</u>	<u>3,623</u>
<b>Changes in fund balances</b>	<u>30,011,702</u>	<u>234,121</u>	<u>6,932,188</u>
<b>Fund balances, beginning of year</b>	14,148,712	189,688	-
<b>Fund balances, end of year</b>	<u>\$ 44,160,414</u>	<u>\$ 423,809</u>	<u>\$ 6,932,188</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 25,432,643
-	303,480
-	8,916,082
622,842	2,744,065
-	1,968,618
-	95,795
177,802	1,315,924
3,583,253	10,680,272
<u>4,383,897</u>	<u>51,456,879</u>
-	4,370,884
-	112,863
-	1,624,485
209,389	589,069
-	346,356
17,239	254,544
-	326,005
13,886	2,517,741
<u>240,514</u>	<u>10,141,947</u>
<u>4,143,383</u>	<u>41,314,932</u>
1,553	13,191
(8,015)	(13,191)
<u>(6,462)</u>	<u>-</u>
<u>4,136,921</u>	<u>41,314,932</u>
2,559,861	16,898,261
<u>\$ 6,696,782</u>	<u>\$ 58,213,193</u>



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**CITY OF MARICOPA, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2006**

Net change in fund balances - total governmental funds \$ 41,314,932

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

Governmental funds report capital outlays as expenditures, however  
the cost of capitalized assets are allocated over their useful lives  
and reported as depreciation expense in the statement of activities.  
Also, contributed assets are not reported in the fund financial  
statements but are reported in the statement of activities.

Capital contributions	\$ 47,446,388	
Capital outlay - capitalized assets	2,161,132	
Less current year depreciation expense	<u>(1,114,626)</u>	48,492,894

Some expenses reported in the statement of activities do not  
require the use of current financial resources and therefore  
are not reported as expenditures in the governmental funds.

(35,139)

Change in net assets of governmental activities

\$ 89,772,687

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

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**City of Maricopa, Arizona**  
**Notes to the Financial Statements**  
**June 30, 2006**

The City of Maricopa (the 'City') was incorporated on October 15, 2003. The government of the City is organized under the authority of Title 9 of the Arizona State Statutes and is operated under a Common Council – Manager form of government. The City is governed by an elected mayor and a six member council.

The following notes to the financial statements are an integral part of the City's financial statements.

**NOTE 1 Summary of Significant Accounting Policies**

The accounting policies and procedures of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. 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**

As required by GAAP, these financial statements present the City and its component units, i.e. entities for which the City is considered to be financially accountable and/or exercises significant influence over operations. Blended component units, although separately legal entities are in substance part of the City's operations, and therefore data from these units are combined with the data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the basic financial statements, to emphasize that they are legally separate from the City. As of June 30, 2006 the City had no blended or discretely presented component units, nor was the City a component unit of any other reporting entity.

**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 non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these financial statements. These financial 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.

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, state shared revenues, investment income and other items not included among program revenues are reported as general revenues.

**City of Maricopa, Arizona**  
**Notes to the Financial Statements**  
**June 30, 2006**

**NOTE 1 Summary of Significant Accounting Policies, continued**

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

**Government-Wide Financial Statements** – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the grantor or provider have been met. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements, the exception is any interfund activity between governmental and business type activities, such as transfers.

**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 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, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, 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 revenues are not susceptible to accrual because generally they are not measurable until received in cash.

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.

**Highway Users Revenue Fund** – This fund is used to account for the maintenance and operations of the City's street system. The fund's major funding source is a state shared revenue derived from the sales taxes on gasoline sales and other transportation fees and charges.

**City of Maricopa, Arizona**  
**Notes to the Financial Statements**  
**June 30, 2006**

**NOTE 1 Summary of Significant Accounting Policies, continued**

Transportation Impact Fee Fund – This fund is used to account for the receipt and expenditure of the City's transportation impact fee. The revenues in this fund are restricted for capital outlay purposes.

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.

**D. Budgeting and Budgetary Control**

The City Council formally adopts an annual budget for all operating funds. The statutory level of control at which expenditures may not exceed budget is at the total expenditure level. However the City's internal policy is that expenditures may not exceed budget by department within each fund, except for bond and grants-in-aid funds, which are exempted by statute. Upon written request from the City Manager, the Council has the authority to transfer part or all of any unencumbered appropriation balance from one department or fund to another. The City Manager, upon request from Department Heads, may approve transfers of appropriations between divisions and expenditure categories within departments. Appropriations totaling \$ 1,557,956 were transferred between departments and/or funds during the current fiscal year.

All unencumbered appropriations expire at the end of the fiscal year. Encumbered appropriations lapse 60 days after the end of the fiscal year if not expended before expiration. Encumbrance accounting, under which purchase orders, contracts and other commitments for the future expenditure of funds are recorded in order to reserve that portion of the related fund balance, is employed in the governmental fund types. Encumbrances outstanding at year-end are reported as reservations of fund balances. At June 30, 2006 the City had \$ 246,296 in outstanding encumbrances.

The budgets are adopted on a basis differing from GAAP in that for budgetary purposes current year encumbrances are treated as expenditures.

On June 3, 1980, the voters of Arizona approved an expenditure limitation for all governments. This limitation restricts the growth of expenditures to a percentage determined by population and inflation, with certain expenditures excluded from the limitation. Through a vote of the qualified electors, a government may permanently adjust its base limitation to increase its annual expenditure limitation. At the general election held November 2, 2004 the City of Maricopa voters approved a permanent adjustment of \$ 9,750,000 to the City's base limitation.

**City of Maricopa, Arizona**  
**Notes to the Financial Statements**  
**June 30, 2006**

**NOTE 1 Summary of Significant Accounting Policies, continued**

**E. Cash and Investments**

State statutes generally authorize the City to invest in: savings accounts or certificates of deposit in federally insured banks or savings and loan institutions, obligations of the U.S. Treasury, its agencies and instrumentalities, obligations of the State of Arizona or its political subdivisions, repurchase agreements, and the State of Arizona's Local Government Investment Pool (LGIP). The City's adopted investment policy substantially follows statutory authority.

The State Board of Deposit provides oversight for the State Treasurer's pool, and the LGIP Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the LGIP approximates the value of that participant's pool shares. The LGIP is not registered with the Securities Exchange Commission under the 1940 Investment Advisors Act.

**F. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$ 10,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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, 2004. The City qualified as a Phase 3 implementer of GASB 34, and has elected under that standard to not report infrastructure assets in existence prior to that date. As part of the development process, the developers are required to construct much of the infrastructure in and around their developments. At completion, these infrastructure assets are donated to the City and capitalized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

**City of Maricopa, Arizona**  
**Notes to the Financial Statements**  
**June 30, 2006**

**NOTE 1 Summary of Significant Accounting Policies, continued**

Estimated useful lives for capital assets were determined based upon lives commonly used by other Arizona governmental agencies and various industry standards. Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Building improvements	20
Infrastructure	12-50
Vehicles	5-7
Machinery and equipment	5-15
Computers/Software	3-5

**G. Compensated Absences**

Vacation leave vests with the employee as it is earned. All employees may carry forward only the amount of vacation benefits equal to the maximum allowable earned credits for the preceding calendar year. Accordingly, at fiscal year end, the liability for accumulated vacation is reported on the government-wide financial statements as a current liability. Upon termination or retirement, an employee will be compensated for accumulated vacation leave. Payment will be based upon the individual's rate of pay at termination or retirement. Upon death, the same benefits shall be paid to the employee's beneficiary.

Sick leave benefits provided for ordinary sick pay are not vested with the employee.

**H. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 Cash and Investments**

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the financial statements as Equity in Pooled Cash and Investments. Pooled cash and investments are stated at fair value with any accrued interest shown separately. Interest earned on the pooled cash and investments is distributed monthly on the basis of average monthly equity in the pool.

**A. Cash Deposits**

At year-end, the carrying amount of the City's deposits was \$ 1,693,744 and the bank balance was \$ 1,820,576. Of the bank balance, \$ 119,086 was covered by federal depository insurance and the remaining balance was collateralized by securities held by the pledging financial institution's trust department or agent, but not in the City's name.



**City of Maricopa, Arizona**  
**Notes to the Financial Statements**  
**June 30, 2006**

**B. Investments**

At June 30, 2006 the City's pooled investments consisted of:

Type of Investment	Weighted Average Maturity	Fair Value
U.S. Treasuries	69 days	\$ 5,945,297
Certificate of Deposit	31 days	2,011,873
State Treasurer's Pool	51 days	44,222,923
		<u>\$ 52,180,093</u>

**NOTE 3 Capital Assets**

A summary of changes in capital assets for governmental activities is as follows:

	Balance 7/1/2005	Additions and Transfers In	Deletions and Transfers Out	Balance 6/30/2006
Capital assets not being depreciated:				
Land	\$ 54,000	\$ 32,767,355	\$ -	\$ 32,821,355
Construction in process	-	513,790	-	513,790
Capital assets being depreciated:				
Buildings	50,000	-	-	50,000
Infrastructure	14,435,441	15,881,653	-	30,317,094
Vehicles	30,831	152,870	-	183,701
Machinery and equipment	49,594	50,409	-	100,003
Computers/Software	14,000	241,442	-	255,442
	<u>14,633,866</u>	<u>49,607,519</u>	-	<u>64,241,385</u>
Less accumulated depreciation for:				
Buildings	2,034	2,450	-	4,484
Infrastructure	314,920	1,089,950	-	1,404,870
Vehicles	3,483	10,131	-	13,614
Machinery and equipment	779	5,396	-	6,175
Computers/Software	2,800	6,699	-	9,499
	<u>324,016</u>	<u>1,114,626</u>	-	<u>1,438,642</u>
Governmental activities - capital assets net of depreciation	<u>\$ 14,309,850</u>	<u>\$ 48,492,893</u>	<u>\$ -</u>	<u>\$ 62,802,743</u>

The City recorded donations of infrastructure type assets and street and utility rights of way totaling \$ 47,446,388 during the year ended June 30, 2006. These assets were required to be constructed by developers as part of the development process.

**City of Maricopa, Arizona**  
**Notes to the Financial Statements**  
**June 30, 2006**

**NOTE 4 Deferred Revenue**

The City recorded \$ 1,488,022 as deferred revenue during the current fiscal year related to protested development impact fees in certain residential developments within the City. Home builders within those developments claim to have binding development agreements with Pinal County that pre-date the incorporation of the City and waive the imposition of any impact fees. The issue is currently under appeal with the Arizona Court of Appeals and is expected to be heard sometime during the next fiscal year. Until a final decision is reached, the City will continue to collect and segregate these fees and the earnings thereon into a separate investment account.

**NOTE 5 Interfund Balances and Transfers**

The City's interfund activity during the year ended June 30, 2006 was as follows:

Fund	Due To	Due From	Transfers In	Transfers Out
General Fund	\$ -	\$ 15,445	\$ 8,015	\$ 5,176
Transportation Impact Fee Fund	-	-	3,623	-
Non-Major Governmental Funds	15,445	-	1,553	8,015
	<u>\$ 15,445</u>	<u>\$ 15,445</u>	<u>\$ 13,191</u>	<u>\$ 13,191</u>

In the normal course of business, certain non-major governmental funds may occasionally carry a negative balance in the City's pooled cash and investments account. These negative balances are normally caused when funds are expended prior to the receipt of anticipated revenues. The negative balances are covered by the General Fund and are typically reversed within thirty days.

The City occasionally transfers cash between funds to meet goal and obligations of City programs.

**NOTE 6 Operating Leases**

The City leases modular office space to house some of its administrative facilities under operating type lease agreements. The leases for these modular spaces are all on month to month contracts or on non-cancelable contracts that expire within one year.

The City leases approximately five acres of land under a non-cancellable two year agreement from an entity in which the City's Mayor holds a non-controlling interest. Terms of this lease call for monthly payments of \$ 6,000 through March of 2008 and include an option for the lessor to increase the lease rate by ten percent annually. Under this lease, the non-cancellable future minimum lease payments for fiscal year 2007 and fiscal year 2008 will be \$ 72,000 and \$ 54,000 respectively.

The City incurred rental costs of \$ 91,864 during the current fiscal year.

**City of Maricopa, Arizona**  
**Notes to the Financial Statements**  
**June 30, 2006**

**NOTE 7 Risk Management**

The City is exposed to various risks of loss related to litigation, claims and torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City mitigates the potential financial effects of these risks through its participation in the Arizona Municipal Risk Retention Pool (AMRRP), which is a common risk management and insurance program open to all Arizona municipalities. The City pays an annual premium to AMRRP for its general liability and automobile coverage. The AMRRP membership agreement provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial insurance companies for claims in excess of \$ 500,000 for general liability claims and \$ 250,000 for property claims. The City also is a member of the Arizona Municipal Workers' Compensation Pool (AMWCP) for workers' compensation insurance. AMWCP is a public entity workers' compensation pool currently operating for member cities and town. The City pays quarterly premiums to AMWCP for its workers' compensation insurance. The agreement provides that AMWCP will be self-sustaining through member premiums and will reinsure through commercial insurance companies for claims in excess of \$ 500,000.

**NOTE 8 Commitments**

The City has entered into an agreement for the construction of a bridge over the Santa Cruz Wash on Honeycutt Road. Construction of this facility is expected to begin in late calendar year 2006 and its \$ 1 million cost will be paid from the Transportation Impact Fee Fund.

**NOTE 9 Retirement and Pension Plans**

For years beginning on or after July 1, 2004, all full-time regular employees became covered by a contributory public employee retirement and pension plan maintained by the State of Arizona.

**A. Arizona State Retirement Plan**

**Plan Description** - The Arizona State Retirement System (ASRS) administers a cost sharing multiple-employer defined benefit plan that covers all employees of the City. 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. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. ASRS issues a publicly available report that includes audited financial statements and required supplementary information. The report may be obtained in writing at ASRS, 3300 N. Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602)240-2200.

**City of Maricopa, Arizona**  
**Notes to the Financial Statements**  
**June 30, 2006**

**NOTE 8 Retirement and Pension Plans (continued)**

**Funding Policy** – The Arizona State Legislature has the authority to establish and amend benefit provisions and contributions for active members. For the year ended June 30, 2006 active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 7.4 percent (6.9 percent retirement and .5 percent long-term disability) of the members' annual covered payroll. The City's contributions to ASRS, including both employer and employee obligations, for the years ended June 30, 2005 and 2006 were \$ 51,795 and \$ 180,489, respectively, which equaled the required contributions for those years.

**NOTE 9 Fund Equity**

The City restricts net assets on its statement of net assets when the requirements imposed by external sources, either legislative or contractual, constrain the City's ability to utilize those net assets. The City reports reservations of fund balance in its governmental funds to indicate that portion of fund balance is not appropriable for expenditure or is legally segregated for a specific future use.

At June 30, 2006 reserved fund balance amounts in the governmental funds consisted of:

- 1) Reserve for encumbrances of \$ 246,296, comprised of purchase obligations outstanding at the end of the fiscal year;
- 2) Reserve for capital projects of \$ 10,609,721, consisting of amounts collected for specific capital projects;
- 3) Reserve for highways and streets of \$ 1,718,906, consisting of amounts funded by legally restricted revenue sources.

At June 30, 2006 restricted net assets in the government wide statements consisted of:

- 1) Capital projects of \$ 10,609,721, consisting of amounts collected for specific capital projects;
- 2) Highways and streets of \$ 1,718,906 consisting of net assets funded by legally restricted revenue sources.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**CITY OF MARICOPA, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL  
YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Sales taxes	\$ 16,393,750	\$ 16,393,750	\$ 25,432,643	\$ 9,038,893
Franchise taxes	72,000	72,000	303,480	231,480
Licenses and permits	7,203,500	7,203,500	8,916,082	1,712,582
Intergovernmental revenues	1,202,667	1,202,667	1,515,829	313,162
Charges for services	1,469,000	1,469,000	1,968,618	499,618
Fines and forfeitures	50,500	50,500	95,795	45,295
Investment income	300,000	300,000	995,080	695,080
Miscellaneous	409,100	409,100	184,580	(224,520)
<b>Total revenues</b>	<u>27,100,517</u>	<u>27,100,517</u>	<u>39,412,107</u>	<u>12,311,590</u>
<b>Expenditures:</b>				
Current -				
General government	8,761,415	7,574,552	4,370,884	3,203,668
Judicial	99,000	114,000	112,863	1,137
Public safety	2,582,000	2,590,750	1,624,485	966,265
Public works	512,903	580,106	346,356	233,750
Culture and recreation	207,414	270,612	237,305	33,307
Economic and community development	237,600	367,400	326,005	41,395
Capital outlay	5,417,400	6,114,364	2,631,642	3,482,722
<b>Total expenditures</b>	<u>17,817,732</u>	<u>17,611,784</u>	<u>9,649,540</u>	<u>7,962,244</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>9,282,785</u>	<u>9,488,733</u>	<u>29,762,567</u>	<u>20,273,834</u>
<b>Other financing sources (uses):</b>				
Transfers in	51,600	51,600	8,015	(43,585)
Transfers out	-	(5,176)	(5,176)	-
<b>Total other financing sources (uses)</b>	<u>51,600</u>	<u>46,424</u>	<u>2,839</u>	<u>(43,585)</u>
<b>Change in fund balances</b>	<u>9,334,385</u>	<u>9,535,157</u>	<u>29,765,406</u>	<u>20,230,249</u>
<b>Fund balances, July 1, 2005</b>	14,148,712	14,148,712	14,148,712	-
<b>Fund balances, June 30, 2006</b>	<u>\$ 23,483,097</u>	<u>\$ 23,683,869</u>	<u>\$ 43,914,118</u>	<u>\$ 20,230,249</u>

See accompanying notes to this schedule.



**CITY OF MARICOPA, ARIZONA  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - HIGHWAY USERS REVENUE FUND  
 YEAR ENDED JUNE 30, 2006**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Intergovernmental revenues	\$ 478,025	\$ 605,394	\$ 127,369
Investment income	3,000	8,407	5,407
<b>Total revenues</b>	<u>481,025</u>	<u>613,801</u>	<u>132,776</u>
<b>Expenditures:</b>			
Current -			
Highways and streets	510,185	379,680	130,505
<b>Total expenditures</b>	<u>510,185</u>	<u>379,680</u>	<u>130,505</u>
<b>Change in fund balances</b>	<u>(29,160)</u>	<u>234,121</u>	<u>263,281</u>
<b>Fund balances, July 1, 2005</b>	189,688	189,688	-
<b>Fund balances, June 30, 2006</b>	<u><u>\$ 160,528</u></u>	<u><u>\$ 423,809</u></u>	<u><u>\$ 263,281</u></u>

**See accompanying notes to this schedule.**

**CITY OF MARICOPA, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - TRANSPORTATION IMPACT FEE  
YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
Investment income	\$ 75,000	\$ 75,000	\$ 134,635	\$ 59,635
Miscellaneous	14,492,000	14,492,000	6,912,439	(7,579,561)
<b>Total revenues</b>	<u>14,567,000</u>	<u>14,567,000</u>	<u>7,047,074</u>	<u>(7,519,926)</u>
<b>Expenditures:</b>				
Capital outlay	140,000	140,000	118,509	21,491
<b>Total expenditures</b>	<u>140,000</u>	<u>140,000</u>	<u>118,509</u>	<u>21,491</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>14,427,000</u>	<u>14,427,000</u>	<u>6,928,565</u>	<u>(7,498,435)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	3,623	3,623	-
Transfers out	(17,000)	(17,000)	-	17,000
<b>Total other financing sources (uses)</b>	<u>(17,000)</u>	<u>(13,377)</u>	<u>3,623</u>	<u>17,000</u>
<b>Change in fund balances</b>	<u>14,410,000</u>	<u>14,413,623</u>	<u>6,932,188</u>	<u>(7,481,435)</u>
<b>Fund balances, July 1, 2005</b>	-	-	-	-
<b>Fund balances, June 30, 2006</b>	<u>\$ 14,410,000</u>	<u>\$ 14,413,623</u>	<u>\$ 6,932,188</u>	<u>\$ (7,481,435)</u>

**See accompanying notes to this schedule.**

**CITY OF MARICOPA, ARIZONA  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2006**

NOTE 1 - Budget Information:

The City formally adopts a budget for all operating funds annually. The budgetary basis of accounting used by the City differs from GAAP in that certain encumbrances are treated as expenditures in the current year. At June 30, 2006 the City's General Fund had \$ 246,296 in encumbrances that were treated as expenditures for budgetary purposes, but were recorded as reserved fund balance for GAAP purposes.

**SUPPLEMENTARY  
INFORMATION**

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**CITY OF MARICOPA, ARIZONA**  
**COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**JUNE 30, 2006**

	Special Revenue	Capital Projects	Total Non-Major Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 2,542,300	\$ 4,645,849	\$ 7,188,149
Interest receivable	6,194	11,736	17,930
Intergovernmental receivables	63,033	-	63,033
<b>Total assets</b>	<u>\$ 2,611,527</u>	<u>\$ 4,657,585</u>	<u>\$ 7,269,112</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 10,997	\$ 99,497	\$ 110,494
Due to other funds	15,445	-	15,445
Deferred revenue	-	446,391	446,391
<b>Total liabilities</b>	<u>26,442</u>	<u>545,888</u>	<u>572,330</u>
Fund balances:			
Reserved for capital projects	815,715	2,861,818	3,677,533
Reserved for streets/highways	45,218	1,249,879	1,295,097
Unreserved:			
Undesignated	1,724,152		1,724,152
<b>Total fund balances</b>	<u>2,585,085</u>	<u>4,111,697</u>	<u>6,696,782</u>
 <b>Total liabilities and fund balances</b>	 <u>\$ 2,611,527</u>	 <u>\$ 4,657,585</u>	 <u>\$ 7,269,112</u>

**CITY OF MARICOPA, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**  
**YEAR ENDED JUNE 30, 2006**

	Special Revenue	Capital Projects	Total Non-Major Governmental Funds
<b>Revenues:</b>			
Intergovernmental revenues	\$ 622,842	\$ -	\$ 622,842
Investment income	72,369	105,433	177,802
Miscellaneous	758,569	2,824,684	3,583,253
<b>Total revenues</b>	<u>1,453,780</u>	<u>2,930,117</u>	<u>4,383,897</u>
<b>Expenditures:</b>			
Current -			
Highways and streets	120,642	88,747	209,389
Culture and recreation	11,660	5,579	17,239
Capital outlay	-	13,886	13,886
<b>Total expenditures</b>	<u>132,302</u>	<u>108,212</u>	<u>240,514</u>
 <b>Excess (deficiency) of revenues over expenditures</b>	 <u>1,321,478</u>	 <u>2,821,905</u>	 <u>4,143,383</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	1,553	1,553
Transfers out	(8,015)	-	(8,015)
<b>Total other financing sources (uses)</b>	<u>(8,015)</u>	<u>1,553</u>	<u>(6,462)</u>
 <b>Change in fund balances</b>	 <u>1,313,463</u>	 <u>2,823,458</u>	 <u>4,136,921</u>
<b>Fund balances, beginning of year</b>	1,271,622	1,288,239	2,559,861
 <b>Fund balances, end of year</b>	 <u>\$ 2,585,085</u>	 <u>\$ 4,111,697</u>	 <u>\$ 6,696,782</u>

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**CITY OF MARICOPA, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS**  
**JUNE 30, 2006**

	<u>Road Maintenance</u>	<u>Local Transportation Assistance Fund</u>	<u>Grants</u>	<u>County Road Tax</u>
<b><u>ASSETS</u></b>				
Cash and investments	\$ 1,714,974	\$ 45,108	\$ -	\$ 782,218
Interest receivable	4,178	110	-	1,906
Intergovernmental receivables	-	-	22,881	40,152
<b>Total assets</b>	<b><u>\$ 1,719,152</u></b>	<b><u>\$ 45,218</u></b>	<b><u>\$ 22,881</u></b>	<b><u>\$ 824,276</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 2,436	\$ 8,561
Due to other funds	-	-	15,445	-
<b>Total liabilities</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>17,881</u></b>	<b><u>8,561</u></b>
Fund balances:				
Reserved for capital projects	-	-	-	815,715
Reserved for streets/highways	-	45,218	-	-
Unreserved:				
Undesignated	1,719,152	-	5,000	-
<b>Total fund balances</b>	<b><u>1,719,152</u></b>	<b><u>45,218</u></b>	<b><u>5,000</u></b>	<b><u>815,715</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,719,152</u></b>	<b><u>\$ 45,218</u></b>	<b><u>\$ 22,881</u></b>	<b><u>\$ 824,276</u></b>

Totals

\$ 2,542,300  
6,194  
63,033  
\$ 2,611,527

\$ 10,997  
15,445  
26,442

815,715  
45,218

1,724,152  
2,585,085

\$ 2,611,527

**CITY OF MARICOPA, ARIZONA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2006**

	Road Maintenance	Local Transportation Assistance Fund	Grants
<b>Revenues:</b>			
Intergovernmental revenues	\$ -	\$ 24,116	\$ 126,866
Investment income	50,877	1,342	-
Miscellaneous	758,569	-	-
<b>Total revenues</b>	<u>809,446</u>	<u>25,458</u>	<u>126,866</u>
<b>Expenditures:</b>			
Current -			
Highways and streets	-	-	112,081
Culture and recreation	-	-	11,660
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>123,741</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>809,446</u>	<u>25,458</u>	<u>3,125</u>
<b>Other financing sources (uses):</b>			
Transfers out	-	-	(8,015)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(8,015)</u>
<b>Change in fund balances</b>	<u>809,446</u>	<u>25,458</u>	<u>(4,890)</u>
<b>Fund balances, beginning of year</b>	909,706	19,760	9,890
<b>Fund balances, end of year</b>	<u>\$ 1,719,152</u>	<u>\$ 45,218</u>	<u>\$ 5,000</u>

County Road Tax	Totals
\$ 471,860	\$ 622,842
20,150	72,369
-	758,569
<u>492,010</u>	<u>1,453,780</u>
8,561	120,642
-	11,660
<u>8,561</u>	<u>132,302</u>
<u>483,449</u>	<u>1,321,478</u>
-	(8,015)
<u>-</u>	<u>(8,015)</u>
<u>483,449</u>	<u>1,313,463</u>
332,266	1,271,622
<u>\$ 815,715</u>	<u>\$ 2,585,085</u>

**CITY OF MARICOPA, ARIZONA**  
**COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS**  
**JUNE 30, 2006**

	Voluntary Regional Transportation	Parks Impact Fee	Library Impact Fee	Public Safety Impact Fee
<b><u>ASSETS</u></b>				
Cash and investments	\$ 1,331,582	\$ 631,020	\$ 913,778	\$ 319,514
Interest receivable	3,244	1,617	2,341	819
<b>Total assets</b>	<b>\$ 1,334,826</b>	<b>\$ 632,637</b>	<b>\$ 916,119</b>	<b>\$ 320,333</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$ 84,947	\$ 14,550	\$ -	\$ -
Deferred revenue	-	87,023	125,345	40,251
<b>Total liabilities</b>	<b>84,947</b>	<b>101,573</b>	<b>125,345</b>	<b>40,251</b>
Fund balances:				
Reserved for capital projects	-	531,064	790,774	280,082
Reserved for streets/highways	1,249,879	-	-	-
<b>Total fund balances</b>	<b>1,249,879</b>	<b>531,064</b>	<b>790,774</b>	<b>280,082</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,334,826</b>	<b>\$ 632,637</b>	<b>\$ 916,119</b>	<b>\$ 320,333</b>

General Government Impact Fee	Totals
\$ 1,449,955	\$ 4,645,849
3,715	11,736
<u>\$ 1,453,670</u>	<u>\$ 4,657,585</u>

\$ -	\$ 99,497
193,772	446,391
<u>193,772</u>	<u>545,888</u>

1,259,898	2,861,818
-	1,249,879
<u>1,259,898</u>	<u>4,111,697</u>

<u>\$ 1,453,670</u>	<u>\$ 4,657,585</u>
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**CITY OF MARICOPA, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2006**

	Voluntary Regional Transportation	Parks Impact Fee	Library Impact Fee
<b>Revenues:</b>			
Investment income	\$ 50,387	\$ 10,886	\$ 14,258
Miscellaneous	-	539,340	776,080
<b>Total revenues</b>	<u>50,387</u>	<u>550,226</u>	<u>790,338</u>
<b>Expenditures:</b>			
Current -			
Highways and streets	88,747	-	-
Culture and recreation	-	5,579	-
Capital outlay	-	13,886	-
<b>Total expenditures</b>	<u>88,747</u>	<u>19,465</u>	<u>-</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(38,360)</u>	<u>530,761</u>	<u>790,338</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	303	436
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>303</u>	<u>436</u>
<b>Change in fund balances</b>	<u>(38,360)</u>	<u>531,064</u>	<u>790,774</u>
<b>Fund balances, beginning of year</b>	1,288,239	-	-
<b>Fund balances, end of year</b>	<u>\$ 1,249,879</u>	<u>\$ 531,064</u>	<u>\$ 790,774</u>

<u>Public Safety Impact Fee</u>	<u>General Government Impact Fee</u>	<u>Totals</u>
\$ 5,296	\$ 24,606	\$ 105,433
274,646	1,234,618	2,824,684
<u>279,942</u>	<u>1,259,224</u>	<u>2,930,117</u>
-	-	88,747
-	-	5,579
-	-	13,886
<u>-</u>	<u>-</u>	<u>108,212</u>
<u>279,942</u>	<u>1,259,224</u>	<u>2,821,905</u>
140	674	1,553
<u>140</u>	<u>674</u>	<u>1,553</u>
<u>280,082</u>	<u>1,259,898</u>	<u>2,823,458</u>
-	-	1,288,239
<u>\$ 280,082</u>	<u>\$ 1,259,898</u>	<u>\$ 4,111,697</u>



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**COMPLIANCE  
SECTION**

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The Honorable Mayor and Members of the City Council  
City of Maricopa, Arizona:

We have audited the basic financial statements of the City of Maricopa, Arizona (the "City") for the year ended June 30, 2006, and have issued our report thereon dated November 29, 2006. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under Auditing Standards Generally Accepted in the United States of America and Government Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement and are fairly presented in accordance with accounting standards generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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.

**Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the basic financial statements. We noted no transactions entered into by the City during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. If applicable, we evaluated the key factors and assumptions used to develop estimates in determining if they are reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City's financial reporting process (that is, cause future financial statements to be materially misstated). We did not propose any adjustments during the course of this year's audit.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's basic financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing and completing our audit.

## Audit Findings

No matters were identified during the course of our audit that are required to be reported by *Government Auditing Standards* for the year ended June 30, 2006. In addition, throughout the course of the audit we may communicate to management matters that are opportunities for strengthening internal controls or improving operating efficiency. Certain matters have been reported to management of City of Maricopa, Arizona in a separate letter dated November 29, 2006.

This information is intended solely for the information and use of the City Council and management of the City of Maricopa, Arizona, 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