



City of Casa Grande, Arizona



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2007

City of Casa Grande, Arizona

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

For the Fiscal Year Ended June 30, 2007



Prepared by the Finance Department
Larry D. Rains, Finance Director

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City of Casa Grande

October 31, 2007

Honorable Mayor,
City Council,
City Manager
Citizens of Casa Grande, Arizona

We are pleased to submit to you the fiscal year ended June 30, 2007 Comprehensive Annual Financial Report (CAFR) of the City of Casa Grande, Arizona (the City). The report was prepared by the City's Finance Department.

This report represents management's report to its governing body, constituents, legislative and oversight bodies, investors, and creditors. Copies of this report will be sent to elected officials, management personnel, bond rating agencies, Nationally Recognized Municipal Securities Information Repositories, and other agencies, which have expressed an interest in the City's financial matters. Copies of this financial report will be placed in the City library for use by the general public, and posted on the City's web page.

Responsibility for the accuracy of the presented data and the completeness and fairness of the presentations, including all disclosures, rests with the management of the City. The City has established and maintains a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of financial statements. We believe the data, as presented in this report, is accurate in all material respects and is presented in a manner which fairly sets forth the financial position and results of operations of the City on both a city-wide and fund basis. Furthermore, we believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity and financial stability have been included.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United State of America (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The City of Casa Grande, Arizona's financial statements have been audited by Henry & Horne, L.L.P., whose report is included herein. The examination satisfies Article VI, Section 6, of the City Charter, which requires an annual audit of all accounts of the City by an independent certified public accountant. As stated in the independent auditors' report, the goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Casa Grande, Arizona for the fiscal year ended June 30, 2007, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements of the City of Casa Grande, Arizona for the fiscal year ended June 30, 2007, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

Additionally, the City is required to have an independent audit (“Single Audit”) of federal financial assistance received by the City directly from federal agencies, or passed through to the City by the State of Arizona or other governmental entities during the fiscal year. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the government’s internal controls and compliance with legal requirements having a direct and material impact on major programs, with special emphasis on internal controls and compliance requirements involving the administration of major federal awards.

The results of the City’s Single Audit for the fiscal year ended June 30, 2007, found no instances of material weakness in the internal control structure or significant violations of applicable laws and regulations with respect to major programs. The reports from Henry & Horne L.L.P. are available in the City of Casa Grande, Arizona’s separately issued Single Audit Report.

Presentation

These financial statements are prepared and presented in conformity with GASB Statement #34 – *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* (the new reporting model). The City first implemented this new reporting model with the financial statements for the fiscal year ended June 30, 2003. More information about this change can be found in Management’s Discussion and Analysis (MD&A) beginning on page 3 and also discussed in the notes to the financial statements (See Note 1D on page 44). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE CITY

The City of Casa Grande was founded in 1879 and is named for the famous Hohokam Indian Ruins. Since its incorporation in 1915, Casa Grande has grown to be the largest community in western Pinal County. Casa Grande is located in central Arizona approximately halfway between the State’s two largest metropolitan areas of Phoenix and Tucson, and is surrounded by three Indian Reservations. In addition, the City is located at the intersection of two major interstate highways, which service the Los Angeles, and San Diego markets. The City is a dynamic, involved city with a rural heritage and old-fashioned values. The economic base is a mix of retail trade, manufacturing and agriculture.

The City of Casa Grande, chartered in December 1974, has a Council-Manager form of government consisting of the Mayor and six Council members. The Mayor is elected at-large for a two-year term and cannot serve for more than four consecutive terms. Council members are elected to four-year terms. The City Council is vested with policy and legislative authority and is responsible for appointing the positions of City Manager, City Attorney and Judge. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations.

The City of Casa Grande’s legal boundaries have grown substantially over the past 3 years to just over 100 square miles. Because the City’s existing General Plan was developed in 2002 utilizing 68 square miles, as well as an area directly surrounding the City limits for planning purposes, the City will engage in a General Plan update in Fiscal Year 2007-08. The process will result in a new plan being submitted to voters, which includes both the existing City limits, as well as a planning area that has been established and agreed upon with neighboring municipalities. This process will be conducted in accordance with State Law as was the case when the existing General Plan went to a public vote and was overwhelmingly approved in 2002. Between 2000 and 2006 the City’s population increased by 52.5%, from approximately 25,224 to 38,785. The City’s growth these past six years is attributed to affordable housing, proximity to labor opportunities in the metropolitan areas, and the rural quality of life offered to the residents. Although slowing, population growth trends are expected to continue.

The City provides a full range of municipal services, including police and fire protection, construction and maintenance of streets, recreational and cultural events, library services, planning and zoning services, sewer services, sanitation services, and general administration services. The City invests in its historic downtown with the administration of three downtown redevelopment districts, of which two are funded through Tax Increment Financing.

In 2002, the City completed the process of updating its Strategic Agenda. In its most fundamental form, this process provides a structure for management staff to think about the current condition of the City of Casa Grande, the issues and challenges expected to confront the City in the next five years and beyond, the appropriate role for the City Government in responding to those issues and challenges, and the resources needed by the City government to fulfill this role.

This report includes financial statements on both a government-wide and fund basis for the primary government as well as its component units. Component units are separate legal entities included in the reporting entity due to the significance of their financial or operational relationship with the City. Criteria used by the City for inclusion of activities in preparing its financial statements are in conformity with GASB Statement No. 14, *The Financial Reporting Entity*. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the financial reporting entity consists of the City and four blended component unit, the Copper Mountain Ranch Community Facilities District, the Mission Royale Community Facilities District, the Villago Community Facilities District and the Post Ranch Community Facilities District as discussed further in Note 1.A of the notes to the financial statements.

FINANCIAL CONTROLS

Internal Controls

As previously noted, the management of the City of Casa Grande is responsible for establishing and maintaining a system of internal control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) safeguarding of assets against loss from unauthorized use or disposition, and 2) reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes: 1) the cost of a control should not exceed the benefits likely to be derived, and 2) the valuation of costs and benefits requires estimates and judgments by management.

The system of internal control is subject to periodic evaluation by management and is also considered by the independent auditors in connection with the annual audit of the City's financial statements. All internal control evaluations occur within the above framework. The City's internal accounting controls are considered to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Controls

The City of Casa Grande, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20 (1) of the Arizona Constitution sets limits on the City's legal budget capacity. The City currently operates under the Alternative Expenditure Limitation – Home Rule Option. This option allows the City Council to establish the budgetary limits locally. The voters must authorize this option every four years. It was last authorized by the citizens of Casa Grande in March 2005. This alternative will be utilized by the City through Fiscal Year 2008-2009.

In May 2007, the voters approved a permanent base adjustment to the state imposed expenditure limit. This option allows a municipality to adjust the state imposed expenditure base from the original 1979-80 base of \$3,743,397 to \$18,793,221. After adjustment for inflation and population growth, the City's expenditure limitation for fiscal year 2009-10 will be \$145,266,635.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated operating budget approved by the Mayor and Council. Activities of the general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds, and internal service funds are included in the annual appropriated budget. The legal level of budgetary control (i.e., the level at which expenditures cannot legally exceed the appropriated amount) is the total operating budget, as adopted by the City Council. The City additionally exercises management control and oversight of the budget at the department level within each fund.

ECONOMIC CONDITIONS AND OUTLOOK

The information presented in the financial statement is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

The economy of Casa Grande is a diverse combination of agriculture, manufacturing, commercial and service activities, as well as a haven for retired individuals who winter in Arizona. The community also serves as the provider of many goods and services to the rural areas surrounding the City, as well as several growing communities located in the area. This combination of diverse economic activities keeps the community from becoming overly dependent on any single segment of the economy. In March 2004, the Community adopted a Strategic Plan for Community and Economic Development with the purpose of developing a process to successfully implement diverse type of businesses, attracting new revenue, and expanding/maintaining the community revenues essential to sustaining Casa Grande and improving the quality-of-life.

Local indicators point to continued stability. Casa Grande continues to witness a sustained number of issued building permits. While the City has witnessed strong growth in residential building permits the past three years, the second half of the year brought the anticipated slowing of the residential housing construction market. However, it also brought a recognized shift to non-residential building permits. The City documented very strong numbers in commercial building permits for the year. The emergence of the commercial development conveys the actuality that sufficient roof-tops have been constructed to expand the commercial markets, which in turn expand the City's economic and tax base.

The City continues to process several annexations annually. The expansion of the boundaries comes with new development activities and land entitlements. Many of these areas have had development proposals submitted in conjunction with the annexation petitions. This combination of existing subdivided lots, coupled with the newly proposed, should allow Casa Grande to witness a continued positive trend in new housing starts in the near term.

During the past year, Casa Grande economic foundation was firmly in place. Specific revenues are described in further detail in the following paragraphs.

Retail Sales. The City of Casa Grande, like all Arizona cities, places a heavy reliance on City sales tax. Overall, local sales tax revenues comprise approximately 44% of General Fund revenues. The City's sales tax is currently at 1.8%, with an additional .2%, which has been pledged as collateral for the retirement of debt obtained to complete park and recreation construction projects. This particular component of the tax rate is scheduled to "sunset" when the debt is retired. Management is projecting the city's sales tax to grow by 15% this next year due to the growth in population and new commercial retail development.

State Shared Revenues. The City of Casa Grande receives revenue allocation from the State. These "State Shared Revenues" include allocations of the state-collected income tax, sales tax, gas tax, and motor vehicle in-lieu taxes based on population formulas that are created on official census data. The majority of these revenues are placed in the General Fund, where it supports daily operations. This revenue service is expected to grow by 12% this next year due to a mid-decade redistribution of revenues based on population.

The State has indicated positive growth patterns in the majority of these revenue sources. One disadvantage to placing a heavy reliance on state-shared revenues is the state legislature controls the distribution to municipalities each year.

Property Tax. The City's primary property tax levy has been decreased to .9102 per \$100 of assessed valuation. The decrease in the levy is principally the result of the voter initiative which limits the growth of the maximum taxable assessed valuation to 2% each year. Despite the reduction in tax levy, the City's property tax revenue is growing due to the number of new properties being added to the tax rolls. Total assessed property value within the City has increased by approximately 100% since fiscal year 2000. The primary levy can be used for any general government purpose, but is limited in size by State statute. The City has received voter authorization to issue \$47 million in General Obligation debt. However, this debt has not been issued. As such, the City currently does not levy a secondary tax levy.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

In 2007 the City continued to invest in programs and services that make Casa Grande a better community. The following are some of the efforts and accomplishments of the City during the year:

Police

- Maintained 5 certifications of Apartment Complexes in the Crime Free Multi-Housing Program.
- Expanded participants in our volunteer programs to assist with clerical duties, enforce disabled parking violations, monitor traffic speeds in the neighborhoods, assist with the vacation house watch program, and conduct fingerprinting.
- Held 13th annual “National Night Out” celebration.
- Participated in Pinal County Emergency Management Exercise.
- Recruited and hired 12 Police Officers.

Fire

- Responded to 5,194 emergencies of which 3,778 (73%) involved emergency medical services, averaging a response time for all incidents of 5 minutes 39 seconds.
- Maintained a department commitment for excellence in public education by initiating in excess of 9,482 public contacts.
- Secured grant funding from State Highway Safety and Homeland Security for generators and communications equipment.
- Continued advisory role in Arizona Emergency Management Systems.
- Continued mentoring of the Casa Grande Fire Explorers Program.

Public Works

- Continued annual maintenance of roadways and alleys.
- Commenced design for Water Reclamation Expansion Project.
- Replaced numerous feet of sidewalks and installed handicapped ramps.
- Replaced and installed 557 signs throughout the City.
- Installed in-ground crosswalk lighting at Mission Valley development.
- Commenced construction of Ash Street.
- Commenced Downtown Street Improvement Project.

Community Services

- Hosted 12 Sunday Socials and 24 Tag Along field trips for senior adult population.
- Continued and expanded the Halloween Carnival, Desert Grande Duathlon/Triathlon, Christmas Tree Lighting Ceremony, Electric Light Parade, and Downtown Party.
- Continued and expanded recreational programming opportunities for community.
- Increased literacy resources through a tutoring program and bookmobile.
- Continued Senior Meals Program.
- Increased the lifelong learning materials by 20%.
- Re-surfaced tennis courts, basketball courts and re-roofed ramadas.

Community Development

- Created Development Center by combining four divisions to centralize development applications.
- Deployed a centralized software system which is accessible to builders via the web.
- Implemented the Interactive Voice Recognition System for contractors to call in an inspection request.
- Made the development application process available through the web.

OTHER MATTERS

The information presented in the financial statement is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Debt Administration. On June 30, 2007, the City had a number of debt issues outstanding. Total bonded debt at June 30, 2007, was \$2,160,000. This included two issues of special assessment debt with government commitment. In fiscal years 1997, 1999 and 2003 the City issued Excise Tax Revenue Obligations for the renovations of City Hall, construction of recreation facilities, and expansion of the water reclamation facility respectively. The City’s general credit was rated A+ by Fitch Ratings and received an A- rating from Moody’s. The City is diligent in its efforts to maintain and improve these ratings. The ratings for the existing issues are as follows:

| | Moody’s Investor Service | Standard and Poor’s Corporation | Fitch IBCA |
|--|--------------------------------|---------------------------------------|---------------|
| ID #38 Special Assessment Excise Tax Revenue Obligation | Baa3 | - | - |
| Series 1997 | Aaa | - | |
| Series 1999 | Aaa | - | AAA |
| Series 2003 | Aaa | - | AAA |

In October 1997, the City issued \$3,590,000 of Excise Tax Revenue Obligations to refurbish and restore a 1921 vintage school building for use as a new City Hall. In April 1999, the City issued \$5,000,000 of Excise Tax Revenue Obligations to finance the acquisition, construction and equipping of two public recreational complexes and improvements to existing recreational facilities. In 2003, the City issued \$18,120,000 of Excise Tax Revenue Obligations for the purpose of expanding the wastewater treatment plant and refunding the 1994 and 1995 Obligations.

All Excise Tax Revenue Obligations are secured by a pledge of and first lien on all excise, transaction, franchise, privilege and business taxes, state shared sales and income taxes, fees for licenses and permits and state revenue sharing, which the City presently or in the future validly imposes or receives from other entities. As of June 30, 2007, the City had \$21,109,820 of Excise Tax Revenue Obligations outstanding.

Under State statutes the City can issue general obligation bonds for up to an amount not exceeding 20% of the secondary assessed valuation. As of June 30, 2007, the City has debt capacity of \$43,958,060 for general obligation bonds subject under the 20% limitation.

Cash Management. The Finance Department manages the City’s investment portfolio. The City’s investment strategy is to invest public funds with maximum security in a manner which will provide the highest return while meeting the daily cash flow demands of the City and conform with all applicable state and local statutes.

Idle cash is pooled into a single investment account except for the Casa Grande Part-time Firemen’s Pension Plan. The City of Casa Grande is a participant in the Local Government Investment Pool operated by the State Treasurer for the benefit of counties, cities, towns and other political subdivisions of the State.

The deposits are pooled together and invested in U.S. Government securities, certificates of deposit, repurchase agreements and high-grade corporate issues. Earnings are apportioned monthly based on total “dollar days” of the participant’s account balance for each day of the month. At the first of each month the earnings are automatically reinvested and a statement is sent to each participant.

The investment policy of the City is to keep risk as low as possible and then consider the yield. The majority of the City’s funds are idle for less than 90 days at a time; therefore, liquidity also plays a major role. For these reasons and the fact that the pool has a diverse portfolio, the City invested all of its idle funds with the Pool during the 2006/2007 fiscal year.

The yield for the investment account averaged 5.02 percent for the fiscal year. At June 30, 2007, the Pool consisted of \$1.9 billion in total local government deposits, which included \$102 million the City had invested in the Pool.

With the issuance of GASB Statement No. 31, all investments are stated at fair value in the balance sheet. The State Treasurer's Local Governmental Investment Pool includes liquid investments which cost approximates market. The Firemen's Pension Fund is stated at fair value, which totals \$822,085. The current year's net change in fair value totaled \$49,462.

Risk Management. The City is exposed to various risks of loss, related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's liability risks are covered by commercial insurance purchased from independent third parties. The City is fully insured with per occurrence limit at \$2 million general liability coverage with a \$10,000 deductible and a \$10 million umbrella liability policy.

The City continues to carry commercial insurance for all other risks of loss, including workers' compensation, employee health and accident, airport activities and fuel use bond. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five fiscal years.

The City of Casa Grande has an aggressive safety program that promotes employee safety on the job and focuses on risk control techniques designed to minimize accident-related losses.

OTHER INFORMATION

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Casa Grande, Arizona, for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the sixteenth consecutive year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principals and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Government Finance Officers Association of the United States and Canada presented a Distinguished Budget Presentation Award to the City of Casa Grande, Arizona for its annual budget for the fiscal year beginning July 1, 2006. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a plan, and as a communication device. A Distinguished Budget Presentation Award is valid for a period of one year only. This is the ninth Distinguished Budget Presentation Award the City of Casa Grande has received. We expect to continue to participate and meet the program requirements, and we will be submitting it to GFOA next budget year.

ACCOMPLISHMENT. The preparation of the City's Comprehensive Annual Financial Report was only made possible by the dedication and hard work of Janice Rutherford, Supervising Accountant, the Finance Department, and the firm of Henry and Horne, L.L.P. We give them our sincere thanks for their effort in the creation of this report.

We wish to express our appreciation to the City Manager, the Mayor and City Council for their support and leadership.

Sincerely,



Larry D. Rains
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Casa Grande
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "Thomas J. Blum".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emery".

Executive Director

CITY COUNCIL
ROBERT M. JACKSON, MAYOR

KARL PETERSON
STEPHEN Q. MILLER
KARL MONTOYA

DICK POWELL
RALPH VARELA
MARY KORTSEN

CITY MANAGER

JAMES THOMPSON



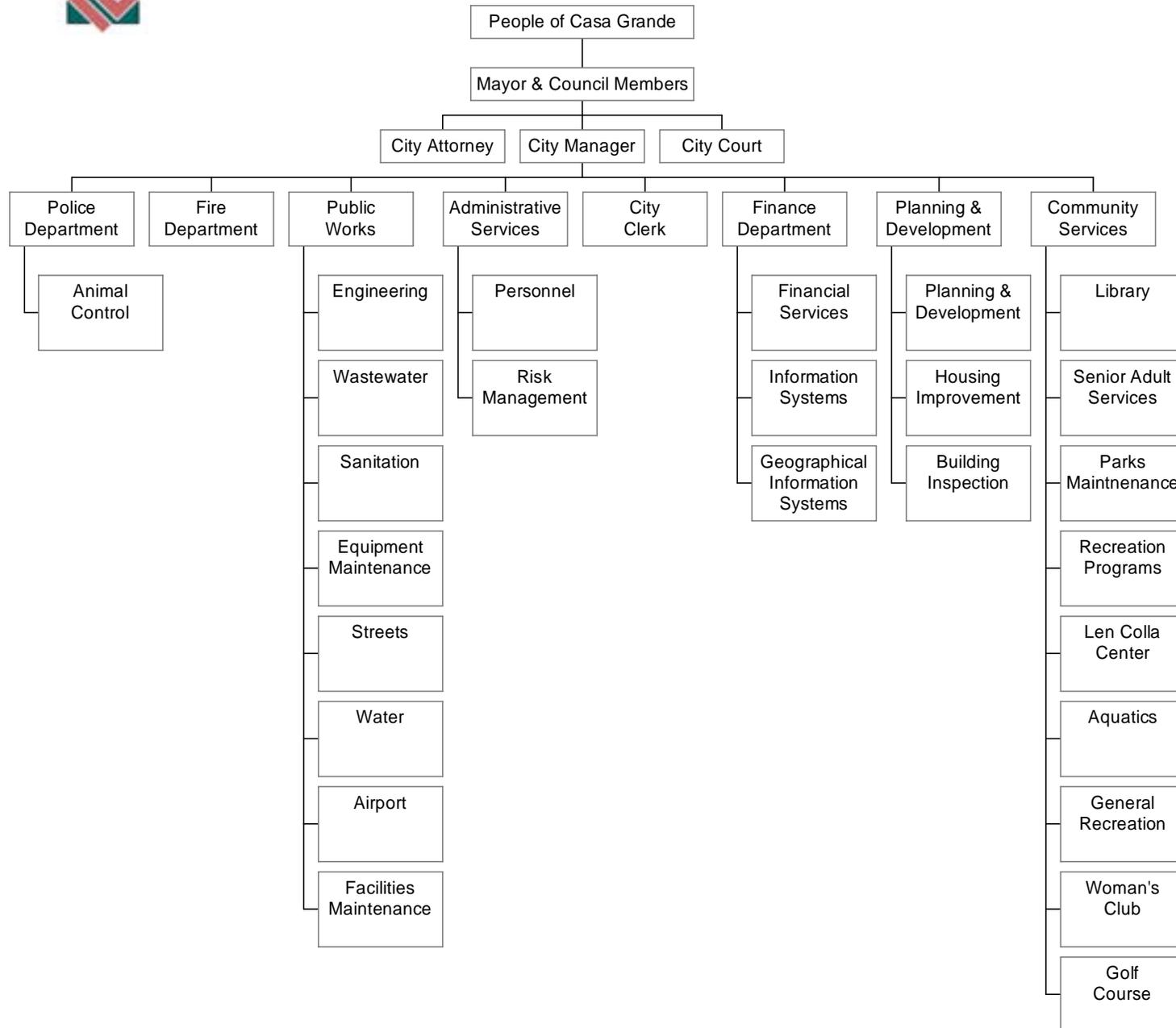
FINANCE DEPARTMENT STAFF

LARRY D. RAINS
JANICE RUTHERFORD

FINANCE DIRECTOR
SUPERVISING ACCOUNTANT



City of Casa Grande Organizational Chart





FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council
City of Casa Grande, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Casa Grande (the City), Arizona, 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 an opinion 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 of America. 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Casa Grande, Arizona, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and the Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Casa Grande failed to use highway user revenue fund monies received by the City of Casa Grande pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the City of Casa Grande solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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Casa Grande
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Casa Grande, AZ 85222-2725
(520) 836-8201
Fax (520) 426-9432

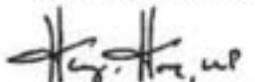
Pinetop
Post Office Box 527
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(928) 367-2591
Fax (928) 367-3501

The Honorable Mayor and Council
City of Casa Grande, Arizona

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2007 on our consideration of the City's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 of Casa Grande, Arizona's basic financial statements. The introductory section, the accompanying financial information listed as other supplementary information in the financial section, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The financial information listed as supplementary information in the financial section 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. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards (required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Government, and Non-Profit Organizations) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


October 31, 2007



MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Casa Grande, Arizona (the City), we offer this narrative overview and analysis of the financial activities of the City of Casa Grande, Arizona for the fiscal year ended June 30, 2007. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position, (4) identify any material deviations from the approved annual budget, and (5) identify individual fund issues or concerns. Please read it in conjunction with the transmittal letter presented on pages v - xi of this report as well as the City's financial statements beginning on page 14 and the accompanying notes to the financial statements.

Financial Highlights

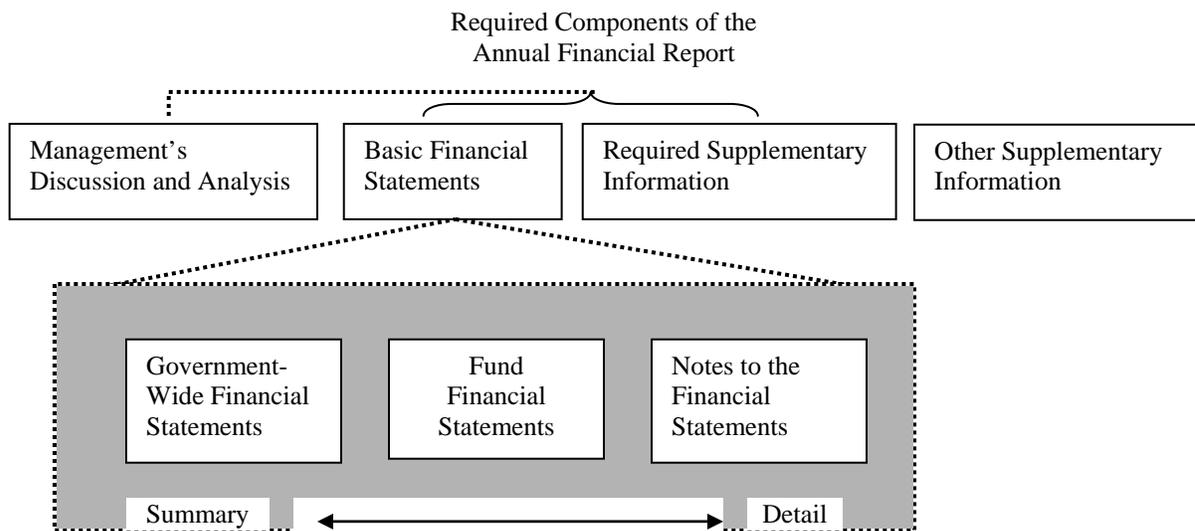
- The City's total net assets, on the government-wide basis, totaled \$262 million at June 30, 2007, of which \$34.2 million is unrestricted. This was an increase of \$82.9 million in fiscal year 2007, \$76.5 million in governmental activities and \$6.4 million in business-type activities.
- The governmental activities revenues increased by approximately \$13.5 million from the previous year.
- The business-type activities operating revenues decreased by \$1.1 million over the previous year.
- The General Fund reported revenues in excess of expenditures and other financial sources and uses by \$8.2 million for the year.
- At June 30, 2007, unreserved fund balance for the General Fund was \$25.5 million, or 88% of General Fund expenditures for fiscal year 2007.
- At June 30, 2007, unreserved fund balance of the governmental funds was \$79.9 million, or 177% of governmental fund expenditures for fiscal year 2007.
- The governmental activities general revenues of \$72.2 million were \$27.8 million more than the \$44.4 million of expenditures before other financial sources and uses.
- The business-type activities net assets were \$54.2 million as of June 30, 2007, which is an increase of \$6.4 million from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City implemented the Governmental Accounting Standards Board (GASB) Statement 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments (the new model) with the financial statements for the year ended June 30, 2003. The new model contains a number of changes to the requirements for governmental reporting. The major changes are as follows:

- Government-wide reporting – while governments have traditionally focused reporting on groupings of funds (i.e. General Fund, Special Revenue Funds, Capital Project Fund, etc.), the new model also contains financial statements on a government-wide basis.
- Fund financial statements – the new model maintains governmental, proprietary and fiduciary fund financial statements, but the focus is on major funds within each fund type.
- New focus for governmental activities – in the government-wide financial statements all activities, including the governmental activities, are reported using the economic resource measurement focus and accrual basis of accounting. The traditional current financial resources focus and modified accrual basis of accounting are maintained for the governmental fund financial statements in the new model.

- Infrastructure reporting – the new model requires governments to report the value of infrastructure assets of governmental activities (roads, bridges, storm drainage systems, parks, etc.) These assets are reported in the governmental activities on the government-wide financial statements.
- Changes in budgetary reporting – the new model requires the display of both the original adopted budget and the amended budget in the budgetary comparison schedules. These schedules are only required for the general fund and major special revenue funds, although they may be presented for other funds as additional information.
- Required narrative analysis – the new model requires that the financial statements be accompanied by narrative introduction and analytical overview of the government’s financial activities in the form of “management’s discussion and analysis” (MD&A).



As pictured above, the financial section of the Comprehensive Annual Financial Report (CAFR) for the City of Casa Grande, Arizona consists of this discussion and analysis, the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include the government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements (see pages 14-16) are designed to provide a broad overview of the City’s finances in a manner similar to those used by private businesses. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenues and expenses are taken into account regardless of when cash is received or paid.

The activities of the City are broken into two columns on these statements – governmental activities and business-type activities. A total column is also provided.

Governmental activities include the basic services of the City including general government (administration), parks and recreation, police, fire, planning and development and streets. Taxes and general revenues generally support these activities.

Business-type activities include the private sector type activities such as golf course, sanitation, and wastewater. These activities are primarily supported through user charges and fees.

The *statement of net assets* presents information on all of the City's assets and liabilities, both current and long-term, with the difference between assets and liabilities reported as net assets. The focus on net assets is designed to be similar to the emphasis for businesses. 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. To assess the overall health of the City, other indicators, including non-financial indicators like the City's property tax base and condition of infrastructure, should be considered.

The *statement of activities* presents information showing how the City's net assets changed over the most recent fiscal year. Since full accrual accounting is used for the government-wide financial statements, all changes to net assets are reported at the time that the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also focuses on both the gross and net costs of the various functions of the City, based only on direct functional revenues and expenses. This is designed to show the extent to which the various functions depend on general taxes and revenue for support.

Fund Financial Statements

Also presented are the traditional fund financial statements for governmental funds, proprietary funds and fiduciary funds. The fund financial statements now focus on major funds of the City, rather than fund type used prior to GASB-34. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or conditions. Funds are used to ensure and demonstrate compliance with finance-related legal requirements as well as for managerial control to demonstrate fiduciary responsibility over the assets of the City.

The City has three kinds of funds:

Governmental funds – Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at the year end that are available for spending. Consequently, the governmental funds statements provided a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on page 19 and 22, respectively.

Proprietary funds – Proprietary funds are used to account for business-type activities of the City. Proprietary funds, like the government-wide statements, provide both long and short-term financial information. Enterprise funds are used for activities that primarily serve customers outside the governmental unit for which fees are charged. The City has three enterprise funds: The golf course, sanitation and wastewater funds. The internal service fund is used for activities in which the City is the customer. The equipment mechanics fund is the City's only internal service fund. Its purpose is to provide vehicle maintenance services to City departments.

Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support projects of the City.

Notes to the financial statements – The notes to the financial statements (pages 40-71) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

Required supplementary information other than MD&A – Governments have an option of including the budgetary comparison statements for the general fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the notes. The City has chosen to present these budgetary statements as part of the basic financial statements. Additionally, governments are required to disclose certain information about employee pension funds. The City has disclosed this information in Note 8 to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year ended June 30, 2007.

Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets for the City for June 30, 2007 compared to the prior year.

| | Governmental | | Business-type | | Total | |
|--------------------------|----------------|----------------|---------------|---------------|--------------------|----------------|
| | Activities | | Activities | | Primary Government | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Current and other assets | \$ 90.6 | \$ 60.0 | \$27.2 | \$22.4 | \$117.8 | \$ 82.4 |
| Capital assets | 134.0 | 87.3 | 44.4 | 43.2 | 178.4 | 130.5 |
| Total assets | <u>224.6</u> | <u>147.3</u> | <u>71.6</u> | <u>65.6</u> | <u>296.2</u> | <u>212.9</u> |
| Other liabilities | 5.0 | 3.8 | 1.4 | 1.3 | 6.4 | 5.1 |
| Long-term liabilities | <u>11.7</u> | <u>12.1</u> | <u>16.0</u> | <u>16.6</u> | <u>27.7</u> | <u>28.7</u> |
| Total liabilities | <u>16.7</u> | <u>15.9</u> | <u>17.4</u> | <u>17.9</u> | <u>34.1</u> | <u>33.8</u> |
| Net assets: | | | | | | |
| Invested Capital assets | | | | | | |
| net of related debt | 121.4 | 74.3 | 29.5 | 27.7 | 150.9 | 102.0 |
| Restricted | 61.6 | 39.5 | 15.3 | 11.5 | 76.9 | 51.0 |
| Unrestricted | <u>24.9</u> | <u>17.6</u> | <u>9.4</u> | <u>8.5</u> | <u>34.3</u> | <u>26.1</u> |
| Total net assets | <u>\$207.9</u> | <u>\$131.4</u> | <u>\$54.2</u> | <u>\$47.7</u> | <u>\$262.1</u> | <u>\$179.1</u> |

The net assets of the City increased by \$83 million (46%) at June 30, 2007. At year end June 30, 2007 the net assets of the City totaled \$262.1 million. Of this \$262.1 million, \$262.1 million was in the governmental activities, a 58% increase and \$54.2 million was in the business-type activities, a 14% increase.

Net Assets consist of three components. The largest portion of net assets (\$150.9 million or 58%) reflects the City's investment in capital assets net of accumulated depreciation and any related outstanding debt used to acquire or construct those assets. The City uses these capital assets to provide services to its citizens; consequently, it is not the City's intention to sell these assets and they are therefore not available for future spending.

The second portion of the City's net assets (\$76.9 million or 29%) represents resources that are subject to external restrictions on how they may be used. This component is primarily made up of accumulated development impact fee collected by the City and funds are specifically reserved for capital improvements pertaining to growth as it relates to maintaining a consistent level of service to all citizens.

The third portion consists of unrestricted net assets (\$34.3 million or 13%), which may be used to meet the City's ongoing obligation to citizens and creditors.

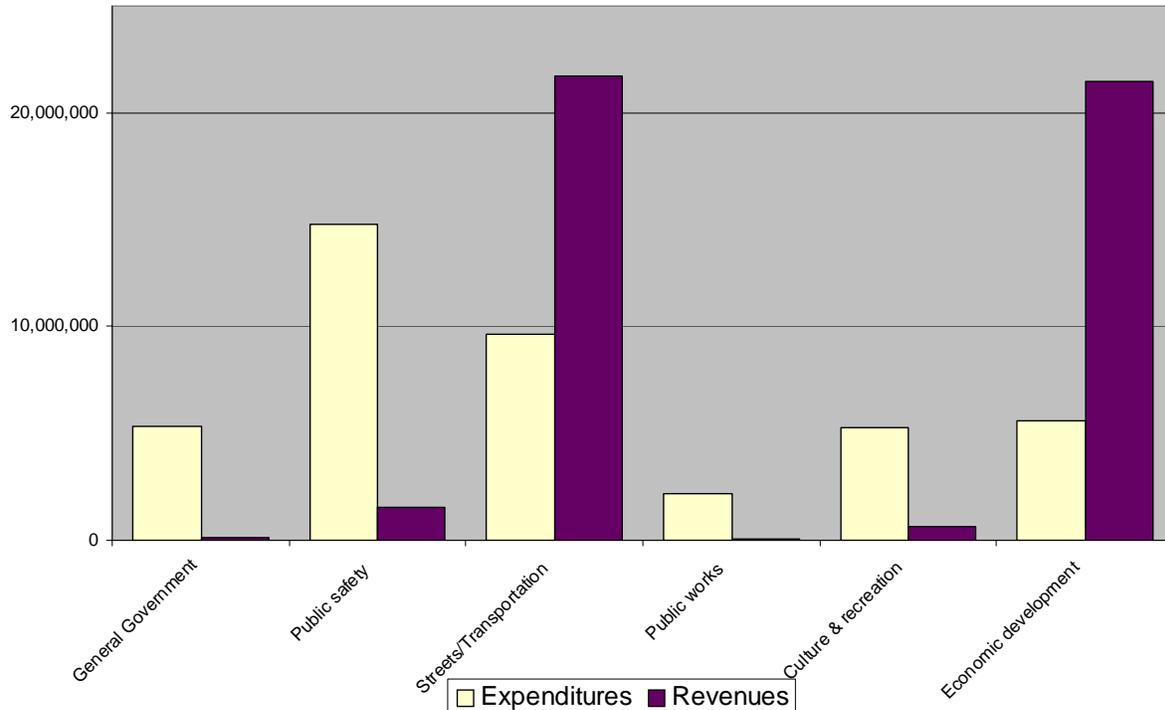
Changes in Net Assets. The City's total revenues for the year ended June 30, 2007 were \$103,875,217. The total cost of all programs and services was \$53,719,502. The following table presents a summary of the changes in net assets for the year ended June 30, 2007. **The primary increase in net assets is the result of sustained economic growth including developer investment in city infrastructure.**

| Changes in Net Assets (In Thousands) | | | | | | |
|---|----------------------------|-----------------|-----------------------------|-----------------|-----------------|-----------------|
| | Governmental Activities | | Business-type Activities | | Total | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$21,599 | \$21,824 | \$11,944 | \$13,084 | \$33,543 | \$34,908 |
| Operating grants and contributions | 9,067 | 2,615 | - | - | 9,067 | 2,615 |
| Capital grants and contributions | 14,852 | 43,675 | 2,130 | 7,991 | 16,982 | 51,666 |
| General revenues | | | | | | |
| Property taxes | 2,475 | 2,401 | - | - | 2,475 | 2,401 |
| Sales taxes | 22,709 | 14,974 | 2,124 | 2,677 | 24,833 | 17,651 |
| Franchise taxes | 1,512 | 1,236 | - | - | 1,512 | 1,236 |
| Shared revenues | 8,879 | 12,286 | - | - | 8,879 | 12,286 |
| Other | 5,343 | 2,532 | 1,241 | 694 | 6,584 | 3,226 |
| Total revenues | 86,436 | 101,543 | 17,439 | 24,446 | 103,875 | 125,989 |
| Expenses | | | | | | |
| General government | 5,196 | 4,464 | - | - | 5,196 | 4,464 |
| Public safety | 14,766 | 13,504 | - | - | 14,766 | 13,504 |
| Streets/Transportation | 9,650 | 5,486 | - | - | 9,650 | 5,486 |
| Public works | 2,145 | 1,869 | - | - | 2,145 | 1,869 |
| Culture and recreation | 5,248 | 4,978 | - | - | 5,248 | 4,978 |
| Economic development | 5,565 | 4,468 | - | - | 5,565 | 4,468 |
| Other | 610 | 501 | - | - | 610 | 501 |
| Water | - | - | 115 | 98 | 115 | 98 |
| Golf course | - | - | 1,108 | 928 | 1,108 | 928 |
| Sewer | - | - | 5,413 | 3,138 | 5,413 | 3,138 |
| Sanitation | - | - | 3,903 | 3,539 | 3,903 | 3,539 |
| Total expenses | 43,180 | 35,270 | 10,539 | 7,703 | 53,719 | 42,973 |
| Excess before transfer | 43,256 | 66,273 | 6,900 | 16,743 | 50,156 | 83,016 |
| Transfers In (Out) | 450 | 349 | (450) | (349) | - | - |
| Increase in Net Assets | \$43,706 | \$66,622 | \$6,450 | \$16,394 | \$50,156 | \$83,016 |

The graph below shows the functional revenues and expenses of governmental activities to demonstrate the extent to which the governmental functions produce direct revenues to offset the program costs. It should be noted that this is not intended to represent full cost allocation to these functions. Expenses not covered by direct program revenues are covered by general revenues of the City, primarily taxes and state shared revenues.

Governmental activities account for 83.2% of the total revenues of the City and 80.3% of the total expenditures in fiscal year 2007. This compares to 80.6% of total revenues and 82.0% of expenses in fiscal year 2006.

Governmental Programs Revenues and Expenses



FINANCIAL ANALYSIS OF THE CITY’S FUNDS

The City maintains fund accounting to demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

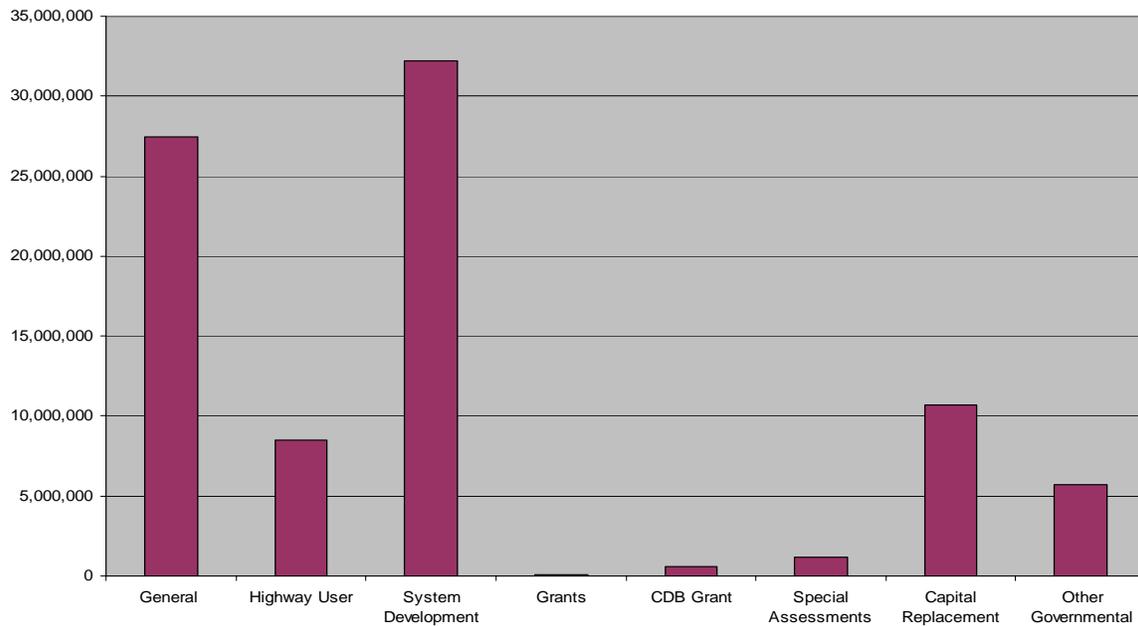
Governmental Funds

The focus of governmental fund financial statements (pages 17-29) is to provide information on near-term inflows, outflows and balances of spendable resources. All major governmental funds are discretely presented on these financial statements, while the non-major funds are combined into a single column. Combining statements for the non-major funds may be found on pages 72-74.

For fiscal year ended June 30, 2007, the governmental funds reflect a combined fund balance of \$86.2 million, an increase of \$28.7 million. Of this, \$6.4 million, an increase of \$.7 million, is reserved because it is not appropriate for expenditure or is legally segregated for a specific future use. The remaining \$79.8 million is classified as “Unreserved”. This balance may serve as a useful indicator of a government’s net resources available for spending at the end of the year.

The General Fund is the chief operating fund of the City and accounts for many of the major functions of the government, including public safety, parks and recreation, community development and general administrative services. The General Fund revenues total \$38.1 million, an increase of \$3.6 million, in fiscal year 2006-2007. The primary increase is from local sales tax revenues. The expenditures, before other financing sources and uses, totaled \$28.3 million, an increase of \$3 million.

Governmental Fund Balances



The Highway User Revenue Fund is required by state statute to track the state allocation of gasoline taxes and other state revenues shared with local governments and required to be used for transportation purposes. The City also accounts for a half-cent sales tax that is collected and distributed by Pinal County for the purposes of construction and improvements of major roadways within the City. Revenue in this fund totaled \$6.8 million, an increase of \$1.3 million, while expenses totaled \$4.6 million, an increase of \$1.3 million in fiscal year ended June 30, 2007. The increase in revenues is a result of a stronger county sales tax base.

Other major governmental funds of the City include the System Development Fee Fund which collects governmental impact fees for public safety, parks and recreational facilities, library facilities, and general government; the Grants Fund is utilized to account for the various state and federal grants that are awarded to the City for the purposes of providing specific programming and services in public safety, parks and recreation, and library; the CDBG, Self Help, and Home Funds provides a variety of housing and neighborhood improvements services ranging from housing rehab to infrastructure improvements; the Special Assessment Fund collects special assessments levied through improvement districts and services the debt on the improvement district bond; the Capital Replacement Fund accounts for accumulated proceeds and capital expenditure of those proceeds for the construction of capital projects; the CFD Capital Projects Fund accounts for capital construction within the CFD; all non-major governmental funds of the City are combined into the “Other Governmental Funds” column on the governmental fund statements.

Proprietary Funds

The proprietary funds financial statements are prepared on the same accounting basis and measurement focus as the government-wide financial statements, but provide additional detail since each major enterprise fund is shown individually on the fund statement.

Net assets of the enterprise funds were \$54.2 million, an increase of \$6.4 million as of June 30, 2007. This increase is largely due to the increase in donations of capital assets (which do not result in spendable resources). Operating revenues in fiscal year 2006-2007 were \$12.0 million, a decrease of \$1.1 million, while operating expenses totaled \$9.8 million, an increase of \$2.5 million, resulting in \$2,174,363 of operating income.

BUDGETARY HIGHLIGHTS

The City's annual budget is the legally adopted expenditure control document of the City. A statement showing the budget amounts for the general fund is provided as required supplementary information on page 23. This statement compares the original adopted budget, the budget as amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

Amendments to the adopted budget may occur throughout the year in a legally permissible manner (see Note 1 (F) on page 47 for more information on budget policies). Some of these include transfers from contingency to cover approved carryovers from previous budget, capital projects with budget overages, and other unanticipated costs. Also, budget amendments are processed to provide expenditure authority from unanticipated revenue sources. These include new or increased grants and intergovernmental agreements. It is generally the policy of the City to not include revenues and operational expenditure authority for these types of items in the operational budgets unless the funding is reasonably assured at the time of completion of the annual budget. Instead, the City budgets contingency accounts to allow for later transfer to operational budgets of and when the funding is received.

No amendments increasing the City's total adopted budget of \$89,932,641 occurred during fiscal year 2007. Budget amendments between funds or departments or from budgeted contingencies into operational expense/expenditure accounts did occur.

General Fund inflows (revenues and other sources) of \$38.1 million, on a budgetary basis, exceeded budgeted inflows of \$36.1 million by \$2.1 million (5%) while budgetary outflows (expenditures and other uses) of \$28.3 million were only 75.1% of final budgeted outflows. The excess of General Fund inflows over budgeted amounts is primarily due to higher sales tax collections and investment earnings yield than were planned for in the budget. Local sales tax collections, especially construction sales tax, continue to exceed expectations due to a growing residential housing base. Reduced General Fund outflows resulted primarily from contingency savings and delayed opening of a fire station.

There were no General Fund budget transfers which significantly amended the original General Fund budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2007, the City had \$150.9 million invested in various capital assets, net of accumulated depreciation and related debt, up \$48.9 million. Of the \$150.9 million \$121.4 million (80%) is invested in governmental activities and \$29.5 million (20%) is invested in business-type activities.

Major additions to capital assets during the fiscal year include the following:

- Acquired a new financial accounting software application for the Finance Department in the amount of \$218,100.
- Acquired a new computer added dispatching (CAD) system and equipment for the police and fire communications department in the amount of \$62,169.
- Acquired new thermal imaging camera and “Lifpak” defibrillator for fire apparatus in the amount of \$41,907.
- Completed a Parks and Recreation Master Plan in the amount of \$79,025.
- Commenced construction on a regional dog park. Work in progress amounted to \$59,560.
- Continue implementation of the permitting software application in the amount of \$135,205.
- Completed improvements to various arterial roadways in the amount of \$1,372,030.
- Acquired a chassis for fire apparatus in the amount of \$123,623.
- Purchased a new hazmat response vehicle with Homeland Security Funds in the amount of \$360,211.
- Constructed parameter fencing and Papi lighting at the municipal airport in the amount of \$247,924 and \$119,986 with FAA funds.
- Completed infrastructure improvements in Phase III of the Airport Industrial Park in the amount of \$1.8 million.
- Acquired a sewer hydrovac vehicle in the amount of \$244,149.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at June 30, 2007. Additional information on the City's capital assets may be found in Note 7 on pages 56-58.

Capital Assets
(In Thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|---------------------------|----------------------------|-----------------|-----------------------------|-----------------|------------------|------------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Land & Const. in progress | \$ 9,979 | \$ 6,559 | \$ 283 | \$ 283 | \$ 10,262 | \$ 6,842 |
| Building and improvements | 118,884 | 76,544 | 40,196 | 39,285 | 159,080 | 115,829 |
| Machines and equipment | 5,170 | 4,225 | 3,909 | 3,649 | 9,079 | 7,874 |
| Total | <u>\$134,033</u> | <u>\$87,328</u> | <u>\$44,388</u> | <u>\$43,217</u> | <u>\$178,421</u> | <u>\$130,545</u> |

Long-Term Debt

The City's outstanding long-term debt, including bonds, notes, contracts, and compensated absences, was \$28.3 million at June 30, 2007, with \$2.4 million due in one year. Of this total, \$13.4 million was in governmental activities and \$14.9 million was in business-type activities. Of the outstanding debt, \$21.1 million is excise tax revenue obligation bond collateralized by the City's excise tax stream. An additional \$370,000 is special assessment bonds where the City is contingently liable in the event that the assessment revenue is insufficient to pay the debt payments. All other outstanding debt is secured by pledges of specific revenue sources of the City.

The following schedule shows the outstanding debt of the City (both current and long term) as of June 30, 2007. Further details can be found in Notes 10, 11, 12, 13, & 14 on pages 63-69.

Outstanding Debt
(In Thousands)

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------|----------------------------|-----------------|-----------------------------|-----------------|-----------------|-----------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Compensated absences | \$ 764 | \$ 705 | \$ 91 | \$ 96 | \$ 855 | \$ 801 |
| Capital leases | 3,754 | 4,030 | 296 | 408 | 4,050 | 4,438 |
| Bonds payable | 8,882 | 9,033 | 14,388 | 14,912 | 23,270 | 23,945 |
| Notes payable | - | - | 159 | 168 | 159 | 168 |
| Total | <u>\$13,400</u> | <u>\$13,768</u> | <u>\$14,934</u> | <u>\$15,584</u> | <u>\$28,334</u> | <u>\$29,352</u> |

ECONOMIC FACTORS

Casa Grande's population has grown steadily since 2000. The growth rate over the course of the past 7 years has been 46% and is expected to be 5% in 2008. The unemployment rate in Casa Grande for June 2007 was 4.3%, which is slightly higher than the state (3.4%) and lower than the national average (4.5%). While the local economy witnessed a solid year, it has been largely driven by construction of residential dwellings. The Promenade in Casa Grande, a 1 million square foot retail mall has broken ground and is scheduled to open a minimum of 550,000 square foot of retail establishments in mid-November 2007. It is anticipated that the retail sales will replace the slowing construction markets in the local tax base.

The regional economy appears to be slowing due to sluggish building activity. Population growth continues to be steady as does personal income. Within Casa Grande, the local economy remains healthy as residential and commercial activity continues to expand the City's sales tax base. Casa Grande continues to be a potential site for industrial and manufacturing companies. Arizona cities remain dependent on sales taxes and other economically sensitive tax revenues and are susceptible to slowdowns in the economy.

Total assessed value in Casa Grande has increased progressively, showing a 71% overall increase from 1995 to 2005. This is largely due to the new housing development. Residential value in 2007 represented about 40% of the total.

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the City of Casa Grande, Arizona's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional information should be addressed to the City's Finance Director at the following address: Finance Director, City of Casa Grande, 510 E. Florence Blvd. Casa Grande, AZ 85222.



BASIC FINANCIAL STATEMENTS

City of Casa Grande, Arizona
Statement of Net Assets
June 30, 2007

| | Primary Government | | |
|--|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash | \$ 3,366,552 | \$ 820,477 | \$ 4,187,029 |
| Investments | 76,053,938 | 25,760,583 | 101,814,521 |
| Receivables (net of allowance for uncollectibles) | 8,700,293 | 498,860 | 9,199,153 |
| Due from other governments | 1,217,571 | - | 1,217,571 |
| Internal balances | 150,000 | (150,000) | - |
| Inventories | 232,421 | 9,965 | 242,386 |
| Restricted assets: | | | |
| Restricted investments | 576,728 | 1,161 | 577,889 |
| Deferred bond costs | 243,514 | 315,099 | 558,613 |
| Capital assets: | | | |
| Land and construction in progress | 9,979,192 | 283,000 | 10,262,192 |
| Other capital assets (net of accumulated depreciation) | 124,053,635 | 44,105,117 | 168,158,752 |
| Total assets | 224,573,844 | 71,644,262 | 296,218,106 |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | 2,819,005 | 402,628 | 3,221,633 |
| Deposits held | 250 | 15,305 | 15,555 |
| Accrued wages and benefits | 333,774 | 42,268 | 376,042 |
| Accrued interest payable | 104,795 | 159,022 | 263,817 |
| Unearned revenue | 74,986 | - | 74,986 |
| Noncurrent liabilities: | | | |
| Due within one year: | | | |
| Current portion of compensated absences | 763,892 | 91,427 | 855,319 |
| Current portion of capital leases and notes | 276,184 | 126,653 | 402,837 |
| Current portion of excise tax revenue obligations | 522,270 | 532,730 | 1,055,000 |
| Current portion of bonds payable | 130,000 | - | 130,000 |
| Due in more than one year: | | | |
| Noncurrent portion of capital leases | 3,478,004 | 179,123 | 3,657,127 |
| Noncurrent portion of notes payable | - | 148,643 | 148,643 |
| Noncurrent portion of excise tax revenue obligations | 6,199,218 | 13,855,602 | 20,054,820 |
| Noncurrent portion of bonds payable | 2,030,000 | - | 2,030,000 |
| Bond premium 2003 issue | 7,503 | 350,567 | 358,070 |
| Less: Deferred amount on refunding | (44,196) | (226,343) | (270,539) |
| Closure and postclosure liability | - | 1,754,674 | 1,754,674 |
| Total liabilities | 16,695,685 | 17,432,299 | 34,127,984 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 121,397,151 | 29,545,366 | 150,942,517 |
| Restricted for: | | | |
| Highways and streets | 8,786,449 | - | 8,786,449 |
| Grant purposes | 1,349,118 | - | 1,349,118 |
| Community development | 36,538,146 | - | 36,538,146 |
| Debt service | 3,148,566 | - | 3,148,566 |
| Capital projects | 11,778,491 | 15,292,233 | 27,070,724 |
| Unrestricted | 24,880,238 | 9,374,364 | 34,254,602 |
| Total net assets | \$207,878,159 | \$54,211,963 | \$262,090,122 |

The accompanying notes are an integral part of the financial statements

City of Casa Grande, Arizona
Statement of Activities
For the Year Ended June 30, 2007

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|---------------------------------------|---------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 5,196,569 | \$ 133,192 | \$ 3,135 | \$ - |
| Public safety | 14,765,435 | 1,091,960 | 110,809 | 340,305 |
| Streets/Transportation | 9,650,354 | 996,571 | 6,205,511 | 14,512,212 |
| Public works | 2,144,675 | 33,994 | - | - |
| Culture and recreation | 5,247,404 | 328,163 | 310,415 | - |
| Economic development | 5,564,781 | 19,015,112 | 2,437,054 | - |
| Interest on long-term debt | 610,630 | - | - | - |
| Total governmental activities | 43,179,848 | 21,598,992 | 9,066,924 | 14,852,517 |
| Business-type activities: | | | | |
| Water | 115,599 | 193,909 | - | - |
| Golf course | 1,107,942 | 784,983 | - | - |
| Wastewater | 5,413,331 | 6,001,607 | - | 2,129,515 |
| Sanitation | 3,902,782 | 4,963,964 | - | - |
| Total business-type activities | 10,539,654 | 11,944,463 | - | 2,129,515 |
| Total primary government | \$53,719,502 | \$33,543,455 | \$9,066,924 | \$16,982,032 |

General revenues:
Property taxes
Sales taxes
Franchise taxes
Shared revenues - unrestricted:
State sales taxes
Urban revenue sharing
Auto-in-lieu
Investment earnings
Gain on sale of assets
Miscellaneous
Transfers in (out)
Total general revenues and transfers
Change in net assets
Net assets-beginning
Prior period adjustment
Net assets-beginning - restated
Net assets-ending

The accompanying notes are an integral part of the financial statements

Net (Expense) Revenue and Changes in Net Assets

| Governmental Activities | Business-type Activities | Total |
|------------------------------------|-------------------------------------|----------------------|
| \$ (5,060,242) | \$ - | \$ (5,060,242) |
| (13,222,361) | - | (13,222,361) |
| 12,063,940 | - | 12,063,940 |
| (2,110,681) | - | (2,110,681) |
| (4,608,826) | - | (4,608,826) |
| 15,887,385 | - | 15,887,385 |
| (610,630) | - | (610,630) |
| 2,338,585 | - | 2,338,585 |
| - | 78,310 | 78,310 |
| - | (322,959) | (322,959) |
| - | 2,717,791 | 2,717,791 |
| - | 1,061,182 | 1,061,182 |
| - | 3,534,324 | 3,534,324 |
| \$2,338,585 | \$3,534,324 | \$5,872,909 |
| 2,475,296 | - | 2,475,296 |
| 22,708,648 | 2,124,036 | 24,832,684 |
| 1,511,751 | - | 1,511,751 |
| 3,086,185 | - | 3,086,185 |
| 3,760,034 | - | 3,760,034 |
| 2,032,801 | - | 2,032,801 |
| 3,222,176 | 1,167,957 | 4,390,133 |
| 1,846,201 | - | 1,846,201 |
| 274,310 | 73,411 | 347,721 |
| 449,800 | (449,800) | - |
| 41,367,202 | 2,915,604 | 44,282,806 |
| 43,705,787 | 6,449,928 | 50,155,715 |
| 131,344,545 | 47,762,035 | 179,106,580 |
| 32,827,827 | - | 32,827,827 |
| 164,172,372 | 47,762,035 | 211,934,407 |
| \$207,878,159 | \$54,211,963 | \$262,090,122 |

City of Casa Grande, Arizona
Balance Sheet
Governmental Funds
June 30, 2007

| ASSETS | General | Highway Users | System Development | Grants & Subsidies | CDBG |
|--|---------------------|--------------------------|-------------------------------|-----------------------------------|--------------------|
| Cash | \$ 1,975,737 | \$ 29,180 | \$ - | \$ 13,001 | \$ 482,408 |
| Investments | 20,596,896 | 8,302,880 | 32,200,760 | 95,907 | - |
| Accounts receivable (less allowance for uncollectibles) | 5,445,798 | 885,684 | 206,344 | 758 | 661,896 |
| Due from other governments | 1,286 | - | - | 67,054 | 174,612 |
| Due from other funds | 1,080,000 | - | - | - | - |
| Inventories | 10,448 | - | - | - | - |
| Prepays | - | - | - | - | - |
| Restricted assets: | | | | | |
| Cash and cash equivalents | - | - | - | - | - |
| Total assets | \$29,110,165 | \$9,217,744 | \$32,407,104 | \$176,720 | \$1,318,916 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable and other current liabilities | \$ 1,237,676 | \$ 584,903 | \$ 214,351 | \$ 33,149 | \$ 666,409 |
| Deposits held | 250 | - | - | - | - |
| Accrued wages and benefits | 281,808 | 13,812 | - | 1,611 | - |
| Due to other funds | - | - | - | - | - |
| Deferred revenue | 97,074 | 112,494 | - | 35,811 | 95,169 |
| Compensated absences | 13,108 | 293 | - | - | - |
| Total liabilities | 1,629,916 | 711,502 | 214,351 | 70,571 | 761,578 |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Court and development | 1,922,791 | - | - | - | - |
| Special revenue | - | - | - | 106,149 | 557,338 |
| Debt service | - | - | - | - | - |
| Capital projects | 36,443 | - | - | - | - |
| Unreserved, reported in: | | | | | |
| General fund | 25,521,015 | - | - | - | - |
| Special revenue funds | - | 8,506,242 | 32,192,753 | - | - |
| Capital projects funds | - | - | - | - | - |
| Total fund balances | 27,480,249 | 8,506,242 | 32,192,753 | 106,149 | 557,338 |
| Total liabilities and fund balances | \$29,110,165 | \$9,217,744 | \$32,407,104 | \$176,720 | \$1,318,916 |

The accompanying notes are an integral part of the financial statements

| Self-help Technical Assistance | Home/HUD | Special Assessments | Capital Replacement/ Development | Community Facilities Districts Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|------------------|------------------------|--|---|--------------------------------|--------------------------------|
| \$ 15,125 | \$ 21,404 | \$ 14,739 | \$ 31,752 | 585,121 | \$ 194,187 | \$ 3,362,654 |
| - | - | 1,165,432 | 8,921,288 | - | 4,770,775 | 76,053,938 |
| - | - | 61,105 | 1,227,052 | 342 | 211,314 | 8,700,293 |
| 77,317 | 398,596 | - | - | - | 498,706 | 1,217,571 |
| - | - | - | - | - | - | 1,080,000 |
| - | - | - | - | - | 39,389 | 49,837 |
| - | - | - | - | - | - | - |
| - | - | - | 475,163 | 101,565 | - | 576,728 |
| \$92,442 | \$420,000 | \$1,241,276 | \$10,655,255 | \$687,028 | \$5,714,371 | \$91,041,021 |

| | | | | | | |
|---------------|----------------|---------------|--------------|----------|----------------|------------------|
| \$ 671 | \$ - | \$ - | \$ 1,388 | \$ - | \$ 35,205 | \$ 2,773,752 |
| - | - | - | - | - | - | 250 |
| 1,771 | - | - | - | - | 1,170 | 300,172 |
| 90,000 | 420,000 | - | - | - | 400,000 | 910,000 |
| - | 168,609 | 53,402 | - | - | 251,686 | 814,245 |
| - | - | - | - | - | - | 13,401 |
| 92,442 | 588,609 | 53,402 | 1,388 | - | 688,061 | 4,811,820 |

| | | | | | | |
|-----------------|------------------|--------------------|---------------------|------------------|--------------------|---------------------|
| - | - | - | - | - | - | 1,922,791 |
| - | (168,609) | - | - | - | 31,320 | 526,198 |
| - | - | 1,187,874 | - | - | 2,012,084 | 3,199,958 |
| - | - | - | - | 687,028 | - | 723,471 |
| - | - | - | - | - | - | 25,521,015 |
| - | - | - | - | - | 2,934,811 | 43,633,806 |
| - | - | - | 10,653,867 | - | 48,095 | 10,701,962 |
| - | (168,609) | 1,187,874 | 10,653,867 | 687,028 | 5,026,310 | 86,229,201 |
| \$92,442 | \$420,000 | \$1,241,276 | \$10,655,255 | \$687,028 | \$5,714,371 | \$91,041,021 |

City of Casa Grande, Arizona
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2007

| | | |
|--|------------------|-----------------------------|
| Fund balance - total governmental funds balance sheet | | \$86,229,201 |
| 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 | 191,932,546 | |
| Less accumulated depreciation | (57,956,794) | |
| Internal service capital assets | 279,179 | |
| Less accumulated depreciation | <u>(222,104)</u> | |
| | | 134,032,827 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences | (763,892) | |
| Capital leases | (3,754,188) | |
| Bonds payable | (8,881,488) | |
| Bond issuance costs | 243,514 | |
| Deferred Loss | 44,196 | |
| Bond premium | <u>(7,503)</u> | |
| | | (13,119,361) |
| Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net assets. | | |
| Special Assessments | 53,403 | |
| Property Tax | 22,097 | |
| Grant Revenue | <u>663,769</u> | |
| | | 739,269 |
| Interest payable on long-term debt is not reported in the governmental funds. | | (104,795) |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. | | |
| The assets and liabilities of the internal service funds (excluding capital assets) are reported with governmental activities. | | <u>101,018</u> |
| Net assets of governmental activities - statement of net assets | | <u><u>\$207,878,159</u></u> |

The accompanying notes are an integral part of the financial statements

City of Casa Grande, Arizona
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

| REVENUES | General | Highway Users | System Development | Grants & Subsidies | CDBG |
|--|---------------------|--------------------------|-------------------------------|-----------------------------------|------------------|
| Taxes: | | | | | |
| Property taxes | \$ 2,080,258 | \$ - | \$ - | \$ - | \$ - |
| City sales tax | 17,024,306 | - | - | - | - |
| Franchise tax | 1,511,751 | - | - | - | - |
| Licenses and permits | 2,756,899 | - | - | - | - |
| Intergovernmental revenues | 8,879,020 | 6,068,663 | - | 960,565 | 433,456 |
| Charges for services | 3,473,127 | - | 13,115,227 | - | - |
| Fines | 826,533 | - | - | - | - |
| Special assessments | - | - | - | - | - |
| Investment earnings | 1,053,925 | 373,545 | 1,239,341 | 7,119 | - |
| Contributions and donations | 2,860 | - | - | 2,099 | - |
| Rental and sale of city property | 333,182 | - | - | - | - |
| Miscellaneous | 192,199 | 352,813 | - | - | 85,570 |
| Total revenues | 38,134,060 | 6,795,021 | 14,354,568 | 969,783 | 519,026 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General government | 4,921,405 | - | - | - | - |
| Public safety | 14,027,499 | - | - | 112,703 | - |
| Streets/Transportation | - | 2,846,301 | - | - | - |
| Public works | 2,063,253 | - | - | - | - |
| Culture and recreation | 4,230,356 | 15,713 | 195,148 | 377,017 | - |
| Planning and economic development | 2,119,252 | - | - | 240,000 | 558,756 |
| Capital outlay | 613,575 | 1,635,109 | 547,020 | 495,697 | - |
| Debt Service: | | | | | |
| Principal | 183,344 | 61,231 | - | - | - |
| Interest and fiscal charges | 159,896 | 60,086 | - | - | - |
| Total expenditures | 28,318,580 | 4,618,440 | 742,168 | 1,225,417 | 558,756 |
| Excess (deficiency) of revenues over (under) expenditures | 9,815,480 | 2,176,581 | 13,612,400 | (255,634) | (39,730) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 1,734,934 | - | - | 153,191 | - |
| Transfers out | (3,342,891) | (574,900) | (500,000) | (44,834) | - |
| Bond issuance | - | - | - | - | - |
| Sale of land | - | - | - | - | - |
| Total other financing sources and uses | (1,607,957) | (574,900) | (500,000) | 108,357 | - |
| Net change in fund balances | 8,207,523 | 1,601,681 | 13,112,400 | (147,277) | (39,730) |
| Fund balances - beginning of year | 19,272,726 | 6,904,561 | 19,080,353 | 253,426 | 597,068 |
| Fund balances - end of year | \$27,480,249 | \$8,506,242 | \$32,192,753 | \$106,149 | \$557,338 |

The accompanying notes are an integral part of the financial statements

| Self-help Technical Assistance | Home/HUD | Special Assessments | Capital Replacement/ Development | Community Facilities Districts Capital Projects | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|--------------------|------------------------|--|---|--------------------------------|--------------------------------|
| \$ - | \$ - | \$ - | \$ - | \$106,223 | \$ 299,818 | \$ 2,486,299 |
| - | - | - | 4,623,220 | - | 1,061,122 | 22,708,648 |
| - | - | - | - | - | - | 1,511,751 |
| - | - | - | - | - | - | 2,756,899 |
| 290,931 | 853,473 | - | - | - | 521,165 | 18,007,273 |
| - | - | - | - | - | 90,449 | 16,678,803 |
| - | - | - | - | - | - | 826,533 |
| - | - | 28,907 | - | - | - | 28,907 |
| - | - | 58,318 | 253,388 | 3,992 | 232,548 | 3,222,176 |
| - | - | - | - | - | - | 4,959 |
| - | - | - | 47,924 | - | 1,078,654 | 1,459,760 |
| 7,850 | - | - | - | - | 77,244 | 715,676 |
| 298,781 | 853,473 | 87,225 | 4,924,532 | 110,215 | 3,361,000 | 70,407,684 |
| - | - | - | - | - | 1,000,044 | 5,921,449 |
| - | - | - | - | - | 15,663 | 14,155,865 |
| - | - | - | - | - | - | 2,846,301 |
| - | - | - | - | - | - | 2,063,253 |
| - | - | - | - | - | 10,060 | 4,828,294 |
| 298,781 | 1,022,082 | 978 | 2,147 | 6,681 | 572,379 | 4,821,056 |
| - | - | - | 2,267,742 | 376,000 | 2,316,278 | 8,251,421 |
| - | - | 110,000 | - | - | 527,672 | 882,247 |
| - | - | 25,920 | - | 149,162 | 312,437 | 707,501 |
| 298,781 | 1,022,082 | 136,898 | 2,269,889 | 531,843 | 4,754,533 | 44,477,387 |
| - | (168,609) | (49,673) | 2,654,643 | (421,628) | (1,393,533) | 25,930,297 |
| - | - | - | 2,833,300 | - | 2,123,473 | 6,844,898 |
| - | - | - | - | - | (1,848,473) | (6,311,098) |
| - | - | - | - | 455,000 | - | 455,000 |
| - | - | - | - | - | 1,809,371 | 1,809,371 |
| - | - | - | 2,833,300 | 455,000 | 2,084,371 | 2,798,171 |
| - | (168,609) | (49,673) | 5,487,943 | 33,372 | 690,838 | 28,728,468 |
| - | - | 1,237,547 | 5,165,924 | 653,656 | 4,335,472 | 57,500,733 |
| \$ - | (\$168,609) | \$1,187,874 | \$10,653,867 | \$687,028 | \$5,026,310 | \$86,229,201 |

City of Casa Grande, 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, 2007

| | | |
|---|--------------------|----------------------------|
| Net change in fund balances - total governmental funds | | \$28,728,468 |
| <p>Amounts reported for governmental activities in the statement of activities are different because:</p> | | |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.</p> | | |
| Expenditures for capital assets | 8,251,422 | |
| Less current year depreciation | <u>(7,949,402)</u> | 302,020 |
| <p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.</p> | | |
| Contributed capital assets | | 13,802,727 |
| Sale of capital assets | | <u>(211,431)</u> |
| <p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the fund statements.</p> | | |
| Deferred property tax | | (11,001) |
| <p>Bond issuance costs are expended in the governmental funds when paid, and are capitalized and amortized in the statement of net assets. This is the amount by which current year bond issuance costs exceed amortization expense.</p> | | |
| | | 73,220 |
| <p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net assets.</p> | | |
| Issuance of bond debt | (455,000) | |
| Bond payments | 606,455 | |
| Lease payments | <u>275,792</u> | 427,247 |
| <p>Certain revenues in the governmental funds that provide current financial resources are not included in the statement of activities because they were recognized in a prior period. However, other revenues that are deferred in the governmental funds because they do not provide current financial resources due to unavailability are recognized in the statement of activities.</p> | | |
| Special assessments | | (25,283) |
| Grants | | 663,769 |
| <p>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 governmental funds.</p> | | |
| Compensated absences | | (59,209) |
| Interest expense on long-term debt | | <u>15,260</u> |
| Change in net assets of governmental activities | | <u><u>\$43,705,787</u></u> |

The accompanying notes are an integral part of the financial statements

City of Casa Grande, Arizona
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|--------------------|--------------------|---------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes: | | | | |
| Property taxes | \$ 2,190,000 | \$ 2,190,000 | \$ 2,080,258 | \$ (109,742) |
| City sales tax | 16,760,000 | 16,760,000 | 17,024,306 | 264,306 |
| Franchise tax | 820,400 | 820,400 | 1,511,751 | 691,351 |
| Licenses and permits | 3,142,000 | 3,142,000 | 2,756,899 | (385,101) |
| Intergovernmental revenues | 8,181,196 | 8,181,196 | 8,879,020 | 697,824 |
| Charges for services | 3,818,850 | 3,818,850 | 3,473,127 | (345,723) |
| Fines | 741,400 | 741,400 | 826,533 | 85,133 |
| Investment earnings | 150,000 | 150,000 | 1,053,925 | 903,925 |
| Contributions and donations | - | - | 2,860 | 2,860 |
| Rental and sale of city property | 156,000 | 156,000 | 333,182 | 177,182 |
| Miscellaneous | 107,500 | 107,100 | 192,199 | 85,099 |
| Total revenues | 36,067,346 | 36,066,946 | 38,134,060 | 2,067,114 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | | | | |
| Mayor and Council | 3,716,614 | 2,415,014 | 483,737 | 1,931,277 |
| City manager | 567,373 | 567,373 | 438,465 | 128,908 |
| Attorney | 520,279 | 520,279 | 492,581 | 27,698 |
| Clerk | 319,277 | 392,377 | 391,651 | 726 |
| Finance | 903,953 | 885,853 | 865,779 | 20,074 |
| Information Technology | 1,217,964 | 1,217,964 | 1,099,060 | 118,904 |
| Personnel | 1,268,465 | 1,266,488 | 1,155,532 | 110,956 |
| Public safety | | | | |
| Police | 9,975,304 | 9,974,904 | 9,117,695 | 857,209 |
| Fire | 7,314,048 | 7,314,048 | 4,263,162 | 3,050,886 |
| Court | 409,408 | 415,508 | 415,314 | 194 |
| Animal Control | 307,045 | 307,045 | 231,328 | 75,717 |
| Public works | 1,574,175 | 2,153,952 | 2,057,853 | 96,099 |
| Culture and Recreation | 4,617,882 | 4,653,182 | 4,230,356 | 422,826 |
| Planning and Economic Development | 1,680,094 | 2,243,894 | 2,119,252 | 124,642 |
| Capital Outlay | 3,143,800 | 2,992,900 | 613,575 | 2,379,325 |
| Debt Service: | | | | |
| Principal | 237,452 | 228,752 | 183,344 | 45,408 |
| Interest and fiscal charges | - | 160,000 | 159,896 | 104 |
| Total expenditures | 37,773,133 | 37,709,533 | 28,318,580 | 9,390,953 |
| Excess (deficiency) of revenues over (under) expenditures | (1,705,787) | (1,642,587) | 9,815,480 | 11,458,067 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,690,100 | 1,690,100 | 1,734,934 | 44,834 |
| Transfers out | (2,705,000) | (2,768,200) | (3,342,891) | (574,691) |
| Total other financing sources and uses | (1,014,900) | (1,078,100) | (1,607,957) | (529,857) |
| Net change in fund balance | (2,720,687) | (2,720,687) | 8,207,523 | 10,928,210 |
| Fund balance - beginning of year | 2,720,687 | 2,720,687 | 19,272,726 | 16,552,039 |
| Fund balance - end of year | \$ - | \$ - | \$27,480,249 | \$27,480,249 |

The accompanying notes are an integral part of the financial statements

City of Casa Grande, Arizona
Highway Users Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with</u> |
|--|-------------------------|--------------------|-----------------------|--|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget- Positive (Negative)</u> |
| REVENUES | | | | |
| Taxes: | | | | |
| State-shared gas tax | \$3,041,122 | \$3,041,122 | \$ 3,140,776 | \$ 99,654 |
| Local transportation assistance | 157,390 | 157,390 | 251,614 | 94,224 |
| County sales tax | 2,144,956 | 2,144,956 | 2,676,273 | 531,317 |
| Investment earnings | 41,082 | 41,082 | 373,545 | 332,463 |
| Miscellaneous | - | - | 352,813 | 352,813 |
| Total revenues | 5,384,550 | 5,384,550 | 6,795,021 | 1,410,471 |
| EXPENDITURES | | | | |
| Culture and recreation | | | | |
| Contractual services | 24,200 | 24,200 | 15,713 | 8,487 |
| Total Culture and recreation | 24,200 | 24,200 | 15,713 | 8,487 |
| Streets/Transportation | | | | |
| Personal services | 1,228,587 | 1,084,787 | 1,084,742 | 45 |
| Contractual services | 935,628 | 1,321,128 | 1,054,509 | 266,619 |
| Materials and supplies | 603,883 | 766,483 | 707,050 | 59,433 |
| Capital outlay | 5,426,500 | 5,063,500 | 1,635,109 | 3,428,391 |
| Debt service | 162,763 | 121,463 | 121,317 | 146 |
| Total Streets/Transportation | 8,357,361 | 8,357,361 | 4,602,727 | 3,754,634 |
| Total expenditures | 8,381,561 | 8,381,561 | 4,618,440 | 3,763,121 |
| Excess (deficiency) of revenues over (under) expenditures | (2,997,011) | (2,997,011) | 2,176,581 | 5,173,592 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (325,900) | (325,900) | (574,900) | (249,000) |
| Total other financing sources and uses | (325,900) | (325,900) | (574,900) | (249,000) |
| Net change in fund balance | (3,322,911) | (3,322,911) | 1,601,681 | 4,924,592 |
| Fund balance - beginning of year | 3,322,911 | 3,322,911 | 6,904,561 | 3,581,650 |
| Fund balance - end of year | \$ - | \$ - | \$8,506,242 | \$8,506,242 |

The accompanying notes are an integral part of the financial statements

City of Casa Grande, Arizona
System Development Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|------------------|------------------|---------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for services | \$9,920,000 | \$8,897,100 | \$13,115,227 | \$4,218,127 |
| Investment earnings | 70,000 | 70,000 | 1,239,341 | 1,169,341 |
| Total revenues | 9,990,000 | 8,967,100 | 14,354,568 | 5,387,468 |
| EXPENDITURES | | | | |
| Culture and recreation | 140,000 | 201,700 | 195,148 | 6,552 |
| Capital outlay | 9,350,000 | 8,265,400 | 547,020 | 7,718,380 |
| Total expenditures | 9,490,000 | 8,467,100 | 742,168 | 7,724,932 |
| Excess (deficiency) of revenues over (under) expenditures | 500,000 | 500,000 | 13,612,400 | 13,112,400 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (500,000) | (500,000) | (500,000) | - |
| Total other financing sources and uses | (500,000) | (500,000) | (500,000) | - |
| Net change in fund balance | - | - | 13,112,400 | 13,112,400 |
| Fund balance - beginning of year | - | - | 19,080,353 | 19,080,353 |
| Fund balance - end of year | \$ - | \$ - | \$32,192,753 | \$32,192,753 |

The accompanying notes are an integral part of the financial statements

City of Casa Grande, Arizona
Grants and Subsidies Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|------------------|------------------|------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental revenues | \$1,660,464 | \$1,660,464 | \$960,565 | (\$699,899) |
| Investment earnings | - | - | 7,119 | 7,119 |
| Contributions and donations | 11,500 | 21,500 | 2,099 | (19,401) |
| Total revenues | 1,671,964 | 1,681,964 | 969,783 | (712,181) |
| EXPENDITURES | | | | |
| Public safety | | | | |
| Personal services | 302,004 | 325,004 | 37,262 | 287,742 |
| Contractual services | 5,000 | 5,000 | - | 5,000 |
| Materials and supplies | 61,000 | 126,600 | 75,441 | 51,159 |
| Capital outlay | 218,000 | 608,300 | 495,697 | 112,603 |
| Total Public Safety | 586,004 | 1,064,904 | 608,400 | 456,504 |
| Culture and recreation | | | | |
| Personal services | 131,300 | 115,400 | 101,591 | 13,809 |
| Contractual services | 6,700 | 38,840 | 38,833 | 7 |
| Materials and supplies | 186,600 | 253,700 | 236,593 | 17,107 |
| Total Culture and Recreation | 324,600 | 407,940 | 377,017 | 30,923 |
| Community Development | | | | |
| Contractual services | 851,360 | 253,960 | 240,000 | 13,960 |
| Total Community Development | 851,360 | 253,960 | 240,000 | 13,960 |
| Total expenditures | 1,761,964 | 1,726,804 | 1,225,417 | 501,387 |
| Excess (deficiency) of revenues over (under) expenditures | (90,000) | (44,840) | (255,634) | (210,794) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 90,000 | 90,000 | 153,191 | 63,191 |
| Transfers out | - | (44,900) | (44,834) | 66 |
| Total other financing sources and uses | 90,000 | 45,100 | 108,357 | 63,257 |
| Net change in fund balance | - | 260 | (147,277) | (147,537) |
| Fund balance - beginning of year | - | (260) | 253,426 | 253,686 |
| Fund balance - end of year | \$ - | \$ - | \$106,149 | \$106,149 |

The accompanying notes are an integral part of the financial statements

City of Casa Grande, Arizona
Community Development Block Grant Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|-------------------------|------------------|-----------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Intergovernmental revenues | \$750,000 | \$300,000 | \$433,456 | \$133,456 |
| Program income | - | - | 85,570 | 85,570 |
| Total revenues | 750,000 | 300,000 | 519,026 | 219,026 |
| EXPENDITURES | | | | |
| Community development | | | | |
| Personal services | - | 26,500 | 26,472 | 28 |
| Contractual services | 750,000 | 712,800 | 522,005 | 190,795 |
| Materials and supplies | - | 10,700 | 10,279 | 421 |
| Total expenditures | 750,000 | 750,000 | 558,756 | 191,244 |
| Excess (deficiency) of revenues over (under) expenditures | - | (450,000) | (39,730) | 410,270 |
| Fund balance - beginning of year | - | 450,000 | 597,068 | 147,068 |
| Fund balance - end of year | \$ - | \$ - | \$557,338 | \$557,338 |

The accompanying notes are an integral part of the financial statements

City of Casa Grande, Arizona
Self-Help Technical Assistance Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|------------------|----------------|----------------|---|
| | Original | Final | | Final Budget- Positive (Negative) |
| REVENUES | | | | |
| Intergovernmental revenues | \$400,000 | \$400,000 | \$290,931 | (\$109,069) |
| Miscellaneous | - | - | 7,850 | 7,850 |
| Total revenues | 400,000 | 400,000 | 298,781 | (101,219) |
| EXPENDITURES | | | | |
| Community development | | | | |
| Personal services | 316,450 | 296,250 | 233,153 | 63,097 |
| Contractual services | 41,775 | 61,975 | 61,951 | 24 |
| Materials and supplies | 41,775 | 41,775 | 3,677 | 38,098 |
| Total expenditures | 400,000 | 400,000 | 298,781 | 101,219 |
| Excess (deficiency) of revenues over (under) expenditures | - | - | - | - |
| Fund balance - beginning of year | - | - | - | - |
| Fund balance - end of year | \$ - | \$ - | \$ - | \$ - |

The accompanying notes are an integral part of the financial statements

City of Casa Grande, Arizona
Home/HUD Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with</u> |
|--|-------------------------|------------------|-----------------------|--|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget- Positive (Negative)</u> |
| REVENUES | | | | |
| Intergovernmental revenues | \$750,000 | \$1,022,900 | \$853,473 | (\$169,427) |
| Total revenues | 750,000 | 1,022,900 | 853,473 | (169,427) |
| EXPENDITURES | | | | |
| Community development | | | | |
| Personal services | - | 47,000 | 46,691 | 309 |
| Contractual services | 750,000 | 975,900 | 975,391 | 509 |
| Materials and supplies | - | - | - | - |
| Total expenditures | 750,000 | 1,022,900 | 1,022,082 | 818 |
| Excess (deficiency) of revenues over (under) expenditures | - | - | (168,609) | (168,609) |
| Fund balance - beginning of year | - | - | - | - |
| Fund balance - end of year | \$ - | \$ - | (\$168,609) | (\$168,609) |

The accompanying notes are an integral part of the financial statements

City of Casa Grande, Arizona
Statement of Net Assets
Proprietary Funds
June 30, 2007

| | Business-type Activities-Enterprise Funds | | |
|---|--|---------------------|--------------------------------|
| | Water | Wastewater | Wastewater Dev Fees |
| ASSETS | | | |
| Current assets: | | | |
| Cash | \$ 725,014 | \$ 24,643 | \$ - |
| Cash with fiscal agent | - | 1,161 | - |
| Investments | - | 8,221,820 | 15,203,092 |
| Receivables, net of uncollectibles | 21,908 | 302,407 | 98,891 |
| Inventories | - | - | - |
| Total current assets | 746,922 | 8,550,031 | 15,301,983 |
| Noncurrent assets: | | | |
| Deferred bond costs | - | 315,099 | - |
| Capital assets: | | | |
| Land | - | - | - |
| Buildings and improvements | - | 49,921,758 | 150,256 |
| Machinery and equipment | 1,036,504 | 1,435,097 | - |
| Less accumulated depreciation | (290,378) | (10,589,526) | - |
| Total capital assets, net | 746,126 | 40,767,329 | 150,256 |
| Total noncurrent assets | 746,126 | 41,082,428 | 150,256 |
| Total assets | 1,493,048 | 49,632,459 | 15,452,239 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 2,053 | 272,344 | 10,911 |
| Deposits held | 15,305 | - | - |
| Accrued wages and benefits | - | 8,922 | - |
| Accrued interest payable | 2,724 | 156,217 | - |
| Due to other funds | - | - | - |
| Compensated absences | - | 20,883 | - |
| Capital leases | - | - | - |
| Notes payable | 9,877 | - | - |
| Excise tax revenue obligations | - | 532,730 | - |
| Total current liabilities | 29,959 | 991,096 | 10,911 |
| Noncurrent liabilities: | | | |
| Capital leases | - | - | - |
| Notes payable | 148,643 | - | - |
| Excise tax revenue obligations | - | 13,855,602 | - |
| Bond premium 2003 issue | - | 350,567 | - |
| Deferred amount on refunding | - | (226,343) | - |
| Closure and postclosure liability | - | - | - |
| Total noncurrent liabilities | 148,643 | 13,979,826 | - |
| Total liabilities | 178,602 | 14,970,922 | 10,911 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 587,606 | 26,378,997 | 150,256 |
| Restricted for: | | | |
| Construction | - | 1,161 | 15,291,072 |
| Unrestricted | 726,840 | 8,281,379 | - |
| Total net assets | \$1,314,446 | \$34,661,537 | \$15,441,328 |

The accompanying notes are an integral part of the financial statements

| Business-type Activities-Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|---|-------------------------|----------------------------|---|
| Sanitation | Golf Course | Total | |
| \$ 54,557 | \$ 16,263 | \$ 820,477 | \$ 3,898 |
| - | - | 1,161 | - |
| 2,335,671 | - | 25,760,583 | - |
| 74,221 | 1,433 | 498,860 | - |
| - | 9,965 | 9,965 | 182,585 |
| <u>2,464,449</u> | <u>27,661</u> | <u>27,091,046</u> | <u>186,483</u> |
| - | - | 315,099 | - |
| - | 283,000 | 283,000 | - |
| 167,092 | 508,411 | 50,747,517 | 52,354 |
| 5,335,779 | 702,023 | 8,509,403 | 226,825 |
| (3,338,841) | (933,058) | (15,151,803) | (222,103) |
| <u>2,164,030</u> | <u>560,376</u> | <u>44,388,117</u> | <u>57,076</u> |
| <u>2,164,030</u> | <u>560,376</u> | <u>44,703,216</u> | <u>57,076</u> |
| <u>4,628,479</u> | <u>588,037</u> | <u>71,794,262</u> | <u>243,559</u> |
| 84,098 | 33,222 | 402,628 | 45,265 |
| - | - | 15,305 | - |
| 27,527 | 5,819 | 42,268 | 7,067 |
| - | 81 | 159,022 | - |
| - | 150,000 | 150,000 | 20,000 |
| 59,753 | 10,791 | 91,427 | 13,134 |
| 116,776 | - | 116,776 | - |
| - | - | 9,877 | - |
| - | - | 532,730 | - |
| <u>288,154</u> | <u>199,913</u> | <u>1,520,033</u> | <u>85,466</u> |
| 179,123 | - | 179,123 | - |
| - | - | 148,643 | - |
| - | - | 13,855,602 | - |
| - | - | 350,567 | - |
| - | - | (226,343) | - |
| <u>1,754,674</u> | <u>-</u> | <u>1,754,674</u> | <u>-</u> |
| <u>1,933,797</u> | <u>-</u> | <u>16,062,266</u> | <u>-</u> |
| <u>2,221,951</u> | <u>199,913</u> | <u>17,582,299</u> | <u>85,466</u> |
| 1,868,131 | 560,376 | 29,545,366 | - |
| - | - | 15,292,233 | - |
| 538,397 | (172,252) | 9,374,364 | 158,093 |
| <u>\$2,406,528</u> | <u>\$388,124</u> | <u>\$54,211,963</u> | <u>\$158,093</u> |

City of Casa Grande, Arizona
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

| | Business-type Activities-Enterprise Funds | | |
|---|--|---------------------|--------------------------------|
| | Water | Wastewater | Wastewater Dev Fees |
| Operating revenues: | | | |
| Service fees | \$193,909 | \$2,591,660 | \$ - |
| Connection fees | - | 167,049 | 3,242,898 |
| Rental | - | - | - |
| Green fees | - | - | - |
| Miscellaneous | - | 54,337 | - |
| Total operating revenue | 193,909 | 2,813,046 | 3,242,898 |
| Operating expenses: | | | |
| Personal services | - | 630,037 | - |
| Contractual services | 19,739 | 1,730,864 | - |
| Materials and supplies | 39,699 | 818,602 | - |
| Depreciation | 50,713 | 1,557,392 | - |
| Closure and postclosure costs | - | - | - |
| Total operating expenses | 110,151 | 4,736,895 | - |
| Operating income (loss) | 83,758 | (1,923,849) | 3,242,898 |
| Nonoperating revenues (expense): | | | |
| Investment earnings | - | 403,414 | 658,506 |
| Interest expense | (5,448) | (676,436) | - |
| City sales tax | - | 2,110,364 | - |
| Total nonoperating revenues (expense) | (5,448) | 1,837,342 | 658,506 |
| Income (loss) before contributions and transfers | 78,310 | (86,507) | 3,901,404 |
| Capital contributions | - | 2,129,515 | - |
| Transfers in | - | - | - |
| Transfers out | (21,900) | (153,300) | - |
| Change in net assets | 56,410 | 1,889,708 | 3,901,404 |
| Total net assets-beginning of year | 1,258,036 | 32,771,829 | 11,539,924 |
| Total net assets-end of year | \$1,314,446 | \$34,661,537 | \$15,441,328 |

The accompanying notes are an integral part of the financial statements

| Business-type Activities-Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|--|--------------------|---------------------|---|
| Sanitation | Golf Course | Total | |
| \$4,679,330 | \$ - | \$7,464,899 | \$1,111,637 |
| 284,634 | - | 3,694,581 | - |
| - | 217,405 | 217,405 | - |
| - | 567,578 | 567,578 | - |
| 10,245 | 8,829 | 73,411 | 183 |
| 4,974,209 | 793,812 | 12,017,874 | 1,111,820 |
| 2,056,866 | 531,238 | 3,218,141 | 420,605 |
| 660,294 | 49,624 | 2,460,521 | 143,068 |
| 627,384 | 484,924 | 1,970,609 | 447,879 |
| 414,101 | 42,156 | 2,064,362 | 16,268 |
| 129,878 | - | 129,878 | - |
| 3,888,523 | 1,107,942 | 9,843,511 | 1,027,820 |
| 1,085,686 | (314,130) | 2,174,363 | 84,000 |
| 106,036 | - | 1,167,956 | - |
| (14,259) | - | (696,143) | - |
| - | 13,673 | 2,124,037 | - |
| 91,777 | 13,673 | 2,595,850 | - |
| 1,177,463 | (300,457) | 4,770,213 | 84,000 |
| - | - | 2,129,515 | - |
| - | 300,000 | 300,000 | - |
| (481,600) | (93,000) | (749,800) | (84,000) |
| 695,863 | (93,457) | 6,449,928 | - |
| 1,710,665 | 481,581 | 47,762,035 | 158,093 |
| \$2,406,528 | \$388,124 | \$54,211,963 | \$158,093 |

City of Casa Grande, Arizona
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

| | Business-type Activities-Enterprise Funds | | |
|--|--|---------------------|--------------------------------|
| | Water | Wastewater | Wastewater Dev Fees |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$195,072 | \$3,151,309 | \$3,209,341 |
| Payments to suppliers | (60,109) | (2,319,119) | 4,246 |
| Payments to employees | - | (630,848) | - |
| Net cash provided (used) by operating activities | 134,963 | 201,342 | 3,213,587 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| City sales tax | - | 2,110,364 | |
| Transfers to other funds | (21,900) | (153,300) | |
| Transfers from other funds | - | - | |
| Net cash provided (used) by noncapital financing activities | (21,900) | 1,957,064 | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Proceeds from sale of capital assets | - | - | - |
| Purchases of capital assets | - | (486,719) | (150,256) |
| Principal paid on capital debt | (9,549) | (523,545) | - |
| Interest paid on capital debt | (5,612) | (645,945) | - |
| Net cash (used) by capital and related financing activities | (15,161) | (1,656,209) | (150,256) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest and dividends received | - | 386,420 | 658,506 |
| Net cash provided by investing activities | - | 386,420 | 658,506 |
| Net increase (decrease) in cash | 97,902 | 888,617 | 3,721,837 |
| Cash and cash equivalents at beginning of year | 627,112 | 7,359,007 | 11,481,255 |
| Cash and cash equivalents at end of year | \$ 725,014 | \$ 8,247,624 | \$ 15,203,092 |
| Cash | \$ 725,014 | \$ 24,643 | \$ - |
| Cash with fiscal agent | - | 1,161 | - |
| Investments | - | 8,221,820 | 15,203,092 |
| | \$725,014 | \$8,247,624 | \$15,203,092 |

The accompanying notes are an integral part of the financial statements

| Business-type Activities-Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|--|--------------------|----------------------|--|
| Sanitation | Golf Course | Total | |
| \$4,954,291 | \$793,594 | \$12,303,607 | \$1,111,820 |
| (1,431,195) | (434,622) | (4,240,799) | (615,236) |
| (2,059,932) | (533,249) | (3,224,029) | (417,858) |
| 1,463,164 | (174,277) | 4,838,779 | 78,726 |
| - | 13,673 | 2,124,037 | - |
| (481,600) | (93,000) | (749,800) | (84,000) |
| - | 300,000 | 300,000 | - |
| (481,600) | 220,673 | 1,674,237 | (84,000) |
| 7,148 | - | 7,148 | - |
| (435,356) | (41,079) | (1,113,410) | - |
| (112,393) | - | (645,487) | - |
| (14,259) | - | (665,816) | - |
| (554,860) | (41,079) | (2,417,565) | - |
| 100,948 | - | 1,145,874 | - |
| 100,948 | - | 1,145,874 | - |
| 527,652 | 5,317 | 5,241,325 | (5,274) |
| 1,862,576 | 10,946 | 21,340,896 | 9,172 |
| \$ 2,390,228 | \$ 16,263 | \$ 26,582,221 | \$ 3,898 |
| \$ 54,557 | \$ 16,263 | \$ 820,477 | \$ 3,898 |
| - | - | 1,161 | - |
| 2,335,671 | - | 25,760,583 | - |
| \$2,390,228 | \$16,263 | \$26,582,221 | \$3,898 |

(continued)

City of Casa Grande, Arizona
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

| | Business-type Activities-Enterprise Funds | | |
|---|--|---------------------------|--------------------------------|
| | Water | Wastewater | Wastewater Dev Fees |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ 83,758 | \$ (1,923,849) | \$ 3,242,898 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Closure and postclosure costs | - | - | - |
| Depreciation expense | 50,713 | 1,557,392 | |
| (Increase) decrease in accounts receivable | 188 | 338,263 | (33,557) |
| (Increase) decrease in inventory | - | - | |
| Increase (decrease) in accounts payable | (671) | 230,347 | 4,246 |
| Increase (decrease) in deposits held | 975 | - | |
| Increase (decrease) in accrued wages | - | 1,573 | |
| Increase (decrease) in due to other funds | - | - | |
| Increase (decrease) in compensated absences | - | (2,384) | |
| Total adjustments | <u>51,205</u> | <u>2,125,191</u> | <u>(29,311)</u> |
| Net cash provided (used) by operating activities | <u>\$ 134,963</u> | <u>\$ 201,342</u> | <u>\$ 3,213,587</u> |
| Noncash investing, capital, and financing activities: | | | |
| Contributions of capital assets | - | <u>\$2,129,515</u> | - |

The accompanying notes are an integral part of the financial statements

| Business-type Activities-Enterprise Funds | | | Governmental Activities - Internal Service Fund |
|--|----------------------------|----------------------------|--|
| Sanitation | Golf Course | Total | |
| <u>\$ 1,085,686</u> | <u>\$ (314,130)</u> | <u>\$ 2,174,363</u> | <u>\$ 84,000</u> |
| 129,878 | - | 129,878 | |
| 414,101 | 42,156 | 2,064,362 | 16,268 |
| (19,918) | (218) | 284,758 | - |
| - | (1,013) | (1,013) | (28,323) |
| (143,517) | 10,939 | 101,344 | (15,966) |
| - | - | 975 | - |
| (1,077) | (1,464) | (968) | 404 |
| - | 90,000 | 90,000 | 20,000 |
| (1,989) | (547) | (4,920) | 2,343 |
| <u>377,478</u> | <u>139,853</u> | <u>2,664,416</u> | <u>(5,274)</u> |
| <u>\$ 1,463,164</u> | <u>\$ (174,277)</u> | <u>\$ 4,838,779</u> | <u>\$ 78,726</u> |
| - | - | <u>\$2,129,515</u> | |

City of Casa Grande, Arizona
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

| | Agency Funds | Part-Time Firemen's Pension |
|--|---------------------|--|
| ASSETS | | |
| Cash | \$ 19,445 | \$ 4,678 |
| Interest receivable | 3,662 | - |
| Investments, at fair value | | |
| Money market | 526,434 | 12,810 |
| Mutual funds | - | 809,275 |
| | 549,541 | 826,763 |
| LIABILITIES | | |
| Other liabilities | 549,541 | - |
| | 549,541 | - |
| NET ASSETS | | |
| Held in trust for pension benefits and other purposes | \$ - | \$ 826,763 |

The accompanying notes are an integral part of the financial statements

City of Casa Grande, Arizona
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2007

| | Part-Time Firemen's Pension |
|---|--|
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 32 |
| Plan members | 32 |
| Total contributions | 64 |
| Investment earnings: | |
| Interest | 14,481 |
| Change in the fair value of investments | 105,663 |
| Total investment earnings | 120,144 |
| Less investment expense | (6,153) |
| Net investment earnings | 113,991 |
| Total additions | 114,055 |
| DEDUCTIONS | |
| Pension payments | 58,079 |
| Administrative expenses | 1,837 |
| Total deductions | 59,916 |
| Change in net assets | 54,139 |
| Net assets-beginning of year | 772,624 |
| Net assets-end of year | \$ 826,763 |

The accompanying notes are an integral part of the financial statements

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1: **Summary of Significant Accounting Policies**

The accounting policies and financial reporting practices of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the City's significant accounting policies:

(A) **Reporting Entity**

The reporting entity of the City includes the following services as authorized by its charter: general government, public safety (police, court and fire), streets/transportation, public works, culture and recreation and economic development. In addition, the City owns and operates four major enterprise activities: wastewater system, sanitation operations, golf course and water system.

Individual Component Unit – Blended

The Mission Royale Community Facilities District, Villago Community Facilities District, Copper Mountain Community Facilities District and Post Ranch Community Facilities District (the Districts) were formed for the purpose of acquiring or constructing public infrastructure in specified areas of the City. As special purpose districts and separate political subdivisions under the Arizona Constitution, the Districts can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes, and thus for the costs of operating the Districts. The City Council serves as the Board of Directors; however, the City has no liability for the District's debt. For reporting purposes, the transactions of the Districts are combined together and included as governmental type funds as if they were part of the City's operations.

No separate financial statements were prepared for the Districts.

(B) **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, 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 for 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.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(B) **Government-wide and Fund Financial Statements** (continued)

Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. The “doubling up” effect of internal service fund activity has been removed from the government-wide statements with the expenses shown in the various functions and segments on the Statement of Activities.

(C) **Basis of Presentation – Fund Accounting**

The accounts of the City are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the combined financial statements. The City uses the following fund types:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operation fund of the City. It is used to account for all financial resources except for those required to be accounted for in another fund.

Special Revenue Funds - The Special Revenue Funds are used to account for revenues derived from specific taxes, grants or other restricted revenue sources. City Ordinances or Federal and State Statutes specify the uses and limitations of each special revenue fund. The Special Revenue Funds presented as major funds in the basic financial statement are as follows:

Highway Users Fund, used to account for the city’s share of tax revenues that are legally restricted to the maintenance of highways within the city’s boundaries;

Systems Development Fund, used for fees collected to help defray the costs of development of general government;

Grants and Subsidies Fund, used to account for various grants;

Community Development Block Grant Fund (CDBG), used to account for intergovernmental grants, which are used to improve and develop neighborhoods by developing housing;

Self-help Technical Assistance Fund, used to account for the activity related to the Rural Development Self-Help Technical Assistance Grant;

Home/HUD Fund, used to account for intergovernmental grants used to rehabilitate owner occupied homes and to provide counseling services.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(C) **Basis of Presentation – Fund Accounting** (continued)

GOVERNMENTAL FUNDS (continued)

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for and the payment of general obligation long-term debt principal, interest and related costs. The Special Assessment Debt Service Fund is a major fund presented in the basic financial statements. This fund accounts for the receipts of revenues from special assessment districts and the payment of special assessment bonds.

Capital Project Funds - Capital Project Funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). The Capital Replacement Fund is a major fund presented in the basic financial statements. This fund is used to account for the replacement of various capital items or development of infrastructure. The Construction Sales Tax Capital account will use revenue from construction sales tax for infrastructure. The Community Facilities Districts (CFD) Capital Projects Fund accounts for capital construction activities within the CFDs.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The enterprise funds presented as major funds in the basic financial statement are as follows:

Water Fund - Used to account for water related activities.

Wastewater Fund – This fund is used to account for the activities of the sewer (wastewater) operations and maintenance.

Wastewater Development Fees Fund – Fees collected to help defray the costs of development of the wastewater system.

Sanitation Fund – This fund is used to account for the operations of the City’s trash and landfill services.

Golf Course Fund – This fund is used to account for the operations of the City’s public golf course.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(C) **Basis of Presentation – Fund Accounting** (continued)

PROPRIETARY FUNDS (continued)

Internal Service Funds - Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost-reimbursement basis. The City has one internal services fund, Equipment Mechanics. This fund is used to account for the maintenance and operations of City owned vehicles.

FIDUCIARY FUNDS

Fiduciary funds account for assets held by the City in a trustee or agency capacity on behalf of others and therefore are not available to support City programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary Funds are not included in the government-wide financial statements since they are not assets of the City available to support City programs.

Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post employment benefit plans, or other employee benefit plans. The City has one Pension Trust Fund to account for the activities of the part-time firemen's pension plan.

Agency Funds account for assets the City holds as an agent for individuals, private organizations, other governments or other funds in a temporary custodial capacity. The City currently maintains two agency funds, one to account for deposits received from various businesses in order to conduct business within the City, and the other to account for employee deposits into a flexible spending plan. The two agency funds are aggregated in the statements.

NON-CURRENT GOVERNMENTAL ASSETS AND LIABILITIES

Non-Current Governmental Assets and Liabilities - GASB Statement #34 eliminates the presentation of account groups in the financial statements (formerly the general fixed asset account group and the general long-term debt account group). The governmental long-term assets and liabilities continue to be maintained in a separate fund for tracking purposes, but are presented with the governmental activities in the government-wide Statement of Net Assets.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(D) **Implementation of GASB Statement No.34**

1. Governmental Accounting Standards Board Statement No. 34

In fiscal year 2002/2003 the City adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement affects the manner in which the City records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private sector financial reports. GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments.

The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions and include the following sections, which were not previously included in the Comprehensive Annual Financial Statements. The governmental fund financial statements continue to be presented as a building block for the new GASB Statement No. 34 statements.

- a. *Management’s Discussion and Analysis* – GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City’s financial activities in the form of “management’s discussion and analysis” (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.
- b. *Government-Wide Financial Statements* – The reporting model includes financial statements prepared using full accrual accounting for all of the City’s activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets – The statement of net assets is designed to display the financial position of the primary government (government and business-type activities). The City now reports all capital assets in the government-wide statement of net assets and reports depreciation expense – the cost of “using up” capital assets – in the statement of activities. The net assets of the City are broken down into three components: 1) invested in capital assets, net of related debt, 2) restricted and 3) unrestricted.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(D) **Implementation of GASB Statement No.34** (continued)

1. Governmental Accounting Standards Board Statement No. 34 (continued)

b. Statement of Net Assets (continued)

Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Statement of Activities – The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City’s functions. The expense of individual functions is compared to the revenue generated directly by the function. Accordingly, the City has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

2. Governmental Accounting Standards Board Statement No. 36

The City adopted the provisions of GASB Statement No. 36, *Receipt Reporting for Certain Shared Nonexchange Revenues*. This statement amends GASB Statement No. 33 with respect to the manner in which shared nonexchange revenues are accounted for by recipient governments.

3. Governmental Accounting Standards Board Statement No. 37

The City adopted the provisions of GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*. This statement amends GASB Statement No. 34 to either 1) clarify certain provisions or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when adopting the provisions of GASB Statement No. 34 as previously described.

4. Governmental Accounting Standards Board Statement No. 38

The City adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, certain footnote disclosures have been revised to conform to the provisions of GASB Statement No. 38.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(D) **Implementation of GASB Statement No.34** (continued)

5. Governmental Accounting Standards Board Statement No. 40

The City adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This statement amends GASB Statement No. 3 and establishes more comprehensive disclosure requirements addressing common risks of the deposits and investments of state and local governments.

6. Governmental Accounting Standards Board Statement No. 44

The City adopted the provisions of GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*. This statement amends National Council on Governmental Accounting Statement 1 and establishes and modifies requirements related to the supplementary information presented in a Statistical section in order to improve the understandability and usefulness of the information.

(E) **Measurement Focus and Basis of Accounting**

Different measurement focuses are applied to governmental, proprietary and fiduciary funds. The governmental fund measurement focus is on determination of financial position and changes in financial position. Governmental funds focus on the flow of resources. The proprietary and pension fund measurement focus is on determination of net income, financial position, and changes in financial position. Agency funds are custodial in nature and do not measure results of operation or have a measurement focus.

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.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues available if they are earned by June 30 and the revenue is expected to be collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

In applying the susceptible to accrual concept to intergovernmental revenues (grants, subsidies and shared revenues), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on specific purpose of the project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(E) **Basis of Accounting** (continued)

In the other, monies are virtually unrestricted as to purpose of expenditures and nearly irrevocable, i.e., revocable only for failure to comply with prescribed compliance requirements, e.g., equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the criterion of availability.

Licenses and permits, charges for services, fines, forfeitures and miscellaneous revenues are recorded as revenues when received. Investment interest is recorded as earned since they are measurable and available. City sales tax, collected by the State of Arizona, and property taxes are accrued in the accounting period they become both measurable and available.

The portion of property tax levies available on June 30, 2007, are recorded as receivable, net of allowance for uncollectibles. The balance of the tax levy not collected within 60 days after year-end are reflected as deferred revenue.

Special assessments and notes receivables are recorded as revenue as installments are received. The balances of these receivables are reflected as deferred revenue. Direct loans made through Community Development Block Grants are reflected as a reserve in fund balance.

All proprietary and pension funds are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred.

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the City follows GASB guidance as applicable to its proprietary funds, and Financial Accounting Standards Boards Statements and Interpretations, Accounting Principals Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB Pronouncements.

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

(F) **Budgetary Data**

- (1) In the spring of each year, the City Manager submits to City Council an estimate of the expenditures necessary to conduct the affairs of the City for the fiscal year commencing July 1st.
- (2) The Council holds open work sessions relating to budget preparation.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(F) **Budgetary Data** (continued)

- (3) After required public hearings are held, budget for all governmental and proprietary funds (excluding internal service and pension funds) are legally enacted prior to the third Monday of July as required by Arizona Revised Statutes. The budget specifies expenditure amounts by activity.
- (4) Transfers of budgeted amounts within a department can be authorized by the Director of Finance upon the City Manager's approval unless the transfer involves a transfer from personal services. This type of budgetary transfer requires Council approval. Council approval is required for transfers of budgeted amounts from one department or fund to another. The original budget has been amended for the year ending 2006-2007.
- (5) All funds except internal service funds are subject to the comprehensive appropriated budget except as provided under state law.
- (6) Encumbrances are not used by the City. All appropriations lapse at fiscal year-end. Invoices for goods and services received on or before June 30, must be paid within 60 days of the fiscal year-end.
- (7) The budget for the City is adopted on a basis consistent with generally accepted accounting principles.
- (8) Under State statutes, there are certain annual expenditure limitations to which the City adheres.
- (9) Several supplemental appropriations were necessary during the year.
- (10) Expenditures may not legally exceed budgeted appropriations at the department level.

GASB #34 requires that budgetary comparison statements for the general fund and major special revenue funds be presented in the annual financial statements. These statements must display original budget, final budget and actual results. The City has also shown this information as supplementary schedules for other governmental funds as well as enterprise funds.

For fiscal year 2006/2007 some transfer amounts have negative variances due to differences in budget and GAAP.

(G) **Cash and Cash Equivalents**

Cash represents amounts in demand deposits and amounts held in trust by financial institutions. The funds held in trust are available to the City upon demand. Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments that are 1) readily convertible to known amounts of cash and 2) so near maturity that they present insignificant risk of changes in value because of changes in interest rates

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(H) Investments

The City adheres to the Arizona Revised Statutes (A.R.S. §35-323) that governs the investment of City funds. Eligible investments include certificate of deposits in eligible depositories, interest bearing accounts in qualified banks, repurchase agreements, pooled investments by the State Treasurer, bonds of the U.S. Government that are guaranteed as to principal and interest, and bonds of the state, county, city, town or school district. All investments except for the Part-time Firemen's Pension funds are invested in the State's Local Government Investment Pool.

The State's investment pool is managed by the State Treasurer's office. The pool is not required to register with the Securities and Exchange Commission under the 1940 Investments Advisors Act. The activity and performance of the pool is reviewed monthly by the State Board of Investment in accordance with A.R.S. §35-311. The Arizona State Treasurer issues a publicly available financial report that includes financial statements and required supplementary information. Copies may be obtained by contacting the Arizona State Treasurer, 1700 West Washington, Phoenix, Arizona 85007. In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and External Investment Pools," the City records all its investments at fair value as defined in the statement. The Part-time Firemen's Pension investments are valued from quoted market prices at year-end.

(I) Inventories

Inventories for Governmental and Proprietary Funds consist primarily of expendable supplies. Governmental funds maintain inventories using the consumption method of accounting. All inventories are valued at cost, which approximates market, using the first-in/first-out method. Physical inventories are conducted at year-end for financial statements purposes.

(J) Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, 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 more than \$10,000 and an estimated useful life in excess of one year.

Assets contributed (donated) to those funds are recorded by reference to historical costs of the donor if recently purchased or constructed, or if such records are not available, at estimated fair market value on the date of receipt. General government infrastructure capital assets include those assets acquired or constructed since 1980.

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.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(J) **Capital Assets** (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized for the 2006-2007 fiscal year.

Depreciation of all assets is recorded and calculated using the straight-line method over the following estimated useful lives:

| | |
|--|----------------|
| Buildings | 40 years |
| Sewer system..... | 20 to 50 years |
| Street system | 20 to 30 years |
| Building and facility improvements | 20 years |
| Streetlights and traffic control devices | 20 years |
| Other Improvements and landscaping | 15 years |
| Vehicles..... | 3 to 15 years |
| Equipment | 5 to 10 years |
| Furniture and fixtures | 5 to 10 years |
| Computers/software..... | 3 years |

(K) **Compensated Absences**

City employees are granted one day of vacation leave per month. Employees are entitled to accumulate vacation to a maximum allowable limit depending on the number of years of service. In the event of termination, an employee is reimbursed for the accumulated vacation leave.

Different measurement focuses for governmental and proprietary funds were considered when determining the compensated absences liability. Because the measurement focus for proprietary funds is the determination of net income, current and long-term liabilities are recorded in the accounting records. The measurement focus for governmental funds is the flow of financial resources; expenditures for vacation time are accrued as current liabilities only if they have matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement).

City employees with less than ten years of service are granted nonvesting sick leave. Employees with ten or more years of service will be paid the unused accrued sick leave as follows:

- 10 – 15 years of service will receive 30% up to a maximum of 128 hours
- 15 – 19 years of service will receive 40% up to a maximum of 218 hours
- 20 or more years of service will receive 50% up to a maximum of 640 hours.

Sick leave compensation is accounted for in the period in which the event takes place.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1: **Summary of Significant Accounting Policies** (continued)

(L) Long-term Obligations

A distinction is made between proprietary fund long-term liabilities and governmental long-term debt. Governmental funds' long-term obligations are recognized as a liability in the governmental funds when due and expected to be financed from expendable available financial resources. Long-term obligations expected to be financed from proprietary fund operations are accounted for in those funds.

(M) Interfund Transactions

Interfund transactions are categorized as loans, reimbursements, interfund services provided and used or transfers. Loans between funds are reported in the balance sheet of the borrowing and lending funds as a liability and receivable, respectively. Reimbursements are expenditures or expenses of one fund but are attributable to another fund. An example of this type of transaction is when one fund purchases a supply in which another fund uses, thus reimbursing the original funds expenditure/ expense. An interfund services provided and used transaction is a revenue or expenditure/expense if the transaction involved an outside party. Utility receipts and payments are examples of transactions where the fund receiving the service records an expenditure/expense and the fund supplying the service records a revenue. Other interfund transactions are classified as transfers. Transfers usually reflect ongoing operating subsidies between funds.

(N) Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

NOTE 2: **Cash and Investments**

At year-end, the City had the following cash and investments:

| | |
|----------------------------|-----------------------------|
| Cash | \$ 4,211,152 |
| Investments | 103,163,040 |
| Restricted investments | <u>577,889</u> |
| Total cash and investments | <u><u>\$107,952,081</u></u> |

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2: **Cash and Investments** (continued)

Custodial Credit Risk (continued)

The carrying amount of the City's cash in bank totaled \$4,211,152 and the bank balance was \$5,409,648. Federal Depository Insurance covered the City's deposits at June 30, 2007, to the extent of \$200,000. Deposits of \$5,209,648 were collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name. Casa Grande does not have a deposit policy for custodial credit risk.

Cash and cash equivalents include restricted and unrestricted amounts and are included in the financial statements as follows:

| | Governmental Activities | Business Activities | Fiduciary Fund | Total |
|------------------------|----------------------------|------------------------|--------------------|----------------------|
| Cash | \$ 3,366,552 | \$ 820,477 | \$ 24,123 | \$ 4,211,152 |
| Investments | 76,053,938 | 25,760,583 | 1,348,519 | 103,163,040 |
| Restricted investments | 576,728 | 1,161 | - | 577,889 |
| | <u>\$79,997,218</u> | <u>\$26,582,221</u> | <u>\$1,372,642</u> | <u>\$107,952,081</u> |

Investments

The City's policy is to invest unrestricted cash in the Local Government Investment Pool (LGIP), an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. The LGIP is not registered with the Securities Exchange Commission under the 1940 Investment Advisors Act. The State Board of Investment has oversight responsibilities of the investment pool in accordance with ARS 35-311. The pool's policy is to invest in fixed-rate securities with a final maturity less than 24 months from the settlement date of the purchase and variable-rate securities with final maturity less than 5 years. The dollar weighted average portfolio maturity is less than 180 days. Only securities backed by the full faith and credit of the U.S. Government may be purchased for this pool. The fair value balance of the pool at June 30, 2007 was \$1,903,282,000.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. All investments have a remaining maturity of 12 months or less. Casa Grande does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 2: **Cash and Investments** (continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for each investment type.

| Issuer | Investment Type | Amount | Ratings as of Year-End | |
|----------------------|-----------------------|----------------------|------------------------|----------------------|
| | | | AAA | Unrated |
| LGIP | State Investment Pool | \$102,340,955 | \$ - | \$102,340,955 |
| Firefighter Pension: | | | | |
| American Funds | Money Market | 12,810 | - | 12,810 |
| Linsco | Money Market/Mut Fnds | 809,275 | - | 809,275 |
| Bank of New York | Money Market | 476,324 | - | 476,324 |
| Wells Fargo | Money Market | 101,565 | - | 101,565 |
| | | <u>\$103,740,929</u> | <u>\$ -</u> | <u>\$103,740,929</u> |

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer are as follows:

| Issuer | Investment Type | Reported Amount |
|----------------------------|-----------------------------|----------------------|
| LGIP | State Investment Pool | \$102,340,955 |
| Fire Fighter Pension Plan: | | |
| American Funds | Money Market | 12,810 |
| Linsco/Private Ledger | Money Market & Mutual Funds | 809,275 |
| Bank of New York | Money Market | 476,324 |
| Wells Fargo | Money Market | 101,565 |
| | | <u>\$103,740,929</u> |

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3: **Cash with Fiscal Agent**

In November 2006, the Villago Community Facilities District issued long-term revenue obligations in which the funds received were placed with a third party trustee in an interest bearing escrow account. The purpose of the funds is to finance construction.

| Fund Type | Description of Designated Capital | Balance at June 30, 2007 |
|---------------|--------------------------------------|-----------------------------|
| Capital - CFD | Infrastructure | \$43,493 |

In May 2005, the City purchased a Public Works Facility with issuance of lease purchase debt. A portion of the debt to be used for building improvements was placed in an interest bearing escrow account.

| Fund Type | Description of Designated Capital | Balance at June 30, 2007 |
|-----------------------|--------------------------------------|-----------------------------|
| Capital - Development | Public Works Facility | \$475,163 |

In April 2005, the Mission Royale Community Facilities District issued long-term revenue obligations in which the funds received were placed with a third party trustee in an interest bearing escrow account. The purpose of the funds is to finance the construction of sewer line.

| Fund Type | Description of Designated Capital | Balance at June 30, 2007 |
|---------------|--------------------------------------|-----------------------------|
| Capital - CFD | Sewer Line | \$58,072 |

In January 2003, the City issued long-term revenue obligations in which the funds received were placed with a third party trustee in an interest bearing escrow account. The funds are being used to finance the Wastewater Treatment Plant.

| Fund Type | Description of Designated Capital | Balance at June 30, 2007 |
|-------------------------|--------------------------------------|-----------------------------|
| Enterprise - Wastewater | Wastewater Treatment Plant | \$1,161 |

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 4: **Receivables**

The following table summarizes the City's governmental activities receivables as of June 30, 2007:

| | General | Special Revenue | Debt Service | Capital | Total |
|--------------------------------------|--------------------|--------------------|------------------|--------------------|--------------------|
| Receivables: | | | | | |
| Taxes | \$4,235,502 | \$ 858,601 | \$139,946 | \$1,194,023 | \$6,428,072 |
| Accounts | 1,064,757 | 659,120 | 53,441 | - | 1,777,318 |
| Interest | 162,352 | 296,570 | 19,423 | 33,371 | 511,716 |
| Gross Receivables | 5,462,611 | 1,814,291 | 212,810 | 1,227,394 | 8,717,106 |
| Less: allowance for uncollectible | (16,813) | - | - | - | (16,813) |
| Net total receivables | <u>\$5,445,798</u> | <u>\$1,814,291</u> | <u>\$212,810</u> | <u>\$1,227,394</u> | <u>\$8,700,293</u> |

The following table summarizes the City's business-type activities receivables as of June 30, 2007

| | Water | Wastewater | Wastewater Dev Fees | Sanitation | Golf Course | Total |
|--------------------------------------|-----------------|------------------|------------------------|-----------------|----------------|------------------|
| Receivables: | | | | | | |
| Taxes | \$ - | \$201,162 | \$ - | \$ - | \$ - | \$ 201,162 |
| Accounts | 21,908 | 583,676 | - | 798,224 | 1,433 | 1,405,241 |
| Interest | - | 58,340 | 98,891 | 15,545 | - | 172,776 |
| Gross Receivables | 21,908 | 843,178 | 98,891 | 813,769 | 1,433 | 1,779,179 |
| Less: allowance for uncollectible | - | (540,771) | - | (739,548) | - | (1,280,319) |
| Net total receivables | <u>\$21,908</u> | <u>\$302,407</u> | <u>\$98,891</u> | <u>\$74,221</u> | <u>\$1,433</u> | <u>\$498,860</u> |

Revenues of wastewater and sanitation are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

| | |
|---|-------------------|
| Uncollectibles related to wastewater | \$ 48,106 |
| Uncollectibles related to sanitation | 88,326 |
| Total uncollectibles of the current fiscal year | <u>\$ 136,432</u> |

NOTE 5: **Direct Loans**

The City issues loans to provide housing for low-income families, which are funded by Community Development Block Grants from the U.S. Department of Housing and Urban Development through the Arizona Department of Commerce. These loans are paid back on a monthly basis and have varying terms and maturity dates. At June 30, 2007, there were 72 of these loans outstanding, totaling \$652,506.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 6: **Property Taxes**

Arizona Revised Statutes require that property taxes be levied on or before the third Monday in August. Taxes are levied and collected by the Pinal County Treasurer on real and personal property. Real property taxes, payable in two installments, are due November 1 and May 1. Personal property taxes are billed throughout the year. Interest and penalties are assessed if a taxpayer fails to pay the tax within a period of time specified by law. Taxes are considered a lien against real property at the date of levy.

The property tax levy as described in the Arizona Revised Statutes is divided into two levies, a limited levy known as the primary levy and an unlimited levy known as the secondary levy. The secondary taxes are levied strictly for the retirement and redemption of bond indebtedness, while the primary taxes are imposed for all purposes.

The primary tax levy is limited to a 2% increase over the previous year's maximum allowable primary levy plus an increased dollar amount due to a net gain in property not taxed the previous year. The primary levy is further limited in that the primary tax from all jurisdictions may not exceed 1% of the homeowner's market value of the home. Secondary taxes are levied to retire voter approved general obligation bonds.

The City's 2006-2007 maximum primary levy limit was \$3,170,639. The primary tax levy was \$1,917,300. The City did not have a secondary tax levy.

The City's total tax levy for 2006-2007 was \$1,917,300. Using the modified accrual basis of accounting, property tax revenue is recognized when it becomes both measurable and available to finance expenditures as of June 30, and expected to be collected within 60 days after year-end. Available means taxes due or past due at the end of the fiscal year. Deferred revenue includes the balance of the property tax levy that does not meet the accrual criteria. Property tax receivable and deferred revenue at June 30, 2007, are \$45,406 and \$22,087 respectively.

NOTE 7: **Capital Assets**

A summary of business-type activities property, plant and equipment at June 30, 2007 follows:

| | Balance 6/30/06 | Additions & Adjustments | Disposals & Adjustments | Balance 6/30/07 |
|-----------------------------------|--------------------|----------------------------|----------------------------|--------------------|
| Land | \$ 83,000 | \$ - | \$ - | \$ 283,000 |
| Building & Improvements | 48,309,640 | 2,461,076 | (23,200) | 50,747,516 |
| Machinery & Equipment | 7,918,632 | 781,847 | (191,077) | 8,509,402 |
| Total Capital Assets | 56,511,272 | 3,242,923 | (214,277) | 59,539,918 |
| Less: accumulated depreciation | (13,294,571) | (2,064,362) | 207,132 | (15,151,801) |
| Net Capital Assets | \$ 43,216,701 | \$ 1,178,561 | \$ (7,145) | \$ 44,388,117 |

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 7: **Capital Assets** (continued)

Business-type capital assets changes in Accumulated Depreciation by class:

| | Balance June 30, 2006 | Additions | Disposals | Balance June 30, 2007 |
|--------------------------------|--------------------------|--------------------|--------------------|--------------------------|
| Buildings | \$ 104,948 | \$ 3,142 | \$ - | \$ 108,090 |
| Improvements | 8,919,796 | 1,523,659 | - | 10,443,455 |
| Machinery & equipment | 4,269,827 | 537,561 | (207,132) | 4,600,256 |
| Total Accumulated Depreciation | <u>\$13,294,571</u> | <u>\$2,064,362</u> | <u>\$(207,132)</u> | <u>\$15,151,801</u> |

A summary of changes in governmental activities capital assets follows:

| | Balance June 30, 2006 | Adjustments & Additions | Adjustments & Disposals | Balance June 30, 2007 |
|---------------------------------|--------------------------|----------------------------|----------------------------|--------------------------|
| Land & construction in progress | \$ 6,559,450 | \$ 3,542,742 | \$(123,000) | \$ 9,979,192 |
| Buildings | 13,685,188 | 774,229 | - | 14,459,417 |
| Improvements | 78,253,522 | 75,433,197 | - | 153,686,719 |
| Heavy machinery & equipment | 1,441,801 | - | (11,130) | 1,430,671 |
| Operational equipment | 5,439,633 | 436,483 | - | 5,876,116 |
| Vehicles | 5,739,686 | 1,520,030 | (480,106) | 6,779,610 |
| Total General Capital Assets | <u>\$111,119,280</u> | <u>\$81,706,681</u> | <u>\$(614,236)</u> | <u>\$192,211,725</u> |

Less Accumulated Depreciation for:

| | | | | |
|--------------------------------|---------------------|---------------------|--------------------|----------------------|
| Buildings | \$ 5,183,390 | \$ 551,551 | \$ - | \$ 5,734,941 |
| Improvements | 10,211,947 | 33,316,092 | - | 43,528,039 |
| Heavy machinery & equipment | 876,388 | 104,282 | (12,521) | 968,149 |
| Operational equipment | 3,808,433 | 364,268 | - | 4,172,701 |
| Vehicles | 3,711,168 | 522,068 | (458,168) | 3,775,068 |
| Total Accumulated Depreciation | <u>23,791,326</u> | <u>34,858,261</u> | <u>(470,689)</u> | <u>58,178,898</u> |
| Total General Capital Assets | <u>\$87,327,954</u> | <u>\$46,848,420</u> | <u>\$(143,547)</u> | <u>\$134,032,827</u> |

Adjustments and Additions includes \$26,892,592 accumulated depreciation for infrastructure acquired prior to July 1, 2002.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 7: **Capital Assets** (continued)

The City had additions to contributed capital assets during the fiscal year 2006-2007. The Governmental Activities Capital Assets include a total of \$13,802,727 in contributed capital assets received in fiscal year 2006-2007.

Depreciation Expense was charged to the functions/programs of the government as follows:

Governmental Activities:

| | |
|---|---------------------------|
| General Government | \$ 211,974 |
| Public Safety | 616,646 |
| Streets/Transportation | 5,898,816 |
| Public Works | 64,943 |
| Culture and Recreation | 524,938 |
| Economic Development | 632,085 |
| Internal Service | <u>16,267</u> |
| Total Depreciation Expense - Governmental Activities | <u><u>\$7,965,669</u></u> |

Business-type Activities:

| | |
|--|---------------------------|
| Water | \$ 50,713 |
| Wastewater | 1,557,392 |
| Sanitation | 414,101 |
| Golf Course | <u>42,156</u> |
| Total Depreciation Expense - Business-type Activities | <u><u>\$2,064,362</u></u> |

NOTE 8: **Retirement and Pension Plans**

All full-time City employees are covered by one of two contributory retirement and pension plans, which are administered by the State of Arizona under State Statute. Part-time firefighters participate in the Casa Grande Part-time Firemen's Pension Plan. The following summarizes each plan.

(A) **Arizona State Retirement Plan**

Plan Description. 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. 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 financial statements and required supplementary information. The report may be obtained in writing at ASRS, 3300 N. Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling 602-240-2200 or 1-800-621-3778.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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

(A) Arizona State Retirement Plan (continued)

Funding Policy. The Arizona State Legislature has the authority to establish and amend benefits provisions and contributions for active plan members. For the year ended June 30, 2007, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 9.1 percent (8.6 percent retirement and 0.5 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 \$976,996, \$717,228 and \$529,908, respectively, which were equal to the required contributions for those years. Prior years rates are 7.4% for 2006 and 5.7% for 2005.

(B) Arizona Public Safety Personnel Retirement System

Plan Description. 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 167 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The City contributes to one PSPRS plan for police and one for fire fighters. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. PSPRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at PSPRS, 1020 E. Missouri Avenue, Phoenix, Arizona 85014.

Funding Policy - The Arizona State Legislature has the authority to establish and amend benefits provisions and contributions for active plan members. For the year ended June 30, 2006 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 16.53 percent for police and 15.19 percent for fire. The City contributed the required amount.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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

(B) Arizona Public Safety Personnel Retirement System (continued)

Annual Pension Cost - The City's pension cost for the year ended June 30, 2006, the date of the most recent actuarial valuation, and related information follow.

| Contribution rates: | PSPRS - Police | PSPRS - Fire |
|--|--------------------------|--------------------------|
| City | 16.53% | 15.19% |
| Plan members | 7.65% | 7.65% |
| Annual pension cost | 534,794 | 303,654 |
| Contributions made | 534,794 | 303,654 |
| Actuarial valuation date | June 30, 2006 | June 30, 2006 |
| Actuarial cost method | Entry Age | Entry Age |
| Actuarial assumptions: | | |
| Investment rate of return | 8.50% | 8.50% |
| Projected salary increases | 5.5% - 8.5% | 5.5% - 8.5% |
| Includes inflation at cost-of-living adjustments | 5.0% | 5.0% |
| Amortization method | Level Percentage Open | Level Percentage Open |
| Remaining amortization period from 7/1/00 | Open 20 Years | Open 20 Years |
| Asset valuation method | Smoothed Market | Smoothed Market |
| Post retirement benefit increases | Based on Inv. Income | Based on Inv. Income |

Trend Information - Information of the PSPRS plan as of the most recent actuarial valuation follows:

| Plan | Year Ended June 30 | Annual Pension Cost (APC) | Percentage of APC Contribution | Net Pension Obligation |
|----------------|-----------------------|------------------------------|--------------------------------------|---------------------------|
| PSPRS - Police | 2006 | \$534,794 | 100% | - |
| | 2005 | 397,049 | 100% | - |
| | 2004 | 343,162 | 100% | - |
| PSPRS - Fire | 2006 | \$303,654 | 100% | - |
| | 2005 | 253,646 | 100% | - |
| | 2004 | 206,291 | 100% | - |

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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

(B) Arizona Public Safety Personnel Retirement System (continued)

Required Supplementary Information (unaudited)

Schedule of Funding progress - An analysis of funding progress for each of the plans as of the most recent actuarial valuations, June 30, 2006, follows:

PSPRS - Police

| Actuarial Valuation Date | Actuarial Value of Plan Assets | Actuarial Accrued Liability | Funding Liability (Excess) | Funded Ratio | Annual Covered Payroll | Unfunded Liability as Percentage of Covered Payroll |
|--------------------------------|--------------------------------------|-----------------------------------|----------------------------------|-----------------|------------------------------|--|
| | (a) | (b) | (b-a) | (a/b) | (c) | [(b-a)/c] |
| 6/30/06 | \$13,392,641 | \$19,728,857 | \$6,336,216 | 67.9% | \$3,739,428 | 169.4% |
| 6/30/05 | 13,126,047 | 18,198,459 | 5,072,412 | 72.1% | 3,481,906 | 145.7% |
| 6/30/04 | 12,673,016 | 15,091,351 | 2,418,335 | 83.9% | 3,098,436 | 78.1% |

PSPRS – Fire

| Actuarial Valuation Date | Actuarial Value of Plan Assets | Actuarial Accrued Liability | Funding Liability (Excess) | Funded Ratio | Annual Covered Payroll | Unfunded Liability as Percentage of Covered Payroll |
|--------------------------------|--------------------------------------|-----------------------------------|----------------------------------|-----------------|------------------------------|--|
| | (a) | (b) | (b-a) | (a/b) | (c) | [(b-a)/c] |
| 6/30/06 | \$7,751,453 | \$11,192,351 | \$3,440,898 | 69.3% | \$2,544,227 | 135.2% |
| 6/30/05 | 7,585,122 | 10,213,654 | 2,628,532 | 74.3% | 2,231,531 | 117.8% |
| 6/30/04 | 7,283,798 | 8,640,456 | 1,356,658 | 84.3% | 1,959,300 | 69.2% |

(C) Casa Grande Part-time Firemen's Pension Plan

The Casa Grande Part-time Firemen's Pension Plan is a single-employer defined contribution plan, which was approved by the City Council on August 21, 1989, under Arizona Revised Statutes Section 9-981. The authority to establish and amend benefit provisions rests with the City Council. In December 1999, the council revised the pension and benefit program for the part-time firefighters.

The City discontinued using part-time firefighters as of December 31, 2005.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

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

(C) Casa Grande Part-time Firemen's Pension Plan (continued)

Previous trend information is shown below:

| <u>Part-time Firemen</u> | | |
|--------------------------|------------------------|------------------------|
| Fiscal Year June 30, | Annual Pension Cost | Percent Contributed |
| 2004 | \$7,117 | 100.0% |
| 2005 | 7,129 | 100.0% |
| 2006 | 1,584 | 100.0% |

The assets of the plan are valued annually and the earnings or loss is distributed among the participant's accounts in the plan. The only expenditures being made from this fund are administration fees, retirement payments, and refunds to those firefighters who leave the service of the Fire Department before becoming eligible for pension benefits. The cost of administering the plan is financed from investment earnings. Retirement with full benefits can be at age fifty-five (55) or twenty years of credited service. This plan was fully vested as of June 30, 2005. As of June 30, 2007, there were 15 eligible employees participating in the plan. The plan is administered by The Innes Associates.

As of June 30, 2007, the plan's assets consisted of the following:

| | |
|--------------------|-------------------------|
| Cash | \$ 4,678 |
| Money Market Funds | 12,810 |
| Mutual Funds | <u>809,275</u> |
| Total Assets | <u><u>\$826,763</u></u> |

The plan has never had an actuarial valuation; however, benefits cannot exceed plan assets. The market values of mutual funds are determined from readily available market quotations.

The fund uses the accrual basis of accounting. Contributions are recognized when earned; benefits and refunds are expensed when incurred.

(continued)

CITY OF CASA GRANDE, 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's liability risks are covered through membership in the Arizona Municipal Risk Retention Pool. The City is responsible for the first \$10,000 of all insured claims inclusive of all loss adjustment expenses. Settled claims from these risks have not exceeded insurance coverage for the past five years. The City has \$2 million general liability coverage with \$10,000 deductible and a \$10 million umbrella liability policy.

The City continues to carry commercial insurance for all other risks of loss, including workers' compensation, employee health and accident, airport activities and fuel use bond. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

NOTE 10: **Capital Leases**

Leases at June 30, 2007, included the following:

Governmental activities:

| | |
|--|-------------|
| Lease with option to purchase Public Works Facility. Quarterly installments of \$82,605 including interest of 4.887%, due through May 9, 2020. | \$3,166,793 |
|--|-------------|

| | |
|--|--------|
| Lease with option to purchase 2 fuel trucks (\$45,770 Airport) and 1 street sweeper (\$52,812 Streets). Quarterly installments of \$8,189 including interest of 4.461%, due through August 20, 2010. | 98,582 |
|--|--------|

| | |
|--|----------------|
| Lease with option to purchase Airport T-hangers. Quarterly installments of \$22,944 including interest of 5.081%, due through August 20, 2013. | <u>488,813</u> |
|--|----------------|

| | |
|--|--------------------|
| Total Governmental Activities Capital Lease Obligation | <u>\$3,754,188</u> |
|--|--------------------|

Business-Type Activities:

Sanitation:

| | |
|---|-----------|
| Lease with option to purchase Tractor and Compactor. Quarterly installments of \$24,795, including interest at 3.685%, due through September 3, 2009. | \$213,210 |
|---|-----------|

| | |
|--|---------------|
| Lease with option to purchase a garbage truck. Monthly installments of \$6,868, including interest at 4.461%, due through August 20, 2010. | <u>82,689</u> |
|--|---------------|

| | |
|---|----------------|
| Total Business-type Activities Capital Lease Obligation | <u>295,899</u> |
|---|----------------|

| | |
|-------------------------------|--------------------|
| Total Long-Term Lease Payable | <u>\$4,050,087</u> |
|-------------------------------|--------------------|

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 10: **Capital Leases** (continued)

The future minimum lease payments by year are:

| Fiscal Year Ending June 30, | Governmenta Activities | Business- Activities | Total |
|---|---------------------------|-------------------------|---------------------|
| 2008 | \$ 454,950 | \$ 126,651 | \$ 581,601 |
| 2009 | 454,950 | 126,651 | 581,601 |
| 2010 | 454,950 | 52,268 | 507,218 |
| 2011 | 430,385 | 6,869 | 437,254 |
| 2012 | 422,196 | - | 422,196 |
| 2013-2017 | 1,766,817 | - | 1,766,816 |
| 2018-2020 | 991,259 | - | 991,259 |
| <hr/> | | | |
| Total minimum lease payments | 4,975,507 | 312,439 | 5,287,946 |
| Less: amount representing interest | <u>(1,221,319)</u> | <u>(16,540)</u> | <u>(1,237,859)</u> |
| Present value of future minimum lease payments | 3,754,188 | 295,899 | 4,050,087 |
| Less: current portion | <u>(276,184)</u> | <u>(116,776)</u> | <u>(392,960)</u> |
| Noncurrent portion | <u>\$3,478,004</u> | <u>\$ 179,123</u> | <u>\$ 3,657,127</u> |

Leased Capital Assets

The following is an analysis of the leased assets included in capital assets:

| | Cost | Accumulated Depreciation | Net Balance |
|-----------------------------------|--------------------|-----------------------------|--------------------|
| Building and Improvements: | | | |
| Governmental Activities Assets | \$4,016,939 | \$(226,911) | \$3,790,028 |
| Total Building and Improvement | <u>4,016,939</u> | <u>(226,911)</u> | <u>3,790,028</u> |
| Machinery and Equipment | | | |
| Governmental Activities Assets | 201,169 | (88,273) | 112,896 |
| Business-type Activities Assets: | | | |
| Sanitation | 743,265 | (264,489) | 478,776 |
| Total Machinery and Equipment | <u>944,434</u> | <u>(352,762)</u> | <u>591,672</u> |
| Total Leased Capital Assets | <u>\$4,961,373</u> | <u>\$(579,673)</u> | <u>\$4,381,700</u> |

A portion of the Public Works Facility lease (\$475,163) has not been spent and will be used for building improvements.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 11: **Bond Debt**

A summary of long-term bond debt transactions for the year ended June 30, 2007, follows:

| Governmental Activities | Balance July 1, 2006 | Issued | Retired | Balance June 30, 2007 |
|--------------------------------|----------------------------|------------------|--------------------|-----------------------------|
| General obligation bonds | \$1,335,000 | \$455,000 | \$ - | \$1,790,000 |
| Special assessment bonds | 480,000 | - | (110,000) | 370,000 |
| Total Bonds Outstanding | \$1,815,000 | \$455,000 | \$(110,000) | \$2,160,000 |

Summarization of the long-term bond debt payable at June 30, 2007, follows:

| Bond Description | Original Issue Amount | Amount of Installment | Interest Rate | Date of Final Payment | Balance June 30, 2007 |
|--------------------------------|-----------------------------|-----------------------------|------------------|-----------------------------|-----------------------------|
| General obligation | \$1,790,000 | \$10,000 – 105,000 | 5.00% - 5.80% | 07/15/31 | \$1,790,000 |
| Special Assessment: ID #38 | 1,030,000 | 75,000 - 130,000 | 5.40% | 01/01/10 | 370,000 |
| Total Bonds Outstanding | | | | | \$2,160,000 |

The following table summarizes the City's future bond debt service requirements as of June 30, 2007:

| Year Ending June 30, | General Obligation Bonds (1) | | Special Assessment Fund (2) | | Total | |
|----------------------------|------------------------------------|--------------------|-----------------------------------|-----------------|--------------------|--------------------|
| | Bonds | Interest | Bonds | Interest | Bonds | Interest |
| 2008 | \$ 15,000 | \$ 89,660 | \$115,000 | \$19,980 | \$ 130,000 | \$ 109,640 |
| 2009 | 10,000 | 96,872 | 125,000 | 13,770 | 135,000 | 110,642 |
| 2010 | 45,000 | 95,480 | 130,000 | 7,020 | 175,000 | 102,500 |
| 2011 | 50,000 | 93,068 | - | - | 50,000 | 93,068 |
| 2012 | 50,000 | 90,528 | - | - | 50,000 | 90,528 |
| 2013-2017 | 295,000 | 411,151 | - | - | 295,000 | 411,151 |
| 2018-2022 | 385,000 | 321,970 | - | - | 385,000 | 321,970 |
| 2023-2027 | 505,000 | 200,187 | - | - | 505,000 | 200,187 |
| 2028-2032 | 435,000 | 49,806 | - | - | 435,000 | 49,806 |
| | \$1,790,000 | \$1,448,722 | \$370,000 | \$40,770 | \$2,160,000 | \$1,489,492 |

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 11: **Bond Debt** (continued)

1) Community Facilities Districts (CFDs), special purpose districts created specifically to acquire or construct public infrastructure within specified areas of the City, are authorized under state law to issue General Obligation (GO) bonds to be repaid by property taxes levied on property within the district. CFDs are created by petition to the City Council by property owners within the area to be covered by the district and debt may be issued only after approval of the voters within the district.

In April 2005 the Mission Royale Community Facilities District issued \$1,335,000 of General Obligation bonds to finance the construction of a sewer line. These bonds will be repaid by the property owners within Mission Royale CFD. The bonds are obligations of the district only. The City has no obligation for the debt other than administration of the collection of property taxes and payment of the debt service on behalf of Mission Royale. Principal payments on the bond begin in July, 2009.

In November 2006 the Villago Community Facilities District issued \$455,000 of General Obligation bonds to finance construction. These bonds will be repaid by the property owners within Villago CFD. The bonds are obligations of the district only. The City has no obligation for the debt other than administration of the collection of property taxes and payment of the debt service on behalf of Villago. Principal payments on the bond begin in July, 2007.

2) The Special Assessment Bonds are secured and payable from special assessments levied against the real property benefited by said improvements. If the assessments are not paid, the properties subject to such assessments are sold at auction. If there is no purchaser for any property offered for sale, the City will get ownership of the property subject to any tax liens and will be liable for the remaining debt. The City Council is required to appropriate from the General Fund of the City the amount of the total unpaid assessments or the amount of each semiannual assessment until the total debt is paid.

NOTE 12: **Excise Tax Revenue Obligations**

In October 1997, the City issued \$3,590,000 of Excise Tax Revenue Obligations Series 1997 to finance the restoration of a 1921 vintage school building for use as a new City Hall. The 20-year revenue obligations have interest rates that range from 4.80 to 6.00 percent. Principal payments ranging from \$110,000 to \$290,000 are paid annually with interest paid semiannually on April 1, and October 1.

In April 1999, the City issued \$5,000,000 of Excise Tax Revenue Obligations Series 1999 to finance the acquisition, construction and equipping of two public recreational complexes and improvements to existing recreational facilities. The 15-year revenue obligations have interest rates that range from 4.40 to 4.80 percent. Principal payments ranging from \$200,000 to \$410,000 are paid annually with interest paid semiannually on April 1, and October 1.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 12: **Excise Tax Revenue Obligations** (continued)

On December 1, 2003, the City issued \$18,120,000 of Excise Tax Revenue Obligations Series 2003. The 20-year revenue obligations have interest rates that range from 2.00 to 5.00 percent. Principal payments ranging from \$780,000 to \$1,600,000 are paid annually on April 1. \$9,300,000 was used to finance the construction of a wastewater treatment plant. \$8,820,000 was used to advance refund \$4,560,000 of Series 1994 and \$3,830,000 of Series 1995 Excise Tax Revenue Obligations with interest rates ranging from 4.35 to 6.00 and 5.00 to 6.20 percent, respectively.

The 1997, 1999, and 2003 revenue obligations are secured by a pledge of and first lien on all excise, transaction, franchise, privilege and business taxes, state shared sales and income taxes, fees for licenses and permits and state revenue sharing which the City presently or in the future validly imposes or receives from other entities.

The following table summarizes the City's future revenue obligation debt service requirements as of June 30, 2007:

| Year Ending June 30, | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------|----------------------------|--------------------|-----------------------------|--------------------|---------------------|--------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2008 | \$ 522,270 | \$ 316,311 | \$ 532,730 | \$ 633,546 | \$ 1,055,000 | \$ 949,857 |
| 2009 | 543,900 | 292,501 | 551,100 | 618,896 | 1,095,000 | 911,397 |
| 2010 | 565,530 | 267,979 | 569,470 | 602,363 | 1,135,000 | 870,342 |
| 2011 | 596,753 | 242,676 | 583,248 | 583,856 | 1,180,001 | 826,532 |
| 2012 | 623,790 | 215,466 | 606,210 | 561,984 | 1,230,000 | 777,450 |
| 2013-2017 | 3,182,411 | 610,150 | 3,802,591 | 2,434,300 | 6,985,002 | 3,044,450 |
| 2018-2022 | 686,834 | 103,870 | 7,742,983 | 1,170,630 | 8,429,817 | 1,274,500 |
| | <u>\$6,721,488</u> | <u>\$2,048,953</u> | <u>\$14,388,332</u> | <u>\$6,605,575</u> | <u>\$21,109,820</u> | <u>\$8,654,528</u> |

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 13: Changes in Long-Term Obligations

| | Balance July 1, 2006 | Obligations Incurred | Obligations Paid | Balance June 30, 2007 | Amounts Due Within One Year |
|--------------------------------------|-------------------------|-------------------------|----------------------|--------------------------|-----------------------------------|
| Governmental Activities: | | | | | |
| Compensated absences | \$ 704,683 | \$ 887,116 | \$ (827,907) | \$ 763,892 | \$ 763,892 |
| Bonds payable | 1,815,000 | 455,000 | (110,000) | 2,160,000 | 130,000 |
| Excise tax revenue obligations | 7,217,943 | - | (496,455) | 6,721,488 | 522,270 |
| Capital leases | 4,029,980 | - | (275,792) | 3,754,188 | 276,184 |
| Total Governmental Activities | \$13,767,606 | \$1,342,116 | \$(1,710,154) | \$13,399,568 | \$1,692,346 |

| | Balance July 1, 2006 | Additions | Reductions | Balance June 30, 2007 | Amounts Due Within One Year |
|---------------------------------------|-------------------------|------------------|--------------------|--------------------------|-----------------------------------|
| Business-type Activities: | | | | | |
| Compensated absences | \$ 96,347 | \$113,402 | \$(118,322) | \$ 91,427 | \$ 91,427 |
| Capital leases | 408,291 | - | (112,392) | 295,899 | 116,776 |
| Excise tax revenue obligations | 14,911,877 | - | (523,545) | 14,388,332 | 532,730 |
| Notes payable (1) | 168,069 | - | (9,549) | 158,520 | 9,877 |
| Total Business-type Activities | \$15,584,584 | \$113,402 | \$(763,808) | \$14,934,178 | \$750,810 |

(1) In January, 2002 the Water Fund received financing from the Water Infrastructure Finance Authority of Arizona. The note is paid semi-annually until July 2019 with an interest rate of 3.437%.

Long-term compensated absences of governmental activities are expected to be liquidated by the operating funds (primarily the General Fund) as they become due.

NOTE 14: Long-Term Debt

The following summarizes the annual debt service requirements to maturity for all long-term debt excluding compensated absences, including interest of \$11,419,862.

| Year Ending June 30, | Governmental Activities | | Business-type Activities | | Total Principal |
|-------------------------|----------------------------|--------------------|-----------------------------|--------------------|---------------------|
| | Principal | Interest | Principal | Interest | |
| 2008 | \$ 928,454 | \$ 604,717 | \$ 659,383 | \$ 648,699 | \$ 1,587,837 |
| 2009 | 968,827 | 568,165 | 682,649 | 629,147 | 1,651,476 |
| 2010 | 1,044,886 | 521,073 | 631,034 | 608,210 | 1,675,920 |
| 2011 | 941,417 | 471,465 | 600,971 | 588,138 | 1,542,388 |
| 2012 | 974,764 | 427,217 | 617,516 | 565,808 | 1,592,280 |
| 2013-2017 | 4,848,564 | 1,416,966 | 3,865,227 | 2,447,214 | 8,713,791 |
| 2018-2022 | 1,988,764 | 500,171 | 7,785,971 | 1,172,879 | 9,774,735 |
| 2023-2027 | 505,000 | 200,186 | - | - | 505,000 |
| 2028-2032 | 435,000 | 49,807 | - | - | 435,000 |
| | \$12,635,676 | \$4,759,767 | \$14,842,751 | \$6,660,095 | \$27,478,427 |

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 15: **Landfill Closure and Postclosure Care Costs**

The U.S. Environmental Protection Agency and the Arizona Department of Environmental Quality require municipal solid waste landfill (MSWLF) owners and operators to provide for landfill closure and postclosure care costs. The City of Casa Grande owns and operates one landfill. Closure and postclosure care costs include cost of equipment expected to be installed and facilities expected to be constructed, cost of final cover and cost of monitoring and maintaining the expected useable MSWLF area. These costs are expected to be paid near or after the date that the MSWLF stops accepting solid waste and during the postclosure period. The Environmental Protection Agency has established the postclosure period to be 30 years. Closure and postclosure care costs are recognized in the current period based on landfill capacity used to date. On June 30, 2007 the City has reported a \$1,754,674 landfill closure and postclosure care liability that represents the total current cost based on 41.80 percent of estimated capacity of the landfill.

The remaining cost of \$2,436,033 will be recognized in the future periods as the remaining capacity is filled. The City expects the remaining capacity to extend for 23 years, which will be through the year 2030. Total closure and postclosure costs are based on current costs, and are reevaluated annually for changes in inflation or deflation, technology, and applicable laws or regulations. The 2007 valuation of the total closure and postclosure costs were estimated to be \$4,190,707.

NOTE 16: **Summary of Interfund Transactions**

Interfund transactions as of June 30, 2007, were as follows:
Interfund Receivable/Payable:

| Fund | Receivable Amount | Payable Amount |
|------------------------------|----------------------|--------------------|
| General | \$1,080,000 | \$ - |
| Special Revenue Fund: | | |
| Housing Rehabilitation | - | 400,000 |
| Home/FMHA | - | 510,000 |
| Equipment Maintenance | - | 20,000 |
| Enterprise Fund: Golf Course | - | 150,000 |
| Total | <u>\$1,080,000</u> | <u>\$1,080,000</u> |

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 16: **Summary of Interfund Transactions** (continued)

The interfund balances at June 30, 2007 are short-term loans to cover temporary cash deficits in various funds.

Transfers:

| Fund | Transfers Out | Transfers In |
|------------------------------|------------------|-----------------|
| Governmental Funds: | | |
| General | \$3,342,891 | \$1,734,934 |
| Highway Users | 574,900 | - |
| Grants | 44,834 | 153,191 |
| System Development | 500,000 | - |
| Capital Replacement | - | 2,833,300 |
| Other Non-major Governmental | 1,848,473 | 2,123,473 |
| Total Governmental Funds | 6,311,098 | 6,844,898 |
| Enterprise Funds: | | |
| Water | 21,900 | - |
| Golf Course | 93,000 | 300,000 |
| Wastewater | 153,300 | - |
| Sanitation | 481,600 | - |
| Total Enterprise Funds | 749,800 | 300,000 |
| Internal Service Fund | 84,000 | - |
| Grand Totals | \$7,144,898 | \$7,144,898 |

There were no significant transfers during fiscal year 2007 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Note 17: **Prior Period Adjustment**

The July 1, 2006 beginning net assets of the governmental activities on the government-wide financial statements do not agree to the prior year financial statements due to the addition of the general government infrastructure assets acquired prior to July 1, 2002 in accordance with GASB Statement No. 34, totaling \$59,720,418 less accumulated depreciation of \$26,892,592.

Note 18: **Deficit in Net Assets**

Two Housing Funds have deficits in net assets. The Home/HUD fund has a deficit of (\$168,609) because \$168,609 in Due from other governments was not received within 60 days of year end and is shown in deferred revenue. The Housing Program fund has a deficit of (\$6,118) because \$155,516 in Due from other governments was not received within 60 days of year end and is shown in deferred revenue.

Note 19: **Commitments**

The City has a contract with Gardner Achen Contracting in the amount of \$2,021,300 to complete Phase One of the Downtown Streets Reconstruction Project.



COMBINING STATEMENTS

City of Casa Grande, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2007

| | Special Revenue | | | | | |
|--|------------------------------|---------------------------|---------------------------|----------------------------|------------------------------------|------------------------------|
| | Municipal Airport | Parks Develop. | Community Arts | Redevelop- ment | Promotion & Tourism | Court Enhancement |
| ASSETS | | | | | | |
| Cash | \$ 10,298 | \$ 3,573 | \$ 1,542 | \$ 13,295 | \$ 10,210 | \$ 8,678 |
| Investments | 324,892 | 149,689 | 10,972 | 1,906,603 | 100,422 | 334,191 |
| Receivables (less allowance for uncollectibles) | 10,101 | 985 | 72 | 16,091 | 29,562 | 2,201 |
| Due from other governments | 386 | - | - | - | - | - |
| Fuel Inventory | 39,389 | - | - | - | - | - |
| Total assets | \$ 385,066 | \$ 154,247 | \$ 12,586 | \$ 1,935,989 | \$ 140,194 | \$ 345,070 |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts payable and other current liabilities | \$ 30,838 | \$ 57 | \$ - | \$ 158 | \$ - | \$ - |
| Accrued wages and benefits | 1,170 | - | - | - | - | - |
| Deferred revenue | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - |
| Total liabilities | 32,008 | 57 | - | 158 | - | - |
| Fund balances: | | | | | | |
| Reserved for: | | | | | | |
| Special revenue | - | - | - | - | - | - |
| Debt service | - | - | - | - | - | - |
| Unreserved, reported in: | | | | | | |
| Special revenue funds | 353,058 | 154,190 | 12,586 | 1,935,831 | 140,194 | 345,070 |
| Capital projects funds | - | - | - | - | - | - |
| Total fund balances | 353,058 | 154,190 | 12,586 | 1,935,831 | 140,194 | 345,070 |
| Total liabilities and fund balance | \$ 385,066 | \$ 154,247 | \$ 12,586 | \$ 1,935,989 | \$ 140,194 | \$ 345,070 |

| Special Revenue | | Debt Service | | Capital Projects | | Total Nonmajor Governmental Funds |
|-------------------|------------------------|-----------------|---------------------|------------------------|---------------------|-----------------------------------|
| Housing Programs | Public Safety Programs | Redevelopment | Recreation | Recreation Improvement | Airport Improvement | |
| \$ 91,111 | \$ 7,375 | \$ 3,717 | \$ 10,575 | \$ 1,156 | \$ 32,657 | \$ 194,187 |
| 73,899 | 24,020 | - | 1,846,087 | - | - | 4,770,775 |
| 439 | 158 | - | 151,705 | - | - | 211,314 |
| 384,000 | - | - | - | - | 114,320 | 498,706 |
| - | - | - | - | - | - | 39,389 |
| \$ 549,449 | \$ 31,553 | \$ 3,717 | \$ 2,008,367 | \$ 1,156 | \$ 146,977 | \$ 5,714,371 |
| | | | | | | |
| \$ 51 | \$ 233 | \$ - | \$ - | \$ - | \$ 3,868 | \$ 35,205 |
| - | - | - | - | - | - | 1,170 |
| 155,516 | - | - | - | - | 96,170 | 251,686 |
| 400,000 | - | - | - | - | - | 400,000 |
| 555,567 | 233 | - | - | - | 100,038 | 688,061 |
| | | | | | | |
| - | 31,320 | - | - | - | - | 31,320 |
| - | - | 3,717 | 2,008,367 | - | - | 2,012,084 |
| (6,118) | - | - | - | - | - | 2,934,811 |
| - | - | - | - | 1,156 | 46,939 | 48,095 |
| (6,118) | 31,320 | 3,717 | 2,008,367 | 1,156 | 46,939 | 5,026,310 |
| | | | | | | |
| \$ 549,449 | \$ 31,553 | \$ 3,717 | \$ 2,008,367 | \$ 1,156 | \$ 146,977 | \$ 5,714,371 |

City of Casa Grande, Arizona
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2007

| | Special Revenue | | | | | |
|--|----------------------|-------------------|-------------------|---------------------|------------------------|----------------------|
| | Municipal Airport | Parks Develop. | Community Arts | Redevelop- ment | Promotion & Tourism | Court Enhancement |
| REVENUES | | | | | | |
| Taxes: | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ 299,818 | \$ - | \$ - |
| Sales Tax | - | - | - | - | 183,251 | - |
| Intergovernmental revenues | - | - | - | - | - | 7,990 |
| Charges for services | - | - | - | - | - | 61,367 |
| Investment earnings | 38,769 | 6,083 | 558 | 82,323 | 2,585 | 14,698 |
| Rental and sale of city property | 995,971 | - | - | 82,683 | - | - |
| Miscellaneous | - | 56,486 | - | - | - | - |
| Total revenues | 1,034,740 | 62,569 | 558 | 464,824 | 185,836 | 84,055 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General government | 900,044 | - | - | - | 100,000 | - |
| Public safety | - | - | - | - | - | - |
| Culture and recreation | - | 1,585 | 8,475 | - | - | - |
| Economic development | - | - | - | 21,655 | - | - |
| Capital outlay | - | - | - | 54,930 | - | - |
| Debt Service: | | | | | | |
| Principal | 77,672 | - | - | - | - | - |
| Interest and fiscal charges | 29,312 | - | - | - | - | - |
| Total expenditures | 1,007,028 | 1,585 | 8,475 | 76,585 | 100,000 | - |
| Excess (deficiency) of revenues over (under) expenditures | 27,712 | 60,984 | (7,917) | 388,239 | 85,836 | 84,055 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | - | - | 5,000 | - | - | - |
| Transfers out | (1,848,473) | - | - | - | - | - |
| Sale of land | 1,809,371 | - | - | - | - | - |
| Total other financing sources and uses | (39,102) | - | 5,000 | - | - | - |
| Net change in fund balances | (11,390) | 60,984 | (2,917) | 388,239 | 85,836 | 84,055 |
| Fund balances - beginning of year | 364,448 | 93,206 | 15,503 | 1,547,592 | 54,358 | 261,015 |
| Fund balances - end of year | \$ 353,058 | \$ 154,190 | \$ 12,586 | \$ 1,935,831 | \$ 140,194 | \$ 345,070 |

| Special Revenue | | Debt Service | | Capital Projects | | Total Nonmajor Governmental Funds |
|-------------------|------------------------|------------------|---------------------|------------------------|---------------------|-----------------------------------|
| Housing Programs | Public Safety Programs | Redevelopment | Recreation | Recreation Improvement | Airport Improvement | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 299,818 |
| - | - | - | 877,871 | - | - | 1,061,122 |
| 228,484 | - | - | - | - | 284,691 | 521,165 |
| 29,082 | - | - | - | - | - | 90,449 |
| 8,611 | 1,092 | - | 77,829 | - | - | 232,548 |
| - | - | - | - | - | - | 1,078,654 |
| 1,065 | 19,693 | - | - | - | - | 77,244 |
| 267,242 | 20,785 | - | 955,700 | - | 284,691 | 3,361,000 |
| - | - | - | - | - | - | 1,000,044 |
| - | 15,663 | - | - | - | - | 15,663 |
| - | - | - | - | - | - | 10,060 |
| 548,024 | - | 2,700 | - | - | - | 572,379 |
| 17,056 | - | - | - | - | 2,244,292 | 2,316,278 |
| - | - | 175,000 | 275,000 | - | - | 527,672 |
| - | - | 128,690 | 154,435 | - | - | 312,437 |
| 565,080 | 15,663 | 306,390 | 429,435 | - | 2,244,292 | 4,754,533 |
| (297,838) | 5,122 | (306,390) | 526,265 | - | (1,959,601) | (1,393,533) |
| - | - | 310,000 | - | - | 1,808,473 | 2,123,473 |
| - | - | - | - | - | - | (1,848,473) |
| - | - | - | - | - | - | 1,809,371 |
| - | - | 310,000 | - | - | 1,808,473 | 2,084,371 |
| (297,838) | 5,122 | 3,610 | 526,265 | - | (151,128) | 690,838 |
| 291,720 | 26,198 | 107 | 1,482,102 | 1,156 | 198,067 | 4,335,472 |
| \$ (6,118) | \$ 31,320 | \$ 3,717 | \$ 2,008,367 | \$ 1,156 | \$ 46,939 | \$ 5,026,310 |

City of Casa Grande, Arizona
Combining Statement of Fiduciary Net Assets
All Agency Funds
June 30, 2007

| | Performance Bond Fund | Flexible Spending Plan Fund | Total |
|----------------------------------|--------------------------|--------------------------------------|----------------|
| ASSETS | | | |
| Cash | \$ - | \$ 19,445 | \$ 19,445 |
| Interest receivable | 3,662 | - | 3,662 |
| Investments, at fair value | 526,434 | - | 526,434 |
| Total assets | 530,096 | 19,445 | 549,541 |
| LIABILITIES | | | |
| Other liabilities | 530,096 | 19,445 | 549,541 |
| Total liabilities | 530,096 | 19,445 | 549,541 |
| NET ASSETS | | | |
| Held in trust for other purposes | \$ - | \$ - | \$ - |

City of Casa Grande, Arizona
Combining Statement of Changes in Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2007

| | Balance June 30, 2006 | Additions | Deductions | Balance June 30, 2007 |
|------------------------------------|--------------------------|------------------|-----------------|--------------------------|
| Performance Bond Fund | | | | |
| Assets: | | | | |
| Cash | \$ - | \$ - | \$ - | \$ - |
| Investments | 509,145 | 17,289 | - | 526,434 |
| Interest Receivable | 2,958 | 704 | - | 3,662 |
| Total Assets | <u>512,103</u> | <u>17,993</u> | <u>-</u> | <u>530,096</u> |
| Liabilities: | | | | |
| Other Liabilities | 511,766 | 7,589 | - | 519,355 |
| Accounts Payable | 337 | 10,404 | - | 10,741 |
| | <u>512,103</u> | <u>17,993</u> | <u>-</u> | <u>530,096</u> |
| Flexible Spending Plan Fund | | | | |
| Assets: | | | | |
| Cash | 15,631 | 55,769 | (51,955) | 19,445 |
| Total Assets | <u>15,631</u> | <u>55,769</u> | <u>(51,955)</u> | <u>19,445</u> |
| Liabilities: | | | | |
| Other Liabilities | 15,631 | 3,814 | - | 19,445 |
| | <u>15,631</u> | <u>3,814</u> | <u>-</u> | <u>19,445</u> |
| Totals - All Agency Funds | | | | |
| Assets: | | | | |
| Cash | 15,631 | 55,769 | (51,955) | 19,445 |
| Investments | 509,145 | 17,289 | - | 526,434 |
| Interest Receivable | 2,958 | 704 | - | 3,662 |
| Total Assets | <u>527,734</u> | <u>73,762</u> | <u>(51,955)</u> | <u>549,541</u> |
| Liabilities: | | | | |
| Other Liabilities | 527,397 | 11,403 | - | 538,800 |
| Accounts Payable | 337 | 10,404 | - | 10,741 |
| Total Liabilities | <u>\$ 527,734</u> | <u>\$ 21,807</u> | <u>\$ -</u> | <u>\$ 549,541</u> |



OTHER SUPPLEMENTARY INFORMATION

City of Casa Grande, Arizona
Special Assessments Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|-------------------------|----------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Special assessments | \$ 140,200 | \$ 140,200 | \$ 28,907 | \$ (111,293) |
| Investment earnings | 2,000 | 2,000 | 58,318 | 56,318 |
| Total revenues | 142,200 | 142,200 | 87,225 | (54,975) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Contractual services | 5,200 | 5,200 | 978 | 4,222 |
| Debt Service | | | | |
| Principal retirement | 105,000 | 110,000 | 110,000 | - |
| Interest | 32,000 | 27,000 | 25,920 | 1,080 |
| Total expenditures | 142,200 | 142,200 | 136,898 | 5,302 |
| Excess (deficiency) of revenues over (under) expenditures | - | - | (49,673) | (49,673) |
| Fund balance - beginning of year | - | - | 1,237,547 | 1,237,547 |
| Fund balance - end of year | \$ - | \$ - | \$ 1,187,874 | \$ 1,187,874 |

City of Casa Grande, Arizona
Capital Replacement/Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|-------------------------|--------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Investment earnings | \$ - | \$ - | \$ 253,388 | \$ 253,388 |
| Construction sales tax | - | - | 4,623,220 | 4,623,220 |
| Sale of City property | - | - | 47,924 | 47,924 |
| Total revenues | <u>-</u> | <u>-</u> | <u>4,924,532</u> | <u>4,924,532</u> |
| EXPENDITURES | | | | |
| Materials and supplies | - | 2,200 | 2,147 | 53 |
| Capital outlay | 7,620,000 | 4,882,700 | 2,267,742 | 2,614,958 |
| Total expenditures | <u>7,620,000</u> | <u>4,884,900</u> | <u>2,269,889</u> | <u>2,615,011</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(7,620,000)</u> | <u>(4,884,900)</u> | <u>2,654,643</u> | <u>7,539,543</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 2,000,000 | 2,000,000 | 2,833,300 | 833,300 |
| Proceeds from obligations | 5,500,000 | 4,755,600 | - | (4,755,600) |
| Total other financing sources and uses | <u>7,500,000</u> | <u>6,755,600</u> | <u>2,833,300</u> | <u>(3,922,300)</u> |
| Net change in fund balance | <u>(120,000)</u> | <u>1,870,700</u> | <u>5,487,943</u> | <u>3,617,243</u> |
| Fund balance - beginning of year | <u>120,000</u> | <u>(1,870,700)</u> | <u>5,165,924</u> | <u>7,036,624</u> |
| Fund balance - end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 10,653,867</u> | <u>\$ 10,653,867</u> |

City of Casa Grande, Arizona
Community Facilities Districts - Capital Projects
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|-------------------------|-------------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Property Tax | \$ 221,000 | \$ 221,000 | \$ 106,223 | \$ (114,777) |
| Investment Earnings | 6,000 | 6,000 | 3,992 | (2,008) |
| Total revenues | 227,000 | 227,000 | 110,215 | (116,785) |
| EXPENDITURES | | | | |
| Contractual services | 27,000 | 27,000 | 6,681 | 20,319 |
| Capital outlay | 60,000,000 | 60,000,000 | 376,000 | 59,624,000 |
| Debt Service | 200,000 | 200,000 | 149,162 | 50,838 |
| Total expenditures | 60,227,000 | 60,227,000 | 531,843 | 59,695,157 |
| Excess (deficiency) of revenues over (under) expenditures | (60,000,000) | (60,000,000) | (421,628) | 59,578,372 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Bond issuance | 59,900,000 [¶] | 59,900,000 [¶] | 455,000 | (59,445,000) |
| Bond issuance costs | (100,000) | (100,000) | - | 100,000 |
| Total other financing sources and uses | 59,800,000 | 59,800,000 | 455,000 | (59,345,000) |
| Net change in fund balance | (200,000) | (200,000) | 33,372 | 233,372 |
| Fund balance - beginning of year | 200,000 | 200,000 | 653,656 | 453,656 |
| Fund balance - end of year | \$ - | \$ - | \$ 687,028 | \$ 687,028 |

City of Casa Grande, Arizona
Municipal Airport Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|-------------------------|--------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Investment earnings | \$ 1,849 | \$ 1,849 | \$ 38,769 | \$ 36,920 |
| Rental and sale of city property | 584,519 | 584,519 | 995,971 | 411,452 |
| Miscellaneous | 238,155 | 238,155 | - | (238,155) |
| Total revenues | 824,523 | 824,523 | 1,034,740 | 210,217 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government: | | | | |
| Personal services | 174,240 | 174,240 | 149,777 | 24,463 |
| Contractual services | 19,699 | 828,199 | 12,648 | 815,551 |
| Materials and supplies | 493,200 | 737,700 | 737,619 | 81 |
| Debt service | 106,984 | 106,984 | 106,984 | - |
| Total expenditures | 794,123 | 1,847,123 | 1,007,028 | 840,095 |
| Excess (deficiency) of revenues over (under) expenditures | 30,400 | (1,022,600) | 27,712 | 1,050,312 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | (1,030,400) | (1,000,000) | (1,848,473) | (848,473) |
| Proceeds from obligations | 1,150,000 | - | - | - |
| Sale of land | - | - | 1,809,371 | 1,809,371 |
| Total other financing sources and uses | 119,600 | (1,000,000) | (39,102) | 960,898 |
| Net change in fund balance | 150,000 | (2,022,600) | (11,390) | 2,011,210 |
| Fund balance - beginning of year | (150,000) | 2,022,600 | 364,448 | (1,658,152) |
| Fund balance - end of year | \$ - | \$ - | \$ 353,058 | \$ 353,058 |

City of Casa Grande, Arizona
Parks Development Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|-------------------------|----------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Investment earnings | \$ - | \$ - | \$ 6,083 | \$ 6,083 |
| Miscellaneous | 30,000 | 30,000 | 56,486 | 26,486 |
| Total revenues | <u>30,000</u> | <u>30,000</u> | <u>62,569</u> | <u>32,569</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation: | | | | |
| Contractual services | 30,000 | 30,000 | 1,585 | 28,415 |
| Total expenditures | <u>30,000</u> | <u>30,000</u> | <u>1,585</u> | <u>28,415</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>-</u> | <u>-</u> | <u>60,984</u> | <u>60,984</u> |
| Fund balance - beginning of year | <u>-</u> | <u>-</u> | <u>93,206</u> | <u>93,206</u> |
| Fund balance - end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 154,190</u> | <u>\$ 154,190</u> |

City of Casa Grande, Arizona
Community Arts Reserve Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|-------------------------|-----------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Investment earnings | \$ - | \$ - | \$ 558 | \$ 558 |
| Total revenues | <u>-</u> | <u>-</u> | <u>558</u> | <u>558</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Culture and recreation: | | | | |
| Contractual services | 24,200 | 1,200 | 350 | 850 |
| Materials and supplies | - | 23,000 | 8,125 | 14,875 |
| Total expenditures | <u>24,200</u> | <u>24,200</u> | <u>8,475</u> | <u>15,725</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(24,200)</u> | <u>(24,200)</u> | <u>(7,917)</u> | <u>16,283</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 5,000 | 5,000 | 5,000 | - |
| Total other financing sources and uses | <u>5,000</u> | <u>5,000</u> | <u>5,000</u> | <u>-</u> |
| Net change in fund balance | <u>(19,200)</u> | <u>(19,200)</u> | <u>(2,917)</u> | <u>16,283</u> |
| Fund balance - beginning of year | <u>19,200</u> | <u>19,200</u> | <u>15,503</u> | <u>(3,697)</u> |
| Fund balance - end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 12,586</u> | <u>\$ 12,586</u> |

City of Casa Grande, Arizona
Redevelopment/Downtown Revitalization Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|-------------------------|-------------------------|----------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Local taxes | \$ 140,000 | \$ 140,000 | \$ 299,818 | \$ 159,818 |
| Investment earnings | 15,000 | 15,000 | 82,323 | 67,323 |
| Rental and sale of city property | 75,000 | 75,000 | 82,683 | 7,683 |
| Total revenues | <u>230,000</u> | <u>230,000</u> | <u>464,824</u> | <u>234,824</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic development: | | | | |
| Contractual services | 110,000 | 125,000 | 21,655 | 103,345 |
| Materials and supplies | 10,000 | 10,000 | - | 10,000 |
| Capital outlay | 1,620,000 | 1,605,000 | 54,930 | 1,550,070 |
| Total expenditures | <u>1,740,000</u> | <u>1,740,000</u> | <u>76,585</u> | <u>1,663,415</u> |
| Excess (deficiency) of revenues over (under) expenditures | (1,510,000) | (1,510,000) | 388,239 | 1,898,239 |
| Fund balance - beginning of year | <u>1,510,000</u> | <u>1,510,000</u> | <u>1,547,592</u> | <u>37,592</u> |
| Fund balance - end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,935,831</u> | <u>\$ 1,935,831</u> |

City of Casa Grande, Arizona
Promotion and Tourism Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|------------------|----------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Local taxes | \$ 85,000 | \$ 100,000 | \$ 183,251 | \$ 83,251 |
| Investment earnings | - | - | 2,585 | 2,585 |
| Total revenues | 85,000 | 100,000 | 185,836 | 85,836 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 85,000 | 100,000 | 100,000 | - |
| Total expenditures | 85,000 | 100,000 | 100,000 | - |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 85,836 | 85,836 |
| Fund balance - beginning of year | - | - | 54,358 | 54,358 |
| Fund balance - end of year | \$ - | \$ - | \$ 140,194 | \$ 140,194 |

City of Casa Grande, Arizona
Court Enhancement/Probationary Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|------------------|----------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 8,000 | \$ 8,000 | \$ 19,655 | \$ 11,655 |
| Charges for services | 46,500 | 25,500 | 61,367 | 35,867 |
| Investment earnings | 1,700 | 1,700 | 3,033 | 1,333 |
| Total revenues | 56,200 | 35,200 | 84,055 | 48,855 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety: | | | | |
| Contractual services | 62,200 | 100,000 | - | 100,000 |
| Capital outlay | 400,000 | 379,000 | - | 379,000 |
| Total expenditures | 462,200 | 479,000 | - | 479,000 |
| Excess (deficiency) of revenues over (under) expenditures | (406,000) | (443,800) | 84,055 | 527,855 |
| Fund balance - beginning of year | 406,000 | 443,800 | 261,015 | (182,785) |
| Fund balance - end of year | \$ - | \$ - | \$ 345,070 | \$ 345,070 |

City of Casa Grande, Arizona
Housing Application and Development Fees Special Revenue Funds
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|------------------|----------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Charges for service | \$ 250,000 | \$ 250,000 | \$ 29,082 | \$ (220,918) |
| Intergovernmental | 550,000 | 550,000 | 228,484 | (321,516) |
| Investment earnings | - | - | 8,611 | 8,611 |
| Loan fees | - | - | 1,065 | 1,065 |
| Total revenues | 800,000 | 800,000 | 267,242 | (532,758) |
| EXPENDITURES | | | | |
| Current: | | | | |
| Economic development: | | | | |
| Personal services | 50,000 | 46,300 | 2,823 | 43,477 |
| Contractual services | 750,000 | 736,000 | 544,694 | 191,306 |
| Materials and supplies | - | 600 | 507 | 93 |
| Capital outlay | | 17,100 | 17,056 | 44 |
| Total expenditures | 800,000 | 800,000 | 565,080 | 234,920 |
| Excess (deficiency) of revenues over (under) expenditures | - | - | (297,838) | (297,838) |
| Fund balance - beginning of year | - | - | 291,720 | 291,720 |
| Fund balance - end of year | \$ - | \$ - | \$ (6,118) | \$ (6,118) |

City of Casa Grande, Arizona
Public Safety Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with</u> |
|--|-------------------------|---------------|-----------------------|--|
| | <u>Original</u> | <u>Final</u> | | <u>Final Budget- Positive (Negative)</u> |
| REVENUES | | | | |
| Investment earnings | \$ 200 | \$ 200 | \$ 1,092 | \$ 892 |
| Contributions | 9,800 | 12,600 | 19,693 | 7,093 |
| Total revenues | 10,000 | 12,800 | 20,785 | 7,985 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public safety activities | 10,000 | 24,800 | 15,663 | 9,137 |
| Total expenditures | 10,000 | 24,800 | 15,663 | 9,137 |
| Excess (deficiency) of revenues over (under) expenditures | - | (12,000) | 5,122 | 17,122 |
| Fund balance - beginning of year | - | 12,000 | 26,198 | 14,198 |
| Fund balance - end of year | \$ - | \$ - | \$ 31,320 | \$ 31,320 |

City of Casa Grande, Arizona
Redevelopment Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|-------------------------|-----------------------|-------------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Total revenues | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Contractual services | 3,100 | 2,700 | 2,700 | - |
| Debt service: | | | | |
| Principal | 167,400 | 175,200 | 175,000 | 200 |
| Interest and fiscal charges | 139,500 | 132,100 | 128,690 | 3,410 |
| Total expenditures | <u>310,000</u> | <u>310,000</u> | <u>306,390</u> | <u>3,610</u> |
| | | | | |
| Excess (deficiency) of revenues over (under) expenditures | <u>(310,000)</u> | <u>(310,000)</u> | <u>(306,390)</u> | <u>3,610</u> |
| | | | | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 310,000 | 310,000 | 310,000 | - |
| Total other financing sources and uses | <u>310,000</u> | <u>310,000</u> | <u>310,000</u> | <u>-</u> |
| Net change in fund balance | <u>-</u> | <u>-</u> | <u>3,610</u> | <u>3,610</u> |
| Fund balance - beginning of year | <u>-</u> | <u>-</u> | <u>107</u> | <u>107</u> |
| Fund balance - end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 3,717</u></u> | <u><u>\$ 3,717</u></u> |

City of Casa Grande, Arizona
Recreation Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|------------------|----------------|---------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Local taxes | \$ 430,000 | \$ 430,000 | \$ 877,871 | \$ 447,871 |
| Investment earnings | - | - | 77,829 | 77,829 |
| Total revenues | 430,000 | 430,000 | 955,700 | 525,700 |
| EXPENDITURES | | | | |
| Current: | | | | |
| Contractual services | 4,300 | - | - | - |
| Debt Service: | | | | |
| Principal retirement | 232,200 | 275,000 | 275,000 | - |
| Interest | 193,500 | 155,000 | 154,435 | 565 |
| Total expenditures | 430,000 | 430,000 | 429,435 | 565 |
| Excess (deficiency) of revenues over (under) expenditures | - | - | 526,265 | 526,265 |
| Fund balance - beginning of year | - | - | 1,482,102 | 1,482,102 |
| Fund balance - end of year | \$ - | \$ - | \$ 2,008,367 | \$ 2,008,367 |

City of Casa Grande, Arizona
Recreation Improvements Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|-------------------------|--------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Investment earnings | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Contractual services | - | - | - | - |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of revenues over (under) expenditures | - | - | - | - |
| Fund balance - beginning of year | - | - | 1,156 | 1,156 |
| Fund balance - end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,156</u> | <u>\$ 1,156</u> |

City of Casa Grande, Arizona
Airport Improvement Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|--|-------------------------|--------------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Intergovernmental revenues | \$ 500,000 | \$ 500,000 | \$ 284,691 | \$ (215,309) |
| Total revenues | 500,000 | 500,000 | 284,691 | (215,309) |
| EXPENDITURES | | | | |
| Capital outlay | 1,500,000 | 2,244,400 | 2,244,292 | 108 |
| Total expenditures | 1,500,000 | 2,244,400 | 2,244,292 | 108 |
| Excess (deficiency) of revenues over (under) expenditures | (1,000,000) | (1,744,400) | (1,959,601) | (215,201) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 1,000,000 | 1,744,400 | 1,808,473 | 64,073 |
| Total other financing sources and uses | 1,000,000 | 1,744,400 | 1,808,473 | 64,073 |
| Net change in fund balances | - | - | (151,128) | (151,128) |
| Fund balance - beginning of year | - | - | 198,067 | 198,067 |
| Fund balance - end of year | \$ - | \$ - | \$ 46,939 | \$ 46,939 |

City of Casa Grande, Arizona
Copper Mountain Ranch Water Enterprise Fund
Schedule of Operations - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget- Positive (Negative) |
|---|-------------------------|-----------------|---------------------------|--|
| | <u>Original</u> | <u>Final</u> | | (Negative) |
| OPERATING REVENUES: | | | | |
| Service fees | \$ 206,500 | \$ 206,500 | \$ 193,909 | \$ (12,591) |
| Total operating revenues | 206,500 | 206,500 | 193,909 | (12,591) |
| OPERATING EXPENSES: | | | | |
| Personal services | 52,861 | 52,861 | - | 52,861 |
| Contractual | 44,000 | 39,000 | 19,739 | 19,261 |
| Materials and supplies | 53,100 | 53,100 | 39,699 | 13,401 |
| Depreciation | 160,000 | 160,000 | 50,713 | 109,287 |
| Total operating expenses | 309,961 | 304,961 | 110,151 | 194,810 |
| Operating Income | (103,461) | (98,461) | 83,758 | 182,219 |
| NONOPERATING REVENUE (EXPENSES): | | | | |
| Interest expense | (15,161) | (5,612) | (5,448) | 164 |
| Total nonoperating revenue (expense) | (15,161) | (5,612) | (5,448) | 164 |
| Income (loss) before transfers | (118,622) | (104,073) | 78,310 | 182,383 |
| Transfers out | (21,900) | (21,900) | (21,900) | - |
| Net change in net assets | (140,522) | (125,973) | 56,410 | 182,383 |
| Net Assets - beginning of year | 140,522 | 125,973 | 1,258,036 | 1,132,063 |
| Net Assets - end of year | \$ - | \$ - | \$ 1,314,446 | \$ 1,314,446 |

City of Casa Grande, Arizona
Wastewater Enterprise Fund
Schedule of Operations - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|---|-------------------------|-------------------------|-----------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| OPERATING REVENUES: | | | | |
| Service fees | \$ 2,334,645 | \$ 3,885,345 | \$ 2,591,660 | \$ (1,293,685) |
| Connection fees | 130,489 | 130,489 | 167,049 | 36,560 |
| Miscellaneous | 28,418 | 1,058,418 | 54,337 | (1,004,081) |
| Total operating revenues | <u>2,493,552</u> | <u>5,074,252</u> | <u>2,813,046</u> | <u>(2,261,206)</u> |
| OPERATING EXPENSES: | | | | |
| Personal services | 741,812 | 741,812 | 630,037 | 111,775 |
| Contractual | 692,851 | 1,964,551 | 1,730,864 | 233,687 |
| Materials and supplies | 828,000 | 828,000 | 818,602 | 9,398 |
| Depreciation | 244,000 | 1,560,800 | 1,557,392 | 3,408 |
| Total operating expenses | <u>2,506,663</u> | <u>5,095,163</u> | <u>4,736,895</u> | <u>358,268</u> |
| Operating Income | <u>(13,111)</u> | <u>(20,911)</u> | <u>(1,923,849)</u> | <u>(1,902,938)</u> |
| NONOPERATING REVENUE (EXPENSES): | | | | |
| Interest income | 55,000 | 55,000 | 403,414 | 348,414 |
| Interest expense | (1,278,769) | (1,270,969) | (676,436) | 594,533 |
| City sales tax | 1,170,180 | 1,170,180 | 2,110,364 | 940,184 |
| Total nonoperating revenue (expense) | <u>(53,589)</u> | <u>(45,789)</u> | <u>1,837,342</u> | <u>1,883,131</u> |
| Income (loss) before contributions and transfers | <u>(66,700)</u> | <u>(66,700)</u> | <u>(86,507)</u> | <u>(19,807)</u> |
| Capital contributions | - | - | 2,129,515 | 2,129,515 |
| Transfers out | (153,300) | (153,300) | (153,300) | - |
| Net change in net assets | <u>(220,000)</u> | <u>(220,000)</u> | <u>1,889,708</u> | <u>2,109,708</u> |
| Net Assets - beginning of year | <u>220,000</u> | <u>220,000</u> | <u>32,771,829</u> | <u>32,551,829</u> |
| Net Assets - end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 34,661,537</u> | <u>\$ 34,661,537</u> |

City of Casa Grande, Arizona
Wastewater Development Fees Enterprise Fund
Schedule of Operations - Budget and Actual
For the Year Ended June 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|---------------------------------------|------------------|-----------------|----------------------|--|
| | Original | Final | | |
| OPERATING REVENUES: | | | | |
| Connection fees | \$ 3,100,000 | \$ 519,300 | \$ 3,242,898 | \$ 2,723,598 |
| Total operating revenues | 3,100,000 | 519,300 | 3,242,898 | 2,723,598 |
| OPERATING EXPENSES: | | | | |
| Depreciation | 3,125,000 | 544,300 | - | 544,300 |
| Total operating expenses | 3,125,000 | 544,300 | - | 544,300 |
| Operating Income | (25,000) | (25,000) | 3,242,898 | 3,267,898 |
| NONOPERATING REVENUE : | | | | |
| Interest income | 25,000 | 25,000 | 658,506 | 633,506 |
| Total nonoperating revenue | 25,000 | 25,000 | 658,506 | 633,506 |
| Net change in net assets | - | - | 3,901,404 | 3,901,404 |
| Net Assets - beginning of year | - | - | 11,539,924 | 11,539,924 |
| Net Assets - end of year | \$ - | \$ - | \$ 15,441,328 | \$ 15,441,328 |

City of Casa Grande, Arizona
Sanitation Enterprise Fund
Schedule of Operations - Budget and Actual
For the Year Ended June 30, 2007

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget- Positive (Negative)</u> |
|---|-------------------------|-------------------------|----------------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| OPERATING REVENUES: | | | | |
| Service fees | \$ 4,856,262 | \$ 4,856,262 | \$ 4,679,330 | \$ (176,932) |
| Recycling revenue | 337,123 | 337,123 | 284,634 | (52,489) |
| Miscellaneous | 4,845 | 4,845 | 10,245 | 5,400 |
| Total operating revenues | <u>5,198,230</u> | <u>5,198,230</u> | <u>4,974,209</u> | <u>(224,021)</u> |
| OPERATING EXPENSES: | | | | |
| Personal services | 2,062,103 | 2,076,303 | 2,056,866 | 19,437 |
| Contractual | 1,703,639 | 1,300,639 | 660,294 | 640,345 |
| Materials and supplies | 531,100 | 627,500 | 627,384 | 116 |
| Depreciation | 200,000 | 592,800 | 414,101 | 178,699 |
| Closure and postclosure costs | - | 154,600 | 129,878 | 24,722 |
| Total operating expenses | <u>4,496,842</u> | <u>4,751,842</u> | <u>3,888,523</u> | <u>863,319</u> |
| Operating Income | <u>701,388</u> | <u>446,388</u> | <u>1,085,686</u> | <u>639,298</u> |
| NONOPERATING REVENUE (EXPENSES): | | | | |
| Interest income | 8,307 | 8,307 | 106,036 | 97,729 |
| Interest expense | (423,035) | (126,651) | (14,259) | 112,392 |
| Total nonoperating revenue (expense) | <u>(414,728)</u> | <u>(118,344)</u> | <u>91,777</u> | <u>210,121</u> |
| Income before transfers | <u>286,660</u> | <u>328,044</u> | <u>1,177,463</u> | <u>849,419</u> |
| Transfers out | 481,600 | (481,600) | (481,600) | - |
| Net change in net assets | <u>768,260</u> | <u>(153,556)</u> | <u>695,863</u> | <u>849,419</u> |
| Net Assets - beginning of year | <u>(768,260)</u> | <u>153,556</u> | <u>1,710,665</u> | <u>1,557,109</u> |
| Net Assets - end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,406,528</u> | <u>\$ 2,406,528</u> |

City of Casa Grande, Arizona
Golf Course Enterprise Fund
Schedule of Operations - Budget and Actual
For the Year Ended June 30, 2007

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|---------------------------------------|------------------|------------------|-------------------|--|
| | Original | Final | | |
| OPERATING REVENUES: | | | | |
| Rental | \$ 183,793 | \$ 183,793 | \$ 217,405 | \$ 33,612 |
| Green fees | 776,676 | 776,676 | 567,578 | (209,098) |
| Miscellaneous | 1,600 | (1,600) | 8,829 | 10,429 |
| Total operating revenues | 962,069 | 958,869 | 793,812 | (165,057) |
| OPERATING EXPENSES: | | | | |
| Personal services | 515,682 | 531,282 | 531,238 | 44 |
| Contractual | 55,600 | 76,900 | 49,624 | 27,276 |
| Materials and supplies | 541,800 | 504,900 | 484,924 | 19,976 |
| Depreciation | 64,500 | 64,500 | 42,156 | 22,344 |
| Total operating expenses | 1,177,582 | 1,177,582 | 1,107,942 | 69,640 |
| Operating Income | (215,513) | (218,713) | (314,130) | (95,417) |
| NONOPERATING REVENUE: | | | | |
| City sales tax | 8,513 | 8,513 | 13,673 | 5,160 |
| Total nonoperating revenue | 8,513 | 8,513 | 13,673 | 5,160 |
| Income (loss) before transfers | (207,000) | (210,200) | (300,457) | (90,257) |
| Transfers in | 300,000 | 300,000 | 300,000 | - |
| Transfers out | (93,000) | (93,000) | (93,000) | - |
| Net change in net assets | - | (3,200) | (93,457) | (90,257) |
| Net assets - beginning of year | - | 3,200 | 481,581 | 478,381 |
| Net assets - end of year | \$ - | \$ - | \$ 388,124 | \$ 388,124 |

City of Casa Grande, Arizona
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source
June 30, 2007

| | |
|---|-----------------------|
| Governmental funds capital assets: | |
| Land and construction in progress | \$ 9,979,193 |
| Buildings | 14,407,063 |
| Improvements other than buildings | 153,686,716 |
| Heavy machinery and equipment | 1,396,862 |
| Operational equipment | <u>12,462,712</u> |
| Total governmental funds capital assets | <u>\$ 191,932,546</u> |
| Investments in governmental funds capital assets by source: | |
| General obligation bonds | \$ 459,863 |
| Grants | 1,529,993 |
| General Fund revenues | 11,717,784 |
| Special Revenue Fund revenues | 89,298,641 |
| Capital Project Funds | 17,441,858 |
| Gifts and donations | <u>71,484,407</u> |
| Total investments in governmental funds capital assets | <u>\$ 191,932,546</u> |

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Casa Grande, Arizona
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2007

| Function and Activity | Land and Buildings | Improvements Other Than Buildings | Machinery and Equipment | Total |
|------------------------|-----------------------------|---|-------------------------------|-----------------------------|
| General government | \$ 1,650,154 | \$ 145,632 | \$ 484,460 | \$ 2,280,246 |
| Public safety | 2,068,499 | 703,921 | 7,426,287 | 10,198,707 |
| Streets/Transportation | 3,318,663 | 141,181,815 | 4,542,843 | 149,043,321 |
| Public works | 959,626 | 402,767 | 283,532 | 1,645,925 |
| Culture and recreation | 3,519,570 | 6,452,733 | 2,402,947 | 12,375,250 |
| Economic development | <u>8,968,273</u> | <u>6,675,824</u> | <u>745,000</u> | <u>16,389,097</u> |
| Total | <u>\$ 20,484,785</u> | <u>\$ 155,562,692</u> | <u>\$ 15,885,069</u> | <u>\$191,932,546</u> |

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Casa Grande, Arizona
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2007

| <u>Function and Activity</u> | <u>General Capital Assets June 30, 2006</u> | <u>Additions</u> | <u>Disposals</u> | <u>General Capital Assets June 30, 2007</u> |
|------------------------------|---|-----------------------------|----------------------------|---|
| General government | \$ 2,062,146 | \$ 218,100 | | \$ 2,280,246 |
| Public safety | 7,856,844 | 2,821,968 | (480,105) | 10,198,707 |
| Streets/Transportation | 71,913,775 | 77,252,546 | (123,000) | 149,043,321 |
| Public works | 1,628,316 | 17,609 | - | 1,645,925 |
| Culture and recreation | 12,096,188 | 290,192 | (11,130) | 12,375,250 |
| Economic development | 15,282,831 | 1,174,151 | (67,885) | 16,389,097 |
| Total | <u>\$ 110,840,100</u> | <u>\$ 81,774,566</u> | <u>\$ (682,120)</u> | <u>\$ 191,932,546</u> |

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Casa Grande, Arizona
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

| | <u>Grant Number</u> | <u>Federal CFDA Number</u> | <u>Expenditures</u> |
|---|-------------------------|------------------------------------|----------------------------|
| U.S. Department of Housing and Urban Development: | | | |
| Passed through Arizona Department of Commerce: | | | |
| Community Development Block Grant - 2007 | 121-07 | 14.228 | \$ 126,135 |
| Community Development Block Grant - 2007 | 157-07 | 14.228 | 90,000 |
| Community Development Block Grant - 2006 | 164-06 | 14.228 | 214,530 |
| Community Development Block Grant - 2006 | 142-06 | 14.228 | 246,093 |
| HOME - 2006 | 302-06 | 14.239 | 599,213 * |
| Rural Housing and Economic Development | 567-05 | 14.250 | 189,853 |
| Total Department of Housing and Urban Development | | | <u>1,465,824</u> |
| U.S. Department of Agriculture: | | | |
| Self Help Housing Technical Assistance Grant | 10 | 10.420 | 298,781 |
| State Administrative Matching Grants for Food Stamp Program | 461200 | 10.561 | 7,501 |
| Total Department of Agriculture | | | <u>306,282</u> |
| U.S. Department of Health & Human Services | | | |
| Passed through Pinal-Gila Council for Senior Citizens: | | | |
| Special Programs for the Aging | 5-237 | 93.044 | 15,901 |
| Special Programs for the Aging | 5-237 | 93.045 | 62,510 |
| Social Services Block Grant | 5-237 | 93.667 | 12,791 |
| Nutritional Services Incentive Program | 5-237 | 93.053 | 20,049 |
| Total Department of Health & Human Services | | | <u>111,251</u> |
| U.S. Department of Justice: | | | |
| JAG Grant | 2005-DJBX0880 | 16.592 | 3,276 |
| Bulletproof Vest Grant | 2006BUBX | 16.607 | 5,349 |
| Local Law Enforcement Block Grant | 2006-DJBX1098 | 16.592 | 5,185 |
| Total Department of Justice | | | <u>13,810</u> |
| U.S. Department of Transportation: | | | |
| FAA Airport Grant | 3-04-0007-07 | 20.106 | 133,577 |
| FAA Airport Grant | 3-04-0007-08 | 20.106 | 113,986 |
| FAA Airport Grant | 3-04-0007-10-2006 | 20.106 | 8,482 |
| FAA Airport Grant | 3-04-0007-11 | 20.106 | 96,170 |
| Total Department of Transportation | | | <u>352,215</u> |
| U.S. Department of Homeland Security | | | |
| Passed through Arizona Division of Emergency Management | 2004-GE-T4-0051 | 97.004 | 265,305 * |
| Total Federal Financial Assistance and Expenditures of Federal Awards | | | <u><u>\$ 2,514,687</u></u> |

*Denotes major program

City of Casa Grande
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

NOTE 1 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Casa Grande and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.



STATISTICAL SECTION

Statistical Section

This part of the City of Casa Grande's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health.

| <u>Contents</u> | <u>Page</u> |
|--|-------------|
| Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time. | 104 |
| Revenue Capacity These schedules contain information to help the reader assess the factors affecting the City's ability to generate its sales and property taxes. | 111 |
| Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. | 113 |
| Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments. | 119 |
| Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs. | 121 |

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Schedule 1
City of Casa Grande, Arizona
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)

| | June 30 | | | | |
|---|----------------------|----------------------|----------------------|-----------------------|-----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Governmental activities | | | | | |
| Invested in capital assets, net of related debt | \$ 21,646,269 | \$ 24,413,490 | \$ 28,136,615 | \$ 74,265,031 | \$ 121,397,151 |
| Restricted | 7,492,999 | 13,846,429 | 25,705,254 | 39,505,454 | 61,600,770 |
| Unrestricted | 3,935,234 | 5,857,139 | 10,880,929 | 17,574,060 | 24,880,238 |
| Total governmental activities net assets | <u>\$ 33,074,502</u> | <u>\$ 44,117,058</u> | <u>\$ 64,722,798</u> | <u>\$ 131,344,545</u> | <u>\$ 207,878,159</u> |
| Business-type activities | | | | | |
| Invested in capital assets, net of related debt | \$ 15,329,786 | \$ 9,650,425 | \$ 19,179,454 | \$ 27,728,464 | \$ 29,545,366 |
| Restricted | 1,983,310 | 11,289,359 | 7,202,857 | 11,541,534 | 15,292,233 |
| Unrestricted | 97,231 | 1,030,876 | 4,985,723 | 8,492,036 | 9,374,364 |
| Total business-type activities net assets | <u>\$ 17,410,327</u> | <u>\$ 21,970,660</u> | <u>\$ 31,368,034</u> | <u>\$ 47,762,034</u> | <u>\$ 54,211,963</u> |
| Primary government | | | | | |
| Invested in capital assets, net of related debt | \$ 36,976,055 | \$ 34,063,915 | \$ 47,316,069 | \$ 101,993,495 | \$ 150,942,517 |
| Restricted | 9,476,309 | 25,135,788 | 32,908,111 | 51,046,988 | 76,893,003 |
| Unrestricted | 4,032,465 | 6,888,015 | 15,866,652 | 26,066,096 | 34,254,602 |
| Total primary government net assets | <u>\$ 50,484,829</u> | <u>\$ 66,087,718</u> | <u>\$ 96,090,832</u> | <u>\$ 179,106,579</u> | <u>\$ 262,090,122</u> |

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Schedule 2
City of Casa Grande, Arizona
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

| | June 30 | | | | |
|---|-----------------------|------------------------|-----------------------|-------------------------|-------------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Governmental Activities: | | | | | |
| Expenses | | | | | |
| General government | \$ 3,627,359 | \$ 4,117,835 | \$ 4,100,221 | \$ 4,463,957 | \$ 5,196,569 |
| Public safety | 9,888,543 | 10,732,674 | 11,789,718 | 13,504,033 | 14,765,435 |
| Streets/Transportation | 2,702,484 | 2,942,777 | 3,437,830 | 5,486,251 | 9,650,354 |
| Public works | 697,449 | 765,497 | 778,974 | 1,868,890 | 2,144,675 |
| Culture and recreation | 3,778,926 | 4,078,279 | 4,147,490 | 4,978,247 | 5,247,404 |
| Economic development | 2,289,429 | 2,422,140 | 2,716,784 | 4,468,076 | 5,564,781 |
| Interest on long-term debt | 540,921 | 499,031 | 477,956 | 500,879 | 610,630 |
| Total expenses | 23,525,111 | 25,558,233 | 27,448,973 | 35,270,333 | 43,179,848 |
| Program Revenues | | | | | |
| Charges for services: | | | | | |
| General government | 102,276 | 113,317 | 109,340 | 119,514 | 133,192 |
| Public safety | 823,583 | 810,216 | 904,202 | 984,555 | 1,091,960 |
| Streets/Transportation | 142,848 | 424,308 | 505,948 | 832,940 | 996,571 |
| Public works | 28,440 | 11,632 | 2,273,085 | 84,424 | 33,994 |
| Culture and recreation | 303,358 | 288,714 | 285,592 | 340,272 | 328,163 |
| Development fees | 1,511,684 | 2,139,152 | 4,667,542 | 11,353,338 [¶] | 13,115,223 [¶] |
| Building permits | 959,975 | 1,263,355 | 2,017,707 | 3,468,682 [¶] | 2,580,633 [¶] |
| Development and engineering | 583,532 | 430,876 | 1,876,291 | 3,357,825 [¶] | 2,456,074 [¶] |
| Other economic development | 213,613 | 572,326 | 795,721 | 1,282,294 | 863,185 |
| Operating grants and contributions | 4,584,394 | 4,993,835 | 5,834,031 | 7,866,501 | 9,066,924 |
| Capital grants and contributions | 4,312,801 | 4,199,412 | 6,372,598 | 43,675,183 | 14,852,514 |
| Total program revenues | 13,566,504 | 15,247,143 | 25,642,057 | 73,365,528 | 45,518,433 |
| Total Governmental Activities Net Program Expense | \$ (9,958,607) | \$ (10,311,090) | \$ (1,806,916) | \$ 38,095,195 | \$ 2,338,585 |
| General Revenues and Other Changes in Net Assets | | | | | |
| Property taxes | 1,536,606 | 1,799,803 | 2,333,638 | 2,401,386 | 2,475,296 |
| Sales taxes | 9,477,906 | 10,573,489 | 12,094,301 | 14,973,622 | 22,708,648 |
| Franchise taxes | 850,839 | 899,604 | 954,853 | 1,236,366 | 1,511,751 |
| Shared revenues: | | | | | |
| State sales taxes | 1,972,714 | 2,122,100 | 2,336,759 | 2,721,554 | 3,086,185 |
| Urban revenue sharing | 2,650,450 | 2,278,117 | 2,345,507 | 2,728,207 | 3,760,034 |
| Auto-in-lieu | 999,433 | 1,189,494 | 1,221,188 | 1,585,116 | 2,032,801 |
| Investment earnings | (163,059) | 124,545 | 466,925 | 1,508,717 | 3,222,176 |
| Gain on sales of assets | 221,721 | (77,414) | 414,900 | 660,798 | 1,846,201 |
| Miscellaneous | 200,444 | 277,201 | 145,585 | 361,586 | 274,310 |
| Transfers | (26,617) | 1,341,083 | 99,000 | 349,200 | 449,800 |
| Total general revenues and other changes in net assets | 17,720,437 | 20,528,022 | 22,412,656 | 28,526,552 | 41,367,202 |
| Total Governmental Activities Change in Net Assets | \$ 7,761,830 | \$ 10,216,932 | \$ 20,605,740 | \$ 66,621,747 | \$ 43,705,787 |

Note: The City began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

Schedule 3
City of Casa Grande, Arizona
Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

| | June 30 | | | | |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| | 2003 | 2004 | 2005 | 2006 | 2007 |
| Business-type Activities: | | | | | |
| Expenses | | | | | |
| Water | \$ 197,109 | \$ 142,327 | \$ 158,397 | \$ 98,048 | \$ 115,599 |
| Golf course | 698,909 | 716,703 | 844,434 | 928,321 | 1,107,942 |
| Wastewater | 2,465,665 | 2,981,091 | 2,487,685 | 3,138,128 | 5,413,331 |
| Sanitation | 2,638,820 | 2,797,052 | 3,148,693 | 3,538,650 | 3,902,782 |
| Total expenses | <u>6,000,503</u> | <u>6,637,173</u> | <u>6,639,209</u> | <u>7,703,147</u> | <u>10,539,654</u> |
| Revenues | | | | | |
| Charges for services: | | | | | |
| Water | 194,782 | 193,006 | 186,225 | 197,834 | 193,909 |
| Golf course | 420,799 | 433,686 | 584,429 | 781,464 | 784,983 |
| Wastewater | 2,767,417 | 3,703,613 | 7,618,055 | 7,533,801 | 6,001,607 |
| Sanitation | 2,687,498 | 3,056,414 | 3,804,163 | 4,571,127 | 4,963,964 |
| Sales taxes | 1,681,957 | 1,885,485 | 2,150,452 | 2,676,631 | 2,124,036 |
| Investment earnings | (77,534) | 88,214 | 183,584 | 635,533 | 1,167,957 |
| Miscellaneous | 7,157 | 1,895,607 | 47,086 | 58,502 | 73,411 |
| Capital grants and contributions | 1,099,166 | 1,136,713 | 1,561,589 | 7,991,457 | 2,129,515 |
| Total revenues | <u>8,781,242</u> | <u>12,392,738</u> | <u>16,135,583</u> | <u>24,446,349</u> | <u>17,439,382</u> |
| Total Business-type Activities Net Program Expense | <u>\$ 2,780,739</u> | <u>\$ 5,755,565</u> | <u>\$ 9,496,374</u> | <u>\$ 16,743,202</u> | <u>\$ 6,899,728</u> |
| Other Changes in Net Assets | | | | | |
| Transfers | 26,617 | (1,341,083) | (99,000) | (349,200) | (449,800) |
| Total Business-type Activities Change in Net Assets | <u>\$ 2,807,356</u> | <u>\$ 4,414,482</u> | <u>\$ 9,397,374</u> | <u>\$ 16,394,002</u> | <u>\$ 6,449,928</u> |
| Total Primary Government Change in Net Assets | <u>\$ 10,569,186</u> | <u>\$ 14,631,414</u> | <u>\$ 30,003,114</u> | <u>\$ 83,015,749</u> | <u>\$ 50,155,715</u> |

Schedule 4
City of Casa Grande, Arizona
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | 1998 | 1999 | Fiscal Year 2000 | 2001 | 2002 |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | | |
| Reserved | \$ 74,769 | \$ 110,897 | \$ 139,262 | \$ 143,871 | \$ 176,526 |
| Unreserved | 2,451,559 | 3,964,937 | 4,915,566 | 4,422,980 | 3,338,675 |
| Total general fund | <u>\$ 2,526,328</u> | <u>\$ 4,075,834</u> | <u>\$ 5,054,828</u> | <u>\$ 4,566,851</u> | <u>\$ 3,515,201</u> |
| All Other Governmental Funds | | | | | |
| Reserved | \$ 1,560,637 | \$ 6,795,532 | \$ 4,096,314 | \$ 2,186,274 | \$ 2,311,916 |
| Unreserved, reported in: | | | | | |
| Special revenue funds | 4,817,397 | 2,624,407 | 3,181,985 | 2,761,029 | 3,758,330 |
| Capital projects funds | 218,851 | 44,043 | 539,713 | 1,406,775 | 1,214,043 |
| Total all other governmental funds | <u>\$ 6,596,885</u> | <u>\$ 9,463,982</u> | <u>\$ 7,818,012</u> | <u>\$ 6,354,078</u> | <u>\$ 7,284,289</u> |

| <u>2003</u> | <u>2004</u> | Fiscal Year <u>2005</u> | <u>2006</u> | <u>2007</u> |
|--------------------|---------------------|----------------------------|---------------------|---------------------|
| \$ 486,826 | \$ 801,965 | \$ 1,115,310 | \$ 1,476,273 | \$ 1,959,234 |
| <u>3,823,320</u> | <u>6,343,317</u> | <u>11,150,642</u> | <u>17,796,454</u> | <u>25,521,015</u> |
| <u>\$4,310,146</u> | <u>\$ 7,145,282</u> | <u>\$12,265,952</u> | <u>\$19,272,727</u> | <u>\$27,480,249</u> |
| | | | | |
| \$ 2,341,307 | \$ 2,368,606 | \$ 6,252,078 | \$ 4,250,108 | \$ 4,413,184 |
| 4,328,235 | 9,013,364 | 15,594,386 | 28,612,756 | 43,633,806 |
| <u>372,078</u> | <u>1,066,167</u> | <u>2,479,265</u> | <u>5,365,147</u> | <u>10,701,962</u> |
| <u>\$7,041,620</u> | <u>\$12,448,137</u> | <u>\$24,325,729</u> | <u>\$38,228,011</u> | <u>\$58,748,952</u> |

Schedule 5
City of Casa Grande, Arizona
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

| | Fiscal Year | | | | |
|--|---------------------|---------------------|---------------------|-----------------------|---------------------|
| | 1998 | 1999 | 2000 | 2001 | 2002 |
| Revenues | | | | | |
| Taxes | \$ 7,368,958 | \$ 8,207,129 | \$ 9,647,104 | \$ 10,500,552 | \$ 10,565,836 |
| Licenses and permits | 389,569 | 698,453 | 644,487 | 895,927 | 801,910 |
| Intergovernmental revenues | 7,719,748 | 8,947,070 | 9,361,703 | 11,303,184 | 10,763,681 |
| Charges for services | 432,094 | 877,478 | 760,096 | 974,559 | 1,578,990 |
| Fines | 667,303 | 827,765 | 772,079 | 628,857 | 801,690 |
| Special assessments | 433,972 | 242,998 | 588,862 | 309,163 | 244,872 |
| Investment earnings | 405,490 | 376,637 | 649,120 | 565,660 | 233,207 |
| Rental and sale of city property | 155,228 | 104,288 | 288,542 | 418,879 | 405,717 |
| Other revenues | 242,448 | 384,429 | 216,622 | 352,902 | 231,348 |
| Total revenues | 17,814,810 | 20,666,247 | 22,928,615 | 25,949,683 | 25,627,251 |
| Expenditures | | | | | |
| General government | 2,615,082 | 2,750,694 | 2,753,142 | 3,348,830 | 3,689,262 |
| Public safety | 6,451,991 | 6,831,027 | 7,502,776 | 8,237,440 | 9,639,754 |
| Streets/Transportation | 1,478,014 | 1,221,041 | 1,446,023 | 1,956,566 | 1,798,580 |
| Public works | 472,821 | 460,161 | 797,824 | 766,460 | 777,291 |
| Culture and recreation | 2,220,546 | 2,279,233 | 2,669,541 | 3,076,334 | 3,349,200 |
| Planning and economic development | 1,477,070 | 1,788,326 | 1,352,047 | 2,859,626 | 2,238,132 |
| Capital outlay | 3,900,673 | 4,929,355 | 7,716,638 | 6,307,819 | 2,593,601 |
| Debt service | | | | | |
| Principal | 1,350,340 | 1,058,750 | 1,003,291 | 979,300 | 956,448 |
| Interest | 271,536 | 396,383 | 571,129 | 465,622 | 620,054 |
| Total expenditures | 20,238,073 | 21,714,970 | 25,812,411 | 27,997,997 | 25,662,322 |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | 2,691,306 | 844,605 | 1,874,832 | 2,391,189 | 1,010,817 |
| Transfers out | (2,647,806) | (701,105) | (1,659,139) | (2,649,899) | (1,097,185) |
| Capital leases | - | 321,826 | 2,001,127 | 369,137 | - |
| Bond issuance | 3,592,154 | 5,000,000 | - | - | - |
| Bond issuance costs | - | - | - | - | - |
| Sale of land | | | | | |
| Total other financing sources (uses) | 3,635,654 | 5,465,326 | 2,216,820 | 110,427 | (86,368) |
| Net change in fund balances | \$ 1,212,391 | \$ 4,416,603 | \$ (666,976) | \$ (1,937,887) | \$ (121,439) |
| Debt service as a percentage of noncapital expenditures | Not Available* | Not Available* | Not Available* | Not Available* | Not Available* |

*Prior to implementation of GASB 34 in 2003, the Capital outlay number from the CAFR may not include all capital asset purchases.

| Fiscal Year | | | | |
|-------------------|---------------------|----------------------|----------------------|----------------------|
| 2003 | 2004 | 2005 | 2006 | 2007 |
| \$ 11,851,114 | \$ 13,294,993 | \$ 15,388,557 | \$ 18,585,602 | \$ 26,706,698 |
| 1,074,991 | 1,385,080 | 2,156,170 | 3,632,214 | 2,756,899 |
| 10,358,329 | 10,902,234 | 11,911,931 | 15,208,404 | 18,007,273 |
| 2,528,275 | 3,221,772 | 9,853,065 | 16,390,930 | 16,678,803 |
| 690,177 | 677,048 | 739,283 | 734,495 | 826,533 |
| 211,787 | 137,644 | 217,895 | 354,840 | 28,907 |
| (163,059) | 124,545 | 466,925 | 1,508,717 | 3,222,176 |
| 536,538 | 738,198 | 701,633 | 1,071,511 | 1,459,760 |
| 274,985 | 473,864 | 720,093 | 1,198,605 | 720,635 |
| <u>27,363,137</u> | <u>30,955,378</u> | <u>42,155,552</u> | <u>58,685,318</u> | <u>70,407,684</u> |
| 3,641,912 | 4,451,216 | 4,300,175 | 5,230,006 | 5,921,449 |
| 9,499,759 | 10,309,036 | 11,344,629 | 12,957,767 | 14,155,865 |
| 1,987,200 | 1,672,165 | 1,908,050 | 2,168,597 | 2,846,301 |
| 657,785 | 730,486 | 734,391 | 1,650,860 | 2,063,253 |
| 3,352,211 | 3,450,403 | 3,654,964 | 4,446,967 | 4,828,294 |
| 1,871,266 | 1,952,308 | 2,242,438 | 3,914,867 | 4,821,056 |
| 4,472,441 | 1,939,318 | 4,526,914 | 6,149,634 | 8,251,421 |
| 932,344 | 960,801 | 799,546 | 1,206,388 | 882,247 |
| 559,527 | 471,539 | 477,428 | 484,775 | 707,501 |
| <u>26,974,445</u> | <u>25,937,272</u> | <u>29,988,535</u> | <u>38,209,861</u> | <u>44,477,387</u> |
| 1,618,327 | 2,919,819 | 2,686,632 | 5,808,434 | 6,844,898 |
| (1,644,944) | (1,578,736) | (2,530,831) | (5,374,834) | (6,311,098) |
| 150,000 | 1,056,839 | 3,500,000 | - | - |
| - | - | 1,335,000 | - | 455,000 |
| - | - | (159,557) | - | - |
| | | | | 1,809,371 |
| <u>123,383</u> | <u>2,397,922</u> | <u>4,831,244</u> | <u>433,600</u> | <u>2,798,171</u> |
| <u>\$ 512,075</u> | <u>\$ 7,416,028</u> | <u>\$ 16,998,260</u> | <u>\$ 20,909,057</u> | <u>\$ 28,728,468</u> |
| 6.63% | 5.97% | 5.02% | 5.27% | 4.30% |

Schedule 6
City of Casa Grande, Arizona
Sales Tax Revenue by Industry,
Fiscal Years 2007, 2006, 2005 and 2004

| | Fiscal Year 2004 | | Fiscal Year 2005 | | Fiscal Year 2006 | | Fiscal Year 2007 | |
|--|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|
| | Tax Paid | Percentage of Total |
| Construction | \$ 2,267,707 | 18.20% | \$ 2,187,722 | 15.36% | \$ 3,164,234 | 17.93% | \$ 8,405,855 * | 33.85% |
| Manufacture | 355,169 | 2.85% | 497,382 | 3.49% | 599,880 | 3.40% | 624,116 | 2.51% |
| Transportation/Communication/ Utilities | 878,190 | 7.05% | 1,220,019 | 8.56% | 1,470,192 | 8.33% | 1,762,783 | 7.10% |
| Wholesale Trade | 194,389 | 1.56% | 195,610 | 1.37% | 211,865 | 1.20% | 271,980 | 1.10% |
| Retail Trade | 6,190,793 | 49.69% | 7,027,208 | 49.33% | 8,377,108 | 47.46% | 8,778,705 | 35.35% |
| Restaurants/Bars | 703,915 | 5.65% | 923,817 | 6.49% | 1,021,869 | 5.79% | 1,027,918 | 4.14% |
| Insurance/Real Estate | 830,953 | 6.67% | 1,485,089 | 10.43% | 1,732,572 | 9.82% | 2,122,802 | 8.55% |
| Hotels/Lodging | 266,437 | 2.14% | 275,550 | 1.93% | 316,538 | 1.79% | 348,177 | 1.40% |
| Services | 464,107 | 3.73% | 373,228 | 2.62% | 427,755 | 2.42% | 521,470 | 2.10% |
| All Other | 307,314 | 2.47% | 59,128 | 0.42% | 328,240 | 1.86% | 968,878 | 3.90% |
| Total | \$ 12,458,974 | 100.00% | \$ 14,244,753 | 100.00% | \$ 17,650,253 | 100.00% | \$ 24,832,684 | 100.00% |

Source: Arizona State Department of Revenue

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue. Information prior to 2004 is not available.

*Construction sales tax rate changed from 1.8% to 4% effective June 15, 2006

Schedule 7
City of Casa Grande, Arizona
Direct and Overlapping Sales Tax Rates
6/30/2007

| Type of Tax | Rates | | |
|---|-------|-------------------------------|----------|
| | City | State and Pinal County (3) | Combined |
| Privilege tax, except retail, utilities and telecommunication | 1.80% | 6.60% | 8.40% |
| Retail | 2.00% | 6.60% | 8.60% |
| Retail - privilege tax for single item over \$5000 | 1.50% | 6.60% | 8.10% |
| Hotel/Motel | 3.80% | 6.60% | 10.40% |
| Restaurant/Bar | 1.80% | 6.60% | 8.40% |
| Utilities/Telecommunications | 2.00% | 6.60% | 8.60% |
| Construction * | 4.00% | 6.60% | 10.60% |

Sources: City of Casa Grande Finance Department and Arizona Department of Revenue

*Changed from 1.8% effective 6/15/2006

Schedule 8
City of Casa Grande, Arizona
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

| Fiscal Year | Governmental Activities | | | | | |
|-------------|--------------------------|---------------------------------|--------------------------------|--------------------------|----------------|-----------|
| | General Obligation Bonds | Street & Hwy User Revenue Bonds | Excise Tax Revenue Obligations | Special Assessment Bonds | Capital Leases | Mortgages |
| 1998 | - | 785,000 | 5,480,000 | 595,000 | 391,382 | - |
| 1999 | - | 410,000 | 10,280,000 | 280,000 | 463,944 | - |
| 2000 | - | - | 9,870,000 | 1,170,000 | 1,042,071 | 265,000 |
| 2001 | - | - | 9,435,000 | 955,000 | 1,130,019 | 119,472 |
| 2002 | - | - | 8,980,000 | 870,000 | 761,093 | - |
| 2003 | - | - | 8,495,000 | 780,000 | 566,744 | - |
| 2004 | - | - | 8,138,000 | 685,000 | 1,236,062 | - |
| 2005 | 1,335,000 | - | 7,688,583 | 585,000 | 4,485,933 | - |
| 2006 | 1,335,000 | - | 7,217,943 | 480,000 | 4,029,980 | - |
| 2007 | 1,790,000 | - | 6,721,488 | 370,000 | 3,754,188 | - |

Notes: Details regarding the City's outstanding debt can be found in the financial statements.

(a) See Schedule 13 for personal income and population data.
 Personal income is based on Pinal County information.

| Business-type Activities | | | | | |
|---|-------------------|------------------|--------------------------------|---|-------------------|
| Excise Tax Revenue Obligations | Capital Leases | Notes Payable | Total Primary Government | Percentage of Personal Income (a) | Per Capita (a) |
| 9,835,000 | 672,214 | - | 17,758,596 | 4.94% | 794.92 |
| 9,320,000 | 605,180 | - | 21,359,124 | 5.56% | 921.65 |
| 8,785,000 | 638,216 | - | 21,770,287 | 4.84% | 821.83 |
| 8,220,000 | 1,162,818 | - | 21,022,309 | 4.33% | 755.79 |
| 7,625,000 | 787,125 | 203,193 | 19,226,411 | 3.94% | 704.52 |
| 7,005,000 | 459,286 | 178,170 | 17,484,200 | 3.21% | 588.40 |
| 15,926,820 | 404,534 | 178,170 | 26,568,586 | 4.32% | 848.43 |
| 15,426,237 | 593,795 | 177,300 | 30,291,848 | 4.22% | 884.18 |
| 14,911,877 | 408,291 | 168,069 | 28,551,160 | 3.59% | 783.30 |
| 14,388,332 | 295,899 | 158,520 | 27,478,427 | 3.12% | 708.48 |

Schedule 10
City of Casa Grande, Arizona
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Estimated Percentage Applicable</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-----------------------------|--|--|
| Pinal County | \$ 160,420,000 | 14.93% | \$ 23,950,365 |
| School District #4 | 26,245,000 | 67.28% | 17,656,681 |
| School District #82 | 26,335,000 | 54.45% | 14,339,457 |
| Central Arizona Community College | 18,685,000 | 14.21% | 2,654,666 |
| Mission Royale CFD | 1,335,000 | 100.00% | 1,335,000 |
| Villago CFD | 455,000 | 100.00% | <u>455,000</u> |
| Subtotal, overlapping debt | | | 59,936,170 |
| City direct debt | | | <u>10,845,676</u> |
| Total direct and overlapping debt | | | <u><u>\$ 70,781,846</u></u> |

Sources: Assessed value data used to estimate applicable percentages provided by Pinal County Assessor's Office. Debt outstanding data provided by each governmental unit.

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Casa Grande. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of Pinal County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

Schedule 11
City of Casa Grande, Arizona
Legal Debt Margin Information
June 30, 2007

| | | <u>Utility Purpose and Open Space 20%</u> |
|-------------------------|----------------|---|
| Assessed value | \$ 219,790,300 | \$ 43,958,060 |
| General obligation debt | | <u>-</u> |
| Legal debt margin | | <u>\$ 43,958,060</u> |

Note: No retroactive reporting of the legal debt margin is provided because the City has had no general obligation debt since 1997.

Schedule 12
City of Casa Grande, Arizona
Pledged-Revenue Coverage
Last Ten Fiscal Years

| Fiscal Year | Special Assessment Bonds | | | | Excise Tax Revenue Obligations | | | |
|----------------|--------------------------------------|--------------|----------|----------|-------------------------------------|---------------|---------------|----------|
| | Special Assessment Collections | Debt Service | | Coverage | Pledged Revenue Collected (a) | Debt Service | | Coverage |
| | | Principal | Interest | | | Principal | Interest | |
| 1998 | 465,175 | 372,500 | 65,725 | 1.06 | 15,496,416 | Not Available | Not Available | |
| 1999 | 447,993 | 232,500 | 37,553 | 1.66 | 18,037,441 | 715,000 | 865,073 | 11.42 |
| 2000 | 204,394 | 142,500 | 25,320 | 1.22 | 19,967,133 | 945,000 | 1,058,859 | 9.96 |
| 2001 | 308,629 | 215,000 | 37,785 | 1.22 | 23,176,964 | 1,000,000 | 1,010,013 | 11.53 |
| 2002 | 290,054 | 85,000 | 51,570 | 2.12 | 22,402,363 | 1,050,000 | 957,807 | 11.16 |
| 2003 | 174,365 | 90,000 | 56,147 | 1.19 | 23,444,022 [¶] | 1,105,000 | 901,980 | 11.68 |
| 2004 | 137,642 | 95,000 | 42,120 | 1.00 | 25,645,893 [¶] | 1,165,000 | 594,321 | 14.58 |
| 2005 | 217,895 | 100,000 | 36,990 | 1.59 | 29,267,707 | 950,001 | 1,054,202 | 14.60 |
| 2006 | 354,840 | 105,000 | 31,590 | 2.60 | 37,727,237 | 985,000 | 1,022,252 | 18.80 |
| 2007 | 28,907 | 110,000 | 25,920 | 0.21 | 44,984,571 | 1,020,000 | 987,632 | 22.41 |

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) The 1997, 1999 and 2003 revenue obligations are secured by a pledge of and first lien on all excise, transaction, franchise, privilege and business taxes, state shared sales and income taxes, fees for licenses and permits and state revenue sharing which the City presently or in the future validly imposes or receives from other entities.

Schedule 13
City of Casa Grande, Arizona
Demographic and Economic Statistics,
Last Ten Fiscal Years

| Fiscal Year | Population | County Per Capita Personal Income | Total Personal Income | School Enrollment | Unemployment Rate |
|----------------|------------|--|-----------------------------|----------------------|----------------------|
| 1998 | 22,340 | 16,099 | 359,651,660 | 7,079 | 3.80% |
| 1999 | 23,175 | 16,563 | 383,847,525 | 7,241 | 4.00% |
| 2000 | 26,490 | 16,994 | 450,171,060 | 7,442 | 3.90% |
| 2001 | 27,815 | 17,436 | 484,982,340 | 7,680 | 4.20% |
| 2002 | 27,290 | 17,889 | 488,190,810 | 7,784 | 6.80% |
| 2003 | 29,715 | 18,354 | 545,389,110 | 7,895 | 6.20% |
| 2004 | 31,315 | 19,646 | 615,214,490 | 8,120 | 5.00% |
| 2005 | 34,260 | 20,959 | 718,055,340 | 8,930 | 5.20% |
| 2006 | 36,450 | 21,800 | 794,610,000 | 9,049 | 5.10% |
| 2007 | 38,785 | 22,672 | 879,333,520 | 10,290 | 4.30% |

Sources: Population, County Per Capita Income and City Unemployment Rate - Arizona Department of Commerce and Arizona Department of Economic Security. School Enrollment - Casa Grande Elementary and Casa Grande Union High School Districts.

Schedule 14
City of Casa Grande, Arizona
Principal Employers,
Current Year and Seven Years Ago

| Employer | 2007 (a) | | 2000 (b) | |
|--|-----------|-------------------------------------|-----------|-------------------------------------|
| | Employees | Percentage of Total City Employment | Employees | Percentage of Total City Employment |
| Casa Grande Regional Medical Center | 1,000 | 6.00% | 788 | 5.70% |
| Casa Grande Elementary School District | 890 | 5.34% | 625 | 4.52% |
| Wal-Mart Distribution Center | 569 | 3.41% | - | 0.00% |
| Wal-Mart Supermarket | 489 | 2.93% | - | 0.00% |
| Frito-Lay Inc. | 450 | 2.70% | 302 | 2.19% |
| Abbott Laboratories/Ross Products | 425 | 2.55% | 397 | 2.87% |
| Hexcel Corporation | 365 | 2.19% | 562 | 4.07% |
| City of Casa Grande | 379 | 2.27% | 251 | 1.82% |
| Mobile-Mini | 300 | 1.80% | - | 0.00% |
| Palm Harbor Homes | 200 | 1.20% | 200 | 1.45% |
| | 5,067 | 30.39% | 3,125 | 22.62% |

Sources: (a) Casa Grande Valley Economic Development Foundation; various employers; AZ Dept of Economic Security (b) Casa Grande Valley Economic Development Foundation, July 2000; AZ Dept of Economic Security

Note: July, 2000 is the earliest year for which both employer and labor force information are available.

Schedule 15
City of Casa Grande, Arizona
Authorized City Government Employee Positions by Function/Program
Last Ten Fiscal Years

| Fiscal Year | Function/Program | | | | | | Total |
|-------------|--------------------|---------------------------------|-------|------------------------|--------------------------|--------------|--------|
| | General Government | Police, City Attorney and Court | Fire | Culture and Recreation | Planning and Development | Public Works | |
| 1998 | 17.5 | 85.5 | 24 | 37 | 14.75 | 60.5 | 239.25 |
| 1999 | 17.5 | 86.5 | 25 | 37 | 15.75 | 62 | 243.75 |
| 2000 | 22 | 88.5 | 27 | 39 | 15.75 | 61 | 253.25 |
| 2001 | 24.5 | 91.5 | 27 | 43 | 16 | 66 | 268.00 |
| 2002 | 26 | 93.5 | 30 | 43 | 17 | 76 | 285.50 |
| 2003 | 22.75 | 98.5 | 33 | 44 | 17 | 80 | 295.25 |
| 2004 | 23 | 97.5 | 37 | 44 | 17 | 80 | 298.50 |
| 2005 | 24 | 103.5 | 38 | 44 | 19 | 79 | 307.50 |
| 2006 | 26 | 107.5 | 41 | 44 | 22 | 84.25 | 324.75 |
| 2007 | 30 | 123.05 | 54.75 | 48 | 26.5 | 96.25 | 378.55 |

Source: City Budget

Note: Information is based on authorized positions.

Schedule 16
City of Casa Grande, Arizona
Operating Indicators by Function/Program
Last Ten Fiscal Years

| Function/Program | Fiscal Year | | | | | Fiscal Year | | | | |
|--------------------------------------|-------------|---------|---------|---------|---------|-------------|---------|---------|---------|---------|
| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
| General government | | | | | | | | | | |
| Registered voters | 9,973 | 9,987 | 11,441 | 11,441 | 11,441 | 13,685 | 13,685 | 15,919 | 13,239 | 13,946 |
| Votes cast last primary election | 1,741 | 1,307 | 2,367 | 2,367 | 2,367 | 1,242 | 1,242 | 1,428 | 1,428 | 2,364 |
| Fire | | | | | | | | | | |
| Medical support calls | 1,798 | 1,873 | 2,087 | 2,426 | 2,578 | 2,774 | 3,085 | 3,427 | 3,766 | 3,778 |
| Total alarms | 2,540 | 2,790 | 3,128 | 3,281 | 3,447 | 3,697 | 4,136 | 4,557 | 5,137 | 5,194 |
| Inspections/investigations | 479 | 340 | 276 | 415 | 222 | 305 | 524 | 487 | 390 | 986 |
| Public education contacts | 10,643 | 6,661 | 7,501 | 8,582 | 10,018 | 11,386 | 7,344 | 11,764 | 8,884 | 10,164 |
| Police | | | | | | | | | | |
| Calls for service | 28,596 | 26,788 | 26,019 | 27,602 | 29,705 | 33,076 | 37,674 | 38,869 | 39,365 | 42,412 |
| Officer initiated | 104,357 | 98,206 | 59,332 | 63,362 | 71,814 | 68,677 | 69,588 | 69,412 | 69,936 | 72,028 |
| Patrolled miles | 676,328 | 657,807 | 649,745 | 654,370 | 700,884 | 671,030 | 716,138 | 702,062 | 706,375 | 802,935 |
| Traffic accidents | 1,107 | 791 | 817 | 853 | 796 | 886 | 928 | 1,046 | 1,213 | 1,121 |
| Traffic citations | 8,840 | 9,216 | 9,163 | 10,561 | 9,495 | 8,408 | 8,607 | 7,068 | 6,127 | 6,136 |
| Arrests (adult and juvenile) | 3,736 | 4,228 | 4,785 | 4,338 | 4,673 | 4,773 | 4,387 | 4,614 | 4,055 | 3,840 |
| Culture and recreation - library (a) | | | | | | | | | | |
| Items in collections | 100,000 | 95,610 | 94,523 | 99,414 | 100,619 | 100,655 | 90,826 | 86,364 | 73,984 | 74,311 |
| Reference questions | 37,482 | 18,229 | 17,199 | 18,912 | 22,647 | 18,940 | 5,776 | 6,415 | 14,959 | 80,950 |
| Total items circulated | 192,101 | 380,942 | 332,691 | 422,063 | 374,840 | 149,210 | 52,240 | 51,915 | 49,718 | 73,079 |
| Total circulation transactions | 228,876 | 799,622 | 391,308 | 733,582 | 734,852 | 825,000 | 172,391 | 170,875 | 187,063 | 225,043 |
| Economic development | | | | | | | | | | |
| Building permits - commercial | 289 | 274 | 271 | 279 | 256 | 262 | 262 | 273 | 339 | 143 |
| Building permits - residential | 569 | 892 | 1,003 | 1,446 | 1,333 | 1,639 | 1,983 | 2,565 | 3,501 | 1,454 |
| Self-help homes completed | 22 | 20 | 8 | 16 | 24 | 23 | 22 | 6 | 20 | 25 |
| Self-help homes started | 18 | 8 | 16 | 24 | 23 | 15 | 13 | 26 | 27 | 25 |
| Housing rehabilitations | 46 | 12 | 13 | 17 | 13 | 16 | 12 | 9 | 12 | 12 |
| Code enforcement cases | 407 | 303 | 670 | 617 | 675 | 724 | 660 | 1,059 | 1,704 | 984 |
| Planning cases | 72 | 98 | 155 | 78 | 61 | 114 | 161 | 154 | 334 | 193 |

Sources: Various City departments

Note: (a) In 2004 the library implemented a new system that tracks information more accurately.
In 2007 the library changed Reference questions to include information transactions

Schedule 17
City of Casa Grande, Arizona
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

| Function/Program | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Fire stations | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Parks and recreation | | | | | | | | | | |
| Park areas | 25 | 25 | 25 | 25 | 24 | 23 | 24 | 24 | 24 | 25 |
| Parkland acreage | 2,152 | 2,152 | 2,152 | 2,152 | 1,787 | 1,783 | 1,790 | 1,370 | 1,370 | 1,371 |
| Community centers | 2 | 2 | 2 | 3 | 4 | 4 | 4 | 4 | 4 | 4 |
| Golf courses | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Playgrounds | 19 | 19 | 19 | 19 | 19 | 20 | 22 | 22 | 24 | 24 |
| Other maintenance areas | 38 | 38 | 38 | 71 | 85 | 85 | 85 | 85 | 87 | 88 |
| Airport | | | | | | | | | | |
| T-hangers | 22 | 22 | 22 | 22 | 22 | 52 | 52 | 52 | 52 | 52 |
| T-shades | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Public works | | | | | | | | | | |
| Total number of streetlights | 1,283 | 1,315 | 1,336 | 1,525 | 1,638 | 1,638 | 1,893 | 2,011 | 2,217 | 7,130 |
| Miles of streets | 228 | 237 | 243 | 243 | 307 | 307 | 321 | 354 | 375 | 375 |
| Miles of sewer | 153 | 104 | 105 | 108 | 121 | 121 | 145 | 160 | 300 | 375 |
| Number of lift stations | 7 | 7 | 10 | 10 | 10 | 10 | 10 | 10 | 9 | 9 |
| Number of signalized intersections | 18 | 18 | 25 | 26 | 26 | 27 | 27 | 27 | 31 | 31 |

Sources: Various City departments



SINGLE AUDIT REPORTS



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

The Honorable Mayor and Council
City of Casa Grande, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Casa Grande (the "City"), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Casa Grande'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 City'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 City's financial statements that is more than inconsequential will not be prevented or detected by the City of Casa Grande'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 City's internal control.

| | | | |
|--|---|---|--|
| <p>Tempe 2055 E. Warner Road Suite 101 Tempe, AZ 85284-3487 (480) 839-4900 Fax (480) 839-1749</p> | <p>Scottsdale 7098 E. Cochise Road Suite 100 Scottsdale, AZ 85253-4517 (480) 483-1170 Fax (480) 483-7126</p> | <p>Casa Grande 711 E. Cottonwood Lane Suite C Casa Grande, AZ 85222-2725 (520) 836-8201 Fax (520) 426-9432</p> | <p>Pinetop Post Office Box 527 Pinetop, AZ 85935-0527 (928) 367-2591 Fax (928) 367-3501</p> |
|--|---|---|--|

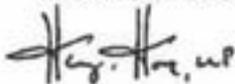
The Honorable Mayor and Council
City of Casa Grande, Arizona
Page Two

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

Compliance and Other Matters

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

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



October 31, 2007

Celebrating 50 Years of Service



HENRY & HORNE, LLP
Certified Public Accountants

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

The Honorable Mayor and Council
City of Casa Grande, Arizona

Compliance

We have audited the compliance of the City of Casa Grande (the City), Arizona with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of Casa Grande, Arizona, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

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The Honorable Mayor and Council
City of Casa Grande, Arizona

Internal Control Over Compliance

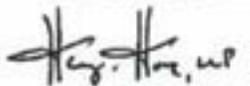
The management of the City of Casa Grande, Arizona is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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


October 31, 2007

CITY OF CASA GRANDE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2007

Summary of Auditors' Results

1. The auditor's report expresses an unqualified opinion on the financial statements of City of Casa Grande.
2. No significant deficiencies relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the City of Casa Grande were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported.
5. The auditor's report on compliance for U.S. Department of Housing and Urban Development-HOME and U.S. Department of Homeland Security expresses an unqualified opinion.
6. The audit disclosed no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include U.S. Department of Housing and Urban Development-HOME (CFDA 14.239) and U.S. Department of Homeland Security (CFDA 97.044).
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. City of Casa Grande qualified as a low-risk auditee.