

CITY OF COOLIDGE, ARIZONA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and the City Council of the
City of Coolidge, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coolidge, Arizona (City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial reports contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coolidge, Arizona, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General and Grants Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 - 12 and the Public Safety Personnel Retirement System Schedule of Funding Progress on page 52 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual fund financial statements and schedules 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 14, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Cronstrom, Osuch & Company, P.C.

Cronstrom, Osuch & Company, P.C.

September 14, 2006

Management's Discussion and Analysis

The City of Coolidge, Arizona (City) is pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2006. This Management's Discussion and Analysis (MD&A) is intended to provide an introduction to the basic financial statements that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions.

Financial Highlights

- ◆ The assets of the City of Coolidge, Arizona exceeded its liabilities at the close of the most recent fiscal year by \$38,847,526 (net assets). Of this amount \$11,539,780 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the City of Coolidge, Arizona's governmental funds reported combined ending fund balances of \$7,804,965, an increase of \$4,645,347 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unreserved fund balance for the general fund was \$4,286,441 or 69 percent of total general fund expenditures.
- ◆ General fund revenues (on a budgetary basis) exceeded budgeted revenues by \$344,224 for fiscal year 2006. Additionally, budgetary basis expenditures were less than the budget by \$(3,573,200) in the General Fund.
- ◆ General Fund revenues exceeded expenditures by \$2,909,892; a positive variance of \$3,917,424 from the original budget.
- ◆ The City includes two types of separate legal entities in its report - a Municipal Property Corporation and an Industrial Development Authority. Although legally separate, these "component units" are important because the City is financially accountable for them. A description of these blended component units is available in Note 1 on page 29. Separate Financial Statements are not available for these entities.

Overview of the Financial Statements

The Annual Financial Report for the City of Coolidge, Arizona consists of this discussion and analysis, the basic financial statements and the required supplementary schedules presented after the basic financial statements. The basic financial statements include the government-wide financial statements, fund financial statements, including the budgetary statements for the general fund and major special revenue funds, and notes to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Coolidge, Arizona's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the City of Coolidge, Arizona's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as useful indicators of whether the financial position of the City of Coolidge, Arizona is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Coolidge, Arizona that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Coolidge, Arizona include general government, public safety, highways and streets, and culture and recreation. The business-type activities include liquid waste, solid waste, the municipal airport and the cable television station.

The government-wide financial statements can be found on pages 14 - 15 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Coolidge, Arizona, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Coolidge, Arizona can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Coolidge, Arizona adopts an annual appropriated budget for its general fund by department and by fund for special revenue, debt service and capital projects funds. A budgetary comparison statement has been provided for the general fund and any major special revenue funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16 - 22 of this report.

Proprietary funds. The City of Coolidge, Arizona maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Coolidge, Arizona uses enterprise funds to account for its liquid waste, solid waste, municipal airport and the cable television station.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the liquid waste and solid waste funds, each of which are considered to be major funds of the City of Coolidge, Arizona. The municipal airport and the cable television funds are considered to be nonmajor funds and aggregated into one column labeled nonmajor enterprise funds. Individual fund data for the nonmajor enterprise funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 23 - 26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Coolidge, Arizona's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27 - 28 of this report.

Notes to the basic financial statements. The notes to the basic financial statements (pages 29 - 49) 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 footnotes. 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 on page 52.

The combining statements referred to earlier in connection with nonmajor governmental and nonmajor enterprise funds are presented immediately following the required supplementary information on the public safety personnel retirement system schedule of funding progress.

Government-wide Financial Analysis

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 of the City for June 30, 2006 showing that assets exceeded liabilities by \$38,847,526.

**Condensed Statement of Net Assets
June 30, 2006 and 2005**

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
ASSETS						
Current and other assets	\$ 9,694,721	\$ 4,255,367	\$ 5,380,519	\$ 1,629,855	\$ 15,075,240	\$ 5,885,222
Capital assets						
Non-depreciable	1,870,640	1,796,054	4,043,046	1,639,580	5,913,686	3,435,634
Depreciable (net)	<u>21,669,484</u>	<u>21,335,867</u>	<u>4,008,952</u>	<u>3,340,736</u>	<u>25,678,436</u>	<u>24,676,603</u>
Total assets	<u>33,234,845</u>	<u>27,387,288</u>	<u>13,432,517</u>	<u>6,610,171</u>	<u>46,667,362</u>	<u>33,997,459</u>
LIABILITIES						
Other liabilities	1,876,247	1,079,351	423,206	41,952	2,299,453	1,121,303
Non-current liabilities						
Due within one year	488,352	507,858	155,867	144,294	644,219	652,152
Due in more than one year	<u>4,203,532</u>	<u>4,416,655</u>	<u>672,632</u>	<u>804,687</u>	<u>4,876,164</u>	<u>5,221,342</u>
Total liabilities	<u>6,568,131</u>	<u>6,003,864</u>	<u>1,251,705</u>	<u>990,933</u>	<u>7,819,836</u>	<u>6,994,797</u>
NET ASSETS						
Invested in capital assets, net of related debt	19,795,743	20,115,262	7,220,556	4,026,363	27,016,299	24,141,625
Restricted	291,447	330,576	-	-	291,447	330,576
Unrestricted	<u>6,579,524</u>	<u>937,586</u>	<u>4,960,256</u>	<u>1,592,875</u>	<u>11,539,780</u>	<u>2,530,461</u>
Total net assets	<u>\$ 26,666,714</u>	<u>\$ 21,383,424</u>	<u>\$ 12,180,812</u>	<u>\$ 5,619,238</u>	<u>\$ 38,847,526</u>	<u>\$ 27,002,662</u>

The net assets of the City are \$26,666,714 in governmental activities and \$12,180,812 in business-type activities at June 30, 2006.

Net assets consists of three components. The largest portion of the City of Coolidge, Arizona's net assets (70%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Coolidge, Arizona uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Coolidge, Arizona's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The the City's investment in capital assets, net of related debt increased \$2.9 million largely due to improvements to the airport hangars and projects currently in progress funded by federal grants and developer fees.

An additional portion of the City of Coolidge, Arizona's net assets (1%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$11,539,780) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted net assets significantly increased largely due to unused developer impact fees. The developer impact fees will be used for future projects, as well as to assist in future operations.

At the end of the current fiscal year, the City of Coolidge, Arizona is able to report positive balances in all three categories of net assets for the government as a whole.

**Changes in Net Assets
For the Fiscal Year Ended June 30, 2006 and 2005**

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues						
Fees, fines and charges for services	\$ 2,571,374	\$ 1,500,027	\$ 1,346,302	\$ 1,208,780	\$ 3,917,676	\$ 2,708,807
Operating grants and contributions	1,317,004	1,210,747	-	-	1,317,004	1,210,747
Capital grants and contributions	1,281,692	320,397	763,704	221,832	2,045,396	542,229
General revenues:						
Local taxes	6,434,924	4,067,147	-	-	6,434,924	4,067,147
Impact fees	1,372,499	601,184	5,668,242	1,585,052	7,040,741	2,186,236
State shared revenues	2,119,892	1,813,995	-	-	2,119,892	1,813,995
Investment earnings	<u>172,420</u>	<u>27,003</u>	<u>132,483</u>	<u>14,549</u>	<u>304,903</u>	<u>41,552</u>
Total Revenues	<u>15,269,805</u>	<u>9,540,500</u>	<u>7,910,731</u>	<u>3,030,213</u>	<u>23,180,536</u>	<u>12,570,713</u>
Expenses						
General government	3,844,106	2,572,541	-	-	3,844,106	2,572,541
Public safety	3,075,765	2,755,774	-	-	3,075,765	2,755,774
Highways and streets	1,727,973	1,434,374	-	-	1,727,973	1,434,374
Culture and recreation	1,268,431	849,190	-	-	1,268,431	849,190
Interest on long-term debt	164,264	178,771	-	-	164,264	178,771
Liquid Waste	-	-	399,020	441,007	399,020	441,007
Solid Waste	-	-	674,740	598,502	674,740	598,502
Municipal Airport	-	-	114,836	80,428	114,836	80,428
Cable Television	-	-	66,537	34,686	66,537	34,686
Total Expenses	<u>10,080,539</u>	<u>7,790,650</u>	<u>1,255,133</u>	<u>1,154,623</u>	<u>11,335,672</u>	<u>8,945,273</u>
Increase in net assets before transfers	5,189,266	1,749,850	6,655,598	1,875,590	11,844,864	3,625,440
Transfers	<u>94,024</u>	<u>117,085</u>	<u>(94,024)</u>	<u>(117,085)</u>	<u>-</u>	<u>-</u>
Change in net assets	<u>5,283,290</u>	<u>1,866,935</u>	<u>6,561,574</u>	<u>1,758,505</u>	<u>11,844,864</u>	<u>3,625,440</u>
Net assets, beginning of year	<u>21,383,424</u>	<u>19,516,489</u>	<u>5,619,238</u>	<u>3,860,733</u>	<u>27,002,662</u>	<u>23,377,222</u>
Net assets, end of year	<u>\$ 26,666,714</u>	<u>\$ 21,383,424</u>	<u>\$ 12,180,812</u>	<u>\$ 5,619,238</u>	<u>\$ 38,847,526</u>	<u>\$ 27,002,662</u>

Governmental Activities.

Program revenues, which include fines, fees and charges for services, operating grants and contributions and capital grants and contributions increased over the prior fiscal year by \$2,138,899. The most significant increase were revenues received for charges for services and capital grants and contributions. City growth accounts for a majority of the increase in charges for services. The City reported approximately \$750,000 in charges for construction fees, zoning fees and engineering fees. The City did not include these charges in previous years. However, due to continued growth the City Council passed an ordinance requiring additional fees for new construction. The fees are included as part of the building permit approval process. Building permit fees accounted for an additional \$100,000 increase due to continued growth. The capital grants increased due to highway, housing and airport improvement grants received during the fiscal year. The airport improvement project was funded by a grant through the United States Department of Transportation. The expenditures and related revenues were recorded in the Governmental Activities and reported as a capital contribution to the Business-type Activities.

General revenues, which include local taxes, impact fees, state shared revenues and investment earnings increased by \$3.6 million dollars. Impact fees accounted for approximately \$770,000 of this increase. The impact fees were implemented by a City ordinance in fiscal year 2005 and is related to new construction within the City limits. Local taxes and state shared revenues increased \$2.7 million dollars due to increased revenues generated in the City of Coolidge, Arizona and the State of Arizona. The increase demonstrates the degree to which inflation and consumer spending has increased over the past year.

Expenses increased \$2.3 million dollars. Expenditures generally increased in all governmental functions. The increase is due to increased costs to operate the City during a period of growth

Business-type Activities.

As discussed above, the City imposed an impact fee to developers for new construction to assist the City in future development and operations for future growth. Although a portion of the impact fees are allocated to the governmental funds for capital outlay, a majority of the impact fees have been allocated to the Liquid Waste Fund. The funds will be used in the Liquid Waste Fund for future expansion. The impact fees accounted for more than 86% of the change in net assets in the business-type activities. Charges for services slightly increased due to added customers during the fiscal year. The capital grants vary from year-to-year based upon funding from various federal and state grants. As previously discussed, the entire balance of capital contributions is attributed to a federal grant used to fund improvements to the municipal airport.

Investment earnings increased due to increased cash on-hand. The increased cash is largely due to unspent impact fee revenues.

Business-type expenses did not significantly change during the current fiscal; however, expenses generally increased due to increased costs, including salary increases and maintenance costs.

Financial Analysis of the City's Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

As of the end of the current fiscal year the City's governmental funds reported combined ending fund balances of \$7,804,965, an increase of \$4,645,347 in comparison with the prior year. Approximately 55% of this total amount (\$4,286,441) constitutes general fund balance, which is available for contribution to the designated, undesignated and reserved fund balance. At fiscal year-end 2005-06 fund balances were as follows:

Fund	Balance	Increase (Decrease) From 2004-05
General Fund	\$ 4,286,441	\$ 3,101,504
Grants Fund	-	-
Impact Fees Fund	1,702,586	1,098,990
Nonmajor Governmental Funds	1,815,938	444,853

The General Fund is the chief operating fund of the City of Coolidge, Arizona. At the end of the current fiscal year, the fund balance of the general fund was \$4,286,441, while total fund balance for the City reached \$7,804,965. As a measure of the general fund's liquidity, it may be useful to compare both general fund balance and total fund balance to total expenditures. General Fund balance represents 69 percent of total general fund expenditures, while total fund balance represents 73 percent of total City expenditures.

The fund balance of the City of Coolidge, Arizona's General Fund increased by \$3,101,504 during the current fiscal year. Key factors in this change are as follows:

- ◆ Increase in local taxes and state shared revenue previously discussed.
- ◆ Increase in building permit revenues on new construction as well as additional fees for new construction, zoning fees and engineering fees.
- ◆ Current year expenditures increased; however, the increase was significantly less than the revenues generated during the current fiscal year. The increase was largely due to increased departmental costs for operations.

The ordinance that enacted the charging of impact fees was implemented at the end of the fiscal year 2004-05; therefore, the revenues generated in the previous fiscal year represented only a half year of charges. During the current fiscal year, the City collected impact fee revenues for a full fiscal year and only spent a fraction of the funds on various parks and recreation projects.

All nonmajor governmental funds of the City are combined into one column on the governmental fund statements and the change in fund balance was largely due to unspent road tax funds. The funds will be carried forward for future projects.

Budgetary Highlights

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 20 - 22. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. The City did not amend its budget during the fiscal year.

General Fund revenues of \$9,129,312, on a budgetary basis, exceeded budgeted revenues of \$8,785,088 by \$344,224 while budgetary basis expenditures of \$6,219,420 were less than the budget by \$3,573,200. The excess of revenues over budgeted revenues is primarily due to building permits on new construction. New construction during the fiscal year increased more than expected, accounting for a significant increase in revenue. The City did not amend the budget during the current fiscal year.

Capital Asset and Debt Administration

The City's capital assets for its governmental and business-type activities as of June 30, 2006 amount to \$23,540,124 and \$8,051,998, respectively, (net of accumulated depreciation), a net increase of 1.8% and 62%, respectively. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental Fund financial statements record capital asset purchases as expenditures at the time of purchase. See Note 3.A.3. in the Notes to the Basic Financial Statements for further information regarding capital assets.

Capital assets include land, buildings and improvements, machinery and equipment, roads and improvements, vehicles and infrastructure. During fiscal year 2005-06 the annual depreciation expense was \$844,571 and \$120,702 for the governmental and business-type capital assets, respectively. Additions to capital assets during the fiscal year for totaled \$1,566,519 and \$3,195,610 for the governmental and business-type capital assets, respectively.

Major capital asset events during the current fiscal year included the following:

- ◆ Improvements to the wastewater treatment facility in the amount of \$2.4 million recorded as construction in progress.
- ◆ Improvements to the municipal airport in the amount of \$763,000, funded by a grant from the U.S. Department of Transportation.
- ◆ The purchase of \$753,000 in vehicles and improvements in the Governmental Activities, including a \$224,000 grader and \$142,000 fire truck.
- ◆ Infrastructure improvements of \$439,000 recorded in the Governmental Activities.

The following table provides a breakdown of the capital assets of the City at June 30, 2006 and 2005.

Capital Assets at June 30, 2006 and 2005
(Net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Land	\$ 1,870,640	\$ 1,796,054	\$ 1,200,000	\$ 1,200,000	\$ 3,070,640	\$ 2,996,054
Construction in progress	-	-	2,843,046	439,580	2,843,046	439,580
Airport hangar and other improvements	-	-	811,480	58,936	811,480	58,936
Buildings and improvements	5,572,824	5,602,272	-	-	5,572,824	5,602,272
Infrastructure and land improvements	14,624,763	14,462,727	500,312	510,721	15,125,075	14,973,448
Sewer treatment plant and collection system	-	-	2,473,171	2,512,148	2,473,171	2,512,148
Furniture, machinery, equipment and vehicles	<u>1,471,897</u>	<u>1,270,868</u>	<u>223,989</u>	<u>258,931</u>	<u>1,695,886</u>	<u>1,529,799</u>
	<u>\$23,540,124</u>	<u>\$23,131,921</u>	<u>\$ 8,051,998</u>	<u>\$ 4,980,316</u>	<u>\$31,592,122</u>	<u>\$28,112,237</u>

Long-term Debt

At the end of the current fiscal year, the City of Coolidge, Arizona had total long-term obligations outstanding of \$5,520,383. The City issued no new debt during the fiscal year. Of the outstanding debt, \$4,251,937 represents outstanding notes payable. The remaining balance represents compensated absences, capital leases and the City's obligation related to the landfill closure and postclosure care costs. The City has no outstanding bonds.

The following schedule shows the outstanding debt of the City (both current and long-term) as of June 30, 2006 and 2005. Further detail on the City's outstanding debt may be found in Note 3.E. on pages 43 - 45.

Outstanding Debt at June 30, 2006 and 2005

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Notes payable	\$ 3,447,250	\$ 3,663,168	\$ 804,687	\$ 928,165	\$ 4,251,937	\$ 4,591,333
Capital leases	297,131	389,561	-	-	297,131	389,561
Landfill closure and postclosure costs	679,238	665,267	-	-	679,238	665,267
Compensated absences	<u>268,265</u>	<u>206,517</u>	<u>23,812</u>	<u>20,816</u>	<u>292,077</u>	<u>227,333</u>
	<u>\$ 4,691,884</u>	<u>\$ 4,924,513</u>	<u>\$ 828,499</u>	<u>\$ 948,981</u>	<u>\$ 5,520,383</u>	<u>\$ 5,873,494</u>

Economic Factors and Next Year's Budgets and Rates

The City relies heavily on state shared revenues, impact fees and local sales tax. During the year, more than 67% of the City's general revenues were derived from state shared revenues, impact fees and local sales tax. The retail picture provides sufficient sales tax revenue to sustain the operational costs of the general government. However, based on an ordinance passed in 2005, the City has supplemented its general revenues with impact fees. The impact fees are currently used and will be used in future fiscal years to assist the City in keeping up with capital costs. The retail picture will depend upon future development of housing, commercial and industrial business within the community.

The City's share of state shared revenues is being carefully watched over the next few years. The overall decline in the State's economy may lead to further reductions in state shared revenues. This has created a need to evaluate all of the City's programs and services. Increases in some programming and user fees have been implemented in order to generate additional revenues to cover the City's costs of providing services. The current picture, however, has shown an increase in the state shared revenues and local sales taxes.

Other factors affecting next year's budget include:

- ◆ Increased contribution rates for Arizona State Retirement
- ◆ Revenue sources from new construction as well as the services that will need to be provided.
- ◆ Maintaining adequate facilities.

Financial contact

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government'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 financial information should be addressed to:

City of Coolidge, Arizona
Accounting Department
130 West Central Avenue
Coolidge, Arizona 85228

Basic Financial Statements

CITY OF COOLIDGE, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities	Business-type Activities	Totals
Assets			
Cash and cash equivalents	\$ 8,361,362	\$ 5,300,802	\$ 13,662,164
Receivables, net			
Accounts receivable	55,535	89,128	144,663
Taxes receivable	81,361	-	81,361
Intergovernmental receivable	1,187,052	-	1,187,052
Internal balances	9,411	(9,411)	-
Capital assets			
Non-depreciable	1,870,640	4,043,046	5,913,686
Depreciable (net)	<u>21,669,484</u>	<u>4,008,952</u>	<u>25,678,436</u>
Total assets	<u>33,234,845</u>	<u>13,432,517</u>	<u>46,667,362</u>
Liabilities			
Accounts payable	1,201,069	378,243	1,579,312
Accrued wages and benefits	324	814	1,138
Interest payable	-	8,211	8,211
Unearned revenue	674,854	9,183	684,037
Matured debt principal payable	-	26,755	26,755
Noncurrent liabilities			
Due within one year	488,352	155,867	644,219
Due in more than one year	<u>4,203,532</u>	<u>672,632</u>	<u>4,876,164</u>
Total liabilities	<u>6,568,131</u>	<u>1,251,705</u>	<u>7,819,836</u>
Net assets			
Invested in capital assets, net of related debt	19,795,743	7,220,556	27,016,299
Restricted for			
Highways and streets	291,447	-	291,447
Unrestricted	<u>6,579,524</u>	<u>4,960,256</u>	<u>11,539,780</u>
Total net assets	<u>\$ 26,666,714</u>	<u>\$ 12,180,812</u>	<u>\$ 38,847,526</u>

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

CITY OF COOLIDGE, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	Grants	Impact Fees	Nonmajor Governmental Funds	Totals
Assets					
Cash and cash equivalents	\$ 4,792,659	\$ 263,819	\$ 1,702,586	\$ 1,602,298	\$ 8,361,362
Receivables, net					
Accounts receivable	55,407	-	-	128	55,535
Taxes receivable	16,368	-	-	64,993	81,361
Intergovernmental receivable	459,629	548,129	-	179,294	1,187,052
Due from other funds	9,520	-	-	-	9,520
Total assets	<u>\$ 5,333,583</u>	<u>\$ 811,948</u>	<u>\$ 1,702,586</u>	<u>\$ 1,846,713</u>	<u>\$ 9,694,830</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,033,309	\$ 137,094	\$ -	\$ 30,666	\$ 1,201,069
Accrued wages and benefits	324	-	-	-	324
Due to other funds	-	-	-	109	109
Deferred revenue	13,509	674,854	-	-	688,363
Total liabilities	<u>1,047,142</u>	<u>811,948</u>	<u>-</u>	<u>30,775</u>	<u>1,889,865</u>
Fund balances					
Unreserved	4,286,441	-	1,702,586	-	5,989,027
Unreserved, reported in nonmajor:					
Special revenue funds	-	-	-	361,437	361,437
Capital projects funds	-	-	-	1,454,501	1,454,501
Total fund balances	<u>4,286,441</u>	<u>-</u>	<u>1,702,586</u>	<u>1,815,938</u>	<u>7,804,965</u>
Total liabilities and fund balances	<u>\$ 5,333,583</u>	<u>\$ 811,948</u>	<u>\$ 1,702,586</u>	<u>\$ 1,846,713</u>	<u>\$ 9,694,830</u>

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

CITY OF COOLIDGE, ARIZONA
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF NET ASSETS
 JUNE 30, 2006

Fund balances - total governmental funds	\$ 7,804,965
Amounts reported for governmental activities in the statement of net assets are different because:	
Property taxes not collected within 60 days subsequent to fiscal year-end are deferred in the governmental funds.	13,509
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental capital assets	35,609,869
Less accumulated depreciation	<u>(12,069,745)</u>
Capital assets used in governmental activities	<u>23,540,124</u>
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	
Notes payable	(3,447,250)
Capital leases	(297,131)
Landfill closure and postclosure care payable	(679,238)
Compensated absences	<u>(268,265)</u>
Net assets of governmental activities	<u>\$ 26,666,714</u>

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

CITY OF COOLIDGE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General	Grants	Impact Fees	Nonmajor Governmental Funds	Totals
Revenues					
Taxes					
Sales taxes	\$ 3,859,464	\$ -	\$ -	\$ 2,021,556	\$ 5,881,020
Property taxes	345,768	-	-	-	345,768
Franchise taxes	211,025	-	-	-	211,025
Intergovernmental	2,119,892	1,728,707	-	869,989	4,718,588
Fines and forfeitures	83,790	-	-	4,167	87,957
Licenses and permits	2,099,540	-	-	-	2,099,540
Charges for services	141,029	-	-	25,680	166,709
Impact fees	-	-	1,372,499	-	1,372,499
Investment earnings	56,824	29,822	35,225	50,549	172,420
Other	211,980	-	-	5,188	217,168
Total Revenues	<u>9,129,312</u>	<u>1,758,529</u>	<u>1,407,724</u>	<u>2,977,129</u>	<u>15,272,694</u>
Expenditures					
Current					
General government	2,586,365	1,297,961	-	545,953	4,430,279
Public safety	2,761,609	230,074	-	34,881	3,026,564
Highways and streets	-	180,577	-	980,194	1,160,771
Culture and recreation	871,446	49,917	308,734	-	1,230,097
Debt Service					
Principal retirement	-	-	-	308,348	308,348
Interest on long-term debt	-	-	-	164,264	164,264
Capital outlay	-	-	-	401,048	401,048
Total Expenditures	<u>6,219,420</u>	<u>1,758,529</u>	<u>308,734</u>	<u>2,434,688</u>	<u>10,721,371</u>
Excess (deficiency) of revenues over expenditures	<u>2,909,892</u>	<u>-</u>	<u>1,098,990</u>	<u>542,441</u>	<u>4,551,323</u>
Other financing sources (uses)					
Transfers in	293,356	-	-	543,426	836,782
Transfers out	(101,744)	-	-	(641,014)	(742,758)
Total other financing sources (uses)	<u>191,612</u>	<u>-</u>	<u>-</u>	<u>(97,588)</u>	<u>94,024</u>
Net change in fund balances	3,101,504	-	1,098,990	444,853	4,645,347
Fund balances, beginning of year	1,184,937	-	603,596	1,371,085	3,159,618
Fund balances, end of year	<u>\$ 4,286,441</u>	<u>\$ -</u>	<u>\$ 1,702,586</u>	<u>\$ 1,815,938</u>	<u>\$ 7,804,965</u>

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

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

Net change in fund balances - total governmental funds	\$ 4,645,347
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.	
Expenditures for capital assets	1,566,519
Less current year depreciation	<u>(844,571)</u>
Excess capital expenditures over depreciation	<u>721,948</u>
The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets.	(313,745)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.	
Property taxes	(2,889)
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, however, has any effect on net assets. The issuance of long-term debt increases long-term liabilities on the statement of net assets and the repayment of principal on long-term debt reduces long-term debt on the statement of net assets.	
Principal payments on long-term debt	308,348
Increase in landfill closure and postclosure care costs	(13,971)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	
Net increase in compensated absences	<u>(61,748)</u>
Change in net assets of governmental activities	<u>\$ 5,283,290</u>

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

CITY OF COOLIDGE, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Sales taxes	\$ 4,427,734	\$ 3,859,464	\$ (568,270)
Property taxes	334,085	345,768	11,683
Franchise taxes	174,214	211,025	36,811
Intergovernmental	1,902,555	2,119,892	217,337
Fines and forfeitures	55,000	83,790	28,790
Licenses and permits	1,781,000	2,099,540	318,540
Charges for services	49,500	141,029	91,529
Investment earnings (loss)	6,000	56,824	50,824
Other	55,000	211,980	156,980
Total Revenues	<u>8,785,088</u>	<u>9,129,312</u>	<u>344,224</u>
Expenditures			
Current			
General government			
City Council	63,080	71,738	(8,658)
City Manager	152,086	156,711	(4,625)
City Clerk	96,078	93,259	2,819
Finance	373,461	360,949	12,512
Information Tech	88,060	87,603	457
Growth Management	686,684	518,534	168,150
Legal	264,120	160,893	103,227
Judicial	149,658	163,542	(13,884)
Grants/Special Projects	67,428	51,180	16,248
Vehicle Maintenance	82,201	82,526	(325)
Building Maintenance	299,118	294,466	4,652
Grounds Maintenance	234,302	227,505	6,797
Chamber of Commerce	35,000	35,000	-
Miscellaneous	280,300	282,459	(2,159)
Contingency	3,281,741	-	3,281,741
Total general government	<u>6,153,317</u>	<u>2,586,365</u>	<u>3,566,952</u>
Public safety			
Police Operations	2,553,996	2,534,146	19,850
Fire Operations	230,372	227,463	2,909
Total public safety	<u>2,784,368</u>	<u>2,761,609</u>	<u>22,759</u>
Culture and recreation			
Recreation Programs	511,966	540,002	(28,036)
Library	262,733	255,077	7,656
Swimming Pool	80,236	76,367	3,869
Total culture and recreation	<u>854,935</u>	<u>871,446</u>	<u>(16,511)</u>
Total Expenditures	<u>9,792,620</u>	<u>6,219,420</u>	<u>3,573,200</u>
Excess (deficiency) of revenues over expenditures	<u>(1,007,532)</u>	<u>2,909,892</u>	<u>3,917,424</u> (Continued)

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

CITY OF COOLIDGE, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original and Final Budget	Actual	Variance with Final Budget
(Concluded)			
Other financing sources (uses)			
Transfers in	-	293,356	293,356
Transfers out	<u>145.007</u>	<u>(101.744)</u>	<u>(246.751)</u>
Total other financing sources (uses)	<u>145.007</u>	<u>191.612</u>	<u>46.605</u>
Net change in fund balances	(862,525)	3,101,504	3,964,029
Fund balances, beginning of year	<u>862.525</u>	<u>1.184.937</u>	<u>322.412</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 4.286.441</u>	<u>\$ 4.286.441</u>

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

CITY OF COOLIDGE, ARIZONA
 GRANTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 15,355,515	\$ 1,728,707	\$ (13,626,808)
Investment earnings	<u>-</u>	<u>29,822</u>	<u>29,822</u>
Total Revenues	<u>15,355,515</u>	<u>1,758,529</u>	<u>(13,596,986)</u>
Expenditures			
Current			
General government	12,613,277	1,297,961	11,315,316
Public safety	1,908,363	230,074	1,678,289
Highways and streets	240,605	180,577	60,028
Culture and recreation	<u>593,270</u>	<u>49,917</u>	<u>543,353</u>
Total Expenditures	<u>15,355,515</u>	<u>1,758,529</u>	<u>13,596,986</u>
Excess (deficiency) of revenues over expenditures	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

CITY OF COOLIDGE, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Liquid Waste</u>	<u>Solid Waste</u>	<u>Nonmajor Enterprise Funds</u>	
Assets				
Current assets				
Cash and cash equivalents	\$ 4,837,488	\$ 463,314	\$ -	\$ 5,300,802
Receivables, net				
Accounts receivable	<u>64,445</u>	<u>20,511</u>	<u>4,172</u>	<u>89,128</u>
Total current assets	4,901,933	483,825	4,172	5,389,930
Noncurrent assets				
Capital assets				
Non-depreciable	4,043,046	-	-	4,043,046
Depreciable (net)	<u>2,519,559</u>	<u>160,033</u>	<u>1,329,360</u>	<u>4,008,952</u>
Total assets	<u>11,464,538</u>	<u>643,858</u>	<u>1,333,532</u>	<u>13,441,928</u>
Liabilities				
Current liabilities				
Accounts payable	375,959	613	1,671	378,243
Accrued wages and benefits	-	-	814	814
Interest payable	8,211	-	-	8,211
Due to other funds	-	-	9,411	9,411
Unearned revenue	9,183	-	-	9,183
Compensated absences	8,537	15,275	-	23,812
Matured notes payable	26,755	-	-	26,755
Notes payable	<u>118,079</u>	<u>-</u>	<u>13,976</u>	<u>132,055</u>
Total current liabilities	546,724	15,888	25,872	588,484
Noncurrent liabilities				
Notes payable	<u>638,195</u>	<u>-</u>	<u>34,437</u>	<u>672,632</u>
Total liabilities	<u>1,184,919</u>	<u>15,888</u>	<u>60,309</u>	<u>1,261,116</u>
Net assets				
Invested in capital assets, net of related debt	5,779,576	160,033	1,280,947	7,220,556
Unrestricted	<u>4,500,043</u>	<u>467,937</u>	<u>(7,724)</u>	<u>4,960,256</u>
Total net assets	<u>\$ 10,279,619</u>	<u>\$ 627,970</u>	<u>\$ 1,273,223</u>	<u>\$ 12,180,812</u>

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

CITY OF COOLIDGE, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>			<u>Totals</u>
	<u>Liquid Waste</u>	<u>Solid Waste</u>	<u>Nonmajor Enterprise Funds</u>	
Operating revenues				
Charges for services	\$ <u>427,692</u>	\$ <u>818,449</u>	\$ <u>25,029</u>	\$ <u>1,271,170</u>
Total operating revenues	<u>427,692</u>	<u>818,449</u>	<u>25,029</u>	<u>1,271,170</u>
Operating expenses				
Costs of sales and services	270,594	648,111	157,522	1,076,227
Depreciation	<u>73,399</u>	<u>26,629</u>	<u>20,674</u>	<u>120,702</u>
Total operating expenses	<u>343,993</u>	<u>674,740</u>	<u>178,196</u>	<u>1,196,929</u>
Operating income (loss)	<u>83,699</u>	<u>143,709</u>	<u>(153,167)</u>	<u>74,241</u>
Nonoperating revenues (expenses)				
Impact fees	5,577,629	90,613	-	5,668,242
Investment earnings	113,946	14,674	3,863	132,483
Interest expense	(55,027)	-	(3,177)	(58,204)
Miscellaneous nonoperating revenues	<u>33,498</u>	<u>-</u>	<u>41,634</u>	<u>75,132</u>
Total nonoperating revenues (expenses)	<u>5,670,046</u>	<u>105,287</u>	<u>42,320</u>	<u>5,817,653</u>
Income (loss) before contributions and transfers	<u>5,753,745</u>	<u>248,996</u>	<u>(110,847)</u>	<u>5,891,894</u>
Capital contributions	-	-	763,704	763,704
Transfers in	-	-	100,169	100,169
Transfers out	<u>(44,003)</u>	<u>(150,190)</u>	<u>-</u>	<u>(194,193)</u>
Change in net assets	5,709,742	98,806	753,026	6,561,574
Total net assets, beginning of year	<u>4,569,877</u>	<u>529,164</u>	<u>520,197</u>	<u>5,619,238</u>
Total net assets, end of year	<u>\$ 10,279,619</u>	<u>\$ 627,970</u>	<u>\$ 1,273,223</u>	<u>\$ 12,180,812</u>

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

CITY OF COOLIDGE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Business-type Activities - Enterprise Funds</u>			Totals
	<u>Liquid Waste</u>	<u>Solid Waste</u>	<u>Nonmajor Enterprise Funds</u>	
Cash flows from operating activities				
Receipts from customers	\$ 441,908	\$ 836,332	\$ 26,885	\$ 1,305,125
Payments to suppliers	(104,363)	(367,329)	(72,127)	(543,819)
Payments to employees	(162,806)	(278,023)	(80,545)	(521,374)
Miscellaneous revenues	33,498	-	41,634	75,132
Net cash flows from operating activities	<u>208,237</u>	<u>190,980</u>	<u>(84,153)</u>	<u>315,064</u>
Cash flows from noncapital financing activities				
Cash received from (paid to) other funds for interfund borrowing	-	-	(3,482)	(3,482)
Transfers in	-	-	100,169	100,169
Transfers out	(44,003)	(150,190)	-	(194,193)
Impact fees	5,577,629	90,613	-	5,668,242
Net cash flows from noncapital financing activities	<u>5,533,626</u>	<u>(59,577)</u>	<u>96,687</u>	<u>5,570,736</u>
Cash flows from capital and financing activities				
Purchases of capital assets	(2,055,947)	-	-	(2,055,947)
Principal paid on capital debt	(109,291)	-	(13,220)	(122,511)
Interest paid on capital debt	(55,511)	-	(3,177)	(58,688)
Net cash flows from capital and financing activities	<u>(2,220,749)</u>	<u>-</u>	<u>(16,397)</u>	<u>(2,237,146)</u>
Cash flows from investing activities				
Investment income	113,946	14,674	3,863	132,483
Net cash flows from investing activities	<u>113,946</u>	<u>14,674</u>	<u>3,863</u>	<u>132,483</u>
Net change in cash and cash equivalents	3,635,060	146,077	-	3,781,137
Cash and cash equivalents, beginning of year (restated)	<u>1,202,428</u>	<u>317,237</u>	<u>-</u>	<u>1,519,665</u>
Cash and cash equivalents, end of year	<u>\$ 4,837,488</u>	<u>\$ 463,314</u>	<u>\$ -</u>	<u>\$ 5,300,802</u>

(Continued)

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

CITY OF COOLIDGE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Liquid Waste</u>	<u>Solid Waste</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>
(Concluded)				
Reconciliation of operating income (loss) to net cash provided by operating activities				
Operating income (loss)	\$ 83,699	\$ 143,709	\$ (153,167)	\$ 74,241
Depreciation expense	73,399	26,629	20,674	120,702
Loss on disposal of capital assets	-	-	3,226	3,226
Miscellaneous receipts	33,498	-	41,634	75,132
Change in assets/liabilities:				
Receivables, net	14,216	17,883	1,856	33,955
Accounts payable	(75)	523	1,625	2,073
Accrued wages and benefits	-	-	(1)	(1)
Compensated absences	<u>760</u>	<u>2,236</u>	<u>-</u>	<u>2,996</u>
Net cash provided (used) by operating activities	<u>\$ 205,497</u>	<u>\$ 190,980</u>	<u>\$ (84,153)</u>	<u>\$ 312,324</u>

Noncash Investing, Capital and Financing Activities

The Municipal Airport Fund received capital assets contributed from the governmental funds in the amount of \$763,704 during the fiscal year.

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

CITY OF COOLIDGE, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	<u>Pension Trust</u>
Assets	
Cash and cash equivalents	\$ 383,789
Receivables, net	
Intergovernmental receivable	<u>6,348</u>
Total assets	<u>390,137</u>
Net Assets	
Held in trust	<u>\$ 390,137</u>

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

CITY OF COOLIDGE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Pension Trust</u>
Additions	
Contributions	
Employer	\$ 24,096
Employee	24,096
State fire insurance premiums	6,348
Total contributions	54,540
Investment earnings	
Interest	201
Net increase in fair value of investments	21,272
Total additions	76,013
Deductions	
Administration	45,791
Benefits	86,297
Total deductions	132,088
Change in net assets	(56,075)
Net assets, beginning of year	446,212
Net assets, end of year	\$ 390,137

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

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Coolidge, Arizona (City) have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows.

A. Reporting entity

The City is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

Included within the reporting entity:

The City of Coolidge Municipal Property Corporation. The B&C Coolidge Municipal Leasing Corporation's (CMLC) board of directors consists of six members who are appointed by the Coolidge City Council. CMLC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the City in obtaining financing for various capital projects. All related receivables and payables between the City and the CMLC have been eliminated.

The City of Coolidge Industrial Development Authority. The Industrial Development Authority (IDA) board of directors consists of a seven member board which is appointed by the Coolidge City Council. The IDA, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed to assist the City in obtaining financing for various capital projects and promoting economic development.

Separate financial statements of the blended component units are not prepared.

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. The effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally 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.

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year, the expenditures and related liabilities have been recognized in the Debt Service Funds.

Property taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Grants Fund* accounts for the activity of various state and federal grants.

The *Impact Fees Fund* accounts for the activity of the development fees assessed to offset the costs associated with providing necessary public services to new developments.

The City reports the following major proprietary funds:

The *Liquid Waste Fund* accounts for the costs to operate, construct and finance the City's sewer system.

The *Solid Waste Fund* accounts for the costs to operate and finance the City's sanitation system.

The City also reports the following fund type:

The *Volunteer Firefighters' Pension Trust Fund* is a fiduciary fund used to account for the activity of the volunteer firefighters' pension benefits.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, for governmental activities it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. For business-type activities, the use of restricted resources is governed by the applicable bond covenants.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

2. Receivables

Accounts receivable and property taxes receivable are shown net of an allowance for uncollectibles.

Pinal County levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006

3. Short-term interfund receivables/payables

During the course of operations, individual funds within the City's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

4. Inventories

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories are recorded as expenditures at the time of purchase, and because the amounts on hand at June 30, 2006 were immaterial, they are not included in the government-wide and fund financial statements.

5. Capital assets

Capital assets, which include property, plant, machinery and equipment, are reported in the governmental and business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

Capital assets purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Buildings and improvements	20 - 50 years
Infrastructure	20 - 50 years
Sewer collection system	20 - 50 years
Land improvements	20 years
Furniture, machinery, equipment and vehicles	5 - 20 years

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006

6. Compensated absences

The liability for compensated absences reported in the government-wide and proprietary statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Long-term obligations

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

In the fund financial statements, governmental fund types recognize principal and interest expense during the current period. The face amount of the debt issued during the period is reported as other financing sources.

8. Net assets

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because capital assets make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the City. Unrestricted net assets are the remaining net assets not included in the previous two categories.

9. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited general-purpose financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. Expenditures may not legally exceed the expenditure limitation described below of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds (except for the Court Surcharge Fund). The City Manager, subject to City Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without City Council approval.
5. Formal budgetary integration is employed as a management control device during the year for all funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The City is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the City to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

No supplementary budgetary appropriations were necessary during the year.

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2006

B. Excess of expenditures over appropriations

Expenditures exceeded appropriations in the following funds:

	<u>Amount of Overexpenditure</u>
General Fund:	
City Council	\$ 8,658
City Manager	4,625
Judicial	13,884
Vehicle Maintenance	325
Miscellaneous	2,159
Recreation Programs	28,036
Road Tax Fund	59,542

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and investments

Deposits and investments at June 30, 2006 consist of the following:

Deposits	
Cash on hand	\$ 3,193
Cash in bank	(510,195)
Investments	
Money Market Mutual Fund	383,789
State Treasurer's Investment Pool	991,386
Repurchase agreements	<u>13,177,780</u>
Total deposits and investments	14,045,953
Less: fiduciary fund cash	<u>(383,789)</u>
Total cash and cash equivalents	<u>\$ 13,662,164</u>

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2006

Deposits - The City's deposits at June 30, 2006, were entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name. The deposits were not subject to custodial credit risk.

The cash in the bank was negative at June 30, 2006 because the City invested funds pending clearance of outstanding checks in a Corporate Cash Management Account. Under the terms of the Corporate Cash Management Account agreement, excess funds in the City's checking account are invested in a repurchase agreement.

Investments - The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk. The money market mutual fund and the repurchase agreement are on deposit with a local financial institution and are collateralized by securities held by the trustee in the City's name.

Interest rate risk. In accordance with its investment policy, the government manages its exposure to decline in fair values by limiting the average maturity of its investment portfolio to less than one year.

Credit rate risk. The City limits its credit risk by only investing in U.S. government securities, the State Treasurer's Investment Pool or insured or collateralized investments.

2. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 13,509	\$ -
Unearned grant revenues (Grants Fund)	<u> -</u>	<u> 674,854</u>
	<u>\$ 13,509</u>	<u>\$ 674,854</u>

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2006

3. Capital assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>1,796,054</u>	\$ <u>74,586</u>	\$ <u>-</u>	\$ <u>1,870,640</u>
Total capital assets, not being depreciated	<u>1,796,054</u>	<u>74,586</u>	<u>-</u>	<u>1,870,640</u>
Capital assets being depreciated:				
Buildings and improvements	6,510,267	100,454	-	6,610,721
Infrastructure and land improvements	22,637,823	637,544	-	23,275,367
Furniture, equipment and vehicles	<u>3,643,997</u>	<u>753,935</u>	<u>(544,791)</u>	<u>3,853,141</u>
Total capital assets being depreciated	<u>32,792,087</u>	<u>1,491,933</u>	<u>(544,791)</u>	<u>33,739,229</u>
Less accumulated depreciation for:				
Buildings and improvements	(907,995)	(129,902)	-	(1,037,897)
Infrastructure and land improvements	(8,175,096)	(475,508)	-	(8,650,604)
Furniture, equipment and vehicles	<u>(2,373,129)</u>	<u>(239,161)</u>	<u>231,046</u>	<u>(2,381,244)</u>
Total accumulated depreciation	<u>(11,456,220)</u>	<u>(844,571)</u>	<u>231,046</u>	<u>(12,069,745)</u>
Total capital assets, being depreciated, net	<u>21,335,867</u>	<u>647,362</u>	<u>(313,745)</u>	<u>21,669,484</u>
Governmental activities capital assets, net	<u>\$ 23,131,921</u>	<u>\$ 721,948</u>	<u>\$ (313,745)</u>	<u>\$ 23,540,124</u>

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2006

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,200,000	\$ -	\$ -	\$ 1,200,000
Construction in progress	<u>439,580</u>	<u>2,403,466</u>	<u>-</u>	<u>2,843,046</u>
Total capital assets, not being depreciated	<u>1,639,580</u>	<u>2,403,466</u>	<u>-</u>	<u>4,043,046</u>
Capital assets being depreciated:				
Land improvements	678,569	-	-	678,569
Airport hangar and other improvements	118,384	763,704	(3,226)	878,862
Sewer treatment plant and collection system	3,511,935	28,440	-	3,540,375
Machinery, equipment and vehicles	<u>572,932</u>	<u>-</u>	<u>-</u>	<u>572,932</u>
Total capital assets being depreciated	<u>4,881,820</u>	<u>792,144</u>	<u>(3,226)</u>	<u>5,670,738</u>
Less accumulated depreciation for:				
Land improvements	(167,848)	(10,409)	-	(178,257)
Airport hangar and other improvements	(59,448)	(7,934)	-	(67,382)
Sewer treatment plant and collection system	(999,787)	(67,417)	-	(1,067,204)
Machinery, equipment and vehicles	<u>(314,001)</u>	<u>(34,942)</u>	<u>-</u>	<u>(348,943)</u>
Total accumulated depreciation	<u>(1,541,084)</u>	<u>(120,702)</u>	<u>-</u>	<u>(1,661,786)</u>
Total capital assets, being depreciated, net	<u>3,340,736</u>	<u>671,442</u>	<u>(3,226)</u>	<u>4,008,952</u>
Business-type activities capital assets, net	<u>\$ 4,980,316</u>	<u>\$ 3,074,908</u>	<u>\$ (3,226)</u>	<u>\$ 8,051,998</u>

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2006

Governmental activities:	
General government	\$ 44,460
Public safety	221,390
Highways and streets	516,561
Culture and recreation	<u>62,160</u>
Total depreciation expense - governmental activities	\$ <u>844,571</u>
Business-type activities:	
Liquid Waste	\$ 73,399
Solid Waste	26,629
Municipal Airport	18,344
Cable Television	<u>2,330</u>
Total depreciation expense - business-type activities	\$ <u>120,702</u>

B. Interfund receivables, payables and transfers

As of June 30, 2006 interfund receivables and payables were as follows:

	Due from		
Due To	Nonmajor Governmental Funds	Nonmajor Business-type Funds	Total
General Fund	\$ <u>109</u>	\$ <u>9,411</u>	\$ <u>9,520</u>

The above interfund receivables and payables are recorded to eliminate cash short-falls at year end. Funds were received subsequent to June 30, 2006 to cover the cash short-falls.

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2006

Interfund transfers for the year ended June 30, 2006 consisted of the following:

	Transfers In			
Transfers Out	General Fund	Nonmajor Governmental Funds	Nonmajor Business-type Funds	Total
General Fund	\$ -	\$ 1,575	\$ 100,169	\$ 101,744
Nonmajor Governmental Funds	146,678	494,336	-	641,014
Liquid Waste Fund	44,003	-	-	44,003
Solid Waste Fund	<u>102,675</u>	<u>47,515</u>	<u>-</u>	<u>150,190</u>
	<u>\$ 293,356</u>	<u>\$ 543,426</u>	<u>\$ 100,169</u>	<u>\$ 936,951</u>

The transfer from the General Fund to the Nonmajor Business-type Funds was recorded to subsidize the Airport and Channel XI operations. The transfer from the Nonmajor Governmental Funds to the Nonmajor Governmental Funds was recorded to meet the debt service requirements on the GADA loan. The transfer out recorded in the Nonmajor Governmental Funds, Liquid Waste Fund and the Solid Waste Fund to the General Fund and the Nonmajor Governmental Funds was recorded to charge unallocated administrative costs.

C. Obligations under capital leases

The City has entered into lease agreements as a lessee for financing the acquisition of vehicles and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Vehicles	\$ 582,017
Equipment	71,787
Less: Accumulated depreciation	<u>(341,267)</u>
Total	<u>\$ 312,537</u>

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2006

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

Year Ending June 30,	<u>Governmental Activities</u>
2007	\$ 110,944
2008	96,993
2009	72,598
2010	<u>48,202</u>
Total minimum lease payments	328,737
Less: amount representing interest	<u>(31,606)</u>
Present value of minimum lease payments	\$ <u>297,131</u>

D. Closure and postclosure care costs

State and federal laws and regulations require that the City of Coolidge, Arizona place a final cover on its landfill, which was closed in 1992, and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The estimated liabilities for landfill closure and postclosure care are \$296,666 and 382,572, respectively, which represent the estimated current costs that would be incurred if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of June 30, 2006. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City of Coolidge, Arizona is required to file certain information relating to the landfill closure, postclosure and monitoring with the State of Arizona Department of Environmental Quality. The required information was filed with the State subsequent to June 30, 2006. The City did not have any significant changes in estimate.

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006

E. Long-term obligations

The City has long-term notes payable issued to provide funds for the acquisition and construction of major capital facilities. The debt is being repaid by the HURF Fund for the purchase of street lights, by the Debt Service Fund for the repayment of Greater Arizona Development Authority note, and by the Airport Fund for the note due to the Arizona Department of Transportation. Additionally, the Liquid Waste Fund is responsible for the repayment of the Water Infrastructure Authority of Arizona note and the Industrial Development Authority's notes payable.

Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

The City has the following notes payable at June 30, 2006:

Governmental Activities

A note payable due to the Greater Arizona Development Authority (GADA). Annual principal payments are due through fiscal year 2023 at a rate of 2.00%.	\$ 3,400,000
A note payable due to Community First Bank. Monthly principal and interest payments are required through the fiscal year 2007 at a rate of 4.75%.	<u>47.250</u>
	<u>\$ 3,447.250</u>

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2006

Business-type Activities

A note payable due to the Arizona Department of Transportation. Quarterly principal and interest payments are required through fiscal year 2010 at a rate of 5.60%.	\$ 48,413
A note payable due to the Water Infrastructure Authority of Arizona. Semi-annual interest and annual interest payments are required through fiscal year 2018 at 1.88%.	411,166
An Industrial Development Authority note payable due to an individual for the purchase of farmland. Annual principal and interest payments are required through fiscal 2009 at an imputed interest rate of 8%.	134,423
An Industrial Development Authority note payable due to an individual for the purchase of land. Monthly principal and interest payments are required through fiscal year 2010 at an imputed interest rate of 8%.	<u>210,685</u>
	<u>\$ 804,687</u>

Changes in long-term obligations for the year ended June 30, 2006 are as follows:

	<u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2006</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes payable	\$ 3,663,168	\$ -	\$ (215,918)	\$ 3,447,250	\$ 192,250
Other liabilities:					
Capital leases	389,561	-	(92,430)	297,131	96,853
Landfill closure and postclosure costs	665,267	13,971	-	679,238	-
Compensated absences	<u>206,517</u>	<u>257,090</u>	<u>(195,342)</u>	<u>268,265</u>	<u>199,249</u>
Governmental activities long-term liabilities	<u>\$ 4,924,513</u>	<u>\$ 271,061</u>	<u>\$ (503,690)</u>	<u>\$ 4,691,884</u>	<u>\$ 488,352</u>
Business-type Activities:					
Notes payable	\$ 928,165	\$ -	\$ (123,478)	\$ 804,687	\$ 132,055
Other liabilities:					
Compensated absences	<u>20,816</u>	<u>29,949</u>	<u>(26,953)</u>	<u>23,812</u>	<u>23,812</u>
Business-type activities long-term liabilities	<u>\$ 948,981</u>	<u>\$ 29,949</u>	<u>\$ (150,431)</u>	<u>\$ 828,499</u>	<u>\$ 155,867</u>

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
 FISCAL YEAR ENDED JUNE 30, 2006

Debt service requirements on long-term debt at June 30, 2006 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 192,250	\$ 139,200	\$ 132,055	\$ 43,680
2008	150,000	134,138	141,267	34,468
2009	155,000	129,369	151,166	24,569
2010	160,000	124,050	86,472	14,139
2011	165,000	117,950	32,163	11,014
2012-16	940,000	482,096	179,835	36,052
2017-21	1,150,000	262,083	81,729	4,624
2022-23	<u>535,000</u>	<u>25,769</u>	-	-
	<u>\$ 3,447,250</u>	<u>\$ 1,414,655</u>	<u>\$ 804,687</u>	<u>\$ 168,546</u>

NOTE 4 - OTHER INFORMATION

A. Risk management

The City of Coolidge, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the City is a participating member. The limit for basic coverage is for \$1,000,000 per occurrence on a claims made basis. Excess coverage is for an additional \$5,000,000 per occurrence on a follow form, claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the Pool to meet its expected financial obligations. The Pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations.

The City is also insured by Arizona Municipal Workers Compensation Fund for potential worker related accidents.

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006

B. Contingent liabilities

Accumulated sick leave - Sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees and, therefore, are not accrued. Unvested accumulated sick leave of City employees at June 30, 2006, totaled \$632,244.

Lawsuits - The City is a defendant in various lawsuits. In the opinion of the City's attorney, there were no material lawsuits that would materially affect the City's financial statements.

C. Subsequent events

Subsequent to June 30, 2006, the City purchased \$2,500,000 in real property and all buildings, improvements and fixtures on such property. The purchase was executed through a lease-purchase agreement. The terms of the lease include semi-annual principal and interest payments beginning September 2006 through September 2010 at 4.40% per annum. The lease is secured by culture and recreation development fees.

D. Retirement plans

Defined Contribution Pension Plan

The City of Coolidge, Arizona Volunteer Firefighters' Relief and Pension Fund is a defined contribution pension plan administered by the City and a board of trustees for the City's volunteer firefighters.

All full-time employees of the City, except participants in the Arizona Public Safety Personnel Retirement System, participate in a defined contribution pension plan administered by the ICMA Retirement Corporation as a 401(a) plan. The payroll for the City employees covered by this plan the year ended June 30, 2006 was \$481,920. The City's total payroll was \$4,377,849.

A defined contribution pension plan provides benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefit the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investment of those contributions, and forfeitures of other participant's benefits that may be allocated to such participant's account. Contributions made by an employee vest immediately and contributions made by the City fully vest after 25 years of service and vest 50% after 20 years of service, with a 10% increase for each additional year.

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006

Each volunteer must contribute 5% of his or her gross earnings. The City must contribute 5% of covered earnings. During fiscal year 2005-06, the City's required and actual contributions amounted to \$24,096. The employees' contributions totaled \$24,096.

No pension provision changes occurred during the year that affected the required contributions to be made by the City or its employees.

The Firefighters' Relief and Pension Fund held no securities of the City or other related parties during the fiscal years or as of the close of the fiscal year.

The ICMA Retirement Corporation owned no securities of the City or other related parties during the fiscal year or as of the close of the fiscal year.

Arizona State Retirement System

Plan Description - The City contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The system is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a Annual Financial Report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rate. For the year ended June 30, 2006, active plan members and the City were each required by statute to contribute at the actuarially determined rate of 7.40 percent (6.90 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll. The City's contributions to the System for the years ended June 30, 2006, 2005, and 2004 were \$208,893, \$135,474 and \$126,579, respectively, which were equal to the required contributions for the year.

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 1020 E. Missouri Ave., Phoenix, AZ 85014 or by calling (602) 255-5575.

Funding Policy - Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The City is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 10.26 percent of annual covered payroll.

Annual Pension Cost - During the year ended June 30, 2005 (the most recent information available), the City of Coolidge, Arizona's annual pension cost of \$109,330 for police was equal to the City of Coolidge, Arizona's required and actual contributions.

The required contribution was determined as part of the June 30, 2005 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 9.0% per year compounded annually, (b) projected salary increases of 6.0% to 9.0% (including inflation at 5.0%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

The actuarial value of the City of Coolidge, Arizona's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The City of Coolidge, Arizona's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2005, was 20 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

CITY OF COOLIDGE, ARIZONA
NOTES TO THE BASIC FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2006

Three-Year Trend Information

Police

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 100,647	100.0 %	\$ -
2004	106,103	100.0	-
2005	109,330	100.0	-

Additional historical trend information for the City's PSPRS is disclosed on page 52.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

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Required Supplementary Information

CITY OF COOLIDGE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
 PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS

City of Coolidge Police

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over(Under) funded AAL	Annual Covered Payroll	Over(Under) funded AAL as a Percentage of Covered Payroll
1999	\$ 1,962,947	\$ 2,048,115	95.8 %	\$ (85,168)	\$ 776,491	(11.0)%
2000	2,198,799	2,282,722	96.3	(83,923)	976,235	(8.6)
2001	2,705,307	2,231,277	121.2	474,030	1,163,239	40.8
2002	2,921,388	2,509,868	116.4	411,520	1,153,793	35.7
2003	3,100,258	3,033,585	102.2	66,673	1,229,240	5.4
2004	3,206,970	3,327,227	96.4	(120,257)	1,051,876	(11.4)
2005	3,436,121	4,208,773	81.6	(772,652)	1,162,873	(66.4)

* Information prior to 1999 is not available.

**Combining and Individual Fund
Statements and Schedules**

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Highway User Revenue Fund (HURF) - accounts for the City's share of motor fuel tax revenues and lottery proceeds.

Local Transportation Assistance Fund (LTAF) - accounts for the City's share of lottery revenues and the state transit grant.

Court Surcharge Fund - accounts for the activities of various court grants and surcharges.

DEBT SERVICE FUNDS

Debt Service Fund - accounts for the payment of principal and interest on long-term notes payable.

CAPITAL PROJECTS FUND

Capital Projects Fund - accounts for the capital improvements, acquisitions and construction of various City projects funded by unrestricted resources.

Road Tax Fund - accounts for the acquisition, construction and improvements of major roads through the use of county sales taxes.

CITY OF COOLIDGE, ARIZONA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	Special Revenue			Total	Debt Service	Capital Projects
	HURF	LTAF	Court Surcharge		Debt Service	Capital Projects
Assets						
Cash and cash equivalents	\$ 226,962	\$ -	\$ 70,106	\$ 297,068	\$ -	\$ 1,024,695
Receivables, net						
Accounts receivable	-	128	-	128	-	-
Taxes receivable	64,993	-	-	64,993	-	-
Intergovernmental receivable	-	-	-	-	-	116,744
Total assets	<u>\$ 291,955</u>	<u>\$ 128</u>	<u>\$ 70,106</u>	<u>\$ 362,189</u>	<u>\$ -</u>	<u>\$ 1,141,439</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 508	\$ 19	\$ 116	\$ 643	\$ -	\$ 27,085
Due to other funds	-	109	-	109	-	-
Total liabilities	<u>508</u>	<u>128</u>	<u>116</u>	<u>752</u>	<u>-</u>	<u>27,085</u>
Fund balances						
Unreserved	<u>291,447</u>	<u>-</u>	<u>69,990</u>	<u>361,437</u>	<u>-</u>	<u>1,114,354</u>
Total fund balances	<u>291,447</u>	<u>-</u>	<u>69,990</u>	<u>361,437</u>	<u>-</u>	<u>1,114,354</u>
Total liabilities and fund balances	<u>\$ 291,955</u>	<u>\$ 128</u>	<u>\$ 70,106</u>	<u>\$ 362,189</u>	<u>\$ -</u>	<u>\$ 1,141,439</u>

Capital Projects

<u>Road Tax</u>	<u>Total</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 280,535	\$ 1,305,230	\$ 1,602,298
-	-	128
-	-	64,993
<u>62,550</u>	<u>179,294</u>	<u>179,294</u>
<u>\$ 343,085</u>	<u>\$ 1,484,524</u>	<u>\$ 1,846,713</u>
\$ 2,938	\$ 30,023	\$ 30,666
-	-	109
<u>2,938</u>	<u>30,023</u>	<u>30,775</u>
<u>340,147</u>	<u>1,454,501</u>	<u>1,815,938</u>
<u>340,147</u>	<u>1,454,501</u>	<u>1,815,938</u>
<u>\$ 343,085</u>	<u>\$ 1,484,524</u>	<u>\$ 1,846,713</u>

CITY OF COOLIDGE, ARIZONA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Special Revenue			Total	Debt Service	Capital Projects
	HURF	LTAF	Court Surcharge		Debt Service	Capital Projects
Revenues						
Taxes						
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,286,488
Intergovernmental	810,357	47,153	248	857,758	-	-
Fines and forfeitures	-	-	4,167	4,167	-	-
Charges for services	5,044	20,636	-	25,680	-	-
Investment earnings	5,170	-	1,736	6,906	-	26,440
Other	1,250	3,938	-	5,188	-	-
Total Revenues	<u>821,821</u>	<u>71,727</u>	<u>6,151</u>	<u>899,699</u>	<u>-</u>	<u>1,312,928</u>
Expenditures						
Current						
General government	-	-	-	-	-	545,953
Public safety	-	-	-	-	-	34,881
Highways and streets	806,427	112,240	-	918,667	-	-
Debt Service						
Principal retirement	70,918	-	-	70,918	145,000	92,430
Interest on long-term debt	4,082	-	-	4,082	141,668	18,514
Capital outlay	-	-	-	-	-	-
Total Expenditures	<u>881,427</u>	<u>112,240</u>	<u>-</u>	<u>993,667</u>	<u>286,668</u>	<u>691,778</u>
Excess (deficiency) of revenues over expenditures	<u>(59,606)</u>	<u>(40,513)</u>	<u>6,151</u>	<u>(93,968)</u>	<u>(286,668)</u>	<u>621,150</u>
Other financing sources (uses)						
Transfers in	207,668	-	1,575	209,243	286,668	47,515
Transfers out	(146,678)	-	-	(146,678)	-	(286,668)
Total other financing sources (uses)	<u>60,990</u>	<u>-</u>	<u>1,575</u>	<u>62,565</u>	<u>286,668</u>	<u>(239,153)</u>
Net change in fund balances	1,384	(40,513)	7,726	(31,403)	-	381,997
Fund balances, beginning of year	<u>290,063</u>	<u>40,513</u>	<u>62,264</u>	<u>392,840</u>	<u>-</u>	<u>732,357</u>
Fund balances, end of year	<u>\$ 291,447</u>	<u>\$ -</u>	<u>\$ 69,990</u>	<u>\$ 361,437</u>	<u>\$ -</u>	<u>\$ 1,114,354</u>

Capital Projects

<u>Road Tax</u>	<u>Total</u>	<u>Nonmajor Governmental Funds</u>
\$ 735,068	\$ 2,021,556	\$ 2,021,556
12,231	12,231	869,989
-	-	4,167
-	-	25,680
17,203	43,643	50,549
-	-	5,188
<u>764,502</u>	<u>2,077,430</u>	<u>2,977,129</u>
-	545,953	545,953
-	34,881	34,881
61,527	61,527	980,194
-	92,430	308,348
-	18,514	164,264
<u>401,048</u>	<u>401,048</u>	<u>401,048</u>
<u>462,575</u>	<u>1,154,353</u>	<u>2,434,688</u>
<u>301,927</u>	<u>923,077</u>	<u>542,441</u>
-	47,515	543,426
<u>(207,668)</u>	<u>(494,336)</u>	<u>(641,014)</u>
<u>(207,668)</u>	<u>(446,821)</u>	<u>(97,588)</u>
94,259	476,256	444,853
<u>245,888</u>	<u>978,245</u>	<u>1,371,085</u>
<u>\$ 340,147</u>	<u>\$ 1,454,501</u>	<u>\$ 1,815,938</u>

CITY OF COOLIDGE, ARIZONA
IMPACT FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Special assessments	\$ 1,430,070	\$ 1,372,499	\$ (57,571)
Investment earnings	<u>1,450</u>	<u>35,225</u>	<u>33,775</u>
Total Revenues	<u>1,431,520</u>	<u>1,407,724</u>	<u>(23,796)</u>
Expenditures			
Current			
General government	209,701	-	209,701
Public safety	500,486	-	500,486
Highways and streets	242,416	-	242,416
Culture and recreation	<u>1,074,626</u>	<u>308,734</u>	<u>765,892</u>
Total Expenditures	<u>2,027,229</u>	<u>308,734</u>	<u>1,718,495</u>
Excess (deficiency) of revenues over expenditures	(595,709)	1,098,990	1,694,699
Fund balances, beginning of year	<u>595,709</u>	<u>603,596</u>	<u>7,887</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 1,702,586</u>	<u>\$ 1,702,586</u>

CITY OF COOLIDGE, ARIZONA
HURF FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 744,678	\$ 810,357	\$ 65,679
Charges for services	400,000	5,044	(394,956)
Investment earnings	500	5,170	4,670
Other	3,000	1,250	(1,750)
Total Revenues	<u>1,148,178</u>	<u>821,821</u>	<u>(326,357)</u>
Expenditures			
Current			
Highways and streets	1,438,582	806,427	632,155
Debt Service			
Principal retirement	-	70,918	(70,918)
Interest on long-term debt	-	4,082	(4,082)
Total Expenditures	<u>1,438,582</u>	<u>881,427</u>	<u>557,155</u>
Excess (deficiency) of revenues over expenditures	<u>(290,404)</u>	<u>(59,606)</u>	<u>230,798</u>
Other financing sources (uses)			
Transfers in	207,668	207,668	-
Transfers out	<u>(146,678)</u>	<u>(146,678)</u>	<u>-</u>
Total other financing sources (uses)	<u>60,990</u>	<u>60,990</u>	<u>-</u>
Net change in fund balances	(229,414)	1,384	230,798
Fund balances, beginning of year	<u>229,414</u>	<u>290,063</u>	<u>60,649</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 291,447</u>	<u>\$ 291,447</u>

CITY OF COOLIDGE, ARIZONA
 LTAF FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental	\$ 39,880	\$ 47,153	\$ 7,273
Charges for services	21,000	20,636	(364)
Other	4,187	3,938	(249)
Total Revenues	<u>65,067</u>	<u>71,727</u>	<u>6,660</u>
Expenditures			
Current			
Highways and streets	198,760	112,240	86,520
Total Expenditures	<u>198,760</u>	<u>112,240</u>	<u>86,520</u>
Excess (deficiency) of revenues over expenditures	(133,693)	(40,513)	93,180
Fund balances, beginning of year	<u>133,693</u>	<u>40,513</u>	<u>(93,180)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF COOLIDGE, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Investment earnings	\$ 200	\$ -	\$ (200)
Total Revenues	<u>200</u>	<u>-</u>	<u>(200)</u>
Expenditures			
Debt Service			
Principal retirement	145,000	145,000	-
Interest on long-term debt	<u>142,188</u>	<u>141,668</u>	<u>520</u>
Total Expenditures	<u>287,188</u>	<u>286,668</u>	<u>520</u>
Excess (deficiency) of revenues over expenditures	<u>(286,988)</u>	<u>(286,668)</u>	<u>320</u>
Other financing sources (uses)			
Transfers in	<u>286,988</u>	<u>286,668</u>	<u>(320)</u>
Total other financing sources (uses)	<u>286,988</u>	<u>286,668</u>	<u>(320)</u>
Net change in fund balances	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF COOLIDGE, ARIZONA
 CAPITAL PROJECTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Sales taxes	\$ 1,612,730	\$ 1,286,488	\$ (326,242)
Investment earnings	6,000	26,440	20,440
Other	40,000	-	(40,000)
Total Revenues	<u>1,658,730</u>	<u>1,312,928</u>	<u>(345,802)</u>
Expenditures			
Current			
General government	2,649,975	545,953	2,104,022
Public safety	60,000	34,881	25,119
Debt Service			
Principal retirement	-	92,430	(92,430)
Interest on long-term debt	-	18,514	(18,514)
Total Expenditures	<u>2,709,975</u>	<u>691,778</u>	<u>2,018,197</u>
Excess (deficiency) of revenues over expenditures	<u>(1,051,245)</u>	<u>621,150</u>	<u>1,672,395</u>
Other financing sources (uses)			
Transfers in	47,515	47,515	-
Transfers out	(286,988)	(286,668)	320
Total other financing sources (uses)	<u>(239,473)</u>	<u>(239,153)</u>	<u>320</u>
Net change in fund balances	(1,290,718)	381,997	1,672,715
Fund balances, beginning of year	1,290,718	732,357	(558,361)
Fund balances, end of year	<u>\$ -</u>	<u>\$ 1,114,354</u>	<u>\$ 1,114,354</u>

CITY OF COOLIDGE, ARIZONA
ROAD TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original and Final Budget	Actual	Variance with Final Budget
Revenues			
Taxes			
Sales taxes	\$ 463,500	\$ 735,068	\$ 271,568
Intergovernmental	-	12,231	12,231
Investment earnings	2,000	17,203	15,203
Total Revenues	<u>465,500</u>	<u>764,502</u>	<u>299,002</u>
Expenditures			
Current			
Highways and streets	170,000	61,527	108,473
Capital outlay	<u>233,033</u>	<u>401,048</u>	<u>(168,015)</u>
Total Expenditures	<u>403,033</u>	<u>462,575</u>	<u>(59,542)</u>
Excess (deficiency) of revenues over expenditures	<u>62,467</u>	<u>301,927</u>	<u>239,460</u>
Other financing sources (uses)			
Transfers out	<u>(207,668)</u>	<u>(207,668)</u>	<u>-</u>
Total other financing sources (uses)	<u>(207,668)</u>	<u>(207,668)</u>	<u>-</u>
Net change in fund balances	(145,201)	94,259	239,460
Fund balances, beginning of year	<u>145,201</u>	<u>245,888</u>	<u>100,687</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 340,147</u>	<u>\$ 340,147</u>

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ENTERPRISE FUNDS

Municipal Airport Fund - accounts for the costs to operate, construct and finance the airport.

Cable Television Fund - accounts for the costs to operate the City's Channel XI.

CITY OF COOLIDGE, ARIZONA
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2006

	<u>Municipal Airport</u>	<u>Cable Television</u>	<u>Totals</u>
Assets			
Current assets			
Receivables, net			
Accounts receivable	\$ 4,172	\$ -	\$ 4,172
Noncurrent assets			
Capital assets			
Depreciable (net)	<u>1,311,792</u>	<u>17,568</u>	<u>1,329,360</u>
Total assets	<u>1,315,964</u>	<u>17,568</u>	<u>1,333,532</u>
Liabilities			
Current liabilities			
Accounts payable	1,671	-	1,671
Accrued wages and benefits	814	-	814
Due to other funds	4,751	4,660	9,411
Notes payable	<u>13,976</u>	<u>-</u>	<u>13,976</u>
Total current liabilities	21,212	4,660	25,872
Noncurrent liabilities			
Notes payable	<u>34,437</u>	<u>-</u>	<u>34,437</u>
Total liabilities	<u>55,649</u>	<u>4,660</u>	<u>60,309</u>
Net assets			
Invested in capital assets, net of related debt	1,263,379	17,568	1,280,947
Unrestricted	<u>(3,064)</u>	<u>(4,660)</u>	<u>(7,724)</u>
Total net assets	<u>\$ 1,260,315</u>	<u>\$ 12,908</u>	<u>\$ 1,273,223</u>

CITY OF COOLIDGE, ARIZONA
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Municipal Airport</u>	<u>Cable Television</u>	<u>Totals</u>
Operating revenues			
Charges for services	\$ <u>12,699</u>	\$ <u>12,330</u>	\$ <u>25,029</u>
Total operating revenues	<u>12,699</u>	<u>12,330</u>	<u>25,029</u>
 Operating expenses			
Costs of sales and services	93,315	64,207	157,522
Depreciation	<u>18,344</u>	<u>2,330</u>	<u>20,674</u>
Total operating expenses	<u>111,659</u>	<u>66,537</u>	<u>178,196</u>
Operating loss	<u>(98,960)</u>	<u>(54,207)</u>	<u>(153,167)</u>
 Nonoperating revenues			
Investment earnings	3,699	164	3,863
Interest expense	(3,177)	-	(3,177)
Miscellaneous nonoperating revenues	<u>39,794</u>	<u>1,840</u>	<u>41,634</u>
Total nonoperating revenues	<u>40,316</u>	<u>2,004</u>	<u>42,320</u>
 Income (loss) before contributions and transfers	<u>(58,644)</u>	<u>(52,203)</u>	<u>(110,847)</u>
Capital contributions	763,704	-	763,704
Transfers in	<u>50,296</u>	<u>49,873</u>	<u>100,169</u>
 Change in net assets	755,356	(2,330)	753,026
 Total net assets, beginning of year	<u>504,959</u>	<u>15,238</u>	<u>520,197</u>
 Total net assets, end of year	<u>\$ 1,260,315</u>	<u>\$ 12,908</u>	<u>\$ 1,273,223</u>

CITY OF COOLIDGE, ARIZONA
 COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Municipal Airport</u>	<u>Cable Television</u>	<u>Totals</u>
Cash flows from operating activities			
Receipts from customers	\$ 14,555	\$ 12,330	\$ 26,885
Payments to suppliers	(63,237)	(8,890)	(72,127)
Payments to employees	(25,224)	(55,321)	(80,545)
Miscellaneous receipts	<u>39,794</u>	<u>1,840</u>	<u>41,634</u>
Net cash flows from operating activities	<u>(34,112)</u>	<u>(50,041)</u>	<u>(84,153)</u>
Cash flows from noncapital financing activities			
Cash received from (paid to) other funds for interfund borrowing	(3,486)	4	(3,482)
Transfers in	<u>50,296</u>	<u>49,873</u>	<u>100,169</u>
Net cash flows from noncapital financing activities	<u>46,810</u>	<u>49,877</u>	<u>96,687</u>
Cash flows from capital and financing activities			
Principal paid on capital debt	(13,220)	-	(13,220)
Interest paid on capital debt	<u>(3,177)</u>	<u>-</u>	<u>(3,177)</u>
Net cash flows from capital and financing activities	<u>(16,397)</u>	<u>-</u>	<u>(16,397)</u>
Cash flows from investing activities			
Investment earnings	<u>3,699</u>	<u>164</u>	<u>3,863</u>
Net cash flows from investing activities	<u>3,699</u>	<u>164</u>	<u>3,863</u>
Net change in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating loss	\$ (98,960)	\$ (54,207)	\$ (153,167)
Depreciation	18,344	2,330	20,674
Miscellaneous nonoperating revenues	39,794	1,840	41,634
Loss on disposal of capital assets	3,226	-	3,226
Receivables, net	1,856	-	1,856
Accounts payable	1,629	(4)	1,625
Accrued wages and benefits	<u>(1)</u>	<u>-</u>	<u>(1)</u>
Net cash provided by operating activities	<u>\$ (34,112)</u>	<u>\$ (50,041)</u>	<u>\$ (84,153)</u>

Noncash Investing, Capital and Financing Activities

The Municipal Airport Fund received capital assets contributed from the governmental funds in the amount of \$763,704 during the fiscal year.