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City of Casa Grande

September 13, 2005

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

We are pleased to submit to you the fiscal year ended June 30, 2005 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, P.L.C, 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, 2005, 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, 2005, 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, 2005, 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 P.L.C. 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 43). This transmittal letter is designed to complement the MD&A and should be read in conjunction with it.

The comprehensive annual financial report is presented in three sections: The Introductory Section includes this letter of transmittal, GFOA Certificate of Achievement, the City’s organization chart, and the list of principal City officials. The Financial Section includes the independent auditors’ report, Management’s Discussion and Analysis, the basic financial statements (government-wide statements and fund statements), notes to the financial statements, other required supplementary information, combining financial statements and other financial schedules. The Statistical Section includes selected financial and demographic information, presented on a ten-year basis.

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 polices and ordinances of the City Council, as well as overseeing the day-to-day operations.

The City of Casa Grande is now just over 60 squares miles. The City’s updated General Plan includes the 60 square miles, as well as a large area surrounding the City limits in order to best plan for the growth of the City. This planning area includes 50,269 acres and has a projected build-out population of 226,659 residents. In accordance with State Law, the General Plan went to a public vote in early 2002 after the completion of many public workshops, meetings and hearings. The voters overwhelmingly approved the General Plan.

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 two downtown redevelopment districts.

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.

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.

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 and strength. Casa Grande continues to witness a sustained number of issued building permits. The City has witnessed steady growth in both residential and non-residential building permits. Several of Arizona's largest homebuilders have entered the Casa Grande housing market to compete with the local established homebuilders.

The City is currently considering several annexations. The expansion of the boundaries comes with new development activities. 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.

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 10% per year due to the growth in population and new commercial retail.

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.

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 rate stands at \$0.9999 per \$100 of assessed valuation. The City has maintained this rate for more than 17 years. The primary levy can be used for any general government purpose, but is limited in size by State statute. The City currently does not levy a secondary tax levy.

Total assessed property value within the City has increased by approximately 52% since fiscal year 2000. The fiscal year 2005 projections, based on data provided by the Pinal County Assessor's Office, indicate a 3% reduction in assessed value over fiscal year 2004 levels. This reduction was attributed to a Regional Power Generation plant that was taken off the rolls because it was acquired by a governmental entity.

MAJOR INITIATIVES AND ACCOMPLISHMENTS

During fiscal year 2005, the City invested in a number of 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 9 certifications of Apartment Complexes in the Crime Free Multi-Housing Program.
- Expanded membership in Citizens on Patrol Program to include volunteers to enforce disabled parking violations, monitor traffic speeds in the neighborhoods, and assist with the vacation house watch program.
- Trained additional volunteers to take fingerprints to assist in child fingerprint requests.
- Held 11th annual “National Night Out” celebration.
- Participated in on-going education programs at the schools.
- Sponsored Citizen Police Academies. 45 participants were trained in wide variety of police functions.

Fire

- Responded to 4,312 emergencies of which 3,226 (74.8%) involved emergency medical services, averaging a response time for all incidents of 5 minutes 7 seconds.
- Maintained a department commitment for excellence in public education by initiating in excess of 9,539 public contacts.
- Continued the K-6 fire safety education program within the Elementary School District.
- Continued the wellness/fitness program for the department.
- Continued mentoring of the Casa Grande Fire Explorers Program.

Public Works

- Continued annual maintenance of roadways and alleys.
- Improved roadway at North Mountain Park.
- Enhanced several retention basins on Arizola Road.
- Cleared out debris from Santa Cruz Wash.
- Began a \$15 million expansion to the Water Reclamation facility. The expansion will add 2 mgd to the existing facility.
- Added the third Front Load truck to the Sanitation division.
- Increased business participation in the recycling program.

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.
- Successfully completed the seventh year of the Mayor’s Reading Club.
- Coordinated with AARP to provide no cash tax preparation services and low cost 55 Alive drive classes.
- Continued Senior Meals Program.
- Continued beautification program for the downtown area in cooperation with Main Street Program.
- Installed new water slide at aquatics center and installed shade structures over playground equipment.

Community Development

- Assisted applicants with 15 Rezoning requests, 27 site plan approvals, 28 Preliminary Plats, 42 Final Plats.
- Issued 16 Minor/Major General Plan Amendments.
- Processed 7 PAD Amendments and 2 Protected Development Rights Plans.
- Investigated 755 Code enforcement complaints.
- Processed 2,565 residential building permits.
- Addressed 23 new subdivisions
- Conducted 21,000 various building inspections.

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, 2005, the City had a number of debt issues outstanding. Total bonded debt at June 30, 2005, was \$1,920,000. This included two issues of special assessment debt with government commitment. In fiscal year 2003 the City issued new Excise Tax Revenue Obligations, as well as refunded the Series 1994 and 1995 Obligations within this issuance. 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, 2005, the City had \$23,114,820 of Excise Tax Revenue Obligations outstanding.

Under State statutes the City can issue general obligation bonds for purposes of water, sewer, artificial lighting, open space, playground and recreation facilities up to an amount not exceeding 20% of the secondary assessed valuation. Cities can also issue general obligation bonds for all other purposes up to an amount not exceeding 6% of the secondary assessed valuation. As of the June 30, 2005, the City has debt capacity of \$33,188,584 for general obligation bonds subject under the 20% limitation and \$9,956,575 for general obligation bonds subject under the 6% limitation. The City has no general obligation debt outstanding.

Cash Management. 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 2004/2005 fiscal year.

The yield for the investment account averaged 1.9776 percent for the fiscal year. At June 30, 2005, the Pool consisted of \$1.4 billion in total local government deposits, which included \$39 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 \$772,415. The current year's net change in fair value totaled \$36,647.

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, 2004. This was the fourteenth 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, 2004. 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 eighth 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, P.L.C. 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, 2004

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.



Nancy L. Zjelke

President

Jeffrey R. Emery

Executive Director

CITY COUNCIL
CHARLES WALTON, SR., MAYOR

ALBERT GUGENBERGER
KARL PETERSON
DICK POWELL

STEPHEN Q. MILLER
RALPH VARELA
JIM NORRIS

CITY MANAGER

JAMES THOMPSON



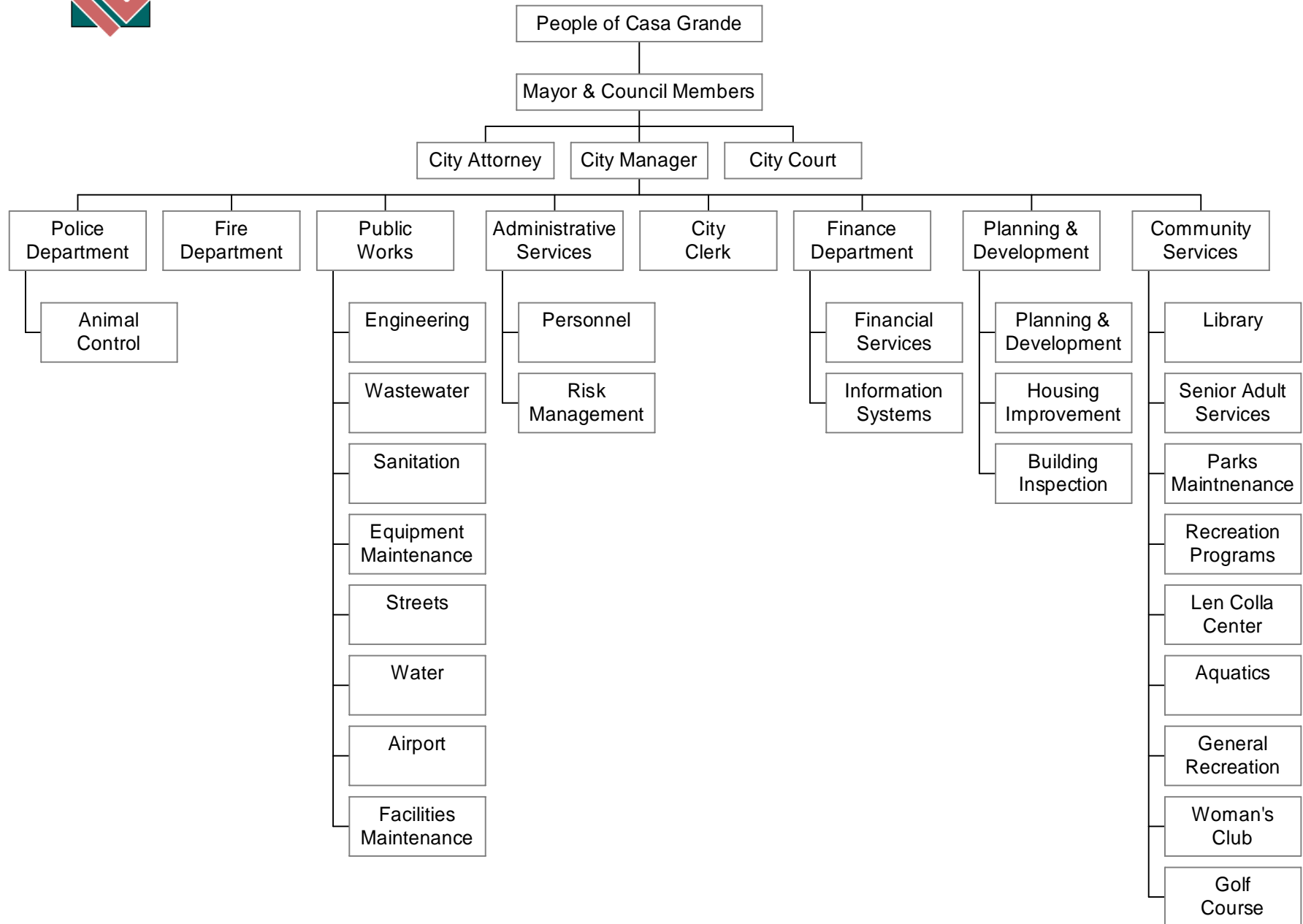
FINANCE DEPARTMENT STAFF

LARRY D. RAINS
JANICE RUTHERFORD

FINANCE DIRECTOR
SUPERVISING ACCOUNTANT



City of Casa Grande Organizational Chart





FINANCIAL SECTION



HENRY & HORNE, P.L.C.
Advisors to Business

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, 2005, 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 opinion.

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, 2005, 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 accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2005 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 grants. 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.

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Casa Grande
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(520) 836-8201
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1630 East White Mountain Blvd.
Suite C2
Pinetop, AZ 85935-7040
(928) 367-2591
Fax (928) 367-3501


w w w . h e n r y a n d h o r n e . c o m

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Mayor and Council
City of Casa Grande, Arizona

The management's discussion and analysis, budgetary comparison information, and other supplementary information on pages 3 through 12, and 73 through 96, are not a required part of the basic financial statements but are 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 basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables 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 financial information listed as supplemental information in the table of contents and 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) are presented for purposes of additional analysis and are 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, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Henry Hanz, LLP

September 13, 2005

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, 2005. 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 13 and the accompanying notes to the financial statements.

Financial Highlights

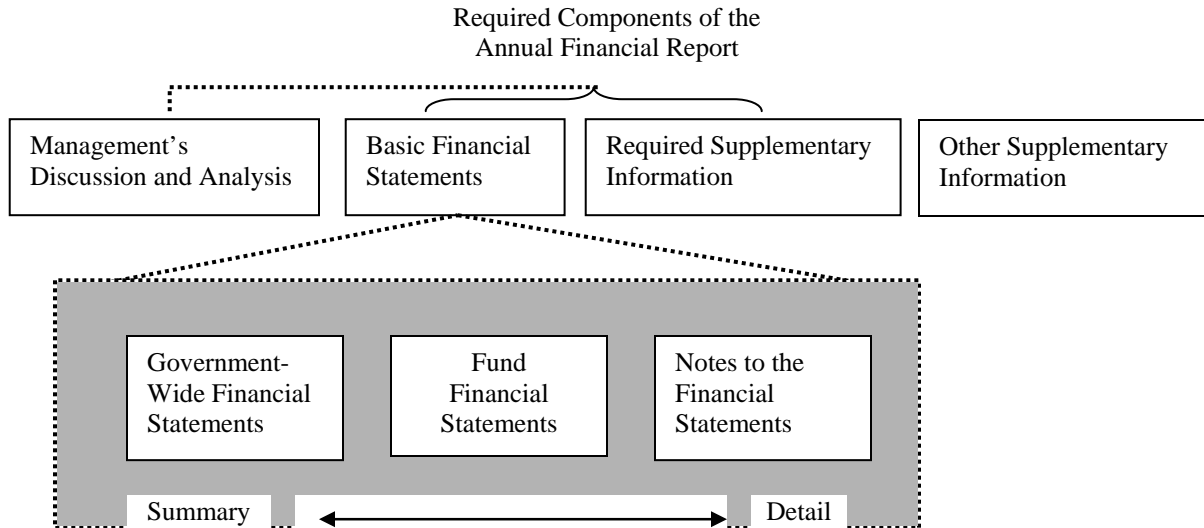
- The City's total net assets, on the government-wide basis, totaled \$96 million at June 30, 2005. Of this amount, \$15.9 million is unrestricted.
- The General Fund reported revenues in excess of expenditures and other financial sources and uses by \$5,120,668.
- At June 30, 2005, unreserved fund balance for the General Fund was \$11.2 million, or 54% of General Fund expenditures for fiscal year 2005.
- At June 30, 2005, unreserved fund balance of the governmental funds was \$29.2 million, or 97% of governmental fund expenditures for fiscal year 2005.
- The governmental activities general revenues of \$42.2 million were \$12,167,016 more than the \$30.0 million of expenditures before other financial sources and uses.
- The business-type activities increase in net assets was \$9.4 million as of June 30, 2005.

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 13-15) 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 18 and 21, 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 39-68) 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, 2005.

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, 2005 compared to the prior year.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$38.9	\$22.0	\$14.2	\$14.9	\$ 53.1	\$36.9
Capital assets	42.2	34.4	35.4	26.2	77.6	60.6
Total assets	<u>81.1</u>	<u>56.4</u>	<u>49.6</u>	<u>41.1</u>	<u>130.7</u>	<u>97.5</u>
Other liabilities	3.3	3.0	1.3	2.0	4.6	5.0
Long-term liabilities	13.0	9.3	17.0	17.2	30.0	26.5
Total liabilities	<u>16.3</u>	<u>12.3</u>	<u>18.3</u>	<u>19.2</u>	<u>34.6</u>	<u>31.5</u>
Net assets:						
Invested Capital assets net of related debt	28.1	24.4	19.1	9.6	47.3	34.0
Restricted	25.8	13.9	7.2	11.3	32.9	25.2
Unrestricted	10.9	5.8	5.0	1.0	15.9	6.8
Total net assets	<u>\$64.8</u>	<u>\$44.1</u>	<u>\$31.3</u>	<u>\$21.9</u>	<u>\$96.1</u>	<u>\$66.0</u>

The net assets of the City increased to \$96.1 million (46%) at June 30, 2005. Of this \$96.1 million, \$64.8 million was in the governmental activities, a 47% increase, and \$31.3 million was in the business-type activities, a 43% increase.

Net Assets consist of three components. The largest portion of net assets (\$47.3 million or 49%) 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 (\$32.9 million or 34%) 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.

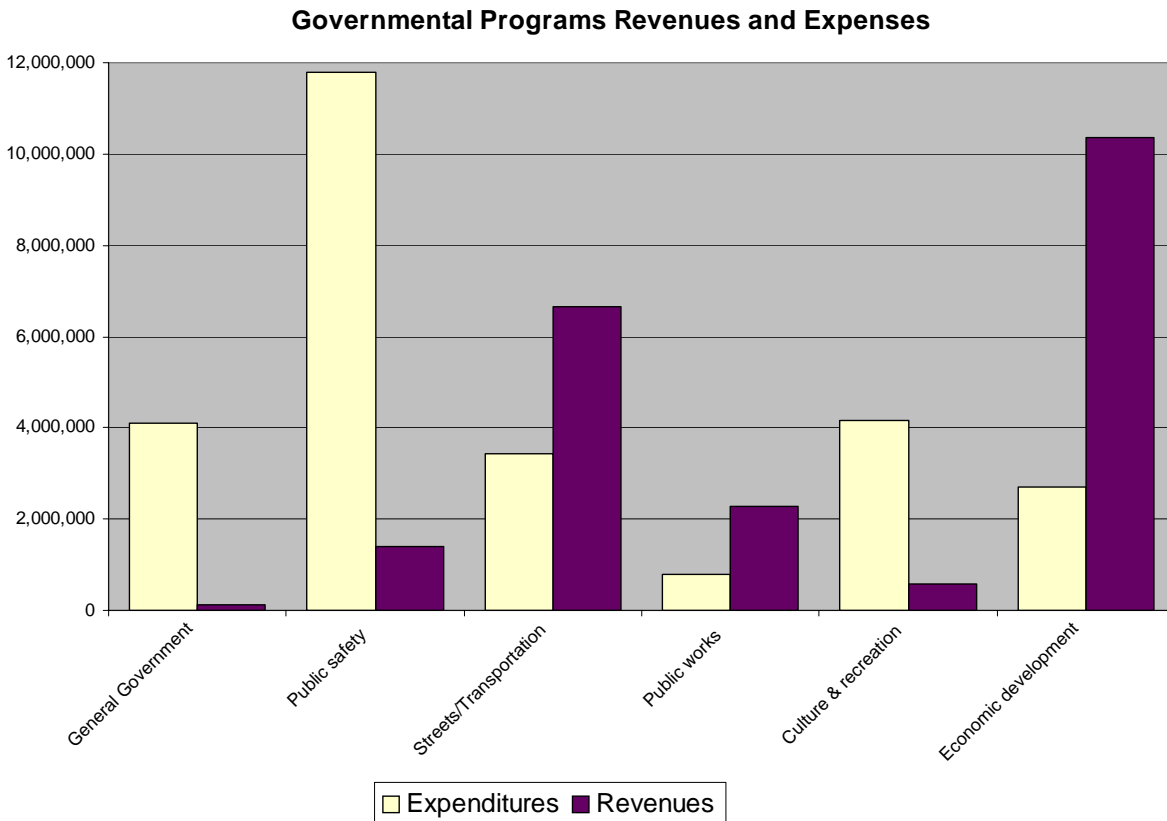
The third portion consists of unrestricted net assets (\$15.9 million or 17%), which may be used to meet the City's ongoing obligation to citizens and creditors.

Changes in Net Assets. The City's total revenues for the year ended June 30, 2005 were \$64,091,296. The total cost of all programs and services was \$34,088,182. The following table presents a summary of the changes in net assets for the year ended June 30, 2005. The primary increase in net assets is the result of sustained economic growth including developer investment in city infrastructure.

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues						
Charges for services	\$13,435	\$6,054	\$12,193	\$7,387	\$25,628	\$13,441
Operating grants and contributions	1,543	1,216	-	-	1,543	1,216
Capital grants and contributions	6,372	4,199	1,562	1,137	7,934	5,336
General revenues						
Property taxes	2,334	1,800	-	-	2,334	1,800
Sales taxes	12,094	10,573	2,150	1,885	14,244	12,458
Franchise taxes	955	900	-	-	955	900
Shared revenues	10,194	9,367	-	-	10,194	9,367
Other	1,028	324	231	1,984	1,259	2,308
Total revenues	<u>47,955</u>	<u>34,433</u>	<u>16,136</u>	<u>12,393</u>	<u>64,091</u>	<u>46,826</u>
Expenses						
General government	4,100	4,118	-	-	4,100	4,118
Public safety	11,789	10,732	-	-	11,789	10,732
Streets/Transportation	3,438	2,943	-	-	3,438	2,943
Public works	779	765	-	-	779	765
Culture and recreation	4,147	4,078	-	-	4,147	4,078
Economic development	2,717	2,422	-	-	2,717	2,422
Other	478	499	-	-	478	499
Water	-	-	158	142	158	142
Golf course	-	-	845	717	845	717
Sewer	-	-	2,488	2,981	2,488	2,981
Sanitation	-	-	3,149	2,797	3,149	2,797
Total expenses	<u>27,448</u>	<u>25,557</u>	<u>6,640</u>	<u>6,637</u>	<u>34,088</u>	<u>32,194</u>
Excess before transfer	20,507	8,876	9,496	5,756	30,003	14,632
Transfers In (Out)	99	1,341	(99)	(1,341)	-	-
Increase in Net Assets	<u>\$20,606</u>	<u>\$10,217</u>	<u>\$9,397</u>	<u>\$4,415</u>	<u>\$30,003</u>	<u>\$14,632</u>

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 74.8% of the total revenues of the City and 80.5% of the total expenditures in fiscal year 2005. This compares to 73.5% of total revenues and 79.4% of expenses in fiscal year 2004.



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

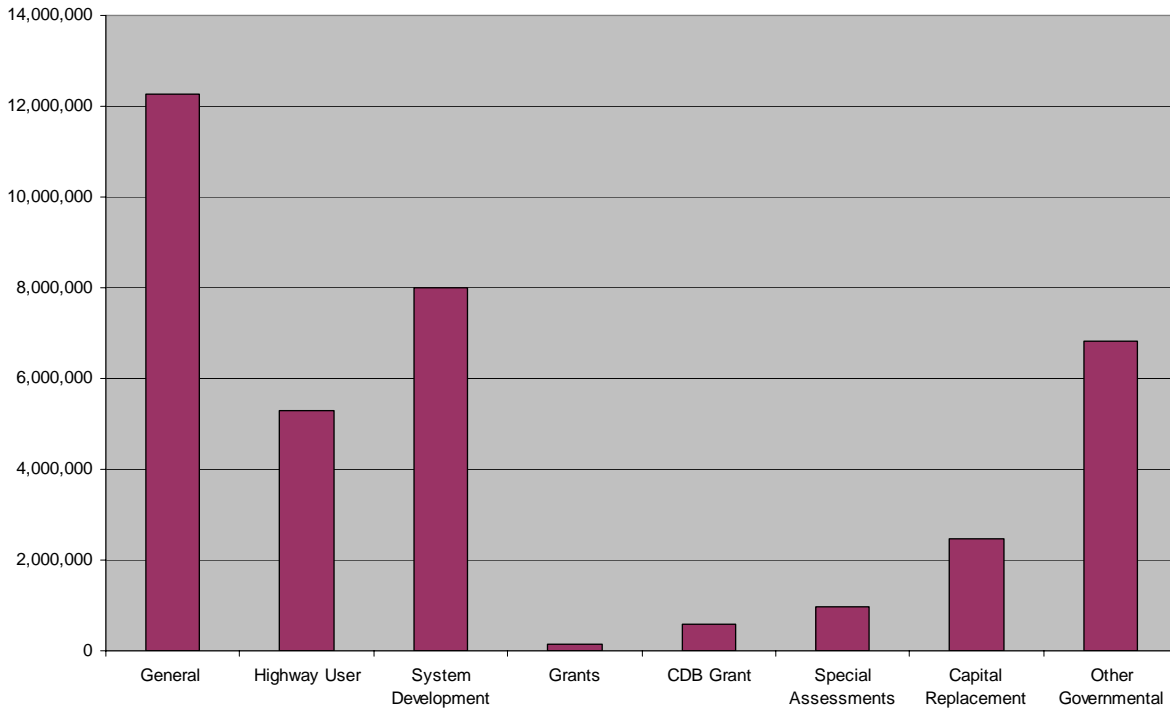
The City maintains fund accounting to demonstrate compliance with budgetary and legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

Governmental Funds

The focus of governmental fund financial statements (pages 16-28) 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 69-72.

For fiscal year ended June 30, 2005, the governmental funds reflect a combined fund balance of \$36.6 million, an increase of \$17 million. Of this, \$7.4 million, an increase of \$4.2 million, is reserved because it is not appropriate for expenditure or is legally segregated for a specific future use. The remaining \$29.2 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.

Governmental Fund Balances



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 \$26.0 million, an increase of \$4.6 million, in fiscal year 2004-2005. The expenditures, before other financing sources and uses, totaled \$20.6 million, an increase of \$1.1 million.

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 \$4.4 million, an increase of \$.5 million, while expenses totaled \$2.1 million, a decrease of \$.5 million in fiscal year ended June 30, 2005.

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 Mission Royale 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 \$31.4 million, an increase of \$9.4 million as of June 30, 2005. Operating revenues in fiscal year 2004-2005 were \$11 million, an increase of \$4 million, while operating expenses totaled \$6.3 million, an increase of \$0.5 million, resulting in \$4,641,808 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 22. 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 46 for more information on budget policies). No amendments increasing the City's total adopted budget of \$60,362,000 occurred during fiscal year 2005. Budget amendments between funds or departments or from budgeted contingencies into operational expense/expenditure accounts did occur.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2005, the City had \$47.3 million invested in various capital assets, net of accumulated depreciation and related debt, up \$13.2 million. Of the \$47.3 million \$28.1 million (59%) is invested in governmental activities and \$19.2 million (41%) is invested in business-type activities.

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

- The City completed major construction of the \$15 million expansion to the wastewater treatment facility. The expansion will create an additional 2 million gallons per day of capacity at the existing plant.
- Acquired an existing facility that will be used for the Public Works and Maintenance Operations in the amount of \$2,737,692.
- Acquired microwave communication equipment and repeater sites for the public safety divisions in the amount of \$ 268,062.
- Purchased and installed a new water slide for the aquatic center in the amount of \$162,736.
- Initiated the development of a Comprehensive Parks Master Plan process in the amount of \$108,675.
- Acquired a new water truck and front-end loader for the streets department in the amount of \$231,884.
- Installed fire sprinkler systems and backup generators at the 3 fire stations in the amount of \$139,009.

The following table provides a breakdown of the capital asset balances net of accumulated depreciation at June 30, 2005. Additional information on the City's capital assets may be found in Note 7 on pages 54-56.

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Land	\$ 6,296	\$ 6,344	\$ 283	\$ 283	\$ 6,579	\$ 6,627
Building and improvements	29,356	25,012	19,645	18,795	49,001	43,807
Machines and equipment	3,627	3,088	3,879	3,743	7,506	6,831
Construction in progress	2,952	28	11,570	3,339	14,522	3,367
Total	\$42,231	\$34,472	\$35,377	\$26,160	\$77,608	\$60,632

Long-Term Debt

The City's outstanding long-term debt, including bonds, notes, contracts, and compensated absences, was \$30.9 million at June 30, 2005, with \$2.3 million due in one year. Of this total, \$14.7 million was in governmental activities and \$16.2 million was in business-type activities. Of the outstanding debt, \$23.1 million is excise tax revenue obligation bond collateralized by the City's excise tax stream. An additional \$585,000 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, 2005. Further details can be found in Notes 10, 11, 12, 13, & 14 on pages 61-67.

	Governmental		Business-type		Total	
	Activities		Activities			
	2005	2004	2005	2004	2005	2004
Compensated absences	\$ 633	\$ 635	\$ 85	\$ 77	\$ 718	\$ 712
Capital leases	4,486	1,236	594	405	5,080	1,641
Bonds payable	9,608	8,823	15,426	15,927	25,034	24,750
Notes payable	-	-	177	177	177	177
Total	\$14,727	\$10,694	\$16,282	\$16,586	\$31,009	\$27,280

ECONOMIC FACTORS

Casa Grande's population has grown steadily since 2000. The growth rate over the course of the past 5 years has been just under 30% and is expected to be 5% in 2006. The unemployment rate in Casa Grande for June 2005 was 5.2%, which is slightly higher than the state (4.4%) and the national average (5%). While the local economy witnessed a solid year, it has been largely driven by construction of residential dwellings. The state and regional economies continues to recover from the recent recession. Local economists predict continued recovery and moderate growth. The recent disasters in the nation, coupled with the potential of greater inflation will undoubtedly have some impact on the state and city.

Because of the continued growth of the community, Casa Grande's revenues have continued to increase. The new housing market in the region continues to exceed projected expectations. A number of new retail businesses and restaurants are adding to the local tax base. 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 2005 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.

City of Casa Grande
Statement of Net Assets
June 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 4,539,485	\$ 1,274,313	\$ 5,813,798
Investments	26,222,091	11,458,780	37,680,871
Receivables (net of allowance for uncollectibles)	5,221,166	545,484	5,766,650
Due from other governments	218,187	-	218,187
Internal balances	190,000	(190,000)	-
Inventories	175,017	-	175,017
Prepays	18,093	-	18,093
Restricted assets:			
Restricted investments	2,052,533	796,354	2,848,887
Deferred bond costs	189,605	370,380	559,985
Capital assets:			
Land and construction in progress	9,248,217	11,852,524	21,100,741
Other capital assets (net of accumulated depreciation)	32,982,913	23,524,262	56,507,175
Total assets	81,057,307	49,632,097	130,689,404
LIABILITIES			
Accounts payable and other current liabilities	1,337,891	160,818	1,498,709
Deposits held	100	12,515	12,615
Accrued wages and benefits	210,104	32,477	242,581
Accrued interest payable	106,806	164,901	271,707
Unearned revenue	8,411	-	8,411
Noncurrent liabilities:			
Due within one year:			
Current portion of compensated absences	632,662	85,073	717,735
Current portion of capital leases and notes	424,114	194,735	618,849
Current portion of excise tax revenue obligations	470,640	514,360	985,000
Current portion of bonds payable	105,000	-	105,000
Due in more than one year:			
Noncurrent portion of capital leases	4,061,819	408,291	4,470,110
Noncurrent portion of notes payable	-	168,069	168,069
Noncurrent portion of excise tax revenue obligations	7,217,943	14,911,877	22,129,820
Noncurrent portion of bonds payable	1,815,000	-	1,815,000
Bond premium 2003 issue	-	393,060	393,060
Less: Deferred amount on refunding	(55,981)	(286,702)	(342,683)
Closure and postclosure liability	-	1,504,589	1,504,589
Total liabilities	16,334,509	18,264,063	34,598,572
NET ASSETS			
Invested in capital assets, net of related debt	28,136,615	19,179,454	47,316,069
Restricted for:			
Highways and streets	5,526,701	-	5,526,701
Grant purposes	1,159,724	-	1,159,724
Community development	10,740,801	-	10,740,801
Debt service	2,347,931	-	2,347,931
Capital projects	5,930,097	7,202,857	13,132,954
Unrestricted	10,880,929	4,985,723	15,866,652
Total net assets	\$ 64,722,798	\$ 31,368,034	\$ 96,090,832

The accompanying notes are an integral part of the financial statements

City of Casa Grande
Statement of Activities
For the Year Ended June 30, 2005

<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	\$ 4,100,221	\$ 109,340	\$ 237	\$ -
Public safety	11,789,718	904,202	356,863	125,108
Streets/Transportation	3,437,830	505,948	-	6,138,686
Public works	778,974	2,273,085	-	-
Culture and recreation	4,147,490	285,592	254,693	29,604
Economic development	2,716,784	9,357,261	931,354	79,200
Interest on long-term debt	477,956	-	-	-
Total governmental activities	27,448,973	13,435,428	1,543,147	6,372,598
Business-type activities:				
Community facilities	158,397	186,225	-	-
Golf course	844,434	584,429	-	-
Wastewater	2,487,685	7,618,055	-	1,561,589
Sanitation	3,148,693	3,804,163	-	-
Total business-type activities	6,639,209	12,192,872	-	1,561,589
Total primary government	\$ 34,088,182	\$ 25,628,300	\$ 1,543,147	\$ 7,934,187

General revenues:
Property taxes
Sales taxes
Franchise taxes
Shared revenues:
State sales taxes
Urban revenue sharing
Auto-in-lieu
Half-cent sales tax
Other
Investment earnings
Gain on sale of assets
Miscellaneous
Transfers in (out)
Total general revenues and transfers
Change in net assets
Net assets-beginning
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
\$ (3,990,644)	\$ -	\$ (3,990,644)
(10,403,545)	-	(10,403,545)
3,206,804	-	3,206,804
1,494,111	-	1,494,111
(3,577,601)	-	(3,577,601)
7,651,031	-	7,651,031
(477,956)	-	(477,956)
(6,097,800)	-	(6,097,800)
-	27,828	27,828
-	(260,005)	(260,005)
-	6,691,959	6,691,959
-	655,470	655,470
-	7,115,252	7,115,252
(6,097,800)	7,115,252	1,017,452
2,333,638	-	2,333,638
12,094,301	2,150,452	14,244,753
954,853	-	954,853
2,336,759	-	2,336,759
2,345,507	-	2,345,507
1,221,188	-	1,221,188
1,708,436	-	1,708,436
2,582,448	-	2,582,448
466,925	183,584	650,509
414,900	-	414,900
145,585	47,086	192,671
99,000	(99,000)	-
26,703,540	2,282,122	28,985,662
20,605,740	9,397,374	30,003,114
44,117,058	21,970,660	66,087,718
\$ 64,722,798	\$ 31,368,034	\$ 96,090,832

**City of Casa Grande
Balance Sheet
Governmental Funds
June 30, 2005**

ASSETS	General	Highway Users	System Development	Grants & Subsidies	CDBG
Cash	\$ 1,181,783	\$ 53,069	\$ -	\$ 58,522	\$ 88,455
Investments	8,121,416	4,695,396	7,978,570	39,676	-
Accounts receivable (less allowance for uncollectibles)	3,388,553	590,611	32,130	567	591,953
Due from other governments	-	-	-	70,999	-
Due from other funds	290,000	-	-	-	-
Inventories	11,215	-	-	-	-
Prepays	16,464	-	-	-	-
Restricted assets:					
Cash and cash equivalents	-	-	-	-	-
Total assets	\$13,009,431	\$ 5,339,076	\$ 8,010,700	\$169,764	\$680,408
 LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and other current liabilities	\$ 553,920	\$ 36,509	\$ 6,667	\$ 13,855	\$ 78,913
Deposits held	100	-	-	-	-
Accrued wages and benefits	172,114	12,672	-	1,067	-
Due to:					
Other funds	-	-	-	-	-
Deferred revenue	7,318	-	-	-	-
Compensated absences	10,027	368	-	-	-
Total liabilities	743,479	49,549	6,667	14,922	78,913
Fund balances:					
Reserved for:					
Court and development	1,115,310	-	-	-	-
Special revenue	-	-	-	154,842	601,495
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Unreserved, reported in:					
General fund	11,150,642	-	-	-	-
Special revenue funds	-	5,289,527	8,004,033	-	-
Capital projects funds	-	-	-	-	-
Total fund balances	12,265,952	5,289,527	8,004,033	154,842	601,495
Total liabilities and fund balances	\$13,009,431	\$ 5,339,076	\$ 8,010,700	\$169,764	\$680,408

The accompanying notes are an integral part of the financial statements

Self-help Technical Assistance	Home/HUD	Special Assessments	Capital Replacement/ Development	CFD Mission Royale Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 24,834	\$ 29,719	\$ 19,054	\$ 360,900	\$ 2,211,589	\$ 495,050	\$ 4,522,975
-	-	954,644	1,689,937	-	2,742,452	26,222,091
-	-	391,775	7,139	6,281	212,157	5,221,166
-	87,706	-	-	-	59,482	218,187
-	-	-	-	-	-	290,000
-	-	-	-	-	32,519	43,734
-	-	-	-	-	-	16,464
-	-	-	874,013	1,177,962	558	2,052,533
\$ 24,834	\$ 117,425	\$ 1,365,473	\$ 2,931,989	\$ 3,395,832	\$ 3,542,218	\$ 38,587,150

\$ 16,826	\$ 17,425	\$ -	\$ 453,880	\$ -	\$ 123,160	1,301,155
-	-	-	-	-	-	100
1,466	-	-	-	-	1,476	188,795
-	100,000	-	-	-	-	100,000
-	-	387,706	-	-	-	395,024
-	-	-	-	-	-	10,395
18,292	117,425	387,706	453,880	-	124,636	1,995,469

-	-	-	-	-	-	1,115,310
6,542	-	-	-	-	26,338	789,217
-	-	977,767	-	-	1,089,262	2,067,029
-	-	-	-	3,395,832	-	3,395,832
-	-	-	-	-	-	11,150,642
-	-	-	-	-	2,300,826	15,594,386
-	-	-	2,478,109	-	1,156	2,479,265
6,542	-	977,767	2,478,109	3,395,832	3,417,582	36,591,681
\$ 24,834	\$ 117,425	\$ 1,365,473	\$ 2,931,989	\$ 3,395,832	\$ 3,542,218	\$ 38,587,150

City of Casa Grande
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2005

Fund balance - total governmental funds balance sheet		\$36,591,681
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	61,818,229	
Less accumulated depreciation	(19,643,420)	
Internal service capital assets	245,370	
Less accumulated depreciation	<u>(189,049)</u>	
		42,231,130
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	(632,662)	
Capital leases	(4,485,933)	
Bonds payable	(9,608,583)	
Bond issuance costs	189,605	
Deferred Loss	55,981	
Bond premium	<u>(8,411)</u>	
		(14,490,003)
Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net assets.		
Special Assessments	387,706	
Property Tax	<u>7,318</u>	
		395,024
Interest payable on long-term debt is not reported in the governmental funds.		
		(106,806)
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 are reported with governmental activities.		
		<u>101,772</u>
Net assets of governmental activities - statement of net assets		<u><u>\$64,722,798</u></u>

The accompanying notes are an integral part of the financial statements

City of Casa Grande
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

REVENUES	General	Highway Users	System Development	Grants & Subsidies	CDBG
Taxes:					
Property taxes	\$ 1,808,102	\$ -	\$ -	\$ -	\$ -
City sales tax	11,304,048	-	-	-	-
Franchise tax	954,853	-	-	-	-
Licenses and permits	2,156,170	-	-	-	-
Intergovernmental revenues	5,903,454	4,290,884	-	700,291	261,525
Charges for services	2,750,983	-	4,667,542	-	-
Fines	739,283	-	-	-	-
Special assessments	-	-	-	-	-
Investment earnings	156,623	79,915	128,410	1,519	-
Contributions and donations	237	-	-	92,459	-
Rental and sale of city property	106,290	-	-	-	-
Miscellaneous	88,537	7,724	-	-	40,599
Total revenues	25,968,580	4,378,523	4,795,952	794,269	302,124
EXPENDITURES					
Current:					
General government	3,732,653	-	-	-	-
Public safety	11,212,097	-	-	113,381	-
Streets/Transportation	-	1,908,050	-	-	-
Public works	734,369	-	-	-	-
Culture and recreation	3,318,166	6,195	1,519	281,498	-
Planning and economic development	1,072,432	-	-	79,200	294,531
Capital outlay	383,863	50,154	398,181	344,765	-
Debt Service:					
Principal	166,253	57,939	-	-	-
Interest and fiscal charges	13,821	63,312	-	-	-
Total expenditures	20,633,654	2,085,650	399,700	818,844	294,531
Excess (deficiency) of revenues over (under) expenditures	5,334,926	2,292,873	4,396,252	(24,575)	7,593
OTHER FINANCING SOURCES (USES)					
Transfers in	1,132,100	-	-	122,254	-
Transfers out	(1,346,358)	(218,118)	(942,000)	-	-
Capital Leases	-	-	-	-	-
Bond Issuance	-	-	-	-	-
Bond Issuance costs	-	-	-	-	-
Total other financing sources and uses	(214,258)	(218,118)	(942,000)	122,254	-
Net change in fund balances	5,120,668	2,074,755	3,454,252	97,679	7,593
Fund balances - beginning of year	7,145,284	3,214,772	4,549,781	57,163	593,902
Fund balances - end of year	\$ 12,265,952	\$ 5,289,527	\$ 8,004,033	\$ 154,842	\$ 601,495

The accompanying notes are an integral part of the financial statements

Self-help Technical Assistance	Home/HUD	Special Assessments	Capital Replacement/ Development	CFD Mission Royale Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 531,301	\$ 2,339,403
-	-	-	-	-	790,253	12,094,301
-	-	-	-	-	-	954,853
-	-	-	-	-	-	2,156,170
280,351	369,233	-	-	-	106,193	11,911,931
-	-	-	-	2,250,554	183,986	9,853,065
-	-	-	-	-	-	739,283
-	-	217,895	-	-	-	217,895
-	-	18,562	30,662	4,800	46,434	466,925
-	-	-	-	-	-	92,696
-	-	-	-	-	595,343	701,633
2,532	-	-	-	-	488,004	627,396
282,883	369,233	236,457	30,662	2,255,354	2,741,514	42,155,552
-	-	-	-	-	567,522	4,300,175
-	-	-	-	-	19,151	11,344,629
-	-	-	-	-	-	1,908,050
-	-	-	-	22	-	734,391
-	-	-	-	-	47,586	3,654,964
276,341	369,233	3,240	1,477	-	145,984	2,242,438
-	-	-	3,231,167	34,943	83,841	4,526,914
-	-	100,000	-	-	475,354	799,546
-	-	36,990	-	-	363,305	477,428
276,341	369,233	140,230	3,232,644	34,965	1,702,743	29,988,535
6,542	-	96,227	(3,201,982)	2,220,389	1,038,771	12,167,016
-	-	-	1,116,518	-	315,760	2,686,632
-	-	-	-	-	(24,355)	(2,530,831)
-	-	-	3,500,000	-	-	3,500,000
-	-	-	-	1,335,000	-	1,335,000
-	-	-	-	(159,557)	-	(159,557)
-	-	-	4,616,518	1,175,443	291,405	4,831,244
6,542	-	96,227	1,414,536	3,395,832	1,330,176	16,998,260
-	-	881,540	1,063,573	-	2,087,406	19,593,421
\$ 6,542	\$ -	\$ 977,767	\$ 2,478,109	\$ 3,395,832	\$ 3,417,582	\$ 36,591,681

City of Casa Grande
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, 2005

Net change in fund balances - total governmental funds \$16,998,260

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

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 outlays exceeded depreciation in the current period.

Expenditures for capital assets	4,526,914	
Less current year depreciation	<u>(2,574,262)</u>	
		1,952,652

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.

Contributed capital assets	5,853,927
Sale of capital assets	(48,000)

Revenues received in the current year that were accrued in the Statement of Activities in prior years

Deferred property tax	(5,794)
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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.

Issuance of lease debt	(3,500,000)	
Issuance of bond debt	(1,335,000)	
Bond payments	549,417	
Lease payments	<u>250,129</u>	
		(4,035,454)

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.

Compensated absences	(109,777)
Interest expense on long-term debt	<u>(74)</u>

Change in net assets of governmental activities	<u><u>\$20,605,740</u></u>
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The accompanying notes are an integral part of the financial statements

City of Casa Grande
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-</u>
REVENUES				Positive
				(Negative)
Taxes:				
Property taxes	\$ 1,578,100	\$ 1,578,100	\$ 1,808,102	\$ 230,002
City sales tax	9,485,400	9,485,400	11,304,048	1,818,648
Franchise tax	1,084,600	1,084,600	954,853	(129,747)
Licenses and permits	1,373,000	1,373,000	2,156,170	783,170
Intergovernmental revenues	5,642,200	5,642,200	5,903,454	261,254
Charges for services	1,027,000	1,027,000	2,750,983	1,723,983
Fines	719,100	719,100	739,283	20,183
Investment earnings	7,700	7,700	156,623	148,923
Contributions and donations	-	-	237	237
Rental and sale of city property	71,500	71,500	106,290	34,790
Miscellaneous	96,300	96,300	88,537	(7,763)
Total revenues	<u>21,084,900</u>	<u>21,084,900</u>	<u>25,968,580</u>	<u>4,883,680</u>
EXPENDITURES				
Current:				
General government				
Mayor and Council	1,303,600	1,287,100	383,542	903,558
City manager	255,000	247,200	240,996	6,204
Attorney	422,700	439,200	437,902	1,298
Clerk	275,900	275,900	250,945	24,955
Finance	712,500	753,900	744,493	9,407
Information technology	653,700	653,700	643,698	10,002
Personnel	1,335,100	1,267,100	1,031,077	236,023
Public safety				
Police	7,753,600	7,663,600	7,367,530	296,070
Fire	3,367,900	3,407,800	3,265,396	142,404
Court	328,200	336,000	332,467	3,533
Animal Control	250,100	250,100	246,704	3,396
Public works	904,200	901,600	734,369	167,231
Culture and recreation	3,517,900	3,473,300	3,318,166	155,134
Planning and economic development	1,029,000	1,103,800	1,072,432	31,368
Capital outlay	534,900	515,900	383,863	132,037
Debt Service:				
Principal	180,100	180,200	166,253	13,947
Interest and fiscal charges	-	-	13,821	(13,821)
Total expenditures	<u>22,824,400</u>	<u>22,756,400</u>	<u>20,633,654</u>	<u>2,122,746</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,739,500)</u>	<u>(1,671,500)</u>	<u>5,334,926</u>	<u>7,006,426</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,075,300	1,075,300	1,132,100	56,800
Transfers out	(1,279,100)	(1,347,100)	(1,346,358)	742
Proceeds from obligations	108,000	108,000	-	(108,000)
	-	-	-	-
Total other financing sources and uses	<u>(95,800)</u>	<u>(163,800)</u>	<u>(214,258)</u>	<u>(50,458)</u>
Net change in fund balance	<u>(1,835,300)</u>	<u>(1,835,300)</u>	<u>5,120,668</u>	<u>6,955,968</u>
Fund balance - beginning of year	<u>1,835,300</u>	<u>1,835,300</u>	<u>7,145,284</u>	<u>5,309,984</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,265,952</u>	<u>\$ 12,265,952</u>

The accompanying notes are an integral part of the financial statements

City of Casa Grande
Highway Users Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	<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	\$ 2,223,700	\$ 2,223,700	\$ 2,429,640	\$ 205,940
Local transportation assistance	152,900	152,900	152,808	(92)
County sales tax	1,174,700	1,174,700	1,708,436	533,736
Investment earnings	7,000	7,000	79,915	72,915
Miscellaneous	362,500	362,500	7,724	(354,776)
Total revenues	3,920,800	3,920,800	4,378,523	457,723
EXPENDITURES				
Culture and recreation				
Contractual services	24,200	24,200	6,195	18,005
Total Culture and recreation	24,200	24,200	6,195	18,005
Streets/Transportation				
Personal services	1,036,600	1,036,600	901,552	135,048
Contractual services	781,300	717,000	392,617	324,383
Materials and supplies	519,300	614,000	613,881	119
Capital outlay	3,428,000	2,476,700	50,154	2,426,546
Debt service	17,500	121,300	121,251	49
Total Streets/Transportation	5,782,700	4,965,600	2,079,455	2,886,145
Total expenditures	5,806,900	4,989,800	2,085,650	2,904,150
Excess (deficiency) of revenues over (under) expenditures	(1,886,100)	(1,069,000)	2,292,873	3,361,873
OTHER FINANCING SOURCES (USES)				
Transfers out	(175,000)	(218,700)	(218,118)	582
Total other financing sources and uses	(175,000)	(218,700)	(218,118)	582
Net change in fund balance	(2,061,100)	(1,287,700)	2,074,755	3,362,455
Fund balance - beginning of year	2,061,100	1,287,700	3,214,772	1,927,072
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,289,527</u>	<u>\$ 5,289,527</u>

The accompanying notes are an integral part of the financial statements

City of Casa Grande
System Development Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 735,000	\$ 1,350,800	\$ 4,667,542	\$ 3,316,742
Investment earnings	-	-	128,410	128,410
Total revenues	735,000	1,350,800	4,795,952	3,445,152
EXPENDITURES				
Culture and recreation	-	1,600	1,519	81
Capital outlay	329,000	403,200	398,181	5,019
Total expenditures	329,000	404,800	399,700	5,100
Excess (deficiency) of revenues over (under) expenditures	406,000	946,000	4,396,252	3,450,252
OTHER FINANCING SOURCES (USES)				
Transfers out	(406,000)	(946,000)	(942,000)	4,000
Total other financing sources and uses	(406,000)	(946,000)	(942,000)	4,000
Net change in fund balance	-	-	3,454,252	3,454,252
Fund balance - beginning of year	-	-	4,549,781	4,549,781
Fund balance - end of year	\$ -	\$ -	\$ 8,004,033	\$ 8,004,033

The accompanying notes are an integral part of the financial statements

City of Casa Grande
Grants and Subsidies Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-</u>
REVENUES				(Negative)
Intergovernmental revenues	\$ 1,666,300	\$ 1,666,300	\$ 700,291	\$ (966,009)
Investment earnings	-	-	1,519	1,519
Contributions and donations	11,500	11,500	92,459	80,959
Total revenues	1,677,800	1,677,800	794,269	(883,531)
EXPENDITURES				
Public safety				
Personal services	315,500	171,400	43,676	127,724
Contractual services	5,000	6,600	9,465	(2,865)
Materials and supplies	32,800	84,700	60,240	24,460
Capital outlay	415,000	505,600	344,765	160,835
Total Public Safety	768,300	768,300	458,146	310,154
Culture and recreation				
Personal services	121,500	99,100	88,383	10,717
Contractual services	7,600	10,400	9,377	1,023
Materials and supplies	143,600	194,000	183,738	10,262
Total Culture and Recreation	272,700	303,500	281,498	22,002
Community development				
Contractual services	686,800	656,000	79,200	576,800
Total Community Development	686,800	656,000	79,200	576,800
Total expenditures	1,727,800	1,727,800	818,844	908,956
Excess (deficiency) of revenues over (under) expenditures	(50,000)	(50,000)	(24,575)	25,425
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	122,254	72,254
Total other financing sources and uses	50,000	50,000	122,254	72,254
Net change in fund balance	-	-	97,679	97,679
Fund balance - beginning of year	-	-	57,163	57,163
Fund balance - end of year	\$ -	\$ -	\$ 154,842	\$ 154,842

The accompanying notes are an integral part of the financial statements

City of Casa Grande
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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ 1,428,000	\$ 1,428,000	\$ 261,525	\$ (1,166,475)
Program income	-	-	40,599	40,599
Total revenues	<u>1,428,000</u>	<u>1,428,000</u>	<u>302,124</u>	<u>(1,125,876)</u>
EXPENDITURES				
Community development				
Personal services	-	24,300	24,230	70
Contractual services	1,428,000	1,395,900	262,638	1,133,262
Materials and supplies	-	7,800	7,663	137
Total expenditures	<u>1,428,000</u>	<u>1,428,000</u>	<u>294,531</u>	<u>1,133,469</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>7,593</u>	<u>7,593</u>
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>593,902</u>	<u>593,902</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 601,495</u>	<u>\$ 601,495</u>

The accompanying notes are an integral part of the financial statements

City of Casa Grande
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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget-
REVENUES				Positive
Intergovernmental revenues	\$ 205,700	\$ 205,700	\$ 280,351	\$ 74,651
Miscellaneous	-	72,000	2,532	(69,468)
Total revenues	<u>205,700</u>	<u>277,700</u>	<u>282,883</u>	<u>5,183</u>
EXPENDITURES				
Community development				
Personal services	136,300	196,600	196,598	2
Contractual services	66,300	66,300	64,960	1,340
Materials and supplies	3,100	14,800	14,783	17
Total expenditures	<u>205,700</u>	<u>277,700</u>	<u>276,341</u>	<u>1,359</u>
Excess (deficiency) of revenues				
over (under) expenditures	<u>-</u>	<u>-</u>	<u>6,542</u>	<u>6,542</u>
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,542</u>	<u>\$ 6,542</u>

The accompanying notes are an integral part of the financial statements

City of Casa Grande
Home/HUD Special Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	\$ 700,000	\$ 627,600	\$ 369,233	\$ (258,367)
Total revenues	700,000	627,600	369,233	(258,367)
EXPENDITURES				
Community development				
Personal services	-	30,300	30,117	183
Contractual services	700,000	597,100	338,970	258,130
Materials and supplies	-	200	146	54
Total expenditures	700,000	627,600	369,233	258,367
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
Statement of Net Assets
Proprietary Funds
June 30, 2005**

	Business-type Activities-Enterprise Funds		
	Water	Wastewater	Wastewater Dev Fees
ASSETS			
Current assets:			
Cash	\$ 502,102	\$ 690,478	\$ 25,113
Cash with fiscal agent	-	796,354	-
Investments	1,293	4,350,755	6,380,441
Receivables, net of uncollectibles	21,005	437,317	26,062
Inventories	-	-	-
Total current assets	524,400	6,274,904	6,431,616
Noncurrent assets:			
Deferred bond costs	-	370,380	-
Capital assets:			
Land	-	-	-
Buildings and improvements	-	26,902,784	-
Machinery and equipment	1,036,504	1,129,683	-
Construction in progress	-	11,569,524	-
Less accumulated depreciation	(184,544)	(7,959,064)	-
Total capital assets, net	851,960	31,642,927	-
Total noncurrent assets	851,960	32,013,307	-
Total assets	1,376,360	38,288,211	6,431,616
LIABILITIES			
Current liabilities:			
Accounts payable	3,348	73,725	25,113
Deposits held	12,515	-	-
Accrued wages and benefits	-	8,032	-
Accrued interest payable	3,047	161,854	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
Compensated absences	-	26,811	-
Capital leases	-	77,331	-
Notes payable	9,231	-	-
Excise tax revenue obligations	-	514,360	-
Total current liabilities	28,141	862,113	25,113
Noncurrent liabilities:			
Capital leases	-	-	-
Notes payable	168,069	-	-
Excise tax revenue obligations	-	14,911,877	-
Bond premium 2003 issue	-	393,060	-
Deferred amount on refunding	-	(286,702)	-
Closure and postclosure liability	-	-	-
Total noncurrent liabilities	168,069	15,018,235	-
Total liabilities	196,210	15,880,348	25,113
NET ASSETS			
Invested in capital assets, net of related debt	674,660	16,139,359	-
Restricted for:			
Construction	-	796,354	6,406,503
Unrestricted	505,490	5,472,150	-
Total net assets	\$ 1,180,150	\$ 22,407,863	\$ 6,406,503

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	
\$ 50,879	\$ 5,741	\$ 1,274,313	\$ 16,510
-	-	796,354	-
726,291	-	11,458,780	-
60,109	991	545,484	1,629
-	-	-	131,283
<u>837,279</u>	<u>6,732</u>	<u>14,074,931</u>	<u>149,422</u>
-	-	-	-
-	-	370,380	-
-	283,000	283,000	-
167,092	531,611	27,601,487	52,354
4,996,780	555,849	7,718,816	193,016
-	-	11,569,524	-
(2,779,502)	(872,931)	(11,796,041)	(189,049)
<u>2,384,370</u>	<u>497,529</u>	<u>35,376,786</u>	<u>56,321</u>
<u>2,384,370</u>	<u>497,529</u>	<u>35,747,166</u>	<u>56,321</u>
<u>3,221,649</u>	<u>504,261</u>	<u>49,822,097</u>	<u>205,743</u>
31,981	26,651	160,818	36,736
-	-	12,515	-
19,563	4,882	32,477	4,570
-	-	164,901	-
-	190,000	190,000	-
-	-	-	-
47,104	11,158	85,073	6,344
108,173	-	185,504	-
-	-	9,231	-
-	-	514,360	-
<u>206,821</u>	<u>232,691</u>	<u>1,354,879</u>	<u>47,650</u>
-	-	-	-
408,291	-	408,291	-
-	-	168,069	-
-	-	14,911,877	-
-	-	393,060	-
-	-	(286,702)	-
1,504,589	-	1,504,589	-
<u>1,912,880</u>	<u>-</u>	<u>17,099,184</u>	<u>-</u>
<u>2,119,701</u>	<u>232,691</u>	<u>18,454,063</u>	<u>47,650</u>
1,867,906	497,529	19,179,454	-
-	-	7,202,857	-
(765,958)	(225,959)	4,985,723	158,093
<u>\$ 1,101,948</u>	<u>\$ 271,570</u>	<u>\$ 31,368,034</u>	<u>\$ 158,093</u>

City of Casa Grande
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2005

	Business-type Activities-Enterprise Funds		
	Water	Wastewater	Wastewater Dev Fees
Operating revenues:			
Service fees	\$ 186,225	\$ 2,133,452	\$ -
Connection fees	-	208,494	3,987,516
Rental	-	-	-
Green fees	-	-	-
Miscellaneous	-	47,099	-
Total operating revenue	186,225	2,389,045	3,987,516
Operating expenses:			
Personal services	56,334	531,967	-
Contractual services	7,792	394,990	-
Materials and supplies	33,056	482,446	-
Depreciation	55,121	774,738	-
Closure and postclosure costs	-	-	-
Total operating expenses	152,303	2,184,141	-
Operating income (loss)	33,922	204,904	3,987,516
Nonoperating revenues (expense):			
Sale of sewer capacity	-	1,288,580	-
Investment earnings	-	58,373	107,781
Interest expense	(6,094)	(303,545)	-
City sales tax	-	2,140,482	-
Total nonoperating revenues (expense)	(6,094)	3,183,890	107,781
Income (loss) before contributions and transfers	27,828	3,388,794	4,095,297
Capital contributions	-	1,561,589	-
Transfers in	-	1,674,242	-
Transfers out	(10,900)	(103,700)	(1,674,242)
Change in net assets	16,928	6,520,925	2,421,055
Total net assets-beginning of year	1,163,222	15,886,938	3,985,448
Total net assets-end of year	\$ 1,180,150	\$ 22,407,863	\$ 6,406,503

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	
\$ 3,540,921	\$ -	\$ 5,860,598	\$ 800,593
263,242	-	4,459,252	-
-	150,709	150,709	-
-	433,720	433,720	-
-	-	47,099	-
3,804,163	584,429	10,951,378	800,593
1,673,400	458,363	2,720,064	313,498
527,003	58,308	988,093	91,465
418,339	291,329	1,225,170	323,451
416,526	36,434	1,282,819	15,379
93,424	-	93,424	-
3,128,692	844,434	6,309,570	743,793
675,471	(260,005)	4,641,808	56,800
-	-	1,288,580	-
17,430	-	183,584	-
(20,001)	-	(329,640)	-
-	9,971	2,150,453	-
(2,571)	9,971	3,292,977	-
672,900	(250,034)	7,934,785	56,800
-	-	1,561,589	-
-	376,100	2,050,342	-
(292,700)	(67,800)	(2,149,342)	(56,800)
380,200	58,266	9,397,374	-
721,748	213,304	21,970,660	158,093
\$ 1,101,948	\$ 271,570	\$ 31,368,034	\$ 158,093

City of Casa Grande
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005

	Business-type Activities-Enterprise Funds		
	Water	Wastewater	Wastewater Dev Fees
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 186,523	\$ 2,335,708	\$ 3,987,516
Payments to suppliers	(41,601)	(1,532,760)	22,911
Payments to employees	(56,334)	(544,372)	-
Net cash provided (used) by operating activities	88,588	258,576	4,010,427
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Sale of sewer capacity	-	1,288,580	-
City sales tax	-	2,140,482	-
Transfers to other funds	(10,900)	(103,700)	(1,674,242)
Transfers from other funds	-	1,674,242	-
Net cash provided (used) by noncapital financing activities	(10,900)	4,999,604	(1,674,242)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from bond sales / lease purchase	-	-	-
Purchases of capital assets	-	(8,445,770)	-
Proceeds from sale of capital assets	-	-	-
Payment on refunded bonds	-	-	-
Principal paid on capital debt	(870)	(574,090)	-
Interest paid on capital debt	(9,447)	(269,819)	-
Net cash (used) by capital and related financing activities	(10,317)	(9,289,679)	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest and dividends received	-	47,661	89,337
Net cash provided by investing activities	-	47,661	89,337
Net increase (decrease) in cash	67,371	(3,983,838)	2,425,522
Cash and cash equivalents at beginning of year	436,024	9,821,425	3,980,032
Cash and cash equivalents at end of year	\$ 503,395	\$ 5,837,587	\$ 6,405,554
Cash	\$ 502,102	\$ 690,478	\$ 25,113
Cash with fiscal agent	-	796,354	-
Investments	1,293	4,350,755	6,380,441
	\$ 503,395	\$ 5,837,587	\$ 6,405,554

The accompanying notes are an integral part of the financial statements

Business-type Activities-Enterprise Funds

Sanitation	Golf Course	Total
\$ 3,814,679	\$ 583,438	\$ 10,907,864
(944,805)	(426,361)	(2,922,616)
(1,717,943)	(469,850)	(2,788,499)
1,151,931	(312,773)	5,196,749
-	-	1,288,580
-	9,971	2,150,453
(292,700)	(67,800)	(2,149,342)
-	376,100	2,050,342
(292,700)	318,271	3,340,033
451,000	-	451,000
(492,298)	-	(8,938,068)
-	-	-
-	-	-
(188,232)	-	(763,192)
(21,017)	-	(300,283)
(250,547)	-	(9,550,543)
12,927	-	149,925
12,927	-	149,925
621,611	5,498	(863,836)
155,559	243	14,393,283
\$ 777,170	\$ 5,741	\$ 13,529,447
\$ 50,879	\$ 5,741	\$ 1,274,313
-	-	796,354
726,291	-	11,458,780
\$ 777,170	\$ 5,741	\$ 13,529,447

(continued)

**City of Casa Grande
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2005**

	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)	\$ 33,922	\$ 204,904	\$ 3,987,516
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Closure and postclosure costs	-	-	-
Depreciation expense	55,121	774,738	-
(Increase) decrease in accounts receivable	(1,013)	(53,337)	-
Increase (decrease) in accounts payable	(753)	(655,324)	22,911
Increase (decrease) in deposits held	1,311	-	-
Increase (decrease) in accrued wages	-	(14,135)	-
Increase (decrease) in due to other funds	-	-	-
Increase (decrease) in compensated absences	-	1,730	-
Total adjustments	<u>54,666</u>	<u>53,672</u>	<u>22,911</u>
Net cash provided (used) by operating activities	<u>\$ 88,588</u>	<u>\$ 258,576</u>	<u>\$ 4,010,427</u>
Noncash investing, capital, and financing activities:			
Contributions of capital assets	-	<u>\$ 1,561,589</u>	-

The accompanying notes are an integral part of the financial statements

**Business-type
Activities-Enterprise Funds**

<u>Sanitation</u>	<u>Golf Course</u>	<u>Total</u>
\$ 675,471	\$ (260,005)	\$ 4,641,808
93,424	-	93,424
416,526	36,434	1,282,819
10,516	(991)	(44,825)
537	13,276	(619,353)
-	-	1,311
(46,821)	(8,969)	(69,925)
-	(90,000)	(90,000)
2,278	(2,518)	1,490
<u>476,460</u>	<u>(52,768)</u>	<u>554,941</u>
<u>\$ 1,151,931</u>	<u>\$ (312,773)</u>	<u>\$ 5,196,749</u>
-	-	<u>\$ 1,561,589</u>

**City of Casa Grande
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005**

	Agency Funds	Part-Time Firemen's Pension
ASSETS		
Cash	\$ 13,687	\$ 4,831
Interest receivable	1,916	-
Investments, at fair value	471,459	767,584
Total assets	487,062	772,415
LIABILITIES		
Other liabilities	487,062	-
Total liabilities	487,062	-
NET ASSETS		
Held in trust for pension benefits and other purposes	\$ -	\$ 772,415

The accompanying notes are an integral part of the financial statements

City of Casa Grande
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2005

	Part-Time Firemen's Pension
ADDITIONS	
Contributions:	
Employer	\$ 7,129
Plan members	7,129
Total contributions	14,258
Investment earnings:	
Interest	20,967
Change in the fair value of investments	48,066
Total investment earnings	69,033
Less investment expense	(6,286)
Net investment earnings	62,747
Total additions	77,005
DEDUCTIONS	
Pension payments	38,585
Administrative expenses	1,773
Total deductions	40,358
Change in net assets	36,647
Net assets-beginning of year	735,768
Net assets-end of year	\$ 772,415

The accompanying notes are an integral part of the financial statements

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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 operated four major enterprise activities: wastewater system, sanitation operations, golf course and water system.

Individual Component Unit – Blended

The Mission Royale Community Facilities District (the District) was formed by petition to the City Council in November 2003. The District's purpose is to acquire or construct public infrastructure in a specified area of the City. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owned in the designated area is assessed for the District's property taxes, and thus for the costs of operating the District. The City Council serves as the Board of Directors of the District. The City has no liability for the District's debt. For reporting purposes, the transactions of the District are included as governmental type funds as if they were part of the City's operations.

No separate financial statements were prepared for the District.

(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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

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

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 small grants;

Community Development Block Grant Fund, 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, 2005

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 Mission Royale CFD Capital Projects Fund accounts for capital construction activities within the CFD.

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, 2005

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. GASB Statement #34 redefined fiduciary funds as follows:

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, 2005

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, 2005

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, 2005

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.

(E) 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 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. 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. 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, 2005, 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.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

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

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.
- (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 2004-2005.
- (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.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

(F) Budgetary Data (continued)

- (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.

The Community Facilities District Mission Royale did not have an adopted budget for the fiscal year.

(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

(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 with no regulatory oversight. 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.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

(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 only those assets acquired or constructed in the past three years. No infrastructure acquired prior to 2003 has been included. Infrastructure from 1980 to 2003 will be included in fiscal year 2007.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are 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. Interest of \$357,671 was capitalized for 2004-2005 for the Wastewater Treatment Plant.

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

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

(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 are granted nonvesting sick leave. Upon termination an employee is not entitled to reimbursement of the accumulated sick leave. Therefore, future sick leave compensation is contingent upon a specific event that is outside the control of the employee or the City. This sick leave compensation is accounted for in the period that the event takes place.

(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.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 2: **Cash and Investments**

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

Cash	\$ 5,832,316
Investments	38,919,914
Restricted investments	<u>2,848,887</u>
Total cash and investments	<u><u>\$47,601,117</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.

The carrying amount of the City's cash in bank totaled \$5,832,316 and the bank balance was \$6,059,170. Federal Depository Insurance covered the City's deposits at June 30, 2005, to the extent of \$200,000. Deposits of \$3,949,700 were collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the City's name. The balance of \$1,909,470 is uncollateralized at June 30, 2005.

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	\$ 4,539,485	\$ 1,274,313	\$ 18,518	\$ 5,832,316
Investments	26,222,091	11,458,780	1,239,043	38,919,914
Restricted investments	<u>2,052,533</u>	<u>796,354</u>	-	<u>2,848,887</u>
	<u><u>\$32,814,109</u></u>	<u><u>\$13,529,447</u></u>	<u><u>\$1,257,561</u></u>	<u><u>\$47,601,117</u></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, 2005 was \$1,367,992,334.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

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.

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.

Investment Type	Amount	Ratings as of Year-End	
		AAA	Unrated
LGIP	\$38,151,037	\$ -	\$38,151,037
Fire Fighter Pension:			
LGIP	1,539	-	1,539
American Funds	11,612	-	11,612
Linsco	754,433	-	754,433
JP Morgan	1,672,218	796,354	875,864
Wells Fargo	1,177,962	-	1,177,962
	<u>\$41,768,801</u>	<u>\$ 796,354</u>	<u>\$40,972,447</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	\$38,151,037
Fire Fighter Pension Plan:		
LGIP	State Investment Pool	1,539
American Funds	Money Market	11,612
Linsco/Private Ledger	Money Market & Mutual Funds	754,433
JP Morgan	Money Market	1,672,218
Wells Fargo	Money Market	1,177,962
		<u>\$41,768,801</u>

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 3: **Cash with Fiscal Agent**

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, 2005
Capital - Development	Public Works Facility	<u>\$874,013</u>

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, 2005
Capital - CFD	Sewer Line	<u>\$1,177,962</u>

In January 2005, 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, 2005
Enterprise - Wastewater	Wastewater Treatment Plant	<u>\$796,354</u>

During fiscal year 1998-99, 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 purpose of the funds is to finance the acquisition, construction and equipping of recreational facilities.

Fund Type	Description of Designated Capital	Balance at June 30, 2005
Capital - Recreation	Recreation Facilities	<u>\$558</u>

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 4: **Receivables**

The following table summarizes the City's governmental activities receivables as of June 30, 2005

	General	Special Revenue	Debt Service	Capital	Internal Service	Total
Receivables:						
Taxes	\$2,827,252	\$ 583,445	\$118,407	\$ -	\$ -	\$3,529,104
Accounts	535,100	657,237	387,748	4,000	-	1,584,085
Interest	40,509	65,250	7,106	9,420	-	122,285
Gross Receivables	3,402,861	1,305,932	513,261	13,420	-	5,235,474
Less: allowance for uncollectible	(14,308)	-	-	-	-	(14,308)
Net total receivables	<u>\$3,388,553</u>	<u>\$1,305,932</u>	<u>\$513,261</u>	<u>\$13,420</u>	<u>\$ -</u>	<u>\$5,221,166</u>

The following table summarizes the City's business-type activities receivables as of June 30, 2005

	Water	Wastewater	Wastewater Dev Fees	Sanitation	Golf Course	Total
Receivables:						
Taxes	\$ -	\$381,826	\$ -	\$ -	\$ -	\$ 381,826
Accounts	21,812	519,118	-	676,763	991	1,218,684
Interest	-	13,936	26,062	4,892	-	44,890
Gross Receivables	21,812	914,880	26,062	681,655	991	1,645,400
Less: allowance for uncollectible	(807)	(477,563)	-	(621,546)	-	(1,099,916)
Net total receivables	<u>\$21,005</u>	<u>\$437,317</u>	<u>\$26,062</u>	<u>\$60,109</u>	<u>\$991</u>	<u>\$545,484</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	\$19,342
Uncollectibles related to sanitation	47,272
Total uncollectibles of the current fiscal year	<u>\$66,614</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, 2005, there were 71 of these loans outstanding, totaling \$774,943.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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 2004-2005 maximum primary levy limit was \$2,599,279. The primary tax levy was \$1,581,847. The City did not have a secondary tax levy.

The City's total tax levy for 2004-2005 was \$1,581,847. 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, 2005, are \$30,879 and \$7,318 respectively.

NOTE 7: **Capital Assets**

A summary of business-type activities property, plant and equipment at June 30, 2005 follows:

	Enterprise				Total
	Water	Wastewater	Sanitation	Golf Course	
Land	\$ -	\$ -	\$ -	\$283,000	\$ 283,000
Building & Improvements	-	26,902,784	167,092	531,611	27,601,487
Machinery & Equipment	1,036,504	1,129,683	4,996,780	555,849	7,718,816
Construction in Progress	-	11,569,524	-	-	11,569,524
Total Capital Assets	1,036,504	39,601,991	5,163,872	1,370,460	47,172,827
Less: accumulated depreciation	(184,544)	(7,959,064)	(2,779,502)	(872,931)	(11,796,041)
Net Capital Assets	\$ 851,960	\$31,642,927	\$2,384,370	\$497,529	\$ 35,376,786

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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 2004-2005 maximum primary levy limit was \$2,599,279. The primary tax levy was \$1,581,847. The City did not have a secondary tax levy.

The City's total tax levy for 2004-2005 was \$1,581,847. 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, 2005, are \$30,879 and \$7,318 respectively.

NOTE 7: **Capital Assets**

A summary of business-type activities property, plant and equipment at June 30, 2005 follows:

	Enterprise				Total
	Water	Wastewater	Sanitation	Golf Course	
Land	\$ -	\$ -	\$ -	\$283,000	\$ 283,000
Building & Improvements	-	26,902,784	167,092	531,611	27,601,487
Machinery & Equipment	1,036,504	1,129,683	4,996,780	555,849	7,718,816
Construction in Progress	-	11,569,524	-	-	11,569,524
Total Capital Assets	1,036,504	39,601,991	5,163,872	1,370,460	47,172,827
Less: accumulated depreciation	(184,544)	(7,959,064)	(2,779,502)	(872,931)	(11,796,041)
Net Capital Assets	\$ 851,960	\$31,642,927	\$2,384,370	\$497,529	\$ 35,376,786

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

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

	Balance June 30, 2004	Additions	Disposals	Balance June 30, 2005
Buildings	\$ 98,564	\$ 3,242	\$ -	\$ 101,806
Improvements	7,090,065	764,140	-	7,854,205
Machinery & equipment	3,324,593	515,437	-	3,840,030
Total Accumulated Depreciation	\$10,513,222	\$1,282,819	\$ -	\$11,796,041

A summary of changes in governmental activities capital assets follows:

	Balance June 30, 2004	Additions	Retirement/ Disposals	Balance June 30, 2005
Land & construction in progress	\$ 6,372,291	\$ 2,923,926	\$(48,000)	\$ 9,248,217
Buildings	10,676,987	11,601	-	10,688,588
Improvements	24,562,848	6,164,983	-	30,727,831
Heavy machinery & equipment	1,176,108	231,884	-	1,407,992
Operational equipment	4,172,692	537,397	(27,952)	4,682,137
Vehicles	4,797,784	511,050	-	5,308,834
Total General Capital Assets	\$51,758,710	\$10,380,841	\$(75,952)	\$62,063,599

Less Accumulated Depreciation for:

Land & Construction in progress	\$ -	\$ -	\$ -	\$ -
Buildings	4,210,787	437,588	-	4,648,375
Improvements	6,016,896	1,395,611	-	7,412,507
Heavy machinery & equipment	674,267	96,431	-	770,698
Operational equipment	3,316,240	191,159	-	3,507,399
Vehicles	3,067,969	453,473	(27,952)	3,493,490
Total Accumulated Depreciation	17,286,159	2,574,262	(27,952)	19,832,469
Total General Capital Assets	\$34,472,551	\$7,806,579	\$(48,000)	\$42,231,130

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

The City had additions to contributed capital assets during the fiscal year 2004-2005. The Governmental Activities Capital Assets include a total of \$5,853,927 in contributed capital assets.

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

Governmental Activities:

General Government	\$ 59,717
Public Safety	447,831
Streets/Transportation	1,035,471
Public Works	43,638
Culture and Recreation	494,045
Economic Development	478,181
Internal Service	15,379
Total Depreciation Expense - Governmental Activities	\$2,574,262

Business-type Activities:

Water	\$ 55,121
Wastewater	774,738
Sanitation	416,526
Golf Course	36,434
Total Depreciation Expense - Business-type Activities	\$1,282,819

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, 2005

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

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(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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, 2005, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 5.7 percent (5.2 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, 2005, 2004 and 2003 were \$529,908, \$455,951 and \$193,971, respectively, which were equal to the required contributions for those years.

(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, 2005 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 11.98 percent for police and 11.14 percent for fire. The City contributed the required amount.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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, 2004, the date of the most recent actuarial valuation, and related information follow.

Contribution rates:	PSPRS - Police	PSPRS - Fire
City	11.98%	11.14%
Plan members	7.65%	7.65%
Annual pension cost	343,162	206,291
Contributions made	343,162	206,291
Actuarial valuation date	June 30, 2004	June 30, 2004
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	8.75%	8.75%
Projected salary increases	6.5% - 9.5%	6.5% - 9.5%
Includes inflation at cost-of-living adjustments	5.5%	5.5%
Amortization method	Level Percentage	Level Percentage
	Open	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 Income	Based on 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	2004	\$343,162	100%	-
	2003	220,533	100%	-
	2002	293,159	100%	-
PSPRS - Fire	2004	\$206,291	100%	-
	2003	114,978	100%	-
	2002	98,315	100%	-

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

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

Funding progress - An analysis of funding progress for each of the plans as of the most recent actuarial valuations, June 30, 2004, follows:

PSPR - 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)
6/30/04	\$12,673,016	\$15,091,351	\$2,418,335	83.9%	\$3,098,436	78.1%
6/30/03	12,533,116	13,648,927	1,115,811	91.8%	2,858,725	39.0%
6/30/02	12,256,912	12,301,470	44,558	99.6%	2,978,744	1.5%

PSPR – 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)
6/30/04	\$7,283,798	\$8,640,456	\$1,356,658	84.3%	\$1,959,300	69.2%
6/30/03	7,366,941	8,024,641	657,700	91.8%	1,825,058	36.0%
6/30/02	7,372,478	7,266,996	(105,482)	101.5%	1,566,269	-

(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. Of the City’s total payroll of \$15,996,696 for the year ended June 30, 2005, \$142,566 was covered by this plan.

City Council establishes the required contribution for part-time firefighters along with the City’s match. Firefighters are required to contribute at least 5% of gross compensation with the City matching 5%. During the fiscal year, the employees contributed \$7,129 (5%), and the City contributed \$7,129 (5%), totaling \$14,258.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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
2002	\$10,386	100.0%
2003	6,387	100.0%
2004	7,117	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. Participants under the age of 55 are 30% vested with three years of credited service, with an increase of 10% per year thereafter until fully vested at 10 years of credited service. Participants with less than three years of credited service are not vested. As of June 30, 2005, there were 37 eligible employees participating in the plan. Of the 37 participants covered by the plan, there were 8 active members, 19 terminated members and 10 retirees. The vesting status for these members was 12 fully vested, 5 partially vested and 20 are nonvested. The plan is administered by The Innes Associates.

As of June 30, 2005, the plan's assets consisted of the following:

Cash	\$ 4,831
Money Market Funds	11,612
Mutual Funds	754,433
State Treasury Pool	<u>1,539</u>
Total Assets	<u><u>\$772,415</u></u>

During fiscal year 2000, the plan was revised to include a different vesting schedule. The old plan started vesting at five years of service and continuing until 100% vested after twenty years. The new plan starts vesting after three years of service and continuing until 100% vested after ten years of service. 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, 2005

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, 2005, 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.	\$3,500,000
Lease with option to purchase 6 police vehicles. Quarterly installments of \$12,821 including interest of 3.789%, due through August 20, 2006	95,060
Lease with option to purchase 2 fuel trucks (\$82,545 Airport) and 1 street sweeper (\$95,245 Streets). Quarterly installments of \$8,189 including interest of 4.461%, due through August 20, 2010.	153,455
Lease with option to purchase Airport T-hangers. Quarterly installments of \$22,944 including interest of 5.081%, due through August 20, 2013.	581,707
Lease with option to purchase fire truck and police dept. parking lot. Quarterly installments of \$32,198, including interest at 4.48%, due through July 5, 2006.	<u>155,711</u>
Total Governmental Activities Capital Lease Obligation	<u>4,485,933</u>

Business-Type Activities:

Wastewater:

Lease with option to purchase sewer line. Monthly installments of \$6,621 including interest at 5.02% due through June 12, 2006.	<u>77,331</u>
Total Wastewater	<u>77,331</u>

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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Total Wastewater	<u>77,331</u>

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

Sanitation:

Lease with option to purchase Tractor and Compactor. Quarterly installments of \$24,795, including interest at 3.685%, due through September 3, 2009.	\$388,508
Lease with option to purchase a garbage truck. Monthly installments of \$6,868, including interest at 4.461%, due through August 20, 2010.	<u>127,956</u>
Total Sanitation	<u>516,464</u>
Total Business-type Activities Capital Lease Obligation	<u>593,795</u>
Total Long-Term Lease Payable	<u>\$5,079,728</u>

The future minimum lease payments by year are:

Fiscal Year Ending June 30,	Governmental Activities	Business-type Activities	Total
2006	\$ 635,024	\$206,103	\$ 841,127
2007	499,968	126,651	626,619
2008	454,950	126,651	581,601
2009	454,950	126,651	581,601
2010	454,950	52,267	507,217
2011-2015	1,958,561	6,868	1,965,429
2016-2020	1,652,097	-	1,652,097
<hr/>			
Total minimum lease payments	6,110,500	645,191	6,755,691
Less: amount representing interest	<u>(1,624,567)</u>	<u>(51,396)</u>	<u>(1,675,963)</u>
Present value of future minimum lease payments	4,485,933	593,795	5,079,728
Less: current portion	<u>(424,114)</u>	<u>(185,504)</u>	<u>(609,618)</u>
Noncurrent portion	<u>\$4,061,819</u>	<u>\$408,291</u>	<u>\$4,470,110</u>

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

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	\$3,444,539	\$(41,835)	\$3,402,704
Business-type Activities Assets:			
Wastewater	350,000	(70,000)	280,000
Total Building and Improvement	3,794,539	(111,835)	3,682,704
Machinery and Equipment			
Governmental Activities Assets	738,261	(228,140)	510,121
Business-type Activities Assets:			
Sanitation	743,265	(115,835)	627,430
Total Machinery and Equipment	1,481,526	(343,975)	1,137,551
Total Leased Capital Assets	\$5,276,065	\$(455,810)	\$4,820,255

A portion of the Public Works Facility lease (\$874,013) has not been spent and will be used for building improvements.

NOTE 11: **Bond Debt**

A summary of long-term bond debt transactions for the year ended June 30, 2005, follows:

Governmental Activities	Balance July 1, 2004	Issued	Retired	Balance June 30, 2005
General obligation bonds	\$ -	\$1,335,000	\$ -	\$1,335,000
Special assessment bonds	685,000	-	(100,000)	585,000
Total Bonds Outstanding	685,000	1,335,000	\$(100,000)	1,920,000

Summarization of the long-term bond debt payable at June 30, 2005, follows:

Bond Description	Original Issue Amount	Amount of Installment	Interest Rate	Date of Final Payment	Balance June 30, 2005
General obligation	\$1,335,000	\$35,000 - 105,000	5.10% - 5.80%	07/15/29	\$1,335,000
Special Assessment:					
ID #38	1,030,000	75,000 - 130,000	5.40%	01/01/10	585,000
Total Bonds Outstanding					1,920,000

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

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Total Leased Capital Assets	<u><u>\$5,276,065</u></u>	<u><u>\$(455,810)</u></u>	<u><u>\$4,820,255</u></u>

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Special assessment bonds	<u>685,000</u>	<u>-</u>	<u>(100,000)</u>	<u>585,000</u>
Total Bonds Outstanding	<u><u>\$685,000</u></u>	<u><u>\$1,335,000</u></u>	<u><u>\$(100,000)</u></u>	<u><u>\$1,920,000</u></u>

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Special Assessment:					
ID #38	1,030,000	75,000 - 130,000	5.40%	01/01/10	<u>585,000</u>
Total Bonds Outstanding					<u><u>\$1,920,000</u></u>

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

The following table summarizes the City's future bond debt service requirements as of June 30, 2005:

Year Ending June 30,	General Obligation Bonds (1)		Special Assessment Fund (2)		Total	
	Bonds	Interest	Bonds	Interest	Bonds	Interest
2006	\$ -	\$52,780	\$ 105,000	\$31,590	\$105,000	\$ 84,370
2007	-	73,932	110,000	25,920	110,000	99,852
2008	-	73,932	115,000	19,980	115,000	93,912
2009	-	73,932	125,000	13,770	125,000	87,702
2010	35,000	73,040	130,000	7,020	165,000	80,060
2011-2015	210,000	334,729	-	-	210,000	334,729
2016-2020	270,000	272,551	-	-	270,000	272,551
2021-2025	355,000	187,189	-	-	355,000	187,189
2026-2029	465,000	70,615	-	-	465,000	70,615
	<u>\$1,335,000</u>	<u>\$1,212,700</u>	<u>\$585,000</u>	<u>\$98,280</u>	<u>\$1,920,000</u>	<u>\$1,310,980</u>

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 the administration of the collection of the property taxes and payment of the debt service on behalf of Mission Royale.

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.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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.

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 will continue 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 net proceeds of \$8,806,159 (after payment of \$447,866 in underwriting fees, insurance and other issuance costs and receipt of \$434,025 in premium) were used to purchase U.S. government securities.

Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service on the 1994 and 1995 obligations. As a result, the 1994 and 1995 obligations referred to above are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. There is no outstanding balance on these bonds as of June 30, 2005. The advance refunding resulted in a difference of \$423,720 between the reacquisition price and the net carrying amount of the old debt. This difference is being charged to operations through the year 2015 using the straight-line amortization method.

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.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

The following table summarizes the City's future revenue obligation debt service requirements as of June 30, 2005:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 470,640	\$ 364,044	\$ 514,360	\$ 658,208	\$ 985,000	\$ 1,022,252
2007	496,455	340,997	523,545	646,635	1,020,000	987,632
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
2011-2015	3,264,954	925,328	3,155,049	2,687,174	6,420,003	3,612,502
2016-2020	1,545,094	226,318	6,424,909	1,832,363	7,970,003	2,058,681
2021-2022	279,740	20,518	3,155,074	231,233	3,434,814	251,751
	<u>\$7,688,583</u>	<u>\$2,753,996</u>	<u>\$15,426,237</u>	<u>\$7,910,418</u>	<u>\$23,114,820</u>	<u>\$10,664,414</u>

NOTE 13: **Changes in Long-Term Obligations**

Governmental Activities:	Balance	Obligations	Obligations	Balance	Amounts
	July 1, 2004	Incurred	Paid	June 30, 2005	Due Within One Year
Compensated absences	\$ 635,402	\$ 746,938	\$ (749,678)	\$ 632,662	\$ 632,662
Bonds payable	685,000	1,335,000	(100,000)	1,920,000	105,000
Excise tax revenue obligations	8,138,000	-	(449,417)	7,688,583	470,640
Capital leases	1,236,062	3,500,000	(250,129)	4,485,933	424,114
Total Governmental Activities	<u>\$10,694,464</u>	<u>\$5,581,938</u>	<u>\$(1,549,224)</u>	<u>\$14,727,178</u>	<u>\$1,632,416</u>

Business-type Activities:	Balance	Additions	Reductions	Balance	Amounts
	July 1, 2004			June 30, 2005	Due Within One Year
Capital leases	\$ 404,534	\$451,000	\$(261,739)	\$ 593,795	\$185,504
Excise tax revenue obligations	15,926,820	-	(500,583)	15,426,237	514,360
Notes payable (1)	178,170	-	(870)	177,300	9,231
Total Business-type Activities	<u>\$16,509,524</u>	<u>\$451,000</u>	<u>\$(763,192)</u>	<u>\$16,197,332</u>	<u>\$709,095</u>

(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.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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

The following table summarizes the City's future revenue obligation debt service requirements as of June 30, 2005:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 470,640	\$ 364,044	\$ 514,360	\$ 658,208	\$ 985,000	\$ 1,022,252
2007	496,455	340,997	523,545	646,635	1,020,000	987,632
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
2011-2015	3,264,954	925,328	3,155,049	2,687,174	6,420,003	3,612,502
2016-2020	1,545,094	226,318	6,424,909	1,832,363	7,970,003	2,058,681
2021-2022	279,740	20,518	3,155,074	231,233	3,434,814	251,751
	<u>\$7,688,583</u>	<u>\$2,753,996</u>	<u>\$15,426,237</u>	<u>\$7,910,418</u>	<u>\$23,114,820</u>	<u>\$10,664,414</u>

NOTE 13: **Changes in Long-Term Obligations**

Governmental Activities:	Balance	Obligations	Obligations	Balance	Amounts
	July 1, 2004	Incurred	Paid	June 30, 2005	Due Within One Year
Compensated absences	\$ 635,402	\$ 746,938	\$ (749,678)	\$ 632,662	\$ 632,662
Bonds payable	685,000	1,335,000	(100,000)	1,920,000	105,000
Excise tax revenue obligations	8,138,000	-	(449,417)	7,688,583	470,640
Capital leases	1,236,062	3,500,000	(250,129)	4,485,933	424,114
Total Governmental Activities	<u>\$10,694,464</u>	<u>\$5,581,938</u>	<u>\$(1,549,224)</u>	<u>\$14,727,178</u>	<u>\$1,632,416</u>

Business-type Activities:	Balance	Additions	Reductions	Balance	Amounts
	July 1, 2004			June 30, 2005	Due Within One Year
Capital leases	\$ 404,534	\$451,000	\$(261,739)	\$ 593,795	\$185,504
Excise tax revenue obligations	15,926,820	-	(500,583)	15,426,237	514,360
Notes payable (1)	178,170	-	(870)	177,300	9,231
Total Business-type Activities	<u>\$16,509,524</u>	<u>\$451,000</u>	<u>\$(763,192)</u>	<u>\$16,197,332</u>	<u>\$709,095</u>

(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.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

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 \$13,700,889:

Year Ending June 30,	Governmental <u>Activities</u>		Business-type <u>Activities</u>		Total Principal
	Principal	Interest	Principal	Interest	
2006	\$ 999,754	\$ 659,024	\$ 709,096	\$ 684,741	\$ 1,708,850
2007	914,088	633,184	645,486	666,506	1,559,574
2008	913,454	588,989	659,383	648,699	1,572,837
2009	958,827	545,225	682,649	629,147	1,641,476
2010	1,034,886	498,633	631,034	608,210	1,665,920
2011-2015	4,900,532	1,793,040	3,220,383	2,704,326	8,120,915
2016-2020	3,273,235	693,126	6,494,227	1,838,484	9,767,462
2021-2025	634,740	207,707	3,155,074	231,233	3,789,814
2026-2029	465,000	70,615	-	-	465,000
	<u>\$14,094,516</u>	<u>\$5,689,543</u>	<u>\$16,197,332</u>	<u>\$8,011,346</u>	<u>\$30,291,848</u>

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, 2005 the City has reported a \$1,504,589 landfill closure and postclosure care liability that represents the total current cost based on 37.98 percent of estimated capacity of the landfill.

The remaining cost of \$2,457,086 will be recognized in the future periods as the remaining capacity is filled. The City expects the remaining capacity to extend for 25 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 2005 valuation of the total closure and postclosure costs were estimated to be \$3,961,675.

(continued)

CITY OF CASA GRANDE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

NOTE 16: **Summary of Interfund Transactions**

Interfund transactions as of June 30, 2005, were as follows:

Interfund Receivable/Payable:

Fund	Receivable Amount	Payable Amount
General	\$290,000	\$ -
Special Revenue Fund:		
Home/HUD	-	100,000
Enterprise Fund - Golf Course	-	190,000
Total	<u>\$290,000</u>	<u>\$290,000</u>

The interfund balances at June 30, 2005 are short-term loans to cover temporary cash deficits in various funds.

Transfers:

Fund	Transfers Out	Transfers In
Governmental Funds:		
General	\$1,346,358	\$1,132,100
Highway Users	218,118	-
Grants	-	122,254
System Development	942,000	-
Capital Replacement	-	1,116,518
Other Non-major Governmental	24,356	315,760
Total Governmental Funds	<u>2,530,832</u>	<u>2,686,632</u>
Enterprise Funds:		
Water	10,900	-
Golf Course	67,800	376,100
Wastewater	103,700	-
Sanitation	292,700	-
Total Enterprise Funds	<u>475,100</u>	<u>376,100</u>
Internal Service Fund	56,800	-
Grand Totals	<u>\$3,062,732</u>	<u>\$3,062,732</u>

There were no significant transfers during fiscal year 2005 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

City of Casa Grande
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2005

	Special Revenue					
	Municipal Airport	Parks Develop.	Community Arts	Redevelop- ment	Promotion & Tourism	Court Enhancement
ASSETS						
Cash	\$ 15,585	\$ 18,997	\$ 517	\$ 9,090	\$ 32,647	\$ 13,978
Investments	188,197	36,312	467	1,456,728	-	214,808
Receivables (less allowance for uncollectibles)	66,037	210	6	10,933	12,095	906
Due from other governments	-	-	-	-	-	-
Fuel Inventory	32,519	-	-	-	-	-
Restricted cash	-	-	-	-	-	-
Total assets	\$ 302,338	\$ 55,519	\$ 990	\$ 1,476,751	\$ 44,742	\$ 229,692
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable and other current liabilities	\$ 47,001	\$ 28	\$ -	\$ 182	\$ 2,083	\$ -
Accrued wages and benefits	1,476	-	-	-	-	-
Total liabilities	48,477	28	-	182	2,083	-
Fund balances:						
Reserved for:						
Special revenue	-	-	-	-	-	-
Debt service	-	-	-	-	-	-
Unreserved, reported in:						
Special revenue funds	253,861	55,491	990	1,476,569	42,659	229,692
Capital projects funds	-	-	-	-	-	-
Total fund balances	253,861	55,491	990	1,476,569	42,659	229,692
Total liabilities and fund balance	\$ 302,338	\$ 55,519	\$ 990	\$ 1,476,751	\$ 44,742	\$ 229,692

Special Revenue		Debt Service		Capital Projects		Total Nonmajor
Housing Programs	Public Safety Programs	Redevelopment	Recreation	Recreation Improvement	Airport Improvement	Governmental Funds
\$ 149,013	\$ 1,970	\$ -	\$ 238,625	\$ 598	\$ 14,030	\$ 495,050
92,211	24,576	-	729,153	-	-	2,742,452
389	97	-	121,484	-	-	212,157
-	-	-	-	-	59,482	59,482
-	-	-	-	-	-	32,519
-	-	-	-	558	-	558
\$ 241,613	\$ 26,643	\$ -	\$ 1,089,262	\$ 1,156	\$ 73,512	\$ 3,542,218
\$ 49	\$ 305	\$ -	\$ -	\$ -	\$ 73,512	\$ 123,160
-	-	-	-	-	-	1,476
49	305	-	-	-	73,512	124,636
-	26,338	-	-	-	-	26,338
-	-	-	1,089,262	-	-	1,089,262
241,564	-	-	-	-	-	2,300,826
-	-	-	-	1,156	-	1,156
241,564	26,338	-	1,089,262	1,156	-	3,417,582
\$ 241,613	\$ 26,643	\$ -	\$ 1,089,262	\$ 1,156	\$ 73,512	\$ 3,542,218

City of Casa Grande
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue					
	Municipal Airport	Parks Develop.	Community Arts	Redevelop- ment	Promotion & Tourism	Court Enhancement
REVENUES						
Taxes:						
Property taxes	\$ -	\$ -	\$ -	\$ 531,301	\$ -	\$ -
Sales Tax	-	-	-	-	97,512	-
Intergovernmental revenues	-	29,604	-	-	-	9,725
Charges for services	-	-	-	-	-	45,771
Investment earnings	231	805	29	24,489	-	3,976
Rental and sale of city property	500,348	-	-	94,995	-	-
Miscellaneous	434,910	39,705	-	-	-	-
Total revenues	935,489	70,114	29	650,785	97,512	59,472
EXPENDITURES						
Current:						
General government	487,522	-	-	-	80,000	-
Public safety	-	-	-	-	-	6,375
Culture and recreation	-	42,017	5,569	-	-	-
Economic development	-	-	-	86,916	-	-
Capital outlay	-	-	-	10,330	-	-
Debt Service:						
Principal	70,354	-	-	-	-	-
Interest and fiscal charges	36,630	-	-	-	-	-
Total expenditures	594,506	42,017	5,569	97,246	80,000	6,375
Excess (deficiency) of revenues over (under) expenditures	340,983	28,097	(5,540)	553,539	17,512	53,097
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	5,000	-	-	-
Transfers out	(24,355)	-	-	-	-	-
Total other financing sources and uses	(24,355)	-	5,000	-	-	-
Net change in fund balances	316,628	28,097	(540)	553,539	17,512	53,097
Fund balances - beginning of year	(62,767)	27,394	1,530	923,030	25,147	176,595
Fund balances - end of year	\$ 253,861	\$ 55,491	\$ 990	\$ 1,476,569	\$ 42,659	\$ 229,692

Special Revenue		Debt Service		Capital Projects		Total Nonmajor Governmental Funds
Housing Programs	Public Safety Programs	Redevelopment	Recreation	Recreation Improvement	Airport Improvement	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 531,301
-	-	-	692,741	-	-	790,253
-	-	-	-	-	66,864	106,193
138,215	-	-	-	-	-	183,986
1,835	463	-	14,552	54	-	46,434
-	-	-	-	-	-	595,343
-	13,389	-	-	-	-	488,004
140,050	13,852	-	707,293	54	66,864	2,741,514
-	-	-	-	-	-	567,522
-	12,776	-	-	-	-	19,151
-	-	-	-	-	-	47,586
56,368	-	2,700	-	-	-	145,984
-	-	-	-	-	73,511	83,841
-	-	155,000	250,000	-	-	475,354
-	-	148,050	178,625	-	-	363,305
56,368	12,776	305,750	428,625	-	73,511	1,702,743
83,682	1,076	(305,750)	278,668	54	(6,647)	1,038,771
-	-	305,605	-	-	5,155	315,760
-	-	-	-	-	-	(24,355)
-	-	305,605	-	-	5,155	291,405
83,682	1,076	(145)	278,668	54	(1,492)	1,330,176
157,882	25,262	145	810,594	1,102	1,492	2,087,406
\$ 241,564	\$ 26,338	\$ -	\$ 1,089,262	\$ 1,156	\$ -	\$ 3,417,582

City of Casa Grande
Special Assessments Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget- Positive (Negative)
REVENUES				
Special assessments	\$ 140,200	\$ 140,200	\$ 217,895	\$ 77,695
Investment earnings	2,000	2,200	18,562	16,362
Total revenues	142,200	142,400	236,457	94,057
EXPENDITURES				
Current:				
Contractual services	5,200	5,400	3,240	2,160
Debt Service				
Principal retirement	100,000	100,000	100,000	-
Interest	37,000	37,000	36,990	10
Total expenditures	142,200	142,400	140,230	2,170
Excess (deficiency) of revenues over (under) expenditures	-	-	96,227	96,227
Fund balance - beginning of year	-	-	881,540	881,540
Fund balance - end of year	\$ -	\$ -	\$ 977,767	\$ 977,767

City of Casa Grande
Capital Replacement/Development Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-</u>
REVENUES				Positive
Investment earnings	\$ -	\$ -	\$ 30,662	\$ 30,662
Total revenues	-	-	30,662	30,662
EXPENDITURES				
Materials and supplies	-	1,500	1,477	23
Capital outlay	6,470,000	5,751,300	3,231,167	2,520,133
Total expenditures	6,470,000	5,752,800	3,232,644	2,520,156
Excess (deficiency) of revenues				
over (under) expenditures	<u>(6,470,000)</u>	<u>(5,752,800)</u>	<u>(3,201,982)</u>	<u>2,550,818</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	542,400	319,100	1,116,518	797,418
Proceeds from obligations	5,500,000	5,500,000	3,500,000	(2,000,000)
Total other financing sources and uses	6,042,400	5,819,100	4,616,518	(1,202,582)
Net change in fund balance	(427,600)	66,300	1,414,536	1,348,236
Fund balance - beginning of year	427,600	(66,300)	1,063,573	1,129,873
Fund balance - end of year	\$ -	\$ -	\$ 2,478,109	\$ 2,478,109

City of Casa Grande
Community Facilities District - Mission Royale - Capital Projects
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Sewer Capacity Fees	\$ -	\$ -	\$ 2,250,554	\$ 2,250,554
Investment Earnings	-	-	4,800	4,800
Total revenues	-	-	2,255,354	2,255,354
EXPENDITURES				
Contractual services	-	-	22	(22)
Capital outlay	-	-	34,943	(34,943)
Total expenditures	-	-	34,965	(34,965)
Excess (deficiency) of revenues over (under) expenditures	-	-	2,220,389	2,220,389
OTHER FINANCING SOURCES (USES)				
Bond Issuance	-	-	1,335,000	1,335,000
Bond Issuance Costs	-	-	(159,557)	(159,557)
Total other financing sources and uses	-	-	1,175,443	1,175,443
Net change in fund balance	-	-	3,395,832	3,395,832
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ 3,395,832	\$ 3,395,832

City of Casa Grande
Municipal Airport Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Investment earnings	\$ 1,500	\$ 1,500	\$ 231	\$ (1,269)
Rental and sale of city property	455,000	455,000	500,348	45,348
Miscellaneous	1,000	1,000	434,910	433,910
Total revenues	457,500	457,500	935,489	477,989
EXPENDITURES				
Current:				
General government:				
Personal services	114,000	121,600	121,571	29
Contractual services	20,400	36,800	34,649	2,151
Materials and supplies	219,200	331,800	331,302	498
Debt service	107,000	107,000	106,984	16
Total expenditures	460,600	597,200	594,506	2,694
Excess (deficiency) of revenues over (under) expenditures	(3,100)	(139,700)	340,983	480,683
OTHER FINANCING SOURCES (USES)				
Transfers out	(19,200)	(24,400)	(24,355)	45
Total other financing sources and uses	(19,200)	(24,400)	(24,355)	45
Net change in fund balance	(22,300)	(164,100)	316,628	480,728
Fund balance - beginning of year	22,300	164,100	(62,767)	(226,867)
Fund balance - end of year	\$ -	\$ -	\$ 253,861	\$ 253,861

City of Casa Grande
Parks Development Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 2,200	\$ 2,200	\$ 805	\$ (1,395)
Miscellaneous	25,000	25,000	39,705	14,705
Intergovernmental	-	-	29,604	29,604
Total revenues	27,200	27,200	70,114	42,914
EXPENDITURES				
Current:				
Culture and recreation:				
Contractual services	27,200	43,000	42,017	983
Total expenditures	27,200	43,000	42,017	983
Excess (deficiency) of revenues over (under) expenditures	-	(15,800)	28,097	43,897
Fund balance - beginning of year	-	15,800	27,394	11,594
Fund balance - end of year	\$ -	\$ -	\$ 55,491	\$ 55,491

City of Casa Grande
Community Arts Reserve Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Investment earnings	\$ -	\$ -	\$ 29	\$ 29
Total revenues	-	-	29	29
EXPENDITURES				
Current:				
Culture and recreation:				
Contractual services	2,100	2,300	5,569	(3,269)
Capital outlay	25,500	25,300	-	25,300
Total expenditures	27,600	27,600	5,569	22,031
Excess (deficiency) of revenues over (under) expenditures	(27,600)	(27,600)	(5,540)	22,060
OTHER FINANCING SOURCES (USES)				
Transfers in	5,000	(5,000)	5,000	10,000
Total other financing sources and uses	5,000	(5,000)	5,000	10,000
Net change in fund balance	(22,600)	(32,600)	(540)	32,060
Fund balance - beginning of year	22,600	32,600	1,530	(31,070)
Fund balance - end of year	\$ -	\$ -	\$ 990	\$ 990

City of Casa Grande
Redevelopment/Downtown Revitalization Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Local taxes	\$ 135,000	\$ 135,000	\$ 531,301	\$ 396,301
Investment earnings	-	-	24,489	24,489
Rental and sale of city property	75,000	75,000	94,995	19,995
Total revenues	210,000	210,000	650,785	440,785
EXPENDITURES				
Current:				
Economic development:				
Contractual services	117,000	141,300	64,229	77,071
Materials and supplies	7,000	22,700	22,687	13
Capital outlay	510,000	470,000	10,330	459,670
Debt service	40,000	40,000	-	40,000
Total expenditures	674,000	674,000	97,246	576,754
Excess (deficiency) of revenues over (under) expenditures	(464,000)	(464,000)	553,539	1,017,539
Fund balance - beginning of year	464,000	464,000	923,030	459,030
Fund balance - end of year	\$ -	\$ -	\$ 1,476,569	\$ 1,476,569

City of Casa Grande
Promotion and Tourism Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local taxes	\$ 85,000	\$ 85,000	\$ 97,512	\$ 12,512
Total revenues	85,000	85,000	97,512	12,512
EXPENDITURES				
Current:				
General government	85,000	85,000	80,000	5,000
Total expenditures	85,000	85,000	80,000	5,000
Excess (deficiency) of revenues over (under) expenditures	-	-	17,512	17,512
Fund balance - beginning of year	-	-	25,147	25,147
Fund balance - end of year	\$ -	\$ -	\$ 42,659	\$ 42,659

City of Casa Grande
Court Enhancement/Probationary Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Intergovernmental	\$ 6,000	\$ 6,000	\$ 9,725	\$ 3,725
Charges for services	55,000	55,000	45,771	(9,229)
Investment earnings	1,500	1,500	3,976	2,476
Total revenues	62,500	62,500	59,472	(3,028)
EXPENDITURES				
Current:				
Public safety:				
Contractual services	60,000	66,400	6,375	60,025
Capital outlay	160,000	153,600	-	153,600
Total expenditures	220,000	220,000	6,375	213,625
Excess (deficiency) of revenues over (under) expenditures	(157,500)	(157,500)	53,097	210,597
Fund balance - beginning of year	157,500	157,500	176,595	19,095
Fund balance - end of year	\$ -	\$ -	\$ 229,692	\$ 229,692

City of Casa Grande
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, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for service	\$ 84,300	\$ 84,300	\$ 138,215	\$ 53,915
Investment earnings	-	-	1,835	1,835
Total revenues	84,300	84,300	140,050	55,750
EXPENDITURES				
Current:				
Economic development:				
Personal services	5,000	5,000	1,851	3,149
Contractual services	77,000	77,000	52,612	24,388
Materials and supplies	2,300	2,300	1,905	395
Total expenditures	84,300	84,300	56,368	27,932
Excess (deficiency) of revenues over (under) expenditures	-	-	83,682	83,682
Fund balance - beginning of year	-	-	157,882	157,882
Fund balance - end of year	\$ -	\$ -	\$ 241,564	\$ 241,564

City of Casa Grande
Public Safety Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Investment earnings	\$ 200	\$ 200	\$ 463	\$ 263
Contributions	9,800	12,700	13,389	689
Total revenues	10,000	12,900	13,852	952
EXPENDITURES				
Current:				
Public safety activities	10,000	12,900	12,776	124
Total expenditures	10,000	12,900	12,776	124
Excess (deficiency) of revenues over (under) expenditures	-	-	1,076	1,076
Fund balance - beginning of year	-	-	25,262	25,262
Fund balance - end of year	\$ -	\$ -	\$ 26,338	\$ 26,338

City of Casa Grande
Redevelopment Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Current:				
Contractual services	2,500	2,700	2,700	-
Debt service:				
Principal	155,000	155,000	155,000	-
Interest and fiscal charges	148,100	148,100	148,050	50
Total expenditures	305,600	305,800	305,750	50
Excess (deficiency) of revenues over (under) expenditures	(305,600)	(305,800)	(305,750)	50
OTHER FINANCING SOURCES (USES)				
Transfers in	305,600	305,800	305,605	(195)
Total other financing sources and uses	305,600	305,800	305,605	(195)
Net change in fund balance	-	-	(145)	(145)
Fund balance - beginning of year	-	-	145	145
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

City of Casa Grande
Recreation Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Local taxes	\$ 434,600	\$ 434,600	\$ 692,741	\$ 258,141
Investment earnings	-	-	14,552	14,552
Total revenues	434,600	434,600	707,293	272,693
EXPENDITURES				
Current:				
Contractual services	6,000	5,900	-	5,900
Debt Service:				
Principal retirement	250,000	250,000	250,000	-
Interest	178,600	178,700	178,625	75
Total expenditures	434,600	434,600	428,625	5,975
Excess (deficiency) of revenues over (under) expenditures	-	-	278,668	278,668
Fund balance - beginning of year	-	-	810,594	810,594
Fund balance - end of year	\$ -	\$ -	\$ 1,089,262	\$ 1,089,262

City of Casa Grande
Recreation Improvements Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Investment earnings	\$ -	\$ -	\$ 54	\$ 54
Total revenues	<u>-</u>	<u>-</u>	<u>54</u>	<u>54</u>
EXPENDITURES				
Contractual services	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	54	54
Fund balance - beginning of year	-	-	1,102	1,102
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,156</u>	<u>\$ 1,156</u>

City of Casa Grande
Airport Improvement Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 66,864	\$ 66,864
Total revenues	-	-	66,864	66,864
EXPENDITURES				
Capital outlay	-	73,600	73,511	89
Total expenditures	-	73,600	73,511	89
Excess (deficiency) of revenues over (under) expenditures	-	(73,600)	(6,647)	66,953
OTHER FINANCING SOURCES (USES)				
Transfers in	-	73,600	5,155	(68,445)
Total other financing sources and uses	-	73,600	5,155	(68,445)
Net change in fund balances	-	-	(1,492)	(1,492)
Fund balance - beginning of year	-	-	1,492	1,492
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

**City of Casa Grande
Statement of Net Assets
Internal Service Fund
June 30, 2005**

ASSETS

		<u>Equipment Mechanics</u>
Current assets:		
Cash	\$	16,510
Prepaid expense		1,629
Inventories		131,283
Total current assets		<u>149,422</u>
Capital assets:		
Buildings and improvements		52,354
Machinery and equipment		193,016
Less accumulated depreciation		<u>(189,049)</u>
Total capital assets, net		56,321
Total assets	\$	<u>205,743</u>

LIABILITIES

Current liabilities:		
Accounts payable	\$	36,736
Accrued wages and benefits		4,570
Compensated absences		6,344
Total current liabilities		<u>47,650</u>
Total liabilities		<u>47,650</u>

NET ASSETS

Unrestricted		158,093
Total net assets	\$	<u>158,093</u>

City of Casa Grande
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Fund
For the Year Ended June 30, 2005

	Equipment Mechanics
Operating revenues:	
Charges for services	\$ 800,593
Total operating revenue	800,593
Operating expenses:	
Personal services	313,498
Contractual services	91,465
Materials and supplies	323,451
Depreciation	15,379
Total operating expenses	743,793
Operating income	56,800
Transfers out	(56,800)
Change in net assets	-
Total net assets-beginning of year	158,093
Total net assets-end of year	\$ 158,093

**City of Casa Grande
Statement of Cash Flows
Internal Service Fund
For the Year Ended June 30, 2005**

	Equipment Mechanics
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 810,537 ▼
Payments to suppliers	(431,954) ▼
Payments to employees	(324,159) ▼
	54,424
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Transfers to other funds	(56,800)
	(56,800)
 Net decrease in cash and cash equivalents	(2,376)
Cash at beginning of year	18,886
 Cash at end of year	\$ 16,510
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 56,800
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	15,379
(Increase) decrease in accounts receivable	9,944
(Increase) decrease in inventory	(23,385)
Increase (decrease) in accounts payable	6,347
Increase (decrease) in accrued wages	(9,439)
Increase (decrease) in compensated absences	(1,222)
Total adjustments	(2,376)
 Net cash provided by operating activities	\$ 54,424

City of Casa Grande
Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2005

	Balance June 30, 2004	Additions	Deductions	Balance June 30, 2005
Assets:				
Cash	\$ 10,531	\$ 42,812	\$ (39,656)	\$ 13,687
Investments	196,542	283,797	(8,879)	471,459
Interest Receivable	396	1,519	-	1,916
Total Assets	<u>207,469</u>	<u>328,128</u>	<u>(48,535)</u>	<u>487,062</u>
Liabilities:				
Accounts Payable	<u>\$ 655</u>	<u>\$ -</u>	<u>\$ 553</u>	<u>\$ 102</u>

City of Casa Grande
Copper Mountain Ranch Water Enterprise Fund
Schedule of Operations - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
OPERATING REVENUES:				
Service fees	\$ 210,900	\$ 210,900	\$ 186,225	\$ (24,675)
Total operating revenues	210,900	210,900	186,225	(24,675)
OPERATING EXPENSES:				
Personal services	59,900	59,900	56,334	3,566
Contractual	42,900	7,879	7,792	87
Materials and supplies	45,100	45,100	33,056	12,044
Depreciation	320,000	355,021	55,121	299,900
Total operating expenses	467,900	467,900	152,303	315,597
Operating Income	(257,000)	(257,000)	33,922	290,922
NONOPERATING REVENUE (EXPENSES):				
Interest expense	(14,000)	(14,000)	(6,094)	7,906
Total nonoperating revenue (expense)	(14,000)	(14,000)	(6,094)	7,906
Income (loss) before transfers	(271,000)	(271,000)	27,828	298,828
Transfers out	(10,900)	(10,900)	(10,900)	-
Net change in net assets	(281,900)	(281,900)	16,928	298,828
Net Assets - beginning of year	281,900	281,900	1,163,222	881,322
Net Assets - end of year	\$ -	\$ -	\$ 1,180,150	\$ 1,180,150

City of Casa Grande
Wastewater Enterprise Fund
Schedule of Operations - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
OPERATING REVENUES:				
Service fees	\$ 1,755,700	\$ 1,776,900	\$ 2,133,452	\$ 356,552
Connection fees	73,400	73,400	208,494	135,094
Miscellaneous	5,000	5,000	47,099	42,099
Total operating revenues	1,834,100	1,855,300	2,389,045	533,745
OPERATING EXPENSES:				
Personal services	563,600	532,600	531,967	633
Contractual	426,500	1,228,200	394,990	833,210
Materials and supplies	514,000	483,000	482,446	554
Depreciation	8,042,000	6,232,100	774,738	5,457,362
Total operating expenses	9,546,100	8,475,900	2,184,141	6,291,759
Operating Income	(7,712,000)	(6,620,600)	204,904	6,825,504
NONOPERATING REVENUE (EXPENSES):				
Interest income	22,700	22,700	58,373	35,673
Interest expense	(1,361,000)	(1,680,300)	(303,545)	1,376,756
City sales tax	1,400,000	627,900	2,140,482	1,512,582
Sale of sewer capacity	-	-	1,288,580	1,288,580
Total nonoperating revenue (expense)	61,700	(1,029,700)	3,183,890	4,213,590
Income (loss) before contributions and transfers	(7,650,300)	(7,650,300)	3,388,794	11,039,094
Capital contributions	-	-	1,561,589	1,561,589
Transfers in	-	-	1,674,242	1,674,242
Transfers out	(103,700)	(103,700)	(103,700)	-
Net change in net assets	(7,754,000)	(7,754,000)	6,520,925	14,274,925
Net Assets - beginning of year	7,754,000	7,754,000	15,886,938	8,132,938
Net Assets - end of year	\$ -	\$ -	\$ 22,407,863	\$ 22,407,863

City of Casa Grande
Wastewater Development Fees Enterprise Fund
Schedule of Operations - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
OPERATING REVENUES:				
Connection fees	\$ 1,340,000	\$ 1,514,300	\$ 3,987,516	\$ 2,473,216
Total operating revenues	1,340,000	1,514,300	3,987,516	2,473,216
OPERATING EXPENSES:				
Depreciation	1,500,000	-	-	-
Total operating expenses	1,500,000	-	-	-
Operating Income	(160,000)	1,514,300	3,987,516	2,473,216
NONOPERATING REVENUE (EXPENSES):				
Interest income	15,000	15,000	107,781	92,781
Total nonoperating revenue (expense)	15,000	15,000	107,781	92,781
Income (loss) before transfers			4,095,297	2,565,997
Transfers out	-	(1,674,300)	(1,674,242)	58
Net change in net assets	(145,000)	(145,000)	2,421,055	2,566,055
Net Assets - beginning of year	145,000	145,000	3,985,448	3,840,448
Net Assets - end of year	\$ -	\$ -	\$ 6,406,503	\$ 6,406,503

City of Casa Grande
Sanitation Enterprise Fund
Schedule of Operations - Budget and Actual
For the Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget- Positive</u>
				<u>(Negative)</u>
OPERATING REVENUES:				
Service fees	\$ 3,689,500	\$ 3,689,500	\$ 3,540,921	\$ (148,579)
Recycling revenue	150,000	150,000	263,242	113,242
Miscellaneous	1,000	1,000	-	(1,000)
Total operating revenues	<u>3,840,500</u>	<u>3,840,500</u>	<u>3,804,163</u>	<u>(36,337)</u>
OPERATING EXPENSES:				
Personal services	1,733,600	1,744,500	1,673,400	71,100
Contractual	866,600	900,600	527,003	373,597
Materials and supplies	471,500	432,600	418,339	14,261
Depreciation	205,000	417,000	416,526	474
Closure and postclosure costs	220,000	94,000	93,424	576
Total operating expenses	<u>3,496,700</u>	<u>3,588,700</u>	<u>3,128,692</u>	<u>460,008</u>
Operating Income	<u>343,800</u>	<u>251,800</u>	<u>675,471</u>	<u>423,671</u>
NONOPERATING REVENUE (EXPENSES):				
Interest income	2,400	2,400	17,430	15,030
Interest expense	(218,100)	(125,800)	(20,001)	105,799
Total nonoperating revenue (expense)	<u>(215,700)</u>	<u>(123,400)</u>	<u>(2,571)</u>	<u>120,829</u>
Income (loss) before transfers	<u>128,100</u>	<u>128,400</u>	<u>672,900</u>	<u>544,500</u>
Transfers out	(292,700)	(292,700)	(292,700)	-
Net change in net assets	<u>(164,600)</u>	<u>(164,300)</u>	<u>380,200</u>	<u>544,500</u>
Net Assets - beginning of year	<u>164,600</u>	<u>164,300</u>	<u>721,748</u>	<u>557,448</u>
Net Assets - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,101,948</u>	<u>\$ 1,101,948</u>

City of Casa Grande
Golf Course Enterprise Fund
Schedule of Operations - Budget and Actual
For the Year Ended June 30, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
OPERATING REVENUES:				
Rental	\$ 127,400	\$ 127,400	\$ 150,709	\$ 23,309
Green fees	301,000	429,500	433,720	4,220
Total operating revenues	428,400	556,900	584,429	27,529
OPERATING EXPENSES:				
Personal services	401,600	458,400	458,363	37
Contractual	81,800	85,566	58,308	27,258
Materials and supplies	259,900	291,400	291,329	71
Depreciation	-	36,434	36,434	-
Total operating expenses	743,300	871,800	844,434	27,366
Operating Income	(314,900)	(314,900)	(260,005)	54,895
NONOPERATING REVENUE:				
City sales tax	6,600	6,600	9,971	3,371
Total nonoperating revenue	6,600	6,600	9,971	3,371
Income (loss) before transfers	(308,300)	(308,300)	(250,034)	58,266
Transfers in	376,100	376,100	376,100	-
Transfers out	(67,800)	(67,800)	(67,800)	-
Net change in net assets	-	-	58,266	58,266
Net assets - beginning of year	-	-	213,304	213,304
Net assets - end of year	\$ -	\$ -	\$ 271,570	\$ 271,570

City of Casa Grande
Capital Assets Used in the Operation of Governmental Funds
Schedule By Source
June 30, 2005

Governmental funds capital assets:	
Land and construction in progress	\$ 9,248,217
Buildings	10,636,234
Improvements other than buildings	30,727,831
Heavy machinery and equipment	1,407,992
Operational equipment	<u>9,797,955</u>
Total governmental funds capital assets	<u><u>\$ 61,818,229</u></u>
Investments in governmental funds capital assets by source:	
General obligation bonds	\$ 459,863
Grants	1,529,993
General Fund revenues	11,181,037
Special Revenue Fund revenues	22,849,346
Capital Project Funds	11,313,377
Gifts and donations	<u>14,484,613</u>
Total investments in governmental funds capital assets	<u><u>\$ 61,818,229</u></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
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2005

Function and Activity	Land and Buildings	Improvements Other Than Buildings	Machinery and Equipment	Total
General government	\$ 1,650,154	\$ 145,632	\$ 280,764	\$ 2,076,550
Public safety	1,887,815	152,940	5,045,899	7,086,654
Streets/Transportation	3,048,499	20,785,232	3,320,612	27,154,343
Public works	959,626	389,567	220,810	1,570,003
Culture and recreation	3,470,290	6,180,772	2,316,078	11,967,140
Economic development	8,642,298	3,299,458	21,783	11,963,539
Total	<u>\$ 19,658,682</u>	<u>\$ 30,953,601</u>	<u>\$ 11,205,946</u>	<u>\$ 61,818,229</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
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Year Ended June 30, 2005

<u>Function and Activity</u>	<u>General Capital Assets June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>General Capital Assets June 30, 2005</u>
General government	\$ 2,049,097	\$ 27,453	\$ -	\$ 2,076,550
Public safety	6,198,337	901,297	(12,980)	7,086,654
Streets/Transportation	20,954,748	6,247,595	(48,000)	27,154,343
Public works	1,443,297	126,706	-	1,570,003
Culture and recreation	11,687,287	294,825	(14,972)	11,967,140
Economic development	9,180,574	2,782,965	-	11,963,539
Total	<u>\$ 51,513,340</u>	<u>\$ 10,380,841</u>	<u>\$ (75,952)</u>	<u>\$ 61,818,229</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
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005

	Grant Number	Federal CFDA Number	Expenditures
U.S. Department of Housing and Urban Development:			
Passed through Arizona Department of Commerce:			
Community Development Block Grant - 2004	100-04	14.228	\$ 111,315 *
Community Development Block Grant - 2005	128-05	14.228	139,076 *
Community Development Block Grant - 2005	104-05	14.228	94,141 *
HOME - 2003	207-03	14.239	26,105
HOME - 2004	304-04	14.239	170,140
HOME - 2005	307-05	14.239	93,551
Rural Housing and Economic Development	564-04	14.250	79,437
Total Department of Housing and Urban Development			713,765
U.S. Department of Agriculture:			
Self Help Housing Technical Assistance Grant #8	-	10.420	276,341
Passed through Arizona Department of Health Services:			
State Administrative Matching Grants for Food Stamp Program	461200	10.561	11,100
Total Department of Agriculture			287,441
U.S. Department of Health & Human Services			
Passed through Pinal-Gila Council for Senior Citizens:			
Special Programs for the Aging	5-237	93.044	15,480
Special Programs for the Aging	5-237	93.045	56,723
Social Services Block Grant	5-237	93.667	10,849
Nutritional Services Incentive Program	5-237	93.053	18,818
Total Department of Health & Human Services			101,870
U.S. Department of Justice:			
Local Law Enforcement Block Grant	04-LB-BX-0493	16.592	5,075
Total Department of Justice			5,075
U.S. Department of Transportation:			
FAA Airport Grant	3-04-0007-06	20.106	16,442
FAA Airport Grant	3-04-0007-07	20.106	38,234
FAA Airport Grant	3-04-0007-08	20.106	2,042
Total Department of Transportation			56,718
U.S. Department of Homeland Security			
Federal Emergency Management Agency	EMW-2002-FG-09109	97.044	1,263
Federal Emergency Management Agency	EMW-2003-FP-00726	97.044	139,009
Passed through Pinal County Department of Public Works:			
Domestic Preparedness	-	97.004	177,260 *
Total Department of Homeland Security			317,532
Total Federal Financial Assistance and Expenditures of Federal Awards			\$ 1,482,401

*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.

CITY OF CASA GRANDE, ARIZONA

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Planning and Economic Development</u>	<u>Public Safety</u>	<u>Public Works</u>
1995-96	\$2,102,383	\$1,101,425	\$5,604,507	\$1,578,222
1996-97	2,510,411	1,147,130	6,160,033	1,624,814
1997-98	2,625,022	1,467,130	6,451,991	1,950,835
1998-99	2,751,788	1,787,232	6,831,027	1,681,202
1999-00	2,756,390	1,348,799	7,502,776	2,243,847
2000-01	3,363,534	2,844,922	8,237,440	2,723,026
2001-02	3,710,837	2,239,814	9,621,871	2,575,872
2002-03	3,641,912	1,871,266	9,499,759	2,644,985
2003-04	4,451,216	1,952,308	10,309,036	2,402,651
2004-05	4,300,175	2,242,438	11,344,629	2,642,441

(1) Source: Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds. This schedule includes General Fund, Special Revenue, Debt Service and Capital Projects Funds.

Table 1

<u>Culture and Recreation</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total</u>
\$2,005,874	\$1,776,845	\$3,099,547	\$17,268,803
2,085,005	1,721,809	3,055,380	18,304,582
2,220,546	1,621,876	3,900,673	20,238,073
2,279,233	1,455,133	4,929,355	21,714,970
2,669,541	1,574,420	7,716,638	25,812,411
3,076,334	1,444,922	6,307,819	27,997,997
3,349,199	1,587,000	2,593,602	25,678,195
3,352,211	1,491,871	4,472,441	26,974,445
3,450,403	1,432,340	1,939,318	25,937,272
3,654,964	1,276,974	4,526,914	29,988,535

CITY OF CASA GRANDE, ARIZONA

**GENERAL GOVERNMENTAL REVENUES BY SOURCES (1)
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year</u>	<u>Local Taxes</u>	<u>Intergovernmental Revenue</u>	<u>Licenses and Permits</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>
1995-96	\$7,505,903	\$6,924,283	\$345,094	\$254,335	\$478,128
1996-97	8,009,225	7,201,890	432,342	528,774	524,263
1997-98	7,368,958	7,719,748	389,569	432,094	667,303
1998-99	8,207,129	8,947,070	698,453	877,478	827,765
1999-00	9,647,104	9,361,703	644,487	760,096	772,079
2000-01	10,500,552	11,303,184	895,927	974,559	628,857
2001-02	10,565,836	10,780,672	801,910	1,578,990	801,690
2002-03	11,851,114	10,358,329	1,074,991	2,528,275	690,177
2003-04	13,294,993	10,902,234	1,385,080	3,187,172	677,048
2004-05	15,388,557	11,911,931	2,156,170	9,853,065	739,283

(1) Source: Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds. This schedule includes General Fund, Special Revenue, Debt Service and Capital Projects Funds.

Table 2

<u>Special Assessments</u>	<u>Investment Revenues</u>	<u>Rental and Sale of Property</u>	<u>Miscellaneous</u>	<u>Total</u>
\$484,334	\$428,303	\$46,630	\$171,084	\$16,638,094
523,626	396,571	110,529	231,955	17,959,175
433,972	455,682	131,835	192,256	17,791,417
242,998	405,377	104,288	366,596	20,677,154
588,862	667,324	202,916	198,418	22,842,989
309,163	565,660	238,340	352,902	25,769,144
250,612	210,477	405,717	231,348	25,627,252
211,787	(163,059)	536,538	274,985	27,363,137
137,644	124,545	772,798	473,864	30,955,378
217,895	466,925	701,633	720,093	42,155,552

CITY OF CASA GRANDE, ARIZONA

**PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>
1995-96	\$918,608	\$841,312	91.59%	\$88,202
1996-97	914,441	827,476	90.49%	72,990
1997-98	919,249	850,591	92.53%	42,867
1998-99	906,008	872,002	96.25%	48,381
1999-00	1,020,568	867,065	84.96%	92,285
2000-01	1,040,676	930,005	89.37%	100,999
2001-02	1,040,676	930,005	89.37%	100,999
2002-03	1,289,900	1,244,479	96.48%	49,965
2003-04	1,638,900	1,569,938	95.79%	30,507
2004-05	1,581,847	1,576,578	99.67%	32,461

(1) Source: Pinal County Treasurer's records.

Table 3

<u>Total Tax Collections</u>	<u>Total Collections As Percent Of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes As Percent of Current Levy</u>
\$929,514	101.19%	\$43,540	4.74%
900,466	98.47%	53,313	5.83%
893,458	97.19%	61,763	6.72%
920,383	101.59%	48,965	5.40%
959,350	94.00%	81,251	7.96%
1,031,004	99.07%	78,782	7.57%
1,031,004	99.07%	78,782	7.57%
1,294,444	100.35%	66,263	5.14%
1,600,445	97.65%	46,759	2.85%
1,609,039	101.72%	38,197	2.41%

CITY OF CASA GRANDE, ARIZONA

**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (1)
PER \$100 ASSESSED VALUATION
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year</u>		<u>School District #4</u>	<u>School District #82</u>	<u>Community College District</u>
1995-96	PRIMARY	2.6064	2.6360	1.6418
	SECONDARY	1.2705	2.0038	0.0427
1996-97	PRIMARY	2.6064	2.6140	1.6512
	SECONDARY	1.1765	1.8992	0.0453
1997-98	PRIMARY	2.5045	2.8338	1.7295
	SECONDARY	1.2015	1.5629	0.0458
1998-99	PRIMARY	2.8719	2.8784	1.9167
	SECONDARY	1.3491	1.3565	0.0454
1999-00	PRIMARY	2.2137	2.8894	2.0409
	SECONDARY	2.0532	1.2127	0.0427
2000-01	PRIMARY	2.2601	2.4300	2.1052
	SECONDARY	2.7087	1.5765	0.0414
2001-02	PRIMARY	1.6269	2.2792	2.1352
	SECONDARY	1.9896	1.4714	0.0385
2002-03	PRIMARY	1.7708	1.8963	2.1737
	SECONDARY	2.4081	1.2359	0.0000
2003-04	PRIMARY	2.0154	1.8474	2.1737
	SECONDARY	2.0491	1.1833	0.0000
2004-05	PRIMARY	2.0154	1.8317	2.1500
	SECONDARY	1.9558	1.1644	0.0000

(1) Source: Pinal County Assessor's records.

Table 4

<u>City</u>	<u>Pinal County</u>	<u>State</u>	<u>Total</u>
0.6853	4.1637	0.4700	12.2032
0.3144			3.6314
0.6615	4.1637	0.5300	12.2268
0.3281			3.4491
0.7019	4.4532	0.5300	12.7529
0.2845			3.0947
0.9999	4.1416	0.5300	13.3385
0.0000			2.7510
0.9999	4.4532	0.5217	13.1188
0.0000			3.3086
0.9999	4.4532	0.5123	12.7607
0.0000			4.3266
0.9999	4.4532	0.4974	11.9918
0.0000			3.4995
0.9999	4.4532	0.4889	11.7828
0.0000			3.6440
0.9999	4.4532	0.4717	11.9613
0.0000			3.2324
0.9999	4.4532	0.4560	11.9062
0.0000			3.1202

CITY OF CASA GRANDE, ARIZONA

Table 5

**ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1)
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year</u>		<u>Total Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Ratio of Total Assessed To Total Estimated Actual Value</u>
1995-96	PRIMARY	\$91,555,210	\$635,463,578	0.144
	SECONDARY	92,614,611	646,925,666	0.143
1996-97	PRIMARY	92,265,609	652,340,795	0.141
	SECONDARY	92,670,374	657,974,513	0.141
1997-98	PRIMARY	92,810,915	680,037,578	0.136
	SECONDARY	94,121,767	688,802,207	0.137
1998-99	PRIMARY	90,609,873	705,667,632	0.128
	SECONDARY	91,179,081	711,104,483	0.128
1999-00	PRIMARY	100,486,468	798,345,167	0.126
	SECONDARY	101,327,294	805,004,238	0.126
2000-01	PRIMARY	104,078,009	808,673,138	0.129
	SECONDARY	105,713,610	819,628,644	0.129
2001-02	PRIMARY	118,434,916	891,214,049	0.133
	SECONDARY	119,878,152	901,835,657	0.133
2002-03	PRIMARY	128,998,923	964,546,772	0.134
	SECONDARY	130,950,513	1,006,097,987	0.130
2003-04	PRIMARY	163,891,283	1,206,617,178	0.136
	SECONDARY	173,136,653	1,263,323,842	0.137
2004-05	PRIMARY	158,200,496	1,338,475,502	0.118
	SECONDARY	165,942,921	1,383,801,142	0.120

(1) Source: Pinal County Assessor's records.

CITY OF CASA GRANDE, ARIZONA

Table 6

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year</u>	<u>Current Assessments Due</u>	<u>Current Assessments Collected</u>	<u>Ratio of Collection to Amount Due</u>	<u>Outstanding Delinquent Assessments</u>
1995-96	\$444,920	\$567,272	127%	\$21,791
1996-97	325,663	410,579	126%	25,704
1997-98	286,597	465,175	162%	29,896
1998-99	320,625	447,993	140%	29,896
1999-00	130,426	204,394	157%	-
2000-01	219,413	308,629	141%	2,763
2001-02	129,629	290,054	224%	4,728
2002-03	124,215	174,365	140%	3,530
2003-04	107,044	137,642	129%	707
2004-05	10,268	21,411	209%	41

CITY OF CASA GRANDE, ARIZONA

**RATIO OF NET GENERAL BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Funds for Debt Retirement</u>
1995-96	\$21,300	\$92,614,611	\$605,000	\$52,177
1996-97	21,945	92,670,374	260,000	53,197
1997-98	22,340	94,121,767	-	-
1998-99	23,175	91,179,081	-	-
1999-00	26,490	102,979,790	-	-
2000-01	27,815 (2)	105,713,610	-	-
2001-02	27,290 (2)	119,878,152	-	-
2002-03	29,715 (2)	130,950,513	-	-
2003-04	31,315 (2)	173,136,653	-	-
2004-05	34,260 (2)	165,942,921	-	-

(1) Net Bonded Debt includes only general obligation debt intended to be repaid with property tax proceeds.

(2) Estimated

Table 7

<u>Less Payable from Enterprise Funds</u>	<u>Net Bonded Debt (1)</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
\$67,063	\$485,760	0.0052	22.81
-	206,803	0.0022	9.42
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

CITY OF CASA GRANDE, ARIZONA

Table 8

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
June 30, 2005
(Unaudited)**

<u>Name of Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Casa Grande</u>	<u>City of Casa Grande's Share of Debt</u>
City of Casa Grande	-	100.00%	-
School District #4	13,460,000	63.45%	8,540,370
School District #82	8,630,094	49.22%	4,247,732
Community College	-	14.70%	-
Pinal County	-	15.64%	-
State of Arizona	-	0.40%	-
Total	<u>\$22,090,094</u>		<u>\$12,788,102</u>

**LEGAL DEBT MARGIN
June 30, 2005
(Unaudited)**

Table 9

	<u>Bonds Excluded from Limitation</u>	<u>General Obligation 6%</u>	<u>Utility Purpose and Open Space 20%</u>	<u>Total Bonded Debt</u>
Legal Debt Limitation 2005				
Assessed Valuation \$165,942,921	-	\$9,956,575	\$33,188,584	-
Outstanding Bonded Debt				
By Purpose				
Special Assessment	585,000	-	-	585,000
Total	<u>585,000</u>	<u>-</u>	<u>-</u>	<u>585,000</u>
Less: Balance Held in Reserve		-	-	
Total		<u>-</u>	<u>-</u>	
Legal Debt Margin		<u>\$9,956,575</u>	<u>\$33,188,584</u>	

CITY OF CASA GRANDE, ARIZONA

Table 10

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT (1) TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures (2)	Ratio of Debt Service to General Governmental Expenditures
1995-96	\$249,703	\$43,640	\$293,343	\$17,268,803	1.70%
1996-97	277,937	26,140	304,077	18,304,582	1.66%
1997-98	260,000	8,450	268,450	20,238,073	1.33%
1998-99	-	-	-	21,714,970	-
1999-00	-	-	-	25,812,411	-
2000-01	-	-	-	27,997,997	-
2001-02	-	-	-	25,678,195	-
2002-03	-	-	-	26,974,445	-
2003-04	-	-	-	25,937,272	-
2004-05	-	-	-	29,988,535	-

(1) General Bonded Debt includes debt intended to be repaid with property tax proceeds, and excludes debt, which will be repaid with special assessments.

(2) Includes all Governmental Fund Types.

CITY OF CASA GRANDE, ARIZONA
SCHEDULE OF REVENUE BOND COVERAGE
HIGHWAY USER REVENUE BONDS
LAST TEN FISCAL YEARS
(Unaudited)

Year	Revenue (1)	Expenditures (1)	Net Revenue Available For Debt Service
1995-96	\$2,888,925	\$1,549,709	\$1,339,216
1996-97	2,859,419	1,632,191	1,227,228
1997-98	2,886,940	1,828,783	1,058,157
1998-99	3,192,227	2,578,710	613,517
1999-00	3,531,290	2,201,807	1,329,483
2000-01	3,863,454	4,399,943	-
2001-02	3,366,705	3,299,441	67,264
2002-03	3,344,522	4,072,344	-
2003-04	3,859,533	2,494,959	1,364,574
2004-05	4,378,523	2,085,650	2,292,873

(1) Excludes lease purchase proceeds and capital expenditures made with lease purchase proceeds.

Table 11

Debt Service Requirements			Coverage
Principal	Interest	Total	
\$335,000	\$87,898	\$422,898	3.17%
350,000	70,940	420,940	2.92%
365,000	52,700	417,700	2.53%
375,000	33,085	408,085	1.50%
410,000	11,480	421,480	3.15%
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

CITY OF CASA GRANDE, ARIZONA

SYSTEM DEVELOPMENT FEES ALLOCATION

June 30, 2005

(Unaudited)

Year	General Government								Community Services		
	Library Building	Transp. Signals	Transp. Equip. & Improv.	Maint. Shop	Street Maint. Shop	Animal Shelter	Parks Maint.	Land, City Hall Vehicles	Community Park	Regional Park	Facilities, Vehicles, Library Coll.
1996	-	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-	-
2001	42,156	7,529	12,132	8,350	8,350	1,669	5,219	-	96,090	8,679	-
2002	95,982	37,414	60,877	25,541	25,541	4,815	15,732	-	219,191	19,431	-
2003	138,531	80,736	131,315	55,733	56,633	10,689	34,736	-	315,624	28,398	-
2004	316,016	71,983	116,657	62,413	62,227	11,556	39,369	-	625,234	47,219	-
2005	386,751	130,631	461,947	179,926	86,389	51,576	50,057	319,994	709,910	651,573	316,181

Table 12

Police			Fire		Wastewater			Total
Building	Communication Equipment	Cars	Building	Apparatus	Treatment	Collection	Equipment	
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
32,384	4,774	10,793	24,542	42,542	134,518	150,384	9,848	599,959
106,720	15,322	235,236	67,919	118,868	317,529	350,162	22,708	1,738,988
197,563	30,657	64,986	132,659	233,424	502,900	484,167	33,320	2,532,071
225,152	33,863	74,978	165,373	287,112	1,233,769	690,417	46,747	4,110,085
362,072	69,464	131,924	273,418	480,481	2,676,127	1,228,556	82,243	8,649,220

CITY OF CASA GRANDE, ARIZONA

Table 13

**DEMOGRAPHICS STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

<u>Year</u>	<u>Population</u>	<u>County Per Capita Income</u>	<u>City Unemployment Rate</u>	<u>Area In Square Miles</u>	<u>Density</u>	<u>School Enrollment</u>
1996	21,300	\$15,359	5.20%	30.2	705.3	6,956
1997	21,945	15,725	4.40%	30.2	726.7	6,952
1998	22,340	16,099	3.80%	31.3	713.7	7,079
1999	23,175	16,563	4.00%	47.1	492.0	7,241
2000	26,490 (1)	16,994 (1)	3.90%	47.1	562.4	7,442
2001	27,815 (1)	17,436 (1)	4.20%	53.5	519.9	7,680
2002	27,290 (1)	17,889 (1)	6.80%	54.3	502.6	7,784
2003	29,715 (1)	18,354 (1)	6.20%	60.1	494.4	7,895
2004	31,315 (1)	19,646 (1)	5.00%	60.1	521.0	8,120
2005	34,260 (1)	20,959 (1)	5.20%	68.0	503.8	8,930

(1) Estimated

Sources: Population, County Per Capita Income, and City Unemployment Rate - Arizona Department of Commerce and Department of Economic Security. Area in Square Miles and Density - City of Casa Grande's Planning Department. School Enrollment - Casa Grande Elementary and Casa Grande Union High School Districts.

CITY OF CASA GRANDE, ARIZONA

Table 14

**PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS
(Unaudited)**

Year	Building Permits (1)				Qtr. County Bank Deposit (in Thousands) (2)	Property Value Estimated Actual Value (3)
	Commercial		Residential			
	Number	Value	Number	Value		
1995-96	235	\$18,585,343	507	\$11,525,162	\$549,496	\$646,925,666
1996-97	255	25,102,946	489	12,056,031	463,035	657,974,513
1997-98	289	14,036,961	569	20,526,927	522,172	688,802,207
1998-99	274	19,687,641	892	50,316,073	657,588	711,104,483
1999-00	271	28,024,696	1003	37,801,670	613,035	830,171,033
2000-01	279	19,637,382	1446	85,435,382	675,065	819,628,644
2001-02	256	15,160,476	1333	70,046,921	675,891	901,835,657
2002-03	262	44,593,179	1639	119,087,422	715,865	1,006,097,987
2003-04	262	23,843,415	1983	144,717,568	785,034	1,263,323,842
2004-05	273	10,542,978	2565	225,736,975	822,504	1,383,801,142

Sources:

- (1) Based on building permits issued by the City.
- (2) Arizona Bankers Association.
- (3) Pinal County Treasurer's records.

CITY OF CASA GRANDE, ARIZONA

Table 15

**PRINCIPAL TAXPAYERS (1)
YEAR ENDED JUNE 30, 2005
(Unaudited)**

<u>Taxpayers</u>	<u>Type of Business</u>	<u>2005 Assessed Valuation</u>	<u>% of Assessed Valuation</u>
Arizona Public Service Company	Electric Utility	\$7,286,080	21.19%
WalMart Stores East LP	Retail	6,633,479	19.29%
Abbott Manufacturing Inc.	Manufacturing	4,708,641	13.69%
QWest Corporation	Telecommunications	4,703,839	13.68%
WalMart Stores East	Retail	2,647,338	7.70%
Arizona Water Company	Water Utility	2,183,050	6.35%
Home Depot USA Inc.	Retail	1,743,852	5.07%
Southwest Gas Corp.	Gas Utility	1,590,590	4.63%
Vanderbilt Farms LLC	Agriculture	1,570,006	4.56%
Hexcel Corporation	Manufacturing	<u>1,323,862</u>	<u>3.84%</u>
	Total	<u>\$34,390,737</u>	<u>100.00%</u>

(1) Source: Pinal County Treasurer's records.

CITY OF CASA GRANDE, ARIZONA

Table 16

MISCELLANEOUS STATISTICAL DATA (1)
 YEAR ENDED JUNE 30, 2005
 (Unaudited)

Date of incorporation	February 3, 1915	Aviation:	
Form of government	Council-Manager	Number of airports	1
Area	68 square miles	Based aircraft	97
Elevation (2)	1,398 ft.	T-hangers	52
Climatological summary 12/01 (2)		T-shades	18
Hottest month, July	106.5		
Coldest month, January	35.2	Election:	
City employees (full-time equivalents)	*320	Registered voters 3/05	15,919
		Votes cast in last primary election	1,428
		Percent of voters	8.97%
Fire Protection:		Planning and Housing:	
Number of stations	3	Self-help homes:	
Number of employees (excluding part-time)	*39	Completed	6
Number of fire and rescue units	17	Started	26
Medical support calls	3,427	Number of housing rehabilitations	9
Total alarms	4,557	Code enforcement cases	1,059
Inspections and investigations	487	Zoning cases	154
Public education contacts	11,764		
Police Protection:		Public Works:	
Number of employees	*87	Total number of streetlights	2,011
Calls for service	38,689	Miles of streets:	
Officer initiated	69,412	Local streets	298
Patrolled miles (CGPD vehicles)	702,062	State roads	26
Traffic accidents	1,046	Dirt roads	30
Traffic citations	7,068	Miles of sewer	160
Arrests (adult and juvenile)	4,614	Number of lift stations	10
		Number of signalized intersections	27
Community Services:		Education:	
Park areas	24	Elementary Schools	8
Parkland acreage:		Middle Schools	2
Developed	550	High Schools	1
Undeveloped	820	Community Colleges	1
Total	1,370		
Community centers	4		
Golf courses	1		
Library:			
Number of libraries	1		
Items in collections	86,364		
Reference questions	6,415		
Total items circulated	51,915		
Total circulation transactions	170,875		
Playgrounds	22		
Swimming pools	1		
Other maintenance areas	85		

(1) Unless otherwise noted, information obtained from City records.

(2) Arizona Department of Commerce.

*Does not include approved paid-on-call.



HENRY & HORNE, P.L.C.
Advisors to Business

INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING 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 the City of Casa Grande (the City), Arizona as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 13, 2005. 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.

Compliance

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described below:

Tempe 2055 East Warner Road Suite 101 Tempe, AZ 85284-3487 (480) 839-4900 Fax (480) 820-8726	Scottsdale 7098 East Cochise Road Suite 100 Scottsdale, AZ 85253-4517 (480) 483-1170 Fax (480) 483-7126	Casa Grande 711 East Cottonwood Lane Suite C Casa Grande, AZ 85222-2725 (520) 836-8201 Fax (520) 426-9432	Pinetop 1630 East White Mountain Blvd. Suite C2 Pinetop, AZ 85935-7040 (928) 367-2591 Fax (928) 367-3501
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The Honorable Mayor and Council
City of Casa Grande, Arizona

The limited number of personnel prevents a proper segregation of accounting functions necessary to assure adequate internal controls. This is not unusual in entities of this size. Management should be constantly aware of this condition and realize that concentrations of duties in a limited number of personnel could create control situations which would allow personnel to misappropriate assets.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

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.

Harry Hanz, LL?

September 13, 2005



HENRY & HORNE, P.L.C.
Advisors to Business

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, 2005. 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, 2005.

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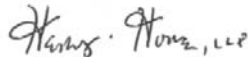
The Honorable Mayor and Council
City of Casa Grande, Arizona

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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.



September 13, 2005



HENRY & HORNE, P.L.C.
Advisors to Business

CITY OF CASA GRANDE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2005

Summary of Auditors' Results

We have audited the financial statements of the City of Casa Grande (the City), Arizona, as of and for the year ended June 30, 2005, and have issued an unqualified opinion thereon dated September 13, 2005. 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.

Our audit did not disclose any noncompliance which is considered material to the financial statements of the City, nor did our audit disclose any material weaknesses in internal controls.

We have also issued an unqualified opinion dated September 13, 2005, based on our consideration of the City's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133* that are applicable to its major Federal program for the year ended June 30, 2005. The results of our auditing procedures disclosed no findings relating to these requirements that are required to be reported in accordance with *OMB Circular A-133*.

For the June 30, 2005, Single Audit, the threshold used to distinguish between Type A and Type B programs was \$300,000. The City's U.S. Department of Housing and Urban Development Community Development Block Grant Program and the U.S. Department of Homeland Security Domestic Preparedness Grant were audited as major programs. The City of Casa Grande qualified as a low risk auditee.

There were no prior year findings.

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