

**CITY OF MARICOPA, ARIZONA  
AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007**

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# CITY OF MARICOPA, ARIZONA

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**FINANCIAL SECTION**

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HEINFELD, MEECH & CO., P.C.  
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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 (City), as of and for the year ended June 30, 2007, 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 basic 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, 2007, 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 February 9, 2008, 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 12 and budgetary comparison information on pages 43 through 45 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 an opinion on the financial statements that collectively comprise the City's basic financial statements. The Supplementary Information, as listed in the table of contents under the Financial Section, 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

February 9, 2008



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

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**CITY OF MARICOPA, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2007**

As management of the City of Maricopa, 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, 2007. We encourage readers to consider the information that we have furnished in the financial statements and the notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for 2006-07 as follows.

- The City's total net assets of governmental activities increased \$62.8 million to \$183.8 million representing 52 percent increase over the prior year.
- General revenues from governmental activities accounted for \$32.6 million in revenue, or 43 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$43.6 million or 57 percent of total governmental activities revenues.
- The City had \$13.4 million in expenses related to governmental activities, an increase of 47 percent from the prior fiscal year.
- Among major funds, the General Fund had \$37.3 million in fiscal year 2006-07 revenues, which primarily consisted of sales taxes, and \$13.2 million in expenditures. The General Fund's fund balance increase from \$44.2 million as of June 30, 2006 to \$65.5 million as of June 30, 2007 was primarily due to the collection of one time revenues generated by construction activities.
- The Highway User Revenue Fund had \$1.6 million in revenues which primarily consisted of intergovernmental revenues. Fund expenditures totaled \$511,550 resulting in an increase in fund balance of \$1.1 million to \$1.5 million
- The Transportation Impact Fee Fund, had \$8.6 million in revenues which primarily consisted of system development fees. Fund expenditures totaled \$176,321 resulting in an increase in fund balance of \$6.9 million to \$15.4 million.

**CITY OF MARICOPA, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2007**

**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 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, 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.

**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 currently used by the City are governmental funds.

**CITY OF MARICOPA, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2007**

**OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)**

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements 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, Highway Users Revenue, and the Transportation Impact Fee 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.

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

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

**CITY OF MARICOPA, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2007**

**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 \$183.8 million as of June 30, 2007.

The largest portion of the City's net assets (48 percent) reflects its investment in capital assets (e.g., land and improvements, buildings, infrastructure, vehicles, machinery and equipment, computer and software, 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. At June 30, 2007, the City had no debt related to the acquisition or construction of capital assets.

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 table presents a summary of the City's net assets for the fiscal years ended June 30, 2007 and June 30, 2006.

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Current assets	\$100,908,205	\$ 61,011,886
Capital assets, net	87,820,431	62,802,743
<b>Total assets, net</b>	<u>188,728,636</u>	<u>123,814,629</u>
Current liabilities	4,891,187	2,847,980
<b>Total liabilities</b>	<u>4,891,187</u>	<u>2,847,980</u>
Invested in capital assets, net of related debt	87,820,431	62,802,743
Restricted	28,090,363	12,328,627
Unrestricted	67,926,655	45,835,279
<b>Total net assets</b>	<u>\$183,837,449</u>	<u>\$120,966,649</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 \$12.1 million 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, \$7.2 million 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, 2007**

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

**Changes in net assets.** The City's total revenues for the fiscal year ended June 30, 2007, were \$76.2 million. The total cost of all programs and services was \$13.4 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2007 and June 30, 2006.

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 5,940,108	\$ 10,993,547
Operating grants and contributions	2,313,870	1,873,086
Capital grants and contributions	35,344,625	57,471,658
General revenues:		
Property taxes	2,431,339	
Sales taxes	22,032,882	25,432,643
Franchise taxes	660,317	303,480
Intergovernmental revenues	3,718,174	1,515,829
Investment income	3,853,077	1,315,924
Miscellaneous	225	175
<b>Total revenues</b>	<u>76,294,617</u>	<u>98,906,342</u>
<b>Expenses:</b>		
General government	5,024,639	4,583,480
Judicial	167,219	112,863
Public safety	2,583,068	1,624,485
Highways and streets	3,176,273	1,766,389
Public works	936,215	351,707
Culture and recreation	1,082,524	368,726
Economic and community development	453,879	326,005
<b>Total expenses</b>	<u>13,423,817</u>	<u>9,133,655</u>
<b>Change in net assets</b>	<u>\$62,870,800</u>	<u>\$ 89,772,687</u>

Total revenues decreased \$22.6 million, or 23 percent, primarily as a result of the change in the amounts recorded for capital grants and contributions between the two years. The City records the value of developer provided infrastructure and rights-of-way when the same are accepted into the City's street maintenance program.

Total expenses increased \$4.3 million due to an increase in the scope of operations in the Police, Streets and Parks departments of the City.

**CITY OF MARICOPA, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2007**

**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.

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 \$95.9 million, an increase of \$37.7 million due primarily to the collection of one time revenues generated by construction activities.

The General Fund is the principal operating fund of the City. The increase in fund balance of \$21.3 million in the General Fund for the fiscal year to \$65.5 million, was due primarily to the collection of sales taxes and other fees generated by construction activities. The Transportation Impact Fee Fund showed an increase of \$8.5 million due primarily to the collection of impact fees generated by construction activities and the limited number of capital expenditures against those fees during the current fiscal 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 as follows:

- \$8.25 million positive variance in sales tax revenues caused by the difficulty in predicting when sales tax revenues collected from construction related activities will be collected.
- \$2.2 million positive variance in investment income revenues caused by increases in the rates of return paid on the City's investments as well as higher than predicted balances available for investment.
- \$28.3 million positive variance in capital outlay resulting from the delay in planned capital projects including the City Hall Complex. The City had anticipated issuing \$15 million in bonded debt to partially fund some of those capital projects, which became unnecessary because of the delay in starting the projects.



**CITY OF MARICOPA, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2007**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2007, the City had invested \$91.4 million in capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase prior to depreciation of \$27.1 million from last year, primarily due to contributed land and streets from developers. Total depreciation expense for the year was \$2.1 million.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2007 and June 30, 2006.

<b>Governmental Activities</b>	As of June 30, 2007	As of June 30, 2006
Land and land improvements	\$ 44,974,349	\$ 32,821,355
Infrastructure	42,434,077	30,317,094
Buildings and improvements	1,314,462	50,000
Vehicles, machinery and equipment	2,659,841	539,146
Construction in progress		513,790
Less: Accumulated depreciation	<u>(3,562,298)</u>	<u>(1,438,642)</u>
<b>Total</b>	<u>\$ 87,820,431</u>	<u>\$ 62,802,743</u>

Additional information on the City's capital assets can be found in Note 4.

**Debt Administration.** – As of June 30, 2007, 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.

**CITY OF MARICOPA, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2007**

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

City management considered many factors in the process of developing the operating budget for the fiscal year 2007-08. The most significant factors affecting the subsequent year's budget are:

- The City's "hyper-growth" phase is expected to continue to slow as the residential construction boom begins to return to a more normalized market. As a result the City has projected revenue streams that are a direct result of construction for the upcoming fiscal year to be less than what have been collected in past fiscal years.
- The City hired its first Chief of Police in November 2006 to begin the process of building its own police department. The Maricopa Police Department was expected to take over the first patrol shift on July 1, 2007 and provide full-time services sometime in early 2008. As a result, the City is expecting to hire approximately 50 full-time civilian and sworn employees during the 2007-08 fiscal year to provide police services. Additionally, the City will need to acquire the vehicles and equipment that are required to provide those services. The General Fund and the Public Safety Impact Fee funds will be the primary sources of the funds necessary to provide police services. The City will continue to contract with Pinal County for dispatch and prisoner services for the foreseeable future.
- The City expects to fully annex the Maricopa Fire District and create the Maricopa Fire Department in accordance with A.R.S. 48-812. The District currently has 55 full-time employees and an operating budget of approximately \$5 million. The General Fund will be the primary source of financing the operations of the newly created Fire Department.
- In May of 2006, the City's voters approved a primary property tax levy for the City to fund public safety services, including police and fire. That tax levy is expected to provide approximately \$6.2 million in revenue in fiscal year 2007-08.
- 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 \$199.5 million 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, 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, City of Maricopa, Arizona, 45145 West Madison Avenue, P. O. Box 610, Maricopa, Arizona 85239.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**CITY OF MARICOPA, ARIZONA  
STATEMENT OF NET ASSETS  
JUNE 30, 2007**

	Governmental Activities
<b><u>ASSETS</u></b>	
Current assets:	
Cash and investments	\$ 95,662,254
Interest receivable	310,157
Taxes receivable	4,094,275
Accounts receivable	69,094
Intergovernmental receivables	769,425
Prepaid items	3,000
Total current assets	100,908,205
Noncurrent assets:	
Land and other non-depreciable assets	42,847,775
Infrastructure, buildings, equipment and other depreciable assets	48,534,954
Accumulated depreciation	(3,562,298)
Total noncurrent assets	87,820,431
<b>Total assets</b>	<b>188,728,636</b>
 <b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	4,568,046
Accrued wages payable	142,154
Compensated absences payable	142,513
Intergovernmental payables	18,474
Deferred revenue	20,000
Total current liabilities	4,891,187
<b>Total liabilities</b>	<b>4,891,187</b>
 <b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	87,820,431
Restricted for:	
Capital projects	26,277,214
Highways and streets	1,813,149
Unrestricted	67,926,655
<b>Total net assets</b>	<b>\$ 183,837,449</b>

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

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CITY OF MARICOPA, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2007

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
<b>Governmental activities:</b>					
General government	\$ 5,024,639	\$ 5,610,082	\$	\$ 1,476,975	\$ 2,062,418
Judicial	167,219	199,036			31,817
Public safety	2,583,068			307,600	(2,275,468)
Highways and streets	3,176,273		2,039,438	30,912,881	29,776,046
Public works	936,215				(936,215)
Culture and recreation	1,082,524	130,990	274,432	2,647,169	1,970,067
Economic and community development	453,879				(453,879)
<b>Total governmental activities</b>	<b>\$ 13,423,817</b>	<b>\$ 5,940,108</b>	<b>\$ 2,313,870</b>	<b>\$ 35,344,625</b>	<b>30,174,786</b>
		<b>General revenues:</b>			
		Taxes:			
					2,431,339
					22,032,882
					660,317
					3,718,174
					3,853,077
					225
					<b>32,696,014</b>
		<b>Changes in net assets</b>			62,870,800
		<b>Net assets, beginning of year</b>			120,966,649
		<b>Net assets, end of year</b>			<b>\$183,837,449</b>

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

**CITY OF MARICOPA, ARIZONA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2007**

	General	Highway Users Revenue Fund	Transportation Impact Fee
<b><u>ASSETS</u></b>			
Cash and investments	\$ 62,269,137	\$ 1,350,852	\$ 17,788,998
Interest receivable	201,836	4,382	57,704
Taxes receivable	4,094,275		
Accounts receivable	69,094		
Intergovernmental receivables	217,904	143,392	
Due from other funds	59,104		
Prepaid items	3,000		
<b>Total assets</b>	<b>\$ 66,914,350</b>	<b>\$ 1,498,626</b>	<b>\$ 17,846,702</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 984,623	\$ 13,128	\$ 2,444,370
Accrued wages payable	138,128	4,026	
Intergovernmental payables	18,474		
Due to other funds			
Deferred revenue	255,092		
<b>Total liabilities</b>	<b>1,396,317</b>	<b>17,154</b>	<b>2,444,370</b>
Fund balances:			
Reserved for encumbrances	412,091	14,761	
Reserved for capital projects			15,402,332
Reserved for highways and streets		1,465,249	
Unreserved:			
Undesignated	65,105,942	1,462	
Unreserved reported in:			
Special revenue funds			
<b>Total fund balances</b>	<b>65,518,033</b>	<b>1,481,472</b>	<b>15,402,332</b>
<b>Total liabilities and fund balances</b>	<b>\$ 66,914,350</b>	<b>\$ 1,498,626</b>	<b>\$ 17,846,702</b>

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

Non-Major Governmental Funds	Total Governmental Funds
\$ 14,253,267	\$ 95,662,254
46,235	310,157
	4,094,275
	69,094
408,129	769,425
	59,104
	3,000
<u>\$ 14,707,631</u>	<u>\$ 100,967,309</u>

\$ 1,125,925	\$ 4,568,046
	142,154
	18,474
59,104	59,104
	255,092
<u>1,185,029</u>	<u>5,042,870</u>

	426,852
10,874,882	26,277,214
347,900	1,813,149
	65,107,404
<u>2,299,820</u>	<u>2,299,820</u>
<u>13,522,602</u>	<u>95,924,439</u>
<u>\$ 14,707,631</u>	<u>\$ 100,967,309</u>

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CITY OF MARICOPA, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

<b>Total governmental fund balances</b>		<b>\$ 95,924,439</b>
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Assets are different because:</p>		
<p>Property taxes that will not be available to pay for current period expenditures and therefore are deferred in the funds.</p>		235,092
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
<p style="padding-left: 40px;">Governmental capital assets</p> <p style="padding-left: 40px;">Less accumulated depreciation</p>	<p>\$ 91,382,729</p> <p><u>(3,562,298)</u></p>	87,820,431
<p>Compensated absences are not due and payable in the current period and therefore are not reported in the governmental fund financial statements.</p>		<u>(142,513)</u>
<b>Net assets of governmental activities</b>		<b><u>\$ 183,837,449</u></b>

**CITY OF MARICOPA, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Transportation Impact Fee</u>
<b>Revenues:</b>			
Property taxes	\$ 2,196,247	\$	\$
Sales taxes	22,032,882		
Franchise taxes	660,317		
Licenses and permits	4,578,929		
Intergovernmental revenues	3,718,174	1,527,764	
Charges for services	1,162,087		
Fines and forfeitures	199,036		
Investment income	2,634,463	41,449	683,674
Miscellaneous	132,351		7,962,791
<b>Total revenues</b>	<u>37,314,486</u>	<u>1,569,213</u>	<u>8,646,465</u>
<b>Expenditures:</b>			
Current -			
General government	4,656,937		
Judicial	167,219		
Public safety	2,372,859		
Highways and streets	6,836	507,644	
Public works	939,796		
Culture and recreation	717,192		
Economic and community development	453,616		
Capital outlay	3,837,711	3,906	176,321
<b>Total expenditures</b>	<u>13,152,166</u>	<u>511,550</u>	<u>176,321</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>24,162,320</u>	<u>1,057,663</u>	<u>8,470,144</u>
Transfers in			
Transfers out	(2,804,701)		
<b>Total other financing sources (uses)</b>	<u>(2,804,701)</u>		
<b>Changes in fund balances</b>	<u>21,357,619</u>	<u>1,057,663</u>	<u>8,470,144</u>
<b>Fund balances, beginning of year</b>	44,160,414	423,809	6,932,188
<b>Fund balances, end of year</b>	<u>\$ 65,518,033</u>	<u>\$ 1,481,472</u>	<u>\$ 15,402,332</u>

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

Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 2,196,247
	22,032,882
	660,317
	4,578,929
3,084,018	8,329,956
	1,162,087
	199,036
493,491	3,853,077
<u>3,795,404</u>	<u>11,890,546</u>
<u>7,372,913</u>	<u>54,903,077</u>
	4,656,937
	167,219
	2,372,859
599,745	1,114,225
1,770	941,566
16,163	733,355
263	453,879
<u>2,733,853</u>	<u>6,751,791</u>
<u>3,351,794</u>	<u>17,191,831</u>
<u>4,021,119</u>	<u>37,711,246</u>
2,804,701	2,804,701
	(2,804,701)
<u>2,804,701</u>	
<u>6,825,820</u>	<u>37,711,246</u>
6,696,782	58,213,193
<u>\$ 13,522,602</u>	<u>\$ 95,924,439</u>

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CITY OF MARICOPA, ARIZONA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 YEAR ENDED JUNE 30, 2007

**Net changes in fund balances - total governmental funds** **\$ 37,711,246**

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

Property taxes in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 235,092

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, 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	\$ 21,156,448	
Capital outlay - capitalized assets	5,984,896	
Less current year depreciation	<u>(2,123,656)</u>	25,017,688

Compensated absences reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (93,226)

**Change in net assets in governmental activities** **\$ 62,870,800**

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

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**CITY OF MARICOPA, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Maricopa, 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. As of June 30, 2007, 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 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 sales taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. As of June 30, 2007, the City had no business-type activities.

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. Property taxes, sales taxes, unrestricted state shared revenues, investment income and other items not included among program revenues are reported instead as general revenues.

**CITY OF MARICOPA, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

**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. 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 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 effect 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.

Property taxes, sales taxes, franchise taxes, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 it is 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 also 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.

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 City's maintenance and operations of its streets 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 FINANCIAL STATEMENTS  
JUNE 30, 2007**

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

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.

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.

**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 \$3,508,522 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, 2007 the City had \$426,852 in outstanding encumbrances.

The budgets are adopted on a basis differing from principles generally accepted in the United States of America 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 FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

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

**E. 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 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, 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 the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

**F. 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. The current and long-term liabilities, including related benefits, for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts, including related benefits, 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.

**CITY OF MARICOPA, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

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

**G. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities and proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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.

**H. 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.

**I. 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.

**J. 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 MARICOPA, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 2 – CASH AND INVESTMENTS**

A.R.S. authorize the City to invest public monies 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. 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. All investments are stated at fair value.

The State Treasurer's pools are external investment pools, the Local Government Investment Pool (Pool 5), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The fair value of each participant's position in the State Treasurer investment pool approximates the value of the participant's shares in the pool.

*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 June 30, 2007, the carrying amount of the City's deposits was \$3,450,028, and the bank balance was \$3,455,694. Of the bank balance, \$241,859 was covered by Federal depository insurance, \$3,213,835 was covered by collateral.

At June 30, 2007, the City's investments consisted of the following.

Investment Type	Maturities	Fair Value
State Treasurer's investment pool 5	84 days average	\$92,211,001
Total		\$92,211,001

*Interest Rate Risk.* The City's formal investment policy limits interest rate by structuring the investment portfolio so that securities mature concurrent with the anticipated cash requirements for ongoing operations, thereby avoiding, as much as possible, the need to sell securities into an adverse market environment prior to maturity and utilizing external research and advice regarding the current interest rate outlook and global economic condition to optimize portfolio duration strategy.

*Credit Risk.* The City's formal investment policy limits credit risk by limiting investments in the portfolio to the asset classes designated as acceptable in A.R.S. §35-323, by diversifying the investment portfolio so that the impact of potential losses from any one individual issuer held in the portfolio will be limited and by utilizing external research and advice regarding the current global economic condition and its impact on the outlook for domestic corporate credit quality.

*Custodial Credit Risk – Investments.* The City's investment in the State Treasurer's investment pool 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 MARICOPA, ARIZONA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2007**

**NOTE 3 – RECEIVABLES**

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, deferred revenue of \$235,092 was reported in the governmental funds for delinquent property taxes receivable in the General Fund.

**NOTE 4 – CAPITAL ASSETS**

A summary of capital asset activity for the fiscal year ended June 30, 2007 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	\$ 32,821,355	\$ 10,026,420	\$	\$ 42,847,775
Construction in progress	513,790		(513,790)	
Total capital assets, not being depreciated	<u>33,335,145</u>	<u>10,026,420</u>	<u>(513,790)</u>	<u>42,847,775</u>
Capital assets, being depreciated:				
Land improvements		2,126,574		2,126,574
Buildings	50,000	1,264,462		1,314,462
Infrastructure	30,317,094	12,116,983		42,434,077
Vehicles	183,701	708,668		892,369
Machinery and equipment	100,003	763,562		863,565
Computers/Software	255,442	648,465		903,907
Total capital assets being depreciated	<u>30,906,240</u>	<u>17,628,714</u>		<u>48,534,954</u>
Less accumulated depreciation for:				
Land improvements		(82,441)		(82,441)
Buildings	(4,484)	(33,977)		(38,461)
Infrastructure	(1,404,870)	(1,785,520)		(3,190,390)
Vehicles	(13,614)	(64,509)		(78,123)
Machinery and equipment	(6,175)	(55,729)		(61,904)
Computes/Software	(9,449)	(101,480)		(110,929)
Total accumulated depreciation	<u>(1,438,592)</u>	<u>(2,123,656)</u>		<u>(3,562,248)</u>
Total capital assets, being depreciated, net	<u>29,467,648</u>	<u>15,505,058</u>		<u>44,972,706</u>
Governmental activities capital assets, net	<u>\$ 62,802,793</u>	<u>\$ 25,531,478</u>	<u>\$ (513,790)</u>	<u>\$ 87,820,481</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 148,800
Public Safety	35,838
Highways and streets	1,826,615
Culture and recreation	112,403
Total depreciation expense – governmental activities	<u>\$ 2,123,656</u>

**CITY OF MARICOPA, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 5 – OBLIGATIONS UNDER 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 \$ 6,600 through March of 2008 and include an option for the lessor to increase the lease rate by ten percent annually.

The City incurred rental costs of \$117,741 during the current fiscal year.

**NOTE 6 – CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2007 was as follows.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Compensated absences payable	\$ 49,287	\$ 161,059	\$ 67,833	\$ 142,513	\$ 142,513
Governmental activity long-term liabilities	<u>\$ 49,287</u>	<u>\$ 161,059</u>	<u>\$ 67,833</u>	<u>\$ 142,513</u>	<u>\$ 142,513</u>

**NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

At June 30, 2007, interfund balances were as follows.

**Due to/from other funds** – At June 30, 2007, the Grants Fund had a negative cash balance of \$59,104. Negative cash was reduced by interfund borrowing with the General Fund. All interfund balances are expected to be paid within one year.

**Interfund transfers** – The City transferred \$2,804,701 from the General Fund to various non-major governmental funds. Transfers between funds are used to fund future capital projects.

**NOTE 8 – CONTINGENT LIABILITIES**

**Lawsuits** – The City is a defendant in a number of lawsuits as of June 30, 2007. It is the opinion of management and City counsel that the amount of losses resulting from these litigations at June 30, 2007, would not be material to the financial position of the City.

**CITY OF MARICOPA, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 9 – 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 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.

The City continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 10 – 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 that covers general 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.

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension 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 162 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

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

**ASRS**

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

**CITY OF MARICOPA, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 10 – RETIREMENT PLAN (Cont'd)**

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

*Cost-sharing plan* - For the year ended June 30, 2007, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.10 percent (8.60 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll. The City's contributions to ASRS for the years ended June 30, 2007, 2006, and 2005 were \$226,022, \$180,489, and \$51,795, respectively, which were equal to the required contributions for the year.

*Agent plan* - For the year ended June 30, 2007, 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 rate of 12.77 percent.

**Annual Pension Cost** – The City's pension cost for the agent plan for the year ended June 30, 2007 and related information follows.

	<b>PSPRS</b>
Contribution rates:	
City	12.77%
Plan members	7.65%
Annual pension cost	61,060
Contributions made	40,440
Actuarial valuation date	June 30, 2007
Actuarial cost method	Projected until credit
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.5%
Includes inflation at	5.0%
Amortization method	Level percent open
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 plan as of most recent actuarial valuations follows.

**Maricopa Police Plan:**

Year Ended <u>June 30,</u> 2007	Annual Pension <u>Cost (APC)</u> 61,060	Percentage of APC <u>Contributed</u> 100%	Net Pension <u>Obligation</u> \$-0-

**CITY OF MARICOPA, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007**

**NOTE 10 – RETIREMENT PLAN (Concl'd)**

**Funding Progress** – An analysis of funding progress for each of the agent plans as of June 30, 2007 follows.

**Maricopa Police Plan:**

Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding Liability	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
<u>June 30,</u>	<u>(a)</u>	<u>(b)</u>	<u>(a-b)</u>	<u>(a/b)</u>	<u>(c)</u>	<u>([a-b]/c)</u>
2007	- 0 -	- 0 -	- 0 -	- 0 -	\$299,021	- 0 -

**NOTE 11 – 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, 2007, reserved fund balance amounts in the governmental funds consisted of:

- 1) Reserve for encumbrances of \$426,852, comprised of purchase obligations outstanding at the end of the fiscal year;
- 2) Reserve for capital projects of \$26.3 million, consisting of amounts collected for specific capital projects;
- 3) Reserve for highways and streets of \$1.8 million, consisting of amounts funded by legally restricted revenue sources.

At June 30, 2007, restricted net assets in the government wide statements consisted of:

- 1) Capital projects of \$26.3 million, consisting of amounts collected for specific capital projects;
- 2) Highways and streets of \$1.8 million consisting of net assets funded by legally restricted revenue sources.

**NOTE 12 – SUBSEQUENT EVENT**

The City absorbed the Maricopa Fire District on July 1, 2007. At July 1, 2007, the Maricopa Fire District was involved in a construction project, of which the estimated cost to complete is approximately \$1.5 million.

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**SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
(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, 2007**

	Budgeted Amounts		Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 2,431,339	\$ 2,431,339	\$ 2,196,247	\$ (235,092)
Sales taxes	13,781,896	13,781,896	22,032,882	8,250,986
Franchise taxes	145,000	145,000	660,317	515,317
Licenses and permits	6,261,500	6,261,500	4,578,929	(1,682,571)
Intergovernmental revenues	2,954,115	2,954,115	3,718,174	764,059
Charges for services	1,550,200	1,550,200	1,162,087	(388,113)
Fines and forfeitures	60,500	60,500	199,036	138,536
Investment income	400,000	400,000	2,634,463	2,234,463
Miscellaneous	406,200	406,200	132,351	(273,849)
<b>Total revenues</b>	<u>27,990,750</u>	<u>27,990,750</u>	<u>37,314,486</u>	<u>9,323,736</u>
<b>Expenditures:</b>				
Current -				
General government	12,312,317	8,819,005	4,657,641	4,161,364
Judicial	122,589	152,589	167,219	(14,630)
Public safety	3,431,839	2,821,839	2,436,498	385,341
Highways and streets			7,886	(7,886)
Public works	839,380	865,419	939,796	(74,377)
Culture and recreation	1,084,110	1,127,894	724,169	403,725
Economic and community development	685,000	727,000	453,616	273,384
Capital outlay	<u>31,260,711</u>	<u>32,190,887</u>	<u>3,931,136</u>	<u>28,259,751</u>
<b>Total expenditures</b>	<u>49,735,946</u>	<u>46,704,633</u>	<u>13,317,961</u>	<u>33,386,672</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(21,745,196)</u>	<u>(18,713,883)</u>	<u>23,996,525</u>	<u>42,710,408</u>
<b>Other financing sources (uses):</b>				
Transfers out		(2,804,701)	(2,804,701)	
Issuance of general obligation bonds	<u>15,000,000</u>	<u>15,000,000</u>		<u>(15,000,000)</u>
<b>Total other financing sources (uses)</b>	<u>15,000,000</u>	<u>12,195,299</u>	<u>(2,804,701)</u>	<u>(15,000,000)</u>
<b>Change in fund balances</b>	<u>(6,745,196)</u>	<u>(6,518,584)</u>	<u>21,191,824</u>	<u>27,710,408</u>
<b>Fund balances, July 1, 2006</b>	44,160,414	44,160,414	43,914,118	(246,296)
<b>Fund balances, June 30, 2007</b>	<u>\$ 37,415,218</u>	<u>\$ 37,641,830</u>	<u>\$ 65,105,942</u>	<u>\$ 27,464,112</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, 2007**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Non-GAAP Actual	
<b>Revenues:</b>			
Intergovernmental revenues	\$ 1,454,596	\$ 1,527,764	\$ 73,168
Investment income	4,000	41,449	37,449
<b>Total revenues</b>	<u>1,458,596</u>	<u>1,569,213</u>	<u>110,617</u>
<b>Expenditures:</b>			
Current -			
Highways and streets	1,057,594	509,109	548,485
Capital outlay	174,000	17,202	156,798
<b>Total expenditures</b>	<u>1,231,594</u>	<u>526,311</u>	<u>705,283</u>
<b>Change in fund balances</b>	<u>227,002</u>	<u>1,042,902</u>	<u>815,900</u>
<b>Fund balances, July 1, 2006</b>	423,809	423,809	
<b>Fund balances, June 30, 2007</b>	<u>\$ 650,811</u>	<u>\$ 1,466,711</u>	<u>\$ 815,900</u>

See accompanying notes to this schedule.

**CITY OF MARICOPA, ARIZONA  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2007**

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

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. As a result, encumbrances that were treated as expenditures for budgetary purposes were recorded as reserved fund balance for GAAP purposes. Consequently, the following adjustments are necessary to present total expenditures for the year ended June 30, 2007 for the City's General and Highway Users Revenue Funds.

	<u>General Fund</u>	<u>Highway Users Revenue Fund</u>
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 13,152,166	\$ 511,550
Fiscal year 2005-06 encumbrances	(246,296)	
Fiscal year 2006-07 encumbrances	<u>412,091</u>	<u>14,761</u>
Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual	<u>\$ 13,317,961</u>	<u>\$ 526,311</u>

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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**

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**CITY OF MARICOPA, ARIZONA  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - TRANSPORTATION IMPACT FEE  
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
<b>Revenues:</b>			
Investment income	\$ 75,000	\$ 683,674	\$ 608,674
Miscellaneous	<u>10,869,000</u>	<u>7,962,791</u>	<u>(2,906,209)</u>
<b>Total revenues</b>	<u>10,944,000</u>	<u>8,646,465</u>	<u>(2,297,535)</u>
<b>Expenditures:</b>			
Capital outlay	<u>18,707,500</u>	<u>176,321</u>	<u>18,531,179</u>
<b>Total expenditures</b>	<u>18,707,500</u>	<u>176,321</u>	<u>18,531,179</u>
<b>Change in fund balances</b>	<u>(7,763,500)</u>	<u>8,470,144</u>	<u>16,233,644</u>
<b>Fund balances, July 1, 2006</b>	6,932,188	6,932,188	
<b>Fund balances (deficits), June 30, 2007</b>	<u>\$ (831,312)</u>	<u>\$ 15,402,332</u>	<u>\$ 16,233,644</u>

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**NON-MAJOR GOVERNMENTAL FUNDS**

CITY OF MARICOPA, ARIZONA  
 COMBINING BALANCE SHEET - ALL NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE  
 JUNE 30, 2007

	Special Revenue	Capital Projects	Total Non-Major Governmental Funds
<b><u>ASSETS</u></b>			
Cash and investments	\$ 4,326,282	\$ 9,926,985	\$ 14,253,267
Interest receivable	14,034	32,201	46,235
Intergovernmental receivables	408,129		408,129
<b>Total assets</b>	<b>\$ 4,748,445</b>	<b>\$ 9,959,186</b>	<b>\$ 14,707,631</b>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 152,194	\$ 973,731	\$ 1,125,925
Due to other funds	59,104		59,104
<b>Total liabilities</b>	<b>211,298</b>	<b>973,731</b>	<b>1,185,029</b>
Fund balances:			
Reserved for capital projects	2,092,572	8,782,310	10,874,882
Reserved for highways and streets	144,755	203,145	347,900
Unreserved:			
Undesignated	2,299,820		2,299,820
<b>Total fund balances</b>	<b>4,537,147</b>	<b>8,985,455</b>	<b>13,522,602</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,748,445</b>	<b>\$ 9,959,186</b>	<b>\$ 14,707,631</b>

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, 2007

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Non-Major Governmental Funds</u>
<b>Revenues:</b>			
Intergovernmental revenues	\$ 3,084,018	\$	\$ 3,084,018
Investment income	172,122	321,369	493,491
Miscellaneous	417,672	3,377,732	3,795,404
<b>Total revenues</b>	<u>3,673,812</u>	<u>3,699,101</u>	<u>7,372,913</u>
<b>Expenditures:</b>			
Current -			
Highways and streets	387,214	212,531	599,745
Public works	1,770		1,770
Culture and recreation	16,163		16,163
Economic and community development	263		263
Capital outlay	1,316,340	1,417,513	2,733,853
<b>Total expenditures</b>	<u>1,721,750</u>	<u>1,630,044</u>	<u>3,351,794</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,952,062</u>	<u>2,069,057</u>	<u>4,021,119</u>
<b>Other financing sources (uses):</b>			
Transfers in		2,804,701	2,804,701
<b>Total other financing sources (uses)</b>		<u>2,804,701</u>	<u>2,804,701</u>
<b>Change in fund balances</b>	<u>1,952,062</u>	<u>4,873,758</u>	<u>6,825,820</u>
<b>Fund balances, beginning of year</b>	2,585,085	4,111,697	6,696,782
<b>Fund balances, end of year</b>	<u>\$ 4,537,147</u>	<u>\$ 8,985,455</u>	<u>\$ 13,522,602</u>

**CITY OF MARICOPA, ARIZONA  
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS  
JUNE 30, 2007**

	Road Maintenance	Local Transportation Assistance Fund	Grants	County Road Tax
<b>ASSETS</b>				
Cash and investments	\$ 2,227,230	\$ 144,287	\$	\$ 1,954,765
Interest receivable	7,225	468		6,341
Intergovernmental receivables			274,466	133,663
<b>Total assets</b>	<b>\$ 2,234,455</b>	<b>\$ 144,755</b>	<b>\$ 274,466</b>	<b>\$ 2,094,769</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$	\$	\$ 149,997	\$ 2,197
Due to other funds			59,104	
<b>Total liabilities</b>			<b>209,101</b>	<b>2,197</b>
Fund balances:				
Reserved for capital projects				2,092,572
Reserved for highways and streets		144,755		
Unreserved:				
Undesignated	2,234,455		65,365	
<b>Total fund balances</b>	<b>2,234,455</b>	<b>144,755</b>	<b>65,365</b>	<b>2,092,572</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,234,455</b>	<b>\$ 144,755</b>	<b>\$ 274,466</b>	<b>\$ 2,094,769</b>

Totals

\$ 4,326,282  
14,034  
408,129  
\$ 4,748,445

\$ 152,194  
59,104  
211,298

2,092,572  
144,755

2,299,820  
4,537,147

\$ 4,748,445

**CITY OF MARICOPA, ARIZONA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2007**

	Road Maintenance	Local Transportation Assistance Fund	Grants
<b>Revenues:</b>			
Intergovernmental revenues	\$	\$ 94,002	\$ 1,295,393
Investment income	97,631	5,535	
Miscellaneous	417,672		
<b>Total revenues</b>	515,303	99,537	1,295,393
<b>Expenditures:</b>			
Current -			
Highways and streets			250,532
Public works			1,770
Culture and recreation			16,163
Economic and community development			263
Capital outlay			966,300
<b>Total expenditures</b>			1,235,028
 <b>Change in fund balances</b>	 515,303	 99,537	 60,365
 <b>Fund balances, beginning of year</b>	 1,719,152	 45,218	 5,000
 <b>Fund balances, end of year</b>	 \$ 2,234,455	 \$ 144,755	 \$ 65,365



County Road Tax	Totals
\$ 1,694,623	\$ 3,084,018
68,956	172,122
	417,672
<u>1,763,579</u>	<u>3,673,812</u>
136,682	387,214
	1,770
	16,163
	263
350,040	1,316,340
<u>486,722</u>	<u>1,721,750</u>
<u>1,276,857</u>	<u>1,952,062</u>
815,715	2,585,085
<u>\$ 2,092,572</u>	<u>\$ 4,537,147</u>

**CITY OF MARICOPA, ARIZONA  
COMBINING BALANCE SHEET - NON-MAJOR CAPITAL PROJECTS FUNDS  
JUNE 30, 2007**

	<u>Voluntary Regional Transportation</u>	<u>Parks Impact Fee</u>	<u>Library Impact Fee</u>	<u>Public Safety Impact Fee</u>
<b><u>ASSETS</u></b>				
Cash and investments	\$ 202,488	\$ 862,988	\$ 3,095,225	\$ 1,129,824
Interest receivable	657	2,799	10,040	3,665
<b>Total assets</b>	<u>\$ 203,145</u>	<u>\$ 865,787</u>	<u>\$ 3,105,265</u>	<u>\$ 1,133,489</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
Liabilities:				
Accounts payable	\$	\$ 189,981	\$ 273,372	\$ 87,780
<b>Total liabilities</b>		<u>189,981</u>	<u>273,372</u>	<u>87,780</u>
Fund balances:				
Reserved for capital projects		675,806	2,831,893	1,045,709
Reserved for highways and streets	203,145			
<b>Total fund balances</b>	<u>203,145</u>	<u>675,806</u>	<u>2,831,893</u>	<u>1,045,709</u>
<b>Total liabilities and fund balances</b>	<u>\$ 203,145</u>	<u>\$ 865,787</u>	<u>\$ 3,105,265</u>	<u>\$ 1,133,489</u>

General Government Impact Fee	Totals
\$ 4,636,460	\$ 9,926,985
15,040	32,201
<u>\$ 4,651,500</u>	<u>\$ 9,959,186</u>
\$ 422,598	\$ 973,731
<u>422,598</u>	<u>973,731</u>
4,228,902	8,782,310
	203,145
<u>4,228,902</u>	<u>8,985,455</u>
<u>\$ 4,651,500</u>	<u>\$ 9,959,186</u>

**CITY OF MARICOPA, ARIZONA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NON-MAJOR CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2007**

	Voluntary Regional Transportation	Parks Impact Fee	Library Impact Fee
<b>Revenues:</b>			
Investment income	\$ 43,236	\$ 31,239	\$ 83,837
Miscellaneous		653,577	939,580
<b>Total revenues</b>	43,236	684,816	1,023,417
<b>Expenditures:</b>			
Current -			
Highways and streets	212,531		
Capital outlay	877,439	540,074	
<b>Total expenditures</b>	1,089,970	540,074	
<b>Excess (deficiency) of revenues over expenditures</b>	(1,046,734)	144,742	1,023,417
<b>Other financing sources (uses):</b>			
Transfers in			1,017,702
<b>Total other financing sources (uses)</b>			1,017,702
<b>Change in fund balances</b>	(1,046,734)	144,742	2,041,119
<b>Fund balances, beginning of year</b>	1,249,879	531,064	790,774
<b>Fund balances, end of year</b>	\$ 203,145	\$ 675,806	\$ 2,831,893

Public Safety Impact Fee	General Government Impact Fee	Totals
\$ 29,548	\$ 133,509	\$ 321,369
307,600	1,476,975	3,377,732
<u>337,148</u>	<u>1,610,484</u>	<u>3,699,101</u>
		212,531
		<u>1,417,513</u>
		<u>1,630,044</u>
<u>337,148</u>	<u>1,610,484</u>	<u>2,069,057</u>
<u>428,479</u>	<u>1,358,520</u>	<u>2,804,701</u>
<u>428,479</u>	<u>1,358,520</u>	<u>2,804,701</u>
<u>765,627</u>	<u>2,969,004</u>	<u>4,873,758</u>
280,082	1,259,898	4,111,697
<u>\$ 1,045,709</u>	<u>\$ 4,228,902</u>	<u>\$ 8,985,455</u>

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**COMPLIANCE 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 Maricopa, Arizona

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Maricopa, Arizona as of and for the year ended June 30, 2007, which collectively comprise City of Maricopa, Arizona's basic financial statements and have issued our report thereon dated February 9, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Maricopa, 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 Maricopa, Arizona's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Maricopa, 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 City of Maricopa, 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 City of Maricopa, Arizona in a separate letter dated February 9, 2008.

This report is intended solely for the information and use of the management, City Council, others within the entity and pass-through agencies 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 9, 2008