

City of Apache Junction, Arizona

"Home of the Superstition Mountains"

Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2013



City Council

John S. Insalaco, Mayor

Mary E. (Robin) Barker, Vice-Mayor

Gail A. Evans, Councilmember

Crista Rizzi, Councilmember

Jeffrey M. Serdy, Councilmember

Dave F. Waldron, Councilmember

Walter L. (Chip) Wilson, Councilmember

George R. Hoffman

City Manager



City of Apache Junction, Arizona



Comprehensive Annual Financial Report

For the Year Ended June 30, 2013

Prepared by the Finance Department

Donna M. Meinerts, Finance Director

**Cover Photo: Median Improvements on Old West Highway
Photo by Matt McNulty**

CITY OF APACHE JUNCTION, ARIZONA
Comprehensive Annual Financial Report
Year Ended June 30, 2013

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INTRODUCTORY SECTION

City of Apache Junction, Arizona

LIST OF CITY OFFICIALS

June 30, 2013

Elected Officials

John S. Insalaco, Mayor

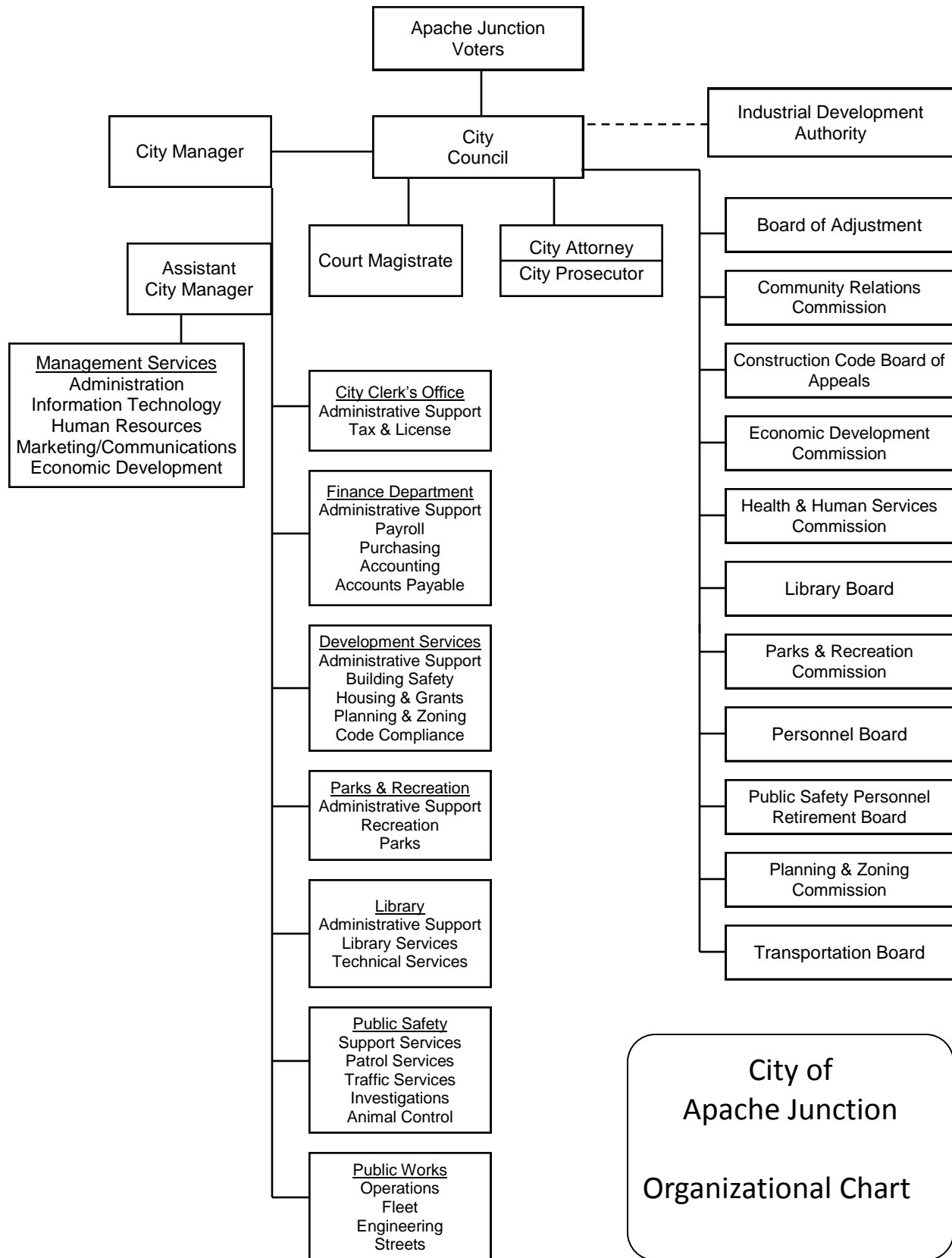
Mary E. (Robin) Barker	Vice-Mayor
Gail A. Evans	Councilmember
Christa Rizzi	Councilmember
Jeffrey M. Serdy	Councilmember
David F. Waldron	Councilmember
Walter L. (Chip) Wilson	Councilmember

Staff

George R. Hoffman	City Manager
Richard Joel Stern	City Attorney
James W. Hazel	City Magistrate

Department Directors

Bryant F. Powell	Assistant City Manager
Jeff Bell	Parks and Recreation
Kathleen Connelly	City Clerk
Thomas E. Kelly	Public Safety
Spencer R. Paden	Library
Giao N. Pham, P.E.	Public Works
Donna M. Meinerts	Finance
Brad G. Steinke	Development Services



City of
Apache Junction
Organizational Chart



Government Finance Officers Association

**Certificate of
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for Excellence
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Presented to

**City of Apache Junction
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



City of Apache Junction

Home of the Superstition Mountains

December 30, 2013

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

Honorable Mayor and Council Members:

I am pleased to submit to you the fifteenth Comprehensive Annual Financial Report (CAFR) of the City of Apache Junction, Arizona, for the year ended June 30, 2013.

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 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, 2013. 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.

BACKGROUND INFORMATION ON THE GOVERNMENT

As the governing body of the City, you are familiar with Apache Junction; however, because this report may be read by users who are unfamiliar with the City, 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*. The City has undergone change due to population growth resulting in challenges to provide services for this growing, diverse population while trying to preserve its western lifestyle, open space, and heritage.

The City of Apache Junction 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 amenities, and cultural activities.

Also included in the reporting entity are the City of Apache Junction Municipal Property Corporation (AJMPC) and the Apache Junction Water Utilities Community Facilities District (WUCFD), which does business as the Apache Junction Water District. Both of these legally separate entities are blended component units whose financial activity is included with that of the City 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 of Apache Junction has become a part of the Phoenix metro economy. Historically, Apache Junction 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, Apache Junction is not as reliant on tourism as it once was. Throughout the late nineties, the City experienced a residential construction boom. Even before the recent economic downturn, Apache Junction was close to build-out and growth became limited to sporadic infill development. As a result, the related tax revenues leveled off. The City has been affected by the Great Recession and has not escaped what larger cities have experienced. Although the statewide and local economies are recovering, growth is expected to be slow through mid-decade.

Detailed information on which to gauge the local economy at the municipal level is limited compared to the national, state, and regional levels. Sales tax collections and unemployment statistics, in addition to data related to construction and building, indicate that the City's overall economy appears to be on the rebound. Information compiled from DES data sources showed June 2013 unemployment at 9.6%, down from the revised figure of 10.6% in June 2012. Additional information on unemployment is reported in Table D-1 of the Statistical Section on page 87.

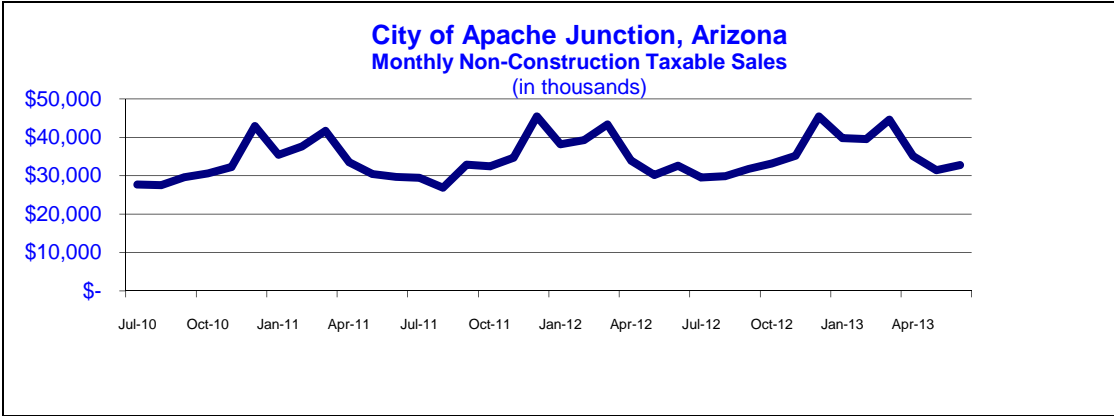
Changes in transaction privilege (sales) taxes are another tool that can be used to assess the condition of the local economy. The following table illustrates the changes over the past three years and shows the seasonal nature of the economy, with the peaks during the winter months. Construction activity is of a one-time nature and, therefore, not considered to be a permanent part of the economic base.

City of Apache Junction, Arizona							
Non-Construction Taxable Sales by Month							
	2010-11	2011-12		2012-13			
	Taxable Sales (in thousands)	Taxable Sales (in thousands)	Monthly Change	Change from 1 year ago	Taxable Sales (in thousands)	Monthly Change	Change from 1 year ago
July	\$ 27,722	\$ 29,447	\$ (225)	\$ 1,725	\$ 29,520	\$ (3,102)	\$ 73
August	27,536	26,828	(2,619)	(708)	29,888	368	3,060
September	29,640	32,884	6,056	3,244	31,737	1,849	(1,147)
October	30,634	32,443	(441)	1,809	33,230	1,493	787
November	32,240	34,672	2,229	2,432	35,162	1,932	490
December	42,919	45,468	10,796	2,549	45,399	10,237	(69)
January	35,421	38,195	(7,273)	2,774	39,753	(5,646)	1,558
February	37,573	39,278	1,083	1,705	39,529	(224)	251
March	41,666	43,328	4,050	1,662	44,578	5,049	1,250
April	33,553	33,947	(9,381)	394	35,137	(9,441)	1,190
May	30,426	30,217	(3,730)	(209)	31,455	(3,682)	1,238
June	29,672	32,622	2,405	2,950	32,769	1,314	147
Annual Total	\$ 399,002	\$ 419,329		\$ 20,327	\$ 428,157		\$ 8,828

An encouraging sign is that the non-construction taxable sales in fiscal year 2013 exceeded fiscal year 2012 by 2.1%. Additional information on sales tax is presented in the Management's Discussion and Analysis and in Schedules B-1 and B-2 of the Statistical Section on pages 76 and 77.

Many of the City's main revenue streams are dependent upon the economy. Tourism and retail sales bring taxes into the City on an ongoing basis. 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, which are considered to be one time in nature. Strong employment and consumer spending help the City's revenue base.

The following graph illustrates non-construction taxable sales for fiscal years 2010 through 2013. Most evident is the peak activity during the winter months due, in part, to our winter visitors.



The statewide economy has another effect on Arizona's Cities and Towns, including Apache Junction. A significant amount of Arizona State sales taxes and income tax is shared with, and distributed to, cities and towns. The 4.75% increase in the State Shared Sales Tax, 21.03%

increase in State Shared Income Tax (Urban Revenue Sharing), and 2.99% increase in Vehicle License Tax all reflect the statewide recovery. These are discussed in more detail in the Management's Discussion and Analysis on pages 7 through 9.

LONG-TERM FINANCIAL PLANNING

Historically, the City has been cautious and taken a long-term view of the economy, something that has positioned the City well. During periods of rapid growth (e.g. the late nineties), the City established the practice of refraining from the use of one-time revenues for ongoing expenditures. These funds were used for capital projects. The most tangible result has been the construction of new municipal facilities, including the City Hall and Multi-Generational Center, which are now debt free. The City's remaining bonded debt level is extraordinarily low. Maintaining a long-term perspective is a discipline that will continue. Additional information regarding the City's debt burden can be found in the MD&A on page 18 and in the Statistical Section on pages 78 through 86.

MAJOR INITIATIVES

The 2012-13 budget sought to strike a balance between advancing long-term priorities and the current level of service. Long-term themes considered were:

- 1) **Economic Development**: The City Council continues to recognize the importance of Economic Development. Their ongoing commitment to economic development in and for the City of Apache Junction is evidenced in the continued support of numerous resources and programs. In FY 2012/13, the City continued supporting the Greater Phoenix Economic Council (GPEC), Apache Junction Community Development Corporation, and the Apache Junction Visitor's Center.

The prolonged national economic contraction and the severity of its impact across the State of Arizona have impacted the City of Apache Junction. Adverse economic conditions have negatively impacted vital leads and prospects seeking local opportunities and their ability to access commercial credit to finance their ventures. Deferment of several economic development initiatives will likely continue into the future.

The Market Study Update that was conducted in 2012 by ESI Corporation which presents market information and opportunities about Apache Junction is available on the City website: <http://www.ajcity.net/DocumentCenter/Home/View/7994>.

- 2) **Revenue Development**: Over the years, the City has facilitated the receipts of millions of dollars of grants and sponsorships into the community. In FY 2012/13, the City researched ways to further enhance revenue development.
- 3) **Employees**: Due to the downturn in the economy, our employees have seen the purchasing power of their take home pay erode due to health insurance, retirement, and inflation. As a result, employees received a 2% pay adjustment in fiscal year 2013.
- 4) **Emergency Preparedness**: The City continued to prepare for emergencies by continuing its work on additional enhancements as recommended by the security expert.
- 5) **Maintenance, Vehicles, Information Technology**: In previous years, due to the economy, the City became very frugal, which included delaying maintenance, repair, and replacement of our vehicles, equipment, buildings, and information technology. In fiscal year 2013, the City was able to resume funding many maintenance, repair, and replacement costs.

- 6) Infrastructure: In 2013, the City allocated additional funds from savings to help supplement the cost of road maintenance. In addition, the need to expand Public Safety facilities became apparent. The City is now in the process of saving for this well needed expansion.
- 7) Education and Children: Years ago, the school system wanted tennis courts and a swimming pool. As agreed, the City built those facilities and others on school district land. However, the school district subsequently cancelled the intergovernmental agreement (IGA) with the City for cost sharing, long-term maintenance, and other cooperative efforts. Therefore, the City allocated additional funds to the Parks and Recreation department to partially offset the district's decision to cut funding.

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, 2012. This is the fourteenth year 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. Special thanks go out to John White, Finance Manager; Connie Chow, Accountant; Kathy Oetken, Payroll Coordinator; Evie McKinney, Supervising Account Clerk; and Sherri Lanter, Senior Account Clerk. These are just a few of the people who assisted in the preparation of this report and I extend my appreciation.

Respectfully submitted,



Donna M. Meinerts
Finance Director



FINANCIAL SECTION



Independent Auditors' Report

To the City Council
City of Apache Junction, Arizona

Reports on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 *Governmental 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 18, the Budgetary Comparison Schedules on pages 54 through 56 and the Schedule of Agent Retirement Plan Funding Progress on page 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, and the introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to use highway user revenue fund monies received by the City pursuant to Arizona Revised Statutes, Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the City solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

Other Reporting Required by *Government Auditing Standards*

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.

A handwritten signature in cursive script that reads "Fester & Chapman P.C.".

December 30, 2013



MANAGEMENT'S DISCUSSION AND ANALYSIS
(MD&A)



MANAGEMENT'S DISCUSSION AND ANALYSIS

This subsection of the City's Comprehensive Annual Financial Report (CAFR) presents our discussion and analysis of the City's financial performance during the fiscal year that ended on June 30, 2013. 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 net position increased by \$266,013 during the year. This reflects a \$612,254 decrease in governmental activities offset by an \$878,267 increase in business-type activities.
- Government-wide revenues increased \$1,573,108 (\$32,143,718 in 2013 compared to \$30,570,610 in 2012). Governmental revenues increased \$1,493,177 (\$27,999,147 in 2013 compared to \$26,505,970 in 2012) while business-type activities revenues increased \$79,931 (\$4,144,571 in 2013 compared to \$4,064,640 in 2012).
- Government-wide expenses decreased \$240,549 (\$31,877,705 in 2013 compared to \$32,118,254 in 2012). Governmental activities expenses decreased \$284,597 (\$28,611,401 in 2013 compared to \$28,895,998 in 2012) while business-type activities expenses increased \$44,048 (\$3,266,304 in 2013 compared to \$3,222,256 in 2012).
- From a fund perspective, the City's general fund balance increased by \$629,633 from \$7,666,322 in 2012 to \$8,295,955 in 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the Comprehensive Annual Financial Report (CAFR) consists of four parts as follows:

- 1) *Management's Discussion and Analysis (MD&A)*: This section.
- 2) *Basic Financial Statements*: Includes two types of statements that present different views of the City as follows:
 - a. Government-wide: The first two financial statements. They provide both long-term and short-term information about the City's overall *economic* status.
 - b. Fund Financial Statements: The remaining statements that report the City's operations in more detail, focusing on individual parts of the City government, with a greater emphasis on the City's *financial* status.
- 3) *Required Supplementary Information*: Further explains and supports the information in the financial statements.
- 4) *Combining Statements for Non-major Governmental Funds*

Government-wide Statements

The government-wide statements report information about the City as a whole, using accounting methods similar to those used by private-sector companies. The government-wide statements use an *economic measurement focus*, which means that all assets, including buildings and infrastructure, are reported, as are all liabilities, including long-term debt that does not mature for years.

There are two different government-wide statements, the *Statement of Net Position* and the *Statement of Activities*. The two government-wide statements report the City's *net position* and how they have changed. Net position, effectively the difference between the City's assets and liabilities, is one way of measuring the City's financial health. Over time, increases or decreases in the City's net position 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 non-financial 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 police, public works, parks, and general administration. Transaction privilege, more commonly called sales tax, 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 a result, the District's financial statements are incorporated into those of the City.

Fund Financial Statements

Funds are accounting devices that the City uses to track specific financial sources of funding and spending. Some funds, such as the Highway User Revenue Fund (HURF) which is used to account for street monies, are required by State law. Other funds are established to control and manage money to facilitate the proper use of certain taxes and grants or for particular purposes, such as the Victims' Assistance Program, which is included in the *Gifts and Grants Fund*.

Fund financial statements use a *financial measurement focus*, which emphasizes current resources and outlays for the short-term. Long-term debt and capital assets, such as buildings and infrastructure, are not included in the fund statements, although they are reported in the government-wide statements. Most of the statements and schedules in the CAFR are fund based financial statements. They provide a more detailed, short-term view that helps determine whether there are adequate resources to finance the City's programs in the near future. Because this information does not encompass the long-term focus of the government-wide statements, additional information is provided on the page following the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances, reconciling and explaining the differences between the governmental-wide and fund financial statements. Also worth noting is that interfund receivables and payables, as well as interfund transfers, are reflected in the fund financial statements; however, these offsetting amounts between funds are eliminated in the government-wide statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

Table A-1 (on the following page) summarizes the total assets, liabilities and net position for the City as of June 30, 2013 and June 30, 2012. The information is provided in greater detail in the basic financial statements, which follow this analysis. For a more thorough understanding of the financial activities, it is important to analyze the components of the statements: government-wide and business-type activities. To review only the total columns could be misleading. The following overview of the total net position illustrates why.

The total net position reflects a minimal change government-wide, an increase of 0.33%; however, it is important to note that the change in the components of the total net assets is comprised of varying amounts. Governmental activities net position decreased by \$612,254 (\$68,647,160 in 2013 compared to \$69,259,414 in 2012) while the total net position for business type activities increased \$878,267 (\$12,728,450 in 2013 compared to \$11,850,183 in 2012) resulting in a net increase of \$266,013.

Assets

Taken as a whole, total assets increased \$1,782,764 or 1.73% (\$104,783,400 in 2013 compared to \$103,000,636 in 2012). Following is a further analysis of the City's assets:

	Governmental Activities		Business-type Activities		Total		Total Percentage
	June 30,		June 30,		June 30,		Change
	2013	2012	2013	2012	2013	2012	2012-2013
Current and other assets	\$ 20,723,830	\$ 18,489,427	\$ 9,354,745	\$ 8,450,295	\$ 30,078,575	\$ 26,939,722	11.65%
Capital assets	61,815,719	63,951,305	12,889,106	12,109,609	74,704,825	76,060,914	-1.78%
Total assets	82,539,549	82,440,732	22,243,851	20,559,904	104,783,400	103,000,636	1.73%
Long-term debt outstanding	10,946,990	11,331,349	8,395,613	7,540,423	19,342,603	18,871,772	2.49%
Other liabilities	2,945,399	1,849,969	1,119,788	1,169,298	4,065,187	3,019,267	34.64%
Total liabilities	13,892,389	13,181,318	9,515,401	8,709,721	23,407,790	21,891,039	6.93%
Net position							
Invested in capital assets, net of related debt	52,154,679	54,102,601	4,493,493	4,569,186	56,648,172	58,671,787	-3.45%
Restricted	9,426,243	9,089,107	44,956	23,179	9,471,199	9,112,286	3.94%
Unrestricted	7,066,238	6,067,706	8,190,001	7,257,818	15,256,239	13,325,524	14.49%
Total net position	\$ 68,647,160	\$ 69,259,414	\$ 12,728,450	\$ 11,850,183	\$ 81,375,610	\$ 81,109,597	0.33%

- ***Current and other assets:*** Reflects an overall increase of \$3,138,853 or 11.65% (\$30,078,575 in 2013 compared to \$26,939,722 in 2012). This amount is the result of an increase of \$2,234,403 (\$20,723,830 in 2013 compared to \$18,489,427 in 2012) in governmental activities in addition to an increase of \$904,450 in business-type activities (\$9,354,745 in 2013 compared to \$8,450,295 in 2012). A substantial portion of the increase involved an increase in cash and investments.
- ***Capital assets:*** In accordance with Government Accounting Standards Statement No. 34 (GASB 34), the City reports infrastructure added since 1980 in the government-wide statements. Experienced an overall decrease of \$1,356,089 or 1.78% (\$74,704,825 in 2013 compared to \$76,060,914 in 2012). Governmental activities experienced a decrease of \$2,135,586 or 3.3% (\$61,815,719 in 2013 compared to \$63,951,305 in 2012). The increase in business activities of \$779,497 or 6.43% (\$12,889,106 in 2013 compared to \$12,109,609 in 2012) is primarily due to the construction of a storage tank. Additional information on capital assets is presented on pages 40 and 41 in the notes to the financial statements as well in the capital assets and debt administration section of the MD&A (this section, pages 17 and 18).

Liabilities

Total liabilities increased \$1,516,751 or 6.93% (\$23,407,790 in 2013 compared to \$21,891,039 in 2012) as follows:

- ***Long-term debt outstanding:*** Overall increase of \$470,831 or 2.49% (\$19,342,603 in 2013 compared to \$18,871,772 in 2012). Governmental activities experienced a decrease of \$384,359 or 3.39% (\$10,946,990 in 2013 compared to \$11,331,349 in 2012) resulting from payments made to reduce existing debt and not acquiring any new debt. This decrease was offset by an increase in business activities of \$855,190 or 11.34% (\$8,395,613 in 2013 compared to \$7,540,423 in 2012) which is comprised of approximately \$1.5 million in borrowings for the construction of a storage tank which is partially offset by scheduled payments on existing bonds and notes. Additional information on the long term debt can be found in Note 4 on pages 41 through 44 as well as in the capital assets and debt administration section of the MD&A (this section, pages 17 and 18).
- ***Other liabilities:*** In total, other liabilities which includes amounts the City owes to others, increased \$1,045,920 or 34.64% (\$4,065,187 in 2013 compared to \$3,019,267 in 2012). Government activities increased \$1,095,430 or 59.2% (\$2,945,399 in 2013 compared to \$1,849,969 in 2012) offset by a decrease in business activities of \$49,510 or 4.2% (\$1,119,788 in 2013 compared to \$1,169,298 in 2012).

Net Position

Both the governmental and business-type activities taken as a whole reflect a positive net position. The total net position remained relatively static, increasing \$266,013 or .33% (\$81,375,610 in 2013 compared to \$81,109,597 in 2012). This increase reflects a modest improvement to the City's economic position because, overall, revenues exceeded expenses. The increase of \$266,013 results from a decrease of \$612,254 in the governmental activities offset by an increase of \$878,267 in business-type activities. It is also worth noting that the deterioration in the governmental activities was significantly less than the decrease in fiscal year 2012 of \$2,390,028. Additional detail is shown in the following table (Table A-2) and discussed thereafter.

Net position is broken down into three categories: 1) Invested in capital assets, net of related debt, 2) Restricted, and 3) Unrestricted, as follows:

- *Invested in capital assets, net of related debt:* \$56,648,172 or 69.6% of the total net position consists of capital assets net of related debt. Capital assets include land, building, improvements, machinery and equipment, and infrastructure, net of depreciation. This is similar to the prior year in which \$58,671,787 made up 72.3% of the net position.
- *Restricted:* Overall, restricted net assets made up \$9,471,199 or 11.6% of the net assets in fiscal year 2013, compared to \$9,112,286 or 11.2% in fiscal year 2012. The restricted net position increased by \$337,136 or 3.7% in governmental activities (\$9,426,243 in June 2013 compared to \$9,089,107 in June 2012) and increased by \$21,777 or 94% (\$44,956 or in June 2013 compared to \$23,179 in June 2012) in business-type activities.
- *Unrestricted:* One of the best ways of determining if the financial position improved or deteriorated is to note the change in the unrestricted net position. Overall, the unrestricted net assets increased by \$1,930,715 or 14.5% (\$15,256,239 in 2013 compared to \$13,325,524 in 2012). The unrestricted net position increased by \$998,532 or 16.5% in governmental activities (\$7,066,238 in June 2013 compared to \$6,067,706 in June 2012) and increased by \$932,183 or 12.8% (\$8,190,001 or in June 2013 compared to \$7,257,818 in June 2012) in business-type activities.

Changes In Net Position

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

Revenues: Governmental Activities

Program Revenues: Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

- *Charge for Services:* Consists of charges levied against specific individuals to defray the cost of services provided. Notable items include business licenses, building permits and fees, planning and zoning fees, court fines, and recreation fees. Governmental activities experienced a decrease of \$230,391 or 10.7% (\$1,923,707 in 2013 compared to \$2,154,098 in 2012).
- *Operating Grants and Contributions:* Consists of grants and contributions dedicated to the operations of the City. Governmental activities increased \$137,733 or 3.3% (\$4,308,611 in 2013 compared to \$4,170,878 in 2012). The main reason for the increase in governmental activities was that the Highway Users' Revenue Fund (HURF) monies and the Pinal County half-cent sales tax, both of which are dedicated to street and road maintenance and construction, increased from the previous year. This increase in HURF revenue, however, was partially offset by the expiration of revenues received in the prior year from the American Recovery and Reinvestment Act (ARRA) programs dedicated to Public Safety.
- *Capital Grants and Contributions:* Consists of grants and contributions dedicated to the City's capital additions/improvements. Governmental activities increased \$1,020,258 (\$1,891,347 in 2013 compared to \$871,089 in 2012). The primary reasons for this increase can be attributed to an increase in development fees collected in addition to infrastructure, (mainly streets) built by developers and donated to the City.

**Table A-2
Changes in Net Position of the City of Apache Junction, Arizona**

	Governmental Activities		Business-type Activities		Total		Total Percentage
	Year Ended June 30,		Year Ended June 30,		Year Ended June 30,		Change
	2013	2012	2013	2012	2013	2012	2012-2013
Revenues							
<u>Program Revenues</u>							
Charge for services	\$ 1,923,707	\$ 2,154,098	\$ 3,690,770	\$ 3,693,188	\$ 5,614,477	\$ 5,847,286	-3.98%
Operating grants and contributions	4,308,611	4,170,878	166,581	171,426	4,475,192	4,342,304	3.06%
Capital grants and contributions	1,891,347	871,089	302,823	179,859	2,194,170	1,050,948	108.78%
<u>General Revenues</u>							
Sales tax	10,854,689	10,615,162			10,854,689	10,615,162	2.26%
State shared sales tax	2,933,570	2,800,548			2,933,570	2,800,548	4.75%
Urban revenue sharing	3,660,979	3,024,922			3,660,979	3,024,922	21.03%
Vehicle license tax	1,558,626	1,513,397			1,558,626	1,513,397	2.99%
Other taxes	195,037	140,630			195,037	140,630	38.69%
Earnings (loss) on investments	97,115	11,568	(16,389)	7,475	80,726	19,043	323.91%
Miscellaneous	575,466	1,203,678	786	12,692	576,252	1,216,370	-52.63%
Total revenues	27,999,147	26,505,970	4,144,571	4,064,640	32,143,718	30,570,610	5.15%
Expenses							
General government	5,425,442	5,444,628			5,425,442	5,444,628	-0.35%
Public safety	9,726,131	9,532,235			9,726,131	9,532,235	2.03%
Public works	6,583,382	6,649,218	2,949,654	2,902,279	9,533,036	9,551,497	-0.19%
Development services	1,363,737	1,898,963			1,363,737	1,898,963	-28.19%
Culture and recreation	5,380,681	5,228,563			5,380,681	5,228,563	2.91%
Interest on long-term debt	132,028	142,391	316,650	319,977	448,678	462,368	-2.96%
Total expenses	28,611,401	28,895,998	3,266,304	3,222,256	31,877,705	32,118,254	-0.75%
Change in net position	(612,254)	(2,390,028)	878,267	842,384	266,013	(1,547,644)	-117.19%
Net position - beginning of year	69,259,414	71,649,442	11,850,183	11,007,799	81,109,597	82,657,241	-1.87%
Net position - end of year	\$ 68,647,160	\$ 69,259,414	\$ 12,728,450	\$ 11,850,183	\$ 81,375,610	\$ 81,109,597	0.33%

General Revenues: General revenues consist of sales tax, state shared sales tax, urban revenue sharing, vehicle license tax, other taxes, earnings (loss) on investments and miscellaneous revenue.

- **Sales Tax (Transaction Privilege Tax):** The City of Apache Junction requires that all businesses operating within the City obtain a Transaction Privilege License (also known as Sales Tax). City Sales Tax is collected on the gross receipts of business activities that occur within the City of Apache Junction. This is the City's largest single revenue source. The increase of 2.26% or \$239,527 (\$10,854,689 in 2013 compared to \$10,615,162 in 2012) can be largely attributed to the beginning stages of the national and statewide economic recovery. Additional information on this revenue source can be found in schedules B-1 and B-2 and on pages 76-77 of the statistical section.
- **State Shared Sales Tax (Transaction Privilege Tax):** Arizona cities and towns share a portion of the total amount collected from the State Sales Tax. A municipality receives its share based on the relation of its population to the total population of all incorporated cities and towns in the State. The State Shared Sales Tax increased by \$133,022 or 4.75% (\$2,933,570 in 2013 compared to \$2,800,548 in 2012).

- Urban Revenue Sharing (State Shared Income Tax): In 1972, a citizen's initiative gave cities and towns in Arizona a 15% share of the State Income Tax. A municipality receives its share based on the relation of its population to the total population of all incorporated cities and towns in the State. The annual amount is distributed based on income tax collections from two years prior to the fiscal year in which the city/town receives these funds. Since this is a lagging indicator, the increase of \$636,057 or 21.03% (\$3,660,979 in 2013 compared to \$3,024,922 in 2012) reflects the first stages of the recovery that were realized in state income tax collections two years ago.
- Vehicle License Tax: Approximately 20% of revenue collected for licensing motor vehicles in the state is distributed through Arizona counties to incorporated cities/towns. Distribution is based on the city's population in relation to the total incorporated population of the county. Vehicle License Tax experienced an increase of \$45,229 or 2.99% (\$1,558,626 in 2013 compared to \$1,513,397 in 2012) presumably due to the economic recovery.
- Other taxes: Increase of \$54,407 or 38.69% (\$195,037 in 2013 compared to \$140,630 in 2012).
- Earnings (loss) on investments: Governmental activities received a one-time settlement of \$124,430 involving an investment loss resulting from the 2003 NCFE bankruptcy. Although the City experienced an increase in earned interest, this amount includes a negative return on investments caused by short-term market based unrealized losses in the Local Government Investment Pool (LGIP). The investment valuation is subject to market fluctuation. The net effect to the general fund is an increase of \$85,547 (\$97,115 in 2013 compared to \$11,568 in 2012).
- Miscellaneous: Consists of monies received that are typically non-recurring, one-time in nature payments experienced a decrease of \$628,212 or 52.2% (\$575,466 in 2013 compared to \$1,203,678 in 2012).

Expenses: Governmental Activities

Overall, expenses decreased minimally, \$284,597 or 1.0% (\$28,611,401 in 2013 compared to \$28,895,998 in 2012) as the City remained cautious about increasing expenditures in a recovering, but uncertain, economy.

- General Government: General Government consists of administrative departments that guide the City and support the work of other departments. Expenditures decreased \$19,186 or .35% (\$5,425,442 in 2013 compared to \$5,444,628 in 2012).
- Public Safety: The increase of \$193,896 or 2.03% (\$9,726,131 in 2013 compared to \$9,532,235 in 2012) in Public Safety can be attributed to the higher contribution rate for the Public Safety Personnel Retirement System (PSPRS, the pension plan covering sworn officers) in addition to the city-wide pay adjustment. Additional information on PSPRS is included in Note 9, pages 47-50 in the Notes to the Financial Statements.
- Public Works: Public Works experienced a slight decrease in expenditures of \$65,836 or 1.0% (\$6,583,382 in 2013 compared to \$6,649,218 in 2012).
- Development Services: Development Services experienced a decrease of \$535,226 or 28.2% (\$1,363,737 in 2013 compared to \$1,898,963 in 2012) in expenses. Due to the slow-down in building activity, \$647,396 in development fees from previous years were refunded in 2012. No previous years refunds were issued in 2013.
- Culture and Recreation: The increase of \$152,118 or 2.9% (\$5,380,681 in 2013 compared to \$5,228,563 in 2012) can be attributed to the utilization of intergovernmental funds in the Library including the *First Things First* Program and the Library Fund.
- Interest on long-term debt – Interest on long-term debt has declined \$10,363 or 7.3% (\$132,028 in 2013 compared to \$142,391 in 2012) as a result of the reduction of long-term bonds and notes outstanding with no new debt being issued.

Revenues: Business-Type Activities

Program Revenues – Program revenues consist of water sales and related service charges to customers of the District, examples of which include standpipe charges, establishment charges, and capital facilities fees. Capital facilities fees are one-time fees for new connections which are held and designated by the District for additional water sources and infrastructure.

- *Charges for Services:* Overall, *charges for services* decreased by \$2,418 (\$3,690,770 in 2013 compared to \$3,693,188 in 2012) despite a 3% rate increase that took effect three months into the fiscal year. This decrease is attributed to reduced sales volume in non-residential sales.
- *Operating Grants and Contributions:* Consists of grants and contributions dedicated to the operations of the WUCFD. This includes revenue from a three-way tax sharing agreement with the City, the Water Utilities Community Facilities District (WUCFD), and an outside developer. Tax proceeds, up to a specified amount, were rebated to the developer and excess amounts are now paid to WUCFD, the original owner of the parcel which was developed. Revenue in this category experienced a decrease of \$4,845 or 2.8% (\$166,581 in 2013 compared to \$171,426 in 2012).
- *Capital Grants and Contributions:* Consists of grants and contributions dedicated to the WUCFD's capital additions/improvements. Revenue increased \$122,964 or 68.3% (\$302,823 in 2013 compared to \$179,859 in 2012). In addition to an increase in capital facilities due to growing building activity, a main factor behind the increase was due to a cost sharing arrangement with Central Arizona College for \$89,440 for the Broadway waterline.
- *Earnings (loss) on investments:* Although the City experienced an increase in earned interest, this amount includes a negative return on investments caused by short-term market based unrealized losses in the Local Government Investment Pool (LGIP). The investment valuation is subject to market fluctuation. The net effect is a decrease of \$23,864 (-\$16,389 in 2013 compared to \$7,475 in 2012).
- *Miscellaneous:* Consists of monies received that are typically non-recurring, one-time in nature payments experienced a decrease of \$11,906 (\$786 in 2013 compared to \$12,692 in 2012).

Expenses: Business-Type Activities

Overall, expenses increased \$44,048 or 1.4% (\$3,266,304 in 2013 compared to \$3,222,256 in 2012).

- *Public Works:* The main reasons for the increase in expenses of \$47,375 or 1.6% (\$2,949,654 in 2013 compared to \$2,902,279 in 2012) were due to 1) an increase in the reserve capacity charge paid to the City of Mesa for water treatment, 2) an increase in depreciation expense resulting from the addition of infrastructure, and 3) an increase in the number of groundwater recharge credits purchased pursuant to an intergovernmental agreement with the Superstition Mountains Community Facilities District #1 (SMCFD).
- *Interest on long-term debt:* Interest on long-term debt has declined \$3,327 or 1.0% (\$316,650 in 2013 compared to \$319,977 in 2012) as a result of the reduction of long-term bonds.

More in-depth discussion of the business-type activities follows on pages 14 through 16.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously stated, the City uses fund accounting, which has historically been used in the governmental financial statements. The fund statements generally provide greater detail by subdividing the City's accounting structure into funds. 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 - the Water Utilities Community Facilities District (WUCFD).

GENERAL FUND

The General Fund is where most discretionary or unrestricted revenues and expenditures are reported. Table B-1 (on the following page) compares the General Fund activity for the past two fiscal years. Many of the components of government-wide activities consist of items that are also included in the General Fund.

Table B-1
Comparative Revenues and Expenditures of the General Fund of the
City of Apache Junction, Arizona

	<u>Year Ended</u>		<u>Increase (Decrease)</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Amount</u>	<u>Percentage</u>
Revenues				
Taxes	\$ 11,049,726	\$ 10,755,792	\$ 293,934	2.73%
Licenses and permits	819,360	765,820	53,540	6.99%
Intergovernmental revenue	8,154,175	7,338,867	815,308	11.11%
Charge for services	615,241	585,061	30,180	5.16%
Fines and forfeitures	402,421	493,455	(91,034)	-18.45%
Interest income	112,517	4,871	107,646	2209.94%
Miscellaneous	504,517	548,588	(44,071)	-8.03%
Total revenues	21,657,957	20,492,454	1,165,503	5.69%
Expenditures				
Current:				
General government	5,137,558	5,587,694	(450,136)	-8.06%
Public safety	9,173,273	8,736,169	437,104	5.00%
Public works	1,173,874	1,149,555	24,319	2.12%
Development services	1,060,375	1,129,968	(69,593)	-6.16%
Culture and recreation	4,163,552	4,121,657	41,895	1.02%
Debt service	319,692	305,350	14,342	4.70%
Total expenditures	21,028,324	21,030,393	(2,069)	-0.01%
Deficiency of revenues (under) expenditures	629,633	(537,939)	1,167,572	N/A
Other Financing Sources (Uses)				
Lease Purchase Proceeds		513,019	(513,019)	-100.00%
Transfers out		(327,170)	327,170	-100.00%
Net changes in fund balance	629,633	(352,090)	981,723	-194.30%
Fund balance - beginning of year	7,666,322	8,018,412	(352,090)	-4.39%
Fund balance - end of year	<u>\$ 8,295,955</u>	<u>\$ 7,666,322</u>	<u>\$ 629,633</u>	<u>8.21%</u>

Overall, revenues increased by \$1,165,503 or 5.69% (\$21,657,957 in 2013 compared to \$20,492,454 in 2012). The primary components of the increase were intergovernmental revenues (\$815,308) and taxes (\$293,934). These increases reflect the result of a recovering economy.

General government expenditures remained flat, decreasing by \$2,069 (\$21,028,324 in 2013 compared to \$21,030,393 in 2012). This was despite an overall salary increase of two-percent (2%). Salaries and wages decreased nominally due some incentive package payouts made early in fiscal year 2012. Energy enhancements in the amount of \$614,290 paid in fiscal year 2012 were a major factor contributing to the decrease in general government expenditures.

Public safety expenditures increased by \$437,104. There were two major reasons for this increase: 1) Several salary payouts with large amounts of accrued leave time were made in fiscal year 2012 and 2) an increase in the Public Safety Personnel Retirement System (PSPRS) contribution rate (the pension plan covering sworn officers). Additional information on PSPRS is included in Note 9, pages 47-50 in the Notes to the Financial Statements.

At the end of fiscal year 2013, the City's overall financial position in the General Fund improved by \$629,633, reversing the trend since fiscal year 2007 in which the financial position of the General Fund had been deteriorating.

HIGHWAY USER REVENUE FUND (HURF)

Table B-2 (below) summarizes the activity of the Highway User Revenue Fund (HURF) for the years ending June 30, 2013 and 2012.

	<u>Year Ended</u>		<u>Increase (Decrease)</u>	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Amount</u>	<u>Percentage</u>
Revenues				
Intergovernmental				
HURF-State	\$ 2,253,113	\$ 2,066,278	\$ 186,835	9.04%
Pinal County 1/2 cent sales tax	1,356,408	1,331,142	25,266	1.90%
Charges for services	5,256		5,256	N/A
Interest income	(9,124)	3,069	(12,193)	-397.30%
Miscellaneous	92,475	346,061	(253,586)	-73.28%
Total revenues	<u>3,698,128</u>	<u>3,746,550</u>	<u>(48,422)</u>	<u>-1.29%</u>
Expenditures				
Public works	3,314,894	3,409,806	(94,912)	-2.78%
General government		26,532	(26,532)	-100.00%
Total expenditures	<u>3,314,894</u>	<u>3,436,338</u>	<u>(121,444)</u>	<u>-3.53%</u>
Excess of revenues over expenditures	383,234	310,212	73,022	23.54%
Other Financing Sources (Uses)				
Transfers out		(161)	161	-100.00%
Net change in fund balance	383,234	310,051	73,183	23.60%
Fund balance - beginning of year	4,734,009	4,423,958	310,051	7.01%
Fund balance - end of year	<u>\$ 5,117,243</u>	<u>\$ 4,734,009</u>	<u>\$ 383,234</u>	<u>8.10%</u>

Revenues

HURF's main source of funding consists of intergovernmental revenues. A municipality receives one-half (1/2) of its share of Highway Users Revenue (HURF-State) based on the relation of its population to the total population of all incorporated cities and towns in the State. The other one-half (1/2) is allocated on the basis of "county of origin" of gasoline sales and the relation of a municipality's population to the population of all incorporated cities and towns in the county. For the past 10 years, the state has been reallocating monies previously distributed to cities and towns to fund the Department of Public Safety (DPS). Pinal County 1/2 cent sales tax distributions are dispersed to cities and towns based on proportionate populations within respective counties.

- Intergovernmental: In recent years, other cities in the county grew substantially more than the City, thereby reducing the City's base share. Although the long-term revenue base has decreased, intergovernmental revenues increased \$212,101 or 6.2% (\$3,609,521 in 2013 compared to \$3,397,420 in 2012) due, in part, to the recovering economy. The following is a further comparison of intergovernmental revenues:
 - HURF-State: increase of \$186,835 or 9.04% (\$2,253,113 in 2013 compared to \$2,066,278 in 2012)

- Pinal County 1/2 cent sales tax: increase of \$25,266 or 1.9% (\$1,356,408 in 2013 compared to \$1,331,142 in 2012)
- Charges for Services: This revenue was previously reported in the General Fund and is mainly comprised of fees to individuals to cover the costs of the City's Engineering Department incurred for their individual projects.
- Interest and investment revenue (loss): Although the City experienced an increase in earned interest, this amount includes a negative return on investments caused by short-term market based unrealized losses in the Local Government Investment Pool (LGIP). The investment valuation is subject to market fluctuation. The net effect to the Highway Users Revenue Fund is a decrease of -\$12,193 (-\$9,124 in 2013 compared to \$3,069 in 2012).
- Miscellaneous: Consists of monies received that are typically non-recurring, one-time in nature payments experienced a decrease of \$253,586 or 73.28% (92,475 in 2013 compared to \$346,061 in 2012).

Expenditures

Due to the overall decrease in HURF revenues, expenditures had to also be reduced. Although the financial condition of the fund improved by \$383,234 or 23.6%, it is important to note that this was the result of a reduction in street maintenance along with transfers of costs to the general fund. In the past, the time that City personnel from the parks department worked on landscaping and maintenance in the public right-of-way was charged to HURF. This year, more of that time was paid out of the general fund.

PROPRIETARY FUND

The economic condition of the proprietary fund (WUCFD-Water Utilities Community Facilities District) continued to improve with an overall increase in net position of \$878,267 or 7.41% (\$12,728,450 in 2013 compared to \$11,850,183 in 2012).

Table B-3 (on the following page) summarizes the proprietary fund for comparative purposes from a fund perspective. This data is referred to as business-type activity in the government-wide statements.

Operating Revenues

As a whole, revenues received from operations decreased \$14,324 or 0.39% (\$3,691,556 in 2013 compared to \$3,705,880 in 2012). Although there was an overall 3% rate increase which took affect three months into fiscal year 2013, sales and service levels decreased, particularly in the areas of commercial and construction.

- Residential Sales: Experienced an increase of \$54,430 or 1.85% (\$2,993,518 in 2013 compared to \$2,939,088 in 2012) due, in part, to the rate increase which took affect three months into fiscal year 2013.
- Nonresidential Sales: The decrease of \$19,781 or 3.29% (580,561 in 2013 compared to \$600,342 in 2012) was due to the reduction in sales and service levels.
- Other Charges: Decrease of \$37,067 or 24.11% (\$116,691 in 2013 compared to \$153,758 in 2012).
- Miscellaneous: Consists of monies received that are typically non-recurring, one-time in nature payments experienced a decrease of \$11,906 or 93.81% (\$786 in 2013 compared to \$12,692 in 2012).

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

	Year Ended		Increase (Decrease)	
	June 30, 2013	June 30, 2012	Amount	Percentage
Operating revenues				
Residential sales	\$ 2,993,518	\$ 2,939,088	\$ 54,430	1.85%
Nonresidential sales	580,561	600,342	(19,781)	-3.29%
Other charges	116,691	153,758	(37,067)	-24.11%
Miscellaneous	786	12,692	(11,906)	-93.81%
Total operating revenues	3,691,556	3,705,880	(14,324)	-0.39%
Nonoperating revenues				
Interest and investment revenue (loss)	(16,389)	7,475	(23,864)	-319.25%
Intergovernmental revenues	166,581	171,426	(4,845)	-2.83%
Total revenues	3,841,748	3,884,781	(43,033)	-1.11%
Operating expenses				
Administration				
Operations	892,129	886,797	5,332	0.60%
Depreciation	3,415	3,401	14	0.41%
Amortization	22,418	24,380	(1,962)	-8.05%
Plant				
Operations	1,463,478	1,433,009	30,469	2.13%
Depreciation	559,608	546,086	13,522	2.48%
Amortization	8,606	8,606		0.00%
Total operating expenses	2,949,654	2,902,279	47,375	1.63%
Nonoperating expenses				
Interest expense	316,650	319,977	(3,327)	-1.04%
Total expenses	3,266,304	3,222,256	44,048	1.37%
Income before other revenues, expenses, gains, losses, and transfers				
	575,444	662,525	(87,081)	-13.14%
Capital contributions	302,823	179,859	122,964	68.37%
Change in net assets	878,267	842,384	35,883	4.26%
Net assets-beginning of year	11,850,183	11,007,799	842,384	7.65%
Net assets-end of year	<u>\$ 12,728,450</u>	<u>\$ 11,850,183</u>	<u>\$ 878,267</u>	7.41%

Nonoperating Revenues

- *Interest and investment revenue (loss)*: Although there was an increase in earned interest, this amount includes a negative return on investments caused by short-term market based unrealized losses in the Local Government Investment Pool (LGIP). The investment valuation is subject to market fluctuation. The net effect to the WUCFD is a decrease of \$23,864 (\$-16,389 in 2013 compared to \$7,475 in 2012).

- ***Intergovernmental Revenues:*** The main component of this line item consists of a sales tax revenue distribution from the City pursuant to a three-way development agreement involving a land sale from WUCFD (\$163,196 in 2013 compared to \$143,605 in 2012). WUCFD also received a technical assistance grant from the Water Infrastructure Finance Authority (WIFA) (\$3,385 in 2013 and \$27,821 in 2012). The net effect is a decrease of \$4,845 or 2.83% (\$166,581 in 2013 compared to \$171,426 in 2012).

Operating Expenses

Operating expenses are broken down into two categories: Administration and Plant. Overall, operating expenses increased by \$47,375 or 1.63% (\$2,949,654 in 2013 compared to \$2,902,279 in 2012).

Administration

- ***Operations:*** Increase of \$5,332 or 0.6% (\$892,129 in 2013 compared to \$886,797 in 2012).
- ***Depreciation:*** Increase of \$14 or .41% (\$3,415 in 2013 compared to \$3,401 in 2012).
- ***Amortization:*** Decrease of \$1,962 or 8.05% (\$22,418 in 2013 compared to \$24,380 in 2012).

Plant

- ***Operations:*** The overall increase of \$30,469 or 2.13% (\$1,463,478 in 2013 compared to \$1,433,009 in 2012) can be attributed to an increase in the reserve capacity charge (a fixed price component in the contract for water treatment) paid to the City of Mesa.
- ***Depreciation:*** The increase of \$13,522 or 2.48% (\$559,608 in 2013 compared to \$546,086 in 2012) is due to the addition of the one-million dollar storage tank and the Broadway waterline replacement near Central Arizona College.

Nonoperating Expenses

- ***Interest Expense:*** Interest on long-term debt has declined \$3,327 or 1.04% (\$316,650 in 2013 compared to \$319,977 in 2012) as a result of the reduction of long-term bonds and notes outstanding.

Capital Contributions: Consists of one-time fees which are held and designated by the District for additional water sources and infrastructure. As residential development has increased in the City, so have the capital fees. An additional one-time capital contribution was realized in the amount of \$89,440 as part of a cost-sharing arrangement with Central Arizona College for the construction of a 12” waterline replacement as part its Superstition Mountain Campus expansion. Overall increase of \$122,964 or 68.37% (\$302,823 in 2013 compared to \$179,859 in 2012)

GENERAL FUND BUDGETARY HIGHLIGHTS

The City made no budget amendments during the year. Significant budget to actual variances are as follows:

REVENUE VARIANCES

- ***Taxes:*** The main component of local taxes is sales taxes, which are susceptible to volatility and fluctuation, were estimated at \$10,858,000 (a conservative estimate over the previous year’s actual of \$10,836,672). Actual revenues in FY2013 were \$11,049,726, an underestimate of \$191,726.
- ***Interest income:*** The conservative estimate of \$4,500 was based upon meager returns in recent years and prior to the transfer of some investments into an account bearing a higher rate of interest; however, \$141,932 was realized mainly due to \$124,430 as the final settlement in the 2003 NCFE bankruptcy.

EXPENDITURE VARIANCES

General fund appropriations totaled \$21,028,324 compared to general fund outlays using a budgetary basis were \$23,703,110. Five departments account for over 88% of the total variance of \$2,674,786 as follows:

- Non-Departmental – Preparation for unforeseen events accounted for most of the variance of \$1,569,158 (\$3,760,680 budget and \$2,191,522 actual). There was an unused contingency appropriation of \$1,095,000.
- Management Services – Management services consists of five departments: Administration, Human Resources, Information Technology, Economic Development, and Marketing/Communications. The variance of \$276,238 (\$1,596,005 budget and \$1,319,767 actual) was largely attributed to \$104,682 in unneeded professional services, \$11,286 of unused tuition reimbursement, and \$135,573 in unpaid salaries and benefits.
- Public Safety – Although Public Safety was within 2.6% of budget, because of the size of the budget, the variance was significant at \$230,564 (\$8,833,855 budget and \$8,603,291 actual) which was mainly attributed to unpaid fringe benefits, specifically, the projections made for the Public Safety Personnel Retirement System (PSPRS).
- Public Works – The variance of \$167,141 (\$1,341,015 budget and \$1,173,874 actual) was the result of unused monies set aside for building maintenance (\$86,666) and graffiti abatement (\$28,131).
- Parks and Recreation – A reduction in utilities in the amount of \$101,898 is the main component for the variance of \$114,692 (\$3,154,785 budget and \$3,040,093 actual).

For additional information on the general fund budget, please refer to page 54, the *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual - General Fund*.

CAPITAL ASSET AND DEBT ADMINISTRATION

CAPITAL ASSETS

Government-wide activities

As reported on page 27, the *Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities*, government-wide capital outlays totaled \$2,639,980. Noteworthy additions include:

- Street improvements

North Apache Trail Improvement (Phase I)	\$ 403,913
Grand/Ocotillo /Main/Palo Verde	\$ 166,785
Superstition Villa Road Improvements (drainage)	\$ 300,509
Old West Highway Sidewalk Improvement	\$ 88,209
- Machinery & Equipment

Various Public Safety Vehicles	\$ 262,997
Video Production Equipment	\$ 52,515

Business-type activities

Business-type capital outlays during the year totaled \$1,349,240, major components of which were as follows:

- One-million gallon storage tank

	\$ 868,172
Total outlay including previous years: \$1,613,403	
Chlorination System (one-million gallon tank site)	\$ 204,220
Upgrade East Broadway Avenue waterline	\$ 144,344
Joint effort with Central Arizona College, their share \$89,440	

For additional information concerning capital assets, see Note 3 in the notes to the financial statements on pages 40 and 41.

DEBT ADMINISTRATION

Government-wide activities

The governmental activities have three outstanding debt issuances during the year, one consisting of a bond issue:

- 2007 GADA Series 2007A Bonds \$3,800,000
Purpose: Finance Library expansion
- Siemens Financial and Siemens Building Technologies lease purchase \$ 442,707
Purpose: Finance substantial portion of energy enhancements
- Pinal County IGA \$8,157,958
Purpose: Cost-sharing arrangement for Ironwood Drive improvements

Business-type activities

The business-type activities have one bond issue and two long-term notes payable outstanding:

- 2004 Series A bonds \$2,500,000
Purpose: Refunded a \$7 million series from a 1997 issue
- WIFA loan payable (Closed on June 4, 2008) \$5,000,000
Purpose: The loan proceeds, which are being drawn on a reimbursement basis, were used to finance a booster pump and a three-mile transmission main from the City of Mesa system. During the year, \$1,545,875 was drawn down on the loan. The remainder is being used for the design and construction of a one million gallon storage tank and chlorination system.
- WIFA note payable (Closed on May 3, 2006) \$2,929,000
Purpose: Proceeds at the time of closing, \$2.133 million, were used to retire a previous WIFA loan. An additional \$696,497 was drawn down in August 2006 to reimburse payments which had already been made on the arsenic treatment system.

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

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 east, providing limited space for development and annexation. The City's western boundary abuts the Maricopa County boundary. The land to the south has potential; however, it is State Trust Land and has been tied up due to decades-old flood control concerns. Due to the statewide and national economic slowdown, the timetable for construction of three square miles that were originally expected to be opened up for development in 2009 continues to remain an uncertainty.

The pension system for sworn Police personnel, the Public Safety Personnel Retirement System (PSPRS), continues to experience employer contribution rate increases. The rates for the last three years are as follows:

FY 2011	24.29%
FY 2012	27.03%
FY 2013	34.11%

The upward trend will continue for the upcoming year, FY 2014 with a rate of 37.08%. Based upon the FY 2013 activity, the increase will generate additional pension costs of approximately \$88,343. For additional information on the funding and contribution trends, please refer to Note 9 on pages 47-50 and to the Schedule of Agent Retirement Plan Funding Progress on page 57.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT TEAM

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:

City of Apache Junction Finance Department
300 E. Superstition Blvd
Apache Junction, AZ 85119

Alternative contact information is as follows:

Finance Director at (480) 474-5451 or dmeinerts@ajcity.net, or
Finance Manager at (480) 474-5108 or jwhite@ajcity.net



BASIC FINANCIAL STATEMENTS

CITY OF APACHE JUNCTION, ARIZONA

Statement of Net Position

June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 751,186	\$ 60,659	\$ 811,845
Investments	17,203,754	7,357,588	24,561,342
Receivables (net of allowances for uncollectibles):			
Accounts	734,658	272,118	1,006,776
Due from other governments	1,600,117		1,600,117
Interest receivable		4,344	4,344
Restricted cash and cash equivalents	140,043	951,646	1,091,689
Internal balances	16,000	(16,000)	
Inventories	20,762	156,467	177,229
Prepaid items	201,077	49,135	250,212
Other assets	56,233	518,788	575,021
Capital assets, not being depreciated	3,287,904	1,015,547	4,303,451
Capital assets, being depreciated, net	<u>58,527,815</u>	<u>11,873,559</u>	<u>70,401,374</u>
Total assets	<u>82,539,549</u>	<u>22,243,851</u>	<u>104,783,400</u>
LIABILITIES			
Accounts payable	1,678,114	484,201	2,162,315
Accrued payroll and employee benefits	794,084	146,620	940,704
Accrued interest		151,399	151,399
Deposits held for others	276,229	284,884	561,113
Unearned revenue	69,170	52,684	121,854
Other liabilities	127,802		127,802
Noncurrent liabilities:			
Due within one year	507,843	755,291	1,263,134
Due in more than one year	<u>10,439,147</u>	<u>7,640,322</u>	<u>18,079,469</u>
Total liabilities	<u>13,892,389</u>	<u>9,515,401</u>	<u>23,407,790</u>
NET POSITION			
Invested in capital assets, net of related debt	52,154,679	4,493,493	56,648,172
Restricted for:			
Debt service		44,956	44,956
Highways and streets	5,252,088		5,252,088
Development services	3,532,846		3,532,846
Law enforcement	301,315		301,315
Education	186,581		186,581
Other purposes	153,413		153,413
Unrestricted	<u>7,066,238</u>	<u>8,190,001</u>	<u>15,256,239</u>
Total net position	<u>\$ 68,647,160</u>	<u>\$ 12,728,450</u>	<u>\$ 81,375,610</u>

See accompanying notes to financial statements.

CITY OF APACHE JUNCTION, ARIZONA

Statement of Activities

Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 5,425,442	\$ 240,351	\$ 20,000		\$ (5,165,091)		\$ (5,165,091)
Public safety	9,726,131	538,093	270,996	\$ 92,717	(8,824,325)		(8,824,325)
Public works	6,583,382	5,256	3,659,156	529,488	(2,389,482)		(2,389,482)
Development services	1,363,737	510,457	149,205	992,732	288,657		288,657
Culture and recreation	5,380,681	629,550	209,254	276,410	(4,265,467)		(4,265,467)
Interest on long-term debt	132,028				(132,028)		(132,028)
Total governmental activities	<u>28,611,401</u>	<u>1,923,707</u>	<u>4,308,611</u>	<u>1,891,347</u>	<u>(20,487,736)</u>		<u>(20,487,736)</u>
Business-type activities:							
Water	<u>3,266,304</u>	<u>3,690,770</u>	<u>166,581</u>	<u>302,823</u>		\$ 893,870	<u>893,870</u>
Total business-type activities	<u>3,266,304</u>	<u>3,690,770</u>	<u>166,581</u>	<u>302,823</u>		<u>893,870</u>	<u>893,870</u>
Total government	<u>\$ 31,877,705</u>	<u>\$ 5,614,477</u>	<u>\$ 4,475,192</u>	<u>\$ 2,194,170</u>	<u>(20,487,736)</u>	<u>893,870</u>	<u>(19,593,866)</u>
General revenues:							
Sales taxes					10,854,689		10,854,689
State shared sales tax					2,933,570		2,933,570
State shared vehicle license tax					1,558,626		1,558,626
Urban revenue sharing					3,660,979		3,660,979
Other taxes					195,037		195,037
Investment income					163,122	15,254	178,376
Loss in change of fair value					(66,007)	(31,643)	(97,650)
Miscellaneous					<u>575,466</u>	<u>786</u>	<u>576,252</u>
Total general revenues					<u>19,875,482</u>	<u>(15,603)</u>	<u>19,859,879</u>
Change in net position					(612,254)	878,267	266,013
Net position, July 1, 2012					<u>69,259,414</u>	<u>11,850,183</u>	<u>81,109,597</u>
Net position, June 30, 2013					<u>\$ 68,647,160</u>	<u>\$ 12,728,450</u>	<u>\$ 81,375,610</u>

See accompanying notes to financial statements.

CITY OF APACHE JUNCTION, ARIZONA

Balance Sheet
Governmental Funds

June 30, 2013

	General Fund	Highway User Revenue Fund	Gifts and Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 253,002	\$ 100	\$ 498,084		\$ 751,186
Investments	7,666,547	5,480,609	3,852,777	\$ 203,821	17,203,754
Inventories	20,762				20,762
Receivables (net of allowances for uncollectibles):					
Accounts	484,431	7,967	242,260		734,658
Due from other governments	1,152,299	441,517	6,006	295	1,600,117
Due from other funds	60,804	780		8,947	70,531
Prepaid items	163,654	36,853		570	201,077
Restricted cash	5,756		134,287		140,043
Total assets	<u>\$ 9,807,255</u>	<u>\$ 5,967,826</u>	<u>\$ 4,733,414</u>	<u>\$ 213,633</u>	<u>\$ 20,722,128</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 645,673	\$ 623,838	\$ 397,399	\$ 11,052	\$ 1,677,962
Accrued payroll and related liabilities	703,665	90,571			794,236
Due to other funds	8,947	21,370	24,214		54,531
Unearned revenue			69,170		69,170
Deposits held for others	25,213	114,804	136,212		276,229
Other liabilities	127,802				127,802
Total liabilities	<u>1,511,300</u>	<u>850,583</u>	<u>626,995</u>	<u>11,052</u>	<u>2,999,930</u>
Fund balances:					
Nonspendable	184,416	36,853		570	221,839
Restricted		5,080,390	4,106,419	202,011	9,388,820
Unassigned	8,111,539				8,111,539
Total fund balances	<u>8,295,955</u>	<u>5,117,243</u>	<u>4,106,419</u>	<u>202,581</u>	<u>17,722,198</u>
Total liabilities and fund balances	<u>\$ 9,807,255</u>	<u>\$ 5,967,826</u>	<u>\$ 4,733,414</u>	<u>\$ 213,633</u>	<u>\$ 20,722,128</u>

See accompanying notes to financial statements.

CITY OF APACHE JUNCTION, ARIZONA

Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds

June 30, 2013

Fund balances - total governmental funds		\$ 17,722,198
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		61,815,719
Bond issuance costs reported in governmental activities are not financial resources and therefore, are not reported in the funds.		56,233
Some liabilities, including bonds and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds.		
Bonds payable	\$ 3,003,193	
Other government payable	6,157,958	
Capital lease payable	499,889	
Compensated absences	<u>1,285,950</u>	
		<u>(10,946,990)</u>
Net position of governmental activities		<u>\$ 68,647,160</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, 2013

	General Fund	Highway User Revenue Fund	Gifts and Grants Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 11,049,726			\$ 48,768	\$ 11,098,494
Licenses and permits	819,360		\$ 565,999		1,385,359
Intergovernmental revenue	8,154,175	\$ 3,609,521	1,370,291	55,867	13,189,854
Charges for services	615,241	5,256			620,497
Fines and forfeits	402,421		60,934		463,355
Investment income	141,932	11,904	8,845	441	163,122
Net change in fair value of investment	(29,415)	(21,028)	(14,782)	(782)	(66,007)
Miscellaneous	<u>504,517</u>	<u>92,475</u>	<u>39,823</u>	<u>449</u>	<u>637,264</u>
Total revenues	21,657,957	3,698,128	2,031,110	104,743	27,491,938
EXPENDITURES					
Current:					
General government	5,137,558		74,067	37,081	5,248,706
Public safety	9,173,273		383,731		9,557,004
Public works	1,173,874	3,314,894	122,041		4,610,809
Development services	1,060,375		915,390		1,975,765
Culture and recreation	4,163,552		418,685	51,198	4,633,435
Debt service:					
Principal	173,130				173,130
Interest and other charges	<u>146,562</u>				<u>146,562</u>
Total expenditures	<u>21,028,324</u>	<u>3,314,894</u>	<u>1,913,914</u>	<u>88,279</u>	<u>26,345,411</u>
Net change in fund balances	629,633	383,234	117,196	16,464	1,146,527
Fund balances, July 1, 2012	<u>7,666,322</u>	<u>4,734,009</u>	<u>3,989,223</u>	<u>186,117</u>	<u>16,575,671</u>
Fund balances, June 30, 2013	<u>\$ 8,295,955</u>	<u>\$ 5,117,243</u>	<u>\$ 4,106,419</u>	<u>\$ 202,581</u>	<u>\$ 17,722,198</u>

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, 2013

Net change in fund balances - total governmental funds	\$	1,146,527
Amounts reported for governmental activities in the statement of activities are different because:		
<p>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.</p>		
Capital outlay	\$	2,639,980
Depreciation expense		<u>(4,750,775)</u>
		(2,110,795)
<p>In the Statement of Activities, only the loss on the sale of capital assets is reported whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets sold.</p>		
		(24,790)
<p>Under the modified accrual basis accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.</p>		
		189,140
<p>Repayment of principal of long-term debt consumes the current financial resources of governmental funds. However, these payments have no effect on net position. This amount is the effect of difference in the treatment of repayments of long-term debt and related items.</p>		
		<u>187,664</u>
Change in net position of governmental activities	\$	<u>(612,254)</u>

See accompanying notes to financial statements.

CITY OF APACHE JUNCTION, ARIZONA

Statement of Net Position
 Proprietary Fund Type - Enterprise Fund

June 30, 2013

	<u>WUCFD</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 60,659
Investments	7,357,588
Receivables (net of allowances for uncollectibles):	
Accounts	272,118
Interest	4,344
Due from other funds	
Inventories	156,467
Restricted cash to be used to liquidate current liabilities	906,690
Prepaid expenses	49,135
Total current assets	<u>8,807,001</u>
Noncurrent assets:	
Restricted cash	44,956
Other assets	518,788
Capital assets, not being depreciated	1,015,547
Capital assets, being depreciated, net	<u>11,873,559</u>
Total noncurrent assets	<u>13,452,850</u>
 Total assets	 <u>22,259,851</u>
LIABILITIES	
Current liabilities:	
Accounts payable	484,201
Accrued payroll and employee benefits	146,620
Accrued interest payable	151,399
Deposits held for others	284,884
Due to other funds	16,000
Notes payable	295,291
Bond payable	460,000
Unearned revenue	52,684
Total current liabilities	<u>1,891,079</u>
Noncurrent liabilities:	
Revenue bonds payable	1,968,452
Notes payable	<u>5,671,870</u>
Total noncurrent liabilities	<u>7,640,322</u>
Total liabilities	<u>9,531,401</u>
NET POSITION	
Invested in capital assets, net of related debt	4,493,493
Restricted for:	
Debt service	44,956
Unrestricted	<u>8,190,001</u>
Total net position	<u>\$ 12,728,450</u>

See accompanying notes to financial statements.

CITY OF APACHE JUNCTION, ARIZONA
Statement of Revenue, Expenses and Changes in Fund Net Position
Proprietary Fund Type - Enterprise Fund
Year Ended June 30, 2013

	WUCFD
OPERATING REVENUES	
Charges for services	\$ 3,690,770
Miscellaneous	<u>786</u>
Total operating revenues	3,691,556
OPERATING EXPENSES	
Payroll and payroll related	1,021,861
Legal and professional services	88,448
Telephone and utilities	578,236
Office and supplies	6,358
Postage and shipping	23,082
Printing and copying	14,282
Insurance	21,213
Other operating	354,792
Repairs and maintenance	247,335
Amortization	31,024
Depreciation	<u>563,023</u>
Total operating expenses	<u>2,949,654</u>
Operating income	741,902
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental	166,581
Investment income	15,254
Net change in fair value of investment	(31,643)
Interest expense	<u>(316,650)</u>
Total nonoperating revenues (expenses)	(166,458)
CAPITAL CONTRIBUTION	
Capital facilities fees	213,383
Capital grant	<u>89,440</u>
Total capital contribution	<u>302,823</u>
Increase in net position	878,267
Net position, July 1, 2012	<u>11,850,183</u>
Net position, June 30, 2013	<u>\$ 12,728,450</u>

See accompanying notes to financial statements.

CITY OF APACHE JUNCTION, ARIZONA

Statement of Cash Flows
 Proprietary Fund Type - Enterprise Fund

Year Ended June 30, 2013

	<u>WUCFD</u>
CASH FLOWS FROM OPERATING REVENUES	
Cash received from customers	\$ 3,728,896
Other operating receipts	786
Cash payments to suppliers for goods and services	(1,333,334)
Cash payments to employees for services	<u>(1,023,995)</u>
Net cash provided by operating activities	<u>1,372,353</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Proceeds from grants	166,581
Purchase of other assets	<u>31,024</u>
Net cash provided by noncapital financing activities	<u>197,605</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from long-term borrowing	1,545,875
Proceeds from capital facilities fees	213,383
Proceeds from capital grant	89,440
Purchase and construction of capital assets	(1,330,984)
Interest paid on long-term debt	(316,650)
Principal payments on revenue bonds payable and note payable	<u>(724,510)</u>
Net cash used by capital and related financing activities	<u>(523,446)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net changes in fair value of investments	(16,389)
Net increase in investments	<u>(1,017,871)</u>
Net cash used by investing activities	<u>(1,034,260)</u>
Net increase in cash and cash equivalents	12,252
Cash and cash equivalents, July 1, 2012	<u>1,000,053</u>
Cash and cash equivalents, June 30, 2013	<u>\$ 1,012,305</u>
CASH AND CASH EQUIVALENTS AT JUNE 30, 2013 CONSISTED OF	
Unrestricted cash	\$ 60,659
Restricted cash	<u>951,646</u>
	<u>\$ 1,012,305</u>

See accompanying notes to financial statements.

CITY OF APACHE JUNCTION, ARIZONA

Statement of Cash Flows
 Proprietary Fund Type - Enterprise Fund

Year Ended June 30, 2013

	<u>WUCFD</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 741,902
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	563,023
Amortization	31,024
Decrease in inventories	41,481
Decrease in due from other funds	29,248
Increase in accounts receivable	11,846
Increase in prepaid expenses	9,043
Increase in deposits held for others	19,233
Increase in accounts payable and accrued liabilities related to operations	<u>(74,447)</u>
Total adjustments	<u>630,451</u>
Net cash provided by operating activities	<u>\$ 1,372,353</u>

See accompanying notes to financial statements.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the 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.

For the year ended June 30, 2013, the City implemented the provisions of GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, and GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB Statement No. 62 incorporates certain accounting and financial reporting guidance in FASB statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins into GASB's authoritative literature. GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

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 units.

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. Component units should be blended in the City's financial statements when the component unit's governing body is substantively the same as the City's governing body and there is either a financial benefit or burden relationship between the City and the component unit or City management has operational responsibility for it; the component unit provides services entirely, or almost entirely, to the City; or the component unit's total debt outstanding is expected to be repaid entirely or almost entirely with the City's resources. Therefore, data from these units is combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial 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.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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.

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—These provide information about the primary government (the City) and its component units. The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, 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 generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

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
- 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. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 funds and the enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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 (HURF) accounts for the City's share of gasoline tax money earmarked for streets and highways.

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

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 Position. 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 personnel 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:

The 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 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 they become both 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.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Those revenues susceptible to accrual prior to receipt are franchise taxes, licenses and permits, intergovernmental aid, grants, interest revenue, and charges for services. Fines and forfeits and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received.

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 position resources available to finance the program. The City applies grants 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 fair value at the time received.

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 fund 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

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. 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.

F. Deposits 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.

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.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

G. Fund Balance Classification

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors, such as through debt covenants, grantors, contributors, or laws and regulations.

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations approved by the City Council, which is the highest level of decision-making authority within the City. The constraints placed on committed fund balances can only be removed or changed by the Council.

Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has authorized the City manager to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in the fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the City's policy to use restricted fund balance first. For the disbursements of unrestricted fund balances, it is the City's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

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 8% 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.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 in both the government-wide and fund financial statements. Prepaid items are recorded as expenditures when purchased on the fund financial statements and are expenses when consumed in the government-wide financial statements.

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 1,040 hours.

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'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.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

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, 2013, the carrying amount of deposits was \$1,903,534 and the bank balance was \$2,123,635. The Federal Deposit Insurance Corporation protects the City against loss on the first \$250,000 of deposits with each separate financial institution. At June 30, 2013, \$202,068 of the City's bank balance was exposed to custodial credit risk as uninsured and uncollateralized. 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. Its future use will be for the payments on outstanding revenue bonds payable and capital improvements.

B. Investments

At June 30, 2013, the City’s investments were as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities</u> <u>Less than 1 year</u>
State Treasurer’s investment pool 7	\$ 18,620,911	\$ 18,620,911
State Treasurer’s investment pool 700	<u>5,940,431</u>	<u>5,940,431</u>
Total	<u>\$ 24,561,342</u>	<u>\$ 24,561,342</u>

The City has not adopted a formal investment policy. The State Board of Investment provides oversight for the State Treasurer’s pools. 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 and not subject to custodial credit risk.

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, 2013, 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. All the City’s investments mature in one year or less.

Credit Risk - At June 30, 2013, credit risk for the City’s investments was as follows:

State Treasurer’s investment pool 7 – not rated.

State Treasurer’s investment pool 700 – not rated.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in any one issuer. 100% of the City’s investments are in State Treasurer’s investment pool.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

Governmental activities:	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 2,140,553	\$ 11,217		\$ 2,151,770
Construction in progress	<u>273,936</u>	<u>1,486,180</u>	<u>\$ (623,982)</u>	<u>1,136,134</u>
Total capital assets not being depreciated	<u>2,414,489</u>	<u>1,497,397</u>	<u>(623,982)</u>	<u>3,287,904</u>
Capital assets being depreciated:				
Buildings	21,627,097		(84,495)	21,542,602
Improvements other than buildings	12,190,849	84,526		12,275,375
Machinery and equipment	11,004,394	554,733	(211,527)	11,347,600
Infrastructure, restated	<u>61,119,771</u>	<u>1,127,305</u>	<u></u>	<u>62,247,076</u>
Total	<u>105,942,111</u>	<u>1,766,564</u>	<u>(296,022)</u>	<u>107,412,653</u>
Less accumulated depreciation for:				
Buildings	5,458,430	580,757	(84,495)	5,954,692
Improvements other than buildings	6,071,198	519,924		6,591,122
Machinery and equipment	7,723,809	855,103	(186,737)	8,392,175
Infrastructure	<u>25,151,858</u>	<u>2,794,991</u>	<u></u>	<u>27,946,849</u>
Total	<u>44,405,295</u>	<u>4,750,775</u>	<u>(271,232)</u>	<u>48,884,838</u>
Total capital assets being depreciated, net	<u>61,536,816</u>	<u>(2,984,211)</u>	<u>(24,790)</u>	<u>58,527,815</u>
Governmental activities capital assets, net	<u>\$ 63,951,305</u>	<u>\$ (1,486,814)</u>	<u>\$ (648,772)</u>	<u>\$ 61,815,719</u>
Business-type activities:	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 715,895			\$ 715,895
Construction in progress	<u>795,945</u>	<u>\$ 299,652</u>	<u>\$ (795,945)</u>	<u>299,652</u>
Total capital assets not being depreciated	<u>1,511,840</u>	<u>299,652</u>	<u>(795,945)</u>	<u>1,015,547</u>
Capital assets being depreciated:				
Buildings	96,005	17,242		113,247
Water system	14,809,695	1,764,852	(15,126)	16,559,421
Machinery and equipment	<u>1,525,306</u>	<u>63,439</u>	<u>(30,485)</u>	<u>1,558,260</u>
Total	<u>16,431,006</u>	<u>1,845,533</u>	<u>(45,611)</u>	<u>18,230,928</u>
Less accumulated depreciation for:				
Buildings	37,061	5,698		42,759
Water system	4,439,573	510,773	(8,405)	4,941,941
Machinery and equipment	<u>1,356,603</u>	<u>46,552</u>	<u>(30,486)</u>	<u>1,372,669</u>
Total	<u>5,833,237</u>	<u>563,023</u>	<u>(38,891)</u>	<u>6,357,369</u>
Total capital assets being depreciated, net	<u>10,597,769</u>	<u>1,282,510</u>	<u>(6,720)</u>	<u>11,873,559</u>
Business-type activities capital assets, net	<u>\$ 12,109,609</u>	<u>\$ 1,582,162</u>	<u>\$ (802,665)</u>	<u>\$ 12,889,106</u>

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 3 - CAPITAL ASSETS - CONTINUED

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

Governmental activities:	
General government	\$ 484,076
Public safety	472,999
Public works	3,049,033
Development services	4,434
Culture and recreation	<u>740,233</u>
Total depreciation expense	
- governmental activities	<u>\$ 4,750,775</u>

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, 2013:

	July 1, 2012	Additions	Reductions	June 30, 2013	Due Within 1 Year
Governmental activities:					
2007 GADA Series 2007A					
Bonds	\$ 3,055,000		\$ (160,000)	\$ 2,895,000	\$ 170,000
Bond premium	<u>122,727</u>		<u>(14,534)</u>	<u>108,193</u>	
Total bonds payable	3,177,727		(174,534)	3,003,193	170,000
Inter-governmental payable, restated	6,157,958			6,157,958	
Capital leases payable	513,019		(13,130)	499,889	16,355
Compensated absences payable	<u>1,482,645</u>	<u>\$ 1,207,566</u>	<u>(1,404,261)</u>	<u>1,285,950</u>	<u>321,488</u>
Governmental activities long-term liabilities	<u>\$ 11,331,349</u>	<u>\$ 1,207,566</u>	<u>\$ (1,591,925)</u>	<u>\$ 10,946,990</u>	<u>\$ 507,843</u>
Business-type activities:					
2004A WUCFD Revenue					
Bonds	\$ 2,935,000		\$ (435,000)	\$ 2,500,000	\$ 460,000
Less: Deferred refunding cost	<u>(105,373)</u>		<u>33,825</u>	<u>(71,548)</u>	
Total bonds payable	2,829,627		(401,175)	2,428,452	460,000
WIFA Note Payable #920111-06	2,060,538		(159,510)	1,901,028	165,291
WIFA Note Payable #920133-08	<u>2,650,258</u>	<u>\$ 1,545,875</u>	<u>(130,000)</u>	<u>4,066,133</u>	<u>130,000</u>
Total notes payable	<u>4,710,796</u>	<u>1,545,875</u>	<u>(289,510)</u>	<u>5,967,161</u>	<u>295,291</u>
Business-type activities long-term liabilities	<u>\$ 7,540,423</u>	<u>\$ 1,545,875</u>	<u>\$ (690,685)</u>	<u>\$ 8,395,613</u>	<u>\$ 755,291</u>

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 4 - LONG-TERM DEBT - CONTINUED

The beginning balance of infrastructure and inter-governmental payable on the government-wide statements have been reduced by \$2 million, to properly state the fair value of infrastructure acquired via the issuance of inter-governmental payable.

Governmental Activities:

Revenue Bonds:

City of Apache Junction Greater Arizona Development Authority Revenue Bonds, Series 2007A for library construction projects; issue amount is \$3,800,000 of which \$3,055,000 is outstanding and reported gross of unamortized bond premium of \$122,727. Interest rates are 4.0% 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, 2026.

\$ 3,003,193

Less: Current maturities

(170,000)

\$ 2,833,193

Inter-governmental Payable:

Long-term inter-governmental payable due to Pinal County for shared costs related to the construction of 2.2 miles of streets within the City limits; issue amount is \$8,157,958 with annual payments including interest at 2.30% of \$740,235 for 12 years commencing in 2023 and maturity in 2035. An initial payment of \$ 2 million was made during 2012.

\$ 6,157,958

Business-type Activities:

Revenue Bond:

WUCFD revenue refunding bonds, series 2004A, for the retirement of debt. Issue amount is \$4,670,000 of which \$2,500,000 is outstanding and reported net of unamortized deferred refunding cost of \$71,548 at June 30, 2013. Interest rates are 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.

\$ 2,428,452

Less: Current maturities

(460,000)

\$ 1,968,452

Note Payable:

Water Infrastructure Finance Authority (WIFA) note payable #920111-06 for the financing of water distribution improvements. The 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.

\$ 1,901,028

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 4 - LONG-TERM DEBT - CONTINUED

Water Infrastructure Finance Authority (WIFA) note payable #920133-08 for the financing the construction of a booster station and interconnection with the City of Mesa. The balance represents draws, net of repayments, from an authorized maximum of \$5,000,000. Interest is 3.158%. Semi-annual interest payments are due on January 1 and July 1. Principal payments are due annually starting on July 1, 2009, with the note maturing July 1, 2023.

	4,066,133
	5,967,161
Less: Current maturities	(295,291)
	\$ 5,671,870

Governmental activities:

Year Ending June 30,	Bond Payable		Inter-governmental Payable	
	Principal	Interest	Principal	Interest
2014	\$ 170,000	\$ 137,350		
2015	175,000	130,124		
2016	180,000	122,687		
2017	190,000	115,637		
2018	200,000	107,436		
2019-2023	1,150,000	397,185	\$ 579,741	\$ 160,494
2024-2028	830,000	84,205	2,708,956	992,221
Thereafter			2,869,261	1,572,152
Total	\$ 2,895,000	\$ 1,094,624	\$ 6,157,958	\$ 2,724,867

Business-type activities:

Year Ending June 30,	Bond Payable		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 460,000	\$ 99,828	\$ 295,291	\$ 203,587	\$ 755,291	\$ 303,415
2015	480,000	80,020	300,625	193,721	780,625	273,741
2016	500,000	58,700	311,798	183,579	811,798	242,279
2017	520,000	36,000	322,967	173,067	842,967	209,067
2018	540,000	12,150	339,353	162,104	879,353	174,254
2019-2023			3,915,435	474,124	3,915,435	474,124
2024-2028			481,692	20,264	481,692	20,264
Total	\$ 2,500,000	\$ 286,698	\$ 5,967,161	\$ 1,410,446	\$ 8,467,161	\$ 1,697,144

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 deferred refunding costs of \$71,548. Issuance costs of \$317,081 are reported on the balance sheet net of accumulated amortization at June 30, 2013 of \$210,663.

Compensated absences are paid from the General Fund and Highway User Revenue Fund in the same proportion that those funds pay payroll costs. The following schedule summarizes the changes in compensated absence liabilities. A break-down by fund is provided in the governmental activities.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 4 - LONG-TERM DEBT - CONTINUED

	Governmental Activities			Business-Type
	General Fund	HURF	Total	Activity
Balance - June 30, 2012	\$ 1,398,521	\$ 84,124	\$ 1,482,645	\$ 120,168
Increase for the year	1,088,947	118,619	1,207,566	80,457
Decrease for the year	<u>(1,307,618)</u>	<u>(96,643)</u>	<u>(1,404,261)</u>	<u>(86,068)</u>
Balance - June 30, 2013	<u>\$ 1,179,850</u>	<u>\$ 106,100</u>	<u>\$ 1,285,950</u>	<u>\$ 114,557</u>
Estimated amount due within one year	\$ 294,963	\$ 26,525	\$ 321,488	\$ 114,557

The City has acquired machinery and equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	Governmental Activities
Machinery and equipment	\$ 590,254
Less: accumulated depreciation	<u>50,333</u>
Carrying value	<u>\$ 539,921</u>

The following schedule details debt service requirements to maturity for the City's capital leases payable at June 30, 2013:

Year ending June 30,	Governmental Activities
2014	\$ 50,993
2015	52,766
2016	54,627
2017	56,580
2018	43,091
Thereafter	<u>421,737</u>
Total minimum lease payments	679,794
Less amount representing interest	<u>(179,905)</u>
Present value of net minimum lease payments	<u>\$ 499,889</u>

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 5 - INTERFUND BALANCES

The composition of interfund balances as of June 30, 2013, is listed below.

Payable from	Payable to			Total
	General Fund	HURF	Other Governmental Funds	
General Fund			\$ 8,947	\$ 8,947
HURF	\$ 21,370			21,370
Gifts and Grants Fund	23,434	\$ 780		24,214
WUCFD	16,000			16,000
Total	<u>\$ 60,804</u>	<u>\$ 780</u>	<u>\$ 8,947</u>	<u>\$ 70,531</u>

The amounts due from the General Fund, HURF, Gifts and Grants Fund, and WUCFD, due to the General Fund, HURF and Other Governmental Fund represent expenditures made in latter funds to be reimbursed by the former funds. All interfund balances are expected to be repaid next year. Monies were transferred between the General Fund and the Debt Service Fund during the year, primarily to pay for debt service.

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 Apache Junction Municipal Property Corporation (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.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

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 premiums, 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

The City has entered into various active construction projects. Major contractual commitments are summarized as follows:

Contractor/Description	Project Name/Description	Date of Commitment	Total Commitment	Incurred through 6/30/2013	Remaining Commitment
Nesbitt Contracting, Inc.	North Apache Trail #2	5/7/2013	\$ 585,162	\$ 89,049	\$ 496,113
Sunland Inc.	Superstition Villa Subdivision	6/1/2013	296,685	276,099	20,586
David Evans and Assoc.	Meridian Dr. Road Improv.	11/4/2012	73,746	54,312	19,434
T.Y. Lin International	Broadway/Delaware Drainage Improv.		67,154	46,984	20,170
			<u>\$ 1,022,747</u>	<u>\$ 466,444</u>	<u>\$ 556,303</u>

The WUCFD has entered into a ten-year agreement with Superstition Mountains Community Facilities District No. 1 for the purchase of long-term storage credits. The agreement is for the purchase of the lesser of 2,120 acre feet or ninety percent of the available credits produced by SMCFD during the calendar year. The purchase price will be calculated at ninety-eight percent of the Central Arizona Project Municipal and Industrial Users Excess water rate, rounded to the nearest dollar. Included in the District's liabilities is an accrual for \$246,838 for the credits generated from January 2011 through June 2013. The agreement expires on December 31, 2015.

On April 13, 2012, the WUCFD entered into a contract with Currier Construction Contracting Company for the construction of a one-million gallon storage tank for \$1,393,708, subsequently amended to \$1,563,708 with the addition of a chlorination system. At June 30, 2013, the WUCFD had spent \$1,518,271 and had remaining contractual commitments of \$45,437. The project is being funded through an existing note payable to the Water Infrastructure Financing Authority of Arizona.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 8 - COMMITMENTS AND CONTINGENCIES - CONTINUED

On March 19, 2013, the WUCFD entered into a contract with Keller Electrical Industries, Inc. for a SCADA system for \$153,242. At June 30, 2013, the WUCFD had expended \$34,727 and had remaining contractual commitments of \$118,515.

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.

NOTE 9 - RETIREMENT PLANS

Plan Descriptions – The City contributes to the two plans described below. The plans are component units of the State of Arizona and benefits are established by state statute, and the plans generally provide retirement, long-term disability, and health insurance premium benefits, including debt and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retiree's average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. The health insurance premium benefit is paid as a fixed dollar amount per month toward the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The *Arizona State Retirement System (ASRS)* administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers 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.

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

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 9 - RETIREMENT PLANS - CONTINUED

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

<u>ASRS</u>	<u>PSPRS</u>
3300 North Central Ave.	3010 East Camelback Road,
P.O. Box 33910	Suite 200
Phoenix, AZ 85067-3910	Phoenix, AZ 85016-4416
(602) 240-2000 or (800) 621-3778	(602) 255-5575
www.azars.gov	www.psprs.com

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rates for ASRS and PSPRS.

Cost-sharing plans - For the year ended June 30, 2013, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.9 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll and the City was required by statute to contribute at the actuarially determined rate of 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium benefit, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The contribution, which were equal to the required contributions for the year, of the City and WUCFD to ASRS for the years ended June 30, 2013, 2012 and 2011 were as follows:

<u>City of Apache Junction</u>	<u>Health Benefit</u>		<u>Long-Term</u>
<u>Year ended June 30</u>	<u>Retirement Fund</u>	<u>Supplement Fund</u>	<u>Disability Fund</u>
2013	\$ 835,196	\$ 52,964	\$ 19,556
2012	845,470	53,475	20,371
2011	848,413	55,556	23,541

<u>WUCFD</u>	<u>Health Benefit</u>		<u>Long-Term</u>
<u>Year ended June 30</u>	<u>Retirement Fund</u>	<u>Supplement Fund</u>	<u>Disability Fund</u>
2013	\$ 66,059	\$ 3,728	\$ 1,377
2012	48,012	3,048	1,161
2011	49,003	3,209	1,360

Agent plans - For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 9.55 percent of the members' annual covered payroll, and the City was required to contribute 32.52 percent, the aggregate of which is the actuarially required amount. The health insurance premium benefit portion of the contribution rate was actuarially set at 1.59 percent of covered payroll.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 9 - RETIREMENT PLANS - CONTINUED

Actuarial methods and assumptions - The contribution requirements for the year ended June 30, 2013, were established by the June 30, 2011, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on 1) the plans as understood by the City and the plans' members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used to establish the fiscal year 2013 contribution requirements, are as follows:

	<u>PSPRS</u>
Actuarial valuation date	June 30, 2011
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	25 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year Smoothed market value
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases	5%-8%
includes inflation at	5%

Annual Pension/OPEB Cost - The City's pension/OPEB cost for the agent plans for the year ended June 30, 2013, and related information follows:

	<u>PSPRS</u>	
	<u>Pension</u>	<u>Health Insurance</u>
Annual pension/OPEB cost	\$ 928,729	\$ 48,195
Contributions made	928,729	48,195

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 9 - RETIREMENT PLANS - CONTINUED

Trend Information - Annual pension and OPEB cost information for the current and two preceding years follows;

Plan	Year Ended June 30	Annual Pension/OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
PSPRS:				
Pension	2013	\$ 928,729	100 %	\$ 0
Health Insurance	2013	48,195	100 %	0
Pension	2012	747,751	100 %	0
Health Insurance	2012	45,518	100 %	0
Pension	2011	645,251	100 %	0
Health Insurance	2011	38,200	100 %	0

Funded Status - The funded status of the plans as of the most recent valuation date, June 30, 2013, along with the actuarial assumptions and methods used in those valuations follow.

	PSPRS	
	Pension	Health Insurance
Actuarial accrued liability (a)	\$ 25,337,080	\$ 546,385
Actuarial value of assets (b)	11,933,944	0
Unfunded actuarial accrued liability (funding excess) (a) – (b)	13,403,136	546,385
Funded ratio (b) / (a)	47.1%	0.0%
Covered payroll (c)	3,032,150	3,032,150
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a) – (b))/(c)	442.0%	18.2%

The actuarial methods and assumptions used are the same for all plans and related benefits, and for the most recent valuation date, are as follows:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for overfunded
Asset valuation method	7-Year smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4.5%-8.5% 4.5%

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2013

NOTE 10 - FUND BALANCE CLASSIFICATIONS

The Fund balance classifications of the governmental funds as of June 30, 2013, were as follows:

	<u>General Fund</u>	<u>HURF</u>	<u>Gifts and Grants Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balances:					
Nonspendable:					
Inventories	\$ 20,762				\$ 20,762
Prepaid items	<u>163,654</u>	<u>\$ 36,853</u>		<u>\$ 570</u>	<u>201,077</u>
Total nonspendable	184,416	36,853		570	221,839
Restricted for:					
Library services			\$ 118,845	67,736	186,581
Law enforcement			301,315		301,315
Highway and streets		5,080,390	20,139	134,275	5,234,804
Development services			3,512,707		3,512,707
Culture and recreation			9,258		9,258
General government services			<u>144,155</u>		<u>144,155</u>
Total restricted		5,080,390	4,106,419	202,011	9,388,820
Unassigned	<u>8,111,539</u>				<u>8,111,539</u>
Total fund balances	<u>\$ 8,295,955</u>	<u>\$ 5,117,243</u>	<u>\$ 8,212,838</u>	<u>\$ 202,581</u>	<u>\$ 17,722,198</u>



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 Gifts and Grants 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, 2013

	Budgeted amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 10,858,000	\$ 10,858,000	\$ 11,049,726	\$ 191,726
Licenses and permits	762,500	762,500	819,360	56,860
Intergovernmental revenue	8,210,340	8,210,340	8,154,175	(56,165)
Charges for services	671,700	671,700	615,241	(56,459)
Fines and forfeitures	400,000	400,000	402,421	2,421
Interest income	4,500	4,500	141,932	137,432
Net change in fair value of investment			(29,415)	(29,415)
Miscellaneous	<u>600,000</u>	<u>600,000</u>	<u>504,517</u>	<u>(95,483)</u>
Total revenues	<u>21,507,040</u>	<u>21,507,040</u>	<u>21,657,957</u>	<u>150,917</u>
EXPENDITURES				
General government:				
Mayor and council	110,670	110,670	106,814	3,856
City manager	314,055	314,055	289,463	24,592
City clerk	624,200	624,200	565,627	58,573
Management services	1,596,005	1,596,005	1,319,767	276,238
Non-departmental	3,760,680	3,760,680	2,190,729	1,569,951
Finance	458,060	458,060	433,465	24,595
City Attorney	<u>548,190</u>	<u>548,190</u>	<u>551,385</u>	<u>(3,195)</u>
Total general government	<u>7,411,860</u>	<u>7,411,860</u>	<u>5,457,250</u>	<u>1,954,610</u>
Public safety:				
Public safety	8,833,855	8,833,855	8,603,291	230,564
Magistrate court	<u>623,600</u>	<u>623,600</u>	<u>569,982</u>	<u>53,618</u>
Total public safety	<u>9,457,455</u>	<u>9,457,455</u>	<u>9,173,273</u>	<u>284,182</u>
Public works				
Public works	1,341,015	1,341,015	1,173,874	167,141
Development services	1,148,510	1,148,510	1,060,375	88,135
Culture and recreation:				
Library	1,189,485	1,189,485	1,123,459	66,026
Parks and recreation	<u>3,154,785</u>	<u>3,154,785</u>	<u>3,040,093</u>	<u>114,692</u>
Total culture and recreation	<u>4,344,270</u>	<u>4,344,270</u>	<u>4,163,552</u>	<u>180,718</u>
Total expenditures	<u>23,703,110</u>	<u>23,703,110</u>	<u>21,028,324</u>	<u>2,674,786</u>
Excess (deficiency) of revenues over (under) expenditures	(2,196,070)	(2,196,070)	629,633	2,825,703
Fund balances, beginning of year	<u>7,666,322</u>	<u>7,666,322</u>	<u>7,666,322</u>	
Fund balances, end of year	<u>\$ 5,470,252</u>	<u>\$ 5,470,252</u>	<u>\$ 8,295,955</u>	<u>\$ 2,825,703</u>

CITY OF APACHE JUNCTION, ARIZONA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Other Major Governmental Funds - HURF

Year Ended June 30, 2013

	Budgeted amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 3,646,015	\$ 3,646,015	\$ 3,609,521	\$ (36,494)
Charges for services	5,000	5,000	5,255	255
Interest income	2,500	2,500	11,904	9,404
Net change in fair value of investment			(21,028)	(21,028)
Miscellaneous	<u>125,000</u>	<u>125,000</u>	<u>92,476</u>	<u>(32,524)</u>
Total revenues	<u>3,778,515</u>	<u>3,778,515</u>	<u>3,698,128</u>	<u>(80,387)</u>
EXPENDITURES				
General government				
Public works	<u>4,378,515</u>	<u>4,378,515</u>	<u>3,314,894</u>	<u>1,063,621</u>
Total expenditures	<u>4,378,515</u>	<u>4,378,515</u>	<u>3,314,894</u>	<u>1,063,621</u>
Excess (deficiency) of revenues over (under) expenditures	(600,000)	(600,000)	383,234	983,234
Fund balance, beginning of year	<u>4,734,009</u>	<u>4,734,009</u>	<u>4,734,009</u>	
Fund balance, end of year	<u>\$ 4,134,009</u>	<u>\$ 4,134,009</u>	<u>\$ 5,117,243</u>	<u>\$ 983,234</u>

CITY OF APACHE JUNCTION, ARIZONA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual
Other Major Governmental Funds - Gifts and Grants

Year Ended June 30, 2013

	Budgeted amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
REVENUES				
Development fees	\$ 210,000	\$ 210,000	\$ 60,934	\$ (149,066)
Interest income	4,000	4,000	8,845	4,845
Net change in fair value of investment			(14,782)	(14,782)
Miscellaneous	<u>6,548,000</u>	<u>6,548,000</u>	<u>1,976,113</u>	<u>(4,571,887)</u>
Total revenues	<u>6,762,000</u>	<u>6,762,000</u>	<u>2,031,110</u>	<u>(4,730,890)</u>
EXPENDITURES				
General government	6,612,000	6,612,000	66,691	6,545,309
Public safety			383,731	(383,731)
Public works	500,000	500,000	129,417	370,583
Development services	80,000	80,000	915,390	(835,390)
Culture and recreation	<u>70,000</u>	<u>70,000</u>	<u>418,685</u>	<u>(348,685)</u>
Total expenditures	<u>7,262,000</u>	<u>7,262,000</u>	<u>1,913,914</u>	<u>5,348,086</u>
Excess (deficiency) of revenues over (under) expenditures	(500,000)	(500,000)	117,196	617,196
Fund balance, beginning of year	<u>3,989,223</u>	<u>3,989,223</u>	<u>3,989,223</u>	
Fund balance, end of year	<u>\$ 3,489,223</u>	<u>\$ 3,489,223</u>	<u>\$ 4,106,419</u>	<u>\$ 617,196</u>

CITY OF APACHE JUNCTION, ARIZONA

Required Supplementary Information
Schedule of Agent Retirement Plan Funding Progress

June 30, 2013

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	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funding (Liability) Excess	Funded Ratio	Annual Covered Payroll	Unfunded Liability as Percentage of Covered Payroll
	(a)	(b)	(a-b)	(a/b)	(c)	([a-b]/c)
<u>June 30, 2013</u>						
Pension	\$ 11,933,944	\$ 25,337,080	\$ (13,403,136)	47.1%	\$ 3,032,150	-442.0%
Health insurance		546,385	(546,385)	0.0%	3,032,150	-18.2%
<u>June 30, 2012</u>						
Pension	12,166,524	24,924,031	(12,757,507)	48.8%	2,975,918	-428.7%
Health insurance		576,804	(576,804)	0.0%	2,975,918	-19.4%
<u>June 30, 2011</u>						
Pension	11,959,608	22,203,073	(10,243,465)	53.9%	2,773,132	-369.4%
Health insurance		570,959	(570,959)	0.0%	2,773,132	-20.6%



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 purpose of additional analysis.

These 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, Library, and Lighting District 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, 2013

	Local Transportation Assistance	Library	Lighting District Fund	Totals
ASSETS				
Investments	\$ 56,701	\$ 78,788	\$ 68,332	\$ 203,821
Receivables:				
Due from other governments			295	295
Due from other funds			8,947	8,947
Prepaid items		<u>570</u>		<u>570</u>
Total assets	<u>\$ 56,701</u>	<u>\$ 79,358</u>	<u>\$ 77,574</u>	<u>\$ 213,633</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES:				
Accounts payable		<u>\$ 11,052</u>		<u>\$ 11,052</u>
Total liabilities		<u>11,052</u>		<u>11,052</u>
FUND BALANCES				
Nonspendable		570		570
Restricted	<u>\$ 56,701</u>	<u>67,736</u>	<u>\$ 77,574</u>	<u>202,011</u>
Total fund balances	<u>56,701</u>	<u>68,306</u>	<u>77,574</u>	<u>202,581</u>
Total liabilities and fund balances	<u>\$ 56,701</u>	<u>\$ 79,358</u>	<u>\$ 77,574</u>	<u>\$ 213,633</u>

CITY OF APACHE JUNCTION, ARIZONA

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2013

	Local Transportation Assistance	Library	Lighting District Fund	Debt Service Funds	Totals
REVENUES					
Taxes			\$ 48,768		\$ 48,768
Intergovernmental revenue	\$ 867	\$ 55,000			55,867
Investment income	134	164	143		441
Net change in fair value of investment	(218)	(302)	(262)		(782)
Miscellaneous		449			449
Total revenues	<u>783</u>	<u>55,311</u>	<u>(119)</u>		<u>55,975</u>
EXPENDITURES					
General government			37,081		37,081
Culture and recreation Principal	865	50,333			51,198
Interest and other charges					
Total expenditures	<u>865</u>	<u>50,333</u>	<u>37,081</u>		<u>88,279</u>
Net change in fund balances	(82)	4,978	(37,200)		(32,304)
Fund balances, July 1, 2012	<u>56,783</u>	<u>63,328</u>	<u>66,006</u>		<u>186,117</u>
Fund balances, June 30, 2013	<u>\$ 56,701</u>	<u>\$ 68,306</u>	<u>\$ 28,806</u>	<u>\$</u>	<u>\$ 153,813</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue			\$ 867	\$ 867
Investment income	\$ 75	\$ 75	134	59
Net change in fair value of investment			(218)	(218)
Total revenues	<u>75</u>	<u>75</u>	<u>783</u>	<u>708</u>
EXPENDITURES				
Culture and recreation				
LTAf			<u>865</u>	<u>(865)</u>
Total expenditures			<u>865</u>	<u>(865)</u>
Excess (deficiency) of revenues (under) over expenditures	75	75	(82)	(157)
Fund balances, July 1, 2012	<u>56.783</u>	<u>56.783</u>	<u>56.783</u>	
Fund balances, June 30, 2013	<u>\$ 56.858</u>	<u>\$ 56.858</u>	<u>\$ 56.701</u>	<u>\$ (157)</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue			\$ 55,000	\$ 55,000
Investment income			164	164
Miscellaneous	\$ 55,000	\$ 55,000	449	(54,551)
Total revenues	55,000	55,000	55,613	613
EXPENDITURES				
Library	57,000	57,000	50,333	6,667
Total expenditures	57,000	57,000	50,333	6,667
Excess (deficiency) of revenues (under) over expenditures	(2,000)	(2,000)	5,280	7,280
Fund balances, July 1, 2012	63,328	63,328	63,328	
Fund balances, June 30, 2013	\$ 61,328	\$ 61,328	\$ 68,608	\$ 7,280

CITY OF APACHE JUNCTION, ARIZONA

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Lighting Districts Special Revenue Fund

Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 60,000	\$ 60,000	\$ 48,768	\$ (11,232)
Investment income			143	143
Net change in fair value of investment			(262)	(262)
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>48,649</u>	<u>(11,351)</u>
EXPENDITURES				
Lighting District	<u>60,000</u>	<u>60,000</u>	<u>37,081</u>	<u>22,919</u>
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>37,081</u>	<u>22,919</u>
Excess (deficiency) of revenues (under) over expenditures			11,568	11,568
Fund balances, July 1, 2012	<u>66,006</u>	<u>66,006</u>	<u>66,006</u>	
Fund balances, June 30, 2013	<u>\$ 66,006</u>	<u>\$ 66,006</u>	<u>\$ 77,574</u>	<u>\$ 11,568</u>

**CAPITAL ASSETS USED IN
GOVERNMENTAL ACTIVITIES**

CITY OF APACHE JUNCTION, ARIZONA

Schedule of Capital Assets - By Source

June 30, 2013

Governmental funds capital assets:	
Land	\$ 2,151,770
Buildings	21,542,602
Improvements	12,275,375
Equipment	11,347,600
Infrastructure	62,247,076
Construction in process	<u>1,136,134</u>
Total governmental funds capital assets	<u>\$ 110,700,557</u>
Investments in governmental funds capital assets by source:	
General fund	\$ 24,094,522
Capital projects fund	15,361,315
Special revenue funds	<u>71,244,720</u>
Total governmental funds capital assets	<u>\$ 110,700,557</u>

CITY OF APACHE JUNCTION, ARIZONA
Schedule of Changes in Capital Assets - By Function and Activity
June 30, 2013

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>	<u>Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government							
City manager				\$ 51,214			\$ 51,214
City clerk			\$ 6,185	57,663			63,848
Finance				85,559			85,559
Other general government	\$ 1,369,972	\$ 7,756,263	1,546,586	2,079,549		\$ 92,702	12,845,072
City attorney		7,554	7,608	41,228			56,390
Total general government	<u>1,369,972</u>	<u>7,763,817</u>	<u>1,560,379</u>	<u>2,315,213</u>		<u>92,702</u>	<u>13,102,083</u>
Public safety							
Municipal courts		71,789	21,174	62,017			154,980
Police		<u>3,607,632</u>	<u>492,878</u>	<u>3,869,815</u>		<u>124,831</u>	<u>8,095,156</u>
Total public safety		<u>3,679,421</u>	<u>514,052</u>	<u>3,931,832</u>		<u>124,831</u>	<u>8,250,136</u>
Public works							
Streets	322,373		83,550	3,177,905	\$ 62,247,076	908,601	66,739,505
Public works	444,425	377,585	583,885	314,812		10,000	1,730,707
Engineering				<u>122,373</u>			<u>122,373</u>
Total public works	<u>766,798</u>	<u>377,585</u>	<u>667,435</u>	<u>3,615,090</u>	<u>62,247,076</u>	<u>918,601</u>	<u>68,592,585</u>
Culture and recreation							
Library		5,125,746	679,632	428,472			6,233,850
Parks and recreation	<u>15,000</u>	<u>4,596,033</u>	<u>8,853,877</u>	<u>1,056,993</u>			<u>14,521,903</u>
Total culture and recreation	<u>15,000</u>	<u>9,721,779</u>	<u>9,533,509</u>	<u>1,485,465</u>			<u>20,755,753</u>
Governmental funds capital assets	<u>\$ 2,151,770</u>	<u>\$ 21,542,602</u>	<u>\$ 12,275,375</u>	<u>\$ 11,347,600</u>	<u>\$ 62,247,076</u>	<u>\$ 1,136,134</u>	<u>\$ 110,700,557</u>

CITY OF APACHE JUNCTION, ARIZONA
Schedule of Changes in Capital Assets - By Function and Activity
Year Ended June 30, 2013

FUNCTION AND ACTIVITY	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
General government				
City manager	\$ 51,214			\$ 51,214
City clerk	63,848			63,848
Finance	74,465	\$ 11,094		85,559
Other general government	12,775,254	166,041	\$ 96,223	12,845,072
City attorney	56,390			56,390
Total general government	<u>13,021,171</u>	<u>177,135</u>	<u>96,223</u>	<u>13,102,083</u>
Public safety				
Municipal courts	154,980			154,980
Police	<u>7,838,504</u>	<u>423,802</u>	<u>167,150</u>	<u>8,095,156</u>
Total public safety	<u>7,993,484</u>	<u>423,802</u>	<u>167,150</u>	<u>8,250,136</u>
Public works				
Streets, restated	64,812,171	1,927,334		66,739,505
Public works	1,699,222	64,134	32,649	1,730,707
Engineering	<u>122,373</u>			<u>122,373</u>
Total public works	<u>66,633,766</u>	<u>1,991,468</u>	<u>32,649</u>	<u>68,592,585</u>
Culture and recreation				
Library	6,233,850			6,233,850
Parks and recreation	<u>14,474,329</u>	<u>47,574</u>		<u>14,521,903</u>
Total culture and recreation	<u>20,708,179</u>	<u>47,574</u>		<u>20,755,753</u>
Governmental funds capital assets	<u>\$ 108,356,600</u>	<u>\$ 2,639,979</u>	<u>\$ 296,022</u>	<u>\$ 110,700,557</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.

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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 Position by Component,
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2004	2005	2006 <i>(restated)</i>	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Invested in capital assets, net of related debt	\$ 10,040,964	\$ 22,267,108	\$ 42,537,694	\$ 44,063,621	\$ 51,749,213	\$ 51,657,399	\$ 52,902,708	\$ 53,965,519	\$ 54,102,601	\$ 52,154,679
Restricted	9,870,923	8,098,783	9,193,222	15,377,510	12,115,055	12,173,992	12,969,559	10,715,671	5,118,752	9,426,243
Unrestricted	<u>12,768,977</u>	<u>8,015,419</u>	<u>10,597,995</u>	<u>12,147,838</u>	<u>9,231,815</u>	<u>7,452,402</u>	<u>7,041,752</u>	<u>6,968,252</u>	<u>10,038,061</u>	<u>7,066,238</u>
Total governmental activities net position	<u>\$ 32,680,864</u>	<u>\$ 38,381,310</u>	<u>\$ 62,328,911</u>	<u>\$ 71,588,969</u>	<u>\$ 73,096,083</u>	<u>\$ 71,283,793</u>	<u>\$ 72,914,019</u>	<u>\$ 71,649,442</u>	<u>\$ 69,259,414</u>	<u>\$ 68,647,160</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 2,390,835	\$ 3,249,907	\$ 4,701,010	\$ 4,126,714	\$ 2,213,827	\$ 3,509,293	\$ 3,221,376	\$ 3,636,093	\$ 4,569,186	\$ 4,493,493
Restricted	1,360,849	844,156	105,664	143,613	140,743	263,461	219,560	233,540	23,179	44,956
Unrestricted	<u>2,892,216</u>	<u>3,018,050</u>	<u>1,326,447</u>	<u>2,309,445</u>	<u>6,365,896</u>	<u>5,434,414</u>	<u>6,526,359</u>	<u>7,138,166</u>	<u>7,257,818</u>	<u>8,190,001</u>
Total business-type activities net position	<u>\$ 6,643,900</u>	<u>\$ 7,112,113</u>	<u>\$ 6,133,121</u>	<u>\$ 6,579,772</u>	<u>\$ 8,720,466</u>	<u>\$ 9,207,168</u>	<u>\$ 9,967,295</u>	<u>\$ 11,007,799</u>	<u>\$ 11,850,183</u>	<u>\$ 12,728,450</u>
Primary Government										
Invested in capital assets, net of related debt	\$ 12,431,799	\$ 25,517,015	\$ 47,238,704	\$ 48,190,335	\$ 53,963,040	\$ 55,166,692	\$ 56,124,084	\$ 57,601,612	\$ 58,671,787	\$ 56,648,172
Restricted	11,231,772	8,942,939	9,298,886	15,521,123	12,255,798	12,437,453	13,189,119	10,949,211	5,141,931	9,471,199
Unrestricted	<u>15,661,193</u>	<u>11,033,469</u>	<u>11,924,442</u>	<u>14,457,283</u>	<u>15,597,711</u>	<u>12,886,816</u>	<u>13,568,111</u>	<u>14,106,418</u>	<u>17,295,879</u>	<u>15,256,239</u>
Total primary governmental activities net position	<u>\$ 39,324,764</u>	<u>\$ 45,493,423</u>	<u>\$ 68,462,032</u>	<u>\$ 78,168,741</u>	<u>\$ 81,816,549</u>	<u>\$ 80,490,961</u>	<u>\$ 82,881,314</u>	<u>\$ 82,657,241</u>	<u>\$ 81,109,597</u>	<u>\$ 81,375,610</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 Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2004	2005	2006 (restated)	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities										
General government	\$ 5,304,928	\$ 5,532,195	\$ 5,605,997	\$ 5,776,128	\$ 6,609,379	\$ 5,401,637	\$ 5,697,790	\$ 5,275,413	\$ 5,476,229	\$ 5,425,442
Public safety	6,738,635	7,390,056	7,894,785	8,303,458	9,721,995	9,571,700	8,776,883	9,205,446	9,532,235	9,726,131
Public works	3,639,351	4,098,191	4,599,901	6,855,203	8,346,997	8,168,756	6,487,597	6,331,853	6,649,218	6,583,382
Development services	1,207,716	1,228,182	1,482,172	1,740,036	1,534,831	1,903,139	1,941,344	2,327,916	1,898,963	1,363,737
Culture and recreation	4,055,863	4,619,935	5,810,171	6,423,600	6,897,972	5,825,287	5,334,007	5,505,114	5,228,563	5,380,681
Interest on long-term debt	342,975	508,901	296,176	218,094	411,072	532,451	220,554	168,508	142,391	132,028
Total governmental activities net position	<u>21,289,468</u>	<u>23,377,460</u>	<u>25,689,202</u>	<u>29,316,519</u>	<u>33,522,246</u>	<u>31,402,970</u>	<u>28,458,175</u>	<u>28,814,250</u>	<u>28,927,599</u>	<u>28,611,401</u>
Business-type activities										
Water	2,260,811	2,495,703	3,902,926	2,804,990	3,074,360	3,236,481	3,054,300	2,945,987	3,222,256	3,266,304
Total government expenses	<u>\$ 23,550,279</u>	<u>\$ 25,873,163</u>	<u>\$ 29,592,128</u>	<u>\$ 32,121,509</u>	<u>\$ 36,596,606</u>	<u>\$ 34,639,451</u>	<u>\$ 31,512,475</u>	<u>\$ 31,760,237</u>	<u>\$ 32,149,855</u>	<u>\$ 31,877,705</u>
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 125,378	\$ 129,571	\$ 140,505	\$ 153,405	\$ 270,258	\$ 247,229	\$ 226,009	\$ 277,413	\$ 240,476	\$ 240,351
Public safety	367,533	338,887	306,793	430,527	400,710	498,638	544,631	522,822	828,296	538,093
Public works	504,283									5,256
Development services	626,825	1,217,827	1,275,379	3,819,489	1,015,421	275,797	498,176	268,535	476,319	510,457
Culture and recreation	242,029	291,732	644,321	729,436	708,592	685,366	698,460	673,446	609,007	629,550
Operating grants and contributions	5,146,595	5,607,764	6,669,363	7,389,918	6,952,197	5,939,635	5,790,370	6,107,709	4,384,139	4,308,611
Capital grants and contributions	725,102	2,155,601	673,419	984,805	875,069	699,655	2,608,695	954,171	689,429	1,891,347
Total governmental activities program revenues	7,737,745	9,741,382	9,709,780	13,507,580	10,222,247	8,346,320	10,366,341	8,804,096	7,227,666	8,123,665
Business-type activities										
Water	2,803,832	2,832,723	2,844,254	3,156,206	3,252,174	3,463,586	3,801,703	3,801,700	4,044,473	4,160,174
Total government program revenues	<u>\$ 10,541,577</u>	<u>\$ 12,574,105</u>	<u>\$ 12,554,034</u>	<u>\$ 16,663,786</u>	<u>\$ 13,474,421</u>	<u>\$ 11,809,906</u>	<u>\$ 14,168,044</u>	<u>\$ 12,605,796</u>	<u>\$ 11,272,139</u>	<u>\$ 12,283,839</u>

Schedule A-2
City of Apache Junction, Arizona
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(continued)

	Fiscal Year Ended June 30,									
	2004	2005	2006 (restated)	2007	2008	2009	2010	2011	2012	2013
Net (Expense) Revenue										
Governmental activities	\$ (13,551,723)	\$ (13,636,078)	\$ (15,979,422)	\$ (15,808,939)	\$ (23,299,999)	\$ (23,056,650)	\$ (18,091,834)	\$ (20,010,154)	\$ (21,699,933)	\$ (20,487,736)
Business-type activities	<u>543,021</u>	<u>337,020</u>	<u>(1,058,672)</u>	<u>351,216</u>	<u>177,814</u>	<u>227,105</u>	<u>747,403</u>	<u>855,713</u>	<u>822,217</u>	<u>893,870</u>
Total government net expense	<u>\$ (13,008,702)</u>	<u>\$ (13,299,058)</u>	<u>\$ (17,038,094)</u>	<u>\$ (15,457,723)</u>	<u>\$ (23,122,185)</u>	<u>\$ (22,829,545)</u>	<u>\$ (17,344,431)</u>	<u>\$ (19,154,441)</u>	<u>\$ (20,877,716)</u>	<u>\$ (19,593,866)</u>
General Revenues and other Changes in net position										
Governmental activities:										
Transaction privilege (sales) taxes	\$ 9,530,785	\$ 10,498,373	\$ 11,662,971	\$ 12,438,959	\$ 12,169,050	\$ 9,916,225	\$ 9,613,361	\$ 9,796,198	\$ 10,615,162	\$ 10,854,689
Urban revenue sharing	2,868,648	2,924,583	3,330,907	3,868,160	4,794,672	5,100,803	4,398,795	3,316,127	3,024,922	3,660,979
State shared sales tax	2,676,518	2,947,259	3,378,063	3,238,266	3,131,168	2,710,717	2,500,241	2,618,154	2,800,548	2,933,570
State shared vehicle license taxes	1,387,414	1,539,378	1,958,740	2,127,173	2,301,683	2,222,868	2,126,433	2,055,085	1,513,397	1,558,626
Other taxes	265,680	219,067	285,800	578,395	372,837	250,185	234,781	130,736	140,630	195,037
Earnings on investments	(121,606)	427,115	839,809	1,115,055	843,916	155,597	19,433	20,593	11,568	163,122
Loss in change of fair value										(66,007)
Miscellaneous	<u>802,598</u>	<u>780,749</u>	<u>896,852</u>	<u>1,702,989</u>	<u>1,193,787</u>	<u>887,965</u>	<u>829,016</u>	<u>808,684</u>	<u>1,203,678</u>	<u>575,466</u>
Total governmental activities	<u>17,410,037</u>	<u>19,336,524</u>	<u>22,353,142</u>	<u>25,068,997</u>	<u>24,807,113</u>	<u>21,244,360</u>	<u>19,722,060</u>	<u>18,745,577</u>	<u>19,309,905</u>	<u>19,875,482</u>
Business-type activities										
Earnings on investments	30,908	131,193	79,680	95,435	169,033	41,638	4,990	7,206	7,475	15,254
Gain on sale of land					1,793,847					
Loss in change of fair value										(31,643)
Miscellaneous						<u>217,959</u>	<u>7,734</u>	<u>177,585</u>	<u>12,692</u>	<u>786</u>
Total government	<u>\$ 17,440,945</u>	<u>\$ 19,467,717</u>	<u>\$ 22,432,822</u>	<u>\$ 25,164,432</u>	<u>\$ 26,769,993</u>	<u>\$ 21,503,957</u>	<u>\$ 19,734,784</u>	<u>\$ 18,930,368</u>	<u>\$ 19,330,072</u>	<u>\$ 19,859,879</u>
Changes in net position										
Governmental activities	\$ 3,858,314	\$ 5,700,446	\$ 6,373,720	\$ 9,260,058	\$ 1,507,114	\$ (1,812,290)	\$ 1,630,226	\$ (1,264,577)	\$ (2,390,028)	\$ (612,254)
Business-type activities	<u>573,929</u>	<u>468,213</u>	<u>(978,992)</u>	<u>446,651</u>	<u>2,140,694</u>	<u>486,702</u>	<u>760,127</u>	<u>1,040,504</u>	<u>842,384</u>	<u>878,267</u>
Total government change in net position	<u>\$ 4,432,243</u>	<u>\$ 6,168,659</u>	<u>\$ 5,394,728</u>	<u>\$ 9,706,709</u>	<u>\$ 3,647,808</u>	<u>\$ (1,325,588)</u>	<u>\$ 2,390,353</u>	<u>\$ (224,073)</u>	<u>\$ (1,547,644)</u>	<u>\$ 266,013</u>

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

(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 83,129	\$ 77,545	\$ 77,912	\$ 76,092	\$ 98,398	\$ 232,717	\$ 206,291			
Unreserved	12,760,054	8,414,606	10,113,540	12,078,127	10,270,155	8,433,697	8,023,316			
Nonspendable								\$ 34,050	\$ 179,758	\$ 184,416
Restricted										
Committed										
Assigned										
Unassigned								7,984,362	7,486,564	8,111,539
Total general fund	<u>\$ 12,843,183</u>	<u>\$ 8,492,151</u>	<u>\$ 10,191,452</u>	<u>\$ 12,154,219</u>	<u>\$ 10,368,553</u>	<u>\$ 8,666,414</u>	<u>\$ 8,229,607</u>	<u>\$ 8,018,412</u>	<u>\$ 7,666,322</u>	<u>\$ 8,295,955</u>
All Other Governmental Funds										
Reserved	\$ 101,059	\$ 8,446	\$ 16,569	\$ 15,477	\$ 1,721	\$ 9,447	\$ 1,520			
Unreserved, reported in:										
Special revenue funds	5,956,401	8,021,238	9,098,741	12,391,571	12,014,636	11,931,828	12,761,748			
Capital projects fund	1,862,941	(358,438)	(358,438)	2,893,278						
Debt service fund	2,057									
Nonspendable								\$ 2,858	\$ 19,233	\$ 37,423
Restricted								10,678,763	8,890,116	9,388,820
Committed										
Assigned										
Unassigned										
Total all other governmental funds	<u>\$ 7,922,458</u>	<u>\$ 7,671,246</u>	<u>\$ 8,756,872</u>	<u>\$ 15,300,326</u>	<u>\$ 12,016,357</u>	<u>\$ 11,941,275</u>	<u>\$ 12,763,268</u>	<u>\$ 10,681,621</u>	<u>\$ 8,909,349</u>	<u>\$ 9,426,243</u>

Note: Due to the implementation of GASB 54 in fiscal year 2011, categories regarding fund balances have been redefined.

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

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 9,796,465	\$ 10,717,440	\$ 11,948,770	\$ 13,017,355	\$ 12,541,885	\$ 10,166,409	\$ 9,848,143	\$ 9,990,594	\$ 10,836,672	\$ 11,098,494
Licenses and permits	1,073,025	1,395,161	1,440,092	4,005,294	1,325,779	624,515	806,410	616,596	923,689	1,385,359
Intergovernmental revenue	12,532,705	15,174,586	16,010,491	17,608,319	18,054,789	16,449,032	15,451,912	14,866,007	12,167,591	13,189,854
Charges for services	300,112	332,589	646,298	723,674	691,931	652,367	668,901	644,930	585,061	620,497
Fines and forfeitures	367,533	250,266	280,606	403,890	377,272	430,148	491,965	500,612	703,466	463,355
Interest income	134,689	427,116	839,808	1,115,056	890,468	155,596	19,432	20,593	11,568	97,115
Miscellaneous	1,200,516	780,755	896,873	1,715,836	1,207,757	899,222	853,308	910,052	1,277,923	637,264
	<u>25,405,045</u>	<u>29,077,913</u>	<u>32,062,938</u>	<u>38,589,424</u>	<u>35,089,881</u>	<u>29,377,289</u>	<u>28,140,071</u>	<u>27,549,384</u>	<u>26,505,970</u>	<u>27,491,938</u>
Expenditures										
Current:										
General government	5,127,353	5,958,518	5,728,668	5,601,226	6,456,203	5,250,035	5,257,086	4,834,099	4,978,333	4,979,894
Public safety	6,061,257	7,556,624	7,700,123	8,838,509	9,458,910	9,199,959	8,444,552	8,736,116	9,106,088	9,343,875
Public works	5,274,208	5,133,734	6,550,498	8,077,233	5,965,837	5,590,102	4,623,506	3,450,885	3,726,079	3,040,807
Development services	1,146,587	1,186,826	1,460,647	1,721,448	1,537,972	1,865,895	1,934,410	2,855,997	1,870,117	1,432,842
Culture and recreation	3,920,163	4,231,290	5,455,682	7,367,862	6,304,686	5,293,717	4,121,626	4,636,860	4,433,583	4,588,321
Capital Outlay	5,044,460	6,317,182			8,736,201	2,183,762	1,595,280	4,694,019	2,396,601	2,639,980
Debt service:										
Principal	1,029,127	2,685,000	1,990,000	2,080,000	1,420,000	1,455,000	1,525,000	450,000	2,475,000	173,130
Interest	290,150	610,983	392,393	296,925	279,707	316,040	253,425	184,250	157,550	146,562
Total expenditures	<u>27,893,305</u>	<u>33,680,157</u>	<u>29,278,011</u>	<u>33,983,203</u>	<u>40,159,516</u>	<u>31,154,510</u>	<u>27,754,885</u>	<u>29,842,226</u>	<u>29,143,351</u>	<u>26,345,411</u>
Other Financing Sources (Uses)										
Transfers in	628,140	5,868,317	1,237,210	1,581,164	303,919	336,262	326,976	746,643	327,331	
Transfers out	(628,140)	(5,868,317)	(1,237,210)	(1,581,164)	(303,919)	(336,262)	(326,976)	(746,643)	(327,331)	
Proceeds from lease									513,019	
Bond proceeds	7,000,000			3,900,000						
Investment loss	(256,295)									
Total Other Financing Sources (Uses)	<u>6,743,705</u>			<u>3,900,000</u>					<u>513,019</u>	
Extraordinary Item										
Loss from State Treasurer's Local Government Investment Pool										
Net Change in Fund Balances	<u>\$ 4,255,445</u>	<u>\$ (4,602,244)</u>	<u>\$ 2,784,927</u>	<u>\$ 8,506,221</u>	<u>\$ (5,069,635)</u>	<u>\$ (1,777,221)</u>	<u>\$ 385,186</u>	<u>\$ (2,292,842)</u>	<u>\$ (2,124,362)</u>	<u>\$ 1,146,527</u>
Debt Service as a Percentage of Noncapital Expenditures	5.77%	12.05%	8.14%	6.99%	5.41%	6.11%	6.80%	2.52%	9.84%	1.35%

Schedule B-1

City of Apache Junction, Arizona

Estimated Taxable Sales ⁽¹⁾

Last Ten Fiscal Years

(amounts expressed in thousands)

	Year Ended June 30,					
	2008	2009	2010	2011	2012	2013
Advertising	\$ 5,549	\$ 3,966	\$ 3,806	\$ 3,628	\$ 2,239	\$ 1,809
Amusements	3,315	2,191	2,905	3,022	3,146	2,997
Animal Feed					200	
Job Printing	595	517	434	402	412	485
Manufactured Buildings	4,706	2,148	987	801	891	176
Publishing	4,669	2,981	1,627	2,238	3,492	4,399
Real Property Rental	54,957	56,763	59,169	61,158	64,880	66,060
Hotel/Motel	7,550	4,996	5,917	6,800	5,692	4,780
Tangible Property Rental	9,700	7,900	11,484	13,824	18,324	20,288
Restaurants/Bars	30,340	27,335	29,659	30,052	32,486	34,122
Retail Sales	253,055	229,715	215,723	220,796	231,440	237,759
Telecommunications ⁽²⁾	17,907	15,332	16,495	16,007	15,182	13,913
Transportation	2	28	32	54	43	30
Other	23	463		16		
Utilities ⁽²⁾	38,449	39,518	39,863	40,204	40,902	41,339
Subtotal:						
Non-Construction	430,817	393,853	388,101	399,002	419,329	428,157
Construction	60,657	29,862	25,637	27,433	32,151	39,941
Total Taxable Sales	\$ 491,474	\$ 423,715	\$ 413,738	\$ 426,435	\$ 451,480	\$ 468,098
Direct Tax Rate ⁽³⁾	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%

⁽¹⁾ Source: Estimated based upon tax collections

⁽²⁾ The tax on Communications and Utilities are taxed at 1% higher than the general City tax rate. Since September 2000, the rate for Communications and Utilities has been 3.2%

⁽³⁾ The tax on the portion of a Retail purchase in excess of \$2,000 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 \$2,000 has been 1.2%. The 1% difference on large purchases is 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.

Note: The City began collecting taxes directly in the year ended June 30, 2008, and is categorized differently than the SIC codes previously used. The GASB standard of ten years of data is not presented because of these differences.

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

Fiscal Year Ended June 30,	City Direct Rates			Pinal County	State of Arizona
	General Sales	Portion of Retail Sale over \$2,000	Utilities and Communications		
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
2007	2.20	1.20	3.20	1.00	5.60
2008 ⁽¹⁾	2.20	1.20	3.20	1.10	5.60
2009	2.20	1.20	3.20	1.10	5.60
2010 ⁽²⁾	2.20	1.20	3.20	1.10	6.60
2011	2.20	1.20	3.20	1.10	6.60
2012	2.20	1.20	3.20	1.10	6.60
2013 ⁽²⁾	2.20	1.20	3.20	1.10	5.60

⁽¹⁾ Effective October 1, 2007 Pinal County increased its tax rate by .1%.

⁽²⁾ Effective June 1, 2010, the state tax rate increased 1.0% following the passage of Proposition 100 in May 2010. The percentage reverted to 5.6% effective June 1, 2013.

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 Ten Fiscal Years

Year Ended June 30,	Governmental Activities (from Schedule C-2)	Business-type Activities (from Schedule C-3)	Total	Percentage of Personal Income	Per Capita
2004	\$ 12,349,094	\$ 7,465,386	\$ 19,814,480	2.62 %	\$ 564.24
2005	9,681,012	7,177,845	16,858,857	2.15	494.83
2006	8,650,000	6,957,729	15,607,729	1.81	437.38
2007	9,505,000	7,228,134	16,733,134	1.72	449.05
2008	7,474,688	6,848,215	14,322,903	1.77	377.74
2009	5,976,099	6,953,438	12,929,537	1.68	341.47
2010	4,423,627	8,632,498	13,056,125	1.80	364.41
2011	3,967,885	8,170,162	12,138,047	1.64	332.19
2012	9,848,704	7,540,423	17,389,127	2.21	475.91
2013	9,661,040	8,395,613	18,056,653	2.27	484.79

Note: Governmental Activities and Business-type activities are shown on Schedules C-2 and Schedules C-3 respectively.

Note: The Water District which makes up the business-type activities serves only about a third of the City's population. Therefore, the total debt per capital amounts only apply to those within the Water District service area.

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

Governmental Activities								
Year Ended June 30,	Municipal		Subtotal Bonds	Capital Leases	Inter-governmental	Total	Percentage of Personal Income Per Capita	
	Property Corporation Bonds	GADA ⁽¹⁾ Revenue Bonds					%	\$
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	1.00	242.40
2007	2,570,000	6,935,000	9,505,000			9,505,000	0.98	255.08
2008	1,445,000	6,029,688	7,474,688			7,474,688	0.92	197.13
2009	1,185,000	4,791,099	5,976,099			5,976,099	0.78	157.83
2010	910,000	3,513,627	4,423,627			4,423,627	0.61	123.47
2011	620,000	3,347,885	3,967,885			3,967,885	0.54	108.59
2012 ⁽²⁾		3,177,727	3,177,727	513,019	\$ 6,157,958	9,848,704	1.25	269.54
2013		3,003,193	3,003,193	499,889	6,157,958	9,661,040	1.22	259.38

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

⁽¹⁾ GADA - Greater Arizona Development Authority.

⁽²⁾ Intergovernmental payable balance restated

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				
	1997 Series A Revenue Bonds ⁽¹⁾	2004 Series A Revenue Bonds	WIFA ⁽²⁾ Loans	Total	Per Meter ⁽³⁾
2004	\$ 1,138,079	\$ 4,120,897	\$ 2,206,410	\$ 7,465,386	\$ 2,098.20
2005	878,912	4,190,523	2,108,410	7,177,845	1,951.03
2006	602,932	4,221,635	2,133,162	6,957,729	1,839.70
2007	310,000	4,233,959	2,684,175	7,228,134	1,851.94
2008		4,242,273	2,605,942	6,848,215	1,775.99
2009		3,916,305	3,037,133	6,953,438	1,814.57
2010		3,575,724	5,056,774	8,632,498	2,215.73
2011		3,215,257	4,954,905	8,170,162	2,099.22
2012		2,829,627	4,710,796	7,540,423	1,919.17
2013		2,428,452	5,967,161	8,395,613	2,060.27

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

⁽¹⁾ 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.

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

⁽³⁾ 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.

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

Year Ended June 30,	Municipal Property Corporation Bonds	GADA ⁽¹⁾ Revenue Bonds	Total	Actual Property Value ⁽²⁾	Percentage of Actual Property Value	Per Capita
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	1,258,239,253	0.69	254.00
2007	2,570,000	6,935,000	9,505,000	1,330,984,135	0.71	253.21
2008	1,445,000	6,029,688	7,474,688	1,582,628,269	0.47	197.13
2009	1,185,000	4,791,099	5,976,099	2,183,782,884	0.27	157.83
2010	910,000	3,513,627	4,423,627	2,170,093,114	0.20	123.47
2011	620,000	3,347,885	3,967,885	1,775,212,416	0.22	108.59
2012		3,177,727	3,177,727	1,489,068,553	0.21	86.05
2013		3,003,193	3,003,193	1,456,815,363	0.21	81.33

⁽¹⁾ GADA - Greater Arizona Development Authority.

⁽²⁾ Source: Compiled From Arizona Department of Revenue Property Tax *Abstract of the Assessment Roll*

**Schedule C-5
City of Apache Junction, Arizona
Computation of Direct and Overlapping Debt
June 30, 2013**

<u>Governmental Unit</u>	<u>Net Secondary Assessed Value⁽¹⁾</u>	<u>Debt Outstanding⁽²⁾</u>	<u>Approximate Percentage Applicable to the City of Apache Junction</u>	<u>Proportionate Share of Debt Applicable to City of Apache Junction</u>
<u>Pinal County Agencies</u>				
<u>General Obligation (G.O.) Bonds</u>				
Apache Junction Unified School District #43 (AJUSD #43)	\$ 371,009,599	42,245,000	41.8153 %	17,664,891
Pinal County Comm College District	2,177,012,575	95,525,000	7.1262	6,807,332
Overlapping GO Bonded Debt-Pinal		137,770,000		24,472,223
<u>Debt other than G.O. Bonds</u>				
Pinal County Revenue Bonds	2,177,012,575	85,775,000	7.1262	6,112,524
Pinal County Municipal Property Corp	2,177,012,575	56,805,000	7.1262	4,048,055
Pinal County Capital Leases	2,177,012,575	2,073,312	7.1262	147,749
Apache Junction Fire District	357,812,368	7,523,744	43.3576	3,262,117
Pinal County Comm Coll. Capital Leases	2,177,012,575	8,953,571	7.1262	638,052
Superstition Mountains Comm. Fac. Dist.		25,645,000	100.0000	25,645,000
Total Pinal County overlapping debt		324,545,627		64,325,720
City Direct Debt (Pinal portion)⁽³⁾	155,138,935	9,848,704	99.3851	9,788,144
Direct and overlapping debt- Pinal County portion of City		<u>\$ 334,394,331</u>		<u>\$ 74,113,864</u>
<u>Maricopa County Agencies</u>				
<u>General Obligation Bonds</u>				
Maricopa County Community College District (MCCCD)	\$ 34,400,455,712	\$ 712,735,000	0.0028 %	\$ 19,887
Mesa Unified School District #4	2,661,584,907	226,400,000	0.0361	81,647
Total Maricopa County overlapping debt		939,135,000		101,534
<u>Debt other than G.O. Bonds</u>				
<u>Maricopa County</u>				
Revenue bonds	34,400,455,712	108,975,000	0.0028	3,041
Total Maricopa County overlapping debt		1,048,110,000		104,575
City Direct Debt (Maricopa portion)⁽³⁾	959,850	9,848,704	0.6149	60,560
Direct and overlapping debt- Maricopa County portion of City		<u>\$ 1,057,958,704</u>		<u>\$ 165,135</u>

Note: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the assessed value that is within the city's boundaries and dividing it by the taxing entity's total taxable assessed value.

⁽¹⁾ **Source:** *State and County Abstract the Assessment Roll* published by the Arizona Department of Revenue.

⁽²⁾ **Sources:** Maricopa County Finance, Pinal County Finance, AJUSD #43, Arizona Dept. of Education, Arizona Dept. of Revenue, SMCDFD

⁽³⁾ **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 ⁽¹⁾

Last Ten Fiscal Years

Under the provisions of the Arizona Constitution, the City's combined outstanding general obligation bonded debt for Utility Purpose, Open Space (Water, Sewer, Light, Open Space Preserves, Parks, playgrounds and Recreational Facilities), Public Safety, Law Enforcement, Fire and Emergency Service Facilities, and Streets and Transportation 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.

	Bonds Excluded From Limitation	Utility Purpose and Open Space 20%	All Other General Obligation Bonds 6%	Total Bonded Debt
Legal Debt Limitation-2012 ⁽²⁾				
Assessed Valuation:				
156,098,785		\$ 31,219,757	\$ 9,365,927	

Outstanding Bonded Debt

By Purpose:

Governmental Activities

Greater Arizona Development Authority Bonds	\$ 2,895,000			\$ 2,895,000
Municipal Property Corp. Series 1998 Revenue Bonds	-	-	-	-

Business-Type Activities

Water Revenue Bonds Series 2004 Revenue Bonds	2,500,000			2,500,000
WIFA Notes Payable	5,967,161			5,967,161
Total Bonded Debt	\$ 11,362,161	-	-	\$ 11,362,161

Legal Debt Margin		\$ 31,219,757	\$ 9,365,927	
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Fiscal Year ended	Debt limits		Total Debt Applicable to limits		Legal Debt Margins <i>(in thousands)</i>		Total net debt applicable to debt limit as a percentage of Debt Limits	
	20%	6%	20%	6%	20%	6%	20%	6%
	June 30,							
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%
2007	28,844,324	8,683,297	-	-	28,844	8,683	0.00%	0.00%
2008	34,581,513	10,374,454	-	-	34,582	10,374	0.00%	0.00%
2009	47,100,206	14,130,062	-	-	47,100	14,130	0.00%	0.00%
2010	47,100,206	14,130,062	-	-	47,100	14,130	0.00%	0.00%
2011	38,626,807	11,588,042	-	-	38,627	11,588	0.00%	0.00%
2012	31,965,606	9,589,682	-	-	31,966	9,590	0.00%	0.00%
2013	31,219,757	9,365,927	-	-	31,220	9,366	0.00%	0.00%

⁽¹⁾ The Source of this information is City Records.

⁽²⁾ The 2011 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 ⁽¹⁾

Apache Junction Municipal Property Corporation Bonds 1998 Series A

Last Ten Fiscal Years

Year Ended June 30,	Pledged Revenues ⁽²⁾	Debt Service Requirements			Net Bonded Coverage Ratio	Required Coverage
		Principal	Interest	Total		
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
2007	23,522,170	1,125,000	121,550	1,246,550	18.9	4.0
2008	24,213,019	260,000	65,300	325,300	74.4	4.0
2009	21,623,759	275,000	53,600	328,600	65.8	4.0
2010	21,433,390	290,000	40,950	330,950	64.8	4.0
2011	19,454,587	300,000	27,900	327,900	59.3	4.0
2012	19,762,551	320,000	7,200	327,200	60.4	4.0
2013	20,795,264			0	N/A	4.0

⁽¹⁾ The Source of this information is City Records

⁽²⁾ 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.

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 ⁽¹⁾
GADA 2007 Series A Revenue Bonds
Inception Through Year Ended June 30, 2013

Year Ended June 30,	Pledged Revenues ⁽²⁾	Debt Service Requirements			Debt Service on Senior Obligations ⁽³⁾	Net Bonded Coverage Ratio	Required Coverage
		Principal	Interest	Total			
2007	\$ 23,522,170	\$ 30,000	\$ 39,622	\$ 69,622	\$ 1,246,550	17.9	2.0
2008	24,213,019	130,000	172,750	302,750	325,300	38.6	2.0
2009	21,623,759	135,000	167,550	302,550	328,600	34.3	2.0
2010	21,433,390	145,000	162,150	307,150	330,950	33.6	2.0
2011	19,454,587	150,000	156,350	306,350	327,900	30.7	2.0
2012	19,762,551	155,000	150,350	305,350	327,200	31.2	2.0
2013	20,795,264	160,000	150,150	310,150	0	67.0	2.0

⁽¹⁾ The Source of this information is City Records.

⁽²⁾ 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.

⁽³⁾ The pledge of revenues on the 2007 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⁽¹⁾

Water Utilities Community Facilities District Combined Bonded Debt

Last Ten Fiscal Years

Year Ended June 30,	Gross Revenues ⁽²⁾	Operation and Maintenance Expenses ⁽³⁾	Net Revenues Available for Debt Service	Debt Service Requirements ⁽⁴⁾			Coverage Ratio	Required Coverage ⁽⁵⁾
				Principal	Interest	Total		
2004 ⁽⁶⁾	\$ 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
2007	3,251,641	2,025,018	1,226,623	508,989	254,483	763,472	1.61	1.20
2008	5,215,054	2,326,011	2,889,043	522,859	274,016	796,875	3.63	1.20
2009 ⁽⁷⁾	3,632,338	2,461,662	1,170,676	623,915	265,318	889,233	1.32	1.20
2010 ⁽⁷⁾	3,789,299	2,187,849	1,601,450	673,936	295,931	969,867	1.65	1.20
2011	3,989,812	2,027,571	1,962,241	699,132	300,925	1,000,057	1.96	1.20
2012	3,887,781	2,319,806	1,567,975	719,132	281,080	1,000,212	1.57	1.20
2013	3,904,939	2,386,631	1,518,308	724,510	316,650	1,041,160	1.46	1.20

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

⁽²⁾ Includes Interest Revenues as per definition of Gross Revenues in Bond Trust Indenture.

⁽³⁾ Total Operating Expenses net of Depreciation and Amortization.

⁽⁴⁾ 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.

⁽⁵⁾ 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.

⁽⁶⁾ Amounts associated with advance refunding of 1997 Series A bond issued not included.

⁽⁷⁾ Amounts associated federal federally funded programs deducted from revenues.

Table 1

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

Year Ended June 30,	Population		Personal Income ⁽³⁾ (thousands of dollars)	Per Capita ⁽³⁾ Personal Income	Unemployment Rates ⁽⁴⁾
	Year-Round ⁽¹⁾	Seasonal ⁽²⁾			
2004	35,117 ^(a)	38,895	755,683	21,519 ^(b)	4.6
2005	34,070 ^(a)	39,284	783,576	22,999 ^(b)	3.9
2006	35,685 ^(a)	39,000 ^(a)	860,794	24,122 ^(b)	3.7
2007	37,538 ^(d)	39,000 ^(a)	972,047	25,895 ^(b)	3.1
2008	37,917 ^(d)	Unavailable	808,770	21,330 ^(c)	3.6
2009	37,864 ^(a)	Unavailable	767,541	20,271 ^(d)	7.1
2010	35,828 ^(d)	Unavailable	726,269	20,271 ^(d)	8.9
2011	36,539 ^(d)	Unavailable	740,682	20,271 ^(d)	10.5 ^(a)
2012	36,928 ^(d)	Unavailable	786,862	21,308 ^(e)	11.7 ^(a)
2013	37,246 ^(b)	Unavailable	793,898	21,315 ^(e)	9.6 ^(a)

⁽¹⁾ Sources:

- ^(a) Arizona Department of Commerce/Economic Security (DES) Population Statistics Unit
- ^(b) City of Apache Junction Economic Development Division (Economic Development)
- ^(c) United States Census Bureau
- ^(d) Arizona Office of Demographics and population statistics and the Central Arizona Association of Governments (CAAG) plus 275 for Maricopa County based on DES Population Statistics Unit estimates from previous years

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

- ^(a) Winter Visitors' Association

⁽³⁾ Sources:

- ^(a) U.S. Census Bureau per Capital Income
- ^(b) Finance Department estimate using Bureau of Economic Analysis and University of Arizona Eller Business and Research Data
- ^(c) C. Kelly Cofer, CCIM - Community Retail Gap Analysis - May 31, 2008
- ^(d) Extrapolated from Table 5 in Apache Junction Market Analysis on www.downtownAJ.com
- ^(e) Extrapolated from information on City Economic Development Site

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

- ^(a) DES showed an unusual spike between December 2010 (7.6%) and 13.3% in January 2011. This resulted from a change in Bureau of Labor Statistics/DES methodology effective January 2011. The percentage has been, for the most part, declining since that time.

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

<u>Employer</u>	<u>Year ended June 30, 2013</u>		<u>Year ended June 30, 2004</u>	
	<u>Full-Time</u>	<u>Percentage</u>	<u>Full-Time</u>	<u>Percentage</u>
	<u>Equivalent</u>	<u>of Total City</u>	<u>Equivalent</u>	<u>of Total City</u>
	<u>Employees</u>	<u>Employment</u>	<u>Employees</u>	<u>Employment</u>
Apache Junction Unified School District #43	625	4.54%	610	4.45%
Wal-Mart Supercenter Store # 1831	350	2.55%	620	4.52%
Mountain Health & Wellness ⁽²⁾	278	2.02%	122	0.89%
City of Apache Junction	233	1.69%	255	1.86%
Fry's Food and Drug	155	1.13%	130	0.95%
Apache Junction Fire District	95	0.69%	73	0.53%
Empire Southwest	88	0.64%		
United States Postal Service	86	0.63%	107	0.78%
Central Arizona College-Superstition Mountain Campus	43	0.31%		
Earnhardt Ford			150	1.09%
Apache Junction Medical Center			115	0.84%
Safeway Stores			125	0.91%
Total	1,953	14.20%	2,307	16.82%

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

⁽²⁾ Formerly Superstition Mountain Mental Health Center

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

<u>Function/Program</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government										
Mayor and City Council	7.000	7.00	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000
City Manager	2.500	2.50	2.500	2.500	2.500	2.500	2.000	1.500	2.000	2.000
Management Services	10.975	12.98	14.475	18.475	18.975	17.975	17.500	14.500	15.500	14.000
Marketing/Communications	5.000	3.00	2.000							
City Clerk	7.000	7.00	7.000	9.000	8.000	8.000	8.000	8.000	7.000	7.000
Finance	6.000	6.48	6.500	6.500	7.000	7.250	7.000	5.000	6.000	6.000
City Attorney	6.500	6.50	6.500	6.600	9.000	8.000	8.000	6.000	6.000	7.000
Public Safety										
Police Department	80.600	85.60	93.600	92.000	96.000	96.500	104.475	90.950	80.000	89.500
Magistrate Court	6.475	8.90	8.900	8.900	9.900	9.900	9.900	10.840	9.900	8.475
Public Works	52.000	52.00	49.000	49.000	54.000	54.000	51.000	38.000	38.000	29.000
Culture and Recreation										
Parks and Recreation	33.200	47.60	50.000	50.900	52.300	52.300	52.300	39.000	38.300	36.000
Library	16.550	17.18	18.175	20.175	22.700	22.700	22.700	17.840	13.475	14.000
Development Services	21.600	21.50	21.500	24.975	26.000	26.000	27.000	19.000	18.000	13.000
Total	255.400	278.225	287.150	296.025	313.375	312.125	316.875	257.630	241.175	232.975

Source: City of Apache Junction Budget Documents. Amounts may reflect authorized positions some of which may not be funded or filled for all or part of the fiscal year.

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

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Government										
New Business Licenses	890	835	976	968	1,827	1,018	1,088	1,026	651	800
Culture and Recreation										
Library										
Patron use	273,148	274,806	281,219	284,902	310,716	389,669	390,384	377,676	362,935	323,561
Circulation of materials	533,189	672,521	702,383	712,647	578,126	552,353	629,391	578,831	625,857	544,517
Computer lab use	43,063	84,855	71,072	68,166	82,706	104,009	98,867	86,336	92,106	73,122
Development Services										
Building Permits										
Residential	600	754	891	479	264	136	231	339	259	310
Commercial	60	80	53	12	26	139	5	10	4	2
Other	229	330	307	413	266	229	251	209	185	177

Source: Respective Departments

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Works										
Miles of paved streets	147	147	147	155	161	176	180	182	182	182
Paved streets in lane miles	320	320	320	328	339	439	447	452	452	452
Unpaved roads in miles	22	22	22	28	14	9	9	9	9	8
Unpaved roads in lane miles	44	44	44	36	28	18	18	18	18	16
Signaled Intersections	22	23	23	24	24	33	33	33	33	33
City operated traffic signals	10	11	11	14	14	16	16	16	16	16
Culture and Recreation										
Parks and recreation										
Multi-generational center			1	1	1	1	1	1	1	1
Park areas	12	12	12	13	13	13	13	13	13	13
Park acreage	1,950.5	1,945.5	1,945.5	2,178.1	2,178.1	2,178.1	2,178.1	2,178.1	2,178.1	2,178.1
Pool facilities	1	1	1	1	1	1	1	1	1	1
Skate park	1	1	1	1	1	1	1	1	1	1
Rodeo grounds	1	1	1	1	1	1	1	1	1	1
Miles of trails	9.4	9.4	9.4	10.4	12.8	12.8	12.8	12.8	12.8	12.8

Source: Respective Departments

