

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





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INTRODUCTORY SECTION





October 30, 2006

Honorable Mayor, City Council, City Manager and Citizens of the City of Goodyear, Arizona:

We are pleased to submit to you the 2006 Comprehensive Annual Financial Report (CAFR) of the City of Goodyear, Arizona. The Financial Services Division of the Finance Department prepared the report.

This report represents management's report to its governing body, constituents, legislative and oversight bodies, and investors and creditors. Copies of this report will be sent to elected officials, management personnel, bond rating agencies, Nationally Recognized Municipal Securities Information Repositories, and other agencies, which have expressed interest in the City's financial matters.

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

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

The basic financial statements and related notes have been audited by an independent firm of certified public accountants, Henry & Horne, PLC, whose report is included herein. As stated in the independent auditors' report, the goal of the independent audit

Proud past. Vibrant future!

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was to provide reasonable assurance that the financial statements of the City of Goodyear, Arizona for the fiscal year ended June 30, 2006, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the financial statements of the City of Goodyear, Arizona for the fiscal year ended June 30, 2006, are fairly presented, in all material respects, in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The City is not required to have an independent audit ("Single Audit") of federal financial assistance received by the City directly from federal agencies, or passed through to the City by the State of Arizona or other governmental entities during the fiscal year. The City received less than \$500,000 in federal financial assistance during the year ended June 30, 2006 and therefore was below the Single Audit threshold.

Presentation

The comprehensive annual financial report is presented in three sections. The Introductory Section includes a list of principal officials, an organizational chart, and this transmittal letter which highlights significant aspects of the City and particular financial issues. The Financial Section includes the independent auditors' report, Management's Discussion and Analysis, the basic financial statements (government-wide statements and fund statements), notes to the financial statements, other required supplementary information (RSI), combining financial statements and other financial schedules. The Statistical Section includes exhibits and tables of unaudited data depicting the financial history of the City, as well as demographic and other miscellaneous statistics, generally presented on a multi-year basis.

THE FINANCIAL REPORTING ENTITY

The City of Goodyear, incorporated in 1946, and chartered in 1988, has a Council-Manager form of government consisting of the Mayor and six Council Members. The Mayor is elected at-large for a four-year term. Council members are elected for four-year terms. The City Council is vested with policy and legislative authority and is responsible for passing ordinances, adopting the budget, appointing committee, commission, and board members, and appointing the positions of City Manager, City Attorney, and Judge. The City Manager is responsible for carrying out the policies and ordinances of the City Council, as well as overseeing the day-to-day operations of the City.

The City encompasses approximately 120 square miles in the western portion of Maricopa County, and is approximately 17 miles west of the downtown Phoenix business district. Between 1990 and 2000, the City's population increased from 6,300 to 19,695. The estimated July 2006 population is 49,714. The City's tremendous growth is attributable to excellent housing, small-town atmosphere, convenient access to the central Valley, and excellent school districts. Based on current projections,

population growth trends are expected to continue. While having a positive impact, this growth will continue to present challenges to the City in providing its current high level of services.

The City provides a full range of municipal services, including police and fire protection, sanitation services, water and sewer services, construction and maintenance of streets, recreational, parks, and cultural events, public transportation, planning and zoning services, and general administrative services. Goodyear offers a wide range of community facilities including a community center, a swimming pool, and eleven parks encompassing 82 acres.

This report includes financial statements on both a government-wide and fund basis for the primary government, as well as its component units. Component units are separate legal entities that are included in the reporting entity due to the significance of their financial or operational relationship with the City. Criteria used by the City for inclusion of activities in preparing its financial statements are in conformity with GASB Statement No. 14, *The Financial Reporting Entity*. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the financial reporting entity consists of the City and ten blended component units, the Goodyear Community Facilities General District No. 1, Palm Valley Community Facilities District No. 3, Goodyear Community Facilities Utilities District No. 1, Wildflower Ranch Community Facilities General District No. 1, Wildflower Ranch Community Facilities General District No. 2, Estrella Mountain Ranch Community Facilities District, Cottonflower Community Facilities District, Centerra Community Facilities District, Cortina Community Facilities District and King Ranch Community Facilities District.

FINANCIAL CONTROLS

Internal Controls

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

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

Budgetary Controls

The City of Goodyear, like all cities in the State of Arizona, is subject to numerous budget and related legal requirements. Article IX, Section 20 (1) of the Arizona Constitution sets limits on the City's legal budget capacity. At a general election held in March 11, 2003 the citizens of Goodyear approved a permanent adjustment of the 1979 expenditure base for population and inflation growth. The City may utilize the additional expenditure authority for any local budgetary purposes. The new permanent adjustment eliminates the need for voter approval every four years.

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

LOCAL ECONOMIC CONDITION AND OUTLOOK

Goodyear continues to face many important growth issues, and its citizens and municipal government are committed to finding solutions for the future. This commitment helped make FY 05-06 another successful year and will provide for continued success in the years to come.

A continued trend of new housing starts during the year increased the size of our community, the third fastest growing city in the Phoenix-Metro area. The city permitted over 2,736 single-family-residential permits in FY 05-06. The city is expected to permit an equal number of permits in FY 06-07.

The City's retail, industrial, and commercial activities are expected to continue its strong growth with over 1.5 million square feet of retail space beginning in 2007 including major developments by Westcor, Evergreen Devco and Vestar.

Retail & Hospitality -

The following retail and service stores opened this past fiscal year:

MayTag	JC Penneys	Walmart Supercenter
Golden Corral Buffet	Eatsa Pizza	99 Cent Store
King Eggroll	McGrath's Fish House	Lifetime Fitness
AutoZone	Walgreens	Ichi Ban
National Bank	Pay N Save	Chase Bank
Desert School Credit	Metropolitan Mattress	Buffalo Wild Wings
Walmart Neighborhood	TIO Art's	Nation Wide Vision
Fantastic Sams	Extra Innings	ICI Paints
Teaching Stuff	Backyard Super Store	State Farm Insurance

Economic Outlook

Goodyear has been sheltered from the impact of the economic slow down, due to the continued growth of the City. The City is less than 15% built out. While some of the more built-out cities in the metropolitan area have seen dips in revenues, Goodyear's revenues continued to grow. Total City operating revenues grew approximately 17% from FY 04-05 to FY 05-06. Total operating revenues for FY 06-07 are expected to grow 32% above FY 05-06 levels. This increase is based on the continued issuance of building permits and continued growth in the City's taxable retail sales, and new utility connections.

Retail Sales. The City of Goodyear, like all Arizona cities, places a heavy reliance on City sales tax revenues. Overall, City sales tax revenues comprise approximately 37% of operating revenues. The City's sales tax rate is currently at 2% with an additional 2% restaurant/bar, and additional 2.5% lodging and additional 1.5% for construction. For single item purchases of tangible personal property greater than \$5,000.00 there is a 1.2% tax rate instead of 2%.

State Shared Revenues. The City of Goodyear receives revenue allocations from the State. These "State Shared Revenues" include allocations of the state-collected income tax, sales tax, gas tax, motor vehicle in-lieu taxes, and state lottery proceeds. A significant portion of this revenue is placed in the City's General Fund, where it is used to support a large portion of the City's day-to-day activities. Because the state shared revenue formulas generally allocate revenues based on official census data, Goodyear experienced a \$2 million dollar increase in these revenues in fiscal year 2002, due to the reallocation based on the 2000 census. Goodyear's population grew from 6,300 in 1990 to 19,695 in 2000.

The City currently projects an increase of 57% in these revenues for fiscal year 2007.

Property Tax. The City's combined (secondary and primary) property tax rate is \$1.60 per \$100 of assessed valuation for fiscal year 2006. Of this, \$0.78 is for the secondary levy. The secondary levy can only be used for voter approved debt service on general obligation bonded indebtedness. The voter approved general obligation bond proceeds are used for construction of public facilities (parks, public safety, streets, etc.) The secondary assessed valuation is expected to grow 26% in FY 06-07.

The primary property tax rate is \$.82 for 2006. The primary levy can be used for any general government purpose (such as supplies, personnel, maintenance, utilities, etc.) but is limited in size by State statute. The primary tax raised \$3.0 million in fiscal year 2006. The primary property tax revenues are expected to be \$3.6 million dollars in FY 06-07. While this amount is less than 5% of the operating revenues, it is nonetheless an important component for the stability and revenue diversity of the City's operating revenues.

Total primary assessed property value within the City has increased by approximately 18% over FY 04-05 based on preliminary estimates (actuals are set in August of the next fiscal year) by the Maricopa County Assessor's Office. Because of the

increasing assessed value of the City, primary property tax revenues continue to grow, as the City's primary rate has decreased slightly. Based on current development patterns, as well as expected economic conditions, property tax revenue is expected to continue to increase over the next few years.

Labor Force. Goodyear has a well-educated and available labor force. The median income level is \$57,492 as of the 2000 census. This economic resource is at the forefront of our economic development efforts. The City is a member of the Greater Phoenix Economic Council (GPEC) which has been successful at introducing new businesses to the City. The City maintains an economic development department "in-house" which has been very instrumental in locating retail/hospitality/office/industrial businesses to the City.

MAJOR INITIATIVES AND SERVICE EFFORTS AND ACCOMPLISHMENTS

For The Year

During fiscal year 2006, the City continued to invest in programs and amenities that keep Goodyear a very livable community. Emphasis was placed on public safety, parks and open space, basic infrastructure projects, and support services.

The following are a few of the departments' service efforts and accomplishments of the City during fiscal year 2006:

Police

- Performed needs analysis to assess the acquisition or building of a new police facility to centralize police operations in one location; provide adequate space for Telecommunications and prisoner detention.
- Partnered with the fire department to share in procurement and use of certain resources and equipment related to Weapons of Mass Destruction incident investigation and remediation
- Established a partnership with west valley agencies to share in the design and construction of a training facility
- Participated in a radio study with the west valley agencies for regional operability
- Joined the West Valley Regional Data Sharing Consortium
- Assigned an officer as full time liaison to Neighborhood Services and provide neighborhood resources to the community
- Patrol Officers handled over 45,000 calls for service
- Patrol and Traffic Officers handled over 10,000 citations
- The Telecommunications Center handled over 122,000 incoming phone calls.
- The Citizen's Police Academy is underway and the group just completed its second class on Tuesday 10/4. There are 22 participants and Goodyear residents in this Academy class.
- Issued 1,293 False Alarm Permits

Fire

- For the first time, hosted a full-time Recruit Firefighter Academy and graduated nine firefighters (including one from Avondale Fire Department).
- Became the third fire department in Arizona to be qualified to conduct state-certified firefighter practical skills assessment under the authority of the State Fire Marshal's Office and the International Fire Service Accreditation Congress.
- Haz Mat 181 officially went into service, representing an increased capability for hazardous materials response for Goodyear, and the entire Valley. The truck was rolled-out at a ceremony attended by the Mayor, City Manager, Council members, and staff from Senator McCain's office.
- Completed construction of Fire Station 184 at Wildflower Drive and Yuma Road.
- Completed design of Fire Station 185 at Pebble Creek Parkway and Clubhouse Drive.
- Hired staffing for Fire Station 184.
- Hired a Training Program Manager (Battalion Chief).
- Hired an Administrative Assistant for the Fire Chief.
- Constructed a portable burn building for use by firefighters for live burn training in partnership with the City of Avondale.
- Established a Community Emergency Response Team (CERT).
- Received a donation of \$7,500 from Wal-Mart to be used for car seats and community education materials.
- Hosted one of twelve officers from the Polish National Fire School in Warsaw for a 30-day networking visit.
- Conducted National Incident Management System (NIMS) training for all City Council and staff who would work in the EOC in the event it was activated. This is a federal requirement which also makes the City eligible for grant funding.
- Implemented FireView software, which utilizes the City's GIS maps and the fire department's records management system to graphically display incidents on City maps and to perform travel time analysis to determine the most appropriate locations for future fire stations.
- Created a Deployment Task Force which made recommendations to the Fire Chief concerning resource deployment. The decision was made to relocate HazMat 181 to Fire Station 183 and relocated Ladder 183 to Fire Station 181 in order to more efficiently respond to calls for service.
- Complete construction of Fire Station 185 at Pebble Creek Parkway and Clubhouse Drive.
- Host Recruit Academy 06-1.
- Implement Mobile Occupancies for the Fire Prevention Division.
- Move administrative and community services staff into share office space to eliminate expensive redundancies and fractious communications.
- Provide communications equipment in the Emergency Operations Center to allow for direct monitoring of and communications with Fire and Police units in the field.

Parks

- Goodyear Community Park won a "Readers Choice Award" from the West Valley View newspaper for Best Community Park on the west side;
- Five internal job promotions;
- Provided landscape information booth at the Spring Spectacular Event;
- Successfully hired two new Parks Worker III's and one Parks Worker I employees;
- Developed and implemented maintenance program for new Dog Park
- Developed and implemented a program to provide weekend staffing;
- Completed a hazardous tree inventory at Loma Linda Park and accomplished a major pruning on all identified trees;
- Designed and built a southwestern Christmas tree for the annual Holly Jolly Event;
- Five employees attended and passed the Certified Pesticide Applicator training;
- Two employees became Certified Backflow Inspectors;
- One employee passed the Certified Irrigation Technician exam;
- Purchased 2 new trucks and 1 new riding mower;
- Renewed ROW contract with new areas added;
- Accepted maintenance responsibility for a new eleven-acre park on Thomas St. and 144th Ave.

Recreation

- Developed a fall recreation youth baseball league;
- Developed six new special interest classes;
- Planned and coordinated for a Fourth of July Event;
- Planned and coordinated movies as well as a comedy series at the Community Park;
- Obtained more sponsorship for special events;
- Planned and coordinated a 5k run in Goodyear;
- Established the Goodyear Special Events Committee;
- Recruited and hired a full-time Recreation & Aquatics Programmer;
- Planned and coordinated the Kicks 4 Kids Soccer program;
- Developed the first recreation brochure;
- Provided a holiday baseball camp with Extra Innings;
- Planned and coordinated the Teen Battle of the Bands;
- Planned and coordinated the Tricks for Treats Day at the Dog Park.

Streets

- Through the 2005 Pavement Management Project, contracted placement of 390,000 square yards of Slurry Seal on residential and collector streets and 360,000 square yards of micro-seal on arterial roadways;
- Purchased two new PM-10 certified sweepers through a CMAQ grant;
- Added needed equipment to Street's fleet to maintain level of service;
- Revised the Storm Water Management Plan and NOI and turned in the 2005 Phase II Storm Water prevention report to ADEQ;
- Renovated/repaired traffic signal devices at Litchfield Rd north of Western/Yuma; MC85 and Litchfield Road; Lockheed Martin, south and north; Litchfield Road at

- Airport Drive; and at Desert Edge High School crosswalk;
- Installed signals, signage and roadway markings for dual left turns for east and west bound traffic on McDowell Rd. at Litchfield Rd.;
- Installed GPS clocks at four intersections on Litchfield Rd., to improve the existing time-based coordination system;
- Inspected, tested, and activated eight intersection traffic signal systems;
- Revised storm drain informational brochures with grant funding and provided the information to over 15,000 residents by mail and at the Public Safety Day Event;
- Adjusted sweeper routes to reduce cycle time from 3 weeks to 2 weeks due to growth and increased debris due to ongoing drought.

Water

- Further developed department organizational structure
- Filled 10 of 11 new approved positions, adding technical and administrative depth to the department
- Monitored department expenses and cost effectiveness
- Met or exceeded all state and federal drinking water regulations
- Developed water resources strategic plan for additional potable water supplies
- Improved the efficiency of the Reverse Osmosis (RO) Treatment Facility
- Met or exceeded all state and federal wastewater treatment regulations
- Commissioned the start-up of the Rainbow Valley WRF
- Implemented a baseline distribution system maintenance program
- Implemented a baseline collection system maintenance program
- Developed pilot testing and design of Arsenic Treatment at Well 18B, installation underway
- Drilled 3 wells (1 successful)
- Promoted staff training and development
- Began design and construction of 157th Avenue WRF plant expansion from 3. to 6. MGD
- Began implementation of service line replacement program in Historic Goodyear.

Sanitation

- Continued the commingled curbside recycling pilot program serving 500 residential homes;
- Conducted two regional Household Hazardous Waste (HHW) collection events. The Cities of Goodyear, Avondale and Litchfield Park participated in these events;
- Recruited one (1) Sanitation Worker I;
- Purchased a 32-yard rear loader truck and a grapple tractor;
- Performed public recycling outreach at the Pebble Creek block party, Canada Village annual meeting, Goodyear Spring Spectacular, Western Heritage Parade, KMOR FM, KSLX FM recycling interview, Tres Rios Event, Goodyear Safety Day and Public Works Appreciation Week at Desert Thunder Elementary school;
- Staff provided a recycling demonstration for the Desert Star Elementary School;
- Provided data and feedback to the Solid Waste Advisory Committee (SWAC) assigned to identify and recommend Goodyear solid waste needs;

- Conducted four (4) SWAC public meetings to educate residents regarding the new sanitation program and promote resident feedback;
- Assisted the SWAC with Council presentation on recommended changes to the solid waste program;
- Awarded a City solid waste disposal contract to Allied Waste for disposal of bulk collections waste;
- Acquired the Maricopa County 2006 tire permit which allows Goodyear resident tire disposal at zero tipping fees;
- Added commingled glass to both the drop off recycling program and the curbside recycling pilot;
- Recycled 10 tons of Christmas trees. Chippings were used as ground cover by Duncan Farms;
- Extended the Residential Solid Waste Collection Agreement for six months;
- A sanitation staff member obtained the SWANA Collections Systems Manager certification;
- Two (2) Sanitation staff members completed the SWANA Recycling Systems Technical Associates certification exam;
- Sanitation staff member received the SWANA Collections System Technical Associates certification;
- A sanitation staff member received the Community Emergency Response Team (C.E.R.T.) certification;
- A sanitation staff member placed third in the roll off competition event for the Solid Waste Association of North America Truck Road-e-o;
- Placed "No Illegal Dumping" signs in the alleys;
- Implemented vehicle inspections of all Paradise/Allied Waste vehicles providing residential collection to Goodyear;
- Staff members volunteered to deliver Christmas gifts for Adopt-A-Family;
- Added electronic waste as an acceptable HHW item;

Community Services

- Promoted City goals and defended against legislative efforts to weaken local control or reduce revenue sources
- Successfully sought additional revenue for the City of Goodyear through federal and state funding sources
- Facilitated the success of the 2005 mid-decade Census survey for the City of Goodyear which resulted in a significant increase in state shared revenues.
- Maintained Goodyear representation on regional boards and quasi-governmental councils to keep our needs considered in broad-based decision-making
- Worked with regional partners to preserve the Mission of Luke Air Force Base (LAFB) and averted base closure
- Improved interdepartmental coordination to address private properties in distress
- Worked to ensure the safety, welfare, and cleanliness of Goodyear neighborhoods through an active code compliance program that included components of education toward voluntary compliance and partnership as well as enforcement.

- Systemically incorporated public participation (P2) procedures organization-wide for City staff and officials
- Sought citizen opinion on budgeting priorities through citizen focus groups
- Worked with Enrichment Areas (formerly Target Areas) to develop neighborhood leadership through the formation of one new neighborhood association (Canada Village)
- Offered the seventh Southwest Valley Citizen Academy in the fall, graduating 11 Goodyear residents out of a total of 19
- Offered through Southwest Valley Citizen Academy a spring HOA 101 workshop for citizens wanting to serve on an HOA board
- Sponsored G.A.I.N. (Getting Arizonans Involved) event citywide with seven neighborhoods participating
- Trained city staff on CERT (Citizen Emergency Response Teams) techniques to become train-the-trainers and began training volunteer residents.

For a complete listing of all the City departments and their accomplishments for FY 05-06, please contact the City's Budget and Research Office for a copy of the FY 06-07 budget book.

For The Future

The City's financial and operational plans will continue to support basic government services including roads, police, fire, water, sewer, solid waste management, building safety, code enforcement, and parks and recreation. In addition, the Council has begun a process to assist in the identification, prioritization, and management of emerging strategic issues that, by virtue of their scope, complexity, and/or potential impact, requires a coordinated multi-departmental action plan and budget. The City Council works closely with City management to implement specific objectives and tasks designed to meet these goals.

The following major goals were identified by the City Council as important priorities for the future:

- Improve the quality level of City services to its citizens
- Reduce crime in the City
- Improve the quality and level of public safety services to citizens
- Promote City's economic development through retention, expansion and recruitment of current and future businesses
- Continue, within financial constraints, the physical development of the City

Employee Pension Plans

The City maintains two employee pension plans. The general employee plan is administered through the Arizona State Retirement System. The Public Safety Pension Plan is administered by the Arizona Public Safety Personnel Retirement System. Both the employee and the employer make contributions directly to these organizations. Financial information about these plans can be found in the notes to the financial statements included in the Financial Section of this report. The City also

administers a small pension fund that provides retirement income for volunteer firemen. The City no longer utilizes volunteer firemen, and only one former member currently receives payments under the plan.

Debt Administration

The Arizona Constitution provides that the general obligation bonded indebtedness for a city for general municipal purposes may not exceed six percent (6%) of the secondary assessed valuation of the taxable property in that city. In addition cities may issue general obligation bonds up to an additional twenty percent (20%) of the secondary assessed valuation for supplying water, artificial light, or sewers, and for the acquisition and development of land for open space preserves, parks, playgrounds and recreational facilities. The City of Goodyear anticipates selling additional General Obligation Bonds in FY 06-07.

The following is a summary of the City's outstanding debt as of June 30, 2006:

• General Obligation Bonds	\$56,270,000
• Public Improvement Corporation Bonded Debt	\$ 3,485,000
• Greater Arizona Development Authority Loan	<u>\$ 3,645,000</u>
Total	\$63,400,000

Cash Management

The Finance Department manages the City's investment portfolio. The City's investment policy is to invest public funds with maximum security in a manner which will provide the highest return while meeting the daily cash flow demands of the City and conform to all applicable state and local statutes. The primary objectives, in priority order, are safety of principal, liquidity, and attaining a market rate of return.

The City is permitted to invest in certificates of deposit, money market mutual funds, repurchase agreements, corporate securities, and direct U.S. Treasury debt, securities guaranteed by the U.S. Government or any of its agencies and instrumentalities, and the State of Arizona's Local Government Investment Pool.

Temporary idle cash during the year was invested in the State Treasurer's Investment Pool. The average yield on unrestricted investments was 4% for the year ended June 30, 2006. The book value of the City's LGIP investment portfolio at June 30, 2006 was \$100,674,143. For further information on the City's investments please refer to the notes to the financial statements.

Risk Management

The City is exposed to various risks of loss related to public and property liability as well as Workers' Compensation. Public liability includes public officials' errors and omissions, automobile and general liability and related lines. During FY 05-06, the City was insured for losses up to \$15 million. The City changed its

general liability deductible from \$75,000 to a \$250,000 deductible with a \$500,000 aggregate. This change saved \$91,374 in premium dollars in FY 05-06 and is anticipated to save an average of \$100,000 annually over the next five years. The Risk Management Division of the Human Resources Office administers the City's liability and Workers' Compensation insurance programs. The City's commercial lines policies are insured with the Arizona Municipal Risk Retention Pool and workers' compensation is insured with the State Compensation Fund of Arizona.

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

Acknowledgments

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the efficient and dedicated services of the staff of the Finance Department, especially the Financial Services Division. We also wish to thank the Mayor and members of the City Council, and the City Manager's Office for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Sincerely,



Larry A. Lange
Finance Director

LAL/ts



CITY OF GOODYEAR

LIST OF PRINCIPAL OFFICIALS

MAYOR

James M. Cavanaugh

VICE MAYOR

Frank Cavalier

COUNCIL MEMBERS

Richard A. Sousa

Rob Antoniak

Fred Scott

Brenda Holland

Georgia Lord

SENIOR MANAGEMENT STAFF

Stephen S. Cleveland
City Manager

Michael Simonson
Presiding Judge

Roric Massey
City Attorney

Brian J. Dalke
Deputy City Manager

James R. Nichols
Deputy City Manager

Dee Cockrum
City Clerk

Kay Wilkinson
Human Resources Director

Holly Childs
Economic Development Director

Mark K. Brown
Police Chief

Mark Gaillard
Fire Chief

Harvey Krauss
Community Development Director

Larry Lange
Finance Director

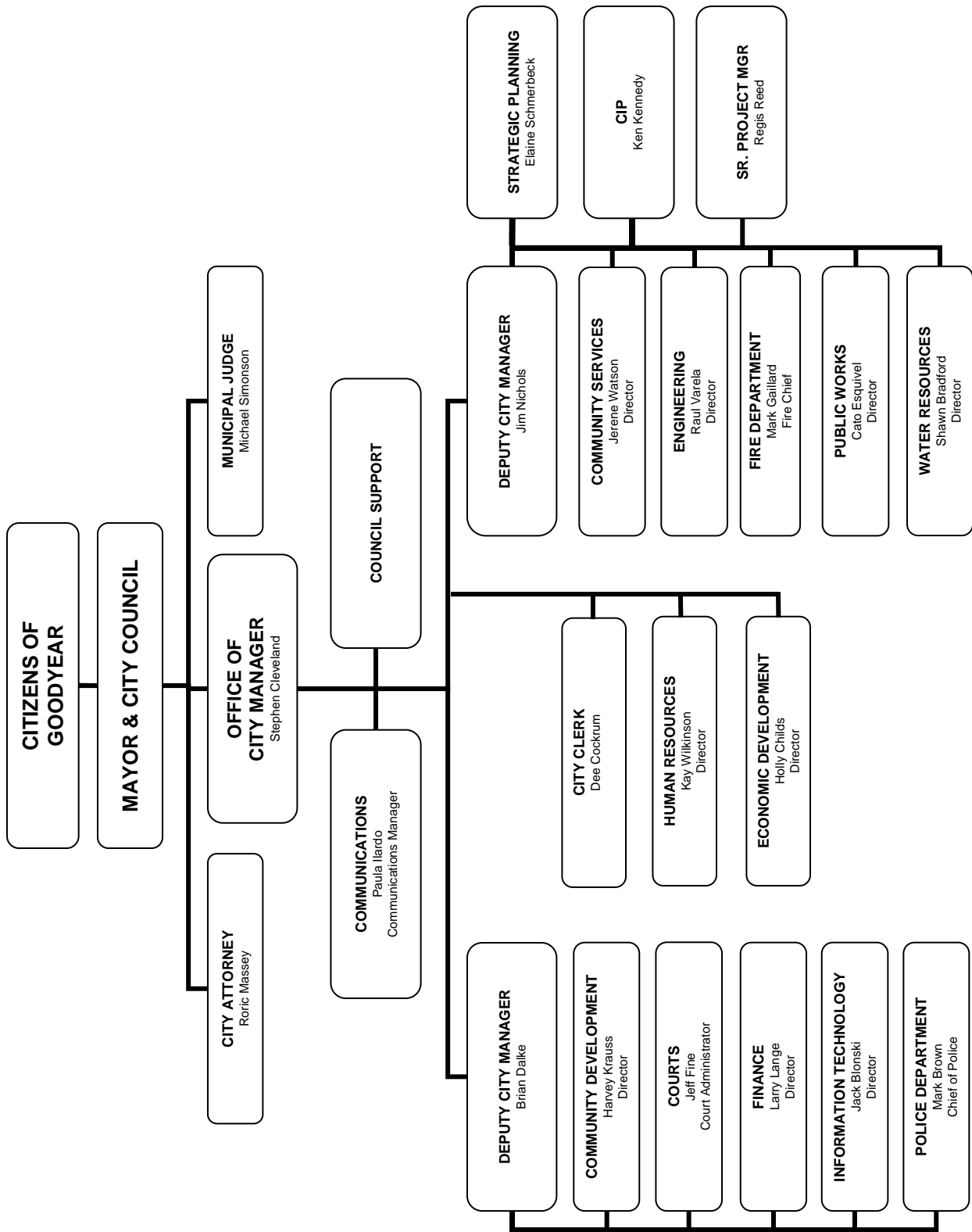
Jack Blonksi
Information Technology Director

Cato Esquivel
Public Works Director

Jerene Watson
Community Services Director

Shawn Bradford
Water Resources Director

Raul Varela
Engineering Director



ACKNOWLEDGEMENTS

The Comprehensive Annual Financial Report was prepared by the Finance Department - Community Facilities District, General Accounting, and Utility Customer Service Divisions:

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Becky Moreno

Sheila Mills

Carmelita Evans

Marty Eckstaine



FINANCIAL SECTION





HENRY & HORNE, LLP
Advisors to Business

Independent Auditors' Report

The Honorable Mayor and Council
City of Goodyear, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Goodyear (the City), Arizona, 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 an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Goodyear, 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 Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Mayor and Council
City of Goodyear, Arizona

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 of Goodyear, Arizona basic financial statements. The introductory section, the accompanying financial information listed as other supplementary information in the financial section, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The financial information listed as other supplementary information in the financial section has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



October 30, 2006

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION & ANALYSIS



MANAGEMENT'S DISCUSSIONS AND ANALYSIS

As management of the City of Goodyear, Arizona (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006 (2006). We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages vii of this report.

Financial Highlights

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

- The City's total net assets of governmental activities increased \$15.4 million to \$261.3 million and business-type activities increased \$5.6 million to \$64.7 million representing 80.1% and 19.9% respectively, of the total net assets of \$326.0 million.
- General revenues from governmental activities accounted for \$61.6 million in revenue, or 57.0% of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$43.1 million or 39.8% of total governmental activities revenues. The City had \$42.9 million of program revenues and \$17.5 million in general revenues related to business-type activities.
- The City had \$54.6 million in expenses related to governmental activities; of which \$43.1 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues of \$61.6 million were adequate to provide for the remaining costs of these programs. The City had \$17.5 million in expenses related to business-type activities. Program specific charges for services or grants and contributions of \$40.2 million were adequate to offset the costs.
- The most notable increase this year has been the investment income which increased by \$3.4 million or 310.9 percent for the governmental activities and \$.6 million or 710.8 percent for the business activities.
- Among major governmental funds, the General Fund had \$66.1 million in revenues, which primarily consisted of taxes, licenses and permits, charges for services and intergovernmental revenues. The total expenditures of the General Fund were \$38.7 million. The General Fund's fund balance increased from \$24.5 million to \$53.9 million. This increase was primarily due to revenues increasing faster than operating expenditures. The Community Facilities District – Debt Service Fund had revenues of \$6.4 million, which consisted of taxes and special assessments, and expenditures of \$5.3 million. The Capital Improvement Projects Fund had revenue of \$.8 million, which consisted mainly of developer reimbursements. The fund balance of the Capital Improvement Projects Fund decreased by \$36.0 million from the prior year due to the transfer of bonds proceeds \$29.3 million that should have been recorded in the Enterprise Funds and expenditures of \$7.8 million for capital projects. The Community Facilities District – Capital Projects Funds fund balance increased by \$5.0 million primarily due to the debt issuance.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

In the government-wide financial statements the City's activities are presented in the following categories:

- *Governmental activities* – Most of the City's basic services are included here, such as general government, public safety, highways and streets, public works, culture and recreation, and community development. Sales taxes, intergovernmental, and charges for services revenue finance most of these activities.
- *Business-type activities* – The services provided by the City included here are water, wastewater, and sanitation services. These services are financed through user fees and charges.

The government-wide financial statements can be found on pages 17-19 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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City 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 of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. These reconciliations are on pages 23 and 26, respectively.

The City maintains 15 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Community Facilities Districts – Debt Service, Capital Improvement Projects and Community Facilities Districts – Capital Projects Funds, all of which are considered to be major funds. Data from the other 11 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules beginning on page 66 of this report.

The governmental fund financial statements can be found on pages 20 – 28 of this report.

Proprietary funds. The City maintains two type proprietary funds. Proprietary funds (enterprise and internal service) utilize full accrual accounting, the same method used by private sector business. The City uses separate enterprise funds to account for its water and sewer services and its sanitation services. Both funds are considered to be major funds of the City. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The internal service fund reports activities that provide preventative maintenance, repairs and safety inspections for City vehicles and equipment. The Fleet Services is the City's only internal service fund. Internal service fund activities are reported as governmental activities on the government-wide statements.

The proprietary fund financial statements can be found on pages 29 – 32 of this report.

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

The fiduciary fund financial statement can be found on pages 33 – 34 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37 – 59 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budget process. The City adopts an annual budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required supplementary information. The required supplementary information can be found on pages 62 – 64 of this report.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information on budgets. Combining and individual fund statements and schedules can be found on pages 66 – 87 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$346.9 million as of June 30, 2006.

By far the largest portion of the City's net assets (63.0%) reflect its investment in capital assets (e.g., land, infrastructure, buildings, improvements other than buildings, vehicles, machinery and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City'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. In addition, a portion of the City net assets (6.3%) are restricted for the specified purposes of debt service repayment.

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

The following tables present a summary of the City's net assets for the fiscal year ended June 30, 2006 and 2005.

	2006		
	Governmental Activities	Business-type Activities	Total
Current assets	\$ 104,914,689	\$ 18,248,023	\$ 123,162,712
Restricted assets	21,312,389	15,863,767	37,176,156
Capital assets, net	251,663,633	104,867,998	356,531,631
Total assets	<u>377,890,711</u>	<u>138,979,788</u>	<u>516,870,499</u>
Current liabilities	8,572,898	9,595,281	18,168,179
Noncurrent liabilities	107,855,026	43,795,660	151,650,686
Total liabilities	<u>116,427,924</u>	<u>53,390,941</u>	<u>169,818,865</u>
Net assets			
Invested in capital assets, net of related debt	144,405,463	61,259,814	205,665,277
Restricted for:			
Special revenue purposes	19,835,781	-	19,835,781
Debt service	20,480,652	-	20,480,652
Capital projects	26,882,597	-	26,882,597
Unrestricted	49,858,294	24,329,033	74,187,327
Total net assets	<u>\$ 261,462,787</u>	<u>\$ 85,588,847</u>	<u>\$ 347,051,634</u>

	2005		
	Governmental Activities	Business-type Activities	Total
Current assets	\$ 122,362,399	\$ 10,558,674	\$ 132,921,073
Restricted assets	9,713,144	-	9,713,144
Capital assets, net	262,880,205	70,357,124	333,237,329
Total assets	<u>394,955,748</u>	<u>80,915,798</u>	<u>475,871,546</u>
Current liabilities	12,327,711	6,917,516	19,245,227
Noncurrent liabilities	136,735,337	14,836,776	151,572,113
Total liabilities	<u>149,063,048</u>	<u>21,754,292</u>	<u>170,817,340</u>
Net assets			
Invested in capital assets, net of related debt	127,120,944	55,662,609	182,783,553
Restricted for:			
Special revenue purposes	14,475,469	-	14,475,469
Debt service	19,013,124	-	19,013,124
Capital projects	58,902,675	-	58,902,675
Unrestricted	26,380,488	3,498,897	29,879,385
Total net assets	<u>\$ 245,892,700</u>	<u>\$ 59,161,506</u>	<u>\$ 305,054,206</u>

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

- The addition of \$23.3 million in capital assets through the continued construction of system infrastructure, including developer contributions, and equipment additions.
- The issuance of \$5.0 million in community facilities district bonds.
- The addition of \$3.4 million in interest income.

Changes in Net Assets. The City's total revenues for the fiscal year ended June 30, 2006 were \$147.6 million. The total cost of all programs and services was \$72.0 million. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2006 and 2005.

	2006		
	Governmental Activities	Business-type Activities	Total
Revenues			
Program revenues			
Charges for services	\$ 15,655,750	\$ 13,984,527	\$ 29,640,277
Operating grants and contributions	648,756	240,000	888,756
Capital grants and contributions	26,761,281	26,016,946	52,778,227
General revenues:			
Sales taxes	37,420,013	-	37,420,013
Property taxes	9,826,690	-	9,826,690
Franchise taxes	1,479,868	-	1,479,868
State shared revenue	6,997,920	-	6,997,920
Investment income	4,436,598	715,181	5,151,779
Mitigation proceeds	-	1,950,000	1,950,000
Miscellaneous	1,486,027	17,431	1,503,458
Total Revenues	<u>\$ 104,712,903</u>	<u>\$ 42,924,085</u>	<u>\$ 147,636,988</u>
Expenses			
General government	\$ 8,969,973	\$ -	\$ 8,969,973
Public safety	15,998,399	-	15,998,399
Highways and streets	13,364,118	-	13,364,118
Public works	1,791,319	-	1,791,319
Culture and recreation	2,016,304	-	2,016,304
Community development	6,668,282	-	6,668,282
Interest on long-term debt	5,573,064	-	5,573,064
Water and sewer	-	14,036,458	14,036,458
Sanitation	-	3,435,486	3,435,486
Total expenses	54,381,459	17,471,944	71,853,403
Transfers	(117,062)	117,062	-
Increase (decrease) in net assets	<u>\$ 50,214,382</u>	<u>\$ 25,569,203</u>	<u>\$ 75,783,585</u>

	2005		Total
	Governmental Activities	Business-type Activities	
Revenues			
Program revenues			
Charges for services	\$ 11,459,192	\$ 15,457,023	\$ 26,916,215
Operating grants and contributions	523,405	-	523,405
Capital grants and contributions	16,472,105	10,853,019	27,325,124
General revenues:			
Sales taxes	21,747,851	-	21,747,851
Property taxes	8,583,676	-	8,583,676
Franchise taxes	1,166,525	-	1,166,525
State shared revenue	5,973,538	-	5,973,538
Investment income	1,079,720	88,211	1,167,931
Mitigation proceeds			
Miscellaneous	1,641,295	7,666	1,648,961
Total Revenues	<u>\$ 68,647,307</u>	<u>\$ 26,405,919</u>	<u>\$ 95,053,226</u>
Expenses			
General government	\$ 8,602,993	\$ -	\$ 8,602,993
Public safety	16,054,895	-	16,054,895
Highways and streets	8,007,969	-	8,007,969
Public works	6,398,665	-	6,398,665
Culture and recreation	2,591,911	-	2,591,911
Community development	6,861,768	-	6,861,768
Interest on long-term debt	4,567,604	-	4,567,604
Water and sewer	-	15,150,219	15,150,219
Sanitation	-	2,588,541	2,588,541
Total expenses	53,085,805	17,738,760	70,824,565
Transfers	634,153	(634,153)	-
Increase (decrease) in net assets	<u>\$ 16,195,655</u>	<u>\$ 8,033,006</u>	<u>\$ 24,228,661</u>

Governmental and Business-type activities

The following table presents the cost of the nine major City functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	2006	
	Total Expenses	Net (Expense)/ Revenue
Governmental Activities		
General government	\$ 8,969,973	\$ (8,136,949)
Public safety	15,998,399	(15,400,782)
Highways and streets	13,364,118	2,593,389
Public works	1,791,319	9,127,187
Culture and recreation	2,016,304	(1,841,975)
Community development	6,668,282	7,916,522
Interest on long-term debt	5,573,064	(5,573,064)
Total expenses	<u>54,381,459</u>	<u>(11,315,672)</u>
Business-Type Activities		
Water and Sewer	14,036,458	22,779,628
Sanitation	3,435,486	(10,099)
Total expenses	<u>17,471,944</u>	<u>22,769,529</u>
Total	<u>\$ 71,853,403</u>	<u>\$ 11,453,857</u>

- The cost of all governmental activities this year was \$54.6 million. The cost of all business-type activities this year was \$17.5 million.

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$106.2 million.

The General Fund is the principal operating fund of the City. The General Fund balance increased by \$24.5 million to \$53.9 million as of June 30, 2006, \$15.4 million of this increase is attributed to increase in tax revenues. The Community Facilities Districts – Debt Service Fund balance showed an increase of \$1.1 million to \$7.6 million as of June 30, 2006. The Capital Improvement Projects Fund showed a decrease in fund balance of \$36.0 million to \$1.7 million as of June 30, 2006 due to the transfer of bonds proceeds \$29.3 million that should have been recorded in the Enterprise Funds and expenditures of \$7.8 million for capital

Proprietary funds. Net assets of the Enterprise Funds at the end of the year amounted to \$64.7 million. The increase of \$5.5 million in the Enterprise Funds for the fiscal year ended June 30, 2006 is due primarily from the contribution in infrastructure by developers.

Budgetary Highlights

The City's annual budget is the legally adopted expenditure control document of the City. The schedules filed with the Auditor General's office list the original budget adopted for the prior year, estimated expenditures through the end of the fiscal year and the adopted current year's budget.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2006, the City had invested \$356.5 million in capital assets including land, buildings, facilities, vehicles, computers, equipment, and infrastructure assets. Total depreciation expense for the year was 9.7million.

The following schedule presents capital asset balances and accumulated depreciation for the fiscal year ended June 30, 2006.

	2006		Total
	Governmental Activities	Business-type Activities	
Land	\$ 17,122,314	\$ 3,207,375	\$ 20,329,689
Right of way	73,543,797	-	73,543,797
Streetscape	7,091,027	-	7,091,027
Infrastructure	155,043,906	-	155,043,906
Buildings and improvements	23,684,044	-	23,684,044
Vehicles, furniture and equipment	25,730,531	11,990,854	37,721,385
Improvements other than buildings	-	93,192,827	93,192,827
Construction in progress	4,522,441	15,578,363	20,100,804
Accumulated depreciation	<u>(55,074,428)</u>	<u>(19,101,424)</u>	<u>(74,175,852)</u>
Total	<u>\$ 251,663,632</u>	<u>\$104,867,995</u>	<u>\$ 356,531,627</u>

Additional information on the City's capital assets can be found in Note 4 on pages 47 - 48 and in the schedules on pages 89 - 93 of this report.

Debt Administration

As of year-end, the City had \$107.4 million in governmental long-term debt outstanding with \$1.4 million due within one year. The City had \$42.1 million in business-type long-term debt outstanding. The following table presents a summary of the City's outstanding long-term debt for the fiscal year ended June 30, 2006.

	2006		Total
	Governmental Activities	Business-type Activities	
General obligation bonds payable	\$ 27,280,000	\$ 28,990,000	\$ 56,270,000
Community facilities districts bonds payable	73,000,000	-	73,000,000
Loan payable	3,645,000	10,505,512	14,150,512
Revenue bonds payable	3,485,000	2,580,000	6,065,000
Total	<u>\$107,410,000</u>	<u>\$ 42,075,512</u>	<u>\$ 149,485,512</u>

The Arizona constitution limits the amount of general obligation debt a city may issue to 20 percent of its total assessed valuation for water, sewer, lights, open space preserves, parks, playgrounds and recreational facilities. The current debt limitation for the City is \$78.3 million. The City has \$47.8 million outstanding general obligation debt for these purposes. State statutes also currently limit the amount of general obligation debt a city may issue to 6 percent of its total assessed valuation for all other purposes. The current debt limitation for the City is \$23.5 million less direct bonded debt outstanding of \$8.5 million.

Additional information on the City's long-term debt can be found in Notes 5–10 on pages 48–55 of this report.

Economic Factors and Next Year's Budget

The unemployment rate in the metropolitan Phoenix region for June 2006 was 3.8%, which remains below both the state (4.46%) and national average (4.6%) due to the continued population growth of the state and metropolitan area, as well as the financial services and tourism sectors. Arizona cities remain dependent on sales taxes and other economically sensitive tax revenues and are susceptible to slowdowns in the economy.

Because of the continued growth of the community, Goodyear's revenues have continued to increase. Goodyear continues to attract new retail businesses, restaurants, and employment businesses, helping to increase the City's sales tax base. The adopted fiscal year 2006-07 budget expects sales tax revenues to increase 8.0%, while total General Fund operating revenues are expected to increase 31.1%.

To ensure the City remains financially strong, the adopted fiscal year 2006-07 budget is \$480.6 million (an increase of 114.8% from 2004-05). It includes a \$72.2 million operating budget (an increase of 24.5% from 2005-06) and a \$165.3 million capital improvement projects (CIP) budget (an increase of 25.8% from 2005-06). This CIP budget amount does not include the \$200.0 million shown in the budget for special projects. The fiscal year 2006-07 budget included 61 new staff positions to support City services.

The City has continued to build cash balances over the last few years, both for financial stability and in anticipation of the capital and ongoing operational needs of a growing city. The City has established reserves within the General Fund in accordance with the City's adopted financial policies.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional information, contact the City's Controller, City of Goodyear, 190 N. Litchfield Road, Goodyear, Arizona 85338 or by mail at P.O. Box 5100, Goodyear, Arizona 85338.



FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS



CITY OF GOODYEAR
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 78,199,255	\$ 15,285,945	\$ 93,485,200
Receivables (net of allowance for uncollectibles)	25,314,733	1,971,005	27,285,738
Due from other governments	129,934	-	129,934
Inventories	243,621	238,015	481,636
Prepaid items	256,896	389,540	646,436
Deferred charges	770,250	363,518	1,133,768
Restricted cash and cash equivalents	21,312,389	15,863,767	37,176,156
Capital assets:			
Land and construction in progress	102,279,578	18,785,738	121,065,316
Other capital assets (net of accumulated depreciation)	149,384,055	86,082,260	235,466,315
Total assets	<u>377,890,711</u>	<u>138,979,788</u>	<u>516,870,499</u>
LIABILITIES			
Accounts payable and other current liabilities	2,236,932	4,433,839	6,670,771
Accrued payroll and employee benefits	1,335,414	157,024	1,492,438
Accrued interest payable	1,812,594	-	1,812,594
Deposits held for others	292,802	233,895	526,697
Unearned revenue	973,836	4,695,033	5,668,869
Noncurrent liabilities:			
Due within one year:			
Compensated absences	568,320	75,490	643,810
Bonds payable	1,353,000	-	1,353,000
Due in more than one year:			
Compensated absences	1,949,856	187,476	2,137,332
Loans payable	3,645,000	10,505,513	14,150,513
Bonds payable	102,412,000	31,570,000	133,982,000
Interest payable	-	1,054,188	1,054,188
Deferred amount on refunding	(77,694)	-	(77,694)
Bond discount	(76,567)	-	(76,567)
Bond premium	2,431	478,483	480,914
Total liabilities	<u>116,427,924</u>	<u>53,390,941</u>	<u>169,818,865</u>
NET ASSETS			
Invested in capital assets, net of related debt	144,405,463	61,259,814	205,665,277
Restricted for:			
Special revenue purposes	19,835,781	-	19,835,781
Debt service	20,480,652	-	20,480,652
Capital projects	26,882,597	-	26,882,597
Unrestricted	49,858,294	24,329,033	74,187,327
Total net assets	<u>\$ 261,462,787</u>	<u>\$ 85,588,847</u>	<u>\$ 347,051,634</u>

CITY OF GOODYEAR
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 8,969,973	\$ 174,086	\$ 586,140	\$ 72,798
Public safety	15,998,399	595,731	1,886	-
Highways and streets	13,364,118	-	60,730	15,896,777
Public works	1,791,319	126,800	-	10,791,706
Culture and recreation	2,016,304	174,329	-	-
Community development	6,668,282	14,584,804	-	-
Interest on long-term debt	5,573,064	-	-	-
Total governmental activities	<u>54,381,459</u>	<u>15,655,750</u>	<u>648,756</u>	<u>26,761,281</u>
Business-type activities:				
Water and sewer	14,036,458	10,799,140	-	26,016,946
Sanitation	3,435,486	3,185,387	240,000	-
Total business-type activities	<u>17,471,944</u>	<u>13,984,527</u>	<u>240,000</u>	<u>26,016,946</u>
Total primary government	<u>\$ 71,853,403</u>	<u>\$ 29,640,277</u>	<u>\$ 888,756</u>	<u>\$ 52,778,227</u>

General revenues:

Sales taxes
Property taxes
Franchise taxes
State shared revenues
Investment income
Mitigation proceeds
Miscellaneous

Transfers in (out)

Total general revenues and transfers

Changes in net assets

Net assets, beginning of year
Prior period adjustment
Net assets, beginning of year - restated

Net assets, end of year

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (8,136,949)	\$ -	\$ (8,136,949)
(15,400,782)	-	(15,400,782)
2,593,389	-	2,593,389
9,127,187	-	9,127,187
(1,841,975)	-	(1,841,975)
7,916,522	-	7,916,522
(5,573,064)	-	(5,573,064)
<u>(11,315,672)</u>	<u>-</u>	<u>(11,315,672)</u>
-	22,779,628	22,779,628
-	(10,099)	(10,099)
<u>-</u>	<u>22,769,529</u>	<u>22,769,529</u>
<u>(11,315,672)</u>	<u>22,769,529</u>	<u>11,453,857</u>
37,420,013	-	37,420,013
9,826,690	-	9,826,690
1,479,868	-	1,479,868
6,997,920	-	6,997,920
4,436,598	715,181	5,151,779
-	1,950,000	1,950,000
1,486,027	17,431	1,503,458
<u>(117,062)</u>	<u>117,062</u>	<u>-</u>
<u>61,530,054</u>	<u>2,799,674</u>	<u>64,329,728</u>
<u>50,214,382</u>	<u>25,569,203</u>	<u>75,783,585</u>
245,892,700	59,161,506	305,054,206
(34,644,295)	858,138	(33,786,157)
<u>211,248,405</u>	<u>60,019,644</u>	<u>271,268,049</u>
<u>\$ 261,462,787</u>	<u>\$ 85,588,847</u>	<u>\$ 347,051,634</u>

CITY OF GOODYEAR
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

ASSETS	General	Community Facilities Districts- Debt Service	Capital Improvement Projects
Cash and cash equivalents	\$ 45,846,023	\$ 7,749,693	\$ 2,307,484
Taxes receivable	8,800,737	90,945	-
Interest receivable	325,900	20,179	16,927
Accounts receivable	1,383,551	-	-
Special assessments receivable	-	13,991,489	-
Due from other governments	-	-	-
Due from other funds	735,302	-	-
Inventories	5,162	-	-
Prepaid items	239,896	-	-
Restricted cash and cash equivalents	-	-	8,411
Total assets	<u>\$ 57,336,571</u>	<u>\$ 21,852,306</u>	<u>\$ 2,332,822</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,250,996	\$ 2,500	\$ 607,843
Accrued payroll and employee benefits	1,566,812	-	-
Deposits held for others	53,627	163,093	-
Due to other funds	-	33,480	-
Deferred revenue	611,235	14,030,561	-
Total liabilities	<u>3,482,670</u>	<u>14,229,634</u>	<u>607,843</u>
Fund balances:			
Reserved:			
Debt service	-	7,622,672	-
Capital improvements	-	-	-
Unreserved:			
Designated for capital replacement	2,222,844	-	-
Unreserved, reported in:			
General fund	51,631,057	-	-
Special revenue funds	-	-	-
Capital improvements	-	-	1,724,979
Total fund balances	<u>53,853,901</u>	<u>7,622,672</u>	<u>1,724,979</u>
Total liabilities and fund balances	<u>\$ 57,336,571</u>	<u>\$ 21,852,306</u>	<u>\$ 2,332,822</u>

Community Facilities Districts- Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
\$ 1,614,307	\$ 20,680,399	\$ 78,197,906
-	418,638	9,310,320
11,185	157,331	531,522
3,825	94,026	1,481,402
-	-	13,991,489
-	129,934	129,934
-	-	735,302
-	187,346	192,508
-	17,000	256,896
21,303,978	-	21,312,389
<u>\$ 22,933,295</u>	<u>\$ 21,684,674</u>	<u>\$ 126,139,668</u>

\$ -	\$ 337,888	\$ 2,199,227
-	39,845	1,606,657
-	76,082	292,802
-	701,822	735,302
-	482,758	15,124,554
<u>-</u>	<u>1,638,395</u>	<u>19,958,542</u>

-	210,498	7,833,170
21,303,978	-	21,303,978
-	-	2,222,844
-	-	51,631,057
-	19,835,781	19,835,781
1,629,317	-	3,354,296
<u>22,933,295</u>	<u>20,046,279</u>	<u>106,181,126</u>
<u>\$ 22,933,295</u>	<u>\$ 21,684,674</u>	<u>\$ 126,139,668</u>



CITY OF GOODYEAR
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
June 30, 2006

Total governmental fund balances \$ 106,181,126

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	\$ 306,738,056	
Less accumulated depreciation	<u>(55,074,423)</u>	251,663,633

Certain revenues earned but not received within 60 days of year-end are deferred for the governmental statements, but are recognized as revenue for the government-wide statements.

Property taxes	159,229	
Special assessments	<u>13,991,489</u>	14,150,718

Interest payable on long-term debt is not reported in the governmental funds. (1,812,594)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences payable	(2,225,066)	
Bond issuance cost	770,250	
Bond refunding amount	77,694	
Bond discount	76,567	
Bond premiums	(2,431)	
Loan payable	(3,645,000)	
Bonds payable	<u>(103,765,000)</u>	(108,712,986)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

The assets and liabilities of the internal service fund are reported with governmental activities. (7,110)

Net assets of governmental activities \$ 261,462,787

CITY OF GOODYEAR
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006

REVENUES	General	Community Facilities Districts Debt Service	Capital Improvement Projects
Taxes	\$ 41,860,773	\$ 3,106,886	\$ -
Licenses and permits	10,593,032	-	-
Intergovernmental revenues	5,205,680	-	-
Charges for services	4,451,089	-	-
Fines and forfeits	482,604	-	-
Investment income	1,890,479	200,762	828,478
Special assessments	-	2,197,445	-
Contributions	561,242	918,861	-
Miscellaneous	1,050,580	-	5,782
Total revenues	<u>66,095,479</u>	<u>6,423,954</u>	<u>834,260</u>
EXPENDITURES			
Current:			
General government	8,867,383	-	-
Public safety	16,717,949	-	-
Highways and streets	-	-	-
Public works	2,041,014	-	-
Culture and recreation	2,381,569	-	-
Community development	6,303,285	-	-
Capital outlay	2,065,837	-	7,825,775
Debt service:			
Principal retirement	155,000	1,457,600	-
Interest and debt cost	169,985	3,868,859	423
Total expenditures	<u>38,702,022</u>	<u>5,326,459</u>	<u>7,826,198</u>
Excess (deficiency) of revenues over (under) expenditures	<u>27,393,457</u>	<u>1,097,495</u>	<u>(6,991,938)</u>
OTHER FINANCING SOURCES (USES)			
Debt issuance	-	-	-
Transfers in	1,682,000	6,609	12,999,621
Transfers out	(4,615,013)	(701)	(41,993,887)
Total other financing sources and uses	<u>(2,933,013)</u>	<u>5,908</u>	<u>(28,994,266)</u>
Net change in fund balances	24,460,444	1,103,403	(35,986,204)
Fund balances, beginning of year	<u>29,393,457</u>	<u>6,519,269</u>	<u>37,711,183</u>
Fund balances , end of year	<u>\$ 53,853,901</u>	<u>\$ 7,622,672</u>	<u>\$ 1,724,979</u>

Community Facilities Districts Capital Projects	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 3,702,111	\$ 48,669,770
-	-	10,593,032
-	2,485,851	7,691,531
-	8,139,222	12,590,311
-	-	482,604
737,635	779,244	4,436,598
-	-	2,197,445
183,000	54,739	1,717,842
-	377,151	1,433,513
<u>920,635</u>	<u>15,538,318</u>	<u>89,812,646</u>
-	760,004	9,627,387
-	137,749	16,855,698
-	3,647,507	3,647,507
-	113,768	2,154,782
-	-	2,381,569
-	236,282	6,539,567
999,474	3,928,216	14,819,302
-	2,165,000	3,777,600
-	1,273,976	5,313,243
<u>999,474</u>	<u>12,262,502</u>	<u>65,116,655</u>
<u>(78,839)</u>	<u>3,275,816</u>	<u>24,695,991</u>
5,005,000	-	5,005,000
701	3,521,489	18,210,420
<u>(6,609)</u>	<u>(1,350,358)</u>	<u>(47,966,568)</u>
<u>4,999,092</u>	<u>2,171,131</u>	<u>(24,751,148)</u>
4,920,253	5,446,947	(55,157)
<u>18,013,042</u>	<u>14,599,332</u>	<u>106,236,283</u>
<u>\$ 22,933,295</u>	<u>\$ 20,046,279</u>	<u>\$ 106,181,126</u>

CITY OF GOODYEAR
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2006

Net change in fund balances - total governmental funds \$ (55,157)

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 as depreciation expense. Also, assets contributed to the City are not reported in the fund statement and are reported in the Statement of Activities.

Contributions	\$ 15,896,777	
Expenditures for capitalized assets	14,368,665	
Less current year depreciation	<u>(6,837,719)</u>	23,427,723

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds and revenues received in the current year that were accrued in the Statement of Activities in prior years are reported as revenues in the funds.

Property taxes		56,801
Special assessments		(1,053,321)

Bond proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities. (5,005,000)

Interest expense in the Statement of Activities differs from the amount reported in governmental funds because accrued interest was calculated for bonds and notes payable for the Statement of Activities, but is expensed when due for the governmental fund statements. (225,074)

Governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. 137,254

Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Debt principal retirement		3,777,600
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Governmental activity long-term debt proceeds were transferred to the business type activities. The operating transfer recorded in the governmental funds is not reported as a transfer in the statement of activities. It is recorded as a transfer of debt.	29,349,086
Internal service funds are used by management to charge the costs of Fleet service to individual funds. The net loss of certain activities of internal service funds is reported with governmental activities.	(7,110)
Compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>(188,420)</u>
Change in net assets of governmental activities	<u><u>\$ 50,214,382</u></u>

CITY OF GOODYEAR
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 36,130,344	\$ 36,130,344	\$ 41,860,773	\$ 5,730,429
Licenses and permits	7,889,561	7,889,561	10,593,032	2,703,471
Intergovernmental revenues	4,656,641	4,656,641	5,205,680	549,039
Charges for services	1,549,454	1,549,454	4,451,089	2,901,635
Fines and forfeits	324,991	324,991	482,604	157,613
Investment income	4,194	4,194	1,890,479	1,886,285
Contributions	125,773	125,773	561,242	435,469
Miscellaneous	131,022	131,022	1,050,580	919,558
Total revenues	<u>50,811,980</u>	<u>50,811,980</u>	<u>66,095,479</u>	<u>15,283,499</u>
EXPENDITURES				
Current				
General government	30,156,144	30,156,144	8,867,383	21,288,761
Public safety	15,333,773	15,323,773	16,717,949	(1,394,176)
Public works	2,938,268	2,938,268	2,041,014	897,254
Culture and recreation	2,932,086	2,932,086	2,381,569	550,517
Community development	7,593,522	7,593,522	6,303,285	1,290,237
Capital outlay	5,466,018	5,476,018	2,065,837	3,410,181
Debt service				
Principal retirement	137,080	137,080	155,000	(17,920)
Interest and fiscal charges	186,785	186,785	169,985	16,800
Total expenditures	<u>64,743,676</u>	<u>64,743,676</u>	<u>38,702,022</u>	<u>26,041,654</u>
Excess (deficiency) of revenues over expenditures	<u>(13,931,696)</u>	<u>(13,931,696)</u>	<u>27,393,457</u>	<u>41,325,153</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,682,000	1,682,000	1,682,000	-
Transfers out	<u>(6,311,285)</u>	<u>(6,311,285)</u>	<u>(4,615,013)</u>	<u>1,696,272</u>
Total other financing sources (uses)	<u>(4,629,285)</u>	<u>(4,629,285)</u>	<u>(2,933,013)</u>	<u>1,696,272</u>
Net change in fund balance	(18,560,981)	(18,560,981)	24,460,444	43,021,425
Fund balance, beginning of year	<u>29,393,457</u>	<u>29,393,457</u>	<u>29,393,457</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,832,476</u>	<u>\$ 10,832,476</u>	<u>\$ 53,853,901</u>	<u>\$ 43,021,425</u>

CITY OF GOODYEAR
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

ASSETS	Business-type Activities-Enterprise Funds			Governmental
	Water & Sewer	Sanitation	Total	Activities - Internal Service Fund
Current assets:				
Cash and cash equivalents	\$ 15,284,372	\$ 1,573	\$ 15,285,945	\$ 1,349
Interest receivable	232,443	-	232,443	-
Accounts receivable	1,174,668	563,894	1,738,562	-
Prepaid items	69,533	320,007	389,540	-
Inventories	238,015	-	238,015	51,112
Total current assets	<u>16,999,031</u>	<u>885,474</u>	<u>17,884,505</u>	<u>52,461</u>
Noncurrent assets:				
Deferred charges	363,518	-	363,518	-
Restricted cash and cash equivalents	15,863,767	-	15,863,767	-
Non-depreciable capital assets	18,785,738	-	18,785,738	-
Depreciable capital assets	85,708,000	374,260	86,082,260	-
Total noncurrent assets	<u>120,721,023</u>	<u>374,260</u>	<u>121,095,283</u>	<u>-</u>
Total assets	<u>137,720,054</u>	<u>1,259,734</u>	<u>138,979,788</u>	<u>52,461</u>
LIABILITIES				
Current liabilities:				
Accounts payable	3,440,435	213,044	3,653,479	37,704
Accrued payroll and employee benefits	124,982	32,042	157,024	21,867
Accrued liabilities	780,360	-	780,360	-
Deposits held for others	233,895	-	233,895	-
Unearned revenue	4,695,033	-	4,695,033	-
Compensated absences payable	61,219	14,271	75,490	-
Total current liabilities	<u>9,335,924</u>	<u>259,357</u>	<u>9,595,281</u>	<u>59,571</u>
Noncurrent liabilities:				
Accrued interest payable	1,054,188	-	1,054,188	-
Compensated absences payable	145,790	41,686	187,476	-
Loan payable	10,505,513	-	10,505,513	-
Bonds payable	28,990,000	-	28,990,000	-
Revenue bonds payable	2,580,000	-	2,580,000	-
Bond premium	478,483	-	478,483	-
Total noncurrent liabilities	<u>43,753,974</u>	<u>41,686</u>	<u>43,795,660</u>	<u>-</u>
Total liabilities	<u>53,089,898</u>	<u>301,043</u>	<u>53,390,941</u>	<u>59,571</u>
NET ASSETS				
Invested in capital assets, net of related debt.	60,885,554	374,260	61,259,814	-
Unrestricted	23,744,602	584,431	24,329,033	(7,110)
Total net assets	<u>\$ 84,630,156</u>	<u>\$ 958,691</u>	<u>\$ 85,588,847</u>	<u>\$ (7,110)</u>

See accompanying notes.

CITY OF GOODYEAR
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended June 30, 2006

	<u>Business-type Activities-Enterprise Funds</u>			Governmental
	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>Total</u>	Activities - Internal Service Fund
Operating revenues:				
Charges for service	\$ 10,799,140	\$ 3,185,387	\$ 13,984,527	\$ 915,848
Miscellaneous	17,431	240,000	257,431	-
Total operating revenue	<u>10,816,571</u>	<u>3,425,387</u>	<u>14,241,958</u>	<u>915,848</u>
Operating expenses:				
Administration	2,427,531	687,534	3,115,065	380,897
Costs of sales and services	7,202,101	2,458,508	9,660,609	832,061
Depreciation	2,771,517	43,265	2,814,782	-
Total operating expenses	<u>12,401,149</u>	<u>3,189,307</u>	<u>15,590,456</u>	<u>1,212,958</u>
Operating income (loss)	<u>(1,584,578)</u>	<u>236,080</u>	<u>(1,348,498)</u>	<u>(297,110)</u>
Nonoperating revenues (expenses):				
Impact fees	7,284,046	-	7,284,046	-
Mitigation proceeds	1,950,000	-	1,950,000	-
Investment income	710,119	2,441	712,560	-
Interest expense	<u>(1,878,867)</u>	<u>-</u>	<u>(1,878,867)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>8,065,298</u>	<u>2,441</u>	<u>8,067,739</u>	<u>-</u>
Income (loss) before capital contributions and transfers	6,480,720	238,521	6,719,241	(297,110)
Capital contributions	18,732,900	-	18,732,900	-
Transfers in	-	425,000	425,000	290,000
Transfers out	<u>(307,938)</u>	<u>-</u>	<u>(307,938)</u>	<u>-</u>
Change in net assets	<u>24,905,682</u>	<u>663,521</u>	<u>25,569,203</u>	<u>(7,110)</u>
Net assets, beginning of year	58,866,336	295,170	59,161,506	-
Prior period adjustment	858,138	-	858,138	-
Net assets, beginning of year - restated	<u>59,724,474</u>	<u>295,170</u>	<u>60,019,644</u>	<u>-</u>
Net assets, end of year	<u>\$ 84,630,156</u>	<u>\$ 958,691</u>	<u>\$ 85,588,847</u>	<u>\$ (7,110)</u>

CITY OF GOODYEAR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2006

	<u>Business-type Activities Enterprise Funds</u>			Governmental
	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>Total</u>	Activities - Internal Service Fund
Cash flows from operating activities:				
Received from customers	\$ 11,032,897	\$3,152,811	\$ 14,185,708	\$ 915,848
Payments to vendors	(4,653,617)	(2,742,814)	(7,396,431)	(845,469)
Payments to employees	(2,331,468)	(654,416)	(2,985,884)	(359,030)
Net cash provided (used) by operating activities	<u>4,047,812</u>	<u>(244,419)</u>	<u>3,803,393</u>	<u>(288,651)</u>
Cash flows from noncapital and related financing activities				
Mitigation proceeds	1,950,000	-	1,950,000	-
Interfund transfers	(307,938)	425,000	117,062	290,000
Net cash provided for noncapital and related financing activities	<u>1,642,062</u>	<u>425,000</u>	<u>2,067,062</u>	<u>290,000</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(17,418,491)	(316,121)	(17,734,612)	-
Transfer of capital debt proceeds	29,349,086	-	29,349,086	-
Principal paid on long-term debt	(902,111)	-	(902,111)	-
Interest paid on long-term debt	(1,775,692)	-	(1,775,692)	-
Development impact fees received	7,284,046	-	7,284,046	-
Net cash provided (used) for capital and related financing activities	<u>16,536,838</u>	<u>(316,121)</u>	<u>16,220,717</u>	<u>-</u>
Cash flows from investing activities:				
Investment income received	<u>495,955</u>	<u>2,829</u>	<u>498,784</u>	<u>-</u>
Net cash provided by investing activities	<u>495,955</u>	<u>2,829</u>	<u>498,784</u>	<u>-</u>
Net change in cash and cash equivalents	22,722,667	(132,711)	22,589,956	1,349
Cash and cash equivalents, beginning of year	<u>8,425,472</u>	<u>134,284</u>	<u>8,559,756</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 31,148,139</u>	<u>\$ 1,573</u>	<u>\$ 31,149,712</u>	<u>\$ 1,349</u>
Cash and cash equivalents	\$ 15,284,372	\$ 1,573	\$ 15,285,945	\$ 1,349
Restricted cash and cash equivalents	15,863,767	-	15,863,767	-
	<u>\$ 31,148,139</u>	<u>\$ 1,573</u>	<u>\$ 31,149,712</u>	<u>\$ 1,349</u>

See accompanying notes.

CITY OF GOODYEAR
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended June 30, 2006

	<u>Business-type Activities-Enterprise Funds</u>			Governmental
	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>Total</u>	Activities - Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (1,584,578)	\$ 236,080	\$ (1,348,498)	\$ (297,110)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	2,771,517	43,265	2,814,782	-
(Increase) decrease in:				
Accounts receivable	302,440	(272,576)	29,864	-
Prepaid items	-	(320,007)	(320,007)	-
Inventories	(95,724)	-	(95,724)	(51,112)
Increase (decrease) in:				
Accounts payable	2,208,636	35,701	2,244,337	37,704
Accrued payroll and employee benefits	50,178	9,534	59,712	21,867
Accrued liabilities	435,572	-	435,572	-
Unearned revenue	(72,587)	-	(72,587)	-
Deposits held for others	(13,527)	-	(13,527)	-
Compensated absences payable	45,885	23,584	69,469	-
Net cash provided (used) by operating activities	<u>\$ 4,047,812</u>	<u>\$ (244,419)</u>	<u>\$ 3,803,393</u>	<u>\$ (288,651)</u>
Noncash investing, capital, and financing activities:				
Contributions of capital assets	\$ 18,732,900	\$ -	\$ 18,732,900	\$ -
Prior period adjustments to capital assets	858,138	-	858,138	-
Amortization of bond premium	32,423	-	32,423	-
Amortization of deferred bond costs	24,234	-	24,234	-
Total	<u>\$ 19,647,695</u>	<u>\$ -</u>	<u>\$ 19,647,695</u>	<u>\$ -</u>

CITY OF GOODYEAR
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

	<u>Pension Trust</u>
ASSETS	
Cash and cash equivalents	\$ 406,229
Interest receivable	584
Total assets	<u>406,813</u>
LIABILITIES	
Total liabilities	<u>-</u>
NET ASSETS	
Held in trust for pension benefits	<u>\$ 406,813</u>

CITY OF GOODYEAR
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUND
For The Year Ended June 30, 2006

	<u>Pension Trust</u>
ADDITIONS	
Other revenue	\$ 74,699
Total other revenue	<u>74,699</u>
Investment income	
Interest	49,330
Total investment income	<u>49,330</u>
Total additions	<u>124,029</u>
DEDUCTIONS	
Benefits	2,149
Total deductions	<u>2,149</u>
Net decrease	121,880
Net assets, beginning of year	284,933
Net assets, end of year	<u>\$ 406,813</u>

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS



CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Goodyear, Arizona (City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The City is a municipal entity governed by an elected Mayor and council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are combined with data from the City, the primary government.

The financial reporting entity consists of a primary government, and its component units. The City is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units are combined with the City for financial statement presentation purposes, and are not included in any other governmental reporting entity. Consequently, the City's financial statements include the funds of those organizational entities for which its elected governing body is financially accountable.

Blended Component Units - The Goodyear Community Facilities General District No. 1, Goodyear Community Facilities Utilities District No. 1, Wildflower Ranch Community Facilities General District No. 1, Wildflower Ranch Community Facilities General District No. 2, Estrella Mountain Ranch Community Facilities District, Cottonflower Community Facilities District, Centerra Community Facilities District, Cortina Community Facilities District, Palm Valley Community Facilities District No. 3, and King Ranch Community Facilities District were formed for the purpose of acquiring and improving public infrastructure in specified land areas. As special purpose districts and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owners in the designated areas are assessed for District taxes and thus for the cost of operating the Districts. The City Council serves as the Board of Directors; however, the City has no liability for the Districts' debt. For financial reporting purposes, transactions of the Districts are combined together and included as if they were part of the City's operations.

Complete financial statements for each of the individual component units may be obtained at the entities administrative offices.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) present financial information about the City as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule the effect on internal activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses and permits, charges for service, special assessments and investment income associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenues as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Deferred revenues also arise when the City receives resources before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

General Fund - This fund is the general operating fund of the City. It accounts for all financial resources of the City, except those required to be accounted for in other funds.

Community Facilities District - Debt Service Fund - This fund accounts for the debt portion of the City's Community Facilities Districts which are component units that provide general infrastructure and capital assets for the property within each District's boundaries.

Capital Improvement Projects Funds - This fund accounts for all the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Community Facilities District - Capital Project's Funds - This fund accounts for all the acquisition and construction portion of the City's Community Facilities District which are component units that provide general infrastructure and capital assets for the property within each District's boundaries.

The City reports the following major proprietary funds:

Water and Sewer Fund - This fund accounts for the city's water and sewer utility operations.

Sanitation Fund - This fund is used to account for the activities of the City's sanitation operations.

The City reports the following internal service fund:

Fleet Inter-Department Service Fund - This fund is used to account for maintenance and operations of City owned vehicles.

The City reports the following fiduciary fund:

Pension Trust Fund - This Pension Trust Fund is used to account for the City's Volunteer Firefighter's Relief and Pension Fund, a defined contribution plan for which the assets are held by the City in a trustee capacity.

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

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. The principal operating revenues of the City's enterprises fund are charges to customers for water, wastewater, and sanitation services. Operating expenses for these funds include the cost of sales and services, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources, as they are needed.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The City's non-major funds are as follows:

Special Revenue Funds

Highway User Revenue Fund (HURF)	Grants Fund
Community Facilities Districts	Community Facilities Impact Fees
General Government Impact Fees	Public Works Impact Fees
Fire Impact Fees	Police Impact Fees
Transportation Impact Fees	Library Impact Fees

Debt Service Fund

Fiduciary funds are reported by fund type.

D. Cash and Cash Equivalents

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

E. Investments

Arizona Revised Statutes (ARS) authorize the City to invest public monies in the State Treasurer's Local Government Investment Pool, interest-bearing savings account, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of Arizona counties, cities, school districts, and special districts as specified by statute.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of the interfund loans).

All trade and property tax receivables are shown net of allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivables allowance for uncollectibles.

CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property taxes are levied by the City and collected by the Maricopa County Treasurer. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquent date. Pursuant to ARS, a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

G. Inventory

Inventories are stated at average cost using the first-in/first-out (FIFO) method. Governmental funds maintain inventories using the consumption method of accounting.

H. Prepaid Items

Certain payments to vendors reflect the cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

I. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted cash and investments on the balance sheet because their use is limited by applicable bond covenants.

J. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, vehicles, machinery, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF GOODYEAR, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

<u>Assets</u>	<u>Years</u>
Infrastructure	20-65
Buildings	50
Improvement other than buildings	7-50
Vehicles, machinery and equipment	3-7

K. Compensated Absences

The City's employee vacation and sick leave policies provide for granting vacation and sick leave with pay. Sick leave and vacation benefits vest at the employee's current rate of pay. The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements and in the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignation and retirements. Resources from the General Fund are generally used to liquidate the governmental funds liabilities compensated absences.

L. Long-term Obligations

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

M. Fund Equity

In the fund financial statements, governmental funds report reservations of the fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent management's intended use of resources and reflect actual plans approved by the government's senior management. At June 30, 2006, the City reserved and designated fund balance for several various purposes.

N. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

O. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF GOODYEAR, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 2 CASH AND INVESTMENTS

At June 30, 2006, cash and cash equivalents are presented in the funds as follows:

	Governmental Activities	Business Activities	Fiduciary Fund	Total
Cash and cash equivalents	\$ 78,199,255	\$ 15,285,945	\$ 406,229	\$ 93,891,429
Restricted cash and cash equivalents	21,312,389	15,863,767	-	37,176,156
	<u>\$ 99,511,644</u>	<u>\$ 31,149,712</u>	<u>\$ 406,229</u>	<u>\$ 131,067,585</u>

Cash and cash equivalents consisted of the following deposits and investments:

Cash on hand	\$ 3,325
Cash equivalents-investments	127,180,754
Cash in bank	<u>3,883,506</u>
Total cash and cash equivalents	<u>\$ 131,067,585</u>

Deposits

At June 30, 2006, the City had \$3,325 of cash on hand. The carrying amount of the City's cash in bank totaled \$3,883,506 and the bank balance was \$8,789,493. The City's deposits at June 30, 2006 were covered by Federal Depository Insurance to the extent of \$385,958. Deposits of \$8,403,535 were collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the depositor-government's name.

Investments

ARS authorize the City to invest public monies in the State Treasurer's Local Government Investment Pool, interest-bearing savings account, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of Arizona counties, cities, school districts, and special districts as specified by statute.

The City invests in the Local Government Investment Pool 5 (LGIP), an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. The LGIP is not registered with the Securities Exchange Commission under the 1940 Investment Advisors Act. The State Board of Investment has oversight responsibilities of the investment pool in accordance with ARS 35-311. The pool's policy is to invest in fixed-rate securities with a final maturity less than 36 months from the settlement date of the purchase and variable-rate securities with final maturity less than 5 years. The dollar weighted average portfolio maturity is less than 240 days. The net asset value per share of the pool at June 30, 2006 was \$1.00. The Arizona State Treasurer issues a publicly available financial report that includes financial statements and required supplementary information. Copies may be obtained by contacting the Arizona State Treasurer, 1700 West Washington, Phoenix, Arizona 85007.

CITY OF GOODYEAR, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 2 CASH AND INVESTMENTS (Continued)

Funds held in the State Treasurer's Local Government Investment Pool represent a proportionate interest in the pool's portfolio; however, the City's portion is not identified with specific investments and is not subject to custodial credit risk. At June 30, 2006, the City's funds invested with the State Treasurer totaled \$100,674,143.

The City is invested in multiple mutual funds through the trust department of Wells Fargo. The mutual funds have a value of \$25,507,358 at June 30, 2006.

The City is invested in repurchase agreements through the trust department of Wells Fargo. The repurchase agreements have a value of \$667,000 at June 30, 2006.

The City also owns investments that belong to the City's Volunteer Fire Department. These funds are held by Linsco Private Ledger Investment Services and consist of multiple money market funds and mutual funds. The maturities of these investments are usually less than 30 days. The Fiduciary Fund investments have a value of \$332,253 at June 30, 2006.

Interest Rate Risk

Interest rate risk is the risk of changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The repurchase agreements the City is invested in mature in July of 2016. All other investments have maturities of less than 12 months.

Credit Risk

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

Governmental funds	Ratings as of Year-End		
Investment Type	Total	AAA	Unrated
LGIP	\$ 70,268,721	\$ -	\$ 70,268,721
Money market mutual funds	25,507,358	25,507,358	-
Repurchase agreements	667,000	-	667,000
	\$ 96,443,079	\$ 25,507,358	\$ 70,935,721

CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2 CASH AND INVESTMENTS (Continued)

Proprietary funds		Ratings as of Year-End	
Investment Type	Total	AAA	Unrated
LGIP	\$ 30,334,110	\$ -	\$ 30,334,110
	<u>\$ 30,334,110</u>	<u>\$ -</u>	<u>\$ 30,334,110</u>

Fiduciary funds		Ratings as of Year-End	
Investment Type	Total	AAA	Unrated
LGIP	\$ 71,312	\$ -	\$ 71,312
Money market funds	21,212	-	21,212
Mutual funds	311,041	-	311,041
	<u>\$ 403,565</u>	<u>\$ -</u>	<u>\$ 403,565</u>

NOTE 3 RECEIVABLES

Receivables, net of allowance for uncollectibles, as of year-end for the City's individual major governmental funds and nonmajor governmental funds in the aggregate are as follows:

	General Fund	Community Facilities Districts-Debt Service Fund	Capital Improvement Projects Fund	Community Facilities Districts-Capital Projects Fund	Non-Major Governmental Fund	Total
Receivables:						
Taxes	\$ 8,800,737	\$ 90,945	\$ -	\$ -	\$ 418,638	\$ 9,310,320
Interest	325,900	20,179	16,927	11,185	157,331	531,522
Accounts	1,385,410	-	-	3,825	94,026	1,483,261
Special assessments	-	13,991,489	-	-	-	13,991,489
	<u>10,512,047</u>	<u>14,102,613</u>	<u>16,927</u>	<u>15,010</u>	<u>669,995</u>	<u>25,316,592</u>
Less:						
Allowance	(1,859)	-	-	-	-	(1,859)
Net receivables	<u>\$ 10,510,188</u>	<u>\$ 14,102,613</u>	<u>\$ 16,927</u>	<u>\$ 15,010</u>	<u>\$ 669,995</u>	<u>\$ 25,314,733</u>

CITY OF GOODYEAR, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 3 RECEIVABLES (Continued)

The following table summarizes the City's receivables for the enterprise funds as of June 30, 2006.

Receivables:	Water and Sewer Fund	Sanitation Fund	Total
Interest	\$ 232,443	\$ -	\$ 232,443
Accounts	1,352,668	563,894	1,916,562
	<u>1,585,111</u>	<u>563,894</u>	<u>2,149,005</u>
Less:			
Allowance	(178,000)	-	(178,000)
Net receivables	<u>\$ 1,407,111</u>	<u>\$ 563,894</u>	<u>\$ 1,971,005</u>

Revenues of the Water and Sewer Fund and Sanitation Fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period are as follows:

Uncollectibles related to water and sewer	\$ 45,521
Uncollectibles related to sanitation	<u>19,517</u>
Total uncollectibles for the current year	<u>\$ 65,038</u>

CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4 CAPITAL ASSETS

A summary of capital assets activity for the fiscal year ended June 30, 2006 follows.

Governmental Activities	Beginning Balance*	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 16,762,034	\$ 360,280	\$ -	\$ 17,122,314
Construction in progress	552,357	3,970,083	-	4,522,440
Right of way	73,468,797	75,000	-	73,543,797
Streetscape	7,091,027	-	-	7,091,027
Total capital assets not being depreciated	97,874,215	4,405,363	-	102,279,578
Capital assets, being depreciated:				
Infrastructure	139,143,127	15,900,777	-	155,043,904
Buildings and improvements	18,149,602	5,534,442	-	23,684,044
Vehicles, furniture and equipment	21,305,670	4,424,860	-	25,730,530
Total capital assets being depreciated	178,598,399	25,860,079	-	204,458,478
Less accumulated depreciation for:				
Infrastructure	(28,988,708)	(5,303,185)	-	(34,291,893)
Buildings and improvements	(2,329,807)	(90,098)	-	(2,419,905)
Vehicles, furniture and equipment	(16,918,189)	(1,444,436)	-	(18,362,625)
Total accumulated depreciation	(48,236,704)	(6,837,719)	-	(55,074,423)
Total capital assets, being depreciated, net	130,361,695	19,022,360	-	149,384,055
Governmental activities capital assets, net	\$ 228,235,910	\$ 23,427,723	\$ -	\$ 251,663,633
Business-Type Activities	Beginning Balance*	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,158,615	\$ 48,760	\$ -	\$ 3,207,375
Construction in progress	-	15,578,363	-	15,578,363
Total capital assets not being depreciated	3,158,615	15,627,123	-	18,785,738
Capital assets, being depreciated:				
Improvements other than buildings	73,025,398	20,167,429	-	93,192,827
Vehicles, machinery and equipment	11,317,890	672,965	-	11,990,855
Total capital assets being depreciated	84,343,288	20,840,394	-	105,183,682
Less accumulated depreciation for:				
Improvements other than buildings	(10,215,240)	(2,512,203)	-	(12,727,443)
Vehicles, machinery and equipment	(6,071,400)	(302,579)	-	(6,373,979)
Total accumulated depreciation	(16,286,640)	(2,814,782)	-	(19,101,422)
Total capital assets, being depreciated, net	68,056,648	18,025,612	-	86,082,260
Business-Type activities capital assets, net	\$ 71,215,263	\$ 33,652,735	\$ -	\$ 104,867,998

* restated for prior period adjustment

CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4 CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 257,941
Public safety	1,057,783
Highway and streets	5,085,209
Public works	436,786
Total depreciation expense	<u>\$ 6,837,719</u>
Business-type activities:	
Water and wastewater	\$ 2,771,517
Sanitation	43,265
Total depreciation expense	<u>\$ 2,814,782</u>

NOTE 5 LOANS PAYABLE

The City received a loan from the Greater Arizona Development Authority for the fire facilities and street and highway improvements. In addition, the City received two loans from the Water Infrastructure Finance Authority. The first loan was used to acquire the rights and make improvements to existing capacity in the wastewater treatment plant. The second loan will be used to finance the planning and design of a pilot recharge project and to construct a well distribution line. The loans payable at June 30, 2006, are as follows:

<u>Description</u>	<u>Interest Rate (Including Fees)</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2006</u>	<u>Due Within One Year</u>
Governmental activities:				
Greater Arizona Development Authority Loan	4.1 - 5.75%	07/01/07 - 13	\$ 3,645,000	\$ -
Total Governmental activities			<u>\$ 3,645,000</u>	<u>\$ -</u>
Business-type activities:				
Water Infrastructure Finance Authority Loan	4.06%	07/01/07 - 21	\$ 3,623,404	\$ -
Water Infrastructure Finance Authority Loan	4.06%	07/01/07 - 21	6,882,109	-
Total Business-type activities			<u>\$ 10,505,513</u>	<u>\$ -</u>
Total			<u>\$ 14,150,513</u>	<u>\$ -</u>

CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5 LOANS PAYABLE (Continued)

Annual debt service requirements to maturity on the loans payable at June 30, 2006 are summarized as follows:

Fiscal year ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ -	\$ 79,351	\$ -	\$ 213,052
2008	460,000	149,273	522,477	415,508
2009	475,000	129,986	543,669	393,886
2010	495,000	109,611	565,721	371,387
2011	520,000	87,783	588,666	347,977
2012-2016	1,695,000	118,237	3,321,442	1,354,106
2017-2021	-	-	4,051,932	608,800
2022-2026	-	-	911,606	18,487
Total	<u>\$ 3,645,000</u>	<u>\$ 674,241</u>	<u>\$10,505,513</u>	<u>\$ 3,723,203</u>

NOTE 6 BONDS PAYABLE

Bonds payable at June 30, 2006, consisted of the outstanding general obligation and refunding bonds presented below. The bonds are generally callable with interest payable semiannually. Of the total amounts originally authorized, \$254,765,449 remains unissued. The bonds payable at June 30, 2006 are presented below.

Description	Interest Rate	Maturity	Outstanding Principal June 30, 2006	Due Within One Year
Governmental activities:				
General Obligation Bonds				
Series 1998	4.00 - 6.00%	7/1/07 - 13	\$ 5,885,000	\$ -
Refunding Bonds Series 2002	3.25 - 5.25%	7/1/07 - 08	905,000	-
General Obligation Bonds				
Series 2002	3.65 - 4.25%	7/1/07 - 17	9,690,000	-
General Obligation Bonds				
Series 2003	3.00 - 4.50%	7/1/08 - 18	10,800,000	-
Total Governmental activities			<u>\$ 27,280,000</u>	<u>\$ -</u>
Business-type activities:				
General Obligation Bonds				
Series 2005	3.50 - 5.00%	7/1/07 - 20	\$ 28,990,000	-
Total Business-type activities			<u>\$ 28,990,000</u>	<u>\$ -</u>
Total			<u>\$ 56,270,000</u>	<u>\$ -</u>

CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 6 BONDS PAYABLE (Continued)

Annual debt service requirements to maturity on governmental bonds payable at June 30, 2006 are summarized as follows:

Fiscal year ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ -	\$ 549,837	\$ -	\$ 576,454
2008	1,940,000	1,056,359	885,000	1,137,421
2009	2,740,000	956,423	1,000,000	1,101,934
2010	2,375,000	848,803	1,510,000	1,055,509
2011	2,460,000	750,640	1,815,000	983,709
2012-2016	12,115,000	2,262,784	10,080,000	3,651,587
2017-2021	5,650,000	307,676	13,700,000	1,450,572
Total	<u>\$27,280,000</u>	<u>\$ 6,732,522</u>	<u>\$28,990,000</u>	<u>\$ 9,957,186</u>

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all further debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of June 30, 2006, the total outstanding on the defeased bonds was \$900,000.

NOTE 7 REVENUE BONDS PAYABLE

Revenue bonds payable at June 30, 2006 consisted of the outstanding revenue bonds presented below. The bonds are generally callable with interest payable semiannually.

Governmental activities:				Outstanding	Due Within
Description	Interest Rate	Maturity	Principal	June 30, 2006	One Year
Public Improvement Corporation Municipal Facilities Revenue Bonds, Series 2002	4.00 - 6.00%	7/1/07 - 21	\$ 3,485,000		\$ -
Business-type activities:					
Description	Interest Rate	Maturity	Outstanding	Principal	Due Within
Revenue Bonds, Series 1999	4.47 - 6.73%	7/1/07 - 18	\$ 2,580,000	June 30, 2006	One Year
					\$ -

CITY OF GOODYEAR, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 7 REVENUE BONDS PAYABLE (Continued)

Revenue bond debt service requirements to maturity are as follows:

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2007	\$ -	\$ 80,343	\$ -	\$ -
2008	165,000	155,735	120,000	80,000
2009	175,000	145,535	115,000	70,000
2010	180,000	136,685	300,000	175,000
2011	190,000	129,238	280,000	185,000
2012-2016	1,075,000	516,521	1,230,000	1,195,000
2017-2021	1,380,000	240,300	535,000	740,000
2022-2026	320,000	7,400	-	-
Total	<u>\$ 3,485,000</u>	<u>\$ 1,411,757</u>	<u>\$ 2,580,000</u>	<u>\$ 2,445,000</u>

CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 8 COMMUNITY FACILITIES DISTRICTS BONDS PAYABLE

Community facilities district bonds payable at June 30, 2006 consisted of outstanding general obligation and special assessment bonds. The bonds are generally callable with interest payable semiannually. The community facilities district bonds payable at June 30, 2006, are presented below.

Description	Interest Rate	Maturity	Outstanding Principal June 30, 2006	Due Within One Year
General District No. 1:				
G.O. Bonds, Series 1994	7.50%	7/15/06 - 09	\$ 90,000	\$ 20,000
G.O. Bonds, Series 1996 (A)	6.5 - 7.0%	7/15/10 - 21	500,000	-
G.O. Bonds, Series 1998	4.55 - 5.25%	7/15/06 - 23	1,975,000	65,000
G.O. Bonds, Series 2000	4.6 - 5.3%	7/15/06 - 25	5,725,000	160,000
G.O. Bonds, Series 2003	3.3 - 5.75%	7/15/09 - 28	5,295,000	-
Assessment Bonds, Series 1996(C)	6.75 - 7.25%	7/01/07 - 17	3,151,000	-
Utilities District No. 1:				
G.O. Bonds, Series 1998	4.55 - 5.25%	7/15/06 - 23	6,375,000	220,000
G.O. Bonds, Series 2000	4.7 - 5.2%	7/15/06 - 25	7,075,000	175,000
G.O. Bonds, Series 2003	3.3 - 5.75%	7/15/09 - 28	7,870,000	-
G.O. Bonds, Series 2005 Refunding	3.0 - 4.3%	7/15/08 - 21	1,455,000	-
G.O. Bonds, Series 2005	3.5 - 4.5%	7/15/11 - 29	7,190,000	-
Wildflower Ranch General District 1:				
G.O. Bonds, Series 1997	5.875 - 6.5%	7/15/06 - 22	555,000	20,000
G.O. Bonds, Series 1998	5.2 - 5.75%	7/15/06 - 23	650,000	20,000
Wildflower Ranch General District 2:				
G.O. Bonds, Series 2000	6.0 - 7.0%	7/15/06 - 25	660,000	15,000
G.O. Bonds, Series 2001	4.5 - 5.9%	7/15/06 - 26	715,000	20,000
Estrella Mountain Ranch:				
Assessment Bonds, Series 2001(A)	7.88%	7/01/06 - 25	6,926,000	241,000
Assessment Bonds, Series 2002	7.38%	7/01/06 - 27	4,643,000	127,000
G.O. Bonds, Series 2005	5.0 - 5.8%	7/01/06 - 30	5,005,000	135,000
Cottonflower:				
G.O. Bonds, Series 2003	4.1 - 5.7%	7/15/06 - 28	1,720,000	45,000
G.O. Bonds, Series 2004	3.7 - 6.75%	7/15/06 - 28	1,325,000	25,000
Cortina:				
G.O. Bonds, Series 2005	5.0 - 5.7%	7/15/06 - 29	1,700,000	25,000
Centerra:				
G.O. Bonds, Series 2005	5.50%	7/15/06 - 29	2,400,000	40,000
Total			<u>\$ 73,000,000</u>	<u>\$ 1,353,000</u>

CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 8 COMMUNITY FACILITIES DISTRICTS BONDS PAYABLE (Continued)

Community Facilities District bonds debt service requirements to maturity are as follows:

Fiscal year ending June 30,	Governmental Activities	
	Principal	Interest
2007	\$ 1,353,000	\$ 3,947,927
2008	1,411,000	3,981,976
2009	1,667,000	3,892,875
2010	2,000,000	3,789,319
2011	2,289,000	3,673,055
2012-2016	13,519,000	16,270,131
2017-2021	15,740,000	12,096,279
2022-2026	20,019,000	7,048,521
2027-2031	15,002,000	1,530,375
Total	<u>\$ 73,000,000</u>	<u>\$ 56,230,458</u>

On March 31, 2005, Community Facilities Utilities District #1 issued \$1,455,000 of General Obligation Bonds to do an advance refunding of the 1996(B) bonds. Under the terms of the refunding issue, sufficient assets to pay all principal and interest on the refunded bonds issue have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government Securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issue refunded. The amount outstanding on those bonds as of June 30, 2006 is \$1,305,000. These bonds have been fully defeased. The difference between the cash flows required to service the refunded debt and the new debt resulted in a savings to the City of \$230,805. The net present value cash flow for savings on issuing the refunding bonds at a 4.59% bond yield was \$171,450. The \$77,694 deferred amount on retirement of bonds is being amortized over the lives of the refunding bonds on the straight-line basis. Amortization for the year ended June 30, 2006 of \$5,180 was taken on the deferred amount.

Legal Debt Limit- General obligation bonded indebtedness for each District cannot exceed 60 percent of the market value of the property in the District after the infrastructure is completed plus the value of the infrastructure improvement made.

NOTE 9 AMORTIZATION OF BOND COSTS, BOND DISCOUNTS AND BOND PREMIUMS

Bond costs, discounts and premiums are being amortized over the life of the bonds on the straight-line basis. Amortization has been offset against interest expense. A summary of the amortizations are as follows:

CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 9 AMORTIZATION OF BOND COSTS, BOND DISCOUNTS AND BOND
PREMIUMS (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance
Bond Costs:				
Governmental Activities				
General Obligation Bonds				
Series 2005	\$ 387,752	\$ -	\$ 387,752	\$ -
Community Facilities District Bonds Payable				
Utilities District #1 Series 2005	369,869	-	15,411	354,458
Utilities District #1 Series 2005 Refunding	17,882	-	1,118	16,764
Cortina Series 2005	110,631	-	4,610	106,021
Centerra Series 2005	126,267	-	5,261	121,006
Estrella Mountain Ranch Series 2005	-	178,881	6,880	172,001
Business-type Activities				
General Obligation Bonds				
Series 2005	-	387,752	24,234	363,518
	<u>\$ 1,012,401</u>	<u>\$ 566,633</u>	<u>\$ 445,266</u>	<u>\$ 1,133,768</u>
	Beginning Balance	Additions	Reductions	Ending Balance
Bond Premiums (Discounts)				
Governmental Activities				
General Obligation Bonds				
Series 2005	\$ 476,838	\$ -	\$ 476,838	\$ -
Community Facilities District Bonds Payable				
Utilities District #1 Series 2005	(79,896)	-	(3,329)	(76,567)
Utilities District #1 Series 2005 Refunding	2,593	-	162	2,431
Business-type Activities				
General Obligation Bonds				
Series 2005	-	476,838	29,802	447,036
Revenue Bonds, Series 1999	34,068	-	2,621	31,447
	<u>\$ 433,603</u>	<u>\$ 476,838</u>	<u>\$ 506,094</u>	<u>\$ 404,347</u>

CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 10 CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 2,250,846	\$ 1,261,650	\$ 994,320	\$ 2,518,176	\$ 568,320
General obligation bonds payable	58,265,000	-	30,985,000	27,280,000	-
Loans payable	4,085,000	-	440,000	3,645,000	-
Community Facilities					
District bonds payable	69,452,600	5,005,000	1,457,600	73,000,000	1,353,000
Revenue bonds payable	3,640,000	-	155,000	3,485,000	-
Governmental activities long-term liabilities	<u>\$ 137,693,446</u>	<u>\$ 6,266,650</u>	<u>\$ 34,031,920</u>	<u>\$ 109,928,176</u>	<u>\$ 1,921,320</u>
Business-type activities					
Compensated absences	\$ 193,497	\$ 168,978	\$ 99,509	\$ 262,966	\$ 75,490
General obligation bonds payable	-	29,260,000	270,000	28,990,000	-
Revenue bonds payable	2,710,000	-	130,000	2,580,000	-
Loans payable	11,007,624	-	502,111	10,505,513	-
Business-type activities long-term liabilities	<u>\$ 13,911,121</u>	<u>\$ 29,428,978</u>	<u>\$ 1,001,620</u>	<u>\$ 42,338,479</u>	<u>\$ 75,490</u>

NOTE 11 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2006, interfund balances were as follows:

Interfund receivable/payable:

Fund	Receivable Amount	Payable Amount
General Fund	\$ 735,302	\$ -
Community Facilities Districts-Debt Service	-	33,480
Non-Major Governmental Funds	-	701,822
Total	<u>\$ 735,302</u>	<u>\$ 735,302</u>

All interfund borrowing resulted from the borrowing of funds to cover deficit cash.

CITY OF GOODYEAR, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 11 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund transfers:

Fund	Transfers Out	Transfers In
General Fund	\$ 4,615,013	\$ 1,682,000
Community Facilities Districts-Debt Service	701	6,609
Capital Improvements	41,993,887	12,999,621
Community Facilities Districts-Capital Projects	6,609	701
Non-Major Governmental Funds	1,350,358	3,521,489
Water and Sewer Fund	307,938	-
Sanitation Fund	-	425,000
Internal Service Fund	-	290,000
Total	\$ 48,274,506	\$ 18,925,420

The Capital Improvements Fund transferred \$29,349,086 of cash from the 2005 bond issue to the Water and Sewer Enterprise Fund. The enterprise fund recorded \$29,349,086 of debt and the related bond costs.

All other transfers made during the year were routine in nature and consistent with the activities of the fund making the transfer.

NOTE 12 CONTINGENT LIABILITIES

Federal and State grants and loans- The City has received a number of grants and loans from both the Federal and State governments. Although the programs have been audited, not all audits have been approved as of June 30, 2006, however, the City expects no material disallowances of expenditures.

Lawsuits – The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City’s legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 13 RISK MANAGEMENT

The City is exposed to various risk 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 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 authority to assess its members additional premiums should reserve and annual premiums be insufficient to meet the pool’s obligations.

The City is insured by the Workers’ Compensation Insurance Fund for potential worker-related accidents.

CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 14 RETIREMENT PLANS

All full-time City employees are covered by one of two contributory retirement and pension plans, which are administered by the State of Arizona under State Statute.

Arizona State Retirement Plan

Plan Description - The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefits pension plan that covers general employees of the City. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. ASRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at Arizona State Retirement System, 3300 Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067 or by calling 602-240-2200 or 1-800-621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rates. For the year ended June 30, 2005, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 5.7 percent (5.2 percent retirement and .49 percent long-term disability) of the member's annual covered payroll. The City's contributions to ASRS for the years ended June 30, 2005, 2004, and 2003 were \$645,078, \$528,675, and \$211,962, respectively, which were equal to the required contributions for the year.

Arizona Public Safety Personnel Retirement System

Plan Description - The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 167 local boards according to the provisions of ARS Title 38, Chapter 5, Article 4. The City contributes to one PSPRS plan for police and one for firefighters. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. PSPRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at PSPRS, 1020 East Missouri Avenue, Phoenix, Arizona 85014 or by calling 602-255-5575.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rates. For the year ended June 30, 2005, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 8.89% and 7.23% of the covered payroll to the Plan for the Police and Firefighters, respectively.

CITY OF GOODYEAR, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

NOTE 14 RETIREMENT PLANS (Continued)

Annual Pension Cost - The City's pension cost for the agent plan for the year ended June 30, 2005, and related information follows:

Contribution Rates:	<u>PSPRS – Police</u>	<u>PSPRS - Fire</u>
City	8.89%	7.23%
Plan members	7.65%	7.65%
Annual pension cost	\$298,580	\$89,277
Contributions made	\$298,580	\$89,277
Actuarial valuation date	June 30, 2005	June 30, 2005
Actuarial cost method	Entry Age	Entry Age
Actuarial assumptions:		
Investment rate of return	8.5%	8.5%
Projected salary increases	6.0% - 9.0%	6.0% - 9.0%
Includes inflation at cost-of-living adjustment	5.0%	5.0%
Amortization method	Level Percent Open	Level Percent Open
Remaining amortization period	Open 20 Years	Open 20 Years
Asset valuation method	Smoothed Market	Smoothed Market
Post retirement benefit increases	Based on Income	Based on Income

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

<u>Plan</u>	<u>Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PSPRS - Police	2005	\$ 298,580	100.0%	-
	2004	274,670	100.0%	-
	2003	237,104	100.0%	-
PSPRS - Fire	2005	89,277	100.0%	-
	2004	268,224	100.0%	-
	2003	234,027	100.0%	-

Funding Progress - An analysis of funding progress for each of the agent plan as most recent actuarial valuations, June 30, 2005 follows:

CITY OF GOODYEAR, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 14 RETIREMENT PLANS (Continued)

PSPR - Goodyear Police Plan:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funding Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ((b-a)/c)
June 30, 2005	\$6,372,349	\$8,017,990	\$(1,645,641)	79.5%	\$3,407,937	48.3%
2004	5,499,466	6,111,357	(611,891)	90.0%	2,933,985	20.9%
2003	4,937,802	4,925,456	12,346	100.3%	2,708,779	0%

PSPR - Goodyear Fire Plan:

Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Funding Liability (a-b)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ((b-a)/c)
June 30, 2005	\$4,580,344	\$4,826,980	\$ (246,636)	94.9%	\$3,561,253	6.9%
2004	3,846,596	3,201,957	644,639	120.1%	2,916,393	0%
2003	3,065,496	2,520,831	544,665	121.6%	2,666,015	0%

NOTE 15 PRIOR PERIOD ADJUSTMENT

The July 1, 2005, fund balance of the government-wide governmental and business-type activities does not agree to the prior year financial statements due to the correction of errors in capital assets. Net capital assets in the government-wide financial statements were overstated by \$34,644,295 for the governmental activities and understated by \$858,138 for the business-type activities for the year ending June 30, 2005. Net capital assets in the fund financial statements were also understated by \$858,138 for the Water and Sewer Fund for the year ending June 30, 2005. Beginning net assets in the government-wide statements for the governmental activities were decreased by \$34,644,295. The change in net assets in the government-wide statements for the governmental activities would have been \$21,880 less for the year ending June 30, 2005. Beginning net assets in the Water and Sewer Fund were increased by \$858,138. The change in net assets in the Water and Sewer Fund would have been \$204,134 less for the year ending June 30, 2005.

NOTE 16 DEFICIT NET ASSETS

Internal Service Fund Deficit Net Assets – At June 30, 2006, the Internal Service Fund contains a deficit net assets balance of \$7,110 in the fund financial statements.



OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

MAJOR GOVERNMENTAL FUNDS

CITY OF GOODYEAR
COMMUNITY FACILITIES DISTRICTS - DEBT SERVICE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,206,861	\$ 3,206,861	\$ 3,106,886	\$ (99,975)
Investment income	-	-	200,762	200,762
Special assessments	1,699,157	1,699,157	2,197,445	498,288
Contributions	1,539,764	1,539,764	918,861	(620,903)
Total revenues	<u>6,445,782</u>	<u>6,445,782</u>	<u>6,423,954</u>	<u>(21,828)</u>
EXPENDITURES				
Debt service				
Principal retirement	1,502,600	1,502,600	1,457,600	45,000
Interest and debt costs	4,813,815	4,813,815	3,868,859	944,956
Total expenditures	<u>6,316,415</u>	<u>6,316,415</u>	<u>5,326,459</u>	<u>989,956</u>
Excess (deficiency) of revenues over (under) expenditures	<u>129,367</u>	<u>129,367</u>	<u>1,097,495</u>	<u>968,128</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	6,609	6,609
Transfers out	-	-	(701)	(701)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>5,908</u>	<u>5,908</u>
Net change in fund balance	129,367	129,367	1,103,403	974,036
Fund balance, beginning of year	<u>6,519,269</u>	<u>6,519,269</u>	<u>6,519,269</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,648,636</u>	<u>\$ 6,648,636</u>	<u>\$ 7,622,672</u>	<u>\$ 974,036</u>

CITY OF GOODYEAR
CAPITAL IMPROVEMENT PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,191,169	\$ 1,191,169	\$ -	\$ (1,191,169)
Investment income	-	-	828,478	828,478
Contributions	7,250,000	7,250,000	-	(7,250,000)
Miscellaneous	-	-	5,782	5,782
Total revenues	<u>8,441,169</u>	<u>8,441,169</u>	<u>834,260</u>	<u>(7,606,909)</u>
EXPENDITURES				
Capital outlay	77,204,372	77,204,372	7,825,775	69,378,597
Debt service				
Interest and debt cost	-	-	423	(423)
Total expenditures	<u>77,204,372</u>	<u>77,204,372</u>	<u>7,826,198</u>	<u>69,378,174</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(68,763,203)</u>	<u>(68,763,203)</u>	<u>(6,991,938)</u>	<u>61,771,265</u>
OTHER FINANCING SOURCES (USES)				
Debt issuance	29,210,087	29,210,087	-	(29,210,087)
Transfer in	-	-	12,999,621	12,999,621
Transfers out	-	-	(41,993,887)	(41,993,887)
Total other financing sources (uses)	<u>29,210,087</u>	<u>29,210,087</u>	<u>(28,994,266)</u>	<u>(58,204,353)</u>
Net change in fund balance	(39,553,116)	(39,553,116)	(35,986,204)	3,566,912
Fund balance, beginning of year	<u>37,711,183</u>	<u>37,711,183</u>	<u>37,711,183</u>	<u>-</u>
Fund balance, end of year	<u>\$ (1,841,933)</u>	<u>\$ (1,841,933)</u>	<u>\$ 1,724,979</u>	<u>\$ 3,566,912</u>

CITY OF GOODYEAR
COMMUNITY FACILITIES DISTRICTS - CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Investment income	\$ -	\$ -	\$ 737,635	\$ 737,635
Contributions	-	-	183,000	183,000
Miscellaneous income	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>920,635</u>	<u>920,635</u>
EXPENDITURES				
Capital outlay	43,681,232	43,681,232	999,474	42,681,758
Total expenditures	<u>43,681,232</u>	<u>43,681,232</u>	<u>999,474</u>	<u>42,681,758</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(43,681,232)</u>	<u>(43,681,232)</u>	<u>(78,839)</u>	<u>43,602,393</u>
OTHER FINANCING SOURCES (USES)				
Debt issuance	28,615,000	28,615,000	5,005,000	(23,610,000)
Transfers in	-	-	701	701
Transfers out	-	-	(6,609)	(6,609)
Total other financing sources (uses)	<u>28,615,000</u>	<u>28,615,000</u>	<u>4,999,092</u>	<u>(23,615,908)</u>
Net change in fund balance	(15,066,232)	(15,066,232)	4,920,253	19,986,485
Fund balance, beginning of year	<u>18,013,042</u>	<u>18,013,042</u>	<u>18,013,042</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,946,810</u>	<u>\$ 2,946,810</u>	<u>\$ 22,933,295</u>	<u>\$ 19,986,485</u>

OTHER SUPPLEMENTARY INFORMATION

COMBINING FUND FINANCIAL STATEMENTS

CITY OF GOODYEAR
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2006

	Special Revenue		
	Highway User Revenue	Grants	Community Facilities Districts
ASSETS			
Cash and cash equivalents	\$ 482,413	\$ 46,796	\$ 1,157,911
Taxes receivable	284,210	-	32,148
Interest receivable	-	-	6,963
Accounts receivable	-	72,908	21,118
Due from other governments	-	129,934	-
Inventories	187,346	-	-
Prepaid items	-	-	-
Total assets	<u>\$ 953,969</u>	<u>\$ 249,638</u>	<u>\$ 1,218,140</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 246,972	\$ 9,991	\$ 34,668
Accrued payroll and employee benefits	39,027	818	-
Deposits held for others	71,082	-	5,000
Due to other funds	-	232,000	469,822
Deferred revenue	409,542	-	21,377
Total liabilities	<u>766,623</u>	<u>242,809</u>	<u>530,867</u>
Fund balances:			
Reserved:			
Debt service	-	-	-
Unreserved, reported in			
Special revenue	187,346	6,829	687,273
Total fund balances	<u>187,346</u>	<u>6,829</u>	<u>687,273</u>
Total liabilities and fund balances	<u>\$ 953,969</u>	<u>\$ 249,638</u>	<u>\$ 1,218,140</u>

Special Revenue

Community Facilities Impact Fees	General Government Impact Fees	Public Works Impact Fees	Fire Impact Fees	Police Impact Fees	Transportation Impact Fees
\$ 3,280,896	\$ 2,769,139	\$ 3,079,475	\$ (4,638)	\$ 3,488,633	\$ 4,354,782
-	-	-	-	-	-
25,025	21,063	23,901	1,668	26,138	36,854
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,305,921</u>	<u>\$ 2,790,202</u>	<u>\$ 3,103,376</u>	<u>\$ (2,970)</u>	<u>\$ 3,514,771</u>	<u>\$ 4,391,636</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,957</u>
-	-	-	-	-	-
3,305,921	2,790,202	3,103,376	(2,970)	3,514,771	4,347,679
<u>3,305,921</u>	<u>2,790,202</u>	<u>3,103,376</u>	<u>(2,970)</u>	<u>3,514,771</u>	<u>4,347,679</u>
<u>\$ 3,305,921</u>	<u>\$ 2,790,202</u>	<u>\$ 3,103,376</u>	<u>\$ (2,970)</u>	<u>\$ 3,514,771</u>	<u>\$ 4,391,636</u>

CITY OF GOODYEAR
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2006

	<u>Special Revenue</u>		Total Non-Major Governmental Funds
	Library Impact Fees	Debt Services	
ASSETS			
Cash and cash equivalents	\$ 1,883,048	\$ 141,944	\$ 20,680,399
Taxes receivable	-	102,280	418,638
Interest receivable	14,606	1,113	157,331
Accounts receivable	-	-	94,026
Due from other governments	-	-	129,934
Inventories	-	-	187,346
Prepaid items	-	17,000	17,000
Total assets	<u>\$ 1,897,654</u>	<u>\$ 262,337</u>	<u>\$ 21,684,674</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 2,300	\$ -	\$ 337,888
Accrued payroll and employee benefits	-	-	39,845
Deposits held for others	-	-	76,082
Due to other funds	-	-	701,822
Deferred revenue	-	51,839	482,758
Total liabilities	<u>2,300</u>	<u>51,839</u>	<u>1,638,395</u>
Fund balances:			
Reserved:			
Debt service	-	210,498	210,498
Unreserved:			
Special revenue	1,895,354	-	19,835,781
Total fund balances	<u>1,895,354</u>	<u>210,498</u>	<u>20,046,279</u>
Total liabilities and fund balances	<u>\$ 1,897,654</u>	<u>\$ 262,337</u>	<u>\$ 21,684,674</u>



CITY OF GOODYEAR
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 For The Year Ended June 30, 2006

REVENUES	Special Revenue		
	Highway User Revenue	Grants	Community Facilities Districts
Taxes	\$ -	\$ -	\$ 690,619
Intergovernmental	1,852,970	632,881	-
Charges for services	-	-	-
Investment income	13,983	38	77,092
Contributions	-	-	54,739
Miscellaneous	9,022	269,078	99,051
Total revenues	<u>1,875,975</u>	<u>901,997</u>	<u>921,501</u>
EXPENDITURES			
Current:			
General government	-	-	760,004
Public safety	-	137,749	-
Highway and streets	3,647,507	-	-
Public works	-	-	-
Community development	-	236,282	-
Capital outlay	137,685	624,289	-
Debt service:			
Principal retirement	-	-	-
Interest and debt costs	-	-	-
Total expenditures	<u>3,785,192</u>	<u>998,320</u>	<u>760,004</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,909,217)</u>	<u>(96,323)</u>	<u>161,497</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	2,027,727	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>2,027,727</u>	<u>-</u>	<u>-</u>
Net change in fund balances	118,510	(96,323)	161,497
Fund balances, beginning of year	<u>68,836</u>	<u>103,152</u>	<u>525,776</u>
Fund balances, end of year	<u>\$ 187,346</u>	<u>\$ 6,829</u>	<u>\$ 687,273</u>

Special Revenue

Community Facilities Impact Fees	General Government Impact Fees	Public Works Impact Fees	Fire Impact Fees	Police Impact Fees	Transportation Impact Fees
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,140,109	1,170,888	1,042,625	1,040,311	1,329,544	1,817,920
103,979	87,063	103,305	53,912	106,944	154,850
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,244,088</u>	<u>1,257,951</u>	<u>1,145,930</u>	<u>1,094,223</u>	<u>1,436,488</u>	<u>1,972,770</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	19,310	94,458	-	-	-
64,791	55,388	37,358	2,151,810	104,920	747,337
-	-	-	-	-	-
-	-	-	-	-	-
<u>64,791</u>	<u>74,698</u>	<u>131,816</u>	<u>2,151,810</u>	<u>104,920</u>	<u>747,337</u>
<u>1,179,297</u>	<u>1,183,253</u>	<u>1,014,114</u>	<u>(1,057,587)</u>	<u>1,331,568</u>	<u>1,225,433</u>
-	-	-	-	-	-
-	-	-	(354,820)	-	-
-	-	-	(354,820)	-	-
1,179,297	1,183,253	1,014,114	(1,412,407)	1,331,568	1,225,433
2,126,624	1,606,949	2,089,262	1,409,437	2,183,203	3,122,246
<u>\$ 3,305,921</u>	<u>\$ 2,790,202</u>	<u>\$ 3,103,376</u>	<u>\$ (2,970)</u>	<u>\$ 3,514,771</u>	<u>\$ 4,347,679</u>

CITY OF GOODYEAR
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
 BALANCES
 NON MAJOR GOVERNMENTAL FUNDS (CONTINUED)
 For The Year Ended June 30, 2006

REVENUES	Special Revenue		Total Non-Major Government Funds
	Library Impact Fees	Debt Service	
Taxes	\$ -	\$ 3,011,492	\$ 3,702,111
Intergovernmental	-	-	2,485,851
Charges for services	597,825	-	8,139,222
Investment income	62,183	15,895	779,244
Contributions	-	-	54,739
Miscellaneous	-	-	377,151
Total revenues	<u>660,008</u>	<u>3,027,387</u>	<u>15,538,318</u>
EXPENDITURES			
Current:			
General government	-	-	760,004
Public safety	-	-	137,749
Highway and streets	-	-	3,647,507
Public works	-	-	113,768
Community development	-	-	236,282
Capital outlay	4,638	-	3,928,216
Debt service:			
Principal retirement	-	2,165,000	2,165,000
Interest and debt costs	-	1,273,976	1,273,976
Total expenditures	<u>4,638</u>	<u>3,438,976</u>	<u>12,262,502</u>
Excess (deficiency) of revenues over (under) expenditures	<u>655,370</u>	<u>(411,589)</u>	<u>3,275,816</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	-	1,493,762	3,521,489
Transfers out	-	(995,538)	(1,350,358)
Total other financing sources (uses)	<u>-</u>	<u>498,224</u>	<u>2,171,131</u>
Net change in fund balances	655,370	86,635	5,446,947
Fund balances, beginning of year	<u>1,239,984</u>	<u>123,863</u>	<u>14,599,332</u>
Fund balances, end of year	<u>\$ 1,895,354</u>	<u>\$ 210,498</u>	<u>\$ 20,046,279</u>

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

NON – MAJOR GOVERNMENTAL FUNDS



CITY OF GOODYEAR
HIGHWAY USER REVENUE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 1,601,209	\$ 1,601,209	\$ 1,852,970	\$ 251,761
Investment income	-	-	13,983	13,983
Miscellaneous	-	-	9,022	9,022
Total revenues	<u>1,601,209</u>	<u>1,601,209</u>	<u>1,875,975</u>	<u>274,766</u>
EXPENDITURES				
Current				
Highway and streets	4,388,640	4,388,640	3,647,507	741,133
Capital outlay	493,562	493,562	137,685	355,877
Total expenditures	<u>4,882,202</u>	<u>4,882,202</u>	<u>3,785,192</u>	<u>1,097,010</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,280,993)</u>	<u>(3,280,993)</u>	<u>(1,909,217)</u>	<u>1,371,776</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	<u>2,787,433</u>	<u>2,787,433</u>	<u>2,027,727</u>	<u>(759,706)</u>
Total other financing sources (uses)	<u>2,787,433</u>	<u>2,787,433</u>	<u>2,027,727</u>	<u>(759,706)</u>
Net change in fund balance	(493,560)	(493,560)	118,510	612,070
Fund balance, beginning of year	<u>68,836</u>	<u>68,836</u>	<u>68,836</u>	<u>-</u>
Fund balance, end of year	<u>\$ (424,724)</u>	<u>\$ (424,724)</u>	<u>\$ 187,346</u>	<u>\$ (147,636)</u>

CITY OF GOODYEAR
GRANTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 2,762,500	\$ 2,762,500	\$ 632,881	\$ (2,129,619)
Investment income	-	-	38	38
Miscellaneous	-	-	269,078	269,078
Total revenues	<u>2,762,500</u>	<u>2,762,500</u>	<u>901,997</u>	<u>(1,860,503)</u>
EXPENDITURES				
Current				
Public safety	-	-	137,749	(137,749)
Community development	-	-	236,282	(236,282)
Capital outlay	<u>730,608</u>	<u>730,608</u>	<u>624,289</u>	<u>106,319</u>
Total expenditures	<u>730,608</u>	<u>730,608</u>	<u>998,320</u>	<u>(267,712)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,031,892</u>	<u>2,031,892</u>	<u>(96,323)</u>	<u>(2,128,215)</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	2,031,892	2,031,892	(96,323)	(2,128,215)
Fund balance, beginning of year	<u>103,152</u>	<u>103,152</u>	<u>103,152</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,135,044</u>	<u>\$ 2,135,044</u>	<u>\$ 6,829</u>	<u>\$ (2,128,215)</u>

CITY OF GOODYEAR
COMMUNITY FACILITIES DISTRICTS - GENERAL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 708,127	\$ 708,127	\$ 690,619	\$ (17,508)
Investment income	-	-	77,092	77,092
Contributions	56,049	56,049	54,739	(1,310)
Miscellaneous	-	-	99,051	99,051
Total revenues	<u>764,176</u>	<u>764,176</u>	<u>921,501</u>	<u>157,325</u>
EXPENDITURES				
Current				
General government	1,010,986	1,010,986	760,004	250,982
Total expenditures	<u>1,010,986</u>	<u>1,010,986</u>	<u>760,004</u>	<u>250,982</u>
Net change in fund balance	(246,810)	(246,810)	161,497	408,307
Fund balance, beginning of year	<u>525,776</u>	<u>525,776</u>	<u>525,776</u>	<u>-</u>
Fund balance, end of year	<u>\$ 278,966</u>	<u>\$ 278,966</u>	<u>\$ 687,273</u>	<u>\$ 408,307</u>

CITY OF GOODYEAR
COMMUNITY FACILITIES IMPACT FEES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
REVENUES				
Charges for services	\$ 1,256,700	\$ 1,256,700	\$ 1,140,109	\$ (116,591)
Investment income	-	-	103,979	103,979
Total revenues	<u>1,256,700</u>	<u>1,256,700</u>	<u>1,244,088</u>	<u>(12,612)</u>
EXPENDITURES				
Capital outlay	1,050,000	1,050,000	64,791	985,209
Total expenditures	<u>1,050,000</u>	<u>1,050,000</u>	<u>64,791</u>	<u>985,209</u>
Net change in fund balance	206,700	206,700	1,179,297	972,597
Fund balance, beginning of year	<u>2,126,624</u>	<u>2,126,624</u>	<u>2,126,624</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,333,324</u>	<u>\$ 2,333,324</u>	<u>\$ 3,305,921</u>	<u>\$ 972,597</u>

CITY OF GOODYEAR
GENERAL GOVERNMENT IMPACT FEES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 1,091,079	\$ 1,091,079	\$ 1,170,888	\$ 79,809
Investment income	-	-	87,063	87,063
Total revenues	<u>1,091,079</u>	<u>1,091,079</u>	<u>1,257,951</u>	<u>166,872</u>
EXPENDITURES				
Current				
Public works	800,000	400,000	19,310	380,690
Community development	-	-	0	-
Capital outlay	-	400,000	55,388	344,612
Total expenditures	<u>800,000</u>	<u>800,000</u>	<u>74,698</u>	<u>725,302</u>
Net change in fund balance	291,079	291,079	1,183,253	892,174
Fund balance, beginning of year	<u>1,606,949</u>	<u>1,606,949</u>	<u>1,606,949</u>	-
Fund balance, end of year	<u>\$ 1,898,028</u>	<u>\$ 1,898,028</u>	<u>\$ 2,790,202</u>	<u>\$ 892,174</u>

CITY OF GOODYEAR
PUBLIC WORKS IMPACT FEES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 940,342	\$ 940,342	\$ 1,042,625	\$ 102,283
Investment income	-	-	103,305	103,305
Total revenues	<u>940,342</u>	<u>940,342</u>	<u>1,145,930</u>	<u>205,588</u>
EXPENDITURES				
Current				
Public works	-	-	94,458	(94,458)
Capital outlay	<u>2,527,238</u>	<u>2,527,238</u>	<u>37,358</u>	<u>2,489,880</u>
Total expenditures	<u>2,527,238</u>	<u>2,527,238</u>	<u>131,816</u>	<u>2,395,422</u>
Net change in fund balance	(1,586,896)	(1,586,896)	1,014,114	2,601,010
Fund balance, beginning of year	<u>2,089,262</u>	<u>2,089,262</u>	<u>2,089,262</u>	<u>-</u>
Fund balance, end of year	<u>\$ 502,366</u>	<u>\$ 502,366</u>	<u>\$ 3,103,376</u>	<u>\$ 2,601,010</u>

CITY OF GOODYEAR
 FIRE IMPACT FEES
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
 AND ACTUAL
 For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 1,175,883	\$ 1,175,883	\$ 1,040,311	\$ (135,572)
Investment income	-	-	53,912	53,912
Total revenues	<u>1,175,883</u>	<u>1,175,883</u>	<u>1,094,223</u>	<u>(81,660)</u>
EXPENDITURES				
Capital outlay	-	-	2,151,810	(2,151,810)
Total expenditures	<u>-</u>	<u>-</u>	<u>2,151,810</u>	<u>(2,151,810)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,175,883</u>	<u>1,175,883</u>	<u>(1,057,587)</u>	<u>(2,233,470)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(354,820)	(354,820)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(354,820)</u>	<u>(354,820)</u>
Net change in fund balance	1,175,883	1,175,883	(1,412,407)	(2,588,290)
Fund balance, beginning of year	<u>1,409,437</u>	<u>1,409,437</u>	<u>1,409,437</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,585,320</u>	<u>\$ 2,585,320</u>	<u>\$ (2,970)</u>	<u>\$ (2,588,290)</u>

CITY OF GOODYEAR
POLICE IMPACT FEES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 873,438	\$ 873,438	\$ 1,329,544	\$ 456,106
Investment income	-	-	106,944	106,944
Total revenues	<u>873,438</u>	<u>873,438</u>	<u>1,436,488</u>	<u>563,050</u>
EXPENDITURES				
Capital outlay	<u>360,000</u>	<u>360,000</u>	<u>104,920</u>	<u>255,080</u>
Total expenditures	<u>360,000</u>	<u>360,000</u>	<u>104,920</u>	<u>255,080</u>
Net change in fund balance	513,438	513,438	1,331,568	818,130
Fund balance, beginning of year	<u>2,183,203</u>	<u>2,183,203</u>	<u>2,183,203</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,696,641</u>	<u>\$ 2,696,641</u>	<u>\$ 3,514,771</u>	<u>\$ 818,130</u>

CITY OF GOODYEAR
TRANSPORTATION IMPACT FEES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Charges for services	\$ 2,200,000	\$ 2,200,000	\$ 1,817,920	\$ (382,080)
Investment income	-	-	154,850	154,850
Total revenues	<u>2,200,000</u>	<u>2,200,000</u>	<u>1,972,770</u>	<u>(227,230)</u>
EXPENDITURES				
Capital outlay	<u>5,903,976</u>	<u>5,903,976</u>	<u>747,337</u>	<u>5,156,639</u>
Total expenditures	<u>5,903,976</u>	<u>5,903,976</u>	<u>747,337</u>	<u>5,156,639</u>
Net change in fund balance	(3,703,976)	(3,703,976)	1,225,433	4,929,409
Fund balance, beginning of year	<u>3,122,246</u>	<u>3,122,246</u>	<u>3,122,246</u>	<u>-</u>
Fund balance, end of year	<u>\$ (581,730)</u>	<u>\$ (581,730)</u>	<u>\$ 4,347,679</u>	<u>\$ 4,929,409</u>

CITY OF GOODYEAR
LIBRARY IMPACT FEES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Charges for services	\$ 709,670	\$ 709,670	\$ 597,825	\$ (111,845)
Investment income	-	-	62,183	62,183
Total revenues	<u>709,670</u>	<u>709,670</u>	<u>660,008</u>	<u>(49,662)</u>
EXPENDITURES				
Capital outlay	100,000	100,000	4,638	95,362
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>4,638</u>	<u>95,362</u>
Net change in fund balance	609,670	609,670	655,370	45,700
Fund balance, beginning of year	<u>1,239,984</u>	<u>1,239,984</u>	<u>1,239,984</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,849,654</u>	<u>\$ 1,849,654</u>	<u>\$ 1,895,354</u>	<u>\$ 45,700</u>

CITY OF GOODYEAR
DEBT SERVICE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET
AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 3,044,108	\$ 3,044,108	\$ 3,011,492	\$ (32,616)
Investment income	-	-	15,895	15,895
Total revenues	<u>3,044,108</u>	<u>3,044,108</u>	<u>3,027,387</u>	<u>(16,721)</u>
EXPENDITURES				
Debt service				
Principal retirement	3,172,070	3,172,070	2,165,000	1,007,070
Interest and debt costs	486,605	486,605	1,273,976	(787,371)
Total expenditures	<u>3,658,675</u>	<u>3,658,675</u>	<u>3,438,976</u>	<u>219,699</u>
Excess (deficiency) of revenues over (under) expenditures	(614,567)	(614,567)	(411,589)	202,978
OTHER FINANCING SOURCES				
Transfers in	614,567	-	1,493,762	1,493,762
Transfers out	-	-	(995,538)	(995,538)
Total other financing sources	<u>614,567</u>	<u>-</u>	<u>498,224</u>	<u>498,224</u>
Net change in fund balance	-	(614,567)	86,635	701,202
Fund balance, beginning of year	<u>123,863</u>	<u>123,863</u>	<u>123,863</u>	<u>-</u>
Fund balance, end of year	<u>\$ 123,863</u>	<u>\$ (490,704)</u>	<u>\$ 210,498</u>	<u>\$ 701,202</u>

CITY OF GOODYEAR
WATER & SEWER ENTERPRISE FUND
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for service	\$ 10,162,573	\$ 10,162,573	\$ 10,799,140	\$ 636,567
Miscellaneous	8,427	8,427	17,431	9,004
Total operating revenue	<u>10,171,000</u>	<u>10,171,000</u>	<u>10,816,571</u>	<u>645,571</u>
Operating expenses:				
Administration	2,164,734	2,164,734	2,427,531	(262,797)
Costs of sales and services	55,087,318	55,087,318	7,202,101	47,885,217
Depreciation	-	-	2,771,517	(2,771,517)
Total operating expenses	<u>57,252,052</u>	<u>57,252,052</u>	<u>12,401,149</u>	<u>44,850,903</u>
Operating income (loss)	<u>(47,081,052)</u>	<u>(47,081,052)</u>	<u>(1,584,578)</u>	<u>45,496,474</u>
Nonoperating revenues (expenses):				
Impact fees	4,993,994	4,993,994	7,284,046	2,290,052
Mitigation proceeds	-	-	1,950,000	1,950,000
Investment income	-	-	710,119	710,119
Interest expense	-	-	(1,878,867)	(1,878,867)
Total nonoperating revenues (expenses)	<u>4,993,994</u>	<u>4,993,994</u>	<u>8,065,298</u>	<u>3,071,304</u>
Income (loss) before capital contributions and transfers	<u>(42,087,058)</u>	<u>(42,087,058)</u>	<u>6,480,720</u>	<u>48,567,778</u>
Capital contributions	500,000	500,000	18,732,900	18,232,900
Transfers in	1,830,012	1,830,012	-	(1,830,012)
Transfers out	-	-	(307,938)	(307,938)
Change in net assets	<u>(39,757,046)</u>	<u>(39,757,046)</u>	<u>24,905,682</u>	<u>64,662,728</u>
Net assets, beginning of year	58,866,336	58,866,336	58,866,336	-
Prior period adjustment	-	-	858,138	858,138
Net assets, beginning of year - restated	<u>58,866,336</u>	<u>58,866,336</u>	<u>59,724,474</u>	<u>858,138</u>
Net assets, end of year	<u>\$ 19,109,290</u>	<u>\$ 19,109,290</u>	<u>\$ 84,630,156</u>	<u>\$ 65,520,866</u>

CITY OF GOODYEAR
SANITATION ENTERPRISE FUND
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
For The Year Ended June 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating revenues:				
Charges for service	\$ 3,364,410	\$ 3,364,410	\$ 3,185,387	\$ (179,023)
Miscellaneous	-	-	240,000	240,000
Total operating revenue	<u>3,364,410</u>	<u>3,364,410</u>	<u>3,425,387</u>	<u>60,977</u>
Operating expenses:				
Administration	563,604	563,604	687,534	(123,930)
Costs of sales and services	2,403,776	2,403,776	2,458,508	(54,732)
Depreciation	25,444	25,444	43,265	(17,821)
Total operating expenses	<u>2,992,824</u>	<u>2,992,824</u>	<u>3,189,307</u>	<u>(196,483)</u>
Operating income (loss)	<u>371,586</u>	<u>371,586</u>	<u>236,080</u>	<u>(135,506)</u>
Nonoperating revenues (expenses):				
Investment income	-	-	2,441	2,441
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>2,441</u>	<u>2,441</u>
Income (loss) before transfers	371,586	371,586	238,521	(133,065)
Transfers in	-	-	425,000	425,000
Transfers out	<u>(602,728)</u>	<u>(602,728)</u>	<u>-</u>	<u>602,728</u>
Change in net assets	<u>(231,142)</u>	<u>(231,142)</u>	<u>663,521</u>	<u>894,663</u>
Net assets, beginning of year	<u>295,170</u>	<u>295,170</u>	<u>295,170</u>	<u>-</u>
Net assets, end of year	<u>\$ 64,028</u>	<u>\$ 64,028</u>	<u>\$ 958,691</u>	<u>\$ 894,663</u>



CITY OF GOODYEAR
 CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
 SCHEDULE BY SOURCE
 June 30, 2006

Governmental funds capital assets	<u>2006</u>
Land	\$ 17,122,314
Right of way	73,543,797
Streetscape	7,091,027
Buildings and improvements	21,260,844
Improvements other than buildings	2,423,200
Vehicles, machinery and equipment	25,730,530
Infrastructure	155,043,904
Construction in progress	4,522,440
Total governmental funds capital assets	<u>\$ 306,738,056</u>
Investment in governmental funds capital assets by source:	
Government funds	\$ 306,738,056
Total governmental funds capital assets	<u>\$ 306,738,056</u>

CITY OF GOODYEAR
 CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
 SCHEDULE BY FUNCTION AND ACTIVITY
 June 30, 2006

Function and Activity	Land, Right of Way Streetscape	Buildings and Improvements
General Government	\$ 4,408,817	\$ 136,817
Public Safety	-	13,377,973
Highways and Streets	80,634,824	-
Culture and Recreation	12,593,223	813,910
Public Works	120,274	6,932,144
 Total governmental funds capital assets	\$ 97,757,138	\$ 21,260,845

<u>Improvements other than Buildings</u>	<u>Vehicles, Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
\$ -	\$ 5,508,407	\$ -	\$ 1,274,101	\$ 11,328,142
-	13,524,641	-	72,195	26,974,809
-	-	155,043,904	-	235,678,728
828,340	1,794,319	-	1,405,499	17,435,291
1,594,860	4,903,163	-	1,770,645	15,321,087
<u>\$ 2,423,200</u>	<u>\$ 25,730,530</u>	<u>\$ 155,043,904</u>	<u>\$ 4,522,440</u>	<u>\$ 306,738,056</u>

CITY OF GOODYEAR
 CAPITAL ASSETS USED IN THE OPERATIONS OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
 For the fiscal year ended June 30, 2006

Function and Activity	Governmental Funds Capital Assets	
	July 1, 2005	Additions
General Government	\$ 9,701,103	\$ 1,564,435
Public Safety	20,499,456	6,475,353
Highways and Streets	219,702,955	15,975,777
Culture and Recreation	14,836,128	2,041,938
Public Works	11,732,978	4,207,939
Total governmental funds capital assets	<u>\$ 276,472,619</u>	<u>\$ 30,265,442</u>

<u>Deductions</u>	<u>Governmental Funds Capital Assets June 30, 2006</u>
\$ -	\$ 11,265,538
-	26,974,809
-	235,678,730
-	16,878,066
-	15,940,916
<u>\$ -</u>	<u>\$ 306,738,059</u>



STATISTICAL SECTION

City of Goodyear
 Net Assets by Component
 Fiscal Year 2006
 (accrual basis of accounting)
 (Unaudited)

Governmental Activities	
Invested in Capital Assets, Net of Related Debt	\$ 144,233,462
Restricted	67,199,030
Unrestricted	<u>49,858,294</u>
Total Governmental Activities Net Assets	<u>261,290,786</u>
Business-type Activities	
Invested in Capital Assets, Net of Related Debt	61,259,814
Restricted	-
Unrestricted	<u>24,329,033</u>
Total Business-type Activities Net Assets	<u>85,588,847</u>
Primary Government	
Invested in Capital Assets, Net of Related Debt	205,493,276
Restricted	67,199,030
Unrestricted	<u>74,187,327</u>
Total Primary Government Net Assets	<u>\$ 346,879,633</u>

Table 2

City of Goodyear
 Changes in Net Assets
 Fiscal Year 2006
 (accrual basis of accounting)
 (Unaudited)

Expenses	
Governmental Activities:	
General Government	\$ 18,464,341
Police	9,305,303
Financial Services	1,658,631
Community Services	1,108,528
Information Services	1,551,418
Fire	5,839,807
Municipal Services	853,289
Human Resources	1,361,992
Planning and Development	6,668,282
Culture and Recreation	2,016,304
Community Facilities District	152,501
Interest on Long-term Debt	<u>5,573,064</u>
Total Governmental Activities Expenses	<u>54,553,460</u>
Business-type Activities	
Water Utility	9,722,925
Wastewater Utility	4,313,533
Sanitation	<u>3,435,486</u>
Total Business-type Activities Expenses	<u>17,471,944</u>
 Total Primary Government Net Assets	 <u>\$ 72,025,404</u>

City of Goodyear
Changes in Net Assets
Fiscal Year 2006
(accrual basis of accounting)
(Unaudited)

Program Revenue	
Governmental Activities:	
Charges for Services:	
General Government	\$ 413,219
Fire	61,456
Police	67,264
Community Services	529,007
Planning and Development	14,584,804
Community Facilities Districts (CFDs)	-
Operating Grants and Contributions	648,756
Capital Grants and Contributions	<u>26,761,281</u>
Total Governmental Activities Program Revenues	<u>43,065,787</u>
Business-type Activities	
Charges for Services:	
Water Utility	5,952,571
Wastewater Utility	4,846,569
Sanitation	3,185,387
Operating Grants and Contributions	240,000
Capital Grants and Contributions	<u>26,016,946</u>
Total Business-type Activities Revenues	<u>40,241,473</u>
Total Primary Government Revenues	<u>\$ 83,307,260</u>
Net (Expenses)/Revenue	
Governmental Activities	\$ (11,487,673)
Business-type Activities	<u>22,769,529</u>
Total Primary Government Net Expense	<u>\$ 11,281,856</u>

City of Goodyear
 Changes in Net Assets
 Fiscal Year 2006
 (accrual basis of accounting)
 (Unaudited)

**Governmental Revenues and Other Changes in
 Net Assets**

Governmental Activities:

Taxes	\$ 48,726,571
Intergovernmental	6,997,920
Interest and Investment Income	4,436,598
Miscellaneous	1,486,027
Transfers	<u>(117,062)</u>

Total Governmental Activities 61,530,054

Business-type Activities

Interest and Investment Income	715,181
Mitigation proceeds	1,950,000
Miscellaneous	17,431
Transfers	<u>117,062</u>

Total Business-type Activities 2,799,674

Total Primary Government \$ 64,329,728

Changes in Net Assets

Governmental Activities	\$ 50,042,381
Business-type Activities	<u>25,569,203</u>
Total Primary Government	<u>\$ 75,611,584</u>

Table 3

City of Goodyear
 Governmental Activities Tax Revenues By Source
 Fiscal Year 2006
 (accrual basis of accounting)
 (Unaudited)

Fiscal Year	Property	Sales and Use Taxes			Intergovernmental		
		Privilege & Use - General	Transient Occupancy	Franchise Taxes	State Shared Sales	State Revenue Sharing	Highway User Revenue
2006	\$ 9,826,690	\$ 36,526,485	\$ 893,528	\$ 1,479,868	\$ 3,225,710	\$ 1,979,970	\$ 1,792,240

Table 4

City of Goodyear
Fund Balances of Governmental Funds
Fiscal Year 2006
(modified accrual basis of accounting)
(Unaudited)

General Fund	
Reserved	\$ -
Unreserved	<u>53,853,901</u>
 Total General Fund	 <u>\$ 53,853,901</u>
 All Other Governmental Funds	
Reserved, Reported in:	
Debt Service Funds	7,833,170
Capital Projects Funds	21,303,978
Unreserved, Reported in:	
Special Revenue Funds	19,835,781
Capital Projects Funds	<u>3,354,296</u>
 Total All Other Governmental Funds	 <u>\$ 106,181,126</u>

Table 5

City of Goodyear
Changes in Fund Balances of Governmental Funds
Fiscal Year 2006
(modified accrual basis of accounting)
(Unaudited)

Revenues	
Taxes	\$ 48,669,770
Licenses and permits	10,593,032
Intergovernmental	7,691,531
Charges for services	12,590,311
Fines and forfeits	482,604
Investment income	4,436,598
Special assessments	2,197,445
Contributions	1,717,842
Miscellaneous	<u>1,433,513</u>
 Total Revenues	 <u>\$ 89,812,646</u>

City of Goodyear
 Changes in Fund Balances of Governmental Funds
 Fiscal Year 2006
 (modified accrual basis of accounting)
 (Unaudited)

Expenditures	
General Government	\$ 9,674,228
Police	8,674,983
Financial Services	1,657,610
Community Services	1,190,116
Information Services	1,593,403
Fire	7,332,103
Municipal Services	848,612
Human Resources	1,360,762
Planning and Development	6,599,788
Culture and Recreation	2,381,569
Community Facilities District	(106,664)
Debt Service:	
Principal retirement	3,777,600
Interest and debt cost	5,313,243
Capital outlay	<u>14,819,302</u>
 Total Expenditures	 <u>65,116,655</u>
 Excess of Revenues over (under) Expenditures	 <u>\$ 24,695,991</u>

City of Goodyear
 Changes in Fund Balances of Governmental Funds
 Fiscal Year 2006
 (modified accrual basis of accounting)
 (Unaudited)

Expenditures	
Transfer in	\$ 18,210,420
Transfer out	(47,966,568)
Debt issuance	<u>5,005,000</u>
Total Other Financing Sources and (Uses)	<u>(24,751,148)</u>
Net Change in Fund Balances	<u>\$ (55,157)</u>
Debt Service as a Percentage of Noncapital Expenditures	18.1%

City of Goodyear
 Governmental Activities Tax Revenues By Source
 Fiscal Year 2006
 (modified accrual basis of accounting)
 (Unaudited)

Fiscal Year	Property	Sales and Use Taxes			Franchise Taxes	Intergovernmental		
		Privilege General	Transient Occupancy			State Shared Sales	State Revenue Sharing	Highway User Revenue
2006	\$ 9,769,889	\$ 36,526,485	\$ 893,528	\$ 1,479,868	\$ 3,225,710	\$ 1,979,970	\$ 1,792,240	

Table 7

City of Goodyear
Property Tax Rates
Direct and Overlapping Governments'
Fiscal Year 2006
(Unaudited)

City Direct Rate				Overlapping Rates					
County-Wide Jurisdictions									
Fiscal Year	Operating Rate	Debt Service Rate	Total City Rate	County Operating Rate	County Library District Rate	Fire District Assistance Rate	County Flood District Rate	County Education Equalization Rate	Community College Rate
2006	\$0.8222	\$0.7778	\$1.6000	\$1.1971	\$0.0521	\$0.0069	\$0.2119	\$0.4358	\$1.0315

¹ Source: Maricopa County Assessor's Office

Overlapping Rates

County-Wide Jurisdictions			School Districts				Other Special Taxing Districts	
Central Arizona Project Rate	Special Health Care District Rate	Total County Rate	Agua Fria/ Avondale Rate	Agua Fria/ Litchfield Rate	Buckeye/ Liberty Rate	Tolleson/ Littleton Rate	West Maricopa Education Center District Rate	Roosevelt Irrigation District Rate
\$0.1200	\$0.1206	\$3.1759	\$7.8631	\$6.9430	\$7.4944	\$8.3794	\$0.0500	\$15.0000

City of Goodyear
 Property Tax Rates
 Direct and Overlapping Governments
 Fiscal Year 2006
 (Unaudited) Continued

Overlapping Rates								
Other Special Taxing Districts								
Centerra Community Facilities District Rate	Cortina Community Facilities District Rate	Cottonflower Community Facilities District Rate	Estrella Mtn. Ranch Community Facilities District Rate	Goodyear Community Facilities General District #1 Rate	Goodyear Community Facilities Utilities District #1 Rate	Palm Valley Community Facilities District #3 Rate	Wildflower Community Facilities General District #1 Rate	Wildflower Community Facilities General District #2 Rate
\$3.0000	\$2.8500	\$3.0000	\$1.3000	\$1.0000	\$1.0000	\$0.3000	\$2.1893	\$2.3547

Table 8

City of Goodyear
Principal Property Tax Payers
Fiscal Year 2006
(Unaudited)

Taxpayer	Taxable Assesed Value	Rank	Percentage of Total Taxable Assessed Value
Sun MP LLC	\$ 17,519,218		4.48%
BT Goodyear LLC	9,583,848		2.45%
Arizona Public Service Company	9,142,805		2.34%
VHS of South Phoenix Inc.	7,647,436		1.95%
Suncor Development Company	5,260,780		1.34%
PVPW Corporation	3,944,260		1.01%
First American Title Insurance Co.	3,616,550		0.92%
Qwest Corporation	3,191,327		0.82%
Snyders of Hanover	3,077,579		0.79%
McLane/Sunwest Inc.	<u>2,829,601</u>		0.72%
Total	<u>\$ 65,813,404</u>		15.31%

¹Source: Arizona Department of Revenue

²Source: Maricopa County Assessor's Office

Table 9

City of Goodyear
 Assessed Value and Estimated Actual Value of Taxable Property¹
 Fiscal Year 2006
 (Unaudited)

Fiscal Year Ended June 30	Residential Property	Commercial Property	Agricultural/ Vacant Land	Other	Less: Tax-Exempt Property	Total Taxable Assessed Value
2006	\$ 219,161,231	\$ 109,929,249	\$ 97,388,312	\$ 226,783	\$ 35,549,177	\$ 391,156,398

¹ Source: AZ Department of Revenue - Property Tax Division

Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value a Percentage of Actual Value
\$ 1.60	\$ 3,254,133,854	12.0%

City of Goodyear
 Property Tax Levies and Collections¹
 Fiscal Year 2006
 (Unaudited)

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	6,070,318	5,972,384	98.39%	-	5,972,384	98.39%

Schedule includes General and Debt Service Funds

¹ Source: City records



City of Goodyear
Ratios of Outstanding Debt by Type
Fiscal Year 2006
(Unaudited)

Fiscal Year Ended June 30	Governmental Activities				Business-Type Activities		
	General Obligation Bonds	Public			General Obligation Bonds	Revenue Bonds	Water Infrastructure Finance Authority Loan
		Greater Arizona Development Authority Loan	Improvement Corporation Municipal Facilities Revenue Bond	Community Facilities District Bonds			
2006	\$ 27,280,000	\$ 3,645,000	\$ 3,485,000	\$ 73,000,000	\$ 29,073,518	\$ 2,611,447	\$ 10,505,512



<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
\$ 149,600,477	11.74%	\$ 3,009

City of Goodyear
 Ratios of Outstanding Debt by Type
 Fiscal Year 2006
 (Unaudited)

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage Estimated Actual Taxable Value of Property	Per Capita
2006	\$ 56,353,518	\$ 210,498	\$ 56,143,020	12.0%	\$ 1,129

City of Goodyear
Direct and Overlapping Governmental Activities Debt
As of June 30, 2006
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
Debt repaid with property taxes and special assessment liens			
Maricopa County	\$ -	1.3636%	\$ -
Maricopa County Community College District	399,805,000	1.3636%	5,451,741
Avondale Elementary School District #44	11,200,000	60.0264%	6,722,957
Liberty Elementary School District #25	1,470,000	73.0778%	1,074,244
Litchfield Elementary School District #79	17,040,000	34.9761%	5,959,927
Agua Fria Union High School District #216	60,795,000	47.9864%	29,173,332
Buckeye Union High School District #201	21,920,000	17.5868%	3,855,027
Centerra Community Facilities District	2,400,000	100.0000%	2,400,000
Cortina Community Facilities District	1,700,000	100.0000%	1,700,000
Cottonflower Community Facilities District	3,045,000	100.0000%	3,045,000
Estrella Mountain Ranch Community Facilities District	16,776,000	100.0000%	16,776,000
Goodyear Community Facilities Utilities District #1	29,965,000	100.0000%	29,965,000
Goodyear Community Facilities General District #1	17,023,000	100.0000%	17,023,000
Palm Valley Community Facilities District #3	-	100.0000%	-
Wildflower Ranch Community Facilities District #1	1,205,000	100.0000%	1,205,000
Wildflower Ranch Community Facilities District #2	1,375,000	100.0000%	1,375,000
King Ranch Community Facilities District	-	100.0000%	-

(a) Proportion applicable to the City of Goodyear, Arizona is computed on the ratio of secondary assessed valuation for 2005-2006.

Sources: Maricopa County Department of Finance, Maricopa County Assessor's Office and Official Statements.

City of Goodyear
 Legal Debt Margin Information
 Fiscal Year 2006
 (Unaudited)

20% Limitation

Debt Limit Equal to 20% of Assessed Valuation	\$ 78,275,474
Total Debt Applicable to 20% Limit	<u>47,795,000</u>
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 30,480,474</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	61.06%

6% Limitation

Debt Limit Equal to 6% of Assessed Valuation	\$ 23,482,642
Total Debt Applicable to 6% Limit	<u>8,475,000</u>
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 15,007,642</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 6% Debt Limit	36.09%

City of Goodyear
 Legal Debt Margin Information
 Fiscal Year 2006
 (Unaudited)

Legal Debt Margin Calculation for Fiscal Year 2006

Net Secondary Assessed Valuation as of June 30, 2006 \$ 391,377,371

20% Limitation

Debt Limit Equal to 20% of Assessed Valuation \$ 78,275,474

Debt applicable to limit: 47,795,000

 General Obligation Bonds

Legal 20% Debt Margin (Available Borrowing Capacity) \$ 30,480,474

6% Limitation

Debt Limit Equal to 6% of Assessed Valuation \$ 23,482,642

Debt applicable to limit: 8,475,000

 General Obligation Bonds

Legal 6% Debt Margin (Available Borrowing Capacity) \$ 15,007,642

City of Goodyear
Pledged-Revenue Coverage
Fiscal Year 2006
(Unaudited)

Greater Arizona Development Authority Infrastructure Revenue Bonds								
Fiscal Year Ended	Operating Revenue	Less: Operating Expenses	Net Operating Revenue	Debt Service		Coverage		
				Principal	Interest			
2006	\$ 1,509,657	\$ 995,538	\$ 514,119	\$ 440,000	\$ 167,723	0.85		

Public Improvement Corporation Municipal Facilities Revenue Bonds								
Fiscal Year Ended	Operating Revenue	Less: Operating Expenses	Net Operating Revenue	Debt Service		Coverage		
				Principal	Interest			
2006	\$ 66,095,479	\$ 38,702,022	\$ 27,393,457	\$ 155,000	\$ 165,335	85.52		

Water Infrastructure Finance Authority Loan								
Fiscal Year Ended	Operating Revenue	Less: Operating Expenses	Net Operating Revenue	Development Fee Revenue	Net Revenue	Debt Service		Coverage
						Principal	Interest	
2006	\$ 10,816,571	\$ 12,401,149	\$ (1,584,578)	\$ 7,284,046	\$ 5,699,468	\$ 502,118	\$ 436,286	6.07

Water and Sewer Revenue Bonds								
Fiscal Year Ended	Operating Revenue	Less: Operating Expenses	Net Operating Revenue	Development Fee Revenue	Net Revenue	Debt Service		Coverage
						Principal	Interest	
2006	\$ 10,816,571	\$ 12,401,149	\$ (1,584,578)	\$ 7,284,046	\$ 5,699,468	\$ 130,000	\$ 70,000	28.50

City of Goodyear
Demographic and Economic Statistics
Fiscal Year 2006
(Unaudited)

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	Unemployment Rate
2006	49,714	\$ 1,274,269	\$ 25,632	35.7	13 to 16	3.8%

Table 17

City of Goodyear
Principal Employers¹
Fiscal Year 2006
(Unaudited)

<u>Major Corporation</u>	<u>Employees</u>	<u>Rank</u>	<u>2006</u> <u>Percentage</u> <u>of Total City</u> <u>Employment*</u>
Lockheed Martin	800	1	4.76%
Arizona State Prison/Perryville	750	2	4.47%
Rudolpho Brothers	562	3	3.35%
McLane Sunwest	500	4	2.98%
Cavco Industries, Inc.	475	5	2.83%
City of Goodyear	471	6	2.81%
Wal-Mart Supercenter	400	7	2.38%
West Valley Hospital	350	8	2.08%
Safeway (2 Locations)	210	9	1.25%
Target	<u>160</u>	10	0.95%
Total	<u>3,878</u>		23.10%

¹Source: City Records

*2006 labor force = 16,791 (households)

City of Goodyear
 Full-time Equivalent City Government Employees by Function
 Fiscal Year 2006
 (Unaudited)

Function	
General Government	41
Financial Services	21
Information Services	9
Police	
Officers	72
Civilians	18
Planning and Development	21
Fire	
Firefighters and Officers	65
Civilians	12
Human Resources	9
Community Services	8
Economic Development	3
Municipal Services	9
Public Works	49
Water	30
Wastewater	14
Sanitation	10
Total	391

City of Goodyear
Operating Indicators by Function
Fiscal Year 2006
(Unaudited)

Function	2006
General Government	
<i>City Clerk's Office</i>	
# of records requests	180
<i>City Attorney's Office</i>	
% of cases resolved at first court appearance (arraignment)	94.77%
<i>City Court</i>	
Charges filed/charges adjudicated (resolved)	2,692
<i>City Manager's Office</i>	
% of survey respondents rating "Your Neighborhood as a Place to Live" as good to excellent	91%
<i>Communications & Public Information</i>	
News releases, media updates, traffic alerts, construction updates releases to news media	627
Police	
# Total arrests	2,603
# Moving violations citations	12,175
Fire	
# Emergency responses	1,960
# Fire extinguished	150
# Inspections	759
Financial Services	
# accounts payable checks issued	9,014
# purchase orders	1,067
# water meters read annually	125,382
Information Services	
# documents requests for service (Help Desk tickets)	3,477
# of SPAM emails blocked from being delivered to the staff	878,595
# of emails received	1,246,386
Planning and Development	
Customer wait-time (in minutes) at One Stop Shop	< 5
Total Number of Permits Issued	7,859
Provide applicant with pre-application meeting within 30 days of submitting request	100%
% of inspections performed within 24 hours of request	100%

City of Goodyear
 Operating Indicators by Function
 Fiscal Year 2006
 (Unaudited)

Function	2006
Human Resources	
# of new hires (FT & PT)	174
HR operating cost as a % of City payroll	5.26%
Parks and Recreation	
# attending Park & Recreation facilities and Libraries annually (Acquatics)	46,330
# of square feet of medians and rights of way maintained	106,600,032
Economic Vitality	
Sales Tax growth (% annual change)	74%
Bed Tax growth (% annual change)	28%
Municipal Services	
# of homes serviced by Residential Refuse Collection	17,228
# of citizens serviced by Household Hazardous Waste collection program	531
Water Service	
Water Service Connections	66,434
Drinking Water Supplied (million gallons per day)	6.95
Reclaimed Water Supplied (million gallons per day)	0.09
Wastewater	
Sewer Service Connections	5,037
Sewage Treated (millions gallons per day)	2.29
Other Public Works	
Street resurfacing (miles)	32.7
Potholes repaired	977
Citizen & Neighborhood Resources	
% increase of Neighborhood Watch groups annually	6.83%
# of new Code Enforcement cases processed per year	2,092

City of Goodyear
Capital Asset Statistics by Function
Fiscal Year 2006
(Unaudited)

Function	
Public Safety	
Police:	
Stations	1
Police Vehicles	107
Fire Stations	4
Highways and Streets	
Street (miles)	791
Streetlights	7,915
Traffic signals	30
Culture and Recreation	
Parks	11
Parks Acreage	82
Swimming Pools	1
Tennis Courts	2
Community Centers	1
Water	
Water Mains (miles)	173
Fire Hydrants	2,053
Storage capacity (thousands of gallons)	12
Wastewater	
Sanitary Sewers (miles)	167
Storm Sewers (miles)	105
Treatment capacity (thousands of gallons)	11.6 MGD

COMPLIANCE REPORT





HENRY & HORNE, LLP
Advisors to Business

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

The Honorable Mayor and Council
City of Goodyear, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Goodyear, Arizona (the "City"), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

1. Detailed records are not reconciled to the general ledger control accounts and supporting documents timely for the Community Facilities Districts (CFD). Reconciliations for all significant asset and liability accounts should be performed on a timely basis.

Tempe
2055 E. Warner Road
Suite 101
Tempe, AZ 85284-3487
(480) 839-4900
Fax (480) 839-3624

Scottsdale
7098 E. Cochise Road
Suite 100
Scottsdale, AZ 85253-4517
(480) 483-1170
Fax (480) 483-7126

Casa Grande
711 E. Cottonwood Lane
Suite C
Casa Grande, AZ 85222-2725
(520) 836-8201
Fax (520) 426-9432

Pinetop
Post Office Box 527
Pinetop, AZ 85935-0527
(928) 367-2591
Fax (928) 367-3501

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

2. The limited number of personnel prevents a proper segregation of accounting functions necessary to assure adequate internal controls. This is not unusual in entities of this size. Management should be constantly aware of this condition and realize that concentrations of duties in a limited number of personnel could create control situations that would allow personnel to misappropriate assets. This is especially evident with the CFD's. During the fiscal year ending June 30, 2006 the CFD administration manager handled all cash receipts and disbursements functions. She prepared invoices for payment, wrote checks by hand, and approved all cash reconciliations.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the City of Goodyear in a separate letter dated October 30, 2006.

Compliance and Other Matters

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

The Honorable Mayor and Council
City of Goodyear, Arizona
Page Three

However, we noted certain matters that we reported to management of the City of Goodyear, in a separate letter dated October 30, 2006.

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

A handwritten signature in black ink that reads "Henry Hanz, LLP". The signature is written in a cursive style with a large, stylized initial "H".

October 30, 2006