

Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

Comprehensive Annual

Financial Report

for the fiscal year ended June 30, 2011



Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

**2011 COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

for the fiscal year ended June 30, 2011



*Prepared by the Accounting Department of the
Superstition Mountains Community
Facilities District No. 1*

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Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

2011 COMPREHENSIVE ANNUAL
FINANCIAL REPORT

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Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

2011 COMPREHENSIVE ANNUAL
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Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

INTRODUCTORY SECTION



Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

District Officials



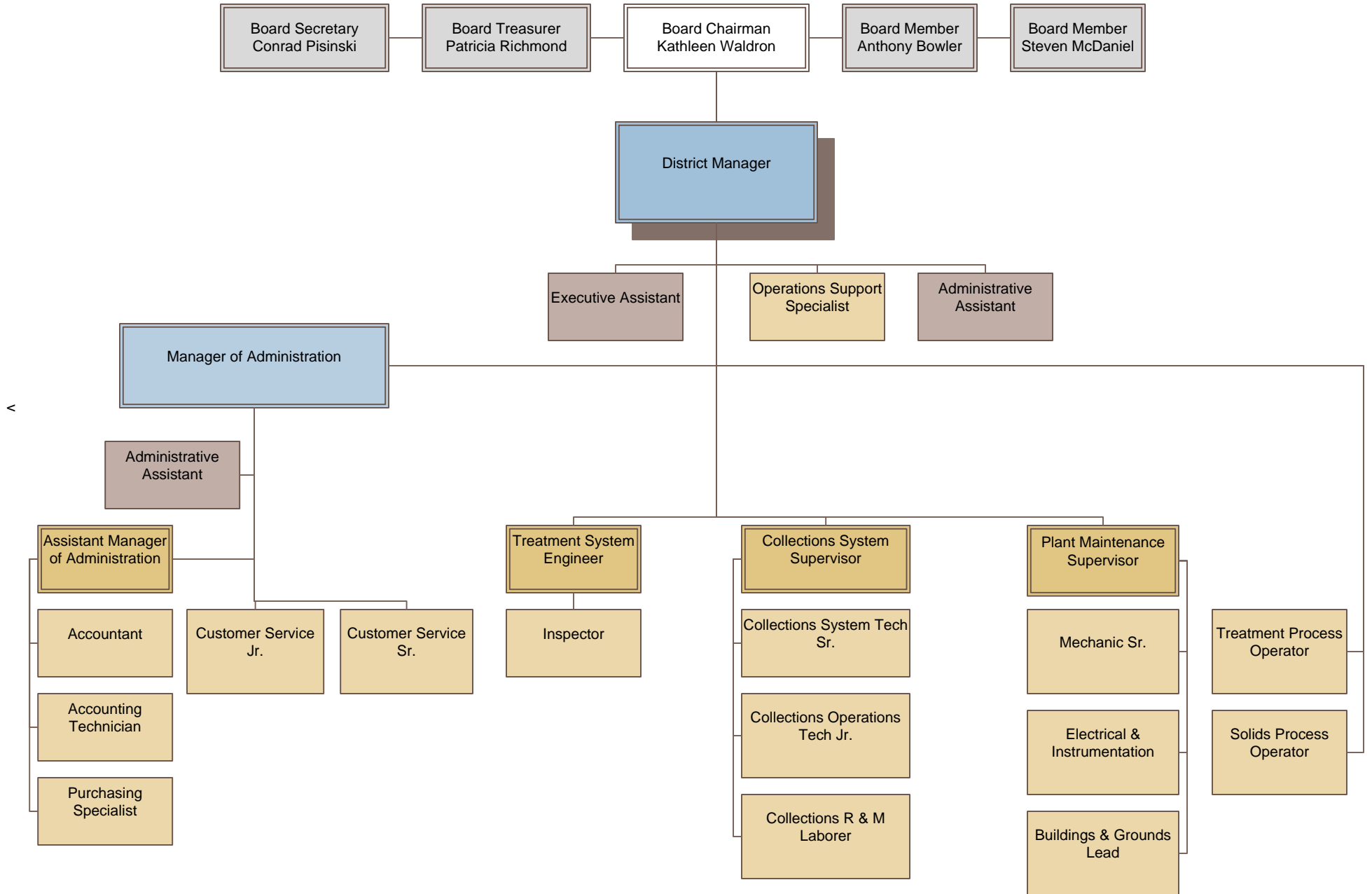
Board of Directors

Kathleen Waldron	Chairman
Patricia Richmond	Treasurer
Conrad Pisinski	Secretary
Anthony Bowler	Board Member
Steven McDaniel	Board Member

District Financial Management

Edward J. Grabek	District Manager
Patricia D. Briseño	Manager of Administration
Susan A. Sopko	Assistant Manager of Administration

Superstition Mountains Community Facilities District No. 1 Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Superstition Mountains Community
Facilities District No. 1,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

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



Linda C. Davison

President

Jeffrey R. Emer

Executive Director



SUPERSTITION MOUNTAINS COMMUNITY FACILITIES DISTRICT NO. 1

**5661 S. Ironwood Drive
Apache Junction - Arizona 85120**

October 25, 2011

To the District Chairman and Members of the Board
Superstition Mountains Community Facilities District No. 1

Honorable Chairman and Members of the Board:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the Superstition Mountains Community Facilities District No. 1 (District) for the year ended June 30, 2011. This is the second year that the District has prepared a CAFR.

Arizona Revised Statutes (ARS) do not require that the District undergo an annual audit. However, the District's Trust Indenture with Bank One Trust Company NA (now the Bank of New York Mellon Global Corporate Trust) dated August 1, 2000, requires that the District prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) and use as a guideline the relevant provisions of ARS §9-481 and §41-1279.07.

The responsibility for the completeness, fairness and accuracy of the data presented and all accompanying disclosures rests with the District. To provide a reasonable basis for making these representations, District management has established a comprehensive framework of internal controls designed to protect District assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh the benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The District's financial statements have been audited by Fester & Chapman P.C., a certified public accounting firm based in Phoenix, Arizona. The goal of the independent audit was to provide reasonable assurance that the financial statements for the fiscal year ended June 30, 2011 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. The independent auditor concluded that, based upon the results of the audit, there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended June 30, 2011 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

FINANCIAL REPORTING ENTITY

The District is a municipal corporation and political subdivision of the State of Arizona. The District was formed on July 7, 1992 under the provisions of the Community Facilities District Act of 1988, as amended, constituting Title 48, Chapter 4, Article 6 of Arizona Revised Statutes.

When the City of Apache Junction (City) was incorporated in 1979, it is believed to have been the largest incorporated area in the continental United States without a sanitary sewer system and central treatment facility. Septic tanks, which provide only primary treatment, were the predominant form of wastewater treatment in the City. Due to the lack of a regional sewer treatment system, the Arizona Department of Environmental Quality (ADEQ) imposed restrictions on the use of septic tanks for new industrial and commercial development within the Apache Junction area. Permits for commercial and industrial uses could be obtained for new septic tanks, but ADEQ had conditioned these permits upon the developer agreeing to connect to a central sewer system when the system was available.

On two separate occasions, the City sought voter approval to construct a sewer system but was unsuccessful. As an alternative to municipal service, and armed with petitions from the majority of land owners within the boundaries of the proposed community facilities district, the City formed the District to acquire, construct and develop a sewer collection system and wastewater treatment facility for the City.

The District originally consisted of 48 largely noncontiguous parcels of undeveloped land comprising approximately 600 acres located entirely within the City. On June 7, 1994, the City Council approved the expansion of the District. On June 21, 1994, an election of the District's qualified electors was held on the issue of expansion. The electors qualified to vote included all owners of land within the original District, all owners of land in the area proposed to be added to the District and all resident electors of either area. The qualified electors approved the expansion of the District to include 2,388 total parcels of land. On June 29, 1994, the Board of Directors of the District canvassed the election and formally declared the expansion of the District.

The District is governed by its Board of Directors, much like a city is governed by its council. The Board can pass resolutions which establish the policies and procedures of the District. The resolutions relating to use of the wastewater system and user fees are contained in the District's policies and procedures. Such resolutions have substantially the same purpose as the ordinances of a city, county or other local governmental entity.

The District's Board consists of five members of the community who serve staggered terms. Under the terms of the Community Facilities District Act, the City Council appoints citizen volunteers as the Board of Directors of the District. Other than Board selection, the City has no authority over the operation of the District or responsibility for its actions.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The economic forecast for both the District's service area and the country looked bleak going into fiscal year 2011 and, indeed, it turned out to be so. The anemic growth of 1.8% experienced in fiscal year 2010 looked stellar when compared to the 0.9% growth seen in fiscal year 2011. While the District added 125 new single family connections in fiscal year 2010, it only added 63, or half as many, in fiscal year 2011. As fiscal year 2012 begins, recovery does not look probable as most economic indicators are pointing to conditions staying the same at best, if not getting slightly worse.

Consumer confidence in the U.S. economy has been growing more pessimistic. In August, 2011 it reached its lowest level in more than two years with 40.6% claiming business conditions were "bad" and 49.1% claiming that jobs were "hard to get."¹ There is good reason for this. The Wall Street Journal reported in September, 2011 that income of the typical American family dropped for the third year in a row, and was now where it was in 1996, with "the gains of the boom in the early 2000s having been wiped out."² Economic forecasters polled by the Wall Street Journal "...gave a one-in-three chance to the U.S. slipping into a recession over the next year."³ The economic problems are not confined to the United States; the European Union is in turmoil with the imminent failure of Greece, with Italy, Ireland, Portugal and Spain in not much better shape. The World Bank President, Robert Zoellick warned that the world was in a "danger zone" as the daily reports of difficult economic news was eroding his confidence the major economies would be able to avoid another recession.⁴

The housing bust continues to have a chilling effect on the U.S. and especially the local economy as eroding home equity depresses consumer spending because people simply feel poorer. Twenty percent of Americans owe more on their mortgage than their home is worth, and it is estimated that \$7 trillion in homeowners' equity has been lost since the housing bust started a few years ago.⁵ A survey of 100 economists predicts that home prices, already down 32% since their 2005 peak, will drop another 2.5% this year.⁶ In the Phoenix area, unemployment stands at 8.7%⁷ and there are simply too few qualified buyers for too many homes in the overbuilt metropolitan area to predict any positive change occurring within the next year or two.

1 Consumer confidence survey. (2011, August 30). *The Conference Board 2011*.

2 Dougherty, C. (2011, September 14). Income slides to 1996 levels. *Wall Street Journal*.

3 Reddy, S., & Casselman, B. (2011, September 23). Economic signals heighten worries of a double-dip. *Wall Street Journal*.

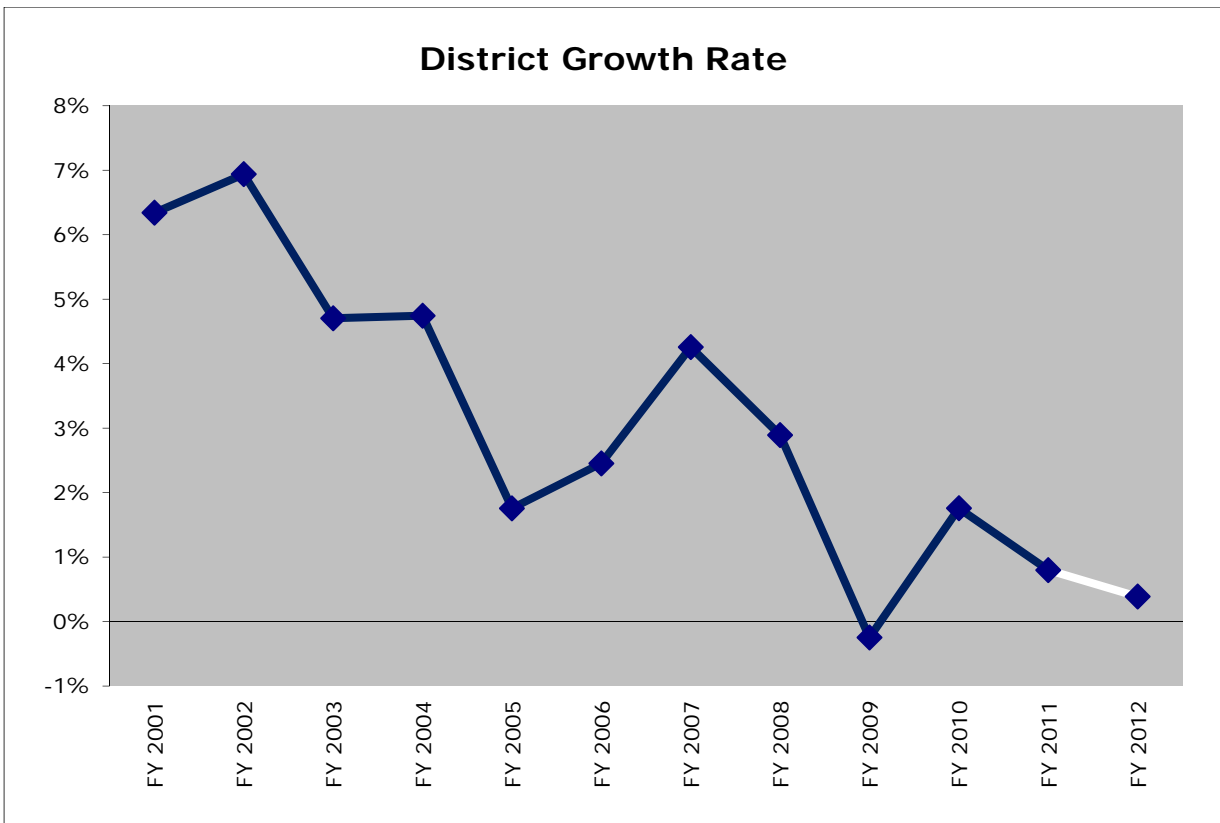
4 Reddy, S., & Casselman, B. (2011, September 23). Economic signals heighten worries of a double-dip. *Wall Street Journal*.

5 Iraos, N. (2011, September 21). Home forecast calls for pain. *Wall Street Journal*.

6 Iraos, N. (2011, September 21). Home forecast calls for pain. *Wall Street Journal*.

7 US Department of Labor Statistics. (August 2011). *Unemployment data for Phoenix-Mesa metropolitan area*.

While the District is somewhat insulated from the poor economy because it does not depend upon tax revenues, it has depended upon the growth of its customer base to help increase its revenue stream to meet its rising debt payments and to fund capital projects. The District has also depended upon regular annual increases in its service fees to keep pace with inflation and rising costs due to unfunded government mandates. The forecast for a continuation of poor economic conditions is not helpful and could prove problematic at some point. While a contraction of the customer base is not anticipated in fiscal year 2012, neither is it reasonable to expect much growth. As a consequence, the fiscal year 2012 budget estimate for growth is conservatively set at slightly less than 0.4%.



MAJOR INITIATIVES

Expansion of the District's Service Area

The District's major accomplishment in fiscal year 2011 was to gain approval for the expansion of its service area through an Amendment to its 208 Areawide Water Quality Management Plan of the Central Arizona Association of Governments. The expansion added 20 square miles of land to the District and more than doubled its original size. The expanded service area now includes all of the land within the City of Apache Junction. Most importantly, the expanded service area encompasses the 11.5 square miles within the City between Baseline Avenue and its southern boundary. This land is, in the majority, owned by

the Arizona State Land Department. Known as “Portalis,” the area has been the subject of a master planning process that is nearing completion under the direction of the Arizona State Land Department. Once economic conditions improve and the housing market recovers, this land is expected to undergo rapid development that will double the District’s existing customer base within a decade, and ultimately add an estimated 24,000 connections at full build out.

Baseline Pump Station Improvements

The District completed a project in fiscal year 2011 to rehabilitate and upgrade the Baseline Pump Station. The pump station moves all of the water draining from the District’s collection system within the City to the water reclamation facility, via a two-mile long pressure force main. The District replaced the piping within the pump station wet well, added a sewage grinder to ensure that nothing can get into the wet well that would clog the pumps and added a more efficient third pump to do the lion’s share of the daily pumping.

Water Reclamation Facility Financing and Expansion

The economy and the local housing market will eventually improve, growth will return and the District will need to focus on the expansion of its existing water reclamation facility (WRF) where the collection system flow is treated, the water reclaimed and returned to the ground water aquifer. The District is implementing actions in the current and near term periods to prepare for this eventuality. The preparation of the CAFR is one step towards making its future bonded debt more marketable. The District is preparing to update its long term utility cash planning model, last updated in 2000, which will include the first WRF expansion. It is also looking at the potential for refinancing its current debt at a lower interest rate to improve its financial position. At the WRF, the District is testing new treatment process control procedures that could potentially result in the re-rating of the current capacity of the WRF upwards; thus, physical expansion could be delayed while new connections are added that will improve the District’s financial position to borrow for the eventual, necessary physical expansion.

AWARDS AND ACKNOWLEDGMENTS

We are very proud to report that the Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2010. This was the first year the District prepared a CAFR and it is a significant accomplishment to have received this prestigious award.

The District’s Accounting Department is to be commended for their efforts and dedication to preparing the District’s CAFR. Special thanks is due to District employees Susan A. Sopko, Assistant Manager of Administration, and Maria Zagar, District Accountant, for compiling and assembling the majority of the financial information and schedules presented in this report.

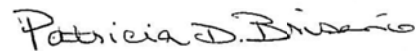
Appreciation is also extended to John C. White and Steve Filipowicz at the City of Apache Junction for providing some of the economic data for this report.

As always, we owe our sincere appreciation to the Board of Directors for their continued support of our efforts. We recognize that we are a team and no one individual can lay claim to the District's accomplishments and achievements. To quote Michael Jordan, formerly of the Chicago Bulls, "Talent wins games, but teamwork wins championships." We believe that we have the talent and exhibit the teamwork to be successful not only in the short term, but for the long term needs of our customers. In effect, we believe that we can, and will, win championships.

Respectfully submitted,



Edward J. Grabek
District Manager



Patricia D. Briseño
Manager of Administration

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Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

FINANCIAL SECTION



Independent Auditors' Report

To the Board of Directors
Superstition Mountains Community Facilities District No. 1
Apache Junction, Arizona

We have audited the accompanying statements of net assets of Superstition Mountains Community Facilities District No. 1 (the District) as of June 30, 2011 and 2010, and the related statements of revenues, expenses and changes in fund net assets, and cash flows for the years then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2011 and 2010, and the changes in net assets and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis (MD&A) on pages 3 through 10 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. The MD&A 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 financial statements as a whole.

Our audit was conducted for the purpose of forming our opinion on the financial statements that comprise the District's basic financial statements. The accompanying supplementary information listed in the table of contents in the introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Fester & Chapman P.C.

October 25, 2011

**SUPERSTITION MOUNTAINS COMMUNITY FACILITIES DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011 AND 2010**

The Superstition Mountains Community Facilities District's (the District's) discussion and analysis provides an overview of the District's financial performance for the fiscal year ended June 30, 2011. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL SUMMARY

- Net assets decreased by \$893 thousand or 31%, to end the fiscal year at \$1.98 million.
- Operating revenues increased by \$42 thousand, or .7%, over fiscal 2010.
- Operating expenses decreased by \$19 thousand from fiscal 2010.
- Net non-operating expenses decreased by \$28 thousand from the prior year.
- Checking account and fund balances, which consist of cash, cash equivalents and investments in US Treasury Notes, decreased by \$175 thousand from 2010.

DESCRIPTION OF BASIC FINANCIAL STATEMENTS

The District's financial statements are prepared using proprietary fund (enterprise fund) accounting which uses the same basis of accounting as private-sector business enterprises. The District's costs of providing services to the public on a continuing basis are financed primarily through user charges.

The District's financial statements consist of the Statements of Net Assets, Statements of Revenues, Expenses and Changes in Fund Net Assets, and Statements of Cash Flows. These statements were prepared using the accrual basis of accounting which recognizes income when earned and expenses when incurred.

CONDENSED FINANCIAL DATA

The following table summarizes the total assets, liabilities and net assets of the District for the fiscal years ended June 30, 2011, June 30, 2010 and June 30, 2009. The information is provided in greater detail in the basic financial statements which follow this analysis.

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	Increase (Decrease) current year from prior		<u>June 30, 2009</u>
			<u>Amount</u>	<u>Percentage</u>	
Cash & cash equivalents	\$ 5,301,695	\$ 3,089,301	\$ 2,212,394	71.61%	\$ 8,696,029
Investments	3,415,678	5,802,745	(2,387,067)	-41.14%	0
Other current assets	891,531	866,902	24,629	2.84%	903,233
Capital assets	22,115,388	23,123,619	(1,008,231)	-4.36%	24,289,232
Bond issuance costs	<u>876,436</u>	<u>922,393</u>	<u>(45,957)</u>	-4.98%	<u>968,350</u>
Total assets	32,600,728	33,804,960	(1,204,232)	-3.56%	34,856,844
Current liabilities	1,550,377	1,551,513	(1,136)	-0.07%	1,371,411
Long term liabilities					
Series 2000 bond	<u>29,070,000</u>	<u>29,380,000</u>	<u>(310,000)</u>	-1.06%	<u>29,630,000</u>
Total liabilities	30,620,377	30,931,513	(311,136)	-1.01%	31,001,411
Invested in capital assets	(3,481,676)	(2,752,352)	(729,324)	26.50%	(1,802,439)
Restricted	4,324,572	4,637,187	(312,615)	-6.74%	4,278,994
Unrestricted	<u>1,137,455</u>	<u>988,612</u>	<u>148,843</u>	15.06%	<u>1,378,878</u>
Total net assets	\$ 1,980,351	\$ 2,873,447	\$ (893,096)	-31.08%	\$ 3,855,433

Net Assets

The net assets, defined as total assets less total liabilities, decreased by 31.08%, or \$893 thousand from the prior year. Total assets decreased by 3.56% or \$1.2 million; total liabilities decreased \$311 thousand, or 1%. The decrease in net assets from June 30, 2009 to June 30, 2010 was \$982 thousand.

Cash and cash equivalents increased by \$2.2 million. The increase resulted from the maturity of \$2.4 million in US Treasury Notes on June 30, 2011 that was not reinvested until July 1, 2011.

The balance of \$3.4 million in *Investments* at the end of fiscal year 2011 reflects the District's continued efforts to enhance its interest earnings. As mentioned above, the decrease from the prior year resulted from the maturity of \$2.4 million in US Treasury Notes on June 30, 2011 that was not reinvested until July 1, 2011.

When taken as a whole, *Cash and cash equivalents* and *Investments* decreased by \$175 thousand from fiscal year 2010 due primarily to decreases in the Capital Funds as projects that were funded in fiscal year 2010 were completed in fiscal year 2011. A summary of the components of *Cash and cash equivalents* and *Investments* is provided in Table 2.

Net additions to *Capital assets* for fiscal year 2011 totaled \$593 thousand; after normal depreciation of \$1.6 million, *Capital assets* decreased by \$1.0 million. The most significant assets placed into service during fiscal year 2011 were at the Baseline Pump Station. These improvements totaled just under \$303 thousand. A summary of the components of *Capital assets* is provided in Table 4 and in Note 4 to the Financial Statements.

Current liabilities were virtually unchanged from the prior year; decreases of \$30 thousand in *Accounts payable*, \$12 thousand in *Accrued expenses*, \$11 thousand in *Unearned revenue* and \$7.5 thousand in *Accrued interest payable* were offset by an increase of \$60 thousand in *Current portion, bond payable*. The long term portion of the *Series 2000 bonds payable* decreased by \$310 thousand resulting in an overall decrease in total liabilities of \$311 thousand.

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	Increase (Decrease) current year from prior		<u>June 30, 2009</u>
			<u>Amount</u>	<u>Percentage</u>	
Checking accounts	\$ 609,865	\$ 500,830	\$ 109,035	21.77%	\$ 733,705
Restricted funds					
Revenue Fund	31,317	38,800	(7,483)	-19.29%	31,758
Debt Service Funds	1,099,849	1,072,280	27,569	2.57%	1,001,517
Debt Service Reserve	2,683,088	2,681,749	1,339	0.05%	2,681,812
Capital Funds	782,036	1,090,314	(308,278)	-28.27%	834,508
Land Purchase Fund	2,375,859	2,397,902	(22,043)	-0.92%	2,396,653
District Reserves	<u>1,135,359</u>	<u>1,110,171</u>	<u>25,188</u>	2.27%	<u>1,016,076</u>
Total cash, cash equivalents and investments	\$ 8,717,373	\$ 8,892,046	\$ (174,673)	-1.96%	\$ 8,696,029

Cash, Cash Equivalents and Investments

In addition to its regular checking accounts used to accumulate daily receipts and to disburse periodic payments for payroll, goods and services, the District maintains several accounts managed by its Trustee and monitored by its bondholder, Allstate Insurance. The purpose and ultimate use of monies in the Trust Accounts is dictated by the terms of the Trust Indenture between the District and Bank One Trust Company (now the Bank of New York Mellon Global Corporate Trust as successor Trustee) dated August 1, 2000.

Revenue Fund

The Revenue Fund serves as a flow-through account for all revenues received by the District. On a monthly basis, all available funds are transferred from the Revenue Fund to other District accounts according to specific criteria outlined in the Trust Indenture and annual budget. Balances in the Revenue Fund at the reporting dates will vary based upon the timing of cash receipts and transfers.

Debt Service Funds

The Debt Service Funds serve to accumulate the full amount of the next debt payment due on the Series 2000 bonds, both principal and interest. As of June 30, 2011, the funds contained \$1.1 million to meet the scheduled debt payment of \$1.0 million due on July 1, 2011.

Debt Service Reserve

The Debt Service Reserve Fund represents a secondary source of funds to make scheduled payments on the Series 2000 bond debt. Monies are deposited in accordance with the Trust Indenture until the fund balance reaches \$2.68 million. The balance as of June 30, 2011, including the investment in US Treasury Notes, slightly exceeds the target because of the accumulation of interest. Funds in excess of \$2.68 million are transferred to the Revenue Fund by the Trustee in January of each year.

Capital Funds

The Capital Funds contain monies for the purchase of capital assets. The balances in these funds will be used for capital improvements, expansions and other acquisitions that have been approved by the District's Board of Directors as part of the annual budgeting process but not yet expended.

Land Purchase Account

The Land Purchase Fund was created to accumulate monies for a setback buffer via an odor easement on, or outright purchase of, approximately 89 acres of land surrounding the water reclamation facility (WRF). This is to comply with an Arizona Department of Environmental Quality (ADEQ) rule in Arizona Administrative Code Title 18, R18-9-B201.I and is a condition of licensing the District's WRF. The District made an initial attempt to purchase the property in fiscal year 2002 but the Arizona State Land Department (ASLD) was in dispute with the Maricopa County Flood Control District (MCFCD) over another easement matter concerning the same property. ASLD refused to consider the District's overture to purchase the land at that time until the matter was settled with the MCFCD. Instead they issued a temporary approval of the District's impact on the property until they were ready to sell the odor easement. The dispute between ASLD and MCFCD was settled in fiscal 2008 and the District moved forward with its attempt to purchase the odor easement and 20 acres of land. At the end of fiscal 2011, the District's applications were in process with ASLD. Resolution is not anticipated until fiscal year 2012.

The balance of \$2.4 million at June 30, 2011 exceeds the initial target of \$2.16 million because of accumulated earnings. No new funds were contributed during fiscal 2011. The decrease in the balance from fiscal year 2010 resulted from the expenditure of funds for an appraisal of the land which was necessary as part of the purchase process.

District Reserves

These funds serve to supplement shortfalls that occur in other funds. These reserves can be used for District operations, capital assets or debt repayment. A portion of the reserve is mandated by the Trust Indenture to maintain a balance of \$750 thousand. As of June 30, 2011, the reserve balances exceeded the requirements of the Trust Indenture.

CHANGES IN NET ASSETS

Table 3
Superstition Mountains Community Facilities District No. 1
Changes in Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	Increase (Decrease) current year from prior		<u>June 30, 2009</u>
			<u>Amount</u>	<u>Percentage</u>	
Operating revenues					
Sewer services	\$ 5,117,939	\$ 5,143,374	\$ (25,435)	-0.49%	\$ 5,037,505
Connection fees	134,732	240,170	(105,438)	-43.90%	98,854
Septage charges	500,324	421,608	78,716	18.67%	411,627
Recharge credit sales	139,385	110,210	29,175	26.47%	158,326
Miscellaneous	<u>236,669</u>	<u>171,994</u>	<u>64,675</u>	37.60%	<u>203,750</u>
Total operating revenue	6,129,049	6,087,356	41,693	0.68%	5,910,062
Operating expenses	5,252,118	5,271,423	(19,305)	-0.37%	5,088,079
Operating income	876,931	815,933	60,998	7.48%	821,983
Nonoperating income/(expense)					
Interest & accretion	(1,767,000)	(1,781,100)	14,100	-0.79%	(1,787,460)
Other nonoperating	<u>(3,027)</u>	<u>(16,819)</u>	<u>13,792</u>	-82.00%	<u>(55,821)</u>
Total nonoperating revenue/(expense)	(1,770,027)	(1,797,919)	27,892	-1.55%	(1,843,281)
Decrease in net assets	\$ (893,096)	\$ (981,986)	\$ 88,890	-9.05%	\$ (1,021,298)

Operating Revenues

Operating revenues increased .68% over the prior year. Slight revenue gains were realized in *Septage charges* where income increased \$78.7 thousand and in *Miscellaneous* income where income increased by \$64.7 thousand over fiscal year 2010. In fiscal year 2010, operating revenues increased \$139.9 over fiscal year 2009.

Connection fees decreased \$105.4 thousand, or 43.9%, from the prior year. The District issued 98 fewer fee generating permits in fiscal 2011 when compared to the prior year.

In March 2005, the District received its final permits allowing for the recharge of effluent and the accumulation of saleable recharge credits. The District negotiated agreements to sell its recharge credits to the Water Utilities Community Facilities District, known as Apache Junction Water Company, and to Roadhaven RV Resort HOA. Revenues realized from recharge activities in fiscal 2011 were \$29.2 thousand higher than the previous year primarily because of higher productivity in the recharge beds.

Operating Expenses

Operating expenses decreased by \$19.3 thousand from fiscal 2010. Expense categories showing significant decreases include *Repairs and maintenance - treatment facility*, *Payroll and payroll related* and *Administrative*. Expense categories showing significant increases include *Legal* and *Depreciation and amortization*. *Repairs and maintenance – treatment facility* was high in the prior year because of non-recurring expenses related to refurbishing the used relocatable classroom buildings into the District’s administrative office and for maintenance required at the Baseline Pump Station during the rebuilding of one of the 100 horsepower pumps. The decrease in *Payroll and payroll related* expenses resulted from a change in the providers for health, vision and dental benefits. *Administrative* expense was high in the prior year because of costs related to occupying the new administrative office. *Legal* expenses were higher than the prior year because of costs related to employment matters.

Operating expenses increased \$217.4 thousand from fiscal year 2009 to fiscal year 2010. A discussion of this increase can be found in the fiscal year 2010 CAFR.

Non-operating Revenues and Expenses

Total non-operating expense was \$27.9 thousand lower than fiscal 2010. *Interest income* increased by \$6.6 thousand because of the continued efforts to achieve market rates on the District’s invested balances. *Interest expense* on the District’s debt obligation decreased by \$14.1 thousand; Note 5 to the Financial Statements provides additional information about the District's outstanding bond debt.

CAPITAL ASSETS

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	Increase (Decrease) current year from prior		<u>June 30, 2009</u>
			<u>Amount</u>	<u>Percentage</u>	
Land and easements	\$ 331,755	\$ 332,518	\$ (763)	-0.23%	\$ 329,518
Treatment plant	14,615,729	14,513,412	102,317	0.70%	14,380,146
Collection system	22,209,704	22,194,334	15,370	0.07%	22,168,375
Buildings & grounds	621,961	576,515	45,446	7.88%	0
Machinery & equipment	2,421,857	2,063,455	358,402	17.37%	2,062,590
Office equipment & software	280,723	241,581	39,142	16.20%	229,993
Construction in process	<u>181,998</u>	<u>149,392</u>	<u>32,606</u>	21.83%	<u>412,976</u>
Total capital assets	40,663,727	40,071,207	592,520	1.48%	39,583,598
Accumulated depreciation	<u>(18,548,339)</u>	<u>(16,947,588)</u>	<u>(1,600,751)</u>	9.45%	<u>(15,294,366)</u>
Net capital assets	\$ 22,115,388	\$ 23,123,619	\$ (1,008,231)	-4.36%	\$ 24,289,232

Capital Assets

The District operates and maintains approximately 110 miles of sewer line throughout the City of Apache Junction as well as a 2.1 MGD (million gallons per day) capacity wastewater treatment plant. The District is continually expanding, replacing and maintaining the collection system and treatment plant. Most components of the sewer system and treatment plant have exceeded 16 years of use, with a small portion of the contributed system nearing 30 years of service.

In fiscal 2011, increases in Capital assets resulted primarily from the addition of \$303 thousand in *Machinery & equipment* from improvements at the Baseline Pump Station. There were also several mid-range additions to the *Treatment plant*.

Note 4 to the Financial Statements provides additional information about the District's capital assets.

DEBT ADMINISTRATION

The District has one bond issue, Series 2000, held by Allstate Insurance Company. The bond was considered to be a capital appreciation bond through January 1, 2005 at which point it became a current interest obligation. The District is in compliance with all terms and conditions of the debt obligation. One of the terms of the debt obligation requires that the District maintain a ratio of net revenues to bond service charges of at least 1.10. For fiscal year 2011, the District's ratio was 1.29. Note 5 to the Financial Statements provides additional information about the bond debt.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S RESULTS

Revenue growth in fiscal year 2011 resulted primarily from the District's practice of annual, modest rate increases for the services it provides. These rate increases, when factored with modest growth, allowed the District to cover its regular operating expenses and debt service as well as contribute toward capital additions and replacements.

The District is somewhat insulated from economic downturns by its broad residential customer base. Almost 97% of the units billed by the District for sewer service are residential, representing 83% of total sewer service revenue for fiscal year 2011. Although the District continued to experience higher than average levels of residential disconnections, revenues were not significantly impacted because delinquent balances are nearly always collected in full once a property changes hands.

The decrease in expenses reflected the District's continued commitment to expense control by focusing on areas where significant improvements can be made without impacting the quality of the services it provides; a significant area of focus remains on preventative and proactive repairs and maintenance to extend the useful lives of the District's equipment, systems and facilities.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability and compliance with respect to fiscal matters. If there are questions concerning this report or if further information is required, please contact the Superstition Mountains Community Facilities District No. 1 at 5661 S. Ironwood Drive, Apache Junction, Arizona 85120.

Superstition Mountains Community Facilities District No. 1

STATEMENTS OF NET ASSETS

June 30,

	ASSETS	<u>2011</u>	<u>2010</u>
CURRENT ASSETS			
Cash and cash equivalents		\$ 609,865	\$ 500,830
Cash and cash equivalents, restricted		2,297,978	2,561,356
Accounts receivable – sewage, net of allowance for doubtful accounts of \$108,335 and \$117,947		553,331	517,808
Accounts receivable - other		226,300	222,995
Inventory		24,928	29,822
Prepaid expenses		<u>86,972</u>	<u>96,277</u>
Total current assets		<u>3,799,374</u>	<u>3,929,088</u>
NONCURRENT ASSETS			
Capital assets:			
Capital assets not being depreciated		495,361	463,518
Capital assets, net of accumulated depreciation		<u>21,620,027</u>	<u>22,660,101</u>
Total capital assets		<u>22,115,388</u>	<u>23,123,619</u>
Other assets:			
Bond issuance costs, net of accumulated amortization of \$502,269 and \$456,312		876,436	922,393
Cash and cash equivalents, restricted		2,393,852	27,115
Investments, restricted		<u>3,415,678</u>	<u>5,802,745</u>
Total other assets		<u>6,685,966</u>	<u>6,752,253</u>
Total noncurrent assets		<u>28,801,354</u>	<u>29,875,872</u>
Total assets		<u>32,600,728</u>	<u>33,804,960</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable		\$ 62,585	\$ 92,874
Accrued expenses		233,810	245,772
Accrued interest payable		881,400	888,900
Current portion, bonds payable		310,000	250,000
Unearned revenue		<u>62,582</u>	<u>73,967</u>
Total current liabilities		<u>1,550,377</u>	<u>1,551,513</u>
NONCURRENT LIABILITIES			
Long term debt			
Series 2000 bonds payable, less current maturity		<u>29,070,000</u>	<u>29,380,000</u>
Total liabilities		<u>30,620,377</u>	<u>30,931,513</u>
NET ASSETS			
Invested in capital assets, net of related debt		(3,481,676)	(2,752,352)
Restricted:			
Capital acquisition		3,157,895	3,488,216
Operations		1,166,675	1,148,971
Unrestricted		<u>1,137,457</u>	<u>988,612</u>
Total net assets		<u>\$ 1,980,351</u>	<u>\$ 2,873,447</u>

The accompanying notes are an integral part of these financial statements.

Superstition Mountains Community Facilities District No. 1

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

Years Ended June 30,

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Net charges for services	\$ 5,252,671	\$ 5,383,544
Charges for septage	500,324	421,608
Sales of recharge credits	139,385	110,210
Miscellaneous	236,669	171,994
Total operating revenues	<u>6,129,049</u>	<u>6,087,356</u>
Operating expenses:		
Payroll and payroll related	2,310,810	2,362,689
Repairs and maintenance - treatment facility	325,013	385,595
Repairs and maintenance - other	10,283	6,408
Supplies and services - treatment facility	330,145	346,623
Accounting	14,900	14,000
Consulting	22,893	14,903
Administrative	222,417	249,851
Insurance	74,546	71,563
Legal	162,865	63,810
Office rent	-	11,704
Depreciation and amortization	1,777,863	1,743,773
Miscellaneous	383	504
Total operating expenses	<u>5,252,118</u>	<u>5,271,423</u>
Operating income	876,931	815,933
Nonoperating revenues and (expenses):		
Interest income	10,180	3,598
Loss on equipment disposed	(5,207)	(12,417)
Trust and cash management fees	(8,000)	(8,000)
Interest expense	(1,767,000)	(1,781,100)
Total nonoperating revenues and (expenses)	<u>(1,770,027)</u>	<u>(1,797,919)</u>
Decrease in net assets	(893,096)	(981,986)
Total net assets, July 1	<u>2,873,447</u>	<u>3,855,433</u>
Total net assets, June 30	<u><u>\$ 1,980,351</u></u>	<u><u>\$ 2,873,447</u></u>

The accompanying notes are an integral part of these financial statements.

Superstition Mountains Community Facilities District No. 1

STATEMENTS OF CASH FLOWS

Years Ended June 30,

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities:		
Cash received from customers	\$ 5,842,167	\$ 5,949,601
Other operating receipts	246,849	175,592
Cash payments to suppliers for goods and services	(1,187,535)	(1,139,272)
Cash payments to employees for services	<u>(2,322,772)</u>	<u>(2,314,834)</u>
Net cash provided by operating activities	2,578,709	2,671,087
Cash flows from capital and related financing activities:		
Acquisition of structures, sewer improvements and equipment	(728,882)	(544,620)
Principal payments on bonds payable	(250,000)	(145,000)
Bond interest paid	<u>(1,774,500)</u>	<u>(1,785,450)</u>
Net cash used by capital and related financing activities	(2,753,382)	(2,475,070)
Cash flows from investing activities		
Purchase of securities	(5,777,678)	(5,802,745)
Proceeds from matured securities	<u>8,164,745</u>	<u>-</u>
Net cash provided/used by investing activities	2,387,067	(5,802,745)
Net increase/(decrease) in cash	2,212,394	(5,606,728)
Cash and cash equivalents, beginning of year	<u>3,089,301</u>	<u>8,696,029</u>
Cash and cash equivalents, end of year	<u>\$ 5,301,695</u>	<u>\$ 3,089,301</u>
Cash and cash equivalents at June 30, 2011 and 2010 consist of:		
Unrestricted cash and cash equivalents	\$ 609,865	\$ 500,830
Restricted cash and cash equivalents, current	2,297,978	2,561,356
Restricted cash and cash equivalents, noncurrent	<u>2,393,852</u>	<u>27,115</u>
Total	<u>\$ 5,301,695</u>	<u>\$ 3,089,301</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	876,931	\$ 815,933
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	1,777,863	1,743,773
Interest income, net of trust and cash management fees	2,180	(4,402)
Changes in assets and liabilities:		
Accounts receivable - sewage	(35,523)	(14,432)
Accounts receivable - other	(3,305)	36,472
Inventory	4,894	6,829
Prepaid expenses	9,305	7,462
Accounts payable	(30,289)	19,398
Accrued expenses	(11,962)	47,855
Unearned revenue	<u>(11,385)</u>	<u>12,199</u>
Net cash provided by operating activities	<u>\$ 2,578,709</u>	<u>\$ 2,671,087</u>

The accompanying notes are an integral part of these financial statements.

Superstition Mountains Community Facilities District No. 1

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 1 – BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Superstition Mountains Community Facilities District No. 1 (the District) is a public utility, formed under the laws of the State of Arizona on July 7, 1992. The District was formed to finance, construct, own and operate a wastewater treatment plant and collection system (the Project) to serve as the central sewer system for a portion of the City of Apache Junction, Arizona.

The accounting policies of the District conform to U.S. generally accepted accounting principles as applicable to proprietary funds of governmental units. The more significant accounting policies of the District follow:

Description of Fund: A Fund is described as an independent fiscal and accounting entity with a self-balancing set of accounts used to record assets, related liabilities, reserves and equities which are segregated for the purpose of carrying on activities of the reporting entity.

Proprietary (Enterprise) Fund: This fund type is used to account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Pronouncements of GASB and FASB: Government Accounting Standards Board (GASB) Statement No. 20 states that Financial Accounting Standards Board (FASB) and its predecessor body pronouncements issued before November 30, 1989, continue to be applicable to Enterprise Funds unless they conflict with or contradict GASB guidance.

Enterprise Funds may take either of the following approaches to FASB guidance issued subsequent to November 30, 1989:

1. An entity may elect to continue to follow FASB guidance that does not conflict with or contradict GASB guidance. If this election is made, it must be followed consistently. It would not be appropriate to follow some FASB pronouncements, issued subsequent to the cutoff date, but not others.
2. An entity may elect not to subject itself to FASB guidance issued subsequent to the cutoff date. In that case, even FASB amendments of guidance issued prior to the cutoff date would not be applicable to proprietary operations.

Superstition Mountains Community Facilities District No. 1 has elected to subject itself to FASB guidance issued subsequent to November 30, 1989.

Basis of Presentation: The accrual basis of accounting is used in proprietary fund types. The accrual basis of accounting recognizes income when earned and expenses when incurred.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash and short term investments with an initial maturity of three months or less.

Allowance for Doubtful Accounts: The District provides an allowance for doubtful accounts equal to the estimated uncollectible portion. This estimate is based on historical collection experience and a review of the current status of accounts receivable.

Superstition Mountains Community Facilities District No. 1

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 1 – BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory: Inventory is stated at purchased cost (which approximates market). Inventory on hand at year-end is determined using the first-in, first-out method.

Capital Assets: Capital assets are stated at cost, which is allocated to current and future periods through depreciation. Capital asset expenditures are considered for capitalization when unit costs exceed \$5,000. Capitalized sewer improvement costs represent expenditures for the design and construction of the Project, along with capitalized interest. Depreciation and amortization are computed using the straight-line method based on economic lives of the assets as follows:

Equipment	3 to 10 years
Structures and sewer improvements	10 to 30 years

Contributed Capital Assets: The District receives contributed capital assets in the form of sewer lines built and connected by developers of new residential and business properties in Apache Junction. The contributions are made in lieu of the developers paying the District to build the lines with District personnel. The District may also receive contributed capital assets in the form of easements granted by property owners in lieu of paying connection or other fees to the District.

Bond Issuance Costs: Bond issuance costs are deferred and amortized using the straight-line method over the 30 year term of the bonds.

Investments: Investments are purchased with the intent to hold to maturity and are stated at amortized cost.

Income Taxes: The District is exempt from income taxes as a public utility.

Operating and Nonoperating Revenues and Expenses: Operating revenues include all income derived from the operation of the sewer system or water treatment facility net of uncollectible amounts. Operating expenses include all costs incurred to support the operation of the sewer system and water treatment facility, including repair and maintenance expenses, administrative expenses and depreciation on capital assets.

Nonoperating revenues include income realized from contributed capital assets, proceeds received from mediation and litigation settlements and earned interest. Nonoperating expenses include interest expense, cash management fees and losses realized from the disposal or abandonment of capital assets.

Use of Estimates: In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain reclassifications were made to the 2010 financial statement presentation in order to conform to the 2011 presentation.

Subsequent Events: Subsequent events have been evaluated through October 25, 2011 which was the date the District's financial statements were issued.

Superstition Mountains Community Facilities District No. 1

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 2 – RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

Restricted cash, cash equivalents and investments consist of amounts established relative to the District's Trust Indenture with Bank One Trust Company (now the Bank of New York Mellon Global Corporate Trust), as amended. The Trust Indenture authorizes the District to invest in government obligations; repurchase agreements that are fully collateralized by government obligations; interest earning investments such as certificates of deposit or other time deposits which are fully insured by the Federal Deposit Insurance Corporation (FDIC) or similar federal agency; shares in any investment company registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and whose only investments are government obligations; any other investment agreement, guaranteed investment contract or similar debt obligation permitted by law which meets specified credit risk criteria; and investments in the Arizona State Treasurer's Local Government Investment Pool as long as investments are comprised of government obligations. The District has not adopted a formal investment policy.

Restricted Cash and Cash Equivalents

Cash and cash equivalents, consisting primarily of deposits in the JP Morgan 100% US Treasury Securities Money Market Fund, are allocated as follows at June 30,

	2011	2010
Principal fund	\$ 161,798	\$ 126,788
Interest fund	938,050	945,492
Revenue fund	31,317	38,800
Debt service reserve fund	13,397	12,125
Operations reserve fund	389,373	363,760
Capital improvement fund	563,628	732,143
Replacement reserve fund	218,408	358,171
Land purchase fund	2,375,859	11,192
Total restricted cash and cash equivalents	<u>\$ 4,691,830</u>	<u>\$ 2,588,471</u>

Funds on deposit in the Land purchase fund as of June 30, 2011 were invested in US Treasury Notes on July 1, 2011.

Restricted Investments

Restricted investments, consisting of amounts invested in US Treasury Notes purchased with a remaining maturity of less than one year, are stated at amortized cost which approximates fair value and are allocated as follows at June 30,

	2011	2010
Debt service reserve fund	2,669,691	2,669,624
Operations reserve fund	745,987	746,411
Land purchase fund	-	2,386,710
Total restricted investments	<u>\$ 3,415,678</u>	<u>\$ 5,802,745</u>

Investments on hand at June 30, 2011 mature on December 31, 2011.

Superstition Mountains Community Facilities District No. 1

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 3 – CONCENTRATION OF CREDIT RISK

The District maintains its cash balances with financial institutions located in Phoenix, Arizona. At June 30, 2011, all amounts held were fully insured by the FDIC. At June 30, 2010 all amounts held in excess of FDIC limits were fully collateralized by securities held by the Federal Reserve Bank of Boston in the District's name.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance at July 1, 2010	Additions	Deletions	Balance at June 30, 2011
<u>Nondepreciable assets:</u>				
Land	\$ 220,925	\$ -	\$ -	\$ 220,925
Easements	93,201	2,237	(3,000)	92,438
Construction in process	149,392	114,275	(81,669)	181,998
<u>Depreciable assets:</u>				
Treatment plant	14,513,412	102,317	-	14,615,729
Collection system	22,194,334	15,371	-	22,209,705
Equipment	2,305,036	537,225	(139,681)	2,702,580
Buildings & grounds	576,515	45,445	-	621,960
Rights of way	18,392	-	-	18,392
Total assets	<u>40,071,207</u>	<u>816,870</u>	<u>(224,350)</u>	<u>40,663,727</u>
<u>Accumulated depreciation:</u>				
Treatment plant	(5,880,601)	(675,382)	-	(6,555,983)
Collection system	(9,346,715)	(741,301)	-	(10,088,016)
Equipment	(1,667,177)	(242,511)	131,155	(1,778,533)
Buildings & grounds	(43,547)	(71,868)	-	(115,415)
Rights of way	(9,548)	(844)	-	(10,392)
Total accumulated depreciation	<u>(16,947,588)</u>	<u>(1,731,906)</u>	<u>131,155</u>	<u>(18,548,339)</u>
Net capital assets	<u>\$ 23,123,619</u>	<u>\$ (915,036)</u>	<u>\$ (93,195)</u>	<u>\$ 22,115,388</u>

Superstition Mountains Community Facilities District No. 1

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 5 – LONG TERM DEBT

The District's long term debt consists of a single bond obligation, the Series 2000 sewer revenue bond, held by a single bond holder, Allstate Insurance Company. All revenues of the District are assigned and used as security for the bond.

The Series 2000 sewer revenue bond, with a stated interest rate of 6%, was issued on August 1, 2000 in place of the previously issued Series 1994 and Series 1995 sewer revenue bonds. The bond obligation has two phases over its 30 year term. In the first phase, which began August 1, 2000 and ended January 1, 2005, the bond was considered to be a capital appreciation bond. During this phase, the terms of the bond required that the District make partial interest payments with the remaining accrued interest added to the outstanding bond balance. The accreted interest increased the face amount of the bond from \$26,812,088 to \$30,767,000 at January 1, 2005, prior to the application of the sinking fund amount. In the second phase, which began January 1, 2005 and continues through July 1, 2030, the bond is considered to be a current interest obligation with principal and interest payments due and payable each January 1 and July 1.

The following is a summary of changes in long term debt for the year ended June 30, 2011:

	Balance at July 1, 2010	Increases	Decreases	Balance at June 30, 2011
Series 2000 bonds				
Current portion	\$ 250,000	\$ 310,000	\$ 250,000	\$ 310,000
Noncurrent portion	29,380,000	-	310,000	29,070,000
Total bonds payable	<u>\$ 29,630,000</u>	<u>\$ 310,000</u>	<u>\$ 560,000</u>	<u>\$ 29,380,000</u>

Maturities of the sewer revenue bond, including interest payments, are as follows for June 30,

	Principal	Interest	Total
2012	\$ 310,000	\$ 1,758,450	\$ 2,068,450
2013	400,000	1,739,100	2,139,100
2014	520,000	1,713,150	2,233,150
2015	530,000	1,680,150	2,210,150
2016	635,000	1,649,850	2,284,850
2017 - 2021	5,415,000	7,451,700	12,866,700
2022 - 2026	9,775,000	5,282,550	15,057,550
2027 - 2031	11,795,000	1,901,250	13,696,250
Total	<u>\$ 29,380,000</u>	<u>\$ 23,176,200</u>	<u>\$ 52,556,200</u>

Superstition Mountains Community Facilities District No. 1

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 and 2010

NOTE 6 – RETIREMENT PLAN

Plan Description

The District contributes to the Arizona State Retirement System (ASRS) which administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the District. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long term disability, survivor and health insurance premium benefits.

The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling:

ASRS
3300 N. Central Ave.
PO Box 33910
Phoenix, AZ 85067-3910
Phone (602) 240-2000 or (800) 621-3778

Funding Policy

The Arizona State Legislature establishes and may amend contribution rates and employer matches for active plan members and employers.

For the ASRS year ended June 30, 2011, active ASRS members and employers were each required by statute to contribute at the actuarially determined rate of 9.85% (9.60% retirement and .25% long term disability) of the members' annual covered payroll. Rates for the years ended June 30, 2010 and 2009 were 9.40% (9.00% retirement and .40% long term disability) and 9.45% (8.95% retirement and .50% long term disability) respectively. The District's contributions to ASRS for the years ended June 30, 2011, 2010 and 2009 were \$159,259, \$153,482 and \$134,089 respectively, which equaled the required contributions for each year.

NOTE 7 – COMMITMENTS AND CONTINGENT LIABILITIES

In the ordinary course of business, the District is subject to various legal actions and claims, including those related to employment matters. Although the outcome of such legal proceedings cannot be predicted with certainty, the District believes is adequately insured and adequately reserved for such matters.

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Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

STATISTICAL SECTION



Superstition Mountains Community Facilities District No. 1

Apache Junction, Arizona

STATISTICAL SECTION

This part of the Superstition Mountains Community Facilities District No. 1 comprehensive annual financial report presents detailed information as a context for understanding what the information in the statements, note disclosures and required supplementary information says about the District’s financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	23
These schedules contain trend information to assist the reader in understanding how the District’s financial performance and well-being has changed over time.	
Revenue Capacity	25
These schedules contain information to assist the reader in assessing the District’s most significant revenue source, sewer fees.	
Debt Capacity	29
These schedules present information to assist the reader in assessing the affordability of the District’s current level of outstanding debt.	
Demographic and Economic Information	31
These schedules offer demographic and economic indicators to help the reader understand the environment within which the District’s financial activities take place and to help make comparisons over time and with other governments.	
Operating Information	33
These schedules contain information about the District’s operations and resources to help the reader understand how the District’s financial information relates to the services that the District provides and the activities that it performs.	

Schedule A-1
Superstition Mountains Community Facilities District No. 1
Net Assets by Component
Last Nine Fiscal Years ¹

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009 ²	2010	2011
Net assets:									
Invested in capital assets, net of related debt							\$ (1,802,439)	\$ (2,752,352)	\$ (3,481,676)
Restricted:									
Debt service	\$1,390,000	\$1,660,000	\$1,825,820	\$1,803,870	\$1,788,420	\$1,820,420			
Capital acquisition							3,469,944	3,488,216	3,157,895
Operations							809,050	1,148,971	1,166,675
Unrestricted	<u>553,271</u>	<u>291,145</u>	<u>387,516</u>	<u>1,814,207</u>	<u>3,104,598</u>	<u>3,056,311</u>	<u>1,378,878</u>	<u>988,612</u>	<u>1,137,457</u>
Total net assets	<u>\$1,943,271</u>	<u>\$1,951,145</u>	<u>\$2,213,336</u>	<u>\$3,618,077</u>	<u>\$4,893,018</u>	<u>\$4,876,731</u>	<u>\$ 3,855,433</u>	<u>\$ 2,873,447</u>	<u>\$ 1,980,351</u>

¹ The District adopted GASB Statement 34 for the fiscal year ended June 30, 2003.

² The District modified its presentation of Net Assets with the issuance of the comparative June 30, 2010 financial statements to conform with direction received from the AICPA. Prior years are stated as they were reported on the District's audited financial statements.

Source: Statements of Net Assets

Schedule A-2
Superstition Mountains Community Facilities District No. 1
Changes in Net Assets
Last Nine Fiscal Years ¹

	Fiscal Year Ended June 30,								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Operating revenues:									
Charges for services	\$ 4,208,774	\$ 4,069,311	\$ 4,207,070	\$ 4,838,257	\$ 5,096,524	\$ 5,131,969	\$ 5,092,310	\$ 5,383,544	\$ 5,252,671
Charges for septage	311,502	374,238	386,691	382,572	404,169	388,145	411,627	421,608	500,324
Sales of recharge credits	-	-	27,882	74,717	135,201	154,364	158,326	110,210	139,385
Miscellaneous	83,253	73,292	76,978	63,057	73,723	122,621	203,750	171,994	236,669
Total operating revenue	<u>4,603,529</u>	<u>4,516,841</u>	<u>4,698,621</u>	<u>5,358,603</u>	<u>5,709,617</u>	<u>5,797,099</u>	<u>5,866,013</u>	<u>6,087,356</u>	<u>6,129,049</u>
Operating expenses:									
Payroll and payroll related	\$ 850,167	\$ 1,051,932	\$ 1,027,864	\$ 1,109,559	\$ 1,276,237	\$ 1,975,047	\$ 2,079,004	\$ 2,362,689	\$ 2,310,810
Repairs and maintenance - treatment facility	138,508	142,127	148,111	188,786	253,666	269,925	321,350	385,595	325,013
Repairs and maintenance - other	16,304	12,892	11,615	10,028	17,497	21,521	9,483	6,408	10,283
Supplies and services	184,219	230,696	227,838	291,449	315,232	338,507	315,627	346,623	330,145
Accounting	12,000	11,745	12,000	12,600	13,300	13,500	14,900	14,000	14,900
Consulting	54,822	24,550	59,716	51,436	37,672	43,924	154,309	14,903	22,893
Administrative	128,964	162,328	137,278	144,605	207,755	213,769	185,480	249,851	222,417
Insurance	57,287	75,025	88,107	88,961	85,082	84,451	79,525	71,563	74,546
Legal	23,178	32,097	63,804	72,429	93,545	97,645	96,575	63,810	162,865
Office rent	24,491	26,804	27,646	27,068	41,474	38,238	40,087	11,704	-
Depreciation and amortization	1,182,926	1,276,820	1,311,246	1,341,256	1,416,855	1,581,271	1,726,690	1,743,773	1,777,863
Miscellaneous	2,120	6,018	383	110	189	3,235	21,000	504	383
Total operating expenses	<u>2,674,986</u>	<u>3,053,034</u>	<u>3,115,608</u>	<u>3,338,287</u>	<u>3,758,504</u>	<u>4,681,033</u>	<u>5,044,030</u>	<u>5,271,423</u>	<u>5,252,118</u>
Operating income	1,928,543	1,463,807	1,583,013	2,020,316	1,951,113	1,116,066	821,983	815,933	876,931
Nonoperating revenues and (expenses):									
Contributed capital assets	\$ 44,234	\$ 55,006	\$ 46,163	\$ 786,827	\$ 156,680	\$ 235,902	\$ -	\$ -	\$ -
Mediation and litigation settlement	392,326	268,226	334,190	139,074	586,184	184,152	-	-	-
Interest income	50,590	45,081	110,390	273,306	397,785	263,587	52,658	3,598	10,180
Equipment scrapped or abandoned	50	(26,771)	29	(1,862)	-	-	(91,045)	(12,417)	(5,207)
Trust and cash management fees	(35,141)	(17,850)	(19,750)	(23,150)	(28,401)	(27,574)	(17,434)	(8,000)	(8,000)
Interest expense	(1,752,891)	(1,779,625)	(1,791,844)	(1,789,770)	(1,788,420)	(1,788,420)	(1,787,460)	(1,781,100)	(1,767,000)
Total nonoperating revenue and (expense)	<u>(1,300,832)</u>	<u>(1,455,933)</u>	<u>(1,320,822)</u>	<u>(615,575)</u>	<u>(676,172)</u>	<u>(1,132,353)</u>	<u>(1,843,281)</u>	<u>(1,797,919)</u>	<u>(1,770,027)</u>
Change in net assets	<u>\$ 627,711</u>	<u>\$ 7,874</u>	<u>\$ 262,191</u>	<u>\$ 1,404,741</u>	<u>\$ 1,274,941</u>	<u>\$ (16,287)</u>	<u>\$ (1,021,298)</u>	<u>\$ (981,986)</u>	<u>\$ (893,096)</u>

¹ The District adopted GASB Statement 34 for the fiscal year ended June 30, 2003.

Source: Statements of Revenues, Expenses and Changes in Fund Net Assets

**Schedule B-1
 Superstition Mountains Community Facilities District No. 1
 Ten Largest Customers ¹
 Current Year and Nine Years Ago**

Customer Name ²	Year Ended June 30, 2011		Year Ended June 30, 2002	
	Sales	Percentage of Sales	Sales	Percentage of Sales
Coopers Sewer & Drain Inc	\$ 268,174	4.72%	\$ 140,585	4.35%
Golden Vista RV	148,520	2.61%	103,969	3.22%
Apache Junction Water Company	131,111	2.31%		
Superstition Falls Resort LLC	115,729	2.04%		
Roadhaven Resort	111,082	1.95%		
Rancho Mirage MHP	96,702	1.70%		
Desert Harbor	71,396	1.26%		
Leesburg Group/Rock Shadows	70,992	1.25%	53,285	1.65%
La Casa Blanca	68,694	1.21%	37,207	1.15%
Indian Wells Apartments	64,145	1.13%		
AJUSD High School			95,160	2.94%
Windsong Associates			46,022	1.42%
AJ Health Center			45,267	1.40%
RC Roberts			45,135	1.40%
Frys Food Stores of AZ			40,502	1.25%
Merrill Garden/Apache Junction LP			36,826	1.14%
Subtotal of ten largest customers	1,146,544	20.16%	643,958	19.92%
Balance from other customers	4,540,121	79.84%	2,588,792	80.08%
Total sewer, septage & recharge credit revenue	\$ 5,686,664	100.00%	\$ 3,232,750	100.00%

¹ Excludes revenues from application, connection and onsite fees

² A customer is listed only if in the top ten for the year presented. A customer listed in one table but not the other may, or may not have been, in business as a lower ranked customer during the comparative year.

Source: District Billing Records

Schedule B-2
Superstition Mountains Community Facilities District No. 1
Permits Issued, Active Accounts and Connected Units
Last Ten Fiscal Years

PERMITS ISSUED										
Fiscal Year Ended June 30,										
Service Class	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Single Family	354	194	176	90	179	210	80	15	125	63
Multi Family	188	5	9	73	18	6	8	7	18	0
RV & Mobile Home Parks	78	5	15	135	414	58	9	15	12	1
All Other	13	8	8	11	14	5	17	9	10	3
Total permits	633	212	208	309	625	279	114	46	165	67
% Change ²	40.04%	-66.51%	-1.89%	48.56%	102.27%	-55.36%	-59.14%	-59.65%	258.70%	-59.39%

ACTIVE ACCOUNTS										
Fiscal Year Ended June 30,										
Service Class	2002	2003	2004	2005	2006	2007	2008	2009³	2010	2011
Single Family	4,552	4,770	5,011	5,095	5,218	5,449	5,605	5,593	5,697	5,753
Multi Family	99	102	104	110	112	112	115	114	114	113
Undeveloped Land	84	82	75	73	71	71	70	65	57	53
RV Parks	24	26	25	25	25	25	25	25	25	25
Mobile Home Parks	23	24	24	24	24	25	26	26	26	26
Church/Government	26	27	31	33	34	36	36	37	40	40
Light Commercial	80	85	90	94	105	108	116	115	120	119
Medium Commercial	38	42	43	44	44	47	50	53	56	55
Heavy Commercial	6	6	6	6	6	6	6	6	5	5
Industrial	0	0	0	0	0	0	0	0	0	0
Total accounts	4,932	5,164	5,409	5,504	5,639	5,879	6,049	6,034	6,140	6,189
% Change ²	6.94%	4.70%	4.74%	1.76%	2.45%	4.26%	2.89%	-0.25%	1.76%	0.80%

ACTIVE UNITS										
Fiscal Year Ended June 30,										
Service Class	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Single Family	4,552	4,770	5,011	5,096	5,220	5,452	5,609	5,595	5,700	5,757
Multi Family	927	949	958	1,060	1,069	1,073	1,085	1,085	1,075	1,059
Undeveloped Land ¹	395	390	371	352	337	337	326	310	251	246
RV Parks	3,442	3,600	3,700	3,700	4,764	4,764	4,764	4,754	4,774	4,774
Mobile Home Parks	1,679	1,682	1,702	1,761	2,235	2,299	2,308	2,317	2,332	2,333
All other	150	160	170	177	189	197	208	211	221	219
Total units	11,145	11,551	11,912	12,146	13,814	14,122	14,300	14,272	14,353	14,388
% Change ²	6.91%	3.64%	3.13%	1.96%	13.73%	2.23%	1.26%	-0.20%	0.57%	0.24%

¹ Number of acres

² From prior year

³ Decrease in select customer classes resulted from removal of properties that had petitioned into the the District at the time of formation but never completed physical connection.

Source: Permits Issued - Engineering Records; Active Accounts and Connected Units - Monthly Disclosure Reports

**Schedule B-3
 Superstition Mountains Community Facilities District No. 1
 Select Revenues by Service Class
 Last Ten Fiscal Years**

SEWER SERVICE REVENUE											
Fiscal Year Ended June 30,											
Service Class	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Single Family	\$ 1,517,473	\$ 1,653,399	\$ 1,795,693	\$ 1,875,821	\$ 1,952,476	\$ 2,074,625	\$ 2,220,534	\$ 2,313,242	\$ 2,399,104	\$ 2,521,379	
Multi Family	202,027	240,277	269,983	285,869	322,942	338,997	352,639	366,130	377,405	386,704	
Undeveloped Land	31,772	31,694	31,323	26,690	29,934	30,038	30,809	29,607	25,882	25,469	
RV Parks	329,722	355,430	372,279	390,859	494,772	555,560	587,430	563,613	566,921	592,440	
Mobile Home Parks	283,887	340,080	368,411	363,340	477,365	586,634	632,668	686,851	677,142	698,343	
Church/Government	166,554	177,963	279,421	258,275	248,851	220,646	225,735	244,957	246,273	128,212	
Light Commercial	148,044	150,449	159,838	173,416	206,543	243,334	241,976	256,762	282,828	251,604	
Medium Commercial	185,242	221,545	223,319	228,913	273,502	303,170	317,278	339,987	290,330	315,615	
Heavy Commercial	101,975	139,718	139,031	148,033	165,491	180,657	182,346	167,378	174,066	127,189	
Industrial	0	0	0	0	0	0	0	0	0	0	
Total sewer service revenue	\$ 2,966,696	\$ 3,310,555	\$ 3,639,298	\$ 3,751,216	\$ 4,171,876	\$ 4,533,661	\$ 4,791,415	\$ 4,968,527	\$ 5,039,951	\$ 5,046,955	

CONNECTION FEE REVENUE											
Fiscal Year Ended June 30,											
Service Class	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Single Family	\$ 553,153	\$ 417,478	\$ 261,531	\$ 199,778	\$ 277,307	\$ 361,200	\$ 166,514	\$ 25,650	\$ 193,183	\$ 116,750	
Multi Family	12,640	208,400	45,986	77,882	36,129	6,300	17,303	9,400	0	0	
RV and Mobile Home Parks	44,368	129,543	6,773	28,980	149,040	20,240	10,205	11,465	10,100	1,580	
All Other	78,371	35,748	36,926	34,736	54,180	31,715	90,239	52,339	36,887	16,402	
Total connection fee revenue	\$ 688,532	\$ 791,169	\$ 351,216	\$ 341,376	\$ 516,656	\$ 419,455	\$ 284,261	\$ 98,854	\$ 240,170	\$ 134,732	

Source: Monthly Disclosure Reports

**Schedule B-4
 Superstition Mountains Community Facilities District No. 1
 Monthly Service Minimums, Usage Charges and Connection Fees by Service Class
 Last Ten Fiscal Years**

MONTHLY MINIMUMS										
Fiscal Year Ended June 30,										
Service Class	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Single Family	\$ 28.40	\$ 29.25	\$ 30.25	\$ 30.85	\$ 31.55	\$ 32.40	\$ 33.50	\$ 34.60	\$ 35.80	\$ 37.00
Multi Family ¹	22.40	23.07	23.75	24.25	25.70	26.40	27.30	28.20	29.20	30.00
Undeveloped Land ²	6.56	6.76	6.96	7.10	7.25	7.45	7.70	7.95	8.25	8.55
RV Parks ¹	6.53	6.72	7.00	7.15	7.40	7.60	7.85	8.10	8.40	8.70
Mobile Home Parks ¹	11.32	11.66	12.00	12.25	16.25	16.70	17.25	17.80	18.40	19.00
Church/Government	28.40	29.25	30.25	30.85	31.55	32.40	33.50	34.60	35.80	37.00
Light Commercial	33.66	34.67	35.75	36.50	37.45	38.50	39.80	41.10	42.55	44.00
Medium Commercial	37.15	38.26	40.00	41.00	42.10	43.25	44.70	46.15	47.75	49.35
Heavy Commercial	42.62	43.89	45.25	46.25	46.80	48.10	49.75	51.35	53.15	54.95
Industrial	45.90	102.98	106.00	108.50	112.30	115.40	119.20	123.05	127.35	131.60

USAGE CHARGES, per gallon³										
Fiscal Year Ended June 30,										
Service Class	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
RV Parks	\$ 0.177	\$ 0.183	\$ 0.188	\$ 0.192	\$ 0.213	\$ 0.219	\$ 0.226	\$ 0.234	\$ 0.242	\$ 0.250
Mobile Home Parks	0.177	0.183	0.188	0.192	0.213	0.219	0.226	0.234	0.242	0.250
Church/Government	0.177	0.183	0.188	0.192	0.213	0.219	0.226	0.234	0.242	0.250
Light Commercial	0.177	0.183	0.188	0.192	0.213	0.219	0.226	0.234	0.242	0.250
Medium Commercial	0.196	0.202	0.208	0.212	0.240	0.246	0.254	0.263	0.271	0.280
Heavy Commercial	0.219	0.226	0.233	0.238	0.266	0.274	0.283	0.292	0.302	0.312
Industrial	0.219	0.546	0.562	0.573	0.639	0.657	0.678	0.700	0.724	0.748

MINIMUM CONNECTION FEES										
Fiscal Year Ended June 30,										
Service Class	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Single Family	\$ 2,120	\$ 2,184	\$ 2,250	\$ 2,300	\$ 2,500	\$ 2,575	\$ 2,750	\$ 2,850	\$ 2,950	\$ 3,050
Multi Family ¹	1,060	1,092	1,125	1,150	2,040	2,100	2,250	2,350	2,430	2,510
RV Parks ¹	424	437	450	460	585	605	650	675	700	725
Mobile Home Parks ¹	424	437	450	460	1,290	1,330	1,425	1,480	1,530	1,580
Church/Government	2,120	2,184	2,250	2,300	2,500	2,575	2,750	2,850	2,950	3,050
Light Commercial	2,120	2,184	2,250	2,300	2,500	2,575	2,750	2,850	2,950	3,050
Medium Commercial	2,120	2,184	2,250	2,300	2,500	2,575	2,750	2,850	2,950	3,050
Heavy Commercial	2,120	2,184	2,250	2,300	2,500	2,575	2,750	2,850	2,950	3,050
Industrial	2,120	2,184	2,250	2,300	2,500	2,575	2,750	2,850	2,950	3,050

¹ per unit

² per acre

³ When connected to the sewer, the customer classes listed are charged a monthly fee that is the greater of the Monthly Minimum or the charge calculated using the prior 12 months water usage times a water use multiplier times the applicable rate.

Source: Approved Tariff Sheets

Schedule C-1
Superstition Mountains Community Facilities District No. 1
Outstanding Debt Balances
Last Ten Fiscal Years

Fiscal Year Ended June 30	Series 2000 Sewer Revenue Bond ¹				Per Active Unit ³
	Beginning Balance	Accreted Interest	Principal Reductions ²	Ending Balance	
2002	\$ 28,305,175	\$ 1,223,175	\$ -	\$ 29,528,350	2,649
2003	29,528,350	62,891	-	29,591,241	2,562
2004	29,591,241	279,625	-	29,870,866	2,508
2005	29,870,866	-	(13,866)	29,857,000	2,458
2006	29,857,000	-	(35,000)	29,822,000	2,159
2007	29,822,000	-	(15,000)	29,807,000	2,111
2008	29,807,000	-	-	29,807,000	2,084
2009	29,807,000	-	(32,000)	29,775,000	2,086
2010	29,775,000	-	(145,000)	29,630,000	2,064
2011	29,630,000	-	(250,000)	29,380,000	2,042

¹ See Note 5 to the Financial Statements for a complete description of the District's outstanding debt.

² Shows principal payments by fiscal year as made. Schedule C-2 shows principal payments as funded.

³ Active unit information is substituted for per capita; per capita information is not available because the District's service area does not coincide with the City of Apache Junction.

Source: Series 2000 Sewer Revenue Bond Amortization Schedule

**Schedule C-2
 Superstition Mountains Community Facilities District No. 1
 Debt Service Requirements
 Last Ten Fiscal Years**

Fiscal Year Ended June 30	Gross Revenues	Deductible Operating Expenses ²	Net Revenues Available for Debt Service ³	Debt Service Requirements ¹			Coverage Ratio	Required Coverage Ratio ³
				Principal	Interest	Total		
2002	\$ 7,751,266	\$ 1,629,221	\$ 6,122,045	\$ -	\$ 900,000	\$ 900,000	6.80	1.10
2003	5,090,729	1,527,201	3,563,528	-	1,240,000	1,240,000	2.87	1.10
2004	4,885,154	1,820,835	3,064,319	-	1,500,000	1,500,000	2.04	1.10
2005	5,189,393	1,824,112	3,365,281	33,866	1,791,844	1,825,710	1.84	1.10
2006	6,557,810	2,022,043	4,535,767	30,000	1,789,770	1,819,770	2.49	1.10
2007	6,850,266	2,370,050	4,480,216	-	1,788,420	1,788,420	2.51	1.10
2008	6,480,740	2,982,877	3,497,863	-	1,788,420	1,788,420	1.96	1.10
2009	5,918,671	3,425,819	2,492,852	67,000	1,787,460	1,854,460	1.34	1.10
2010	6,090,954	3,548,067	2,542,887	220,000	1,781,100	2,001,100	1.27	1.10
2011	6,139,229	3,487,462	2,651,767	285,000	1,767,000	2,052,000	1.29	1.10

¹ Includes debt service payments due on July 1 of subsequent fiscal year since payment will be paid from funds on hand as of June 30

² Operating expenses before depreciation, amortization and interest

³ As defined in the Trust Indenture

Source: Statements of Revenues, Expenses and Changes in Fund Net Assets; Series 2000 Sewer Revenue Bond Amortization Schedule

**Schedule D-1
 Superstition Mountains Community Facilities District No. 1
 Demographic Statistics - City of Apache Junction
 Last Ten Fiscal Years**

	Population Year Round	Personal Income	Per Capita Personal Income	Unemployment Rates
2002	33,570	\$ 672,944	\$ 20,046	4.5%
2003	34,400	709,328	20,620	5.0%
2004	35,117	755,683	21,519	4.6%
2005	34,070	783,576	22,999	3.9%
2006	35,685	860,794	24,122	3.7%
2007	37,538	972,047	25,895	3.1%
2008	37,917	808,770	21,330	3.7%
2009	37,864	767,541	20,271	6.4%
2010 ¹	35,840	unavailable	unavailable	8.4%
2011	unavailable	unavailable	unavailable	unavailable

Source: City of Apache Junction, Office of Economic Development

¹ Arizona Department of Administration, Office of Employment and Population Statistics

**Schedule D-2
 Superstition Mountains Community Facilities District No. 1
 Principal Employers in the City of Apache Junction
 Current Year and Nine Years Ago**

	<u>Year ended June 30, 2011</u>		<u>Year ended June 30, 2002</u>	
	<u>Full Time Equivalent Employees</u>	<u>Percentage of Total City Employment</u>	<u>Full Time Equivalent Employees</u>	<u>Percentage of Total City Employment</u>
<u>Employer</u>				
Apache Junction Unified School District #43	607	4.19%	610	5.32%
Wal-Mart Supercenter Store # 1831	352	2.43%	620	5.41%
Mountain Health & Wellness*	238	1.64%	122	1.06%
City of Apache Junction	221	1.52%	241	2.10%
Apache Junction Fire District	81	0.56%	73	0.64%
Apache Junction Medical Center	80	0.55%	115	1.00%
Robert Horne Ford/Hyundai dealerships	79	0.55%		
United States Postal Service	75	0.52%	107	0.93%
Empire Southwest	53	0.37%		
Walgreens (2 Apache Junction locations)	53	0.37%		
Earnhardt Ford			150	1.31%
Fry's Food and Drug			130	1.13%
Safeway Stores			125	1.09%
Total	<u><u>2,166</u></u>	<u><u>12.69%</u></u>	<u><u>2,293</u></u>	<u><u>20.01%</u></u>

Source: City of Apache Junction, Office of Economic Development

* Formerly Superstition Mountain Mental Health Center

**Schedule E-1
 Superstition Mountains Community Facilities District No. 1
 Budgeted Full Time Equivalent Employees by Function
 Last Ten Fiscal Years**

Division	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Administrative Division										
District Manager	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
District Administration	1.00	1.00	1.00	1.00	1.00	1.00	3.00	3.00	3.00	3.00
Finance	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.25	3.60	3.60
Engineering	-	-	-	-	-	1.00	2.00	2.00	2.00	2.00
Customer Service	2.00	3.00	2.00	2.00	3.25	4.75	4.00	3.75	4.00	4.00
Total Administrative Division	6.00	7.00	6.00	6.00	7.25	9.75	13.00	13.00	13.60	13.60
Operations Division										
Manager of Operations	-	-	-	-	-	1.00	1.00	1.00	-	-
Operations Administration	1.00	1.00	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00
Treatment Plant	4.00	6.00	6.00	6.00	8.00	8.00	8.00	8.00	8.00	8.00
Collection System	3.00	3.00	4.00	4.00	5.00	5.00	7.00	7.00	6.00	6.00
Total Operations Division	8.00	10.00	11.00	11.00	14.00	15.00	18.00	18.00	16.00	16.00
Total	14.00	17.00	17.00	17.00	21.25	24.75	31.00	31.00	29.60	29.60

Source: District Budgetary Records

**Schedule E-2
 Superstition Mountains Community Facilities District No. 1
 Operating and Capital Indicators
 Last Ten Fiscal Years**

	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Collection System										
Miles of Collection Mains <12" dia.	86.4	86.8	87.2	87.7	88.1	92.0	93.0	93.0	93.2	93.9
Miles of Collection Mains >12" dia.	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Customer Connections	4,611	4,863	5,128	5,252	5,398	5,658	5,848	5,858	6,007	6,051
Pumping										
Pump Stations	1	1	1	1	1	1	1	1	1	1
Miles of Pressure Forcemain	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Treatment										
Water Reclamation Facilities	1	1	1	1	1	1	1	1	1	1
Permitted Capacity, MGD ¹	2.14	2.14	2.14	2.14	2.14	2.14	2.14	2.14	2.14	2.14
Annual Average Daily Flow, MGD ¹	1.02	1.13	1.19	1.23	1.31	1.36	1.40	1.43	1.41	1.38
% of Total Permitted Capacity	47.7%	52.8%	55.6%	57.5%	61.2%	63.6%	65.4%	66.8%	65.9%	64.5%
Population Served (75 gpd/pop. eq.) ²	13,600	15,067	15,867	16,400	17,467	18,133	18,667	19,067	18,800	18,400
Effluent Disposal										
Effluent Recharge Basin Surface Acres	0	0	1.6	1.6	1.6	4.4	4.4	4.4	4.4	4.4
Effluent Recharge Vadose Zone Wells	0	0	6	6	6	20	20	20	20	20

¹ Million Gallons per Day

² Wastewater Engineering Treatment and Reuse, Fourth Edition, by Metcalf & Eddy, Inc.

Source: District Operational Records