

ANNUAL REPORT 2000



GREATER
ARIZONA
DEVELOPMENT
AUTHORITY

to the
Governor
& the
Arizona Legislature

PROJECTS HIGHLIGHTS



Town of Gilbert

Financial assistance from GADA allows the town, among several other projects, to upgrade and expand their Public Works Field Operations facility and build a recreation center at Freestone Park.



City of Goodyear

Financial assistance from GADA helped the city to complete the upgrade of this section of the Estrella Parkway.



City of Cottonwood

Financial assistance from GADA allows the city to construct a flood plain project which increases development area available in the central part of the city.

City of Avondale

Financial assistance from GADA allowed the city to complete the construction of this Public Safety building serving citizens in the outlying area of the city.



MISSION STATEMENT

To assist
Arizona communities and tribal governments
with the development of
public infrastructure projects that
enhance community and economic development.

LETTER FROM THE CHAIR AND EXECUTIVE DIRECTOR

January 1, 2001

To: The Governor of Arizona
Members of the Arizona Legislature
Citizens of the State of Arizona
Arizona's Indian Tribes, Leadership and Councils

We are proud to report to you the progress of the Greater Arizona Development Authority after the third full year of operations.

Much work has been accomplished since the Authority opened its doors in July 1997. The GADA Board and staff have recently completed a strategic plan that will provide a framework for the Authority's operation for the next several years. The plan will assist the Authority in remaining a relevant and useful resource for community and economic development throughout the state.

Two rounds of financial assistance have been completed totaling \$32 million dollars in loans to the communities of Avondale, Cottonwood, Gilbert, Goodyear and Winslow. Another round of financial assistance is expected for early February 2001. The communities of Cottonwood, Flagstaff and Holbrook are anticipated to receive loans totaling approximately \$7.5 million.

Three rounds of technical assistance awards have been completed. The awards, totaling nearly \$1 million have gone to 30 incorporated cities and towns, four counties, four tribal entities and three special districts.

We continue to be encouraged by the success of GADA and by the positive responses we have received from counties, communities and tribal entities that have benefited from GADA's technical and financial assistance programs.

GADA is committed to being a responsible partner for rural Arizona's efforts to enhance community and economic development. We look forward to continuing our working relationship with you and appreciate your support.

Sincerely,


Jackie Norton
Chair

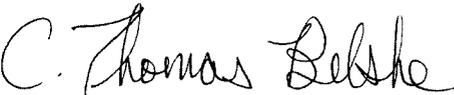

C. Thomas Belshe
Executive Director

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GADA BOARD OF DIRECTORS

GADA is governed by a nine-member Board of Directors comprised of four ex officio members and five members who are appointed by the Governor. The board is responsible for setting policy and approving all projects seeking technical or financial assistance. All board members serve without compensation.

EX OFFICIO MEMBERS



Jackie Norton

ARIZONA
DEPARTMENT OF COMMERCE
DIRECTOR (C-CHAIR)



Mary E. Peters

ARIZONA DEPARTMENT
OF TRANSPORTATION
DIRECTOR



Jacqueline Schafer

ARIZONA DEPARTMENT OF
ENVIRONMENTAL QUALITY
DIRECTOR



Carol Springer

ARIZONA
STATE TREASURER

APPOINTED MEMBERS



Malcolm Barrett

(R) YAVAPAI COUNTY



Joe Brannan

(D) COCHISE COUNTY



Mike Hein

(D) PIMA COUNTY



Carl Wibel

(D) NAVAJO COUNTY



Dan Lewis

(R) NATIVE AMERICAN
MARICOPA COUNTY

Appointed members serve staggered five-year terms, with no appointed member allowed to serve more than two consecutive terms. In addition: All appointed members shall reside in different counties. No more than three shall be from one political party. One shall be a member of an Indian tribe located in Arizona.

GADA STAFF



Tom Belshe

EXECUTIVE DIRECTOR



Suzanne Gibbs

FINANCE DIRECTOR



Leanne Lesaffre

TA AND FA ADMINISTRATOR

Tom Belshe was appointed Executive Director in September of 1999 after serving as GADA's Community Development Manager since July of 1998. Previously, Mr. Belshe worked as the staff associate for the League of Arizona Cities and Towns.

Suzanne Gibbs joined GADA as the Finance Director in October of 1999. Ms. Gibbs is a former vice president for a local regional investment banking firm where she spent 12 years in the public finance department.

Leanne Lesaffre joined GADA in March of 2000 as the Technical and Financial Assistance Administrator. Formerly, Ms. Lesaffre worked for a local investment banking firm in both the retail and capital markets departments. She is a licensed registered representative having her Series 7 and 63 licenses.

TESTIMONIALS

A Technical Assistance Award from the Greater Arizona Development Authority played a critical part in the Ak-Chin Indian Community's ability to obtain almost \$1 million in grants/loans from the USDA Rural Utilities Service for a Sewer Main Project in the Ak-Chin Indian Community. The project calls for constructing a sewer main to link 80 homes to the new Ak-Chin Wastewater Treatment Plant. These homes are currently on septic tanks. Prior to the start of any construction on the sewer main, GADA funds will be used to help pay for a specialized consultant to assist in monitoring, testing and mitigation of any cultural resources findings in the construction area. This work is essential to obtaining the Environmental Assessment clearance required before any USDA funds can be obligated or spent on the project. The Ak-Chin Indian Community did not have available funds to support the completion of the environmental assessment without GADA's help.

*Morene Gugenberger, Contract and Grants Specialist
Ak-Chin Indian Community*

The Greater Arizona Development Authority (GADA) has been a vital partner in planning and constructing infrastructure requirements for the City of Holbrook. The working relationship with GADA and the Water Infrastructure Finance Authority (WIFA) has allowed us to implement two crucial projects during the past year. First, the combined funds from GADA and WIFA in the form of technical assistance will allow us to produce a broad based infrastructure study that answers current questions and provides a planning tool for the future. Second, because of GADA's and WIFA's financing vehicles we are looking forward to completing a Water Reclamation Facility in 2001 which will increase our development capacity. The team approach has been tremendous.

*Blaine Hatch, City Manager
City of Holbrook*

The City of Cottonwood received a \$900,000 loan through the Greater Arizona Development Authority as a part of the second round of loans authorized by the Authority and issued in May of 2000. The loan proceeds are being used toward the construction of a flood control project that has become a high priority for the city. We believe that the GADA loan program saved the city money in the cost of issuance and a favorable interest rate, over other bonding opportunities available to us. The GADA staff and consultants were great to work with and they kept us informed throughout the process. Within days of the bond closing GADA wired the loan proceeds to the city and the funds were available for the project.

The City of Cottonwood is pursuing a second GADA loan (\$2.5M) for the construction of a Public Safety Building. We have received preliminary approval from the GADA Board and expect approval of formal agreements in January 2001, and loan proceeds available by February 2001. Our good experience with our first GADA loan encouraged the City Council to pursue the GADA loan program again for the Public Safety Building project.

*Brian Mickelsen, City Manager
City of Cottonwood*

2000 SUMMARY OF ACCOMPLISHMENTS

Second and Anticipated Third Round of Financial Assistance

In May, 2000 GADA closed a tax-exempt infrastructure revenue bond issue in the amount of \$18,930,000 for public infrastructure projects in the communities of Cottonwood and Gilbert. In February 2001 GADA anticipates issuing \$7,500,000 in tax-exempt and taxable bonds for the communities of Cottonwood, Flagstaff and Holbrook. For more specific financial information about the bonds and the types of projects that GADA has funded and anticipates funding, see page 6.

Development of Two Technical Assistance Funds

During the first two rounds of technical assistance awards, GADA staff found that requests for assistance with projects in the final stages of planning (architectural design and engineering) were consistently outscoring requests for projects in the earlier stages of planning (feasibility studies, market studies, and capital improvement plans). In order to create a level playing field for projects in all stages of development, GADA staff created two accounts for technical assistance awards. Projects in the earlier stages of development can now apply to the "Project Development Account." Projects in the latter stages of development can now apply to the "Project Assistance Account." Splitting the technical assistance fund into two accounts allows GADA to award larger dollar amounts to projects near completion and ready for financing.

Third Round of Technical Assistance

GADA received 38 applications for technical assistance in its third round in the spring of 2000. The Board made awards to 20 applicants (11 in the Project Development Account and 9 in the Project Assistance Account) totaling \$502,000. For more information about this third round of Technical Assistance, see page 5.

Revolving Technical Assistance Loan Program

SB 1086 passed during the 2000 legislative session allowing GADA to make short-term loans of up to \$250,000 to cities, towns, counties, tribes and special districts for project development. An applicant will be able to borrow the money from GADA to use for studies, plans, engineering, etc. If GADA is used to finance the project being developed, this short-term loan can be "rolled" into a GADA financing. However, if another source is used to finance the project, the loan must be paid back at a rate that GADA would have earned in its account with the State Treasurer's office.

Tribal Subdivisions

For several of Arizona's tribes, more and more of the responsibility of infrastructure development and maintenance are being given to local tribal entities such as chapters, districts and villages. State statute governing GADA's technical assistance did not allow these "tribal subdivisions" to compete for GADA technical assistance awards. During the 2000 legislative session, GADA made a change to the statute to allow tribal subdivisions, with the permission of the tribe, to compete with cities, towns, counties, tribes and special districts for GADA technical assistance.

GADA/WIFA Joint Projects

Over the past year, GADA and WIFA staff have made a concerted effort to leverage the resources of both agencies to assist Arizona communities with infrastructure development. For the first time, applications for technical assistance from both agencies were sent out concurrently. After a preliminary prioritization of the applications, GADA and WIFA staff members met to discuss possible cooperative efforts that would optimize the resources available from both agencies. This discussion led to joint technical assistance projects in the communities of Gila Bend, Holbrook and Safford as well as a joint financing of a Holbrook wastewater project.

GADA Strategic and Business Plans

The GADA Board and staff took an entire day, with the help of a facilitator, to discuss issues of critical importance to the Authority over the next few years. A strategic plan was developed from these discussions that gives the Board and staff a guiding set of values and goals. GADA staff is also developing a multi-year business plan that will be presented to the Board in January of 2001. This plan will help guide day-to-day operations of the Authority.

Audited Annual Financial Report

As required by statute, an independent audit has been completed of the GADA Fund. The General Purpose Financial Statements as of June 30, 2000 are included in this report. The audit was issued with a "clean" opinion and no reportable conditions.

Office Relocation

GADA recently moved their office location to Building D of 3800 North Central, Phoenix, Arizona. The new facilities provide increased accessibility for our clientele.

THE TECHNICAL ASSISTANCE PROGRAM

GADA was created to assist local communities and tribal governments in the development and financing of public infrastructure projects. Projects often get stalled because a community cannot afford to complete a study, report or plan that is necessary to move to the next phase. The Technical Assistance Program is in place to help communities by providing funding, as well as a pool of technical experts, to assist the communities in developing those items necessary to move a project along.

Cities, towns, counties, special districts and tribal governments are all eligible for technical assistance. We are able to award assistance to communities for "public" infrastructure projects or projects that are for public use, owned by a municipality, special district or tribal government that has responsibility for the project's operation and maintenance (private companies and non-profit organizations are not eligible). Such projects include streets, municipal facilities, public safety facilities, sewer systems, water systems, parks and open spaces. Technical assistance may include:

- Engineering planning or review
- Design review
- Feasibility studies
- Rate studies/impact analysis
- Financing options analysis
- RFP development/review
- Capital Improvement Plans
- Special District Formation

GADA's administrative rules establish the application process, eligibility criteria and prioritization process. These rules are currently being refined in anticipation of the Authority's next round of technical assistance. Generally, GADA prioritizes projects utilizing the following factors:

- Local support for the project
- The project's impact on the community
- Source of permanent funding for the project
- Sufficient financial and managerial capacity to operate and maintain the project

TECHNICAL ASSISTANCE AWARDS

Project Development Account

<u>COMMUNITY</u>	<u>PROJECT DESCRIPTION</u>	<u>AWARD AMOUNT</u>
Campe Verde	Capital Improvement Plan Development	\$20,000
Chino Valley	Capital Improvement Plan Development	20,000
Eagar	10-year general plan development	20,000
Gila Bend	Rate and impact fee study for a proposed new water treatment plant	15,000
Marana	Transit Development Plan	30,000
Navajo Nation	Capital Improvement Plan Survey	20,000
Page	Capital Improvement Financing Plan	20,000
Safford	Assistance with the formation of a utility (water & sewer) district	12,000
Sahuarita	Capital Improvement Plan Development	20,000
Sedona	Feasibility study of the Garland Activity Center	35,000
Superior	Capital Improvement Plan Development	20,000
Sub-Total of Project Development Account Awards		<u>\$232,000</u>

Project Assistance Account

Ak-Chin Indian	Environmental assessment required to complete a Community sewer main construction project	\$20,000
Apache County	Engineering and design for new county building	25,000
Apache Junction	Streetscape design document and sequencing plan for Apache Trail	20,000
Coolidge	Space needs assessment and design for new Coolidge Police Department building	70,000
Cottonwood	Architectural services for new public safety facility	25,000
Mohave County	Design and engineering for I-10 industrial corridor water system	25,000
Patagonia	Requisite permitting, design and phased build-out of municipal Solid Waste Landfill Facility	40,000
Payson	Design and engineering for improvements to Frontier Street	20,000
Show Low	Design and engineering for force main and gravity sewer trunk line	25,000
Sub-Total of Project Assistance Account Awards		<u>\$270,000</u>

TOTAL AMOUNT OF THIRD ROUND OF TECHNICAL ASSISTANCE AWARDS **\$502,000**

THE FINANCIAL ASSISTANCE PROGRAM

GADA's bond structure allows the Authority to lower borrowing costs for Arizona's communities by diversifying the risk to investors and by sharing financing costs among several borrowers. The GADA Fund allows the Authority to leverage its bonds thereby maximizing the capacity GADA has to make loans to communities. An intercept mechanism for intercepting state-shared revenues for loans to political subdivisions, tribes and special districts enhances the security of the GADA bonds even further.

The First Bond Issue

In October 1998, GADA issued \$13,270,000 Infrastructure Revenue Bonds, Series 1998 for public infrastructure projects in the communities of Avondale, Goodyear and Winslow in the amounts of \$6,300,000, \$6,570,000 and \$400,000 respectively. The average interest rate on the bonds was 4.56 percent. The Series 1998 issue was rated "Aaa" by Moody's Investors Service and "AAA" by Standards and Poor's Corporation and was insured by MBIA Insurance Corporation.

The Second Bond Issue

In May 2000, GADA issued Infrastructure Revenue Bonds, Series 2000A. The Authority's second bond issuance was in the amount of \$18,930,000 and the average interest rate on the bonds was 5.62 percent. The communities of Cottonwood and Gilbert participated in this financing to fund projects totaling \$895,000 and \$18,035,000 respectively. The City of Cottonwood financed a flood control project and pledged a dedicated city sales tax for repayment of the bonds. The Town of Gilbert financed several projects which included land acquisition and the expansion of a public works facility. The Town pledged property taxes for repayment of the bonds. The Series 2000A bond issue was insured by MBIA and was rated "Aaa" by Moody's Investor Service and "AAA" by Standard and Poor's Corporation.

The Third Bond Issue*

\$7,450,000 GADA Infrastructure Revenue Bonds, Series 2001 A&B

\$4,700,000 (Taxable) City of Flagstaff

Project Description: Municipal Facility Project to be built on City owned land. The building will be leased to the General Service Agency and will be a U.S. Geological Survey Facility.

Pledged Revenues: State Shared Revenues

\$2,500,000 City of Cottonwood

Project Description: Public Safety Building to house the City's Police and Fire departments as well as a joint training room for emergency operations.

Pledged Revenues: Dedicated City Sales Tax

\$250,000 City of Holbrook

Project Description: Renovation of the City's existing wastewater treatment plant into effluent storage ponds.

Pledged Revenues: State Shared Revenues

* Anticipated settlement in February 2001.

2001 SIGNIFICANT DATES

MARCH

- **Fourth Round of Technical Assistance Applications Distributed**
- **Technical Assistance Application Workshops in conjunction with the Water Infrastructure Finance Authority (WIFA)**
 - 20th - First Technical Assistance Application Workshop at SEAGO in Bisbee
 - 23rd - Second Technical Assistance Application Workshop at the Lexington Hotel in Phoenix
 - 30th - Third Technical Assistance Application Workshop at the City Council Chambers in Flagstaff

MAY

- **Fourth Round of Financial Assistance Applications Distributed**
- **Board approves Fourth Round of Technical Assistance Awards**

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The following pages are the General Purpose Financial Statements as of and for the fiscal year ended June 30, 2000, as audited by Eide Bailly LLP.

This audited information covers the fiscal year financial activity of GADA from July 1, 1999, through June 30, 2000.

INDEPENDENT AUDITOR'S REPORT



◆ *Consultants • Certified Public Accountants*

Board of Directors
Greater Arizona Development Authority
Phoenix, Arizona

We have audited the accompanying general purpose financial statements of Greater Arizona Development Authority (GADA), as of and for the year ended June 30, 2000, as listed in the table of contents. These financial statements are the responsibility of GADA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above presented fairly, in all material respects, the financial position of the Greater Arizona Development Authority, as of June 30, 2000, and the results of its operations and changes in fund balance and financial position for the year then ended, in conformity with generally accepted accounting procedures.

In accordance with Government Auditing Standards, we have also issued a report dated September 12, 2000 on our consideration of the Greater Arizona Development Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Eide Bailly LP

Phoenix, Arizona
September 12, 2000

COMBINED BALANCE SHEET

JUNE 30, 2000

ASSETS	GADA FUND		
	Appropriations Account	Operating Account	Total
CURRENT ASSETS			
Cash and cash equivalents	\$ 19,695,133	\$ 124,313	\$ 19,819,446
Cash and cash equivalents - restricted	658,144	-	658,144
	<u>\$ 20,353,277</u>	<u>\$ 124,313</u>	<u>\$ 20,477,590</u>
FUND BALANCE			
Reserved for pledged collateral reserve fund	\$ 658,144	\$	\$ 658,144
Unreserved fund balance	19,695,133	124,313	19,819,446
TOTAL FUND BALANCE	<u>\$ 20,353,277</u>	<u>\$ 124,313</u>	<u>\$ 20,477,590</u>

See Notes to Financial Statements

COMBINED STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED JUNE 30, 2000

	GADA FUND		
	Appropriations Account	Operating Account	Total
REVENUES			
Appropriations	\$ 9,000,000	\$ -	\$ 9,000,000
Investment earnings	-	1,122,658	1,122,658
	9,000,000	1,122,658	10,122,658
 EXPENDITURES			
Personnel and employee related expenditures	-	157,241	157,241
Program expenses			
Technical assistance	-	205,178	205,178
Financial assistance	-	262,711	262,711
Travel	-	8,530	8,530
Other operating	-	63,380	63,380
Capital outlay	-	5,779	5,779
	-	702,819	702,819
 EXCESS OF REVENUES OVER EXPENDITURES			
	9,000,000	419,839	9,419,839
 FUND BALANCE, beginning of year			
	10,853,866	203,885	11,057,751
 Fund Balance Transfers			
	499,411	(499,411)	-
 FUND BALANCE, end of year			
	\$ 20,353,277	\$ 124,313	\$ 20,477,590

COMBINED STATEMENTS OF REVENUE, EXPENDITURE,
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2000

	GADA FUND		
	Appropriations Account		
	Budget	Actual	Variance
REVENUES			
Appropriations	\$ 9,000,000	\$ 9,000,000	\$ -
Investment earnings	-	-	-
	<u>9,000,000</u>	<u>9,000,000</u>	<u>-</u>
 EXPENDITURES			
Personnel and employee related expenditures	-	-	-
Program expenses			
Technical Assistance	-	-	-
Financial Assistance	-	-	-
Travel	-	-	-
Other operating	-	-	-
Capital outlay	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
 EXCESS OF REVENUES OVER EXPENDITURES	9,000,000	9,000,000	-
 FUND BALANCE, beginning of year	10,826,000	10,853,866	27,866
Fund Balance Transfers	-	199,411	199,411
	<u>-</u>	<u>199,411</u>	<u>199,411</u>
 FUND BALANCE, end of year	<u>\$ 19,826,000</u>	<u>\$ 20,353,277</u>	<u>\$ 527,277</u>

See Notes to Financial Statements

RES AND CHANGES IN FUND BALANCE -

GADA FUND

Operating Account			Total		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ 9,000,000	\$ 9,000,000	\$ -
864,789	1,122,658	257,869	864,789	1,122,658	257,869
864,789	1,122,658	257,869	9,864,789	10,122,658	257,869
207,000	157,241	49,759	207,000	157,241	49,759
354,000	205,178	148,822	354,000	205,178	148,822
250,000	262,711	(12,711)	250,000	262,711	(12,711)
-	-	-	-	-	-
15,000	8,530	6,470	15,000	8,530	6,470
70,000	63,380	6,620	70,000	63,380	6,620
-	5,779	(5,779)	-	5,779	(5,779)
896,000	702,819	193,181	896,000	702,819	193,181
(31,211)	419,839	451,050	8,968,789	9,419,839	451,050
2,800	203,885	201,085	10,828,800	11,057,751	228,951
-	(499,411)	(499,411)	-	-	-
\$ (28,411)	\$ 124,313	\$ 152,724	\$ 19,797,589	\$ 20,477,590	\$ 680,001

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2000

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

Greater Arizona Development Authority (GADA) was authorized during the 1997 Legislative Session and is a component of the State of Arizona. GADA was signed into law on April 26, 1997 under ARS § 41-1554.12 and on July 21, 1997 this legislation took effect and GADA was formally constituted.

The purpose of GADA is to provide cost - effective access for capital for local communities, special districts, and tribal governments for public infrastructure projects. GADA has been designed to reduce local governments' cost of borrowing by reducing transaction costs, by providing technical expertise, and by "pooling" or otherwise enhancing the credit or financial capacity of individual projects.

FINANCIAL REPORTING ENTITY

In accordance with National Council on Governmental Accounting Statement No. 3, "Defining the Governmental Reporting Entity," for financial reporting purposes, a reporting entity's financial statements should include all component units over which another component unit (oversight unit) exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

Based upon the criteria of Statement No. 3, there are no component units to be included with the Greater Arizona Development Authority as a reporting entity.

BASIS OF PRESENTATION - FUND ACCOUNTING

In order to ensure observance of various statutory and/or contractual limitations and restrictions placed on the use of resources available to GADA, its accounts are classified for accounting and reporting purposes into funds established according to their nature and purpose. Accordingly, all financial transactions have been reported by fund classification.

The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The funds applicable for GADA presented in the financial statements are as follows:

GOVERNMENTAL FUND

GADA FUND - The GADA Fund is the general operating fund of the Authority. It is used to account for all financial resources except for those required to be accounted for in another fund.

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus applied.

(Continued)

NOTES TO FINANCIAL STATEMENTS

MODIFIED ACCRUAL BASIS OF ACCOUNTING

The governmental funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Expenditures are generally recognized when the liability is incurred.

CASH AND CASH EQUIVALENTS

The investments are invested entirely with the Arizona State Treasurer's Local Government Investment Pool (LGIP). In accordance with State law, the pool includes collateralized repurchase agreements, bills, notes, and other obligations of the U.S. Government and its agencies, corporate bonds, debentures and notes, commercial paper, bankers' acceptances, negotiable certificates of deposits, and money market mutual funds. Investments are stated at cost. The fair value of each share is equal to \$1.00. The LGIP is established pursuant to § 35-326 Arizona Revised Statutes and operated by the State Treasurer in accordance with Arizona law.

MEASUREMENT FOCUS

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on a spending or financial flow measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of available spendable resources.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of available spendable resources during a period.

ASSISTANCE PROGRAMS

Technical Assistance

The purpose of GADA's technical assistance program is to accelerate project development by assisting communities with various project-related tasks. The eligible applicants include cities, towns, counties, special districts, and Indian Tribes. Technical assistance may include such assistance as: 1) help in writing requests for proposals, 2) development of a project timeline, 3) independent review of feasibility studies or project designs, 4) development of rate studies, 5) analysis of fiscal capacity, and 6) development of a public outreach program.

Financial Assistance

GADA's bond structure allows the Authority to lower borrowing costs for Arizona's communities by diversifying the risk to investors and by sharing financing costs among several borrowers. Eligible applicants include cities, towns, counties, and Indian Tribes. Principle and interest are payable semiannually. Loans are secured by the Pledged Collateral Reserve Fund, a requirement that is calculated and deposited by the Authority from the GADA fund and an Agreement Reserve Fund, both of which are held by the Trustee. An intercept mechanism of state-shared revenues for political subdivisions enhances the security of the GADA bonds.

BUDGETS AND BUDGETARY ACCOUNTING

GADA adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

(Continued)

NOTES TO FINANCIAL STATEMENTS

On or before May 15 each year, the GADA staff shall prepare a proposed budget for the ensuing fiscal year to be submitted to the board for approval. The board shall indicate its approval of the budget by adoption of the budget at a public meeting of the board.

The level of control at which expenditures may not exceed budget is at the fund level.

The budget for GADA is adopted on a basis consistent with generally accepted accounting principles (GAAP).

ESTIMATES

The preparation of financial statements in accordance with Generally Accepted Accounting Principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

As of June 30, 2000, the Authority's investment totaled \$20,353,277, which was invested in the Local Government Investment Pool. In this pool, the Authority's monies are combined with those of the other investors in the pool. The fair value of each share as of June 30, 2000 is equal to \$1.00.

GADA's investment in the L.G.I.P. is stated at cost, which approximates market. In this pool, GADA's monies are combined with those of the other investors in the pool. As such, GADA does not own specific securities within the pool; they are, therefore, not categorized. The state does not provide specific market values to its participants. Interest earned from investments in the L.G.I.P. is allocated to all funds monthly.

NOTE 3 - RESERVED FUND BALANCE

The Reserved Fund Balance account of \$658,114 as of June 30, 2000 represents pledged security funds of \$19,114 and \$609,000 for two bonds that were issued by GADA during fiscal years of 2000 and 1998, respectively. The Reserved Fund Balance amounts will remain restricted until the bonds are repaid.

The \$19,114 portion of the Reserved Fund Balance was not segregated into a restricted cash account as of June 30, 2000. This portion was transferred into a restricted account after June 30, 2000.

NOTE 4 - EMPLOYEE RETIREMENT PLANS

Retirement Systems

GADA's permanent full-time employees belong to statewide government retirement systems.

(Continued)

NOTES TO FINANCIAL STATEMENTS

Arizona State Retirement Plan

A. Plan Description

The Arizona State Retirement System (the System) is a cost-sharing multiple-employer defined benefit plan, covering employees of Arizona school districts, the State and certain political subdivision. The System provides for retirement, disability, health insurance benefits, and death and survivor benefits. Benefits are paid from resources contributed by members and employers and from earnings on the invested funds.

The Arizona Revised Statutes provide statutory authority for determining the employees' and employer contribution amounts as a percentage of covered payroll. The Arizona State Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Arizona State Retirement System, 3300 North Central Avenue, Suite 1300, Phoenix, Arizona 85012 or by calling (602) 240-2000.

B. Funding Policy

Under state statutes, employee member contributions to the System were fixed at 2.17 percent of their compensation for the year ended June 30, 2000, with the contributions made by payroll deduction. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to change to contribution rate from that actuarially determined rate. The total contributions made by GADA for the year ending June 30, 2000, was \$2,770, equal to the required contributions for the year.

NOTE 5 - OFFICE EXPENSE AND OTHER ASSISTANCE

The Authority entered into an agreement during the current year with the Arizona Department of Commerce to provide office space and administrative services to GADA. Total expense relating to this agreement for the year ended June 30, 2000 was approximately \$31,000 or \$2,583 per month.

NOTE 6 - FINANCIAL ASSISTANCE AWARDS

In May 2000, GADA issued \$18,930,000 Infrastructure Revenue Bonds, Series 2000A for public infrastructure projects in the communities of Cottonwood and Gilbert in the amount of \$895,000 and \$18,035,000, respectively. The average interest rate on the bonds was 5.62 percent. GADA's bond structure provides lower borrowing costs for Arizona's communities by diversifying the risk to investors and by sharing financing costs among several borrowers. The GADA Fund is leveraged when GADA issues its bonds, which maximizes loan capacity for communities. An intercept mechanism for intercepting state-shared revenues for loans to political subdivisions enhances the security of the GADA bonds even further.

(Continued)

NOTES TO FINANCIAL STATEMENTS

The State of Arizona has appropriated \$20,000,000 to GADA for the express purpose of securing bonds issued by the Authority. The Series 2000A bonds were issued by GADA to make loans to the participants listed above and constitute special and limited obligations of GADA. The principal of and interest on the Bonds are payable solely from the funds which are held in Trust by the Trustee (the "Trust Estate"). The Trust Estate includes debt service payments required to be made by the participants in the Series 2000A Bond issue. The principal of and interest premium, if any, on the Series 2000A Bonds shall not constitute or give rise to a pecuniary liability on the part of the directors and officers of GADA. The Series 2000A Bonds do not constitute a legal debt of the State of Arizona and are not enforceable against the State of Arizona. At June 30, 2000, the outstanding face value of the Series 2000A bonds was \$18,930,000.

NOTE 7 - TECHNICAL ASSISTANCE AWARDS

During fiscal year 2000 GADA approved technical assistance awards to nineteen Arizona communities totaling approximately \$350,000. Generally, GADA prioritizes projects utilizing the following factors, 1) local support for the project, 2) the project's impact on the community, 3) source of permanent funding for the project, and 4) sufficient financial and managerial capacity to operate and maintain the project.

NOTE 8 - SUBSEQUENT EVENTS

GADA anticipates awarding financial assistance loans to the cities of Cottonwood, Flagstaff, Holbrook, and the Whetstone Fire District. The financial assistance amounts will range from \$250,000 to \$1,700,000. The amounts will be funded with the proceeds of a new GADA bond issue.

Also, for fiscal year 2001, the GADA board has awarded technical assistance to twenty Arizona communities totaling approximately \$502,000. The awards will be funded throughout fiscal year 2001.

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INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS



◆ Consultants • Certified Public Accountants

Board of Directors
Greater Arizona Development Authority
Phoenix, Arizona

We have audited the financial statements of Greater Arizona Development Authority as of and for the year ended June 30, 2000, and have issued our report thereon dated September 12, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greater Arizona Development Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that 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. We noted no matters involving the internal control over financial reporting and its operation that we consider being material weaknesses.

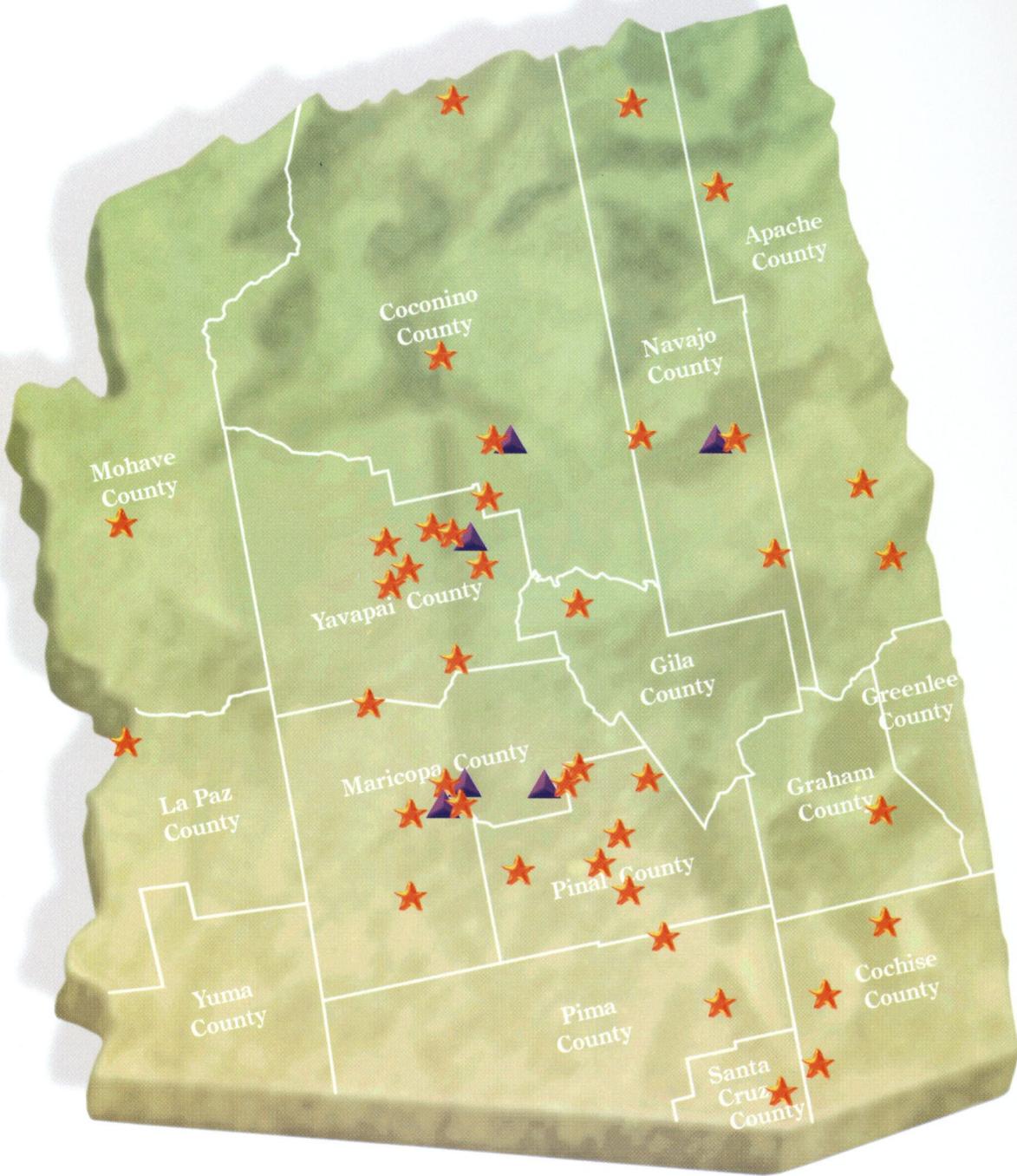
This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LP

Phoenix, Arizona
September 12, 2000

GREATER ARIZONA DEVELOPMENT AUTHORITY

List of Cumulative Financial (▲) and Technical (★) Assistance Awards



- | | | | |
|------------------------------|----------------------|------------------------------------|--|
| ★ Ak-Chin Indian Community | ★ City of Cottonwood | ★ Kayenta Township - Navajo Nation | ★ City of Safford |
| ★ Apache County | ▲ City of Cottonwood | ★ Town of Eagar | ★ Town of Sahuarita |
| ★ City of Apache Junction | ★ Town of Eagar | ★ Eloy Fire District | ★ City of Sedona |
| ▲ City of Avondale | ★ City of Flagstaff | ★ City of Flagstaff* | ★ City of Show Low |
| ★ City of Avondale | ▲ City of Flagstaff* | ★ Town of Parker | ★ Town of Superior |
| ★ City of Benson | ★ Town of Gila Bend | ★ Town of Patagonia | ★ Tselani - Cottonwood - Navajo Nation |
| ★ Black Canyon Fire District | ▲ Town of Gilbert | ★ Town of Payson | ★ Whetstone Fire District |
| ★ Town of Buckeye | ★ City of Goodyear | ★ Pinal County | ★ Town of Wickenburg |
| ★ Town of Camp Verde | ▲ City of Goodyear | ★ City of Prescott | ★ City of Willcox |
| ★ Town of Chino Valley | ★ City of Holbrook | ★ Town of Prescott Valley | ★ City of Winslow |
| ★ Town of Clarkdale | ▲ City of Holbrook* | ★ Town of Queen Creek | |
| ★ Coconino County | | | |
| ★ City of Coolidge | | | |

* anticipated



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