

# **City of Apache Junction, Arizona**



## **Comprehensive Annual Financial Report**

**For the Year Ended June 30, 2006**

**Prepared by the Finance Department**

J. Keith Lewis, Finance Director

**Cover Photo: City of Apache Multi-generational-Recreational Center  
Opened September, 2005  
Photo by Jay Reynolds of the Parks and Recreation Department**

**City of Apache Junction, Arizona**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**Year Ended June 30, 2006**

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# **INTRODUCTORY SECTION**

**City of Apache Junction, Arizona**

**LIST OF CITY OFFICIALS**

**June 30, 2006**

**Elected Officials**

**Douglas Coleman, Mayor**

Robert E. "R.E." Eck	Vice-Mayor
Richard M. Dietz	Councilmember
John S. Insalaco	Councilmember
Joseph G. Severs	Councilmember
Kristofer M. Sippel	Councilmember
David F. Waldron	Councilmember

**Staff**

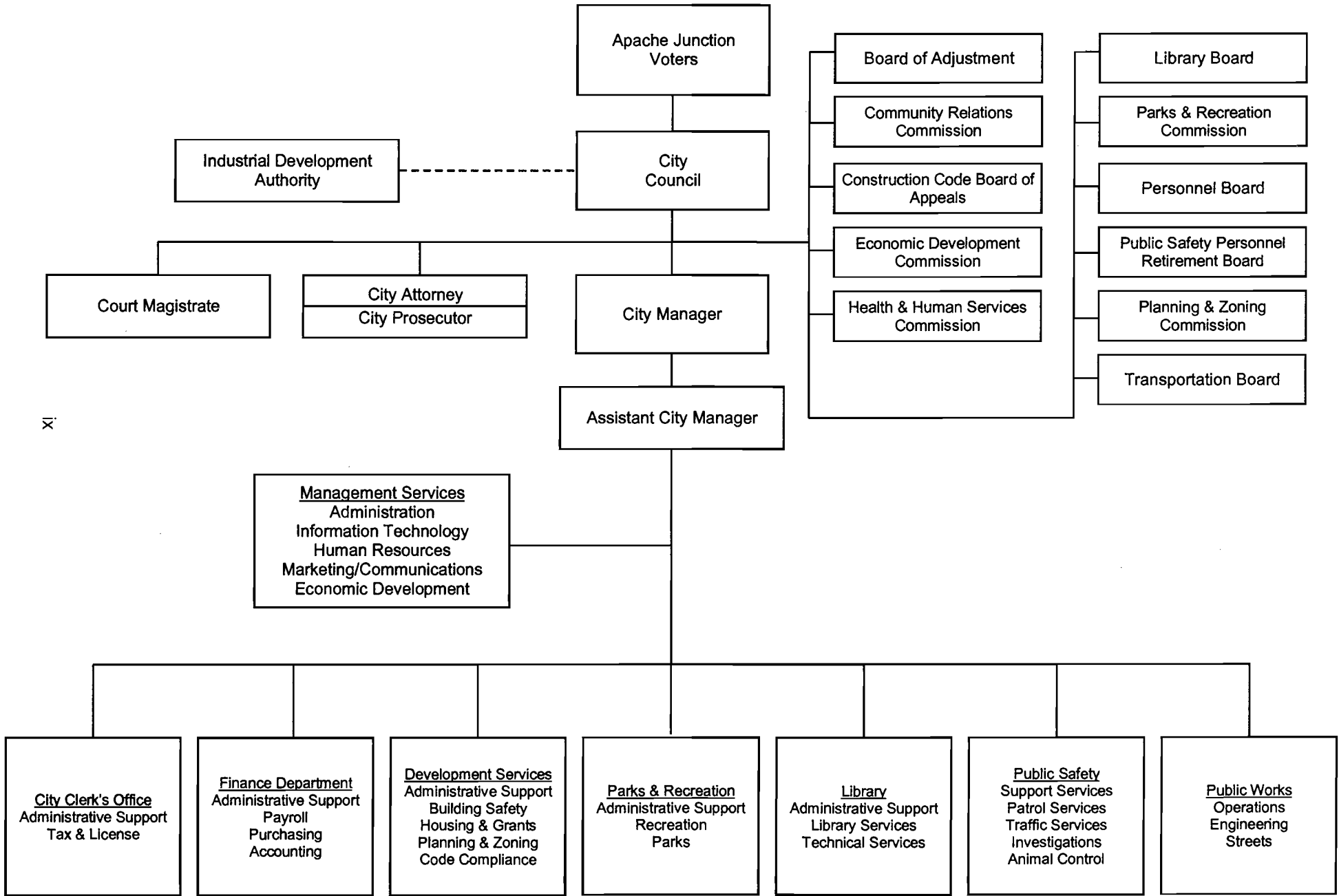
George R. Hoffman	City Manager
Richard Joel Stern	City Attorney
David F. Alexander	City Magistrate

**Department Directors**

Bryant F. Powell	Assistant City Manager
Jeff Bell	Parks and Recreation
Glenn A. Walp	Public Safety
Kathleen Connelly	City Clerk
Doug Dobson	Public Works
Dennis Dixon	Development Services (Interim)
J. Keith Lewis	Finance
Pamela Loui	Library



City of Apache Junction, Arizona  
Organizational Chart



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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Apache Junction  
Arizona

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2005

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.



President

Executive Director



# *City of Apache Junction*

*Home of the Superstition Mountains*

December 22, 2006

The Honorable Mayor and Members of the City Council  
City of Apache Junction, Arizona

Honorable Mayor and Councilmembers:

We are pleased to submit to you the seventh Comprehensive Annual Financial Report (CAFR) of the City of Apache Junction, Arizona, for the year ended June 30, 2006.

Although the auditors have stated an opinion attesting to the fairness of the financial statements, it cannot be emphasized strongly enough that the **responsibility for both the accuracy of the information, and the completeness and fairness of the information, including all disclosures, belongs to the City's management.** To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework to protect the City's assets from loss, theft and misuse, and to compile sufficient reliable financial and budgetary information. Because the cost of internal controls should not outweigh the benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatement. To the best of our knowledge and belief, this report is complete and accurate, in all material respects.

Arizona Revised Statutes require that, each year, all cities, including the City of Apache Junction, undergo an audit by a Certified Public Accountant (CPA) licensed in Arizona. The firm of Fester & Chapman P.C., which has conducted the audit in recent years, performed the audit for the year ended June 30, 2005. Fester & Chapman P.C. concluded that there is a reasonable basis for their opinion which was that the financial statements were free of material misstatement. The auditors' report covers the basic financial statements in the Financial Section of this report.

A CAFR, according to guidelines established by the Government Finance Officers' Association of the United States and Canada (GFOA), is to have a minimum of three separate sections, **Introductory, Financial, and Statistical.**

The **Introductory** section includes a transmittal letter, a list of officials and an organizational chart. This letter of transmittal covers the economic condition and outlook, major initiatives by the City, and highlighted financial information and analysis. The **Financial** section includes the financial reports, including, but not limited to, the auditors' opinion, Management's Discussion and Analysis, and financial statements described more fully in the following paragraph. The **Statistical** section includes selected financial and demographic information, typically on a ten-year historical basis.

Due to a new governmental accounting standard which is in its third year of implementation, the Financial section has a *Management's Discussion and Analysis* (MD&A) which follows the auditors' opinion letter. It is also important to note that, although the MD&A immediately follows the Auditors' opinion letter, the opinion does not cover the MD&A. A more detailed explanation of the financial statement format is provided in the *Management's Discussion and Analysis* (MD&A).

## **BACKGROUND INFORMATION ON THE GOVERNMENT**

As the governing body of the government, you are familiar with the City. However, because this report may be read by users who are not, the following profile of the government is provided.

Apache Junction is located approximately 40 miles east of Phoenix, Arizona. Rich in western history because of the nearby Superstition Mountains, it became known as a tourist area and winter home for people from colder climates. As the Phoenix area has grown, Apache Junction has been enveloped into *The Valley of the Sun* and has undergone change due to population growth; and is being challenged to provide services for a growing, diverse population while trying to preserve its western lifestyle, open space, and heritage.

This report includes the City on a government-wide basis and the individual funds. The City was incorporated on November 24, 1978, and is operated as a general law city in accordance with Arizona Revised Statutes. Services provided by the City include police protection, construction and maintenance of streets, recreational services and cultural activities.

Also included in the reporting entity are the Water Utilities Community Facilities District (WUCFD), which does business as the Apache Junction Water Company, and the City of Apache Junction Municipal Property Corporation (AJMPC). Both of these entities are blended component units whose financial activity is included with that of the City. Although they are legally separate entities, they are included because the City designates the management of these entities, and is able to significantly influence their operations.

## **ECONOMIC CONDITION AND OUTLOOK**

As the Phoenix metropolitan area has grown, the City has become enveloped into the Phoenix metro economy as well. Historically, the City had been dependent upon tourism with the economy being strengthened in the winter and more sluggish in the summer months. While tourism remains an important factor in the City's economy, the City is not as reliant on tourism as it once was. Throughout the late ninety's the City experienced a residential construction boom. Although the City is now closer to build-out and, therefore, the related tax revenues had leveled off, the economy appears to have rebounded, as evidenced by tax revenues and unemployment statistics.

The economy is doing well in Arizona, in its fifth year of expansion<sup>1</sup>. However, the overall indication from two economists, Marshall Vest of the University of Arizona<sup>2</sup> and Elliot D. Pollack<sup>3</sup> is that the statewide economy will experience slower growth in the upcoming year. Much of the state experienced a boom due to a rapid housing market in recent years, with much

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<sup>1</sup> Marshall Vest , Forecasting Director Eller Economic & Business Research Center, University of Arizona, *Economic Outlook for 2006/07*

<sup>2</sup> *ibid.*

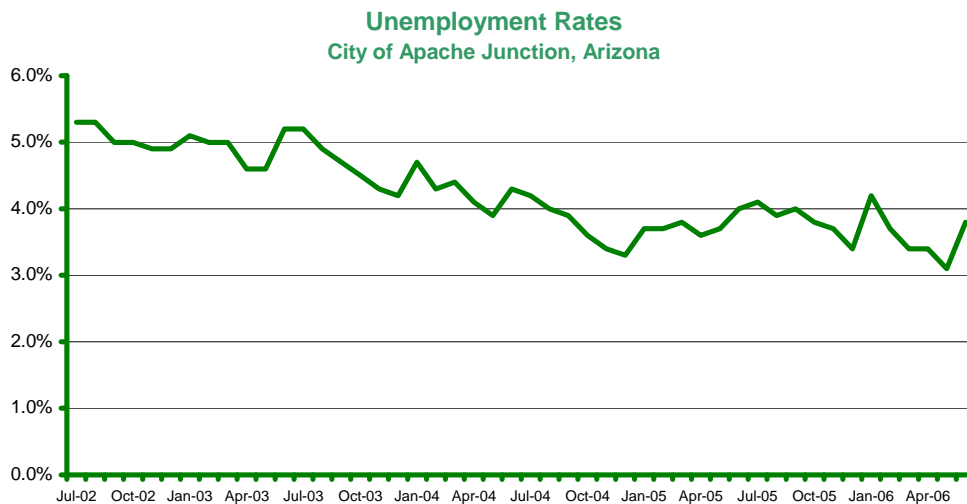
<sup>3</sup> Elliot D. Pollack, Elliot D Pollack & Company, Arizona State University forecast Luncheon, December 6, 2006, [www.arizonaeconomy.com](http://www.arizonaeconomy.com)

of the demand fueled by speculative investment. The housing market has cooled in recent months and as a result economic growth will slow.

Although the City is in Pinal County which was cited by the US Census Bureau as the third fastest growing county in the country and the fastest in the state from July 1, 2004 through July 1, 2005<sup>4</sup>, the City did not benefit as much from the housing boom as some other communities. This was because the City was, for practical purposes, landlocked with respect to development. However, on December 7, 2006 the Arizona State Land Department auctioned off in excess of 1,000 acres which had been restricted. Additionally, the developer is also committed to master plan the remaining twelve square miles of the Lost Dutchman Heights. It is expected that the master planning, including planning for roadways, infrastructure, land use and urban planning, could take a minimum of 24 months, but after that growth opportunities for the future are on the horizon.

Information on which to gauge the local economy at the municipal level is much more limited compared to the national, state and even regional levels. Some information can be obtained through unemployment rates, Transaction Privilege (Sales) Tax collections, and construction and building data.

Unemployment figures continue to improve for the City. The average unemployment rate for the year ended June 30, 2006 (FY06) was 3.7%, the same as in the prior year. June 2006 had 3.8% unemployment versus 4.0% in June, 2005. Unemployment fluctuated during the fiscal year which is uncharacteristic. The previous fiscal years, 2003-04 and 2004-05 reflect the historical norm with unemployment generally decreasing over the previous month during the first part of the fiscal year. This is assumed to result from the seasonal nature of the economy. However, every month in both FY05 and FY04 showed less unemployment than the corresponding month of the previous year, for example, January 2005 compared with January 2004. One healthy indicator is that, starting in March 2006, the monthly unemployment rate is less than the corresponding month of 2005. Apache Junction unemployment is reflected in the following graph.



<sup>4</sup> U.S. Census Bureau <http://www.census.gov/popest/housing/tables/HU-EST2005-06.xls>

The same information is reflected in the table below.

City of Apache Junction Arizona - Unemployment Rates								
Unemployment Rates by Month								
	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>			<u>2005-06</u>		
	Unemployment	Unemployment	Unemployment	Monthly	Change from	Unemployment	Monthly	Change from
	Rate	Rate	Rate	Change	1 year ago	Rate	Change	1 year ago
July	5.3%	5.2%	4.2%	-0.1%	-1.0%	4.1%	0.1%	-0.1%
August	5.3%	4.9%	4.0%	-0.2%	-0.9%	3.9%	-0.2%	-0.1%
September	5.0%	4.7%	3.9%	-0.1%	-0.8%	4.0%	0.1%	0.1%
October	5.0%	4.5%	3.6%	-0.3%	-0.9%	3.8%	-0.2%	0.2%
November	4.9%	4.3%	3.4%	-0.2%	-0.9%	3.7%	-0.1%	0.3%
December	4.9%	4.2%	3.3%	-0.1%	-0.9%	3.4%	-0.3%	0.1%
January	5.1%	4.7%	3.7%	0.4%	-1.0%	4.2%	0.8%	0.5%
February	5.0%	4.3%	3.7%	0.0%	-0.6%	3.7%	-0.5%	0.0%
March	5.0%	4.4%	3.8%	0.1%	-0.6%	3.4%	-0.3%	-0.4%
April	4.6%	4.1%	3.6%	-0.2%	-0.5%	3.4%	0.0%	-0.2%
May	4.6%	3.9%	3.7%	0.1%	-0.2%	3.1%	-0.3%	-0.6%
June	5.2%	4.3%	4.0%	0.3%	-0.3%	3.8%	0.7%	-0.2%
Annual								
Average	5.0%	4.5%	3.7%		-0.8%	3.7%		0.0%

Department of Economic Security

Changes in transaction privilege (sales) taxes are another tool that can be used to assess the condition of the local economy.

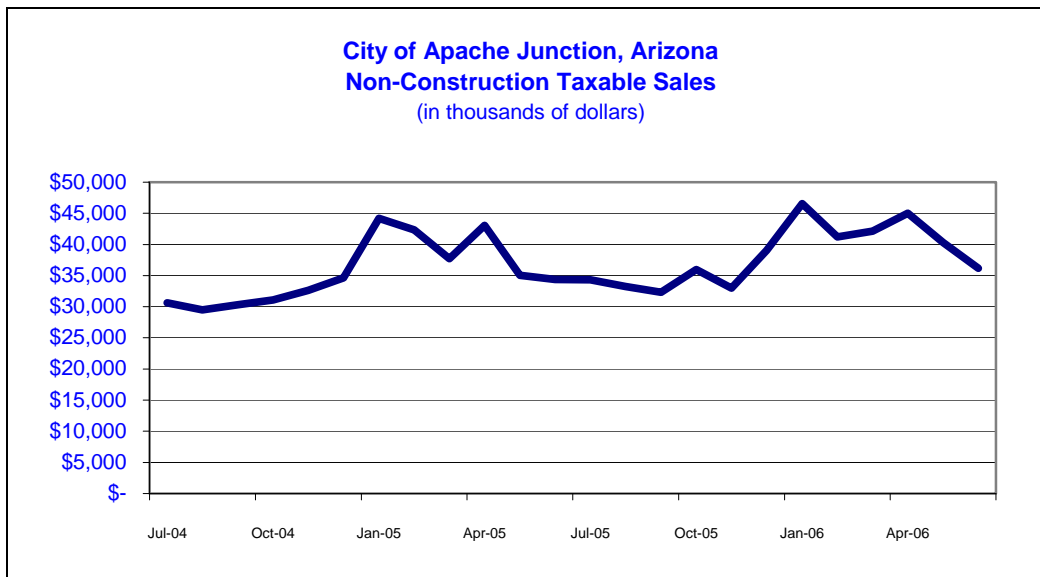
The table and graph on the following page illustrates the changes over the past two years and shows the seasonal nature of the economy with the peaks during winter months. Also, it can be seen that the sales have increased over the prior year.

The previous tables excluded construction. Construction activity is of a one-time nature and not a permanent part of the economic base. In recent years much of the vacant land in the City has been developed and while construction has peaked, it does continue. A decreasing amount of land is available for development because the State Trust land comprises the largest area that is not yet available. As a result, in the short-term, construction is expected to continue decreasing. Additional information on the sales tax is presented in the management's discussion and analysis and in the statistical section.

Principally, the economy affects the City government in two ways. Much of the City's revenues are dependent upon the economy. A healthy volume of economic activity produces increased sales taxes. When there is a construction boom, the City receives increased revenues for permits and construction taxes. These are one time in nature, however. Tourism and strong retail bases also bring taxes into the City. Strong employment and consumer spending likewise help the City's revenue base.

City of Apache Junction, Arizona					
Non-Construction Taxable Sales by Month					
	2004-05		2005-06		Change from 1 year ago
	Taxable Sales (in thousands)	Monthly Change	Taxable Sales (in thousands)	Monthly Change	
July	\$ 30,629	\$ (157)	\$ 34,310	\$ (81)	\$ 3,681
August	29,505	(1,124)	33,227	(1,083)	3,722
September	30,344	839	32,337	(890)	1,993
October	31,106	762	35,995	3,658	4,889
November	32,615	1,509	32,987	(3,008)	372
December	34,626	2,011	39,067	6,080	4,441
January	44,176	9,550	46,556	7,489	2,380
February	42,345	(1,831)	41,233	(5,323)	(1,112)
March	37,738	(4,607)	42,115	882	4,377
April	43,053	5,315	45,014	2,899	1,961
May	35,041	(8,012)	40,302	(4,712)	5,261
June	34,391	(650)	36,174	(4,128)	1,783
Annual Total	\$ 425,569		\$ 459,317		\$ 33,748

The following graph illustrates the changes over the past two years, and shows the seasonal nature of the economy with the peaks during winter months. Again, it can be seen that the sales are increased marginally over the prior year.



The statewide economy has another effect on Arizona's Cities and Towns, including Apache Junction. A significant amount of Arizona State income tax and sales taxes is shared with the cities and towns.

## **MAJOR INITIATIVES**

The 2005-06 budget highlighted general priorities:

1) Planning for Growth related Issues to the South.

The recent sale of state trust land was not an overnight event. During the last several years, and particularly in FY 05-06, staff began to implement very specific and deliberate efforts to prepare for the anticipated sale of a section of State Land within the current City limits. This parcel, commonly know as Lost Dutchman Heights, will set a precedence for the eventual development of the 275 square miles of land known as Superstition Vistas.

2) Developing and operating the New Community Infrastructure.

This was the first full year in which the City staff worked in the new City Hall/Magistrate Court complex. The next phase of the capital facilities plan reached fruition with the completion and opening of the Multi-generational/Recreation Center

3) Maintaining the Community's Existing Infrastructure.

As the City prepares for the land to the south to open for development, it remains critical to focus on the existing infrastructure. The Management's Discussion and Analysis reflects an increase in expenditures in Public Works and in the Highway User Revenue Fund (HURF), much of which were for planned infrastructure improvements.

## **OTHER INFORMATION**

### **Awards**

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Apache Junction, Arizona, for its comprehensive annual financial report (CAFR) for the year ended June 30, 2005. This is the sixth consecutive and seventh year in the past eight, that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.



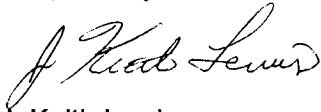
**Acknowledgments**

The preparation of the City's CAFR was made possible through the assistance and cooperation of many people both in and outside the City of Apache Junction.

John Petges in the Finance Department worked extensively with the capital asset records, assisted with the supporting schedules and audit samples, and provided some assistance on the statistical data. Darlene Harwell in the Finance Department prepared and updated much of the audit correspondence and along with Ruth Giese of the City Manager's office and Hazel Randall of WUCFD, proofread the drafts of the MD&A and this report. Mikki Frazier of the Development Services Department provided information on building permits. Finally, John White, Finance Manager, oversaw and coordinated the post-audit effort.

These are just a few of the people who assisted the City staff in preparation of this report, and I extend my appreciation.

Respectfully submitted,



J. Keith Lewis  
Director of Finance

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## **FINANCIAL SECTION**

Independent Auditors' Report

To the City Council  
City of Apache Junction, Arizona

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

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

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

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

The Management's Discussion and Analysis on pages 3 through 20, the Budgetary Comparison Schedules on pages 52 through 56, and the Schedule of Agent Retirement Plans' Funding Progress on page 57 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City's basic financial statements. The accompanying supplementary information such as the introductory section, statistical section, and the schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules listed in the table of contents as Other Supplementary Information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Festa & Chapman P.C.*

October 4, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This subsection of the City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- From a government-wide perspective, the City's total net assets increased by \$5.395 million during the year. This reflects a \$6.374 million increase in the governmental activities offset by a \$979 thousand decrease in the business-type activities.
- Government-wide revenues increased from \$32.041 million to \$34.987 million. Governmental revenues increased to \$32.063 million from \$29.077 million while business-type activities revenues *decreased* to \$2.924 million from \$2.964 million.
- Government-wide expenses increased from \$25.873 million to \$29.592 million. Included in this was an increase in governmental activities expenses from \$23.377 million to \$25.689 million while business-type activities expenses increased from \$2.496 million to \$3.903 million.
- From a fund perspective, the City's general fund balance increased by \$1.699 million from \$8.492 million to \$10.191 million.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial section of the Comprehensive Annual Financial Report consists of four parts: *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall *economic* status.
- The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail and with a greater emphasis on the City's *financial* status than the government-wide statements.
  - The *governmental funds* statements tell how *general government* services like public safety were financed in the *short-term* as well as what remains for future spending.
  - *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities that the government operates like businesses. The only proprietary fund consists of the Water Utilities Community Facilities District which does business as the Apache Junction Water Company. The water company's statements are incorporated into those of the City.

The financial statements also include notes that explain some of the information in the financial statements and generally provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

### **Government-wide Statements**

The fiscal year ending June 30, 2006 (FY06) is the third year of the implementation of the new financial reporting format stipulated by Government Accounting Standards Board Statement No. 34 (GASB 34). There is a five-year transition period. Since FY06 is the third year of implementation, there will be some unique features until the transition is complete. One involves the reporting of infrastructure assets and will be discussed in more detail later in this report.

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The *statement of net assets* includes *all* of the government's assets and liabilities. Unlike pre-GASB 34 financial reports, the Government-wide statements use an economic measurement focus. What that means is that all assets, including buildings and infrastructure, are reported as are all liabilities including debts that do not mature for years.

All of the current year's revenues and expenses are accounted for in the *statement of activities* regardless of when cash is received or paid.

The two government-wide statements report the City's *net assets* and how they have changed. Net assets, the difference between the City's assets and liabilities, is one way to measure the City's financial health. Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the City, it is also necessary to consider additional nonfinancial factors such as changes in the City's tax base and the condition of the City's roads.

The government-wide financial statements of the City are divided into two categories:

- *Governmental activities* - Most of the City's basic services are included here, such as the police, public works, and parks departments, and general administration. Transaction Privilege (most commonly called *Sales*) taxes and state shared revenues finance most of these activities.
- *Business-type activities* – The only activity in this category is the Water Utilities Community Facilities District. Although it is a separate legal entity, because of the City's ability to exercise control over the District, it is considered to be a *blended component unit*. As such, the District's financial statements are incorporated into those of the City.

## Fund Financial Statements

Readers familiar with the City's financial statements up to and including the year ended June 30, 2002, will find that the fund financial statements are similar to the pre-GASB 34 format used in previous years. Generally they provide more detailed information and focus on the City's most significant *funds*-not the City as a whole. Funds are accounting devices that the City uses to keep track of specific financial sources of funding and spending for particular purposes. Funds are accounted for using a *financial measurement focus*, contrasted with the *economic focus* used in the government-wide statements. Under the financial focus, there is a greater emphasis on current resources and outlays for more of a short-term focus. The most significant difference is that long-term debt and capital assets such as buildings and infrastructure are not included in the fund statements.

- Some funds are required by State law such as the Highway User Revenue Fund (HURF), which is used to account for street monies.
- The other funds are established to control and manage money for particular purposes (like the Victims' Assistance Program which is included in the *Grants-in-aid Fund*) or to show that it is properly using certain taxes and grants (like the *Redevelopment District* which is also included in the *Grants-in-aid Fund*).

The City has two kinds of funds:

- *Governmental funds* – Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on the page following each governmental funds statement, reconciling and explaining the differences between the governmental-wide and fund statements.
- *Proprietary funds* – The only activity in this category is the Water Utilities Community Facilities District (District) also known as the Apache Junction Water Company.

Although the format is different, the City's *enterprise fund* (one type of proprietary fund) is essentially the same as its business-type activities. However, more detail and additional information, such as a cash flow statement, is provided.

Note that both governmental and proprietary funds mirror the government-wide and business-type activities, respectively. The principal differences are that in the fund statements, the City's activities are subdivided into funds, and capital assets and long-term liabilities are not included. Also worth noting is that interfund receivables and payables, as well as interfund transfers, are reflected in the fund statements. However, these offsetting amounts between funds are eliminated in the government-wide statements.



## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table summarizes the Total Assets, Liabilities and *Net Assets* for the City as of June 30, 2006, and June 30, 2005. The information is provided in greater detail in the basic financial statements which follow this analysis.

Table A-1 summarizes the net assets for the City as a whole.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u> <u>2005-2006</u>
	<u>June 30,</u>		<u>June 30,</u>		<u>June 30,</u>		
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	
Current and other assets	\$ 23,774	\$ 19,651	\$ 2,333	\$ 4,765	\$ 26,107	\$ 24,416	6.93%
Capital assets	33,821	32,251	11,659	10,356	45,480	42,607	6.74%
<b>Total assets</b>	<b>57,595</b>	<b>51,902</b>	<b>13,992</b>	<b>15,121</b>	<b>71,587</b>	<b>67,023</b>	<b>6.81%</b>
Long-term debt outstanding	10,058	11,027	6,958	7,276	17,016	18,303	-7.03%
Other liabilities	2,782	2,494	901	733	3,683	3,227	14.13%
<b>Total liabilities</b>	<b>12,840</b>	<b>13,521</b>	<b>7,859</b>	<b>8,009</b>	<b>20,699</b>	<b>21,530</b>	<b>-3.86%</b>
Net assets							
Invested in capital assets, net of related debt	24,964	22,267	4,701	3,250	29,665	25,517	16.26%
Restricted	94	77	106	844	200	921	-78.28%
Unrestricted	19,697	16,037	1,326	3,018	21,023	19,055	10.33%
<b>Total net assets</b>	<b>\$ 44,755</b>	<b>\$ 38,381</b>	<b>\$ 6,133</b>	<b>\$ 7,112</b>	<b>\$ 50,888</b>	<b>\$ 45,493</b>	<b>11.86%</b>

### Net Assets

The net assets of the City at June 30, 2006, were \$50.888 million compared with \$45.493 million as of June 30, 2005. Approximately 58% of net assets, \$29.665 million, consists of *capital assets net of related debt*. Capital assets includes land, building, improvements, machinery and equipment and infrastructure, net of depreciation.

It also should be noted that not all infrastructure is included. Historically, infrastructure related to governmental activities has not been reported in the City's financial statements. As mentioned earlier, as part of the new accounting structure (GASB34), the City is in a transition period with respect to reporting infrastructure. The City will be required to report infrastructure no later than the year ending June 30, 2007.

The part of the infrastructure which is **not** included in assets is mostly related to the streets. Infrastructure, however, has historically been, and continues to be, included in the business-type activities.

Both the governmental and business-type activities taken as a whole also reflect positive net assets. Each has substantial capital assets. Note that in the net assets category, the capital assets are offset by long-term debt related to the capital assets.

There are also restrictions on the net assets. As of June 30, 2006, \$200 thousand is restricted, mostly for capital outlay and debt service, \$94 thousand in the governmental activities, and \$106 thousand in the business-type activities. The total restricted net assets decreased by \$722 thousand during the year, with an increase of \$16 thousand in the governmental activities being offset by a \$738 thousand decrease in the business-type activities. The decreased restrictions in the business-type activities resulted from the removal of a debt service reserve requirement when the WIFA loan was refinanced. Additional information relating to this transaction is presented in Note 5, *Long-Term Debt* on page 39.

One of the best ways of determining if the financial position improved or deteriorated is to note the change in the *unrestricted net assets*. The unrestricted net assets increased by \$3.660 million in the governmental activities and *decreased* by \$1.692 million in the business-type activities for a net increase of \$1.968 million.

In addition to the components of net assets, there are significant changes in the year-to-year amounts shown in Table A-1: The most substantial changes are in the governmental activities and result from the construction of the new City Hall and Multigenerational Center as follows:

- 1) Current and other assets increased by \$4.123 million (\$23.774 million less \$19.651 million).
- 2) Capital assets increased by \$1.57 million (\$33.821 million less \$32.251 million). Additional detail can be found in Note 3 on pages 39 and 40 in the notes to the financial statements.
- 3) Long-term debt outstanding decreased by \$969 thousand in the governmental activities through the payment of bond principal. Additional detail can be found in Note 4 on pages 41 and 42 in the notes to the financial statements.

Compared with the governmental activities, the business-type activities make up a comparatively small portion of, and do not greatly affect, the entity-wide analysis. However, this was an atypical year for the Water Utilities Community Facilities District, which makes up the business-type activities. In addition to the significant capital outlays for the year, Well #5, the principal water supply for the District, collapsed. Replacing the water supply cost approximately \$1.141 million. The following information pertains to the business-type activities:

- 1) Current and other assets *decreased* by \$2.432 million (\$2.333 million less \$4.765 million). This is the result of \$1.726 million in capital expenditures and the \$1.141 million spent on equipment rentals, water purchases and other expenses related to replacing the water supply.
- 2) Capital assets increased by \$1.303 million (\$11.659 million less \$10.356 million). Additional detail can be found in Note 3 on pages 39 and 40 in the notes to the financial statements. Major capital investments included an arsenic treatment system for Well #6, the re-drilling of Well #5 after the collapse, and the outfitting of a new well, Well #8.
- 3) Long-term debt outstanding decreased by \$318 thousand. Although \$412 thousand in principal was repaid, this was offset by amortization of the refunding costs of the advance refunding that took place in 2004, bond discount amortization and interest rolled into the new WIFA Loan. Additional detail can be found on page 19 and in Note 4 on pages 41 and 42 in the notes to the financial statements.

Additional analysis can be found in the Comprehensive Annual Financial Report of the component unit that makes up the business-type activities, the Water Utilities Community Facilities District.

### **Changes In Net Assets**

Table A-2 on the following page summarizes the changes in net assets for the City during the fiscal year.

During the fiscal year ended June 30, 2006, the total net assets increased by approximately \$5.395 million, with an increase of \$6.4 million in the governmental activities netted by a decrease of \$979 thousand in the business-type activities. The net total increase, \$5.395 million, was 15.68% over the prior year's increase of \$4.433 million. The prior year's increase was made up of a \$6.168 million increase in the governmental activities and \$468 thousand in the business-type activities.

Based upon the changes in total net assets, as summarized in Table A-1, it is reasonable to conclude that the City's *economic* position improved. Albeit to a lesser extent, the *financial* position which is more closely indicated in the *unrestricted* net assets also increased as the City continued to expend a significant portion of its financial assets on capital outlays, as was planned. As indicated on page 4 the *economic* focus includes capital assets and long-term liabilities whereas the *financial* focus does not. The total net assets for the City as a whole increased but the *unrestricted* net assets decreased for the governmental activities and in total.

One of the main reasons for the increase in total net assets is that many of the expenditures were for capital outlays which are not reflected in the government-wide statement of changes in net assets. This contrasts with the treatment that will be discussed in analysis of the fund statements.

What follows is a discussion of significant items and year-to-year changes in Table A-2.

### **Governmental Activities**

Program Revenues - Program revenues consist of charges levied against specific individuals to defray the cost of services provided. Notable items include business licenses, planning and zoning fees, and fines. Grants and contributions are also included in Program Revenues.

Charges for Services – Charges for services include building permits and fees, court fines, business licenses and recreation fees. Charges for services increased by \$390 thousand, mostly due to increased recreation fees. These fees were the result of the multi-generational center.

Operating Grants and Contributions – The largest components of this revenue source are state and county shared intergovernmental revenues dedicated for street and road construction. These include the Highway User Revenue Fund distributions which include not only the gasoline tax but other fees and assessments distributed to the cities and counties. In the year ended June 30, 2006, this amount was \$3,307 million, up \$249 thousand from \$3.058 million in the prior year.

**Table A-2**  
**Changes in Net Assets of the City of Apache Junction, Arizona**  
(in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total</u>
	<u>Year Ended June 30,</u>		<u>Year Ended June 30,</u>		<u>Year Ended June 30,</u>		<u>Percentage</u>
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>Change</u>
							<u>2005-2006</u>
<b>Revenues</b>							
<u>Program Revenues</u>							
Charges for services	\$ 2,367	\$ 1,977	\$ 2,844	\$ 2,833	\$ 5,211	\$ 4,810	8.34%
Operating grants and contributions	6,669	5,608			6,669	5,608	18.92%
Capital grants and contributions	673	2,156			673	2,156	-68.78%
<u>General Revenues</u>							
Sales taxes	11,663	10,498			11,663	10,498	11.10%
State shared sales taxes	3,378	2,947			3,378	2,947	14.63%
Urban revenue sharing	3,331	2,925			3,331	2,925	13.88%
State shared vehicle license tax	1,959	1,539			1,959	1,539	27.29%
Other taxes	286	219			286	219	30.59%
Earnings (losses) on investments	840	427	80	131	920	558	64.87%
Miscellaneous	897	781			897	781	14.85%
Total revenues	32,063	29,077	2,924	2,964	34,987	32,041	9.19%
<b>Expenses</b>							
General government	5,606	5,532			5,606	5,532	1.34%
Public safety	7,895	7,390			7,895	7,390	6.83%
Public works	4,600	4,098	3,609	2,108	8,209	6,206	32.28%
Development services	1,482	1,228			1,482	1,228	20.68%
Culture and recreation	5,810	4,620			5,810	4,620	25.76%
Interest on long-term debt	296	509	294	388	590	897	-34.23%
Total expenses	25,689	23,377	3,903	2,496	29,592	25,873	14.37%
Change in net assets	6,374	5,700	(979)	468	5,395	6,168	-12.53%
Net assets - beginning of year	38,381	32,681	7,112	6,644	45,493	39,325	15.68%
Net assets - end of year	\$ 44,755	\$ 38,381	\$ 6,133	\$ 7,112	\$ 50,888	\$ 45,493	11.86%

Another shared revenue which is also reflected in the Highway User Revenue Fund is the Pinal County half-cent sales tax. This accounts for \$3.032 million in the year ended June 30, 2006, and \$2.136 million in the year ended June 30, 2005. This increase of \$896 thousand continues to reflect the fact that Pinal County is the fastest growing county in the state, and one of the fastest in the nation as well.

The other state shared revenue included is the proceeds from the Local Transportation Assistance Fund. This is revenue shared from lottery ticket sales and dedicated to transportation programs. The respective amounts for the years ended June 30, 2006, and 2005 were \$198 thousand and \$259 thousand. The reason for the decreases is because, while the City's population has grown in recent years, other cities have grown more and the proportionate share for Apache Junction has decreased.

In addition to the state shared revenues, *operating grants and contributions* included other state and federal grants which, while they can be renewed, are not of an ongoing nature.

In all, *operating grants and contributions* increased by \$1.057 million, the largest component of which was the increase in the Pinal County half-cent sales tax.

*Capital Grants and Contributions* – Capital grants and contributions decreased substantially from \$2.156 million in FY05 to \$673 thousand in FY06. This is a decrease of \$1.483. There was an influx of several one-time capital grants in the prior year in various divisions. Public Safety had a grant of almost \$300 thousand for a mobile command unit, and \$263 thousand in the State Special Project (SSP) program. In FY05 Public Works received \$706 thousand in a joint effort with the Apache Junction Unified School District for a road widening project near Apache Junction High School.

*General Revenues* - The largest single source of revenue and the city's primary own-source revenue is the Transaction Privilege Tax (commonly called the Sales Tax). The amount increased by over one million dollars, an increase of 11.10%. Approximately \$526 thousand was in the retail sector with almost \$400 thousand reflecting increases in construction sales, which are typically of a one-time nature. The increases are believed to come from growth and tourism due to healthy regional and national economies. Additional information on this revenue source can be found in schedules B-1 and B-2, on pages 74-76 of the statistical section.

The most important unrestricted intergovernmental revenues are the state shared sales taxes and urban revenue sharing. The state shared sales taxes increased \$431 thousand (\$3.378 million in FY06 compared with \$2.947 million in the prior year) and reflect an increase in sales tax collections on a state-wide basis. Additionally, urban revenue sharing, which is a distribution of 15% of the state income taxes among the cities increased but by only \$406 thousand.

*Earnings on investment* – Investment earnings picked up from the prior year. In the prior year, gains in market values on U.S. Treasury securities had not been recorded as income. These were picked up this year. As a result part of last year's income was picked up in the current year and that made the increase appear to be larger than it should have been. Also, there was also an increase in interest rates causing interest income to rise.

*Miscellaneous* – The major factor behind the increase in miscellaneous revenues was the increase in landfill revenues due to increased usage resulting from population growth in the surrounding areas.

### *Expenses*

Overall, expenses increased because of personnel related costs. The City implemented a step plan which, overall, increased salaries. Additionally, pension costs increased by approximately 1.7% (from 5.2% to 6.9%) as a percentage of covered payroll. Another factor was increases in health insurance premiums.

*Public Safety* continued to increase due to additional payroll from the gradual filling of vacancies which resulted from the turnover in the department. With the addition of the new permanent chief, expenditures increased as positions were re-staffed and the new leadership sought to restructure the department.

*Public Works* increased in the governmental activities from \$4.098 million to \$4.6 million, an increase of \$502 thousand. Much of this increase was in the area of building maintenance due to a city-wide effort to enhance energy efficiency in the buildings. Road maintenance outlays also increased by another \$200 thousand.

Development Services increased from \$1.228 million to \$1.428 million. The major factor behind this \$254 thousand increase was grant-funded rehabilitation programs totaling \$213 thousand.

Culture and Recreation increased due to the addition of the multi-generational center.

Interest on long-term debt decreased for two reasons. With the principal having been reduced by the payment in the prior year, less interest accrued on lower principal balance. However, the main reason for the decrease in interest is the fact that three interest payments (those due on 8/1/04, 2/1/05 and 8/1/05 which was paid prior to June 30, 2005) were all paid in the prior fiscal year.

### **Business-Type Activities**

Program revenues consist of water sales and related service charges to customers of the District. In the year ended June 30, 2006, total operating revenues increased marginally to \$2.844 million from \$2.833 million. In addition to metered sales, amounts include standpipe charges, establishment charges, and wholesale sales of Colorado River (Central Arizona Project) water for irrigation purposes.

Also included in program revenues are Capital Facilities Fees in the amount of \$73 thousand in FY06, down incrementally from \$78 in the prior year. Capital Facilities Fees consist of one-time fees which are held and designated by the District for additional water sources.

Overall, program revenues increased by approximately \$11 thousand but this actually would have been greater if not for a one-time receipt of \$85 thousand that was negotiated with a securities trustee in the prior year.

Expenses for the year ended June 30, 2006, include administrative costs of \$497 thousand, and plant (production and distribution) costs of \$2.066 million. This compares to \$431 thousand in administration and \$932 thousand in plant for the prior year. The significant increase was related to procuring and treating water to replace the production of the collapsed Well #5. These costs are estimated at \$1.141 million, mostly for the rental and operation of a temporary plant to treat Central Arizona Project water.

Earnings on investment revenue decreased because in the prior year, there had been a \$40 thousand recovery of a valuation adjustment of securities.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

As previously mentioned, the City also uses fund accounting. The fund statements generally provide more detail and the City activity is subdivided into funds. Fund accounting is what has traditionally been used in the City's financial statements.

The following tables and analysis pertain to the City's major funds that have ongoing programs, the General Fund the Highway User Revenue Fund, and the proprietary fund.

### **GENERAL FUND**

The General Fund is where most discretionary, or unrestricted, revenues and expenditures are reported. The table on the following page shows the General Fund activity.

**Table B-1**  
**Comparative Revenues and Expenditures of the General Fund of the**  
**City of Apache Junction, Arizona**  
(in thousands of dollars)

	<u>Year Ended</u>		<u>Increase (Decrease)</u>	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Amount</u>	<u>Percentage</u>
<b>Revenues</b>				
Taxes	\$ 11,949	\$ 10,717	\$ 1,232	11.50%
Licenses and permits	639	575	64	11.13%
Intergovernmental revenue	8,668	7,411	1,257	16.96%
Charges for service	646	333	313	93.99%
Fines and forfeitures	281	250	31	12.40%
Interest income	565	290	275	94.83%
Miscellaneous	<u>637</u>	<u>519</u>	<u>118</u>	<u>22.74%</u>
<b>Total revenues</b>	<b>23,385</b>	<b>20,095</b>	<b>3,290</b>	<b>16.37%</b>
<b>Expenditures</b>				
Current				
General government	5,599	5,228	371	7.10%
Public safety	7,404	6,505	899	13.82%
Public works	748	506	242	47.83%
Development services	1,247	1,178	69	5.86%
Culture and recreation	5,061	3,946	1,115	28.26%
Debt service	<u>1,132</u>	<u>2,052</u>	<u>(920)</u>	<u>-44.83%</u>
<b>Total expenditures</b>	<b><u>21,191</u></b>	<b><u>19,415</u></b>	<b><u>1,776</u></b>	<b><u>9.15%</u></b>
Excess (deficiency) of revenues over (under) expenditures	2,194	680	1,514	222.65%
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(495)</u>	<u>(5,031)</u>	<u>4,536</u>	<u>-90.16%</u>
Net changes in fund balance	1,699	(4,351)	6,050	-139.05%
Fund balance - beginning of year	<u>8,492</u>	<u>12,843</u>	<u>(4,351)</u>	<u>-33.88%</u>
Fund balance - end of year	<u><u>\$ 10,191</u></u>	<u><u>\$ 8,492</u></u>	<u><u>\$ 1,699</u></u>	<u><u>20.01%</u></u>

The fund equity of the General Fund increased by \$1.699 million. The prior year's decrease of \$4.351 million was anticipated. Over the years as the City has grown, management has, with the concurrence of the Council, established internal policies to match one-time revenues with capital outlays. Much of the moneys accumulated for capital projects have been, and are continuing to be, spent on capital outlays. This is an excellent example of the difference between the fund and government-wide perspectives. On the fund statements capital outlay *expenditures* reduce fund equity (*fund balance*) whereas in the government-wide statements such outlays are capitalized and do not affect overall equity shown as *Net Assets*.

As far as the current year's increase of \$1.699 is concerned, revenues increased more than did expenditures. Revenues increased by \$3.290 million versus an increase in expenditures of \$1.776 million. The major factor contributing to the increase was the decrease in transfers out by \$4.536 million.

As far as revenues are concerned, the most significant changes were in taxes, intergovernmental revenue, interest income, and miscellaneous and all of these were covered in the discussion of the government-wide statements.

With respect to expenditures:

- 1) The personnel related increases such as the implementation of the step plan and pension increases affecting the government-wide statements are also reflected on the fund statements, most notably in the General Fund.
- 2) The increase in public safety expenses reflected in the government-wide statements are primarily reflected in the General Fund.
- 3) The increase in public works reflects the commitment to building maintenance with the expenditures including the efforts to make more energy efficient the older buildings in the City.
- 4) The culture and recreation increases reflect the addition of the multi-generational center.
- 5) Debt service decreased because the prior year reflected three debt service payments on the 2004 Greater Arizona Development Authority bond issue. This change was also reflected on the government-wide statements.

The most significant effect on the General Fund in the prior year came from transfers out. Most, if not all, of the construction of the City Hall/Magistrate Court complex was reflected as expenditures in the Capital Projects Fund. As planned in the capital facilities plan, part of the financing was made from accumulated monies in the General Fund. Transfers of \$4.535 million were made into the Capital Projects fund to help finance the project. The remaining \$496 thousand transferred out was to the Debt Service Fund for bond payments on the 1998 bond issue. The current year's transfers out reflect only transfers to the debt service fund for the 1998 bond issue.

#### HIGHWAY USER REVENUE FUND

Table B-2 on the following page summarizes the activity of the Highway User Revenue Fund (HURF) for the years ended June 30, 2006, and 2005.

Note that the intergovernmental revenues are broken out into their components because there are only two line items, each of which shows in excess of \$1 million in revenue. Each increased, although it is not known how much was attributable to growth in the overall county population and how much was the result of an improving economy.

The increase in expenditures resulted from an increase in various street construction projects and repairs.

Net transfers out increased because in the prior year, \$93 thousand was transferred in from the Municipal Property Corporation (MPC), a nonmajor special revenue fund, to reimburse for construction outlays made in a prior fiscal year. Without taking into account the transfers in, transfers out were for \$744 thousand. These were made into the debt service fund for payments on the HURF portion of the 1998 Series A Bonds. In the current year, \$742 was transferred out for payments on the same bond issue.



**Table B-2**  
**Comparative Revenues and Expenditures of the Highway User Revenue Fund of the**  
**City of Apache Junction, Arizona**  
(in thousands of dollars)

	<u>Year Ended</u>		<u>Increase (Decrease)</u>	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Amount</u>	<u>Percentage</u>
<b>Revenues</b>				
Highway User Revenue Fund				
state distributions	\$ 3,307	\$ 3,058	\$ 249	8.14%
Pinal County 1/2 cent sales tax	3,033	2,136	897	41.99%
Interest income	115	34	81	238.24%
Miscellaneous	<u>150</u>	<u>195</u>	<u>(45)</u>	<u>-23.08%</u>
<b>Total revenues</b>	<b>6,605</b>	<b>5,423</b>	<b>1,182</b>	<b>21.80%</b>
<b>Expenditures</b>				
Public works	4,788	3,210	1,578	49.16%
Culture and recreation	<u>          </u>	<u>29</u>	<u>(29)</u>	<u>-100.00%</u>
<b>Total expenditures</b>	<b>4,788</b>	<b>3,239</b>	<b>1,549</b>	<b>47.82%</b>
Excess (deficiency) of revenues over (under) expenditures	1,817	2,184	(367)	-16.80%
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(742)</u>	<u>(651)</u>	<u>(91)</u>	13.98%
Net change in fund balance	1,075	1,533	(458)	-29.88%
Fund balance - beginning of year	<u>2,556</u>	<u>1,023</u>	<u>1,533</u>	149.85%
Fund balance - end of year	<u>\$ 3,631</u>	<u>\$ 2,556</u>	<u>\$ 1,075</u>	42.06%

The financial condition of the fund improved due to the increase in state shared revenues, particularly the county half-cent sales tax.

### PROPRIETARY FUND

Table B-3 on the following page summarizes the proprietary fund which is also the business-type activity in the government-wide statements for comparative purposes from a fund perspective.

Clearly the financial condition of the fund deteriorated with the collapse of Well #5. The direct effect on operating expenses was an estimated \$1.141 million.

### Operating Revenues

Total Operating revenues increased by \$121 thousand, which amounted to 4.39%. This reflects a general consumption increase in a customer base that increased marginally.

**Table B-3**  
**Comparative Revenues and Expenses of the Water Utilities Community Facilitated District**  
**(a component unit of the City of Apache Junction, Arizona)**

	<u>Year Ended</u>		<u>Increase (Decrease)</u>	
	<u>June 30, 2006</u>	<u>June 30, 2005</u>	<u>Amount</u>	<u>Percentage</u>
<b>Operating revenues</b>				
Residential sales	\$ 2,257	\$ 2,095	\$ 162	7.73%
Nonresidential sales	373	326	47	14.42%
Other charges	230	223	7	3.14%
Miscellaneous	<u>16</u>	<u>111</u>	<u>(95)</u>	<u>-85.59%</u>
<b>Total operating revenues</b>	<b>2,876</b>	<b>2,755</b>	<b>121</b>	<b>4.39%</b>
<b>Nonoperating revenues</b>				
Capital facilities fees	73	78	(5)	-6.41%
Interest and investment revenue	<u>80</u>	<u>131</u>	<u>(51)</u>	<u>-38.93%</u>
<b>Total revenues</b>	<b><u>3,029</u></b>	<b><u>2,964</u></b>	<b><u>65</u></b>	<b><u>2.19%</u></b>
<b>Operating expenses</b>				
Administration				
Operations	497	431	66	15.31%
Depreciation	11	10	1	10.00%
Amortization	22	24	(2)	-8.33%
Plant				
Operations	2,066	932	1,134	121.67%
Central Arizona Project	560	359	201	55.99%
Depreciation	379	340	39	11.47%
Amortization	<u>4</u>	<u>12</u>	<u>(8)</u>	<u>-66.67%</u>
<b>Total operating expenses</b>	<b>3,539</b>	<b>2,108</b>	<b>1,431</b>	<b>67.88%</b>
<b>Nonoperating expenses</b>				
Interest expense	364	388	(24)	-6.19%
Loss on disposal of capital assets	<u>105</u>	<u>-</u>	<u>105</u>	<u>N/A</u>
<b>Total expenses</b>	<b><u>4,008</u></b>	<b><u>2,496</u></b>	<b><u>1,512</u></b>	<b><u>60.58%</u></b>
Change in net assets	(979)	468	(1,447)	-309.19%
Net assets-beginning of year	<u>7,112</u>	<u>6,644</u>	<u>468</u>	<u>7.04%</u>
Net assets-end of year	<b><u>\$ 6,133</u></b>	<b><u>\$ 7,112</u></b>	<b><u>\$ (979)</u></b>	<b><u>-13.77%</u></b>

Residential sales accounts for the greatest overall revenue increase, \$162 thousand. \$152 thousand of that increase is attributable to increased metered sales with the balance reflecting an increase in service charges. Metered sales increased by approximately 9% in all residential categories except apartments and condominiums. One possible reason for the increase is a drier winter than in the prior year.

The residential base in June 2006 remained substantially the same as June 2005. However, there were significantly more meters in service in December 2005 than in December 2004 indicating that there were more out of state consumers than in the prior year. This is consistent with the increase in retail sales taxes cited earlier.

Miscellaneous revenues decreased because there had been a one-time receipt of \$85 thousand that was negotiated with a securities trustee in the prior year.

### Nonoperating Revenues

Capital facilities fees decreased marginally due to a continuing slowdown in growth. Capital Facilities Fees consist of one-time fees which are held and designated by the District for additional water sources.

As was mentioned in the government-wide analysis, *Interest and investment* revenue decreased because in the prior year, there had been a \$40 thousand recovery of a valuation adjustment of securities.

### Operating Expenses

Administration *operations* increased from \$431 to \$497 thousand. Although there was an increase in payroll and related benefits the main component was an increase in attorney's fees.

The previous year was transitory with respect to District Attorneys and in Fiscal Year 2005-06, there were several issues requiring legal counsel. These included the renegotiation of the long-term loan with the Water Infrastructure Finance Authority (WIFA), negotiations with the City of Mesa and the Arizona Water Company with respect to water treatment and transmission, and negotiation with the Arizona Department of Water Resources.

Plant *operations* increased principally because of the need to treat Central Arizona Project water and for the emergency purchase of water from the Arizona Water Company to replace the supply lost when Well #5 collapsed. The total cost related to the water supply replacement is estimated at \$1.141 million.

*Central Arizona Project* increased from \$359 thousand to \$560 thousand. Part of the reason for the increase was the accrual of \$92 thousand for recharge credits to be purchased from the Superstition Mountains Community Facilities District #1 (SMCFD). Additionally, the Central Arizona Groundwater Replenishment District (CAGR) Tax increased from \$60 thousand to \$156 thousand. Much of that increase was because during the current year the District accrued the full CAGR tax whereas, in the prior year, the District elected to surrender some storage credits in order to reduce the tax.

Depreciation expense increased with new capital assets, most notably the arsenic treatment system, having been placed in service during the year.

### Nonoperating Expenses

Interest expense decreased because the long-term balance on which interest expense is imputed decreased. Therefore, less interest accrued.

The items reflected in the loss on the disposal of capital assets related to the collapsed Well # 5.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The City made no budget amendments during the year.

Significant budget to actual variances are as follows:

### REVENUE VARIANCES

Taxes were \$11,948,770, \$380,230 *under* the revenue estimate of \$12.329 million. However, the revenue estimate included an extra amount for a large sales tax audit which, when realized, came out to \$390 thousand. This amount, which offsets the amount under the estimate, was received in the subsequent year.

Licenses and permits were estimated at \$511 thousand but \$639,449 was realized. Because the City is substantially landlocked with respect to new development, staff was conservative estimating these revenues and there were higher than expected building fees which caused the variance.

Intergovernmental revenues totaled \$8,667,710, \$721,710 more than the estimate of \$7.946 million. The most significant component of this variance continues to be the *Vehicle License Tax*. \$1,958,740 was realized although only \$1,500,000 was estimated based on the prior year's revenue. This alone produced a variance of \$458,740. Additionally, the *State Shared Sales Taxes* which had been estimated at \$3.116 million came in at \$3,378,063, a variance of \$262,063. The growth in other areas of the county is behind the rapid growth in the *Vehicle License Tax*, and the overall growth and strong economy in the state stimulated the growth in State Shared Sales taxes.

Charges for services were estimated at \$432,000 but \$646,298 was realized. When the revenue estimates were prepared, it was not known when the multi-generational center would open, and there was no historical basis for the revenue estimates. Staff conservatively made no revenue estimate and the center brought in \$265,234 which accounts for substantially all of the \$214 thousand variance.

Fines and forfeitures had fluctuated substantially in recent years, mostly due to the changes occurring in the Public Safety Department. The revenues had been estimated based upon the previous year. With a new chief and the Public Safety Department starting a separate traffic division, fines increased.

Interest earnings were only estimated at \$75,000 although the amount realized was \$565,021. There were several different factors behind the low estimate:

- 1) In recent years the City had moved a substantial amount of its portfolio into Money Market Treasury Funds which are subject to market declines resulting from interest rate fluctuations. Some of these declines had adversely affected the net investment income reported.
- 2) A substantial amount of the City's investment portfolio was to be used in the construction of the City hall and multi-generational center, and it was not known how much portfolio would remain on which investment earnings would accrue.
- 3) Interest rates increased following the transfer of monies to the Arizona State Treasurer's Local Government Investment Pool (LGIP).
- 4) The investment earnings were not reported and recorded internally, and therefore not used in the calculation of the revenue estimates.

Miscellaneous reflected a variance of almost \$148 thousand. This is due principally to the increase in landfill fees resulting from increased use.

#### EXPENDITURE VARIANCES

General fund appropriations totaled \$24.128 million, and general fund outlays using a budgetary basis were \$21.7 million. Variances in excess of \$100 thousand are as follows:

Management Services appropriations were \$1,371,058. With expenditures of \$1,068,908, unused appropriations were \$302,150. There were three factors contributing to this. The most significant was there were several unfilled or otherwise vacant positions throughout the year. These included a Risk Manager, an Information Technologies (IT) Network Administrator, and an Economic Development Specialist.

Public Safety expenditures were \$475 thousand under budget. While there were many offsetting factors contributing to this amount the main reason was that, with the department in a period of transition, many positions were vacant for much of the year. Additionally there was a \$250 thousand appropriation for Uninterrupted Power Source (UPS) for the new communications system. That acquisition was not made prior to the end of the year.

The most significant variance, for \$926,429 in non-departmental, resulted from an unused contingency appropriation of \$1.085 million that is to be used only for unforeseen expenditures approved by the City Council, typically of an emergency nature.

Development services had vacancies throughout the year, including the Director's position and turnover in planning staff. The budget also contained appropriations for outside plan reviews which were not needed and also \$50 thousand for cleanup program, which was not implemented.

Parks and recreation experienced budgetary savings because there were positions which were under filled with a fair amount of turnover. Their utility line items for the multigenerational center were under because some of the utilities could not be metered separately from other and the use was recorded in the Nondepartmental line item.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### CAPITAL ASSETS

#### Government-wide activities

With respect to the government-wide activities, the most significant capital asset activity was the development of the multi-generational center. This follows the City Hall/Magistrate which was opened in the prior year. The total construction contract amounts are \$10.52 million, \$6.765 million for the City Hall/Magistrate Court Complex and \$3.755 million for the multi-generational center. The multi-generational center opened in September 2006. Both were funded from a \$7,000,000 bond issue and one-time monies accumulated in the general fund. See Note 3 - Capital Assets and Note 8 - Commitments.

#### Business-type activities

Capital asset outlays during the year were approximately \$1.8 million and included the following:

- 1) \$770,552 has been spent on an arsenic treatment system, \$661,297 in the FY06. Although the asset has been placed in service, there is still work that needs to be finalized. The final cost will be \$796,052. The project is being financed via a restructured loan from the Water Infrastructure Finance Authority of Arizona (WIFA).
- 2) \$511,840 was expended on the re-drilling and outfitting of Well #5. The original Well #5 collapsed during the year. The re-drilling had been planned in the FY 2005-06 budget and was mainly financed with restricted and designated monies from 1997 Bond issue.

- 3) During the year, \$554,114 was spent on the construction of a new well, Well #8. This is not yet complete and, with prior year expenditures, is listed as construction in progress with a cost of \$930,358 at June 30, 2006.
- 4) Various field and office equipment totaling \$70,242 were added with values ranging from \$8,788 to \$16,023.

For additional information concerning capital assets see Note 3 in the notes to the financial statements.

### DEBT ADMINISTRATION

#### Government-wide activities

The government-wide activities continue to have two outstanding debt issues, the 1998 Series A bonds and a \$7 million bond series issued through the Greater Arizona Development Authority (GADA) for the construction of the new City Hall/Magistrate Court Complex and Multi-generational Center.

#### Business-type activities

As far as debt administration is concerned for the business-type activities, the District has two bond issues and a long-term note payable.

The note of \$2,919,214 payable to the WIFA was closed on May 3, 2006. The proceeds at the time of closing, \$2,133,162, were used to retire a previous loan, along with accrued interest, to WIFA. The balance will be drawn down to finance the arsenic treatment system. The previous loan had been used on the Royal Palm waterline project which was completed in 2002.

The 1997 Series A bonds have, after taking into account a 2004 advance refunding, a face amount outstanding of \$195 thousand and continue to have a Standard & Poor's Underlying Rating (SPUR) of BBB and an insured AAA rating.

Additional information concerning governmental and business-type activities is presented in Note 4 – Long-Term Debt on pages 41 through 44.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In late 2006, a new shopping center will be opening a mile outside the city limits and easily accessible from Arizona Route 60, the Superstition Freeway. It is unknown to what extent to which the City's retail sales tax base will be affected by Apache Junction shoppers going outside the City, and by shoppers from outside the City who will no longer come into the City. The City's largest retailer has estimated that sales in their local store will decrease by 25%.

The City, after having several years of growth due to residential development, no longer has the abundance of land for development that it did in previous years. At present the City is, to an extent, landlocked. Mountain areas are to the north and the east, providing limited space for development and annexation. The City's western boundary abuts the Maricopa County boundary, which, while a political barrier, is for practical purposes a barrier nonetheless. The land to the south has potential, but is state trust land and is presently tied up due to decades-old flood control concerns. There are three square miles that will be opened up for development, but this is not expected to occur until approximately 2008.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with general information about the City's finances and to demonstrate the City'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 City of Apache Junction Finance Department, 300 E. Superstition Blvd., Apache Junction, AZ 85219.

Alternative contact information would be to contact the offices of the Finance Manager at (480) 474-5108 or [jwhite@ajcity.net](mailto:jwhite@ajcity.net), or the Finance Director at (480) 474-5073 or [klewis@ajcity.net](mailto:klewis@ajcity.net).

## **BASIC FINANCIAL STATEMENTS**



**City of Apache Junction, Arizona**  
**Statement of Net Assets**  
**June 30, 2006**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,433,357	\$ 20,072	\$ 1,453,429
Investments	19,569,482	1,029,164	20,598,646
Receivables (net of allowances for uncollectibles):			
Accounts	292,302	250,323	542,625
Due from other governments	2,222,661		2,222,661
Accrued interest	123,613	7,667	131,280
Restricted cash and cash equivalents		713,346	713,346
Internal balances	623	(623)	
Inventories	33,554	88,222	121,776
Prepaid items	44,358	56,279	100,637
Other assets	53,802	168,606	222,408
Capital assets, not being depreciated	2,531,599	3,013,814	5,545,413
Capital assets, being depreciated, net	31,289,591	8,644,925	39,934,516
Total assets	57,594,942	13,991,795	71,586,737
<b>LIABILITIES</b>			
Accounts payable	1,331,575	434,085	1,765,660
Accrued payroll and employee benefits	753,615	69,580	823,195
Accrued interest	197,226	132,837	330,063
Deposits held for others	37,916	240,302	278,218
Deferred revenue	323,015	24,141	347,156
Other liabilities	138,279		138,279
Noncurrent liabilities			
Due within one year	1,990,000	474,845	2,464,845
Due in more than one year	8,068,286	6,482,884	14,551,170
Total liabilities	12,839,912	7,858,674	20,698,586
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	24,963,813	4,701,010	29,664,823
Restricted for:			
Debt service	16,569	105,664	122,233
Other purposes	77,912		77,912
Unrestricted	19,696,736	1,326,447	21,023,183
Total net assets	\$ 44,755,030	\$ 6,133,121	\$ 50,888,151

See accompanying notes to financial statements.

**City of Apache Junction, Arizona**  
**Statement of Activities**  
**Year Ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 5,605,997	\$ 140,505			\$ (5,465,492)		\$ (5,465,492)
Public safety	7,894,785	306,793	\$ 131,557	\$ 74,736	(7,381,699)		(7,381,699)
Public works	4,599,901		6,537,806	77,958	2,015,863		2,015,863
Development services	1,482,172	1,275,379		495,225	288,432		288,432
Culture and recreation	5,810,171	644,321		25,500	(5,140,350)		(5,140,350)
Interest on long-term debt	296,176				(296,176)		(296,176)
Total governmental activities	<u>25,689,202</u>	<u>2,366,998</u>	<u>6,669,363</u>	<u>673,419</u>	<u>(15,979,422)</u>		<u>(15,979,422)</u>
Business-type activities:							
Water	3,902,926	2,844,254				\$ (1,058,672)	(1,058,672)
Total business-type activities	<u>3,902,926</u>	<u>2,844,254</u>				<u>(1,058,672)</u>	<u>(1,058,672)</u>
Total government	<u>\$ 29,592,128</u>	<u>\$ 5,211,252</u>	<u>\$ 6,669,363</u>	<u>\$ 673,419</u>	<u>(15,979,422)</u>	<u>(1,058,672)</u>	<u>(17,038,094)</u>
General revenues:							
Sales taxes					11,662,971		11,662,971
State shared taxes					3,378,063		3,378,063
State shared vehicle license taxes					1,958,740		1,958,740
Urban revenue sharing					3,330,907		3,330,907
Other taxes					285,800		285,800
Investment income					839,809	79,680	919,489
Miscellaneous					896,852		896,852
Total general revenues					<u>22,353,142</u>	<u>79,680</u>	<u>22,432,822</u>
Change in net assets					6,373,720	(978,992)	5,394,728
Net assets, July 1, 2005					<u>38,381,310</u>	<u>7,112,113</u>	<u>45,493,423</u>
Net assets, June 30, 2006					<u>\$ 44,755,030</u>	<u>\$ 6,133,121</u>	<u>\$ 50,888,151</u>

See the accompanying notes to financial statements.

**City of Apache Junction, Arizona**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Grants In Aid Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 91,963	\$ 100	\$ 157,270	\$ 1,175,344	\$ 8,680	\$ 1,433,357
Investments	10,525,735	3,855,058	4,474,177		714,512	19,569,482
Inventory	33,554					33,554
Receivables (net of allowance for uncollectibles):						
Accounts	204,632	4,718	82,952			292,302
Due from other governments	1,412,793	783,347	26,521			2,222,661
Due from other funds	266,360		380,092		6,000	652,452
Interest	64,881	22,749	27,563	3,875	4,545	123,613
Prepaid items	44,358					44,358
Total assets	<u>\$ 12,644,276</u>	<u>\$ 4,665,972</u>	<u>\$ 5,148,575</u>	<u>\$ 1,179,219</u>	<u>\$ 733,737</u>	<u>\$ 24,371,779</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 558,223	\$ 609,932	\$ 160,987		\$ 2,433	\$ 1,331,575
Accrued payroll and related liabilities	693,830	59,785				753,615
Due to other funds		293,391			358,438	651,829
Deferred revenue		72,232	250,783			323,015
Deposits held for others	37,916					37,916
Other liabilities	138,279					138,279
Bond interest payable	109,576			\$ 87,650		197,226
Revenue bonds payable	915,000			1,075,000		1,990,000
Total liabilities	<u>2,452,824</u>	<u>1,035,340</u>	<u>411,770</u>	<u>1,162,650</u>	<u>360,871</u>	<u>5,423,455</u>
Fund balances:						
Reserved for:						
Debt service				16,569		16,569
Other purposes	77,912					77,912
Unreserved, reported in:						
General fund	10,113,540					10,113,540
Special revenue funds		3,630,632	4,736,805			8,367,437
Other governmental funds					372,866	372,866
Total fund balances	<u>10,191,452</u>	<u>3,630,632</u>	<u>4,736,805</u>	<u>16,569</u>	<u>372,866</u>	<u>18,948,324</u>
Total liabilities and fund balances	<u>\$ 12,644,276</u>	<u>\$ 4,665,972</u>	<u>\$ 5,148,575</u>	<u>\$ 1,179,219</u>	<u>\$ 733,737</u>	<u>\$ 24,371,779</u>

See accompanying notes to financial statements.

**City of Apache Junction, Arizona**  
**Reconciliation of the Balance Sheet to the Statement of Net Assets**  
**Governmental Funds**  
**June 30, 2006**

Fund balances—total governmental funds	\$ 18,948,324
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	33,821,190
Bond issuance costs reported in governmental activities are not financial resources and therefore, are not reported in the funds.	53,802
Some liabilities, including bonds, capital leases payable, and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(8,068,286)</u>
Net assets of governmental activities	<u>\$ 44,755,030</u>

See accompanying notes to financial statements.

**City of Apache Junction, Arizona**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2006**

	<b>General Fund</b>	<b>Highway User Revenue Fund</b>	<b>Grants In Aid Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>						
Taxes	\$ 11,948,770					\$ 11,948,770
Licenses and permits	639,448		\$ 800,644			1,440,092
Intergovernmental revenue	8,667,710	\$ 6,339,647	804,975		\$ 198,159	16,010,491
Charges for services	646,298					646,298
Fines and forfeitures	280,606					280,606
Investment income	565,021	115,299	112,554	\$ 21,213	25,721	839,808
Miscellaneous	637,961	150,272	74,899		33,741	896,873
Total revenues	23,385,814	6,605,218	1,793,072	21,213	257,621	32,062,938
<b>EXPENDITURES</b>						
Current:						
General government	5,599,321		129,347			5,728,668
Public safety	7,403,740		296,383			7,700,123
Public works	748,231	4,788,494	987,168		26,605	6,550,498
Development services	1,247,463		213,184			1,460,647
Culture and recreation	5,060,781		336,280		58,621	5,455,682
Debt service:						
Principal	915,000			1,075,000		1,990,000
Interest	217,093			175,300		392,393
Total expenditures	21,191,629	4,788,494	1,962,362	1,250,300	85,226	29,278,011
Excess (deficiency) of revenues over (under) expenditures	2,194,185	1,816,724	(169,290)	(1,229,087)	172,395	2,784,927
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in				1,237,210		1,237,210
Transfers out	(494,884)	(742,326)				(1,237,210)
Total other financing sources (uses)	(494,884)	(742,326)		1,237,210		
Net changes in fund balances	1,699,301	1,074,398	(169,290)	8,123	172,395	2,784,927
Fund balances, July 1, 2005	8,492,151	2,556,234	4,906,095	8,446	200,471	16,163,397
Fund balances, June 30, 2006	\$ 10,191,452	\$ 3,630,632	\$ 4,736,805	\$ 16,569	\$ 372,866	\$ 18,948,324

See accompanying notes to financial statements.

**City of Apache Junction, Arizona**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund**  
**Balances to the Statement of Activities**  
**Governmental Funds**  
**Year Ended June 30, 2006**

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

Net change in fund balances - total governmental funds	\$ 2,784,927
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,569,476
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds	48,267
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, these payments have no effect on net assets. This amount is the effect of differences in the treatment of repayments of long-term debt and related items.	<u>1,971,050</u>
Change in net assets of governmental activities	<u>\$ 6,373,720</u>

See accompanying notes to financial statements.

**City of Apache Junction, Arizona**  
**Statement of Net Assets**  
**Proprietary Fund Type - Enterprise Fund**  
**June 30, 2006**

<b>ASSETS</b>	<b>WUCFD</b>
Current assets:	
Cash and cash equivalents	\$ 20,072
Investments	1,029,164
Receivables (net of allowances for uncollectibles):	
Accounts	250,323
Accrued interest	7,667
Inventories	88,222
Restricted cash and cash equivalents	601,781
Prepaid expenses	56,279
Total current assets	<u>2,053,508</u>
Noncurrent assets:	
Restricted cash and cash equivalents	111,565
Other assets	168,606
Capital assets, not being depreciated	3,013,814
Capital assets, being depreciated, net	8,644,925
Total noncurrent assets	<u>11,938,910</u>
Total assets	<u>13,992,418</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	434,085
Accrued payroll and employee benefits	69,580
Accrued interest payable	132,837
Deposits held for others	240,302
Due to other funds	623
Notes payable	129,845
Bond payable	345,000
Deferred revenue	24,141
Total current liabilities	<u>1,376,413</u>
Noncurrent liabilities:	
Revenue bonds payable	4,481,635
Notes payable	2,001,249
Total noncurrent liabilities	<u>6,482,884</u>
Total liabilities	<u>7,859,297</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	4,701,010
Restricted for:	
Debt service	105,664
Unrestricted	1,326,447
Total net assets	<u>\$ 6,133,121</u>

See accompanying notes to financial statements.

**City of Apache Junction, Arizona**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund Type - Enterprise Fund**  
**Year Ended June 30, 2006**

	<b>WUCFD</b>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 2,860,354
Miscellaneous	15,518
Total operating revenues	2,875,872
<b>OPERATING EXPENSES</b>	
Payroll and payroll related	778,452
Legal and professional services	97,914
Telephone and utilities	658,254
Office and supplies	10,095
Postage and shipping	17,555
Printing and copying	9,673
Insurance	23,404
Equipment rental	723,711
Miscellaneous	612,591
Repairs and maintenance	192,159
Amortization	25,226
Depreciation	389,932
Total operating expenses	3,538,966
Operating income (loss)	(663,094)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Capital facilities fees	73,272
Interest income	79,680
Loss on disposal of assets	(104,895)
Interest expense	(363,955)
Total nonoperating revenues (expenses)	(315,898)
Net income loss	(978,992)
Net assets, July 1, 2005	7,112,113
Net assets, June 30, 2006	\$ 6,133,121

See accompanying notes to the basic financial statement.



**City of Apache Junction, Arizona**  
**Statement of Cash Flows**  
**Proprietary Fund Type - Enterprise Fund**  
**Year Ended June 30, 2006**

	<b>WUCFD</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 2,859,187
Cash refunded to customers	(76,231)
Other operating receipts	8,673
Cash payments to suppliers for goods and services	(2,049,419)
Cash payments to employees for services	(749,231)
Net cash provided by operating activities	(7,021)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Issuance costs on refunding of debt	(67,094)
Proceeds from capital facilities fees	73,272
Purchase and construction of capital assets	(1,792,154)
Interest paid on long-term debt	(265,843)
Principal payments on revenue bonds payable	(412,758)
Net cash used for capital and related financing activities	(2,464,577)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received on investments	11,770
Proceeds from redemption of investments	2,177,153
Net cash used by investing activities	2,188,923
Net decrease in cash and cash equivalents	(282,675)
Cash and cash equivalents, July 1, 2005	1,016,093
Cash and cash equivalents, June 30, 2006	\$ 733,418
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2005 CONSIST OF</b>	
Unrestricted cash	\$ 20,072
Restricted cash	713,346
Total	\$ 733,418

continued

See accompanying notes to financial statements.

**City of Apache Junction, Arizona**  
**Statement of Cash Flows**  
**Proprietary Fund Type - Enterprise Fund**  
**Year Ended June 30, 2006**

WUCFD

**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income (loss)	\$ (663,094)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	389,932
Amortization	25,226
Increase in accounts receivable	(61,948)
Decrease in inventories	1,347
Operating expenses paid directly from noncash investment accounts to the City	70,518
Decrease in prepaid items	7,453
Decrease in deposits held for others	(27,365)
Decrease in deferred revenue	(2,049)
Increase in accounts payable and accrued liabilities related to operations	<u>252,959</u>
Total adjustments	<u>656,073</u>
Net cash provided by operating activities	<u>\$ (7,021)</u>
<b>NONCASH INVESTING ACTIVITIES</b>	
Reinvested interest on non-cash investments	\$ 117,795

See accompanying notes to financial statements.

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of City of Apache Junction, Arizona (the City) conform to generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows.

The City was incorporated under the laws of the State of Arizona. The City operates under a council-manager form of government and provides the following services as authorized by general law: public safety, highways and streets, parks and recreation, planning and zoning and general administrative services. As required by generally accepted accounting principles, these financial statements present the City of Apache Junction, Arizona (the primary government) and its component units.

**A. Financial Reporting Entity**

The City is a general purpose local government that is governed by a separately elected city council. These basic financial statements present all the fund types of the City (a primary government) and its component unit.

Component units are legally separate entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the City's operations, and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the statements to emphasize they are legally separate from the City. Each blended component unit discussed below has a June 30 year-end. The City has no discretely presented component units.

The City of Apache Junction Municipal Property Corporation (AJMPC) is governed by a five-member board appointed by the City Council. Although it is legally separate from the City, the AJMPC is reported as if it were part of the primary government because its sole purpose is to finance and construct the City's public buildings. AJMPC is reported as a special revenue fund. Separate financial statements for the AJMPC are not prepared.

The City is financially accountable for the Water Utilities Community Facilities District, City of Apache Junction, Arizona (WUCFD) because WUCFD is governed by a seven-member board consisting of the City Council, Mayor and Vice Mayor. WUCFD is reported as an enterprise fund. Separate financial statements for WUCFD may be reviewed at the City's administrative offices.

Related Organizations – City officials are responsible for appointing the board of directors for the Superstition Mountains Community Facilities District No.1 and the City provides funding for other organizations that provide services to City residents. However, the City's accountability for these organizations does not extend beyond making the appointments or providing funding. Therefore, these organizations are not considered to be component units of the City.

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

**B. Basis of Presentation**

The basic financial statements include both government-wide statements and fund-based financial statements. The government-wide statements focus on the City as a whole, while the fund-based financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

**Government-wide statements**—provide information about the primary government (the City) and its component units. The statements include a statement of net assets and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the City and between the City and its discretely presented component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided,
- operating grants and contributions, and
- capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities.

**Fund financial statements**—The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for the governmental and proprietary categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

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

*The Highway User Revenue Fund* accounts for the City's share of gasoline tax money earmarked for streets and highways.

*The Grants-in-Aid Fund* accounts for other federal and state grants that can only be used for the purposes specified in the grant applications.

*The Debt Service Fund* accounts for the repayment of revenue bonds and related interest.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary fund include cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City has presented the following major proprietary fund:

*Water Utilities Community Facilities District* is a blended component unit that operates as the Apache Junction Water Company.

**C. Measurement Focus/Basis of Accounting**

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund-based financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual prior to receipt are franchise taxes; licenses and permits; intergovernmental aid, grants, and reimbursements; interest revenue; charges for services; and sales taxes collected and held by the State at year-end on the City's behalf. Fines and forfeits and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

The City reports deferred revenue and expense on its combined balance sheet. Deferred revenues and expenses arise when a potential revenue and expense does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues and expenses also arise when resources are received or expended by the City before it has a legal claim to them. In subsequent periods, when both revenue and expense recognition criteria are met, or when the City has a legal claim to the resources or expenses, the liability for deferred revenue and the asset for deferred charges are removed from the combined balance sheet and revenue and/or expense is recognized.

Under the terms of grant agreements, the City funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. The City applies grant resources to such programs before using general revenues.

**D. Capital Assets**

Capital assets are reported at actual cost or estimated historical cost if historical records are not available. Donated assets are reported at estimated fair value at the time received. Governmental infrastructure assets placed in service prior to July 1, 2002 have not been reported.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

The capitalization threshold, the dollar value above which asset acquisitions are added to the capital asset accounts, is \$5,000. Depreciation is charged as an expense against operations in the government-wide and proprietary fund statements. These assets are depreciated over their estimated useful lives using the straight-line method. The estimated useful lives are as follows.

Buildings	40 years
Improvements other than buildings	20 years
Machinery and equipment	5-10 years
Street and road infrastructure	25 years
Water system and improvements	30 years

**E. 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.

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

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.

The City of Apache Junction has elected to subject itself to FASB guidance issued subsequent to November 30, 1989.

**F. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**G. Cash and Investments**

Arizona Revised Statutes authorize the City to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds; interest earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; and specified commercial paper, bonds, debentures, and notes issued by corporations organized and doing business in the United States.

Credit risk:

Statutes have the following requirements for credit risk:

1. Commercial paper must be rated P1 by Moody's investors service or A1 or better by Standard and Poor's rating service.
2. Corporate bonds, debentures, and notes must be rated A or better by Moody's investors service or Standard and Poor's rating service.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk:

Statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

Concentration of credit risk:

Statutes do not include requirements for concentration of credit risk.

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Interest rate risk:

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years and that public operating fund monies invested in securities and deposits have a maximum maturity of 3 years. Investments in repurchase agreements must have a maximum maturity of 180 days.

Foreign currency risk:

Statutes do not allow foreign investments.

**H. Allowance for Doubtful Accounts**

WUCFD provides an allowance for doubtful accounts equal to the estimated uncollectible portion of accounts receivable. This estimate, at approximately 9% of year-end accounts receivable, is based on historical collection experience and a review of the current status of accounts receivable.

**I. Inventories**

Inventories of the Governmental Funds consist of expendable supplies held for consumption and are recorded as expenditures at the time of purchase. These inventories are stated at cost using the first-in, first-out method of valuation.

Inventories of the Proprietary Fund are recorded as assets when purchased and expensed when consumed. These inventories are stated at the lower of cost or market value using the first-in, first-out method of valuation.

**J. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**K. 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 the financial statements, and the reported amounts of revenues and expenditures (expenses) during the reporting period. Actual results could differ from those estimates.

**L. Compensated Absences**

Compensated absences consist of vacation leave and a calculated amount of sick leave earned by employees based on services already rendered. Employees may accumulate up to 320 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year end are forfeited. Also, upon retirement or resignation of an employee, the City pays 50 percent of the value of accumulated sick leave hours earned between 320 and 640 hours and 25 percent of the value of sick leave hours earned between 640 and 1040 hours.



**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED**

Compensated absences related to Governmental Funds' activities are reported as non-current liabilities. Vested compensated absences of the Proprietary Fund are recorded as expenses and current liabilities of that fund as the benefits accrue to employees.

**M. Restricted Assets**

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

**N. Investment Income**

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**A. Deposits**

*Custodial Credit Risk* – In the case of deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned. As of June 30, 2006, the carrying amount of deposits was \$2,166,775 and the bank balance was \$3,344,181. The Federal Deposit Insurance Corporation protects the City against loss on the first \$100,000 on deposits with each separate financial institution. The remaining bank balance was covered by collateral held by the pledging financial institution's trust department in the City's name.

Restricted cash consists of cash held by a trustee. Future use will be for the payments on outstanding revenue bonds payable and capital improvements.

**B. Investments**

The City has few investments and chooses to disclose its investments by specifically identifying each. The City has not adopted a formal investment policy. At June 30, 2006, the City's investments were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Maturities</u>
State Treasurer's investment pool 7	\$ 20,598,646	n/a

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares and the participant's shares are not identified with specific investments.

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 2 – DEPOSITS AND INVESTMENTS - CONTINUED**

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk. At June 30, 2006, all of the City's investments were uninsured and held by the counterparty's trust department not in the City's name.

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - At June 30, 2006, credit risk for the City's investments was as follows:

State Treasurer's investment pool 7 – not rated

Concentration of Credit Risk – The City places no limit on the amount the City may invest in any one issuer. More than 5 percent of the City's investments are in State Treasurer's investment pool 7. These investments are 100% of the City's total investments.

**NOTE 3 – CAPITAL ASSETS**

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

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,856,707	\$ 75,000		\$ 1,931,707
Construction in progress	3,812,278	481,133	\$ (3,693,519)	599,892
<i>Capital assets being depreciated:</i>				
Buildings	12,740,837	3,947,402		16,688,239
Improvements other than buildings	9,380,236	385,562		9,765,798
Machinery and equipment	7,026,256	486,092		7,512,348
Infrastructure	8,042,242	1,649,027		9,691,269
Totals at historical cost	<u>42,858,556</u>	<u>7,024,216</u>	<u>(3,693,519)</u>	<u>46,189,253</u>
Less accumulated depreciation for:				
Buildings	(2,178,633)	(375,480)		(2,554,113)
Improvements other than buildings	(2,858,471)	(435,074)		(3,293,545)
Machinery and equipment	(5,070,842)	(631,560)		(5,702,402)
Infrastructure	(498,896)	(319,107)		(818,003)
Total accumulated depreciation	<u>(10,606,842)</u>	<u>(1,761,221)</u>		<u>(12,368,063)</u>
Governmental capital assets, net	<u>\$ 32,251,714</u>	<u>\$ 5,262,995</u>	<u>\$ (3,693,519)</u>	<u>\$ 33,821,190</u>

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 3 – CAPITAL ASSETS - CONTINUED**

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
<b>Business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,962,868			\$ 1,962,868
Construction in progress	841,753	\$ 439,941	\$ (230,748)	1,050,946
<i>Capital assets being depreciated:</i>				
Buildings	96,005			96,005
Water system	8,909,974	1,530,292	(153,571)	10,286,695
Machinery and equipment	1,289,977	58,008	(6,209)	1,341,776
Totals at historical cost	<u>13,100,577</u>	<u>2,028,241</u>	<u>(390,528)</u>	<u>14,738,290</u>
Less accumulated depreciation for:				
Buildings	(4,264)	(2,401)		(6,665)
Water system	(1,693,585)	(316,016)	48,676	(1,960,925)
Improvements other than buildings	(4,060)	(975)		(5,035)
Machinery and equipment	(1,042,595)	(70,540)	6,209	(1,106,926)
Total accumulated depreciation	<u>(2,744,504)</u>	<u>(389,932)</u>	<u>54,885</u>	<u>(3,079,551)</u>
Business-type capital assets, net	<u>\$ 10,356,073</u>	<u>\$ 1,638,309</u>	<u>\$ (335,643)</u>	<u>\$ 11,658,739</u>

Depreciation expense was charged to governmental activities' functions as follows:

General government	\$ 297,620
Public safety	336,429
Public works	564,506
Culture and recreation	547,448
Development services	15,218
	<u>\$ 1,761,221</u>

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 4 – LONG-TERM DEBT**

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2006:

**Governmental activities**

<u>1998 MPC Serial Bonds</u>	<u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2006</u>
Current portion	\$ 1,025,000	\$ 1,075,000	\$ 1,025,000	\$ 1,075,000
Noncurrent portion	3,645,000		1,075,000	2,570,000
<u>2004 GADA Series 2004A Bonds</u>				
Current portion	-	915,000		915,000
Noncurrent portion	<u>5,005,000</u>		<u>915,000</u>	<u>4,090,000</u>
Total bonds payable	9,675,000	1,990,000	3,015,000	8,650,000
Capital leases	6,012		6,012	-
Compensated absences	<u>1,043,042</u>	<u>157,867</u>		<u>1,200,909</u>
	<u>\$ 10,724,054</u>	<u>\$ 2,147,867</u>	<u>\$ 3,021,012</u>	<u>\$ 9,850,909</u>

**Business-type activity**

<u>1997A WUCFD Serial Bonds</u>	<u>July 1, 2005</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2006</u>
Current portion	\$ 280,000	\$ 295,000	\$ 280,000	\$ 295,000
Noncurrent portion	605,000		295,000	310,000
Net of bond discount	(6,088)		(4,020)	(2,068)
<u>2004A WUCFD Revenue Bonds</u>				
Current portion	35,000	50,000	35,000	50,000
Noncurrent portion	4,635,000		50,000	4,585,000
Net of deferred refunding cost	<u>(479,477)</u>		<u>(66,112)</u>	<u>(413,365)</u>
Total bonds payable	5,069,435	345,000	589,868	4,824,567
<u>WIFA Note Payable</u>				
Current portion	97,758	129,845	97,758	129,845
Noncurrent portion	<u>2,108,652</u>	<u>24,510</u>	<u>129,845</u>	<u>2,003,317</u>
Total note payable	<u>2,206,410</u>	<u>154,355</u>	<u>227,603</u>	<u>2,133,162</u>
	<u>\$ 7,275,845</u>	<u>\$ 499,355</u>	<u>\$ 817,471</u>	<u>\$ 6,957,729</u>

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 4 – LONG-TERM DEBT – CONTINUED**

Revenue Bonds

City of Apache Junction Greater Arizona Development Authority Revenue Bonds, Series 2004A for construction projects; issue amount \$6,665,000 of which \$5,212,377 is outstanding and reported gross of unamortized bond premium of \$207,377. Interest rates 4.250% to 5.0%; semi-annual interest payments are due on July 1 and January 1. Principal payments coincide with staggered bond maturities due annually on July 1 with final maturities on July 1, 2010. \$ 5,212,377

City of Apache Junction Municipal Property Corporation Municipal Facilities Revenue Bonds, Series 1998 for street improvements and the retirement of debt; issue amount \$9,965,000. Interest rates from 4.0% to 5.0%; semi-annual interest payments are due on January 1 and July 1. Principal payments coincide with staggered bond maturities due annually on July 1 with final maturities on July 1, 2012. 3,645,000

8,857,377

Less current maturities (1,990,000)

\$ 6,867,377

BUSINESS TYPE ACTIVITIES

Revenue Bonds

WUCFD revenue refunding bonds, series 2004A, for the retirement of debt. Issue amount \$4,670,000 of which \$4,221,635 is outstanding and reported net of unamortized deferred refunding cost of \$413,365 at June 30, 2006. Interest rates vary from 2.50% to 4.50%. Semi-annual interest payments are due on January 1 and July 1. Principal payments coincide with staggered bond maturities due annually on July 1 with final maturities on July 1, 2017. \$ 4,221,635

Partially refunded WUCFD serial revenue bonds, series 1997A, for the purchase of assets and retirement of debt. Issue amount of \$6,750,000 of which \$602,932 is outstanding and reported net of unamortized bond discount of \$2,068 at June 30, 2006. Interest rates vary from 5.20% to 5.35%. Semi-annual interest payments are due on January 1 and July 1. Principal payments coincide with staggered bond maturities due annually on July 1 with final maturities on July 1, 2007. 602,932

4,824,567

Less current maturities (345,000)

\$ 4,479,567

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 4 – LONG-TERM DEBT, BUSINESS TYPE ACTIVITIES - CONTINUED**

Note payable

Water Infrastructure Finance Authority (WIFA) note payable for the financing of water distribution improvements. Balance represents draws, net of repayments, from an authorized maximum of \$3,200,000. Interest is 3.430%. Semi-annual interest payments are due on January 1 and July 1. Principal payments are due annually on July 1 with the note maturing July 1, 2021.

Less current maturities	\$ 2,133,162
	( 129,845)
	\$ 2,003,317

Annual cash requirements to retire all the outstanding revenue bonds payable and note payable at June 30, 2006, are as follows:

**Governmental activities**

Year Ending June 30,	Bonds Payable		Total	
	Principal	Interest	Principal	Interest
2007	\$ 1,990,000	\$ 347,725	\$ 1,990,000	\$ 347,725
2008	2,080,000	250,650	2,080,000	250,650
2009	1,260,000	172,688	1,260,000	172,688
2010	1,320,000	115,806	1,320,000	115,806
2011	1,380,000	57,588	1,380,000	57,588
2012-2013	620,000	28,350	620,000	28,350
Total	\$ 8,650,000	\$ 972,807	\$ 8,650,000	\$ 972,807

**Business-type activity**

Year Ending June 30,	Bonds Payable		Note Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 345,000	\$ 212,993	\$ 129,845	\$ 64,196	\$ 474,845	\$ 277,189
2008	360,000	195,445	134,375	93,714	494,375	289,159
2009	380,000	180,227	139,063	89,025	519,063	269,252
2010	390,000	166,984	143,915	84,172	533,915	251,156
2011	405,000	151,815	148,936	79,149	553,936	230,964
2012-2016	2,300,000	491,777	826,352	314,054	3,126,352	805,831
2017-2021	1,060,000	48,150	610,676	141,240	1,670,676	189,390
Total	\$ 5,240,000	\$ 1,447,391	\$ 2,133,162	\$ 865,550	\$ 7,373,162	\$ 2,312,941

For business-type activity, bond discounts, deferred refunding costs, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount of \$2,068 and deferred refunding costs of \$413,365. Issuance costs of \$317,081 are reported on the balance sheet net of accumulated amortization at June 30, 2006 of \$150,037.

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 4 – LONG-TERM DEBT - CONTINUED**

The following schedule summarizes the changes in compensated absence liabilities. A break-down by fund is provided in the governmental activities.

	<u>Governmental Activities</u>			<b>Business Type Activity</b>
	<b>General Fund</b>	<b>Highway User Revenue Fund</b>	<b>Total</b>	
Balance - June 30, 2005	\$ 894,266	\$ 148,776	\$ 1,043,042	\$ 39,896
Increases for the year	707,515	111,007	818,522	32,492
Decreases for the year	<u>(551,387)</u>	<u>(109,268)</u>	<u>(660,655)</u>	<u>(19,864)</u>
Balance - June 30, 2006	<u>\$ 1,050,394</u>	<u>\$ 150,515</u>	<u>\$ 1,200,909</u>	<u>\$ 52,524</u>

**NOTE 5 – DUE TO/FROM OTHER FUNDS**

The composition of interfund balances as of June 30, 2006, is listed below. The *receivable funds* are those with a balance owed by other funds; the *payable funds*, are those with a liability to other funds.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Grants-In-Aid	\$ 146,360
	Capital projects fund	125,377
	Water Utility District	623
Grants-In-Aid	Highway User Revenue	314,249
	Capital projects fund	65,843
Library	General	6,000
		<u>\$ 658,452</u>

The amounts due to the General Fund from the Grants-In-Aid Fund and Capital Projects Fund were attributable to General Fund advances to grant or tax related program expenditures pending reimbursement from grantors or receipt of the taxes.

The amount due to the Grants-In-Aid Fund from the Highway User Revenue Fund and Capital Projects Fund represents expenditures made in Grants-In-Aid Fund to be reimbursed by those funds.

The amount due in the Library Fund from the General Fund represents expenditures made in the Library Fund to be reimbursed by the General Fund.

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 6 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

1. On or before the third Monday in July, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at City Hall to obtain taxpayer comments.
3. Prior to September 1, the budget is legally enacted through passage of a resolution.
4. Any revisions that alter the total expenditures of any fund or department must be approved by the City Council.
5. The budget is used as a management control device during the year for the General and Special Revenue Funds.
6. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) with four exceptions: 1) capital outlay and debt service expenditures are budgeted within the departments and are not set out as separate line items, 2) the present value of net minimum capital lease payments is not budgeted as a capital outlay expenditure at the inception of the agreement, 3) vacation pay is not accrued in the budget, and 4) the AJMPC (a component unit) is not included in the budget.

The level of budgetary control is at the department level for all governmental fund types, as reported in the Official Budget Forms prepared pursuant to guidelines established by the State of Arizona, Office of the Auditor General, and included as an attachment to the resolution adopting the annual City budget. The City Council may transfer appropriations between funds and departments.

Encumbrances – Encumbrance accounting is used for budgetary and control purposes; however, encumbrances outstanding at year-end do not constitute expenditures or liabilities, and are reversed before financial statements are prepared.



**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 7 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is a member of the Arizona Municipal Risk Retention Pool (AMRRP), a public entity risk pool currently operating as a common risk management and insurance program for Arizona municipalities. The City pays an annual premium to AMRRP for its general insurance coverage. The Agreement for Formation of the AMRRP provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial companies for excess claims for each insured event.

The City is also a member of the Arizona Municipal Workers Compensation Pool (AMWCP), a public entity risk pool. The pool provides member cities with workers' compensation coverage, as required by law, and risk management services. The City is responsible for paying premium, based on an experience rating formula that allocates pool expenditures and liabilities among the members.

The City continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 8 – COMMITMENTS AND CONTINGENCIES**

City Operating Leases

AJMPC Lease – The city lease is between the AJMPC (see Note 1), as lessor, and the City, as lessee, and provides for the lease to the City of the leased property for a term commencing as of March 1, 1999 and continuing until July 1, 2012, or such later date as of which the City of Apache Junction Municipal Property Corporation Municipal Facilities Revenue Bonds (see Note 5) are deemed paid and discharged under the indenture. The City has the right to terminate the city lease when payment of, or provision for payment and discharge of, all bonds are made.

The City has agreed to pay each month as rental payments to the AJMPC, its successors or assignee, the sums necessary to permit the AJMPC to make timely payment of the debt service on the bonds and to restore the reserve fund to an amount equal to the reserve requirement and of all other amounts required to be paid by the AJMPC to the trustee pursuant to the indenture with respect to the bonds. The City's rental payments will be paid directly to the trustee for and on behalf of the AJMPC. When the AJMPC's bonds and other obligations under the Indenture have been fully paid or provided for, the City will have no further obligation to make rental payments under the city lease.

Further, the City will agree that if such receipts for any such preceding fiscal year are not equal to four times the rental payment requirements of any current fiscal year or if at any time it appears that the current receipts will not be sufficient to meet the rental payment requirements under the city lease, it will impose new excise and franchise taxes or will increase the rates of such taxes currently imposed in order that (i) the current receipts will be sufficient to meet all current rental payment requirements under the city lease and (ii) the current year's receipts will be reasonably calculated to attain the level as required above for the succeeding fiscal year's rental payment requirements under the city lease.

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 8 – COMMITMENTS AND CONTINGENCIES - continued**

Construction Contract - On April 5, 2006, the District entered into a contract with Hunter Contracting Company for the design and construction of an arsenic treatment system. The contract's details follow:

Total contract amount	\$ 796,052
Completed through June 30, 2006	<u>693,497</u>
Remaining contractual commitments	<u>\$ 102,555</u>

The project is expected to be completed in 2006, and be funded through a restructuring of the existing note payable to the Water Infrastructure Finance Authority of Arizona.

Phone System Lease - The City entered into a five-year lease for a phone system, classified as operating for accounting purposes, commencing December 1, 2004. Rental expenditures under terms of the operating lease were \$96,420 for the year ended June 30, 2006. The future minimum payments required under the operating lease at June 30, 2006, were as follows.

Year ending June 30,	Governmental Activities
2007	\$ 96,420
2008	96,420
2009	96,420
2010	<u>40,175</u>
Total minimum lease payments	<u>\$329,435</u>

Litigation – The City receives numerous notices of claims for damages occurring generally from false arrest, negligence, bodily injury, breach of contract, defamation of character and invasion of privacy. The filing of such claims commences a statutory period for initiating judicial action, and the City currently carries excess general liability insurance to cover possible losses arising therefrom. The City Attorney has indicated that he is not aware of any such action that would have a significant adverse impact on the City's financial condition.

**NOTE 9 – RETIREMENT PLANS**

**Plan Descriptions** – The City contributes to the two plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

*The Arizona State Retirement System (ASRS)* administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the City. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The Water Utilities Community Facilities District (WUCFD) also participates in ASRS, but its earnings and contributions are reported and paid separately from those of the City.

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 9 – RETIREMENT PLANS - CONTINUED**

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 189 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS

3300 N. Central Ave.  
P.O. Box 33910  
Phoenix, AZ 85067-3910  
(602) 240-2200 or (800) 621-3778

PSPRS

3010 East Camelback Road, Suite 200  
Phoenix, AZ 85014-416  
(602) 255-5575

**Funding Policy** – The Arizona State Legislature established and may amend active plan members' and the City's contribution rates.

*Cost-sharing plans* – For the year ended June 30, 2006, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 7.40 percent (6.9 percent retirement and 0.50 percent long-term disability) of the members' annual covered payroll.

The contributions, which were equal to the required contributions for the year, of the City and WUCFD to ASRS for the years ended June 30, 2006, 2005, and 2004 are as follows:

<u>Year ended June 30,</u>	<u>Apache Junction</u>	<u>WUCFD</u>	<u>Total</u>
2006	\$ 625,170	\$ 34,820	\$ 659,990
2005	412,419	24,734	437,153
2004	414,864	24,297	439,161

*Agent plans* – For the year ended June 30, 2006, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 12.60 percent.

**City of Apache Junction, Arizona**  
**Notes to Financial Statements**  
**June 30, 2006**

**NOTE 9 – RETIREMENT PLANS - CONTINUED**

**Annual Pension Cost** – The City’s pension cost for the agent plan for the year ended June 30, 2006, the date of the most recent actuarial valuation, and related information follows.

	<u>PSPRS</u>
Contribution rates:	
City	12.60%
Plan members	7.65%
Annual pension cost	\$355,798
Contributions made	\$355,798
Actuarial valuation date	6/30/06
Actuarial cost method	individual entry age
Actuarial assumptions:	
Investment rate of return	8.50%
Projected salary increases	
Includes inflation at 5.00%	5.50%-8.50%
Cost-of-living adjustments	none
Amortization method	level percentage open
Remaining amortization	
period from 7/1/05	20 years
Asset valuation method	smoothed market value

**Trend Information** – Information for the agent plan as of most recent actuarial valuations follows.

Year Ended June 30,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2006	\$ 355,798	100%	\$ -0-
2005	274,986	100%	-0-
2003	169,095	100%	-0-

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## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budget to Actual Schedules-General Fund, Highway User Revenue Fund (HURF), and Grants in Aid Fund
- Public Safety Employees Retirement System Schedule of Funding Progress

**City of Apache Junction, Arizona**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		<b>(Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 12,329,000	\$ 12,329,000	\$ 11,948,770	\$ (380,230)
Licenses and permits	511,000	511,000	639,448	128,448
Intergovernmental revenue	7,946,000	7,946,000	8,667,710	721,710
Charges for services	432,000	432,000	646,298	214,298
Fines and forfeitures	225,000	225,000	280,606	55,606
Interest income	70,000	70,000	565,021	495,021
Miscellaneous	490,000	490,000	637,961	147,961
Total revenues	<u>22,003,000</u>	<u>22,003,000</u>	<u>23,385,814</u>	<u>1,382,814</u>
<b>EXPENDITURES</b>				
General government:				
Mayor and council	114,843	114,843	104,302	10,541
City manager	299,210	299,210	298,027	1,183
City clerk	480,051	480,051	440,104	39,947
Management services	1,371,058	1,371,058	1,068,908	302,150
Non-departmental	5,173,323	5,173,323	4,246,613	926,710
Finance	436,486	436,486	417,562	18,924
City Attorney	558,331	558,331	458,893	99,438
Marketing communications	195,683	195,683	191,889	3,794
Total general government	<u>8,628,985</u>	<u>8,628,985</u>	<u>7,226,298</u>	<u>1,402,687</u>
Public safety				
Public safety	6,876,759	6,876,759	6,599,191	277,568
Traffic services	449,801	449,801	252,513	197,288
Magistrate court	588,952	588,952	552,036	36,916
Total public safety	<u>7,915,512</u>	<u>7,915,512</u>	<u>7,403,740</u>	<u>511,772</u>
Public works	758,074	758,074	748,231	9,843
Development services	1,463,759	1,463,759	1,247,463	216,296
Culture and recreation:				
Library	1,496,481	1,496,481	1,463,494	32,987
Parks and recreation	3,865,422	3,865,422	3,597,287	268,135
Total culture and recreation	<u>5,361,903</u>	<u>5,361,903</u>	<u>5,060,781</u>	<u>301,122</u>
Total expenditures	<u>24,128,233</u>	<u>24,128,233</u>	<u>21,686,513</u>	<u>2,441,720</u>
Excess (deficiency) of revenues over (under) expenditures	(2,125,233)	(2,125,233)	1,699,301	3,824,534
Fund balances, beginning of year	8,492,151	8,492,151	8,492,151	
Fund balances, end of year	<u>\$ 6,366,918</u>	<u>\$ 6,366,918</u>	<u>\$ 10,191,452</u>	<u>\$ 3,824,534</u>

**City of Apache Junction, Arizona**  
**Reconciliation of Revenues, Expenditures and Fund Balance - Budgetary Comparison Schedule to GAAP**  
**General Fund**  
**Year Ended June 30, 2006**

	<b>Total Other Financing Sources (Uses)</b>	<b>Total Expenditures</b>	<b>Fund Balance</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Schedule of revenues, expenditures and changes in fund balance-budgetary basis		\$ 21,686,513	\$ 10,191,452
Lease payments and amounts transferred to the debt service fund for bond payments as part of operating transfers on GAAP basis financial statements	\$ (494,884)	<u>(494,884)</u>	<u>                    </u>
Statement of revenues, expenditures and changes in fund balances	<u>\$ (494,884)</u>	<u>\$ 21,191,629</u>	<u>\$ 10,191,452</u>



**City of Apache Junction, Arizona**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Other Major Governmental Funds - HURF**  
**Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 4,838,000	\$ 4,838,000	\$ 6,339,647	\$ 1,501,647
Miscellaneous	475,000	475,000	150,272	(324,728)
Interest income	15,000	15,000	115,299	100,299
Total revenues	<u>5,328,000</u>	<u>5,328,000</u>	<u>6,605,218</u>	<u>1,277,218</u>
<b>EXPENDITURES</b>				
Public works	7,193,728	7,193,728	4,788,494	2,405,234
Parks and recreation	34,272	34,272		34,272
Total expenditures	<u>7,228,000</u>	<u>7,228,000</u>	<u>4,788,494</u>	<u>2,439,506</u>
Excess (deficiency) of revenues over (under) expenditures	(1,900,000)	(1,900,000)	1,816,724	3,716,724
Fund balances, beginning of year	2,556,234	2,556,234	2,556,234	
Fund balances, end of year	<u>\$ 656,234</u>	<u>\$ 656,234</u>	<u>\$ 4,372,958</u>	<u>\$ 3,716,724</u>

**City of Apache Junction, Arizona**  
**Reconciliation of Revenues, Expenditures and Fund Balance - Budget and Actual Schedule to GAAP**  
**Other Major Governmental Funds - HURF**  
**Year Ended June 30, 2006**

	<u>Total Other Financing Sources (Uses)</u>	<u>Fund Balance</u>
Schedule of revenues, expenditures and changes in fund balance-budgetary basis		\$ 4,372,958
Amount transferred to the debt service fund as part of operating transfers on GAAP basis financial statements	<u>\$ (742,326)</u>	<u>(742,326)</u>
Statement of revenues, expenditures and changes in fund balances	<u>\$ (742,326)</u>	<u>\$ 3,630,632</u>

**City of Apache Junction, Arizona**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Other Major Governmental Funds - Grants in Aid**  
**Year Ended June 30, 2006**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
License and permits	600,000	600,000	800,644	200,644
Intergovernmental revenue	400,000	400,000	804,975	404,975
Miscellaneous	5,500,000	5,500,000	74,899	(5,425,101)
Interest income	20,000	20,000	112,554	92,554
Total revenues	<u>6,520,000</u>	<u>6,520,000</u>	<u>1,793,072</u>	<u>(4,726,928)</u>
<b>EXPENDITURES</b>				
General government	1,328,920	1,328,920	129,347	1,199,573
Public safety	600,000	600,000	296,383	303,617
Public works	1,700,000	1,700,000	987,168	712,832
Development services	2,000,000	2,000,000	213,184	1,786,816
Culture and recreation:				
Parks and recreation	400,000	400,000	279,804	120,196
Library	850,000	850,000	56,476	793,524
Total culture and recreation	<u>1,250,000</u>	<u>1,250,000</u>	<u>336,280</u>	<u>913,720</u>
Total expenditures	<u>6,878,920</u>	<u>6,878,920</u>	<u>1,962,362</u>	<u>4,916,558</u>
Excess (deficiency) of revenues over (under) expenditures	(358,920)	(358,920)	(169,290)	189,630
Fund balances, beginning of year	4,906,095	4,906,095	4,906,095	
Fund balances, end of year	<u>\$ 4,547,175</u>	<u>\$ 4,547,175</u>	<u>\$ 4,736,805</u>	<u>\$ 189,630</u>

**City of Apache Junction, Arizona  
 Required Supplementary Information  
 Schedule of Agent Retirement Plan Funding Progress  
 June 30, 2006**

**Analysis of funding Progress** - The following was obtained from the three most recent actuarial valuations of the agent plans:

**Apache Junction Police**

Actuarial Valuation Date <u>June 30,</u>	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Accrued Liability <u>(b)</u>	Funding (Liability) Excess <u>(a-b)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	Unfunded Liability as Percentage of Covered Payroll <u>[(a-b)/c]</u>
2006	\$ 9,784,886	\$14,564,595	\$ (4,779,709)	67.2%	\$ 3,043,281	-157.1%
2005	9,578,896	12,760,018	(3,181,122)	75.1%	2,585,036	-123.1%
2004	10,004,891	11,200,269	(1,195,378)	89.3%	2,278,058	-52.5%

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## **OTHER SUPPLEMENTARY INFORMATION**

Other supplementary information includes financial statements and schedules not required by GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Such statements and schedules include:

- Combining Balance Sheet - Nonmajor Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds
- Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual for LTAF and Library funds.
- Schedule of Capital Assets – By Source
- Schedule of Capital Assets – By Function and Activity
- Schedule of Changes in Capital Assets – By Function and Activity

**City of Apache Junction, Arizona**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2006**

	<u>Local Transportation Assistance</u>	<u>Library</u>	<u>Capital Projects</u>	<u>City of Apache Junction Municipal Property Corporation</u>	<u>Totals</u>
<b>ASSETS</b>					
Cash and cash equivalents				\$ 8,680	\$ 8,680
Investments	\$ 694,077	\$ 20,435			714,512
Receivables:					
Due from other funds		6,000			6,000
Interest	4,302	213		30	4,545
Total assets	<u>\$ 698,379</u>	<u>\$ 26,648</u>	<u>\$</u>	<u>\$ 8,710</u>	<u>\$ 733,737</u>
<b>LIABILITIES AND FUND EQUITY</b>					
Liabilities:					
Accounts payable		\$ 2,433			\$ 2,433
Due to other funds			\$ 358,438		358,438
Total liabilities		<u>2,433</u>	<u>358,438</u>		<u>360,871</u>
<b>FUND BALANCES (DEFICIT)</b>					
Unreserved	\$ 698,379	24,215	(358,438)	\$ 8,710	372,866
Total fund balances (deficit)	<u>698,379</u>	<u>24,215</u>	<u>(358,438)</u>	<u>8,710</u>	<u>372,866</u>
Total liabilities and fund balances (deficit)	<u>\$ 698,379</u>	<u>\$ 26,648</u>	<u>\$</u>	<u>\$ 8,710</u>	<u>\$ 733,737</u>

**City of Apache Junction, Arizona**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2006**

	<b>Local Transportation Assistance</b>	<b>Library</b>	<b>Capital Projects</b>	<b>City of Apache Junction Municipal Property Corporation</b>	<b>Totals</b>
<b>REVENUES</b>					
Intergovernmental revenue	\$ 198,159				\$ 198,159
Interest income	24,331	\$ 1,098		\$ 292	25,721
Miscellaneous		33,741			33,741
Total revenues	<u>222,490</u>	<u>34,839</u>		<u>292</u>	<u>257,621</u>
<b>EXPENDITURES</b>					
Public works	26,605				26,605
Culture and recreation	30,640	27,981			58,621
Total expenditures	<u>57,245</u>	<u>27,981</u>			<u>85,226</u>
Net changes in fund balances (deficit)	165,245	6,858		292	172,395
Fund balances (deficit), July 1, 2005	<u>533,134</u>	<u>17,357</u>	<u>\$ (358,438)</u>	<u>8,418</u>	<u>200,471</u>
Fund balances (deficit), June 30, 2006	<u>\$ 698,379</u>	<u>\$ 24,215</u>	<u>\$ (358,438)</u>	<u>\$ 8,710</u>	<u>\$ 372,866</u>



**City of Apache Junction, Arizona**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Local Transportation Assistance Fund Special Revenue Fund**  
**Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 367,595	\$ 367,595	\$ 198,159	\$ (169,436)
Interest income	5,500	5,500	24,331	18,831
Total revenues	<u>373,095</u>	<u>373,095</u>	<u>222,490</u>	<u>(150,605)</u>
<b>EXPENDITURES</b>				
Public works	573,095	573,095	26,605	546,490
Culture and recreation	200,000	200,000	30,640	169,360
Total expenditures	<u>773,095</u>	<u>773,095</u>	<u>57,245</u>	<u>715,850</u>
Excess (deficiency) of revenues (under) over expenditures	(400,000)	(400,000)	165,245	565,245
Fund balances, July 1, 2005	533,134	533,134	533,134	
Fund balances, June 30, 2006	<u>\$ 133,134</u>	<u>\$ 133,134</u>	<u>\$ 698,379</u>	<u>\$ 565,245</u>

**City of Apache Junction, Arizona**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Library Special Revenue Fund**  
**Year Ended June 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest income			\$ 1,098	\$ 1,098
Miscellaneous	\$ 55,000	\$ 55,000	33,741	(21,259)
Total revenues	55,000	55,000	34,839	(20,161)
<b>EXPENDITURES</b>				
Library	55,000	55,000	27,981	27,019
Total expenditures	55,000	55,000	27,981	27,019
Excess of revenues over expenditures			6,858	6,858
Fund balances, July 1, 2005	17,357	17,357	17,357	
Fund balances, June 30, 2006	<u>\$ 17,357</u>	<u>\$ 17,357</u>	<u>\$ 24,215</u>	<u>\$ 6,858</u>

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# **CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES**

**City of Apache Junction, Arizona**  
**Schedule of Capital Assets - By Source**  
**June 30, 2006**

Governmental funds capital assets:	
Land	\$ 1,931,707
Buildings	16,688,239
Improvements	9,765,798
Equipment	7,512,348
Infrastructure	9,691,269
Construction in process	<u>599,892</u>
 Total governmental funds capital assets	 <u>\$ 46,189,253</u>
 Investments in governmental funds capital assets by source:	
General fund	\$ 25,852,706
Capital Projects fund	3,812,278
Special revenue funds	<u>16,524,269</u>
 Total governmental funds capital assets	 <u>\$ 46,189,253</u>

**City of Apache Junction, Arizona**  
**Schedule of Capital Assets - By Function and Activity**  
**June 30, 2006**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Work in Process</u>	<u>Total</u>
General government							
City manager				\$ 26,540			\$ 26,540
City clerk				37,669			37,669
Finance				62,124			62,124
Other general government	\$ 1,369,972	7,884,867	\$ 1,454,038	958,112			11,666,989
City attorney		7,554		41,228			48,782
Total general government	<u>1,369,972</u>	<u>7,892,421</u>	<u>1,454,038</u>	<u>1,125,673</u>			<u>11,842,104</u>
Public safety							
Municipal courts		71,789		62,017			133,806
Police		3,419,666	164,466	2,269,084			5,853,216
Total public safety		<u>3,491,455</u>	<u>164,466</u>	<u>2,331,101</u>			<u>5,987,022</u>
Public works							
Streets	102,310			2,858,605	\$ 9,691,269	\$ 481,134	13,133,318
Public works	444,425	486,073	196,048			118,758	1,245,304
Engineering				71,575			71,575
Total public works	<u>546,735</u>	<u>486,073</u>	<u>196,048</u>	<u>2,930,180</u>	<u>9,691,269</u>	<u>599,892</u>	<u>14,450,197</u>
Culture and recreation							
Library		832,476	61,219	153,990			1,047,685
Parks and recreation	15,000	3,985,814	7,890,027	971,404			12,862,245
Total cultural and recreation	<u>15,000</u>	<u>4,818,290</u>	<u>7,951,246</u>	<u>1,125,394</u>			<u>13,909,930</u>
Governmental funds capital assets	<u>\$ 1,931,707</u>	<u>\$ 16,688,239</u>	<u>\$ 9,765,798</u>	<u>\$ 7,512,348</u>	<u>\$ 9,691,269</u>	<u>\$ 599,892</u>	<u>\$ 46,189,253</u>

**City of Apache Junction, Arizona**  
**Schedule of Changes in Capital Assets - By Function and Activity**  
**Year Ended June 30, 2006**

<b>FUNCTION AND ACTIVITY</b>	<b>Balance June 30, 2005</b>	<b>Additions/ Adjustments</b>	<b>Deletions</b>	<b>Balance June 30, 2006</b>
General government				
City manager	\$ 26,540			\$ 26,540
City clerk	37,669			37,669
Finance	62,124			62,124
Other general government	11,280,012	\$ 386,977		11,666,989
City attorney	<u>48,782</u>			<u>48,782</u>
Total general government	<u>11,455,127</u>	<u>386,977</u>		<u>11,842,104</u>
Public safety				
Municipal courts	103,799	30,007		133,806
Police	<u>5,685,541</u>	<u>167,675</u>		<u>5,853,216</u>
Total public safety	<u>5,789,340</u>	<u>197,682</u>		<u>5,987,022</u>
Public works				
Streets	273,148	12,776,318		13,049,466
Traffic	83,852			83,852
Public works	11,504,783	(10,259,479)		1,245,304
Engineering	<u>71,575</u>			<u>71,575</u>
Total public works	<u>11,933,358</u>	<u>2,516,839</u>		<u>14,450,197</u>
Culture and recreation				
Library	970,901	76,784		1,047,685
Parks and recreation	<u>12,709,830</u>	<u>152,415</u>		<u>12,862,245</u>
Total cultural and recreation	<u>13,680,731</u>	<u>229,199</u>		<u>13,909,930</u>
Governmental funds capital assets	<u>\$ 42,858,556</u>	<u>\$ 3,330,697</u>	<u>\$</u>	<u>\$ 46,189,253</u>

# STATISTICAL SECTION

*This part of the City of Apache Junction's 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 City's financial health.*

## **Contents**

**Page**

### **Financial Trends**

*These schedules contain trend information to assist the reader in understanding how the City's financial performance and well-being have changed over time.*

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### **Revenue Capacity**

*These schedules contain information to assist the reader in assessing the City's most significant revenue source, the transaction privilege (sales) tax.*

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### **Debt Capacity**

*These schedules present information to assist the reader in assessing the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.*

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### **Demographic and Economic Information**

*These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.*

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### **Operating Information**

*These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services that the City provides and the activities that it performs.*

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**Schedule A-1**  
**City of Apache Junction, Arizona**  
**Net Assets by Component,**  
**Last Four Fiscal Years**  
*(accrual basis of accounting)*

	<b>Fiscal Year Ended June 30,</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$11,705,715	\$10,040,964	\$22,267,108	\$24,963,813
Restricted	737,072	2,049,524	77,545	94,481
Unrestricted	<u>16,379,763</u>	<u>20,590,376</u>	<u>16,036,657</u>	<u>19,696,736</u>
Total governmental activities net assets	<u>\$28,822,550</u>	<u>\$32,680,864</u>	<u>\$38,381,310</u>	<u>\$44,755,030</u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 2,821,565	\$ 2,390,835	\$ 3,249,907	\$ 4,701,010
Restricted	1,739,223	1,360,849	844,156	105,664
Unrestricted	<u>1,509,183</u>	<u>2,892,216</u>	<u>3,018,050</u>	<u>1,326,447</u>
Total business-type activities net assets	<u>\$ 6,069,971</u>	<u>\$ 6,643,900</u>	<u>\$ 7,112,113</u>	<u>\$ 6,133,121</u>
<b>Primary Government</b>				
Invested in capital assets, net of related debt	\$14,527,280	\$12,431,799	\$25,517,015	\$29,664,823
Restricted	2,476,295	3,410,373	921,701	200,145
Unrestricted	<u>17,888,946</u>	<u>23,482,592</u>	<u>19,054,707</u>	<u>21,023,183</u>
Total primary governmental activities net assets	<u>\$34,892,521</u>	<u>\$39,324,764</u>	<u>\$45,493,423</u>	<u>\$50,888,151</u>

**Note:** The City began to report accrual information when it implemented GASB Statement 34 in the fiscal year ended June 30, 2003.

**Schedule A-2**  
**City of Apache Junction, Arizona**  
**Changes in Net Assets**  
**Last Four Fiscal Years**  
*(accrual basis of accounting)*

	<b>Fiscal Year Ended June 30,</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Expenses</b>				
Governmental activities				
General government	\$ 5,757,584	\$ 5,304,928	\$ 5,532,195	\$ 5,605,997
Public safety	5,853,758	6,738,635	7,390,056	7,894,785
Public works	3,996,311	3,639,351	4,098,191	4,599,901
Development services	1,080,409	1,207,716	1,228,182	1,482,172
Culture and recreation	3,620,651	4,055,863	4,619,935	5,810,171
Interest on long-term debt	<u>305,624</u>	<u>342,975</u>	<u>508,901</u>	<u>296,176</u>
Total governmental activities net assets	<u>20,614,337</u>	<u>21,289,468</u>	<u>23,377,460</u>	<u>25,689,202</u>
Business-type activities				
Water	<u>2,492,911</u>	<u>2,260,811</u>	<u>2,495,703</u>	<u>3,902,926</u>
Total government expenses	<u>\$ 23,107,248</u>	<u>\$ 23,550,279</u>	<u>\$ 25,873,163</u>	<u>\$ 29,592,128</u>
<b>Program Revenues</b>				
Governmental activities				
Charges for services				
General government	\$ 121,526	\$ 125,378	\$ 129,571	\$ 140,505
Public safety	271,015	367,533	338,887	306,793
Public works	646,657	504,283		
Development services	723,542	626,825	1,217,827	1,275,379
Culture and recreation	258,961	242,029	291,732	644,321
Operating grants and contributions	4,324,264	5,146,595	5,607,764	6,669,363
Capital grants and contributions	<u>532,942</u>	<u>725,102</u>	<u>2,155,601</u>	<u>673,419</u>
Total governmental activities program revenues	6,878,907	7,737,745	9,741,382	9,709,780
Business-type activities				
Water	<u>2,900,378</u>	<u>\$ 2,803,832</u>	<u>\$ 2,832,723</u>	<u>\$ 2,844,254</u>
Total government program revenues	<u>\$ 9,779,285</u>	<u>\$ 10,541,577</u>	<u>\$ 12,574,105</u>	<u>\$ 12,554,034</u>

	<b>Fiscal Year Ended June 30,</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Net (Expense) Revenue</b>				
Governmental activities	\$ (13,735,430)	\$ (13,551,723)	\$ (13,636,078)	\$ (15,979,422)
Business-type activities	<u>407,467</u>	<u>543,021</u>	<u>337,020</u>	<u>(1,058,672)</u>
Total government net expense	<u>\$ (13,327,963)</u>	<u>\$ (13,008,702)</u>	<u>\$ (13,299,058)</u>	<u>\$ (17,038,094)</u>
<b>General Revenues and other Changes</b>				
<b>in Net Assets</b>				
Governmental activities:				
Transaction privilege (sales) taxes	\$ 9,390,565	\$ 9,530,785	\$ 10,498,373	\$ 11,662,971
Urban revenue sharing	3,386,001	2,868,648	2,924,583	3,330,907
State shared sales tax	2,488,103	2,676,518	2,947,259	3,378,063
State shared vehicle license taxes	1,257,907	1,387,414	1,539,378	1,958,740
Other taxes	212,298	265,680	219,067	285,800
Earnings on investments	299,109	(121,606)	427,115	839,809
Miscellaneous	837,191	802,598	780,749	896,852
Extraordinary item: Loss from state Treasurer's Local Gov. Investment Pool	<u>(546,433)</u>			
Total governmental activities	17,324,741	17,410,037	19,336,524	22,353,142
Business-type activities				
Earnings on investments	<u>88,059</u>	<u>30,908</u>	<u>131,193</u>	<u>79,680</u>
Total government	<u>\$ 17,412,800</u>	<u>\$ 17,440,945</u>	<u>\$ 19,467,717</u>	<u>\$ 22,432,822</u>
<b>Changes in Net Assets</b>				
Governmental activities	\$ 3,589,311	\$ 3,858,314	\$ 5,700,446	\$ 6,373,720
Business-type activities	<u>495,526</u>	<u>573,929</u>	<u>468,213</u>	<u>(978,992)</u>
Total government change in net assets	<u>\$ 4,084,837</u>	<u>\$ 4,432,243</u>	<u>\$ 6,168,659</u>	<u>\$ 5,394,728</u>

**Note:** The City began to report accrual information when it implemented GASB Statement 34 in the fiscal year ended June 30, 2003.

**Schedule A-3**  
**Fund Balances (Deficits), Governmental Funds**  
**Last Four Fiscal Years**

*(modified accrual basis of accounting)*

	<b>Fiscal Year Ended June 30,</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
General Fund				
Reserved	\$ 30,738	\$ 83,129	\$ 77,545	\$ 77,912
Unreserved	<u>10,659,850</u>	<u>12,760,054</u>	<u>8,414,606</u>	<u>10,113,540</u>
Total general fund	<u>\$10,690,588</u>	<u>\$12,843,183</u>	<u>\$ 8,492,151</u>	<u>\$10,191,452</u>
All Other Governmental Funds				
Reserved	\$ 706,434	\$ 101,059	\$ 8,446	\$ 16,569
Unreserved, reported in:				
Special revenue funds	5,113,174	5,956,401	8,021,238	9,098,741
Capital projects fund		1,862,941	(358,438)	(358,438)
Debt service fund		2,057		
Total all other governmental funds	<u>\$ 5,819,608</u>	<u>\$ 7,922,458</u>	<u>\$ 7,671,246</u>	<u>\$ 8,756,872</u>

**Note:** Due to changes in the City's fund structure initiated when GASB Statement 34 was implemented, the fund balance information is available beginning in the year ended June 30, 2003

**Schedule A-4**  
**City of Apache Junction, Arizona**  
**Changes in Fund Balance, Governmental Funds**  
**Last Four Fiscal Years**  
*(modified accrual basis of accounting)*

	<b>Fiscal Year Ended June 30,</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Revenues</b>				
Taxes	\$ 9,682,863	\$ 9,796,465	\$ 10,717,440	\$ 11,948,770
Licenses and permits	1,229,266	1,073,025	1,395,161	1,440,092
Intergovernmental revenue	11,946,327	12,532,705	15,174,586	16,010,491
Charges for services	319,897	300,112	332,589	646,298
Fines and forfeitures	270,942	367,533	250,266	280,606
Interest income	299,109	134,689	427,116	839,808
Miscellaneous	1,001,679	1,200,516	780,755	896,873
	<u>24,750,083</u>	<u>25,405,045</u>	<u>29,077,913</u>	<u>32,062,938</u>
<b>Expenditures</b>				
Current:				
General government	5,989,082	5,127,353	5,958,518	5,728,668
Public safety	5,558,174	6,061,257	7,556,624	7,700,123
Public works	8,939,676	5,274,208	5,133,734	6,550,498
Development services	1,057,614	1,146,587	1,186,826	1,460,647
Culture and recreation	3,179,952	3,920,163	4,231,290	5,455,682
Capital Outlay		5,044,460	6,317,182	
Debt service:				
Principal	985,575	1,029,127	2,685,000	1,990,000
Interest	305,624	290,150	610,983	392,393
Total expenditures	<u>26,015,697</u>	<u>27,893,305</u>	<u>33,680,157</u>	<u>29,278,011</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,798,911	628,140	5,868,317	1,237,210
Transfers out	(2,798,911)	(628,140)	(5,868,317)	(1,237,210)
Bond proceeds		7,000,000		
Investment loss		(256,295)		
Total Other Financing Sources (Uses)		<u>6,743,705</u>		
<b>Extraordinary Item</b>				
Loss form State Treasurer's Local Government Investment Pool		(546,433)		
<b>Net Change in Fund Balances</b>	<u>\$ (1,812,047)</u>	<u>\$ 4,255,445</u>	<u>\$ (4,602,244)</u>	<u>\$ 2,784,927</u>
<b>Debt Service as a Percentage of     Noncapital Expenditures</b>	6.76%	6.84%	15.55%	8.86%

**Schedule B-1**  
**City of Apache Junction, Arizona**  
**Estimated Taxable Sales** <sup>(1)</sup>

**Last Ten Fiscal Years**

(amounts expressed in thousands)

	<b>Year Ended June 30,</b>				
	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Construction	\$ 24,465	\$ 46,920	\$ 53,595	\$ 78,471	\$ 46,637
Manufacturing	6,398	7,789	10,007	10,939	11,363
Transportation Communications <sup>(2)</sup> and Utilities	23,562	26,049	28,084	32,295	43,807
Wholesale Trade	3,163	4,401	6,458	8,008	9,597
Retail Trade <sup>(3)</sup>	106,716	109,405	125,381	135,121	134,133
Restaurants and Bars	18,059	19,561	20,364	18,972	19,715
Fire, Insurance and Real Estate	15,150	17,561	28,752	22,963	19,986
Hotels and Other Lodging	13,447	12,793	13,648	13,340	14,149
Services	10,308	9,817	11,544	11,185	14,560
All Others not Specified Above	1,036	1,572	534	879	1,228
<b>Totals</b>	<b>\$ 222,304</b>	<b>\$ 255,868</b>	<b>\$ 298,367</b>	<b>\$ 332,173</b>	<b>\$ 315,175</b>
Direct Tax Rate <sup>(3)</sup>	2.0%	2.0%	2.0%	2.0%	2.2%

<sup>(1)</sup> Source: Estimated based upon tax collections

<sup>(2)</sup> The tax on Communications and Utilities, which comprise substantially all of this line item are taxed at 1% higher than the general City tax rate. Since September 2000, the rate for Communications and Utilities has been 3.2%

<sup>(3)</sup> The tax on the portion of a Retail purchase in excess of \$5,000 is taxed at 1% less than the general City tax rate. Since September 2000, the rate for the portion of a single sale in excess of \$5,000 has been 1.2%. The 1% difference on large purchases was not considered when estimating taxable sales.

<sup>(4)</sup> The City's general transaction privilege (sales) tax rate increased from 2.0% to 2.2% in September 2000 excess of \$5,000 has been 1.2%. The 1% difference on large purchases was not considered when estimating taxable sales.

Note: information prescribed in GASB Statement 44, paragraph 19 concerning taxpayer information is not provided because of statutory confidentiality restrictions.

**Year Ended June 30,**

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
\$ 65,879	\$ 50,030	\$ 36,059	\$ 31,069	\$ 48,742
10,322	11,324	11,777	12,448	14,039
37,194	37,932	34,857	45,232	49,120
8,378	8,016	5,632	4,041	4,062
148,583	221,547	233,545	264,654	288,947
19,502	21,723	22,902	28,136	32,439
26,855	29,080	33,587	42,226	39,317
12,706	12,426	12,946	14,197	14,681
16,088	17,514	17,351	9,321	8,755
149	8	8,718	5,314	7,957
<u>\$ 345,656</u>	<u>\$ 409,600</u>	<u>\$ 417,374</u>	<u>\$ 456,638</u>	<u>\$ 508,059</u>
2.2%	2.2%	2.2%	2.2%	2.2%



**Schedule B-2**  
**City of Apache Junction, Arizona**  
**Direct and Overlapping Transaction Privilege (Sales) Tax Rates**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u> <u>Ended June 30,</u>	<u>City Direct Rates</u>			<u>Pinal</u> <u>County</u>	<u>State of</u> <u>Arizona</u>
	<u>General</u> <u>Sales</u>	<u>Portion of Retail</u> <u>Sale over \$5,000</u>	<u>Utilities and</u> <u>Communications</u>		
1997	2.00 %	1.00 %	3.00 %	1.00 %	5.00 %
1998	2.00	1.00	3.00	1.00	5.00
1999	2.00	1.00	3.00	1.00	5.00
2000	2.00	1.00	3.00	1.00	5.00
2001 <sup>(1) (2)</sup>	2.20	1.20	3.20	1.00	5.60
2002	2.20	1.20	3.20	1.00	5.60
2003	2.20	1.20	3.20	1.00	5.60
2004	2.20	1.20	3.20	1.00	5.60
2005	2.20	1.20	3.20	1.00	5.60
2006	2.20	1.20	3.20	1.00	5.60

<sup>(1)</sup> In September 2000, the City's Direct rate increased by .2%

<sup>(2)</sup> In June 2001, the state tax rate increased .6% following the passage of Proposition 301 in November 2000.

Note: The most notable difference in the direct and overlapping levies is that food for home consumption is taxed by the City whereas food for home consumption is exempt for the state and county.

**Schedule C-1  
City of Apache Junction, Arizona  
Outstanding Debt by Type  
Last Four Fiscal Years**

<u>Year Ended June 30,</u>	<u>Governmental Activities (from Schedule C-2)</u>	<u>Business-type Activities (from Schedule C-3)</u>	<u>Total</u>
1997	\$ 4,224,977	\$ 4,335,000	\$ 8,559,977
1998	10,072,938	4,335,000	14,407,938
1999	10,033,770	4,135,000	14,168,770
2000	9,813,389	3,925,000	13,738,389
2001	8,768,227	3,705,000	12,473,227
2002	7,698,527	5,410,312	13,108,839
2003	6,673,221	5,398,223	12,071,444
2004	12,349,094	8,026,410	20,375,504
2005	9,681,012	7,663,410	17,344,422
2006	8,650,000	7,373,162	16,023,162

Note: Governmental Activities and Business-type activities are shown on Schedules C-2 and Schedules C-3 respectively. The Water District which makes up the business-type activities serves only about a third of the City's population. For that reason there are different ratios applicable to each debt total.

**Schedule C-2**  
**City of Apache Junction, Arizona**  
**Ratios of Outstanding Debt by Type - Governmental Activities**  
**Last Four Fiscal Years**

Year Ended June 30,	Governmental Activities					Percentage of Personal Income	Per Capita
	Municipal Property Corporation Bonds	GADA <sup>(1)</sup> Revenue Bonds	Subtotal Bonds	Capital Leases	Total		
1997	\$ 4,080,000		\$ 4,080,000	\$ 144,977	\$ 4,224,977	1.22 %	\$ 191.70
1998	9,965,000		9,965,000	107,938	10,072,938	2.46	409.54
1999	9,965,000		9,965,000	68,770	10,033,770	2.04	354.60
2000	9,175,000		9,175,000	638,389	9,813,389	1.69	308.46
2001	8,350,000		8,350,000	418,227	8,768,227	1.35	267.32
2002	7,490,000		7,490,000	208,527	7,698,527	1.14	229.33
2003	6,590,000		6,590,000	83,221	6,673,221	0.94	193.99
2004	5,650,000	\$ 6,665,000	12,315,000	34,094	12,349,094	1.63	351.66
2005	4,670,000	5,005,000	9,675,000	6,012	9,681,012	1.24	284.15
2006	3,645,000	5,005,000	8,650,000		8,650,000	1.05	254.00

Note: Total governmental activities debt is combined with business-type activities debt on Schedule C-1

<sup>(1)</sup> GADA - Greater Arizona Development Authority.

**Schedule C-3**  
**City of Apache Junction, Arizona**  
**Ratios of Outstanding Debt by Type - Business-type Activities**  
**Last Ten Fiscal Years**

Year Ended June 30,	Business-type Activities				Per Meter <sup>(3)</sup>
	1997 Series A Revenue Bonds <sup>(1)</sup>	2004 Series A Revenue Bonds	WIFA <sup>(2)</sup> Loans	Total	
1997	\$ 4,335,000			\$ 4,335,000	\$ 1,846.25
1998	4,335,000			4,335,000	1,775.18
1999	4,135,000			4,135,000	1,499.82
2000	3,925,000			3,925,000	1,363.79
2001	3,705,000			3,705,000	1,229.26
2002	3,475,000		\$ 1,935,312	5,410,312	1,544.92
2003	3,235,000		2,163,223	5,398,223	1,509.15
2004	1,150,000	\$ 4,670,000	2,206,410	8,026,410	2,255.88
2005	885,000	4,670,000	2,108,410	7,663,410	2,083.01
2006	605,000	4,635,000	2,133,162	7,373,162	1,949.54

Note: Total business-type activities debt is combined with governmental activities debt on Schedule C-1

<sup>(1)</sup> The 1997 Series A bonds with maturing after July 1, 2007 were defeased in an advance refunding concurrent with the issuance of the 2004 Series A Bonds on June 9, 2004.

<sup>(2)</sup> WIFA - Water Infrastructure Finance Authority of Arizona. WIFA loan #920018-02 was merged into WIFA Loan #920111-06 on May 3, 2006.

<sup>(3)</sup> Per capita information is not available because the District service area does not coincide with those of the City and, therefore, the population and income is not available. The meter count is taken from June of each year. Standpipe meters are not included in the count.

**Schedule C-4**  
**City of Apache Junction, Arizona**  
**Ratios of Outstanding Bonded Debt by Type - Governmental Activities**  
**Last Four Fiscal Years**

<b>Year Ended June 30,</b>	<b>Municipal Property Corporation Bonds</b>	<b>GADA <sup>(1)</sup> Revenue Bonds</b>	<b>Total</b>	<b>Actual Property Value <sup>(2)</sup></b>	<b>Percentage of Actual Property Value</b>	<b>Per Capita</b>
1997	\$ 4,080,000		\$ 4,080,000	\$ 481,727,114	0.85 %	\$ 185.12
1998	9,965,000		9,965,000	538,375,869	1.85	405.15
1999	9,965,000		9,965,000	564,953,734	1.76	352.17
2000	9,175,000		9,175,000	663,983,115	1.38	288.40
2001	8,350,000		8,350,000	779,559,331	1.07	254.57
2002	7,490,000		7,490,000	820,100,306	0.91	223.12
2003	6,590,000		6,590,000	996,553,517	0.66	191.57
2004	5,650,000	\$ 6,665,000	12,315,000	1,127,580,836	1.09	350.68
2005	4,670,000	5,005,000	9,675,000	1,171,850,877	0.83	283.97
2006	3,645,000	5,005,000	8,650,000	1,258,329,253	0.69	254.00

<sup>(1)</sup> GADA - Greater Arizona Development Authority.

<sup>(2)</sup> Source: Compiled From Arizona Department of Revenue Property Tax *Abstract of the Assessment Roll* (pre fiscal year 1999 copies courtesy of the Arizona Tax Research Association)

**Schedule C-5**  
**City of Apache Junction, Arizona**  
**Computation of Direct and Overlapping Debt**  
**June 30, 2006**

<u>Governmental Unit</u>	<u>Net Secondary Assessed Value<sup>(1)</sup></u>	<u>Debt Outstanding<sup>(2)</sup></u>	<u>Approximate Percentage Applicable to the City of Apache Junction</u>	<u>Proportionate Share of Debt Applicable to City of Apache Junction</u>
<b><u>Pinal County Agencies</u></b>				
<b><u>General Obligation (G.O.) Bonds</u></b>				
Apache Junction Unified School District #43	\$ 346,860,013	\$ 58,555,000	40.4710 %	\$ 23,697,813
Overlapping GO Bonded Debt-Pinal		58,555,000		23,697,813
<b><u>Debt other than G.O. Bonds</u></b>				
Pinal County Capital Leases	1,277,269,108	4,994,467	10.9905	548,915
Apache Junction Unified School District #43 capital lease	346,860,013	219,407	40.4710	88,796
Total Pinal County overlapping debt		63,768,874		24,335,524
<b>City Direct Debt (Pinal portion)<sup>(3)</sup></b>	140,377,830	8,650,000	0.9914	8,575,300
<b>Direct and overlapping debt- Pinal County portion of City</b>		<b>\$ 72,418,874</b>		<b>\$ 32,910,824</b>
<b><u>Maricopa County Agencies</u></b>				
<b><u>General Obligation Bonds</u></b>				
Maricopa County Community College District (MCCCD)	\$ 33,188,609,340	\$ 399,805,000	0.0037 %	\$ 14,731
Mesa Unified School District #4	2,909,802,852	190,450,000	0.0420	80,036
Total Maricopa County overlapping debt		590,255,000		94,767
<b><u>Debt other than G.O. Bonds</u></b>				
Maricopa County certificates of participation and capital leases	33,188,609,340	68,590,000	0.0037	2,527
MCCCD	33,188,609,340	11,660,000	0.0037	430
Total Maricopa County overlapping debt		670,505,000		97,724
<b>City Direct Debt (Maricopa portion)<sup>(3)</sup></b>	1,222,839	8,650,000	0.0086	74,700
<b>Direct and overlapping debt- Maricopa County portion of City</b>		<b>\$ 679,155,000</b>		<b>\$ 172,424</b>

<sup>(1)</sup> Source: State and County Abstract the Assessment Roll published by the Arizona Department of Revenue.

<sup>(2)</sup> Sources: Maricopa County Finance, Pinal County Finance, Apache Junction Unified School District #43

<sup>(3)</sup> Note: The City of Apache Junction has area in both Pinal and Maricopa Counties. The valuation and direct debt for the City is reflected on a pro-rata basis in under each county.

**Schedule C-6**

**City of Apache Junction, Arizona  
Computation of Legal Debt Margin <sup>(1)</sup>**

**Last Ten Fiscal Years**

Under the provisions of the Arizona Constitution, the City's combined outstanding general obligation bonded debt for Utility Purpose and Open Space (Water, Sewer, Light, Open Space Preserves, Parks, playgrounds and Recreational Facilities) may not exceed 20% of the City's net secondary assessed valuation, nor may general obligation bonded debt for all other purposes exceed 6% of the City's net secondary assessed valuation.

	<u>Bonds Excluded From Limitation</u>	<u>Utility Purpose and Open Space 20%</u>	<u>All Other General Obligation Bonds 6%</u>	<u>Total Bonded Debt</u>
Legal Debt Limitation-2005 <sup>(2)</sup>				
Assessed Valuation:				
\$ 132,694,699		\$ 26,538,940	\$ 7,961,682	
<b>Outstanding Bonded Debt</b>				
<b>By Purpose:</b>				
<u>Governmental Activities</u>				
Greater Arizona Development Authority Bonds	\$ 5,005,000			\$ 5,005,000
Municipal Property Corp. Series 1998 Revenue Bonds	3,645,000	-	-	3,645,000
<u>Business-Type Activities</u>				
Water Revenue Bonds				
Series 1997 Revenue Bonds	605,000			605,000
Series 2004 Revenue Bonds	4,635,000			4,635,000
WIFA Note Payable	2,133,162			2,133,162
Total Bonded Debt	\$ 16,023,162	-	-	\$ 16,023,162
Legal Debt Margin		\$ 26,538,940	\$ 7,961,682	

Fiscal Year ended	Debt limits		Total Debt Applicable to limits		Legal Debt Margins (in thousands)		Total net debt applicable to the limit as a percentage of the limit as a Debt Limits	
	20%	6%	20%	6%	20%	6%	20%	6%
	June 30,							
1997	\$ 10,829,241	\$ 3,248,772	\$ -	\$ -	\$ 10,829	\$ 3,249	0.00%	0.00%
1998	11,977,233	3,593,170	-	-	11,977	3,593	0.00%	0.00%
1999	12,918,271	3,875,481	-	-	12,918	3,875	0.00%	0.00%
2000	14,883,347	4,465,004	-	-	14,883	4,465	0.00%	0.00%
2001	17,298,188	5,189,456	-	-	17,298	5,189	0.00%	0.00%
2002	18,198,682	5,459,605	-	-	18,199	5,460	0.00%	0.00%
2003	21,929,882	6,578,965	-	-	21,930	6,579	0.00%	0.00%
2004	25,758,219	7,727,466	-	-	25,758	7,727	0.00%	0.00%
2005	26,538,940	7,961,682	-	-	26,539	7,962	0.00%	0.00%
2006	28,320,134	8,496,040	-	-	28,320	8,496	0.00%	0.00%

<sup>(1)</sup> The Source of this information is City Records

<sup>(2)</sup> The 2005 assessed valuation is used because any property taxes would be levied on the previous calendar year's valuation.

**Schedule C-7**

**City of Apache Junction, Arizona  
Pledged Revenue Coverage <sup>(1)</sup>**

**Apache Junction Municipal Property Corporation Bonds 1998 Series A  
Last Ten Fiscal Years**

Year Ended June 30,	Pledged Revenues <sup>(2)</sup>	Debt Service Requirements			Net Bonded Coverage Ratio	Required Coverage
		Principal	Interest	Total		
1997	\$ 8,184,051	\$ 175,000	\$ 241,375	\$ 416,375	19.7	2.0
1998 <sup>(3)</sup>	10,090,824	-	1,286,111	1,286,111	7.8	4.0
1999	11,195,330	790,000	440,455	1,230,455	9.1	4.0
2000	12,110,562	825,000	407,276	1,232,276	9.8	4.0
2001	12,499,240	860,000	372,625	1,232,625	10.1	4.0
2002	14,961,165	900,000	336,505	1,236,505	12.1	4.0
2003	16,422,165	940,000	300,505	1,240,505	13.2	4.0
2004	17,266,646	980,000	261,025	1,241,025	13.9	4.0
2005	18,817,405	1,025,000	219,375	1,244,375	15.1	4.0
2006	21,857,593	1,075,000	175,300	1,250,300	17.5	4.0

<sup>(1)</sup> The Source of this information is City Records

<sup>(2)</sup> Through Fiscal Year 1997, pledged revenues include Transaction Privilege (Sales) Taxes, all excise taxes, State shared income tax and sales tax, and all excise and franchise taxes imposed by the City.

Starting in the year ended June 30, 1998, pledged revenues consisted of Sales and Transaction Privilege taxes; unrestricted shared revenues, (State shared income and sales taxes plus vehicle license taxes); licenses and other fees; and fines and forfeitures.

<sup>(3)</sup> Included in Interest Total Debt Service, and Total Expenditures, is \$1,022,302 representing expenditures classified as Advance Refunding Escrow. These represent payments related to the advance refunding of 1992 Municipal Property Corporation Bonds.

Note: There have been two MPC Bond issues, one issued on September 1, 1992 (FY 1992-93) and on February 1, 1998 (FY 1997-98). Part of the proceeds of the 1998 issue were used to legally defease the 1992 bond debt in an advance refunding. Pledged revenue sources and coverage requirements changed with the new issue and related refunding in the year ended June 30, 1998. These changes are explained in item (2) above.



**Schedule C-8**

**City of Apache Junction, Arizona**

**Pledged Revenue Coverage <sup>(1)</sup>**

**GADA 2004 Series A Revenue Bonds**

**Inception Through Year Ended June 30, 2006**

Year Ended June 30,	Pledged Revenues <sup>(2)</sup>	Debt Service Requirements			Debt Service on Senior Obligations <sup>(3)</sup>	Net Bonded Coverage Ratio	Required Coverage
		Principal	Interest	Total			
2005	\$ 18,817,405	\$ 870,000	\$ 393,379	\$ 1,263,379	\$ 1,244,375	7.5	2.0
2006	21,857,593	915,000	219,888	1,134,888	1,250,300	9.2	2.0

<sup>(1)</sup> The Source of this information is City Records

<sup>(2)</sup> Starting in the year ended June 30, 1998, pledged revenues consisted of Sales and Transaction Privilege taxes; unrestricted shared revenues, (State shared income and sales taxes plus vehicle license taxes); licenses and other fees; and fines and forfeitures.

<sup>(3)</sup> The pledge of revenues on the 2004 GADA Series A Revenue bonds is subordinate to the pledge on the 1998 Municipal Property Corporation (MPC) bonds shown in Schedule C-7. Compliance with the coverage requirement is based upon the combined debt service on both issues.

**Schedule C-9**

**City of Apache Junction, Arizona  
Pledged Revenue Coverage<sup>(1)</sup>**

**Water Utilities Community Facilities District Combined Bonded Debt  
Last Ten Fiscal Years**

Year Ended June 30,	Gross Revenues <sup>(2)</sup>	Operation and Maintenance Expenses <sup>(3)</sup>	Net Revenues Available for Debt Service	Debt Service Requirements <sup>(4)</sup>			Coverage Ratio	Required Coverage <sup>(5)</sup>
				Principal	Interest	Total		
1997	\$ 1,628,143	\$ 891,053	\$ 737,090	\$ -	\$ 97,103	\$ 97,103	7.59	1.15
1998	1,749,945	760,586	989,359	200,000	366,810	566,810	1.75	1.15
1999	1,937,123	1,058,709	878,414	210,000	358,310	568,310	1.55	1.15
2000	2,329,305	1,285,632	1,043,673	220,000	348,440	568,440	1.84	1.15
2001	2,672,890	1,438,340	1,234,550	230,000	337,880	567,880	2.17	1.15
2002	3,031,891	1,298,601	1,733,290	240,000	326,610	566,610	3.06	1.25
2003	2,988,436	1,694,824	1,293,612	377,234	390,365	767,599	1.69	1.25
2004 <sup>(6)</sup>	2,834,740	1,594,946	1,239,794	359,516	268,422	627,938	1.97	1.25
2005	2,963,916	1,721,484	1,242,432	412,758	312,612	725,370	1.71	1.25
2006	3,028,824	3,123,808	(94,984)	474,845	275,525	750,370	(0.13)	1.20

<sup>(1)</sup> Source: Water Utilities Community Facilities District (W.U.C.F.D.) records.

<sup>(2)</sup> Includes Interest Revenues as per definition of Gross Revenues in Bond Trust Indenture

<sup>(3)</sup> Total Operating Expenses net of Depreciation and Amortization

<sup>(4)</sup> Includes Debt Service Payments due on July 1 of subsequent fiscal year since related debt service will be due paid from funds on hand as of June 30.

<sup>(5)</sup> There had been different coverage requirements. The 1997 Series A. Revenue Bonds had a coverage requirement of 1.15 while the WIFA had a coverage requirement of 1.25. The more stringent requirement of 1.25 had been listed. With the WIFA Changes involving the WIFA loan, a new coverage ration was set during the year ended June 30, 2006

<sup>(6)</sup> Amounts associated with advance refunding of 1997 Series A bond issued not included

**Schedule D-1**  
**City of Apache Junction, Arizona**  
**Demographic Statistics**  
**Last Ten Fiscal Years**

Year Ended June 30,	Population		Personal Income <sup>(3)</sup> <i>(thousands of dollars)</i>	Per Capita <sup>(3)</sup> Personal Income	Unemployment Rates <sup>(4)</sup>
	Year-Round <sup>(1)</sup>	Seasonal <sup>(2)</sup>			
1997	22,040 <sup>(a)</sup>	32,045	\$ 346,138	\$ 15,705	4.1 %
1998	24,596 <sup>(b)</sup>	33,117	408,736	16,618	3.0
1999	28,296 <sup>(b)</sup>	33,200	492,945	17,421	3.1
2000	31,814 <sup>(c)</sup>	37,377	579,937	18,229	4.2
2001	32,800 <sup>(a)</sup>	37,750	647,636	19,745	3.1
2002	33,570 <sup>(a)</sup>	38,128	672,944	20,046	4.5
2003	34,400 <sup>(a)</sup>	38,510	709,328	20,620	5.0
2004	35,117 <sup>(b)</sup>	38,895	755,683	21,519	4.5
2005	34,070 <sup>(a)</sup>	39,284	783,576	22,999	3.7
2006	34,055 <sup>(a)</sup>	39,000 <sup>(d)</sup>	821,475	24,122	3.7

(1) Sources:

- (a) Arizona Department of Economic Security (DES) Population Statistics Unit
- (b) City of Apache Junction Economic Development Division (Economic Development)
- (c) United States Census Bureau

(2) Source: City of Apache Junction, Economic Development Office except as noted

- (d) Winter Visitors' Association

(3) Finance Department estimate using Bureau of Economic Analysis and University of Arizona Eller Business and Research Data

(4) Annual average compiled from Department of Economic Security data

**Schedule D-2**  
**City of Apache Junction, Arizona**  
**Principal Employers**  
**Current Year and Nine Years Ago**

<b><u>Employer</u></b>	<b><u>Year ended June 30, 2006</u></b>		<b><u>Year ended June 30, 1997</u></b>	
	<b><u>Full-Time</u></b>	<b><u>Percentage</u></b>	<b><u>Full-Time</u></b>	<b><u>Percentage</u></b>
	<b><u>Equivalent</u></b>	<b><u>of Total City</u></b>	<b><u>Equivalent</u></b>	<b><u>of Total City</u></b>
	<b><u>Employees</u></b>	<b><u>Employment</u></b>	<b><u>Employees</u></b>	<b><u>Employment</u></b>
Apache Junction Unified School District #43	800	4.72%	576	6.83%
Wal-Mart Store # 1831	420	2.48%		
City of Apache Junction	283	1.67%	204	2.42%
Superstition Mountain Mental Health Center	180	1.06%	121	1.44%
Apache Junction Medical Center	110	0.65%	110	1.31%
United States Postal Service	110	0.65%	105	1.25%
Fry's Food and Drug	105	0.62%		
Safeway Stores	85	0.50%	127	1.51%
Apache Junction Fire District	75	0.44%	67	0.80%
Central Arizona College-Superstition Mountain Campus	75	0.44%		
Casa Blanca Health Center			84	1.00%
K-Mart			79	0.94%
The Good Apple			37	0.44%
Total	<u>2,243</u>	<u>13.23%</u>	<u>1,510</u>	<u>17.94%</u>

(1) Source: City of Apache Junction, Office of Economic Development

**Schedule E-1**  
**City of Apache Junction, Arizona**  
**Full-time Equivalent City Government Employees by Function;**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Fiscal Year Ended June 30,</b>									
	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>General Government</b>										
Mayor and City Council	7.000	7.00	7.00	7.000	7.000	7.000	7.00	7.000	7.000	7.000
City Manager	2.500	3.50	2.50	2.50	2.50	2.500	2.50	2.500	2.500	2.500
Management Services	2.000	2.17	9.50	10.500	11.000	11.500	11.50	10.975	12.975	14.475
Marketing/Communications				2.500	3.500	4.000	5.00	5.000	3.000	2.000
City Clerk	5.500	6.00	6.00	6.000	6.500	7.000	7.00	7.000	7.000	7.000
Finance	4.250	5.25	4.25	4.250	6.000	6.000	6.00	6.000	6.475	6.500
City Attorney	2.500	4.00	4.00	5.000	5.000	5.000	5.50	6.500	6.500	6.500
<b>Public Safety</b>										
Police Department	65.500	71.75	75.00	77.000	79.500	78.500	83.00	80.600	85.600	93.600
Magistrate Court	7.000	8.00	8.00	7.000	6.500	6.500	6.50	6.475	8.900	8.900
<b>Public Works</b>	39.000	39.00	41.00	43.000	45.000	50.000	52.00	52.000	52.000	49.000
<b>Culture and Recreation</b>										
Parks and Recreation	15.500	16.50	18.00	18.750	26.000	27.000	30.00	33.200	47.600	50.000
Library	10.750	12.25	13.75	14.250	15.000	15.250	15.25	16.550	17.175	18.175
<b>Development Services</b>	17.000	17.67	22.00	21.000	21.000	21.000	22.00	21.600	21.500	21.500
<b>Total</b>	<u>178.500</u>	<u>193.09</u>	<u>211.00</u>	<u>218.750</u>	<u>234.500</u>	<u>241.250</u>	<u>253.25</u>	<u>255.400</u>	<u>278.225</u>	<u>287.150</u>

**Schedule E-2**  
**City of Apache Junction, Arizona**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Fiscal Year Ended June 30,</b>									
	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>General Government</b>										
Business Licenses	N/A	N/A	N/A	571	732	1,106	985	890	835	976
<b>Public Safety</b>										
Calls for service	N/A	13,827	N/A	14,217	26,607	27,012	28,318	31,188	30,224	36,382
Traffic accidents	N/A	416	N/A	508	317	409	480	480	571	568
Traffic citations	N/A	4,475	N/A	3,949	3,846	2,864	3,170	5,866	1,930	2,186
Arrests - Felony	N/A	N/A	N/A	N/A	630	443	591	515	715	780
Misdemeanor	N/A	N/A	N/A	N/A	1,651	1,294	1,722	1,839	1,930	2,039
<b>Culture and Recreation</b>										
Library										
Patron use	N/A	N/A	N/A	N/A	N/A	214,833	245,020	269,435	270,820	284,902
Circulation of materials	N/A	N/A	N/A	N/A	N/A	368,768	465,807	503,599	652,919	712,647
Computer lab use	N/A	N/A	N/A	N/A	N/A	31,693	36,980	40,158	52,965	68,166
<b>Development Services</b>										
Building Permits										
Residential	941	1,261	1,631	969	890	1,403	731	600	754	891
Commercial	55	51	104	98	111	156	35	60	80	53
Other	1,225	903	578	204	27	232	12	229	330	307

**Schedule E-3**  
**City of Apache Junction, Arizona**  
**Capital Asset Statistics by Function/Program**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
<b>Public Works</b>										
Miles of paved streets	N/A	135	N/A	143	143	145	145	147	147	147
Paved streets in lane miles	N/A	N/A	N/A	N/A	N/A	316	316	320	320	320
Unpaved roads in miles	33	33	33	33	33	31	31	22	22	22
Unpaved roads in lane mile	N/A	N/A	N/A	N/A	N/A	62	62	44	44	44
Signaled Intersections	N/A	14	N/A	19	19	19	19	22	23	23
City operated traffic signals	N/A	5	N/A	7	7	7	7	10	11	11
<b>Culture and Recreation</b>										
Parks and recreation										
Multi-generational center										1
Park areas	N/A	12	12	12	12	12	12	12	12	12
Park acreage		1,927.5	1,927.5	1,927.5	1,927.5	1,927.5	1,950.5	1,950.5	1,945.5	1,945.5
Pool facilities		1	1	1	1	1	1	1	1	1
Skate park							1	1	1	1
Rodeo grounds		1	1	1	1	1	1	1	1	1
Miles of trails	N/A	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4	9.4