

*City of Apache Junction, Arizona*  
*“Home of the Superstition Mountains”*



*Comprehensive Annual Financial Report*

*For the Fiscal Year*  
*July 1, 2013 – June 30, 2014*



# City of Apache Junction, Arizona



## Comprehensive Annual Financial Report

For the Year Ended June 30, 2014

Prepared by the Finance Department

Donna M. Meinerts, Finance Director

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Joanne West ([jwestphotography.com](http://jwestphotography.com))

**CITY OF APACHE JUNCTION, ARIZONA**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2014**

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## INTRODUCTORY SECTION

**City of Apache Junction, Arizona**

**LIST OF CITY OFFICIALS**

**June 30, 2014**

**Elected Officials**

**John S. Insalaco, Mayor**

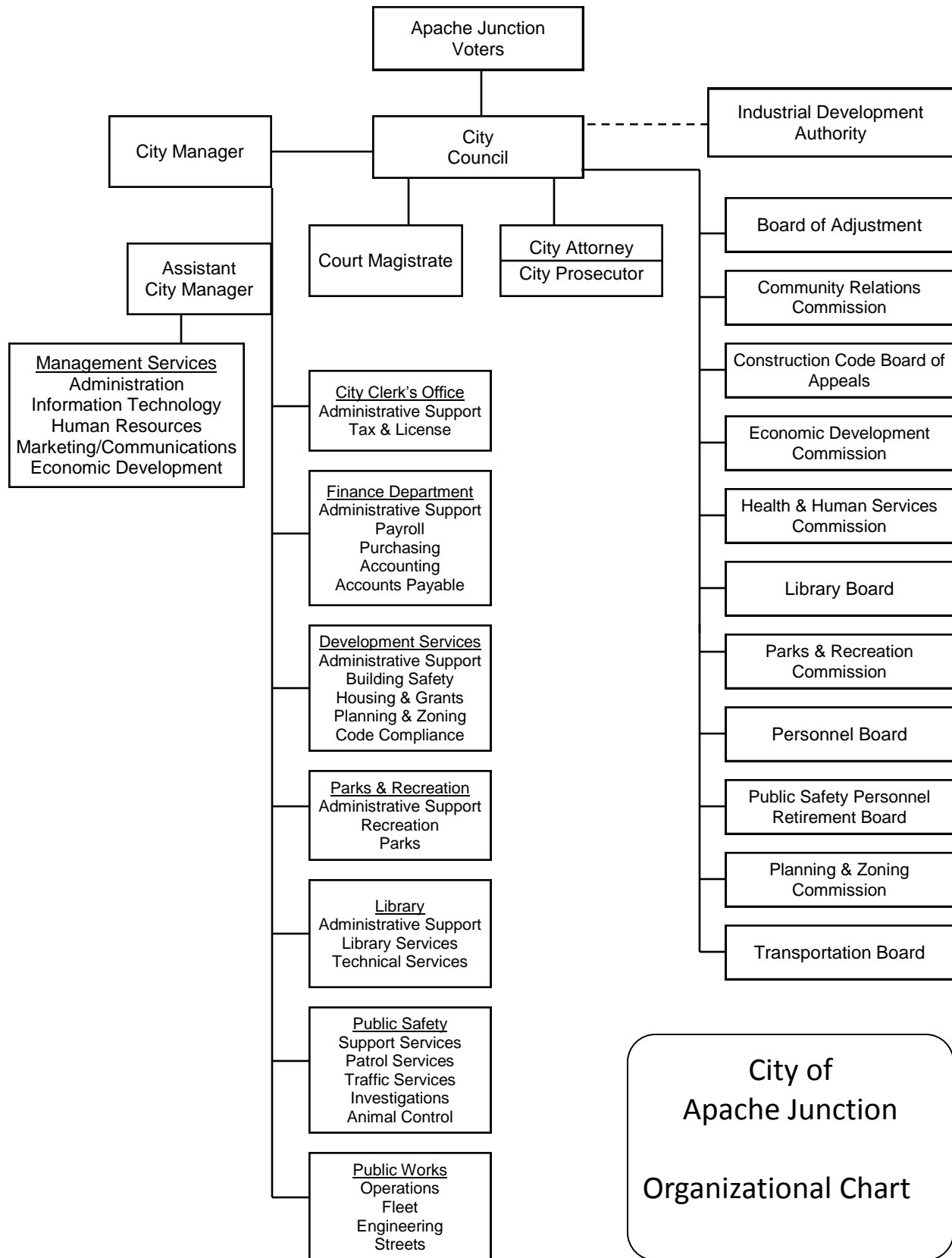
Mary E. (Robin) Barker	Vice-Mayor
Gail A. Evans	Councilmember
Christa Rizzi	Councilmember
Jeffrey M. Serdy	Councilmember
David F. Waldron	Councilmember
Walter L. (Chip) Wilson	Councilmember

**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  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Apache Junction  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



# *City of Apache Junction*

*Home of the Superstition Mountains*

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March 2, 2015

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 sixteenth Comprehensive Annual Financial Report (CAFR) of the City of Apache Junction, Arizona, for the year ended June 30, 2014.

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, 2014. 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.

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 2014 unemployment at 8.2%, down from the 9.6% in June 2013. Additional information on unemployment is reported in Table D-1 of the Statistical Section on page 87.

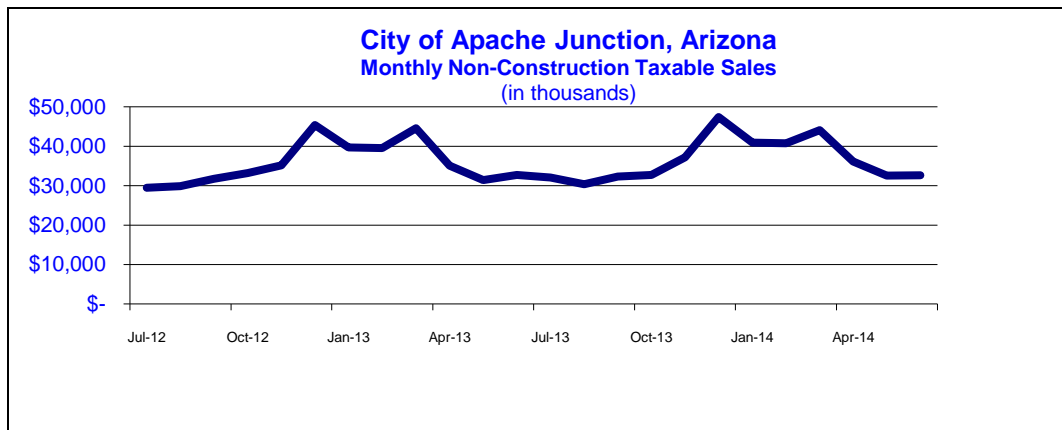
Changes in transaction privilege (sales) taxes are another tool that can be used to assess the condition of the local economy. The following table illustrates the changes over the past three years and shows the seasonal nature of the economy, with the peaks during the winter months. Construction activity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

<b>City of Apache Junction, Arizona</b>							
<b>Non-Construction Taxable Sales by Month</b>							
	<b>2011/12</b>		<b>2012/13</b>		<b>2013/14</b>		
	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	\$ 29,447	\$ 29,520	\$ (3,102)	\$ 73	\$ 32,068	\$ (701)	\$ 2,548
August	26,828	29,888	368	3,060	30,357	(1,711)	469
September	32,884	31,737	1,849	(1,147)	32,347	1,990	610
October	32,443	33,230	1,493	787	32,715	368	(515)
November	34,672	35,162	1,932	490	37,220	4,505	2,058
December	45,468	45,399	10,237	(69)	47,493	10,273	2,094
January	38,195	39,753	(5,646)	1,558	40,938	(6,555)	1,185
February	39,278	39,529	(224)	251	40,755	(183)	1,226
March	43,328	44,578	5,049	1,250	44,121	3,366	(457)
April	33,947	35,137	(9,441)	1,190	36,173	(7,948)	1,036
May	30,217	31,455	(3,682)	1,238	32,545	(3,628)	1,090
June	32,622	32,769	1,314	147	32,692	147	(77)
Annual Total	\$ 419,329	\$ 428,157		\$ 8,828	\$ 439,424		\$ 11,267

An encouraging sign is that the non-construction taxable sales in fiscal year 2014 exceeded fiscal year 2013 by 2.63%. 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. A healthy volume of economic activity produces increased sales taxes. Tourism and retail sales bring taxes into the City on an ongoing basis. 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 2011 through 2014. 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 6.34% increase in the state shared sales tax, 9.12% increase in state shared income tax (urban revenue sharing), and 6.82% 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 9 through 10.

**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 pages 18 - 19 and in the Statistical Section on pages 78 through 86.

**MAJOR INITIATIVES**

The fiscal year 2014 budget sought to focus on the basic needs of the community by utilizing resources to maintain current levels of service, providing funding capacity for growth opportunities, and planning and investing in reserve strategies for capital projects. Some of the budget priorities considered are as follows:

- 1) Economic Development and Regionalism: The strength of the City's finances is ultimately dependent upon a vibrant local and regional economy. The City Council continues to recognize the importance of economic development. Their ongoing commitment to economic development, as reflected in the fiscal year 2014 budget, is evidenced in the continued support of numerous resources, programs, area agency memberships, as well as many non-city sponsored major

community events. During the year, the City invested \$530,000 in becoming part of the Phoenix/Mesa Gateway Airport Authority and continued participating with the East Valley Partnerships, East Valley Rising project, and the Joint Planning Advisory Council (JPAC) with Maricopa Association of Governments (MAG), Pima Association of Governments (PAG), and Central Arizona Governments (CAG).

- 2) Revenue Development: Over the years, the City has facilitated the receipts of millions of dollars of grants and sponsorships into the community. In fiscal year 2014, the City researched ways to further enhance revenue development.
- 3) Employees: As a result of inflation and the recession, our employees saw the purchasing power of their take home pay erode. In fiscal year 2014, employees received a 3% pay adjustment. In addition, as a long-term effort to address the issue of increasing health insurance rates, the City is participating in the Arizona Metropolitan Trust (AzMT), a self-funded insurance pooling program with other municipalities.
- 4) Emergency Preparedness: Additional emergency preparedness enhancements were installed throughout the City, as recommended by the security advisor.
- 5) Maintenance, repair, and replacement: During the recession, the City became very frugal, which included delaying some maintenance, repair, and replacement of our vehicles, equipment, buildings, and information technology. In fiscal year 2014, the City was able to resume funding many of these costs.
- 6) Infrastructure: There were two main areas of focus for improvement to infrastructure and streets/roads and the public safety building:
  - a. The overall condition of the streets/roads in Apache Junction is gradually declining. To add to the problem, revenues for roads have dropped dramatically. The City utilizes a pay-as-you-go approach and has no current debt for road maintenance. During fiscal year 2014, the City allocated additional funds from savings as a short-term strategy to help supplement the cost of road maintenance. Additional discussion on this matter is included in the Management's Discussion and Analysis on page 14.
  - b. The City expended approximately \$800,000 to enhance the functionality of the public safety building. Development fees were one of the primary sources of funding for this project.
- 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.
- 8) Water: The Water Utilities Community Facilities District (WUCFD), a blended component unit of the City, took a major step in planning for future infrastructure needs with a financial initiative that retired \$2.5 million in outstanding debt, thereby saving \$141,700 in interest, while setting up financing for additional Central Arizona Project (CAP) water and the construction of a surface water treatment plant.



## **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, 2013. This is the fifteenth 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 inside and outside the City of Apache Junction. Special thanks go out to the Budget Committee, Department Directors, and members of the Finance Team: John C. 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, CGFM  
Finance Director



## FINANCIAL SECTION



## Independent Auditors' Report

To the City Council of  
City of Apache Junction, Arizona

### **Report 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, 2014, 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 auditors consider 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.

### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, for the year ended June 30, 2014, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement (GASB) No. 65, *Items Previously Reported as Assets and Liabilities*, which represents a change in accounting principles. Our opinions are not modified with respect to this matter.

### **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 as of June 30, 2014, and the respective changes in financial position and, where applicable, 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 20, 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.

#### *Supplementary and 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 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 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.

*Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies*

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.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the City Council, management, and other responsible parties within the City and is not intended to be and should not be used by anyone other than these specified parties.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2015 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. 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* in considering the City's internal control over financial reporting and compliance.



March 2, 2015





## 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, 2014. 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 decreased by \$3,089,774 during the year. This reflects a \$3,261,354 decrease in the governmental activities partially offset by a \$171,580 increase in the business-type activities.
- Government-wide revenues increased from \$32,143,718 to \$32,860,309. Governmental activities revenues increased to \$28,642,809 from \$27,999,147 while business-type activities revenues increased to \$4,217,500 from \$4,144,571.
- Government-wide expenses increased from \$31,861,080 to \$35,950,083, which is comprised of an increase in governmental activities expenses from \$28,611,401 to \$31,904,163 and an increase in business-type activities expenses from \$3,249,679 to \$4,045,920.
- From a fund perspective, the City's general fund balance decreased by \$461,619 from \$8,295,955 to \$7,834,336.

### 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 it has 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 tax, 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 (WUCFD). 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 pages 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 included 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, 2014 and June 30, 2013. 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 government-wide experienced a decrease of 3.80% or \$3,089,774. Governmental activities net position decreased by \$3,261,354 while the total net position for business-type activities increased by \$171,580.

### Assets

Taken as a whole, total assets *decreased* by 4.36% or \$4,579,572 (\$100,151,505 on June 30, 2014 compared to \$104,711,971 on June 30, 2013). Following is a further analysis of the City's assets:

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	June 30,		June 30,		June 30,		
	2013		2013		2013		
	2014	(restated)	2014	2013	2014	(restated)	
Current and other assets	\$ 15,157,990	\$ 20,723,830	\$ 9,102,485	\$ 9,283,316	\$ 24,260,475	\$ 30,007,146	-19.15%
Capital assets	63,340,358	61,815,719	12,550,672	12,889,106	75,891,030	74,704,825	1.59%
<b>Total assets</b>	<b>78,498,348</b>	<b>82,539,549</b>	<b>21,653,157</b>	<b>22,172,422</b>	<b>100,151,505</b>	<b>104,711,971</b>	<b>-4.36%</b>
Long-term debt outstanding	10,978,506	10,946,990	7,639,090	8,395,613	18,617,596	19,342,603	-3.75%
Other liabilities	2,134,036	2,945,399	1,185,466	1,119,788	3,319,502	4,065,187	-18.34%
<b>Total liabilities</b>	<b>13,112,542</b>	<b>13,892,389</b>	<b>8,824,556</b>	<b>9,515,401</b>	<b>21,937,098</b>	<b>23,407,790</b>	<b>-6.28%</b>
Net position							
Net investment in capital assets	53,880,206	52,154,679	6,951,582	4,493,493	60,831,788	56,648,172	7.39%
Restricted	5,189,618	9,426,243	300,184	44,956	5,489,802	9,471,199	-42.04%
Unrestricted	6,315,982	7,066,238	5,576,835	8,118,572	11,892,817	15,184,810	-21.68%
<b>Total net position</b>	<b>\$ 65,385,806</b>	<b>\$ 68,647,160</b>	<b>\$ 12,828,601</b>	<b>\$ 12,657,021</b>	<b>\$ 78,214,407</b>	<b>\$ 81,304,181</b>	<b>-3.80%</b>

- *Current and other assets*: Reflect an overall decrease of \$5,746,671 (\$24,260,475 on June 30, 2014 compared to \$30,007,146 on June 30, 2013). This amount is the result of a decrease of \$5,565,840 (\$15,157,990 on June 30, 2014 compared to \$20,723,830 on June 30, 2013) in governmental activities and a decrease of \$180,831 in

business-type activities (\$9,102,485 on June 30, 2014 compared to \$9,283,316 on June 30, 2013). A substantial portion of the decrease in the governmental activities involved a decrease in cash and investments, partially due to the aggressive use of cash reserves for capital projects. Accordingly, capital assets increased and other liabilities decreased.

- **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. There was an overall increase of 1.59% or \$1,186,205. The increase in governmental activities of 2.47% or \$1,524,639 (\$63,340,358 on June 30, 2014 compared to \$61,815,719 on June 30, 2013) was primarily due to street improvements and the police department building renovation. On the other hand, depreciation expense exceeded the current year capital asset additions in business-type activities resulting in a decrease of 2.63% or \$338,434 (\$12,550,672 on June 30, 2014 compared to \$12,889,106 on June 30, 2013). Additional information on capital assets is presented on pages 40 and 41 in the notes to the financial statements, in the letter of transmittal, and in the capital assets section of the MD&A (this section, pages 18 and 19).

### **Liabilities**

Total liabilities decreased by 6.28% or \$1,470,692 (\$21,937,098 on June 30, 2014 compared to \$23,407,790 on June 30, 2013) as follows:

- **Long-term debt outstanding:** Overall decrease of 3.75% or \$725,007 as debt repayments exceeded additional borrowings. Additional information on the long term debt can be found in Note 4 on pages 41 through 44, as well as in the section on Capital Asset and Debt Administration located on page 19.
- **Other liabilities:** Decreased government-wide by 18.34% or \$745,637. The decrease in governmental activities was 27.55% or \$811,363, or (\$2,134,036 on June 30, 2014 compared to \$2,945,399 on June 30, 2013). This decrease was primarily due to the disbursement of several large contract payments that were outstanding as of June 30, 2013. Offsetting the overall decrease in *Other liabilities* was an increase in the business-type activities of 5.87% or \$65,678 (\$1,185,466 on June 30, 2014 compared to \$1,119,788 on June 30, 2013). Accrued interest on a pending water rights contract was the primary reason for the increase in business-type activities.

### **Net Position**

Government-wide, the City's net position decreased by 3.80% or \$3,089,774 (\$78,214,407 on June 30, 2014 compared to \$81,304,181 on June 30, 2013).

This decrease is the result of a 4.75% (\$3,261,354) decrease in the governmental activities offset by a 1.36% (\$171,580) increase in business-type activities. Additional detail is shown in the following table (Table A-2) and discussed thereafter. It is also worth noting that the deterioration in the governmental activities was significantly more than the 0.88% decrease in fiscal year 2013 (FY13) of \$612,254.

Net position is broken down into three categories: 1) *Net investment in capital assets*, 2) *Restricted*, and 3) *Unrestricted*, as follows:

- **Net investment in capital assets:** Capital assets include land, building, improvements, machinery and equipment, and infrastructure, net of depreciation. Net investment in capital assets made up 77.78% or \$60,831,788 of the total net position consists of capital assets net of related debt. This is similar to fiscal year 2013 in which \$56,648,172 made up 69.67% of the net position.
- **Restricted:** Overall, restricted net assets made up 7.02% or \$5,489,802 of the net assets in fiscal year 2014, compared to 11.64% or \$9,471,199 in fiscal year 2013. The restricted net position decreased by 42.04% or \$4,233,625 in governmental activities (\$5,189,618 on June 30, 2014 compared to \$9,426,243 on June 30, 2013) and increased by \$255,228 or 567.73% (\$300,184 on June 30, 2014 compared to \$44,956 on June 30, 2013) in business-type activities. The decrease in the governmental activities resulted in the use of restricted Highway User Revenue Fund reserves for capital projects while the increase in the business-type activities involved new debt service reserves required under a new debt issue.
- **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 decreased by \$3,291,993 or 21.68% (\$11,892,817 on June 30, 2014 compared to \$15,184,810 on June 30, 2013). The unrestricted net position decreased by \$750,256 or 10.62% in governmental activities (\$6,315,982 on June 30, 2014 compared to \$7,066,238 on June 30, 2013) and decreased by \$2,541,737 or 31.3% (\$5,576,835 on June 2014 compared to \$8,118,572 on June 30, 2013) 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.

Overall, the net position of the City decreased by 3.80% or \$3,089,774 (\$78,214,407 on June 30, 2014 compared to \$81,304,181 on June 30, 2013). The primary reasons for the decrease of 4.75% or \$3,261,354 (\$65,385,806 on June 30, 2014 compared to \$68,647,160 on June 30, 2013) in government activities include:

- 1) Non-capital outlays of \$1.5 million for street and road maintenance and repair
- 2) An investment of \$530,000 to bring the City into the operations of Phoenix-Mesa Gateway Airport
- 3) An increase in personnel costs, resulting from:
  - a. Salary increases in order to remain competitive in the labor market following the recession when no increases were given
  - b. Re-filling some positions which were vacated during the recession
  - c. Increased costs to the City's employee retirement plans: Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS)

Following is a discussion of significant items and year-to-year changes in Table A-2 relating to governmental activities. Analysis of business-type activities is provided further on in the report.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>Total Percentage Change</u> <u>2013-2014</u>
	<u>Year Ended June 30,</u>		<u>Year Ended June 30,</u>		<u>Year Ended June 30,</u>		
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	
<b>Revenues</b>							
<u>Program Revenues</u>							
Charges for services	\$ 1,831,495	\$ 1,923,707	\$ 3,957,245	\$ 3,690,770	\$ 5,788,740	\$ 5,614,477	3.10%
Operating grants and contributions	4,690,816	4,630,021	106,887	166,581	4,797,703	4,796,602	0.02%
Capital grants and contributions	886,948	1,569,937	110,656	302,823	997,604	1,872,760	-46.73%
<u>General Revenues</u>							
Sales taxes	11,224,784	10,947,365			11,224,784	10,947,365	2.53%
State shared sales taxes	3,119,613	2,933,570			3,119,613	2,933,570	6.34%
Urban revenue sharing	3,994,823	3,660,979			3,994,823	3,660,979	9.12%
State shared vehicle license tax	1,664,944	1,558,626			1,664,944	1,558,626	6.82%
Other taxes	104,443	102,361			104,443	102,361	2.03%
Earnings (loss) on investments	82,019	97,115	36,470	(16,389)	118,489	80,726	46.78%
Miscellaneous	1,042,924	575,466	6,242	786	1,049,166	576,252	82.07%
Total revenues	28,642,809	27,999,147	4,217,500	4,144,571	32,860,309	32,143,718	2.23%
<b>Expenses</b>							
General government	6,703,341	5,425,442			6,703,341	5,425,442	23.55%
Public safety	9,886,008	9,726,131			9,886,008	9,726,131	1.64%
Public works	8,442,716	6,583,382	3,484,101	2,933,029	11,926,817	9,516,411	25.33%
Development services	1,332,778	1,363,737			1,332,778	1,363,737	-2.27%
Culture and recreation	5,399,502	5,380,681			5,399,502	5,380,681	0.35%
Interest on long-term debt	139,818	132,028	561,819	316,650	701,637	448,678	56.38%
Total expenses	31,904,163	28,611,401	4,045,920	3,249,679	35,950,083	31,861,080	12.83%
Change in net position	(3,261,354)	(612,254)	171,580	894,892	(3,089,774)	282,638	-1193.19%
Net position - beginning of year, restated	68,647,160	69,259,414	12,657,021	11,762,129	81,304,181	81,021,543	0.35%
Net position - end of year	\$ 65,385,806	\$ 68,647,160	\$ 12,828,601	\$ 12,657,021	\$ 78,214,407	\$ 81,304,181	-3.80%

## **Revenues: Governmental Activities**

Revenues are divided into two categories: *Program Revenues* and *General Revenues*. Governmental activities revenues experienced an overall increase of 2.30% or \$643,662 (\$28,642,809 on June 30, 2014 compared to \$27,999,147 on June 30, 2013).

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

- *Charges for services:* Includes building permits and fees, court fines, business licenses, and recreation fees. The primary reason for the decrease of 4.79% or \$92,212 (\$1,831,495 on June 30, 2014 compared to \$1,923,707 on June 30, 2013) was that there had been a large multi-family development whose permits had been obtained in the prior year.
- *Operating grants and contributions:* Consists of specific shared revenues in addition to grants and contributions dedicated to the operations of the City. The primary operating grants and contributions by function, are as follows:
  1. Public Works: Highway User Revenue Fund (HURF) state shared revenues and Pinal County half-cent sales tax, both of which are dedicated to street and road maintenance and construction
  2. Development Services: Community Development Block Grants (CDBG) and Housing Assistance Grants
  3. Culture and Recreation: Library grants including Federal Library Services and Technology Act (LSTA) and First Things First, a state program funded by a tax on tobacco products targeted to early childhood education programs.

Operating grants and contributions increased by 1.31% or \$60,795 (\$4,690,816 on June 30, 2014 compared to \$4,630,021 on June 30, 2013). Some of the contributing factors were the continued increase of the Highway Users' Revenue Fund (HURF) and Pinal County half-cent tax, in addition to the Federal Home Funds Housing Grant getting underway in Development Services. These increases were partially offset by a drop in LSTA monies.

- *Capital grants and contributions:* Includes grants and contributions dedicated to the City's capital additions/improvements. The decrease of 43.5% or \$682,989 (\$886,948 on June 30, 2014 compared to \$1,569,937 on June 30, 2013) can be attributed to infrastructure, mostly streets, built by developers and dedicated to the City or provided by grants in fiscal year 2013. In addition, there was a reduction in development fees charged.

*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 revenues.

- *Sales taxes (Transaction privilege tax):* The City of Apache Junction requires that all businesses operating within the City obtain a Transaction Privilege Tax 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. These revenues increased by 2.53% or \$277,419 (\$11,224,784 on June 30, 2014 compared to \$10,947,365 on June 30, 2013) as a result of the beginning of a national and statewide economic recovery. Additional information on this revenue source can be found in schedules B-1 and B-2 on pages 76 -77 of the statistical section.
- *State shared sales taxes (Transaction privilege tax):* Arizona cities and towns share in 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. State Shared Sales Taxes increased by 6.34% or \$186,043 (\$3,119,613 on June 30, 2014 compared to \$2,933,570 on June 30, 2013) reflecting a continuing statewide increase in sales tax collections.
- *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, this reflects the stages of the recovery that were realized in state income tax collections two years ago. The increase was 9.12% or \$333,844 (\$3,994,823 on June 30, 2014 compared to \$3,660,979 on June 30, 2013).

- 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. This revenue stream reflects an increase of 6.82% or \$106,318 (\$1,664,944 on June 30, 2014 compared to \$1,558,626 on June 30, 2013) due, in part, to the beginning of the economic recovery.
- Other taxes: This consists of the cable franchise tax which increased nominally by 2.03% or \$2,082 (\$104,443 on June 30, 2014 compared to \$102,361 on June 30, 2013).
- Earnings (loss) on investments: This amount decreased 15.54% or \$15,096 (\$82,019 on June 30, 2014 compared to \$97,115 on June 30, 2013) in governmental activities. In fiscal year 2013, there was a one-time distribution of \$124,430 from a settlement that involved an investment loss resulting from the 2003 NCFE bankruptcy. This distribution offset the adjustment for unrealized loss in that year.
- Miscellaneous: Consists of monies received that are typically non-recurring, one-time in nature payments or revenues that do not fit neatly into one of the other categories. One example is the revenue the city receives from the local landfill for royalties. In fiscal year 2014, landfill royalties included a one-time influx from a major project in the region. Another example is a refund from SRP for long-running street light overbillings. These two examples were the major factors that make up the increase of 81.23% or \$467,458 (\$1,042,924 on June 30, 2014 compared to \$575,466 on June 30, 2013).

### **Expenses: Governmental Activities**

Overall, expenses increased significantly as the City relaxed tight spending constraints brought on by the recession. Governmental activities' expenses increased by 11.51% or \$3,292,762 (\$31,904,163 on June 30, 2014 compared to \$28,611,401 on June 30, 2013). Approximately \$1.5 million was the deliberate use of fund balances for infrastructure repairs and upgrades. What follows is a description, by function, of the year-to-year changes.

- General government: Increased by 23.55% or \$1,277,899 (\$6,703,341 on June 30, 2014 compared to \$5,425,442 on June 30, 2013). Personnel costs accounted for \$391,417 of this increase, reflecting the 3% employee salary adjustment and refilling some of the positions that remained vacant during the recession. The major component accounting for the \$648,009 increase in operating costs was the membership in the Phoenix Mesa Gateway Airport Authority in the amount of \$530,000. Outside legal services also increased by \$73,110, most of which can be attributed to the litigation with the Pinal County Treasurer's Office involving the Crossroads Redevelopment District.
- Public safety: Increased by 1.64% or \$159,877 (\$9,886,008 on June 30, 2014 compared to \$9,726,131 on June 30, 2013) due to the remodeling of the public safety building.
- Public works: Increased by 2.82% or \$1,859,334 (\$8,442,716 on June 30, 2014 compared to \$6,583,382 on June 30, 2013) as a result of increased streets/roads maintenance and the 3% employee salary adjustment.
- Development services: Decreased by 2.27% or \$30,959 (\$1,332,778 on June 30, 2014 compared to \$1,363,737 on June 30, 2013). The primary factor behind the decrease was that the redevelopment district monies, which are classified under this function, were depleted resulting in associated legal fees being paid out of the general government.
- Culture and recreation: Increased by 0.35% or \$18,821 (\$5,399,502 on June 30, 2014 compared to \$5,380,681 on June 30, 2013) mostly in part to the 3% employee salary adjustment.
- Interest on long-term debt: Increased by 5.90% or \$7,790 (\$139,818 on June 30, 2014 compared to \$132,028 on June 30, 2013). A one-time payment was received in fiscal year 2013 regarding the NCFE bankruptcy lawsuit.

### **Revenues: Business-Type Activities**

Revenues from business-type activities increased overall by 1.76% or \$72,929 (\$4,217,500 on June 30, 2014 compared to \$4,144,571 on June 30, 2013). The following is a year-to-year comparison by function:

*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:* Increased by 7.22% or \$266,475 (\$3,957,245 on June 30, 2014 compared to \$3,690,770 on June 30, 2013) as a result of significant one-time nonresidential sales and an increase in consumption by multi-family users.
- *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 of land which was developed. Revenue in this category shows a decrease of 35.83% or \$59,694 (\$106,887 on June 30, 2014 compared to \$166,581 on June 30, 2013).
- *Capital grants and contributions:* Consists of grants and contributions dedicated to the WUCFD's capital additions/improvements. Revenue decreased 63.46% or \$192,167 (\$110,656 on June 30, 2014 compared to \$302,823 on June 30, 2013). While there was a decrease in capital facilities due to building activity, another factor behind the decrease was the prior year reporting of a cost sharing arrangement with Central Arizona College for \$89,440 for the Broadway waterline.

### **General Revenues**

- *Earnings (loss) on investments:* While the City and District experienced an increase in earned interest, this amount includes a positive 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 prior year's negative amount is a result of this market based adjustment. The net change reflects an increase of 322.53% or \$52,859 (\$36,470 on June 30, 2014 compared to -\$16,389 on June 30, 2013).
- *Miscellaneous:* Consists of monies received that are typically non-recurring, one-time in nature payments. An increase of 694.15% or \$5,456 (\$6,242 on June 30, 2014 compared to \$786 on June 30, 2013) is the result of the \$6,211 on the disposition of an asset during fiscal year 2013.

### **Expenses: Business-Type Activities**

Overall, expenses increased \$796,241 or 24.50% (\$4,045,920 on June 30, 2014 compared to \$3,249,679 on June 30, 2013). Below is a description, by function, of the year-to-year changes.

- *Public works:* Expenses increased by 18.79% or \$551,072 (\$3,484,101 on June 30, 2014 compared to \$2,933,029 on June 30, 2013). Non-capital infrastructure maintenance and replacement was the primary reason for the increase as follows: \$64,880 was expended for the replacement of component parts of Well #5 and \$171,958 was expended for the recoating of an existing storage tank. A one-time expenditure of \$57,200 was made for professional services related to the WIFA financing package for the treatment plant and defeasance of the 2004 Series A Revenue Bonds. The wholesale purchase of water from the Central Arizona Project also increased by \$43,846, which constituted a 10.10% increase from the prior year.
- *Interest on long-term debt:* The increase of 77.43% or \$245,169 (\$561,819 on June 30, 2014 compared to \$316,650 on June 30, 2013), is one-time in nature; \$211,402 consists of interest accrued on the 100 year lease with the Gila River Indian Community for 1,000 acre-feet of Central Arizona Project water. Another one-time event involves the write-off of \$43,764 of deferred refunding costs associated with the 2004 Series bond issue which was called effective July 1, 2014. Additional information regarding long-term debt is shown on page 19 and in Note 4 of the Notes to Financial Statements on pages 41 through 45.

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).

What follows is a discussion from a financial based fund perspective. Much of the information is the same as that presented in the government-wide analysis, so there will be some overlap of information.

**GENERAL FUND**

The General Fund is where most discretionary or unrestricted revenues and expenditures are reported. Table B-1 (below) compares the General Fund activity for fiscal years 2014 and 2013. Many of the components of government-wide activities consist of items that are also included in the General Fund.

	<u>Year Ended</u>		<u>Increase (Decrease)</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Amount</u>	<u>Percentage</u>
<b>Revenues</b>				
Taxes	\$ 11,329,227	\$ 11,049,726	\$ 279,501	2.53%
Licenses and permits	717,839	819,360	(101,521)	-12.39%
Intergovernmental revenue	8,784,685	8,154,175	630,510	7.73%
Charges for service	601,672	615,241	(13,569)	-2.21%
Fines and forfeitures	391,237	402,421	(11,184)	-2.78%
Interest income	31,849	112,517	(80,668)	-71.69%
Miscellaneous	772,441	504,517	267,924	53.11%
<b>Total revenues</b>	<u>22,628,950</u>	<u>21,657,957</u>	<u>970,993</u>	<u>4.48%</u>
<b>Expenditures</b>				
Current:				
General government	6,247,690	5,137,558	1,110,132	21.61%
Public safety	9,471,867	9,173,273	298,594	3.26%
Public works	1,529,912	1,173,874	356,038	30.33%
Development services	1,075,860	1,060,375	15,485	1.46%
Culture and recreation	4,439,962	4,163,552	276,410	6.64%
Debt service	325,278	319,692	5,586	1.75%
<b>Total expenditures</b>	<u>23,090,569</u>	<u>21,028,324</u>	<u>2,062,245</u>	<u>9.81%</u>
Deficiency of revenues (under) expenditures	(461,619)	629,633	(1,091,252)	-173.32%
Net changes in fund balance	(461,619)	629,633	(1,091,252)	-173.32%
Fund balance - beginning of year	<u>8,295,955</u>	<u>7,666,322</u>	<u>629,633</u>	<u>8.21%</u>
Fund balance - end of year	<u>\$ 7,834,336</u>	<u>\$ 8,295,955</u>	<u>\$ (461,619)</u>	<u>-5.56%</u>

**Revenues: General Fund**

Overall, revenues increased by 4.48% or \$970,993. Further break-down is as follows:

- Taxes: Increase of 2.53% or \$279,501 is due to the increase in City sales tax collections in addition to an increase



of \$100,824 in audit collections.

- Licenses and permits: Decrease of 12.39% or \$101,521.
- Intergovernmental revenue: The primary component of the increase in the General Fund revenues was the increase of 7.73% or \$630,510 in intergovernmental revenues. This was driven by the increase in Urban Revenue Sharing (State Shared Income Taxes) of \$333,844. Additional information on this revenue source is covered in the government-wide analysis on pages 9 and 10.
- Charges for service: Decrease of 2.21% or \$13,569.
- Fines and forfeitures: Decrease of 2.78% or \$11,184.
- Interest income: Decrease of 71.69% or \$80,668. In fiscal year 2013, there was a one-time distribution of \$124,430 from a settlement that involved an investment loss resulting from the 2003 NCFE bankruptcy. This distribution offset the adjustment for unrealized loss in that year.
- Miscellaneous: Consists of monies received that are typically non-recurring, one-time in nature payments or revenues that do not fit neatly into one of the other categories. One example is the revenue the city receives from the local landfill for royalties. In fiscal year 2014, landfill royalties included a one-time influx from a major project in the region. Another example is a refund from SRP for long-running street light overbillings. These two examples were the major factors that make up the increase of 53.11% or \$267,924.

### **Expenditures: General Fund**

Overall, General Fund expenditures increased 9.81% or \$2,062,245. The following is an analysis of expenditures by function.

- General government: Increased by 21.61% or \$1,110,132. Personnel costs accounted for \$391,417 of this increase, reflecting the 3% employee salary adjustment and refilling some of the positions city-wide that remained vacant during the recession. The major component accounting for the \$648,009 increase in operating costs was the membership in the Phoenix Mesa Gateway Airport Authority in the amount of \$530,000. Outside legal services also increased by \$73,110, most of which can be attributed to the litigation with the Pinal County Treasurer's Office involving the Crossroads Redevelopment District.
- Public safety: Increased by 3.26% or \$298,594. The primary components were the general fund payments associated with the remodeling of the public safety building and the 3% employee salary adjustment.
- Public works: Increased by 30.33% or \$356,038 as a result of facilities related costs including the remodeling of the public safety building. Capital outlays increased by \$205,382 for fleet and buildings; many expenses that had been delayed due to the recession. Salaries increased due to the 3% employee salary adjustment and the addition of a facilities manager.
- Development services: Increased by 1.46% or \$15,485 as a result of the 3% employee salary adjustment.
- Culture and recreation increased by 6.64% or \$276,410. Personnel costs rose by \$132,921 resulting from the 3% employee salary adjustment and filling previously vacated positions. The \$100,926 increase in operations can be attributed to parks maintenance efforts and rising utility costs. Capital outlays for new equipment increased by \$42,563.
- Debt service: Increased by 1.75% or \$5,586.

The overall financial position of the General Fund declined by \$461,619 due to expenditures exceeding revenues. This is in contrast to fiscal year 2013 when the financial position of the General Fund improved by \$629,633 as a result of limited spending due to the recession.

HIGHWAY USER REVENUE FUND (HURF)

Table B-2 (below) summarizes the activity of the Highway User Revenue Fund (HURF) activity for fiscal years 2014 and 2013.

**Revenues: Highway User Revenue Fund (HURF)**

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 ½ cent sales tax distributions are dispersed to cities and towns based on proportionate populations within the county. Overall, HURF revenues increased 9.48% or \$350,760.

- **Intergovernmental:** In recent years, other cities in the county grew substantially more than the City of Apache Junction, thereby reducing the city’s base share. Although the combined intergovernmental long-term revenue base has decreased, intergovernmental revenues increased 3.92% or \$141,330 (\$3,750,851 in fiscal year 2014 compared to \$3,609,521 in fiscal year 2013) due, in part, to the recovering economy. Intergovernmental revenues are further broken down as follows:
  - **HURF-State:** Increase of 2.61% or \$58,824
  - **Pinal County ½ cent sales tax:** Increase of 6.08% or \$82,506
- **Charges for Services:** Decrease of 50.30% or \$2,644. This revenue was previously reported in the General Fund and is mainly comprised of fees charged to cover the costs of the City’s Engineering Department incurred to individuals for their personal projects.
- **Interest income (loss):** Increase of 372.08% or \$33,949. Fiscal year 2013’s loss on investments was attributed to a short-term market based unrealized loss on long-term investments held in the Local Government Investment Pool (LGIP), as was discussed in the government-wide analysis.
- **Miscellaneous:** Increase of 192.62% or \$178,125. A refund check for \$138,971 from SRP, the electric utility for the city, was issued for years of overcharges on street lighting and traffic signals due to meter problems.

	<b>Year Ended</b>		<b>Increase (Decrease)</b>	
	<b>June 30, 2014</b>	<b>June 30, 2013</b>	<b>Amount</b>	<b>Percentage</b>
<b>Revenues</b>				
Intergovernmental				
HURF-State	\$ 2,311,937	\$ 2,253,113	\$ 58,824	2.61%
Pinal County 1/2 cent sales tax	1,438,914	1,356,408	82,506	6.08%
Charges for services	2,612	5,256	(2,644)	-50.30%
Interest income (loss)	24,825	(9,124)	33,949	-372.08%
Miscellaneous	270,600	92,475	178,125	192.62%
<b>Total revenues</b>	<b>4,048,888</b>	<b>3,698,128</b>	<b>350,760</b>	<b>9.48%</b>
<b>Expenditures</b>				
Public works	5,716,765	3,314,894	2,401,871	72.46%
<b>Total expenditures</b>	<b>5,716,765</b>	<b>3,314,894</b>	<b>2,401,871</b>	<b>72.46%</b>
Excess of revenues over expenditures	(1,667,877)	383,234	(2,051,111)	-535.21%
Fund balance - beginning of year	5,117,243	4,734,009	383,234	8.10%
Fund balance - end of year	\$ 3,449,366	\$ 5,117,243	\$ (1,667,877)	-32.59%

**Expenditures: Highway User Revenue Fund (HURF)**

HURF incurred an overall increase of 72.46% or \$2,401,871 in expenditures as a result of increased streets/roads maintenance and the 3% employee salary adjustment. Due to the deteriorating condition of many of the City's streets, a repair effort was undertaken, partially financed by the fund balance in the HURF account. For that reason, the fund balance declined fund balance: 32.59% or \$1,667,877 during fiscal year 2014.

**PROPRIETARY FUND: WATER UTILITIES COMMUNITY FACILITIES DISTRICT (WUCFD)**

The economic condition of the proprietary fund, Water Utilities Community Facilities District (WUCFD) continued to improve with an overall increase in net position of 1.36% or \$171,580. This increase was less than fiscal year 2013's increase of \$894,892 for several reasons, as stated in the summarization that follows.

Table B-3 (below) 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.

	<u>Year Ended</u>		<u>Increase (Decrease)</u>	
	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>Amount</u>	<u>Percentage</u>
<b>Operating revenues</b>				
Residential sales	\$ 3,156,886	\$ 2,993,518	\$ 163,368	5.46%
Nonresidential sales	618,090	580,561	37,529	6.46%
Other charges	182,269	116,691	65,578	56.20%
Miscellaneous	6,242	786	5,456	694.15%
<b>Total operating revenues</b>	<u>3,963,487</u>	<u>3,691,556</u>	<u>271,931</u>	<u>7.37%</u>
Interest and investment revenue (loss)	36,470	(16,389)	52,859	-322.53%
Intergovernmental revenues	106,887	166,581	(59,694)	-35.83%
<b>Total revenues</b>	<u>4,106,844</u>	<u>3,841,748</u>	<u>265,096</u>	<u>6.90%</u>
<b>Operating expenses</b>				
Administration				
Operations	795,190	716,880	78,310	10.92%
Long-term storage credits	153,740	175,249	(21,509)	-12.27%
Depreciation	3,415	3,415	-	0.00%
Amortization	5,486	5,793	(307)	-5.30%
System Operations				
Operations	1,899,870	1,463,478	436,392	29.82%
Depreciation	617,794	559,608	58,186	10.40%
Amortization	8,606	8,606	-	0.00%
<b>Total operating expenses</b>	<u>3,484,101</u>	<u>2,933,029</u>	<u>551,072</u>	<u>18.79%</u>
<b>Nonoperating expenses</b>				
Interest expense	561,819	316,650	245,169	77.43%
<b>Total expenses</b>	<u>4,045,920</u>	<u>3,249,679</u>	<u>796,241</u>	<u>24.50%</u>
<b>Income before other revenues, expenses, gains, losses, and transfers</b>	<u>60,924</u>	<u>592,069</u>	<u>(531,145)</u>	<u>-89.71%</u>
Capital contributions	110,656	302,823	(192,167)	-63.46%
Change in net assets	171,580	894,892	(723,312)	-80.83%
Net assets-beginning of year, restated	<u>12,657,021</u>	<u>11,762,129</u>	<u>894,892</u>	<u>7.61%</u>
Net assets-end of year	<u>\$ 12,828,601</u>	<u>\$ 12,657,021</u>	<u>\$ 171,580</u>	<u>1.36%</u>

## **Water Utilities Community Facilities District: Revenues**

### **Operating Revenues**

As a whole, revenues received from operations increased 6.90% or \$265,096 as a result of a 3% rate increase adopted in fiscal year 2013, escalating demand in water consumption, and a growing customer base due to infill and rising occupancy rates.

- *Residential Sales*: Experienced an increase of 5.46% or \$163,368 brought on by dry weather conditions.
- *Nonresidential Sales*: The increase of 6.46% or \$37,529 was due to one-time events at the local, privately operated, landfill.
- *Other Charges*: Increase of 56.20% or \$65,578.
- *Miscellaneous*: Consists of monies received that are typically non-recurring, one-time in nature payments experienced an increase of 694.15% or \$5,456.

### **Non-operating Revenues**

- *Interest and investment revenue (loss)*: Increase of 322.53% or \$52,859. While the City and District experienced an increase in earned interest, this amount also includes a positive return on investments. The investment valuation is subject to market fluctuation. Fiscal year 2013's negative balance was the result of short-term market based unrealized losses in the Local Government Investment Pool (LGIP).
- *Intergovernmental Revenues*: 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 shows a decrease of 35.83% or \$59,694.

## **Water Utilities Community Facilities District: Expenses**

### **Operating Expenses**

Operating expenses are broken down into two categories: Administration and System Operations. Overall, operating expenses increased by 18.79% or \$551,072.

#### **Administration**

- *Operations*: Increase of 10.92% or \$78,310. The principal component of this increase was comprised of the professional services associated with the issuance of the 2014 WIFA borrowing and the early extinguishment of the 2004 Series A Bonds.
- *Long-term storage credits*: Decrease of 12.27% or \$21,509.
- *Depreciation*: Unchanged \$3,415.
- *Amortization*: The prior year amount is restated due to the retroactive application of Governmental Accounting Standards Board Pronouncement No. 65 (GASB 65); incrementally decreased by 5.30% or \$307.

#### **System Operations**

- *Operations*: Increase of 29.82% or \$436,392 can be attributed to non-capital maintenance efforts at Well #5, tank recoating, and an increase in the wholesale cost of water. These are outlined in greater detail in the government-wide analysis.
- *Depreciation*: Increase of 10.40% or \$58,186 is the result of the addition of the one-million dollar storage tank.
- *Amortization*: Unchanged \$8,606.

### Non-operating Expenses

- Interest Expense: Increase of 77.43% or \$245,169. This change is of a one-time nature as follows: \$211,402 consists of interest accrued on the 100 year lease with the Gila River Indian Community for 1,000 acre-feet of Central Arizona Project water. Another one-time event involves the write-off of \$43,764 of deferred refunding costs associated with the 2004 Series bond issue which was called effective July 1, 2014. Additional information regarding long-term debt is shown on page 19 and in Note 4 of the Notes to Financial Statements on pages 41 through 45.
- Capital Contributions: Decrease of 63.46% or \$192,167. Consists of one-time fees which are held and designated by the District for additional water sources and infrastructure. During the year, the District added a Water Resource Acquisition Fee. Although there is sporadic infill development within the City and District, there is no substantial building activity. New services decreased during the year and, as a result, so did capital facility revenue. Additionally, in fiscal year 2013, there had been a one-time capital contribution 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.
- Change in net assets: Increase of 1.36% or \$171,580

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

#### REVENUE VARIANCES

General fund revenues totaled \$22,628,950, compared to general fund budgeted revenues of \$22,732,855; an overall variance of \$103,905. Most significant differences in budget to actual revenues are as follows:

- City Taxes: Budget: \$11,550,000 Actual: \$11,329,227.  
The main component of taxes is local sales taxes, which are susceptible to volatility and fluctuation.
- Intergovernmental revenue: Budget: \$8,666,655 Actual: \$8,784,685.  
Intergovernmental revenue consists of three main revenue streams: state sales tax, state revenue sharing (income tax), and vehicle license. Projections for these revenue streams were less than the actual distributed during 2014.

#### EXPENDITURE VARIANCES

General fund expenditures totaled \$23,090,569 compared to general fund budgeted outlays of \$25,363,595. The variance of \$2,273,026 is summarized as follows:

- Non-Departmental: Budget: \$4,057,840 Actual: \$2,931,541  
Preparation for unforeseen events accounted for most of the variance, including \$890,500 of an unused contingency appropriation.
- Management Services: Budget: \$1,816,320 Actual: \$1,662,947  
Management services consists of five departments: Administration, Human Resources, Information Technology, Economic Development, and Marketing/Communications. The variance of \$153,373 was largely attributed to \$127,830 in unneeded professional services.  
Public Safety: Budget: \$9,147,165 Actual: \$8,782,485  
Public Safety is made up of four divisions: Support Services, Patrol, Investigations, and Animal Control. The variance of \$364,680 is primarily due to unused salaries and benefits of \$584,865 offset by \$291,002 of additional expenditures due to the building improvements made to the Public Safety Building.
- Magistrate Court: Budget: \$663,455 Actual: \$689,382  
The over-expending in the Municipal Court budget of \$25,927 was due to software maintenance costs of \$9,351 and office equipment and furniture costs of \$17,800.

- Public Works: Budget: \$1,823,035 Actual: \$1,529,912

The variance of \$293,123 is the result of unused budgeted monies as follows: graffiti abatement \$8,064, fleet \$46,324, and operations \$238,735.

- Development services: Budget: \$1,178,570 Actual: \$1,075,860

The budget to actual variance of \$102,710 was due to \$65,105 in unused salaries and fringe benefits, \$21,874 in unused professional services, \$10,018 in unused travel and training, and \$10,000 in unused money set aside for work on dangerous buildings.

- Library: Budget: \$1,233,295 Actual: \$1,134,943

The budget to actual variance of \$98,352 is primarily due to \$71,592 in unused salaries and benefits in addition to \$8,805 that had been set aside for the purchase of library books.

- Parks and recreation: Budget: \$3,404,495 Actual: \$3,305,019

Parks and recreation consists of four divisions: Administration, Parks, and Recreation. The variance between budget and actual of \$99,476 is mainly attributed to \$75,300 set aside for improvements that weren't completed and in addition to reduced expenses in electric and water utilities.

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

## **CAPITAL ASSETS 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 \$6,365,593. Noteworthy additions include:

- Street Improvements
 

North Apache Trail Improvement (Phase 2)	\$ 639,919
16 <sup>th</sup> Ave. Improvements (west of Del Rio)	\$ 891,595
Southern Ave./Meridian Road Improvements	\$ 688,983
Reconstruction of Grand, Ocotillo, Main and 1 <sup>st</sup> Ave.	\$ 488,146
- Buildings and Improvements
 

Police Building Renovation	\$ 928,176
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- Machinery and Equipment
 

Mobile Stage	\$ 147,326
Cardio Fitness Equipment	\$ 104,258

#### Business-type activities

Business-type capital outlays during the year totaled \$304,749, major components of which were as follows:

- Chlorination System (one-million gallon tank site) \$ 28,012  
Total outlay including previous years: \$206,726
- SCADA (Supervised Control And Data Acquisition) System \$ 180,182  
Total outlay including previous years: \$274,476

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:

- GADA Bonds - Series 2007A \$3,800,000  
Purpose: Finance Library expansion

- Pinal County IGA \$8,157,958  
Purpose: Cost-sharing arrangement for Ironwood Drive improvements
- Siemens Financial and Siemens Building Technologies lease purchase \$ 442,707  
Purpose: Finance substantial portion of energy enhancements

**Business-Type Activities**

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

- Refunding Bonds – Series 2004A \$4,670,000  
Purpose: Refunded outstanding amount from Series 1997 issue of \$6,750,000  
  
WUCFD has issued and funded a July 1, 2014 call of the last three years of bonds from this issue with scheduled maturities from July 1, 2015 through July 1, 2017 and a total face value of \$1,560,000. These, along with \$480,000 in bonds maturing July 1, 2014, comprise the \$2,040,000 in outstanding bonds as of June 30, 2014.
- WIFA note payable #920111-06 (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.
- WIFA loan payable #920133-08 (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, three-mile transmission main from the City of Mesa system, and a one-million gallon storage tank. During the year, \$227,845 was drawn down on the loan. The remainder is being used for rehabilitation of an existing storage tank.
- WIFA loan payable #920250-14 (Closed on June 20, 2014) \$9,077,296  
Purpose: The loan proceeds are programmed as follows:  
1) \$3,175,000 - 100 year lease of Central Arizona Project water  
2) \$1,052,296 - Acquisition of Central Arizona Project Non-Indian Agricultural Water  
3) \$4,850,000 - Design and construction of a surface water treatment plant  
  
No monies have been drawn down on this loan as of June 30, 2014  
\$1,000,000 of this loan consists of forgivable principal.

Additional information concerning governmental and business-type activities is presented in Note 4 – Long-Term Debt on pages 41 through 45.

**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 four years are as follows:

FY 2011	24.29%
FY 2012	27.03%
FY 2013	34.11%
FY 2014	37.08%

The upward trend will continue for the upcoming year, FY 2015 with a rate of 39.29%. Based upon the FY 2014 activity, the increase will generate additional pension costs of approximately \$63,966. For additional information on the funding and contribution trends, please refer to Note 9 on pages 47 through 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](mailto:dmeinerts@ajcity.net)

or

Finance Manager at (480) 474-5108 or [jwhite@ajcity.net](mailto:jwhite@ajcity.net)



## BASIC FINANCIAL STATEMENTS

CITY OF APACHE JUNCTION, ARIZONA

Statement of Net Position

June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,305,997	\$ 66,104	\$ 1,372,101
Investments	11,447,761	6,059,223	17,506,984
Receivables (net of allowances for uncollectibles):			
Accounts	309,379	271,587	580,966
Due from other governments	1,624,349		1,624,349
Restricted cash and cash equivalents	232,783	2,088,818	2,321,601
Internal balances	(1,220)	1,220	
Inventories	21,542	136,733	158,275
Prepaid items	217,399	45,534	262,933
Other assets		433,266	433,266
Capital assets, not being depreciated	4,616,585	745,759	5,362,344
Capital assets, being depreciated, net	<u>58,723,773</u>	<u>11,804,913</u>	<u>70,528,686</u>
Total assets	<u>78,498,348</u>	<u>21,653,157</u>	<u>100,151,505</u>
<b>LIABILITIES</b>			
Accounts payable	758,870	418,813	1,177,683
Accrued payroll and employee benefits	939,826	153,172	1,092,998
Accrued interest		261,699	261,699
Deposits held for others	210,145	298,030	508,175
Unearned revenue	61,191	53,752	114,943
Other liabilities	164,004		164,004
Noncurrent liabilities:			
Due within one year	583,267	2,040,000	2,623,267
Due in more than one year	<u>10,395,239</u>	<u>5,599,090</u>	<u>15,994,329</u>
Total liabilities	<u>13,112,542</u>	<u>8,824,556</u>	<u>21,937,098</u>
<b>NET POSITION</b>			
Net investment in capital assets	53,880,206	6,951,582	60,831,788
Restricted for:			
Debt service		300,184	300,184
Highways and streets	3,585,105		3,585,105
Development services	858,378		858,378
Law enforcement	357,289		357,289
Education	161,459		161,459
Other purposes	227,387		227,387
Unrestricted	<u>6,315,982</u>	<u>5,576,835</u>	<u>11,892,817</u>
Total net position	<u>\$ 65,385,806</u>	<u>\$ 12,828,601</u>	<u>\$ 78,214,407</u>

See accompanying notes to financial statements.

CITY OF APACHE JUNCTION, ARIZONA

Statement of Activities

Year Ended June 30, 2014

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	\$ 6,703,341	\$ 272,404			\$ (6,430,937)		\$ (6,430,937)
Public safety	9,886,008	568,907	\$ 241,340	\$ 11,277	(9,064,484)		(9,064,484)
Public works	8,442,716	2,612	3,790,465	520,915	(4,128,724)		(4,128,724)
Development services	1,332,778	364,033	253,444	354,756	(360,545)		(360,545)
Culture and recreation	5,399,502	623,539	405,567		(4,370,396)		(4,370,396)
Interest on long-term debt	139,818				(139,818)		(139,818)
Total governmental activities	<u>31,904,163</u>	<u>1,831,495</u>	<u>4,690,816</u>	<u>886,948</u>	<u>(24,494,904)</u>		<u>(24,494,904)</u>
Business-type activities:							
Water	<u>4,045,920</u>	<u>3,957,245</u>	<u>106,887</u>	<u>110,656</u>		<u>\$ 128,868</u>	<u>128,868</u>
Total business-type activities	<u>4,045,920</u>	<u>3,957,245</u>	<u>106,887</u>	<u>110,656</u>		<u>128,868</u>	<u>128,868</u>
Total government	<u>\$ 35,950,083</u>	<u>\$ 5,788,740</u>	<u>\$ 4,797,703</u>	<u>\$ 997,604</u>	<u>(24,494,904)</u>	<u>128,868</u>	<u>(24,366,036)</u>
General revenues:							
Sales taxes					11,224,784		11,224,784
State shared sales tax					3,119,613		3,119,613
State shared vehicle license tax					1,664,944		1,664,944
Urban revenue sharing					3,994,823		3,994,823
Other taxes					104,443		104,443
Investment earnings					82,019	36,470	118,489
Miscellaneous					<u>1,042,924</u>	<u>6,242</u>	<u>1,049,166</u>
Total general revenues					<u>21,233,550</u>	<u>42,712</u>	<u>21,276,262</u>
Change in net position					(3,261,354)	171,580	(3,089,774)
Net position, July 1, 2013, restated					<u>68,647,160</u>	<u>12,657,021</u>	<u>81,304,181</u>
Net position, June 30, 2014					<u>\$ 65,385,806</u>	<u>\$ 12,828,601</u>	<u>\$ 78,214,407</u>

See accompanying notes to financial statements.

CITY OF APACHE JUNCTION, ARIZONA

Balance Sheet  
Governmental Funds

June 30, 2014

	General Fund	Highway User Revenue Fund	Gifts and Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 757,676	\$ 100	\$ 548,221		\$ 1,305,997
Investments	6,828,289	3,218,468	1,226,656	\$ 174,348	11,447,761
Inventories	21,542				21,542
Receivables (net of allowances for uncollectibles):					
Accounts	166,297	10,169	132,913		309,379
Due from other governments	1,169,969	448,641	5,602	137	1,624,349
Due from other funds	214,903			9	214,912
Prepaid items	173,673	41,142	2,548	36	217,399
Restricted cash	4,047		130,611		134,658
Restricted cash held by other agencies			98,125		98,125
Total assets	<u>\$ 9,336,396</u>	<u>\$ 3,718,520</u>	<u>\$ 2,144,676</u>	<u>\$ 174,530</u>	<u>\$ 15,374,122</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 479,686	\$ 88,275	\$ 180,343	\$ 10,566	\$ 758,870
Accrued payroll and related liabilities	827,928	101,552	10,346		939,826
Due to other funds	1,229	29,006	185,897		216,132
Unearned revenue			61,191		61,191
Deposits held for others	29,213	50,321	130,611		210,145
Other liabilities	164,004				164,004
Total liabilities	<u>1,502,060</u>	<u>269,154</u>	<u>568,388</u>	<u>10,566</u>	<u>2,350,168</u>
Fund balances:					
Nonspendable	195,215	41,142	2,548	36	238,941
Restricted		3,408,224	1,573,740	163,928	5,145,892
Unassigned	7,639,121				7,639,121
Total fund balances	<u>7,834,336</u>	<u>3,449,366</u>	<u>1,576,288</u>	<u>163,964</u>	<u>13,023,954</u>
Total liabilities and fund balances	<u>\$ 9,336,396</u>	<u>\$ 3,718,520</u>	<u>\$ 2,144,676</u>	<u>\$ 174,530</u>	<u>\$ 15,374,122</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, 2014

Fund balances - total governmental funds		\$	13,023,954
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.			63,340,358
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	\$	2,818,659	
Other government payable		6,157,958	
Capital leases payable		483,535	
Compensated absences		<u>1,518,354</u>	
			<u>(10,978,506)</u>
Net position of governmental activities		\$	<u>65,385,806</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, 2014

	General Fund	Highway User Revenue Fund	Gifts and Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>					
Taxes	\$ 11,329,227			\$ 38,747	\$ 11,367,974
Licenses and permits	717,839		\$ 268,238		986,077
Intergovernmental revenue	8,784,685	\$ 3,750,851	935,407	60,517	13,531,460
Charges for services	601,672	2,612			604,284
Fines and forfeits	391,237		98,690		489,927
Investment earnings	31,849	24,825	24,225	1,120	82,019
Miscellaneous	<u>772,441</u>	<u>270,600</u>	<u>19,907</u>	<u>429</u>	<u>1,063,377</u>
Total revenues	22,628,950	4,048,888	1,346,467	100,813	28,125,118
<b>EXPENDITURES:</b>					
Current:					
General government	6,247,690		3,969	38,167	6,289,826
Public safety	9,471,867		672,895		10,144,762
Public works	1,529,912	5,716,765	1,405,381		8,652,058
Development services	1,075,860		813,495		1,889,355
Culture and recreation	4,439,962		980,858	101,263	5,522,083
Debt service:					
Principal	185,460				185,460
Interest and other charges	<u>139,818</u>				<u>139,818</u>
Total expenditures	<u>23,090,569</u>	<u>5,716,765</u>	<u>3,876,598</u>	<u>139,430</u>	<u>32,823,362</u>
Net change in fund balances	(461,619)	(1,667,877)	(2,530,131)	(38,617)	(4,698,244)
Fund balances, July 1, 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>
Fund balances, June 30, 2014	<u>\$ 7,834,336</u>	<u>\$ 3,449,366</u>	<u>\$ 1,576,288</u>	<u>\$ 163,964</u>	<u>\$ 13,023,954</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, 2014

Net change in fund balances - total governmental funds		\$ (4,698,244)
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	\$ 6,365,593	
Depreciation expense	<u>(4,833,213)</u>	
		1,532,380
<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>		
		(7,741)
<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>		
		(232,404)
<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>144,655</u>
Change in net position of governmental activities		<u>\$ (3,261,354)</u>

See accompanying notes to financial statements.

CITY OF APACHE JUNCTION, ARIZONA

Statement of Net Position  
 Proprietary Fund Type - Enterprise Fund

June 30, 2014

	<u>WUCFD</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 66,104
Investments	6,059,223
Receivables (net of allowances for uncollectibles):	
Accounts	271,587
Due from other funds	1,220
Inventories	136,733
Restricted cash to be used to liquidate current liabilities	2,088,818
Prepaid expenses	<u>45,534</u>
Total current assets	<u>8,669,219</u>
Noncurrent assets:	
Other assets	433,266
Capital assets, not being depreciated	745,759
Capital assets, being depreciated, net	<u>11,804,913</u>
Total noncurrent assets	<u>12,983,938</u>
Total assets	<u>21,653,157</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	418,813
Accrued payroll and employee benefits	153,172
Accrued interest payable	261,699
Deposits held for others	298,030
Bond payable	2,040,000
Unearned revenue	<u>53,752</u>
Total current liabilities	<u>3,225,466</u>
Noncurrent liabilities:	
Notes payable	<u>5,599,090</u>
Total noncurrent liabilities	<u>5,599,090</u>
Total liabilities	<u>8,824,556</u>
<b>NET POSITION</b>	
Net investment in capital assets	6,951,582
Restricted for:	
Debt service	300,184
Unrestricted	<u>5,576,835</u>
Total net position	<u>\$ 12,828,601</u>

See accompanying notes to financial statements.



CITY OF APACHE JUNCTION, ARIZONA  
Statement of Revenues Expenses and Changes in Fund Net Position  
Proprietary Fund Type - Enterprise Fund  
Year Ended June 30, 2014

	WUCFD
<b>OPERATING REVENUES</b>	
Charges for services	\$ 3,957,245
Miscellaneous	<u>6,242</u>
Total operating revenues	<u>3,963,487</u>
<b>OPERATING EXPENSES</b>	
Payroll and payroll related	1,161,859
Legal and professional services	47,536
Telephone and utilities	621,230
Office and supplies	5,417
Postage and shipping	27,690
Printing and copying	15,521
Insurance	22,799
Other operating	415,723
Repairs and maintenance	531,025
Amortization	14,092
Depreciation	<u>621,209</u>
Total operating expenses	<u>3,484,101</u>
Operating income	479,386
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Intergovernmental	106,887
Investment earnings	36,470
Interest expense	<u>(561,819)</u>
Total nonoperating revenues (expenses)	(418,462)
<b>CAPITAL CONTRIBUTION</b>	
Capital facilities fees	<u>110,656</u>
Total capital contribution	110,656
Increase in net position	171,580
Net position, July 1, 2013, restated	<u>12,657,021</u>
Net position, June 30, 2014	<u><u>\$ 12,828,601</u></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, 2014

	<u>WUCFD</u>
<b>CASH FLOWS FROM OPERATING REVENUES</b>	
Cash received from customers	\$ 3,971,991
Other operating receipts	6,242
Cash payments to suppliers for goods and services	(1,746,214)
Cash payments to employees for services	<u>(1,155,307)</u>
Net cash provided by operating activities	<u>1,076,712</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Proceeds from grants	<u>106,887</u>
Net cash provided by noncapital financing activities	<u>106,887</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from long-term borrowing	227,845
Proceeds from capital facilities fees	110,656
Purchase and construction of capital assets	(304,749)
Interest paid on long-term debt	(451,519)
Principal payments on revenue bonds payable and note payable	(958,050)
Net cash used by capital and related financing activities	<u>(1,375,817)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net decrease in investments	<u>1,334,835</u>
Net cash provided by investing activities	<u>1,334,835</u>
 Net increase in cash and cash equivalents	1,142,617
Cash and cash equivalents, July 1, 2013	<u>1,012,305</u>
Cash and cash equivalents, June 30, 2014	<u>\$ 2,154,922</u>
 <b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2014 CONSISTED OF</b>	
Unrestricted cash	\$ 66,104
Restricted cash	<u>2,088,818</u>
	<u>\$ 2,154,922</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, 2014

	<u>WUCFD</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 479,386
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	621,209
Amortization	14,092
Decrease in inventories	19,734
Decrease in due from other funds	(17,220)
Increase in accounts receivable	532
Increase in prepaid expenses	3,601
Increase in deposits held for others	13,146
Increase in accounts payable and accrued liabilities related to operations	<u>(57,768)</u>
Total adjustments	<u>597,326</u>
Net cash provided by operating activities	<u>\$ 1,076,712</u>

See accompanying notes to financial statements.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2014

**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, 2014, the City implemented the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 65 reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources and recognizes certain other items that were previously reported as assets and liabilities as revenues or expenses.

**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, 2014

**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, 2014

**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, 2014

**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.

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, 2014

**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, 2014

**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, 2014

**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, 2014

**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, 2014, the carrying amount of deposits was \$3,693,702 and the bank balance was \$4,251,378. 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, 2014, \$1,156,200 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, 2014, 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	\$ 11,478,288	\$ 11,478,288
State Treasurer’s investment pool 700	<u>6,028,696</u>	<u>6,028,696</u>
Total	<u>\$ 17,506,984</u>	<u>\$ 17,506,984</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, 2014, 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, 2014, 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, 2014

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2014, was as follows:

<b>Governmental activities:</b>	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 2,151,770			\$ 2,151,770
Construction in progress	<u>1,136,134</u>	\$ 4,183,321	\$ (2,854,640)	<u>2,464,815</u>
Total capital assets not being depreciated	<u>3,287,904</u>	<u>4,183,321</u>	<u>(2,854,640)</u>	<u>4,616,585</u>
Capital assets being depreciated:				
Buildings	21,542,602			21,542,602
Improvements other than buildings	12,275,375	443,159		12,718,534
Machinery and equipment	11,347,600	1,123,248	(309,538)	12,161,310
Infrastructure	<u>62,247,076</u>	<u>3,470,505</u>		<u>65,717,581</u>
Total	<u>107,412,653</u>	<u>5,036,912</u>	<u>(309,538)</u>	<u>112,140,027</u>
Less accumulated depreciation for:				
Buildings	5,954,692	580,757		6,535,449
Improvements other than buildings	6,591,122	522,916		7,114,038
Machinery and equipment	8,392,175	865,324	(301,797)	8,955,702
Infrastructure	<u>27,946,849</u>	<u>2,864,216</u>		<u>30,811,065</u>
Total	<u>48,884,838</u>	<u>4,833,213</u>	<u>(301,797)</u>	<u>53,416,254</u>
Total capital assets being depreciated, net	<u>58,527,815</u>	<u>203,699</u>	<u>(7,741)</u>	<u>58,723,773</u>
Governmental activities capital assets, net	<u>\$ 61,815,719</u>	<u>\$ 4,387,020</u>	<u>\$ (2,862,381)</u>	<u>\$ 63,340,358</u>
<b>Business-type activities:</b>	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 715,895	\$ 29,864		\$ 745,759
Construction in progress	<u>299,652</u>	<u>304,750</u>	\$ (604,402)	<u>745,759</u>
Total capital assets not being depreciated	<u>1,015,547</u>	<u>334,614</u>	<u>(604,402)</u>	<u>745,759</u>
Capital assets being depreciated:				
Buildings	113,247	23,297		136,544
Water system	16,559,421	521,554	(28,817)	17,052,158
Machinery and equipment	<u>1,558,260</u>	<u>29,686</u>	<u>(9,617)</u>	<u>1,578,329</u>
Total	<u>18,230,928</u>	<u>574,537</u>	<u>(38,434)</u>	<u>18,767,031</u>
Less accumulated depreciation for:				
Buildings	42,759	6,213		48,972
Water system	4,941,941	564,546	(6,843)	5,499,644
Machinery and equipment	<u>1,372,669</u>	<u>50,450</u>	<u>(9,617)</u>	<u>1,413,502</u>
Total	<u>6,357,369</u>	<u>621,209</u>	<u>(16,460)</u>	<u>6,962,118</u>
Total capital assets being depreciated, net	<u>11,873,559</u>	<u>(46,672)</u>	<u>(21,974)</u>	<u>11,804,913</u>
Business-type activities capital assets, net	<u>\$ 12,889,106</u>	<u>\$ 287,942</u>	<u>\$ (626,376)</u>	<u>\$ 12,550,672</u>

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2014

**NOTE 3 - CAPITAL ASSETS - CONTINUED**

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

Governmental activities:	
General government	\$ 487,007
Public safety	474,959
Public works	3,124,876
Development services	3,880
Culture and recreation	<u>742,491</u>
Total depreciation expense	
- governmental activities	<u>\$ 4,833,213</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, 2014:

	July 1, 2013	Additions	Reductions	June 30, 2014	Due Within 1 Year
<b>Governmental activities:</b>					
2007 GADA Series 2007A					
Bonds	\$ 2,895,000		\$ (170,000)	\$ 2,725,000	\$ 170,000
Bond premium	<u>108,193</u>		<u>(14,534)</u>	<u>93,659</u>	
Total bonds payable	3,003,193		(184,534)	2,818,659	170,000
Inter-governmental payable	6,157,958			6,157,958	
Capital leases payable	499,889		(16,354)	483,535	33,678
Compensated absences payable	<u>1,285,950</u>	\$ 232,404		<u>1,518,354</u>	<u>379,589</u>
Governmental activities long-term liabilities	<u>\$ 10,946,990</u>	<u>\$ 232,404</u>	<u>\$ (200,888)</u>	<u>\$ 10,978,506</u>	<u>\$ 583,267</u>
<b>Business-type activities:</b>					
2004A WUCFD Revenue					
Bonds	<u>\$ 2,500,000</u>		<u>\$ (460,000)</u>	<u>\$ 2,040,000</u>	<u>\$ 2,040,000</u>
Total bonds payable	2,500,000		(460,000)	2,040,000	2,040,000
WIFA Note Payable #920111-06	1,901,028		(335,916)	1,565,112	
WIFA Note Payable #920133-08	<u>4,066,133</u>	\$ 227,845	<u>(260,000)</u>	<u>4,033,978</u>	
Total notes payable	<u>5,967,161</u>	<u>227,845</u>	<u>(595,916)</u>	<u>5,599,090</u>	
Business-type activities long-term liabilities	<u>\$ 8,467,161</u>	<u>\$ 227,845</u>	<u>\$ (1,055,916)</u>	<u>\$ 7,639,090</u>	<u>\$ 2,040,000</u>

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2014

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

**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.

\$ 2,818,659

Less: Current maturities

(170,000)

\$ 2,648,659

**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 \$2,040,000 is outstanding at June 30, 2014. WUCFD decided to call the last three years of principal effective July 1, 2014 and deposited \$2,040,000 into an irrevocable escrow to advance refund.

\$ 2,040,000

Less: Current maturities

(2,040,000)

\$ -

**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.

\$ 1,565,112

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2014

**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.

	4,033,978
	5,599,090
Less: Current maturities	-
	\$ 5,599,090

**Governmental activities:**

Year Ending June 30,	Bond Payable		Inter-governmental Payable	
	Principal	Interest	Principal	Interest
2015	\$ 170,000	\$ 130,124		
2016	180,000	122,687		
2017	190,000	115,637		
2018	200,000	107,436		
2019	210,000	97,437		
2020-2024	1,205,000	341,248	\$ 1,146,448	\$ 334,023
2025-2029	570,000	42,750	2,648,050	1,053,127
Thereafter			2,363,460	1,337,718
Total	\$ 2,725,000	\$ 957,319	\$ 6,157,958	\$ 2,724,868

**Business-type activities:**

Year Ending June 30,	Bond Payable		Notes Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 2,040,000	\$ 45,170			\$ 2,040,000	\$ 45,170
2016			\$ 311,798	\$ 182,197	311,798	182,197
2017			322,967	171,684	322,967	171,684
2018			339,353	160,720	339,353	160,720
2019			735,961	143,217	735,961	143,217
2020-2024			3,889,011	346,282	3,889,011	346,282
Total	\$ 2,040,000	\$ 45,170	\$ 5,599,090	\$ 1,004,100	\$ 7,639,090	\$ 1,049,270

In April 2014, WUCFD entered into a loan agreement with WIFA to borrow \$9,077,296 to fund purchase of water rights and construction of CAP water treatment plant. No draw from this loan had been made as of June 30, 2014.

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, 2014

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

	Governmental Activities			Business-Type
	General Fund	HURF	Total	Activity
Balance - June 30, 2013	\$ 1,179,850	\$ 106,100	\$ 1,285,950	\$ 114,557
Increase for the year	1,187,982	163,496	1,351,478	56,862
Decrease for the year	(1,002,075)	(116,999)	(1,119,074)	(58,924)
Balance - June 30, 2014	<u>\$ 1,365,757</u>	<u>\$ 152,597</u>	<u>\$ 1,518,354</u>	<u>\$ 112,495</u>
Estimated amount due within one year	\$ 341,439	\$ 38,150	\$ 379,589	\$ 112,495

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	94,177
Carrying value	<u>\$ 496,077</u>

The following schedule details debt service requirements to maturity for the City's capital leases payable at June 30, 2014:

Year ending June 30,	Governmental Activities
2015	\$ 52,766
2016	54,627
2017	56,580
2018	43,091
2019	45,244
Thereafter	<u>374,532</u>
Total minimum lease payments	626,840
Less amount representing interest	<u>(143,305)</u>
Present value of net minimum lease payments	<u>\$ 483,535</u>



CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2014

**NOTE 5 - INTERFUND BALANCES**

The composition of interfund balances as of June 30, 2014, is listed below.

Payable From	Payable To			Total
	General Fund	Other Governmental Funds	WUCFD	
General Fund		\$ 9	\$ 1,220	\$ 1,229
HURF	\$ 29,006			29,006
Gifts and Grants Fund	185,897			185,897
Total	<u>\$ 214,903</u>	<u>\$ 9</u>	<u>\$ 1,220</u>	<u>\$ 216,132</u>

The amounts due from the General Fund, HURF, Gifts and Grants Fund, due to the General Fund, WUCFD 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.

**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, 2014

**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 6/30/2014	Remaining Commitment
T.Y. Lin International	Delaware Dr/Broadway Roadway Improvements.	1/3/2012	101,423	82,270	19,153
			<u>\$ 101,423</u>	<u>\$ 82,270</u>	<u>\$ 19,153</u>

On June 17, 2014, the WUCFD entered into a professional services agreement with Carollo Engineers for surface water treatment plant engineering/consulting services in an amount not to exceed \$632,542. The project is being funded through a loan agreement closed on June 20, 2014 with the Water Infrastructure Financing Authority of Arizona (WIFA).

The WUCFD is involved in a ten-year agreement with the Superstition Mountains Community Facilities District No. 1 (SMCFD) for the purchase of long-term storage credits generated at SMCFD's recharge facility. The agreement is for the purchase of the lesser of 2,120 acre feet or ninety percent of the available credits. The purchase price will be calculated at 98% 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 \$228,927 for the credits generated from January 2013 through June 2014. The agreement expires on December 31, 2015.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2014

**NOTE 8 - COMMITMENTS AND CONTINGENCIES - CONTINUED**

The WUCFD has entered into a 100 year lease for the annual use of 1,000 acre-feet of Central Arizona Project water from the Gila River Indian Community at \$3,000 per acre-foot for a total of \$3,000,000. This amount, less \$125,000 of the original option, is payable along with accrued interest based on 5% plus the London Interbank Offered Rate (LIBOR) from the lease option date of March 29, 2014 to the date of payment, July 23, 2014. Related interest of \$211,402 has been accrued and is reported as of June 30, 2014.

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 death 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, 2014

**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 sites 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.azasrs.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, 2014, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.3 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 11.54 percent (10.7 percent for retirement, 0.60 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, 2014, 2013 and 2012 were as follows:

<u>City of Apache Junction</u> <u>Year ended June 30</u>	<u>Retirement Fund</u>	<u>Health Benefit</u> <u>Supplement Fund</u>	<u>Long-Term</u> <u>Disability Fund</u>
2014	\$ 915,955	\$ 51,362	\$ 20,544
2013	835,196	52,964	19,556
2012	845,470	53,475	20,371

<u>WUCFD</u> <u>Year ended June 30</u>	<u>Retirement Fund</u>	<u>Health Benefit</u> <u>Supplement Fund</u>	<u>Long-Term</u> <u>Disability Fund</u>
2014	\$ 70,033	\$ 3,927	\$ 1,570
2013	66,059	3,728	1,377
2012	48,012	3,048	1,161

*Agent plans* - For the year ended June 30, 2014, active PSPRS members were required by statute to contribute 10.35 percent of the members' annual covered payroll, and the City was required to contribute 35.66 percent, the aggregate of which is the actuarially required amount. The health insurance premium benefit portion of the contribution rate was actuarially set at 1.42 percent of covered payroll.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2014

**NOTE 9 - RETIREMENT PLANS - CONTINUED**

Actuarial methods and assumptions - The contribution requirements for the year ended June 30, 2014, were established by the June 30, 2012, 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 2014 contribution requirements, are as follows:

	<u>PSPRS</u>
Actuarial valuation date	June 30, 2012
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	24 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year Smoothed market value (80%/120% market)
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases includes inflation at	5%-9% 5%
Healthcare cost trend rate	N/A flat rate subsidy

Annual Pension/OPEB Cost - The City's pension/OPEB cost for the agent plans for the year ended June 30, 2014, and related information follows:

	<u>PSPRS</u>	
	<u>Pension</u>	<u>Health Insurance</u>
Annual pension/OPEB cost	\$ 1,107,285	\$ 44,092
Contributions made	1,107,285	44,092

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2014

**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	2014	\$ 1,107,285	100 %	\$ 0
Health Insurance	2014	44,092	100 %	0
Pension	2012	928,729	100 %	0
Health Insurance	2012	48,195	100 %	0
Pension	2011	747,751	100 %	0
Health Insurance	2011	45,518	100 %	0

Funded Status - The funded status of the plans as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

	PSPRS	
	Pension	Health Insurance
	Actuarial value of assets (a)	\$ 11,207,426
Actuarial accrued liability (b)	29,632,199	567,658
Unfunded actuarial accrued liability (funding excess) (b) – (a)	18,424,773	(90,709)
Funded ratio (a) / (b)	37.8 %	116.0 %
Covered payroll (c)	3,110,727	3,110,727
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((b) – (a))/(c)	592.3 %	0.0 %

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, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	22 years
Asset valuation method	7-Year smoothed market (80%/120% market)
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4.00%-8.00%
Healthcare cost trend rate	N/A flat rate subsidy

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2014

**NOTE 10 - FUND BALANCE CLASSIFICATIONS**

The Fund balance classifications of the governmental funds as of June 30, 2014, 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	\$ 21,542				\$ 21,542
Prepaid items	<u>173,673</u>	<u>\$ 41,142</u>	<u>2,548</u>	<u>\$ 36</u>	<u>217,399</u>
Total nonspendable	195,215	41,142	2,548	36	238,941
Restricted for:					
Library services			\$ 133,234	28,225	161,459
Law enforcement			357,289		357,289
Highway and streets		3,408,224	20,200	135,703	3,564,127
Development services			838,178		838,178
Culture and recreation			57,276		57,276
General government services			<u>167,563</u>		<u>167,563</u>
Total restricted		3,408,224	1,573,740	163,928	5,145,892
Unassigned	<u>7,639,121</u>				<u>7,639,121</u>
Total fund balances	<u>\$ 7,834,336</u>	<u>\$ 3,449,366</u>	<u>\$ 1,576,288</u>	<u>\$ 163,964</u>	<u>\$ 13,023,954</u>

**NOTE 11 - NET POSITION BEGINNING BALANCE RESTATED**

The beginning net position balance for the WUCFD was restated due to the implementation of GASB No. 65 requiring debt issuance costs, except any portion related to prepaid insurance costs, to be recognized as expense in the period incurred. The following summarizes the restatement of net position.

	<u>WUCFD</u>
Net position, June 30, 2013	\$ 12,728,450
Adjustment	<u>(71,429)</u>
Net position, June 30, 2013, as restated	<u>\$ 12,657,021</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, 2014

	Budgeted amounts		Actual Amounts	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 11,550,000	\$ 11,550,000	\$ 11,329,227	\$ (220,773)
Licenses and permits	720,200	720,200	717,839	(2,361)
Intergovernmental revenue	8,666,655	8,666,655	8,784,685	118,030
Charges for services	633,000	633,000	601,672	(31,328)
Fines and forfeitures	400,000	400,000	391,237	(8,763)
Investment earnings	13,000	13,000	31,849	18,849
Miscellaneous	<u>750,000</u>	<u>750,000</u>	<u>772,441</u>	<u>22,441</u>
Total revenues	<u>22,732,855</u>	<u>22,732,855</u>	<u>22,628,950</u>	<u>(103,905)</u>
<b>EXPENDITURES</b>				
General government:				
Mayor and council	116,685	116,685	102,805	13,880
City manager	314,415	314,415	293,207	21,208
City clerk	553,000	553,000	552,550	450
Management services	1,816,320	1,816,320	1,662,947	153,373
Non-departmental	4,057,840	4,057,840	2,931,541	1,126,299
Finance	452,350	452,350	437,042	15,308
City Attorney	<u>602,970</u>	<u>602,970</u>	<u>592,876</u>	<u>10,094</u>
Total general government	<u>7,913,580</u>	<u>7,913,580</u>	<u>6,572,968</u>	<u>1,340,612</u>
Public safety:				
Public safety	9,147,165	9,147,165	8,782,485	364,680
Magistrate court	<u>663,455</u>	<u>663,455</u>	<u>689,382</u>	<u>(25,927)</u>
Total public safety	<u>9,810,620</u>	<u>9,810,620</u>	<u>9,471,867</u>	<u>338,753</u>
Public works	1,823,035	1,823,035	1,529,912	293,123
Development services	1,178,570	1,178,570	1,075,860	102,710
Culture and recreation:				
Library	1,233,295	1,233,295	1,134,943	98,352
Parks and recreation	<u>3,404,495</u>	<u>3,404,495</u>	<u>3,305,019</u>	<u>99,476</u>
Total culture and recreation	<u>4,637,790</u>	<u>4,637,790</u>	<u>4,439,962</u>	<u>197,828</u>
Total expenditures	<u>25,363,595</u>	<u>25,363,595</u>	<u>23,090,569</u>	<u>2,273,026</u>
Excess (deficiency) of revenues over (under) expenditures	(2,630,740)	(2,630,740)	(461,619)	2,169,121
Fund balances, beginning of year	<u>8,295,955</u>	<u>8,295,955</u>	<u>8,295,955</u>	
Fund balances, end of year	<u>\$ 5,665,215</u>	<u>\$ 5,665,215</u>	<u>\$ 7,834,336</u>	<u>\$ 2,169,121</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, 2014

	<u>Budgeted amounts</u>		<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 3,654,805	\$ 3,654,805	\$ 3,750,851	\$ 96,046
Charges for services			2,612	2,612
Investment earnings	9,000	9,000	24,825	15,825
Miscellaneous	<u>130,000</u>	<u>130,000</u>	<u>270,600</u>	<u>140,600</u>
Total revenues	<u>3,793,805</u>	<u>3,793,805</u>	<u>4,048,888</u>	<u>255,083</u>
<b>EXPENDITURES</b>				
Public works	<u>7,758,770</u>	<u>7,758,770</u>	<u>5,716,765</u>	<u>2,042,005</u>
Total expenditures	<u>7,758,770</u>	<u>7,758,770</u>	<u>5,716,765</u>	<u>2,042,005</u>
Excess (deficiency) of revenues over (under) expenditures	(3,964,965)	(3,964,965)	(1,667,877)	2,297,088
Fund balance, beginning of year	<u>5,117,243</u>	<u>5,117,243</u>	<u>5,117,243</u>	
Fund balance, end of year	<u>\$ 1,152,278</u>	<u>\$ 1,152,278</u>	<u>\$ 3,449,366</u>	<u>\$ 2,297,088</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, 2014

	Budgeted amounts		Actual Amounts	Variance
	Original	Final		Positive (Negative)
<b>REVENUES</b>				
Development fees	\$ 500,000	\$ 500,000	\$ 98,690	\$ (401,310)
Investment earnings	8,500	8,500	24,225	15,725
Miscellaneous	<u>5,950,210</u>	<u>5,950,210</u>	<u>1,223,552</u>	<u>(4,726,658)</u>
Total revenues	<u>6,458,710</u>	<u>6,458,710</u>	<u>1,346,467</u>	<u>(5,112,243)</u>
<b>EXPENDITURES</b>				
General government	6,183,425	6,183,425	3,969	6,179,456
Public safety	409,720	409,720	672,895	(263,175)
Public works	686,720	686,720	1,405,381	(718,661)
Development services	309,035	309,035	813,495	(504,460)
Culture and recreation	<u>605,565</u>	<u>605,565</u>	<u>980,858</u>	<u>(375,293)</u>
Total expenditures	<u>8,194,465</u>	<u>8,194,465</u>	<u>3,876,598</u>	<u>4,317,867</u>
Excess (deficiency) of revenues over (under) expenditures	(1,735,755)	(1,735,755)	(2,530,131)	(794,376)
Fund balance, beginning of year	<u>4,106,419</u>	<u>4,106,419</u>	<u>4,106,419</u>	
Fund balance, end of year	<u>\$ 2,370,664</u>	<u>\$ 2,370,664</u>	<u>\$ 1,576,288</u>	<u>\$ (794,376)</u>

CITY OF APACHE JUNCTION, ARIZONA

Required Supplementary Information  
 Schedule of Agent Retirement Plan Funding Progress

June 30, 2014

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

Actuarial Valuation Date	Apache Junction Police					UAAL (Funding Excess) as a percentage of Covered Payroll ([b-a]/c)
	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	
<u>June 30, 2014</u>						
Pension	\$ 11,207,426	\$ 29,632,199	\$ 18,424,773	37.8 %	\$ 3,110,727	592.3 %
Health insurance	658,367	567,658	(90,709)	116.0 %	3,110,727	0.0 %
<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	18.0 %
<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 %



## 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, 2014

	Local Transportation Assistance	Library	Lighting District Fund	Totals
<b>ASSETS</b>				
Investments	\$ 57,004	\$ 38,927	\$ 78,417	\$ 174,348
Receivables:				
Due from other governments		1	136	137
Due from other funds		9		9
Prepaid items		<u>36</u>		<u>36</u>
Total assets	<u>\$ 57,004</u>	<u>\$ 38,973</u>	<u>\$ 78,553</u>	<u>\$ 174,530</u>
<b>LIABILITIES AND FUND EQUITY</b>				
Liabilities:				
Accounts payable		<u>\$ 10,566</u>		<u>\$ 10,566</u>
Total liabilities		<u>10,566</u>		<u>10,566</u>
<b>FUND BALANCES</b>				
Nonspendable		36		36
Restricted	<u>\$ 57,004</u>	<u>28,371</u>	<u>\$ 78,553</u>	<u>163,928</u>
Total fund balances	<u>57,004</u>	<u>28,407</u>	<u>78,553</u>	<u>163,964</u>
Total liabilities and fund balances	<u>\$ 57,004</u>	<u>\$ 38,973</u>	<u>\$ 78,553</u>	<u>\$ 174,530</u>



CITY OF APACHE JUNCTION, ARIZONA

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

Nonmajor Governmental Funds

Year Ended June 30, 2014

	Local Transportation Assistance	Library	Lighting District Fund	Totals
<b>REVENUES</b>				
Taxes			\$ 38,747	\$ 38,747
Intergovernmental revenue	\$ 867	\$ 59,650		60,517
Investment earnings	303	418	399	1,120
Miscellaneous		429		429
Total revenues	<u>1,170</u>	<u>60,497</u>	<u>39,146</u>	<u>100,813</u>
<b>EXPENDITURES</b>				
General government			38,167	38,167
Culture and recreation	<u>867</u>	<u>100,396</u>		<u>101,263</u>
Total expenditures	<u>867</u>	<u>100,396</u>	<u>38,167</u>	<u>139,430</u>
Net change in fund balances	303	(39,899)	979	(38,617)
Fund balances, July 1, 2013	<u>56,701</u>	<u>68,306</u>	<u>77,574</u>	<u>202,581</u>
Fund balances, June 30, 2014	<u>\$ 57,004</u>	<u>\$ 28,407</u>	<u>\$ 78,553</u>	<u>\$ 163,964</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue			\$ 867	\$ 867
Investment earnings	\$ 100	\$ 100	303	203
Total revenues	100	100	1,170	1,070
<b>EXPENDITURES</b>				
LTAf	57,880	57,880	867	57,013
Total expenditures	57,880	57,880	867	57,013
Excess (deficiency) of revenues (under) over expenditures	(57,780)	(57,780)	303	58,083
Fund balances, July 1, 2013	56,701	56,701	56,701	
Fund balances, June 30, 2014	\$ (1,079)	\$ (1,079)	\$ 57,004	\$ 58,083

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue			\$ 59,650	\$ 59,650
Investment earnings			418	418
Miscellaneous	\$ 55,000	\$ 55,000	429	(54,571)
Total revenues	55,000	55,000	60,497	5,497
<b>EXPENDITURES</b>				
Library	89,000	89,000	100,396	(11,396)
Total expenditures	89,000	89,000	100,396	(11,396)
Excess (deficiency) of revenues (under) over expenditures	(34,000)	(34,000)	(39,899)	(5,899)
Fund balances, July 1, 2013	68,306	68,306	68,306	
Fund balances, June 30, 2014	\$ 34,306	\$ 34,306	\$ 28,407	\$ (5,899)

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes			\$ 38,747	\$ 38,747
Investment earnings			399	399
Miscellaneous	\$ 60,000	\$ 60,000		(60,000)
Total revenues	60,000	60,000	39,146	(20,854)
<b>EXPENDITURES</b>				
Lighting District	60,000	60,000	38,167	21,833
Total expenditures	60,000	60,000	38,167	21,833
Excess (deficiency) of revenues (under) over expenditures			979	979
Fund balances, July 1, 2013	77,574	77,574	77,574	
Fund balances, June 30, 2014	\$ 77,574	\$ 77,574	\$ 78,553	\$ 979

**CAPITAL ASSETS USED IN  
GOVERNMENTAL ACTIVITIES**

CITY OF APACHE JUNCTION, ARIZONA

Schedule of Capital Assets - By Source

June 30, 2014

Governmental funds capital assets:	
Land	\$ 2,151,770
Buildings	21,542,602
Improvements	12,718,534
Equipment	12,161,310
Infrastructure	65,717,581
Construction in process	<u>2,464,815</u>
Total governmental funds capital assets	<u>\$ 116,756,612</u>
Investments in governmental funds capital assets by source:	
General fund	\$ 24,817,298
Capital projects fund	15,361,315
Special revenue funds	<u>76,577,999</u>
Total governmental funds capital assets	<u>\$ 116,756,612</u>

CITY OF APACHE JUNCTION, ARIZONA  
Schedule of Changes in Capital Assets - By Function and Activity  
June 30, 2014

<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				\$ 41,674			\$ 41,674
City clerk			6,185	57,663			63,848
Finance				85,559			85,559
Other general government	\$ 1,369,972	\$ 7,756,263	\$ 1,652,258	2,234,238		\$ 14,409	13,027,140
City attorney		7,554	7,608	41,228			56,390
Total general government	<u>1,369,972</u>	<u>7,763,817</u>	<u>1,666,051</u>	<u>2,460,362</u>		<u>14,409</u>	<u>13,274,611</u>
Public safety							
Municipal courts		71,789	21,174	62,017			154,980
Police		<u>3,607,632</u>	<u>492,878</u>	<u>3,756,536</u>		<u>938,176</u>	<u>8,795,222</u>
Total public safety		<u>3,679,421</u>	<u>514,052</u>	<u>3,818,553</u>		<u>938,176</u>	<u>8,950,202</u>
Public works							
Streets	322,373		83,550	3,068,586	\$ 65,679,807	1,512,230	70,666,546
Public works	444,425	377,585	618,851	558,997			1,999,858
Engineering				<u>365,941</u>			<u>365,941</u>
Total public works	<u>766,798</u>	<u>377,585</u>	<u>702,401</u>	<u>3,993,524</u>	<u>65,679,807</u>	<u>1,512,230</u>	<u>73,032,345</u>
Culture and recreation							
Library		5,125,746	679,632	476,200			6,281,578
Parks and recreation	<u>15,000</u>	<u>4,596,033</u>	<u>9,156,398</u>	<u>1,412,671</u>	<u>37,774</u>		<u>15,217,876</u>
Total culture and recreation	<u>15,000</u>	<u>9,721,779</u>	<u>9,836,030</u>	<u>1,888,871</u>	<u>37,774</u>		<u>21,499,454</u>
Governmental funds capital assets	<u>\$ 2,151,770</u>	<u>\$ 21,542,602</u>	<u>\$ 12,718,534</u>	<u>\$ 12,161,310</u>	<u>\$ 65,717,581</u>	<u>\$ 2,464,815</u>	<u>\$ 116,756,612</u>

CITY OF APACHE JUNCTION, ARIZONA  
Schedule of Changes in Capital Assets - By Function and Activity  
Year Ended June 30, 2014

FUNCTION AND ACTIVITY	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
<b>General government</b>				
City manager	\$ 51,214		9,540	\$ 41,674
City clerk	63,848			63,848
Finance	85,559			85,559
Other general government	12,845,072	194,186	\$ 12,118	13,027,140
City attorney	<u>56,390</u>			<u>56,390</u>
Total general government	<u>13,102,083</u>	<u>194,186</u>	<u>21,658</u>	<u>13,274,611</u>
<b>Public safety</b>				
Municipal courts	154,980			154,980
Police	<u>8,095,156</u>	<u>801,699</u>	<u>101,633</u>	<u>8,795,222</u>
Total public safety	<u>8,250,136</u>	<u>801,699</u>	<u>101,633</u>	<u>8,950,202</u>
<b>Public works</b>				
Streets	66,739,505	3,927,041		70,666,546
Public works	1,730,707	432,734	163,583	1,999,858
Engineering	<u>122,373</u>	<u>243,568</u>		<u>365,941</u>
Total public works	<u>68,592,585</u>	<u>4,603,343</u>	<u>163,583</u>	<u>73,032,345</u>
<b>Culture and recreation</b>				
Library	6,233,850	47,728		6,281,578
Parks and recreation	<u>14,521,903</u>	<u>718,637</u>	<u>22,664</u>	<u>15,217,876</u>
Total culture and recreation	<u>20,755,753</u>	<u>766,365</u>	<u>22,664</u>	<u>21,499,454</u>
Governmental funds capital assets	<u>\$ 110,700,557</u>	<u>\$ 6,365,593</u>	<u>\$ 309,538</u>	<u>\$ 116,756,612</u>



# STATISTICAL SECTION

*This part of the City of Apache Junction's comprehensive annual financial report presents detailed information as a context for understanding what the information in the statements, note disclosures, and required supplementary information says about the City's financial health.*

## **Contents**

## **Page**

### **Financial Trends**

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

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### **Revenue Capacity**

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

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### **Debt Capacity**

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

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### **Demographic and Economic Information**

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

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### **Operating Information**

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

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

	Fiscal Year Ended June 30,									
	2005	2006 (restated)	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 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	\$ 53,880,206
Restricted	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	5,189,618
Unrestricted	<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>	<u>6,315,982</u>
Total governmental activities net position	<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>	<u>\$ 65,385,806</u>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 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	\$ 6,951,582
Restricted	844,156	105,664	143,613	140,743	263,461	219,560	233,540	23,179	44,956	300,184
Unrestricted, restated <sup>(1)</sup>	<u>2,874,097</u>	<u>1,197,082</u>	<u>2,197,392</u>	<u>6,194,935</u>	<u>5,286,743</u>	<u>6,400,127</u>	<u>7,031,827</u>	<u>7,169,764</u>	<u>8,118,572</u>	<u>5,576,835</u>
Total business-type activities net position	<u>\$ 6,968,160</u>	<u>\$ 6,003,756</u>	<u>\$ 6,467,719</u>	<u>\$ 8,549,505</u>	<u>\$ 9,059,497</u>	<u>\$ 9,841,063</u>	<u>\$ 10,901,460</u>	<u>\$ 11,762,129</u>	<u>\$ 12,657,021</u>	<u>\$ 12,828,601</u>
<b>Primary Government</b>										
Invested in capital assets, net of related debt	\$ 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	\$ 60,831,788
Restricted	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	5,489,802
Unrestricted	<u>10,889,516</u>	<u>11,795,077</u>	<u>14,345,230</u>	<u>15,426,750</u>	<u>12,739,145</u>	<u>13,441,879</u>	<u>14,000,079</u>	<u>17,207,825</u>	<u>15,184,810</u>	<u>11,892,817</u>
Total primary governmental activities net position	<u>\$ 45,349,470</u>	<u>\$ 68,332,667</u>	<u>\$ 78,056,688</u>	<u>\$ 81,645,588</u>	<u>\$ 80,343,290</u>	<u>\$ 82,755,082</u>	<u>\$ 82,550,902</u>	<u>\$ 81,021,543</u>	<u>\$ 81,304,181</u>	<u>\$ 78,214,407</u>

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

<sup>(1)</sup> Due to the implementation of GASB No 65 in fiscal year 2014, unrestricted balances were restated.

**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,									
	2005	2006 (restated)	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
Governmental activities										
General government	\$ 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	\$ 6,703,341
Public safety	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	9,886,008
Public works	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	8,442,716
Development services	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	1,332,778
Culture and recreation	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	5,399,502
Interest on long-term debt	508,901	296,176	218,094	411,072	532,451	220,554	168,508	142,391	132,028	139,818
Total governmental activities net expenses	<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>	<u>31,904,163</u>
Business-type activities										
Water <sup>(1)</sup>	2,495,703	3,902,926	2,787,678	3,133,268	3,213,191	3,032,861	2,926,094	3,203,971	3,249,679	4,045,920
Total government expenses	<u>\$ 25,873,163</u>	<u>\$ 29,592,128</u>	<u>\$ 32,104,197</u>	<u>\$ 36,655,514</u>	<u>\$ 34,616,161</u>	<u>\$ 31,491,036</u>	<u>\$ 31,740,344</u>	<u>\$ 32,131,570</u>	<u>\$ 31,861,080</u>	<u>\$ 35,950,083</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
General government	\$ 129,571	\$ 140,505	\$ 153,405	\$ 270,258	\$ 247,229	\$ 226,009	\$ 277,413	\$ 240,476	\$ 240,351	\$ 272,404
Public safety	338,887	306,793	430,527	400,710	498,638	544,631	522,822	828,296	538,093	568,907
Public works									5,256	2,612
Development services	1,217,827	1,275,379	3,819,489	1,015,421	275,797	498,176	268,535	476,319	510,457	364,033
Culture and recreation	291,732	644,321	729,436	708,592	685,366	698,460	673,446	609,007	629,550	623,539
Operating grants and contributions	5,607,764	6,669,363	7,389,918	6,952,197	5,939,635	5,790,370	6,107,709	4,384,139	4,630,021	4,690,816
Capital grants and contributions	2,155,601	673,419	984,805	875,069	699,655	2,608,695	954,171	689,429	1,569,937	886,948
Total governmental activities program revenues	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	7,409,259
Business-type activities										
Water	2,817,779	2,829,666	3,156,206	3,252,174	3,463,586	3,801,703	3,801,700	4,044,473	4,160,174	4,174,788
Total government program revenues	<u>\$ 12,559,161</u>	<u>\$ 12,539,446</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>	<u>\$ 11,584,047</u>

<sup>(1)</sup> Due to the implementation of GASB No 65 in fiscal year 2014, balances were adjusted.

**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,									
	2005	2006 (restated)	2007	2008	2009	2010	2011	2012	2013	2014
<b>Net (Expense) Revenue</b>										
Governmental activities	\$ (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)	\$ (24,494,904)
Business-type activities	<u>322,076</u>	<u>(1,073,260)</u>	<u>368,528</u>	<u>118,906</u>	<u>250,395</u>	<u>768,842</u>	<u>875,606</u>	<u>840,502</u>	<u>910,495</u>	<u>128,868</u>
Total government net expense	<u>\$ (13,314,002)</u>	<u>\$ (17,052,682)</u>	<u>\$ (15,440,411)</u>	<u>\$ (23,181,093)</u>	<u>\$ (22,806,255)</u>	<u>\$ (17,322,992)</u>	<u>\$ (19,134,548)</u>	<u>\$ (20,859,431)</u>	<u>\$ (19,577,241)</u>	<u>\$ (24,366,036)</u>
<b>General Revenues and other Changes in net position</b>										
Governmental activities:										
Transaction privilege (sales) taxes	\$ 10,498,373	\$ 11,662,971	\$ 12,438,959	\$ 12,169,050	\$ 9,916,225	\$ 9,613,361	\$ 9,796,198	\$ 10,615,162	\$ 10,947,365	\$ 11,224,784
Urban revenue sharing	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	3,994,823
State shared sales tax	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	3,119,613
State shared vehicle license taxes	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	1,664,944
Other taxes	219,067	285,800	578,395	372,837	250,185	234,781	130,736	140,630	102,361	104,443
Earnings on investments	427,115	839,809	1,115,055	843,916	155,597	19,433	20,593	11,568	97,115	82,019
Miscellaneous	<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>	<u>1,042,924</u>
Total governmental activities	19,336,524	22,353,142	25,068,997	24,807,113	21,244,360	19,722,060	18,745,577	19,309,905	19,875,482	21,233,550
Business-type activities										
Earnings on investments	131,193	79,680	95,435	169,033	41,638	4,990	7,206	7,475	(16,389)	36,470
Gain on sale of land				1,793,847					-	-
Miscellaneous					217,959	7,734	177,585	12,692	786	6,242
Total government	<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>	<u>\$ 21,276,262</u>
<b>Changes in net position</b>										
Governmental activities	\$ 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)	\$ (3,261,354)
Business-type activities	<u>453,269</u>	<u>(993,580)</u>	<u>463,963</u>	<u>2,081,786</u>	<u>509,992</u>	<u>781,566</u>	<u>1,060,397</u>	<u>860,669</u>	<u>894,892</u>	<u>171,580</u>
Total government change in net position	<u>\$ 6,153,715</u>	<u>\$ 5,380,140</u>	<u>\$ 9,724,021</u>	<u>\$ 3,588,900</u>	<u>\$ (1,302,298)</u>	<u>\$ 2,411,792</u>	<u>\$ (204,180)</u>	<u>\$ (1,529,359)</u>	<u>\$ 282,638</u>	<u>\$ (3,089,774)</u>

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

(modified accrual basis of accounting)

	Fiscal Year Ended June 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	\$ 77,545	\$ 77,912	\$ 76,092	\$ 98,398	\$ 232,717	\$ 206,291				
Unreserved	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	\$ 195,215
Restricted										
Committed										
Assigned										
Unassigned							7,984,362	7,486,564	8,111,539	7,639,121
Total general fund	<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>	<u>\$ 7,834,336</u>
All Other Governmental Funds										
Reserved	\$ 8,446	\$ 16,569	\$ 15,477	\$ 1,721	\$ 9,447	\$ 1,520				
Unreserved, reported in:										
Special revenue funds	8,021,238	9,098,741	12,391,571	12,014,636	11,931,828	12,761,748				
Capital projects fund	(358,438)	(358,438)	2,893,278							
Debt service fund										
Nonspendable							\$ 2,858	\$ 19,233	\$ 37,423	\$ 43,726
Restricted							10,678,763	8,890,116	9,388,820	5,145,892
Committed										
Assigned										
Unassigned										
Total all other governmental funds	<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>	<u>\$ 5,189,618</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)*

	<b>Fiscal Year Ended June 30,</b>									
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Revenues</b>										
Taxes	\$ 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	\$ 11,367,974
Licenses and permits	1,395,161	1,440,092	4,005,294	1,325,779	624,515	806,410	616,596	923,689	1,385,359	986,077
Intergovernmental revenue	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	13,531,460
Charges for services	332,589	646,298	723,674	691,931	652,367	668,901	644,930	585,061	620,497	604,284
Fines and forfeitures	250,266	280,606	403,890	377,272	430,148	491,965	500,612	703,466	463,355	489,927
Interest income	427,116	839,808	1,115,056	890,468	155,596	19,432	20,593	11,568	97,115	82,019
Miscellaneous	780,755	896,873	1,715,836	1,207,757	899,222	853,308	910,052	1,277,923	637,264	1,063,377
	<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>	<u>28,125,118</u>
<b>Expenditures</b>										
Current:										
General government	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	6,095,640
Public safety	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	9,343,063
Public works	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	4,619,681
Development services	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	1,318,388
Culture and recreation	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	4,755,719
Capital Outlay	6,317,182			8,736,201	2,183,762	1,595,280	4,694,019	2,396,601	2,639,980	6,365,593
Debt service:										
Principal	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	185,460
Interest	610,983	392,393	296,925	279,707	316,040	253,425	184,250	157,550	146,562	139,818
Total expenditures	<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>	<u>32,823,362</u>
<b>Other Financing Sources (Uses)</b>										
Transfers in	5,868,317	1,237,210	1,581,164	303,919	336,262	326,976	746,643	327,331		
Transfers out	(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			3,900,000							
Investment loss										
Total Other Financing Sources (Uses)			<u>3,900,000</u>					<u>513,019</u>		
<b>Extraordinary Item</b>										
Loss from State Treasurer's Local Government Investment Pool										
<b>Net Change in Fund Balances</b>	<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>	<u>\$ (4,698,244)</u>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	12.05%	8.14%	6.99%	5.41%	6.11%	6.80%	2.52%	9.84%	1.35%	1.23%

**Schedule B-1**

**City of Apache Junction, Arizona**

**Estimated Taxable Sales <sup>(1)</sup>**

**Last Ten Fiscal Years**

(amounts expressed in thousands)

	<b>Year Ended June 30,</b>						
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Advertising	\$ 5,549	\$ 3,966	\$ 3,806	\$ 3,628	\$ 2,239	\$ 1,809	\$ 1,113
Amusements	3,315	2,191	2,905	3,022	3,146	2,997	3,185
Animal Feed					200		
Job Printing	595	517	434	402	412	485	530
Manufactured Buildings	4,706	2,148	987	801	891	176	432
Publishing	4,669	2,981	1,627	2,238	3,492	4,399	4,518
Real Property Rental	54,957	56,763	59,169	61,158	64,880	66,060	67,337
Hotel/Motel	7,550	4,996	5,917	6,800	5,692	4,780	5,086
Tangible Property Rental	9,700	7,900	11,484	13,824	18,324	20,288	14,233
Restaurants/Bars	30,340	27,335	29,659	30,052	32,486	34,122	36,409
Retail Sales	253,055	229,715	215,723	220,796	231,440	237,759	251,136
Telecommunications <sup>(2)</sup>	17,907	15,332	16,495	16,007	15,182	13,913	13,133
Transportation	2	28	32	54	43	30	90
Other	23	463		16			
Utilities <sup>(2)</sup>	38,449	39,518	39,863	40,204	40,902	41,339	42,222
Subtotal:							
Non-Construction	430,817	393,853	388,101	399,002	419,329	428,157	439,424
Construction	60,657	29,862	25,637	27,433	32,151	39,941	34,104
<b>Total Taxable Sales</b>	<b>\$ 491,474</b>	<b>\$ 423,715</b>	<b>\$ 413,738</b>	<b>\$ 426,435</b>	<b>\$ 451,480</b>	<b>\$ 468,098</b>	<b>\$ 473,528</b>
Direct Tax Rate <sup>(3)</sup>	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%

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

<sup>(2)</sup> 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%

<sup>(3)</sup> 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**

<b>Fiscal Year Ended June 30,</b>	<b>City Direct Rates</b>			<b>Pinal County</b>	<b>State of Arizona</b>
	<b>General Sales</b>	<b>Portion of Retail Sale over \$2,000</b>	<b>Utilities and Communications</b>		
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 <sup>(1)</sup>	2.20	1.20	3.20	1.10	5.60
2009	2.20	1.20	3.20	1.10	5.60
2010 <sup>(2)</sup>	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 <sup>(2)</sup>	2.20	1.20	3.20	1.10	5.60
2014	2.20	1.20	3.20	1.10	5.60

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

<sup>(2)</sup> 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**

<b>Year Ended June 30,</b>	<b>Governmental Activities (from Schedule C-2)</b>	<b>Business-type Activities (from Schedule C-3)</b>	<b>Total</b>	<b>Per Capita</b>
2005	\$ 9,681,012	\$ 7,177,845	\$ 16,858,857	\$ 494.83
2006	8,650,000	6,957,729	15,607,729	437.38
2007	9,505,000	7,228,134	16,733,134	449.05
2008	7,474,688	6,848,215	14,322,903	377.74
2009	5,976,099	6,953,438	12,929,537	341.47
2010	4,423,627	8,632,498	13,056,125	364.41
2011	3,967,885	8,170,162	12,138,047	332.19
2012	9,848,704	7,540,423	17,389,127	475.91
2013	9,661,040	8,395,613	18,056,653	484.79
2014	9,460,152	7,639,090	17,099,242	454.30

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**

Year Ended June 30,	Governmental Activities					Total	Percentage of	
	Municipal Property Corporation Bonds	GADA <sup>(1)</sup> Revenue Bonds	Subtotal Bonds	Capital Leases	Inter- governmental		Personal Income	Per Capita
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 <sup>(2)</sup>		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
2014		2,818,659	2,818,659	483,535	6,157,958	9,460,152	1.24	251.34

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

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

<sup>(2)</sup> 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 <sup>(1)</sup>	2004 Series A Revenue Bonds	WIFA <sup>(2)</sup> Loans	Total	Per Meter <sup>(3)</sup>
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
2014		2,040,000	5,599,090	7,639,090	1,874.62

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

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

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

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

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

<b>Year Ended June 30,</b>	<b>Municipal Property Corporation Bonds</b>	<b>GADA <sup>(1)</sup> Revenue Bonds</b>	<b>Total</b>	<b>Actual Property Value <sup>(2)</sup></b>	<b>Percentage of Actual Property Value</b>	<b>Per Capita</b>
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	80.63
2014		2,818,659	2,818,659	1,377,838,587	0.20	74.89

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

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

**Schedule C-5**  
**City of Apache Junction, Arizona**  
**Computation of Direct and Overlapping Debt**  
**June 30, 2014**

<u>Governmental Unit</u>	<u>Net Secondary Assessed Value<sup>(1)</sup></u>	<u>Debt Outstanding<sup>(2)</sup></u>	<u>Approximate Percentage Applicable to the City of Apache Junction</u>	<u>Proportionate Share of Debt Applicable to City of Apache Junction</u>
<b><u>Pinal County Agencies</u></b>				
<b><u>General Obligation (G.O.) Bonds</u></b>				
Pinal County	\$ 2,005,343,534	\$ -	7.1304 %	\$ -
Apache Junction Unified School District #43 (AJUSD #43)	\$ 347,759,360	37,425,000	41.1173 %	15,388,137
Pinal County Comm College District	2,005,343,534	88,680,000	7.1304	6,323,244
Superstion Fire and Medical District	336,393,023	7,095,000	42.5066	3,015,841
Overlapping GO Bonded Debt-Pinal		133,200,000		24,727,222
<b><u>Debt other than G.O. Bonds</u></b>				
Pinal County Revenue Bonds	2,005,343,534	78,960,000	7.1304	5,630,169
Pinal County Municipal Property Corp	2,005,343,534	54,620,000	7.1304	3,894,628
Pinal County Capital Leases	2,005,343,534	566,443	7.1304	40,390
Pinal County Comm Coll. Capital Leases	2,005,343,534	8,953,571	7.1304	638,426
Superstion Fire and Medical District (SFMD)	336,393,023	19,210	42.5066	8,166
Superstition Mountains Comm. Fac. Dist.		24,092,000	100.0000	24,092,000
<b>Total Pinal County overlapping debt</b>		<b>300,411,224</b>		<b>59,031,001</b>
<b>City Direct Debt (Pinal portion)<sup>(3)</sup></b>	<b>142,989,145</b>	<b>9,848,704</b>	<b>99.3502</b>	<b>9,784,705</b>
<b>Direct and overlapping debt- Pinal County portion of City</b>		<b>\$ 310,259,928</b>		<b>\$ 68,815,706</b>
<b><u>Maricopa County Agencies</u></b>				
<b><u>General Obligation Bonds</u></b>				
Maricopa County Community College District (MCCCD)	\$ 31,996,204,979	\$ 654,190,000	0.0029 %	\$ 19,122
Mesa Unified School District #4	2,430,590,986	246,950,000	0.0385	95,022
Total Maricopa County overlapping debt		901,140,000		114,144
<b><u>Debt other than G.O. Bonds</u></b>				
<b><u>Maricopa County</u></b>				
Revenue bonds	31,996,204,979	97,135,000	0.0029	2,839
MCCCD	31,996,204,979	25,000	0.0029	1
<b>Total Maricopa County overlapping debt</b>		<b>998,300,000</b>		<b>116,984</b>
<b>City Direct Debt (Maricopa portion)<sup>(3)</sup></b>	<b>935,246</b>	<b>9,848,704</b>	<b>0.6498</b>	<b>63,999</b>
<b>Direct and overlapping debt- Maricopa County portion of City</b>		<b>\$ 1,008,148,704</b>		<b>\$ 180,983</b>

**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.

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

<sup>(2)</sup> Sources: Maricopa County Finance, Pinal County Finance, Arizona Dept. of Revenue, SMFD

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

**Schedule C-6**

**City of Apache Junction, Arizona**

**Computation of Legal Debt Margin <sup>(1)</sup>**

**Last Ten Fiscal Years**

Under the provisions of the Arizona Constitution, the City's combined outstanding general obligation bonded debt for Utility Purpose, 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.

	<u>Bonds Excluded From Limitation</u>	<u>Utility Purpose and Open Space 20%</u>	<u>All Other General Obligation Bonds 6%</u>	<u>Total Bonded Debt</u>
Legal Debt Limitation-2013 <sup>(2)</sup>				
Assessed Valuation:				
143,924,391		\$ 28,784,878	\$ 8,635,463	
<b>Outstanding Bonded Debt</b>				
<b>By Purpose:</b>				
<u>Governmental Activities</u>				
Greater Arizona Development Authority Bonds	\$ 2,725,000			\$ 2,725,000
Municipal Property Corp. Series 1998 Revenue Bonds	-	-	-	-
<u>Business-Type Activities</u>				
Water Revenue Bonds				
Series 2004 Revenue Bonds	2,040,000			2,500,000
WIFA Notes Payable	5,599,090			5,599,090
Total Bonded Debt	\$ 10,364,090	-	-	\$ 10,824,090
Legal Debt Margin		\$ 28,784,878	\$ 8,635,463	

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,							
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%
2014	28,784,878	8,635,463	-	-	28,785	8,635	0.00%	0.00%

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

<sup>(2)</sup> The 2013 assessed valuation is used because any property taxes would be levied on the previous calendar year's valuation.

**Schedule C-7**

**City of Apache Junction, Arizona**

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

**Apache Junction Municipal Property Corporation Bonds 1998 Series A**

**Last Ten Fiscal Years**

Year Ended June 30,	Pledged Revenues <sup>(2)</sup>	Debt Service Requirements			Net Bonded Coverage Ratio	Required Coverage
		Principal	Interest	Total		
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				N/A	4.0
2014	21,423,102				N/A	4.0

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

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

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



**Schedule C-8**  
**City of Apache Junction, Arizona**  
**Pledged Revenue Coverage <sup>(1)</sup>**  
**GADA 2007 Series A Revenue Bonds**  
**Inception Through Year Ended June 30, 2014**

Year Ended June 30,	Pledged Revenues <sup>(2)</sup>	Debt Service Requirements			Debt Service on Senior Obligations <sup>(3)</sup>	Net Bonded Coverage Ratio	Required Coverage
		Principal	Interest	Total			
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		67.0	2.0
2014	21,423,102	170,000	137,350	307,350		69.7	2.0

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

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

<sup>(3)</sup> The pledge of revenues on the 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<sup>(1)</sup>**

**Water Utilities Community Facilities District Combined Bonded Debt**

**Last Ten Fiscal Years**

Year Ended June 30,	Gross Revenues <sup>(2)</sup>	Operation and Maintenance Expenses <sup>(3)</sup>	Net Revenues Available for Debt Service	Debt Service Requirements <sup>(4)</sup>			Coverage Ratio	Required Coverage <sup>(5)</sup>
				Principal	Interest	Total		
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 <sup>(6)</sup>	3,632,338	2,461,662	1,170,676	623,915	265,318	889,233	1.32	1.20
2010 <sup>(6)</sup>	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
2014 <sup>(7)</sup>	4,217,500	2,355,607	1,861,893	780,625	350,417	1,131,042	1.65	1.20

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

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

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

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

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

<sup>(6)</sup> Amounts associated federal federally funded programs deducted from revenues

<sup>(7)</sup> Principal payments totalling \$2,040,000 from bonds maturing in 2015, 2016 and 2017 being called on July 1, 2014 are not included. Also excluded is interest expense accrued on the Gila River Indian Community Cenral Arizona Project water rights lease in the amount of \$211,402.

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

Year Ended June 30,	Population		Personal Income <sup>(3)</sup> (thousands of dollars)	Per Capita <sup>(3)</sup> Personal Income	Unemployment Rates <sup>(4)</sup>
	Year-Round <sup>(1)</sup>	Seasonal <sup>(2)</sup>			
2005	34,070 <sup>(a)</sup>	39,284	783,576	22,999 <sup>(b)</sup>	3.9
2006	35,685 <sup>(a)</sup>	39,000 <sup>(a)</sup>	860,794	24,122 <sup>(b)</sup>	3.7
2007	37,538 <sup>(d)</sup>	39,000 <sup>(a)</sup>	972,047	25,895 <sup>(b)</sup>	3.1
2008	37,917 <sup>(d)</sup>	Unavailable	808,770	21,330 <sup>(c)</sup>	3.6
2009	37,864 <sup>(a)</sup>	Unavailable	767,541	20,271 <sup>(d)</sup>	7.1
2010	35,828 <sup>(d)</sup>	Unavailable	726,269	20,271 <sup>(d)</sup>	8.9
2011	36,539 <sup>(d)</sup>	Unavailable	740,682	20,271 <sup>(d)</sup>	10.1 <sup>(a)</sup>
2012	36,928 <sup>(d)</sup>	Unavailable	786,862	21,308 <sup>(e)</sup>	11.1 <sup>(a)</sup>
2013	37,246 <sup>(b)</sup>	Unavailable	793,898	21,315 <sup>(e)</sup>	9.6 <sup>(a)</sup>
2014	37,639 <sup>(b)</sup>	Unavailable	763,959	20,297 <sup>(f)</sup>	8.2 <sup>(a)</sup>

<sup>(1)</sup> Sources:

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

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

- <sup>(a)</sup> Winter Visitors' Association

<sup>(3)</sup> Sources:

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

<sup>(4)</sup> Annual average compiled from Department of Economic Security (DES) data

- <sup>(a)</sup> 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**

<b><u>Employer</u></b>	<b><u>Year ended June 30, 2014</u></b>		<b><u>Year ended June 30, 2005</u></b>	
	<b><u>Full-Time</u></b>	<b><u>Percentage</u></b>	<b><u>Full-Time</u></b>	<b><u>Percentage</u></b>
	<b><u>Equivalent</u></b>	<b><u>of Total City</u></b>	<b><u>Equivalent</u></b>	<b><u>of Total City</u></b>
	<b><u>Employees</u></b>	<b><u>Employment</u></b>	<b><u>Employees</u></b>	<b><u>Employment</u></b>
Apache Junction Unified School District #43	542	3.93%	610	4.45%
City of Apache Junction	238	1.73%	278	2.03%
Wal-Mart Supercenter Store # 1831	220	1.60%	620	4.52%
Western Industrial Resources Corporation	200	1.45%		
Mountain Health & Wellness <sup>(2)</sup>	187	1.36%	122	0.89%
Horne Ford/Hyundai	172	1.25%	150	1.09%
Fry's Food and Drug	110	0.80%	130	0.95%
United States Postal Service	100	0.73%	107	0.78%
Apache Junction Fire District	87	0.63%	73	0.53%
Safeway Stores	75	0.55%	125	0.91%
Earnhardt Ford			150	1.09%
Apache Junction Medical Center			115	0.84%
Total	1,931	13.85%	2,480	19.02%

<sup>(1)</sup> Source: City of Apache Junction, Office of Economic Development

<sup>(2)</sup> 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**

<b>Function/Program</b>	<b>Fiscal Year Ended June 30,</b>									
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>General Government</b>										
Mayor and City Council	7.00	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000	7.000
City Manager	2.50	2.500	2.500	2.500	2.500	2.000	1.500	2.000	2.000	2.000
Management Services	12.98	14.475	18.475	18.975	17.975	17.500	14.500	15.500	14.000	18.000
Marketing/Communications	3.00	2.000								
City Clerk	7.00	7.000	9.000	8.000	8.000	8.000	8.000	7.000	7.000	7.000
Finance	6.48	6.500	6.500	7.000	7.250	7.000	5.000	6.000	6.000	6.000
City Attorney	6.50	6.500	6.600	9.000	8.000	8.000	6.000	6.000	7.000	7.250
<b>Public Safety</b>										
Police Department	85.60	93.600	92.000	96.000	96.500	104.475	90.950	80.000	89.500	88.000
Magistrate Court	8.90	8.900	8.900	9.900	9.900	9.900	10.840	9.900	8.475	8.475
<b>Public Works</b>	52.00	49.000	49.000	54.000	54.000	51.000	38.000	38.000	29.000	30.000
<b>Culture and Recreation</b>										
Parks and Recreation	47.60	50.000	50.900	52.300	52.300	52.300	39.000	38.300	36.000	35.800
Library	17.18	18.175	20.175	22.700	22.700	22.700	17.840	13.475	14.000	15.500
<b>Development Services</b>	21.50	21.500	24.975	26.000	26.000	27.000	19.000	18.000	13.000	12.500
<b>Total</b>	<b>278.23</b>	<b>287.150</b>	<b>296.025</b>	<b>313.375</b>	<b>312.125</b>	<b>316.875</b>	<b>257.630</b>	<b>241.175</b>	<b>232.975</b>	<b>237.525</b>

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>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>	<u>2014</u>
<b>General Government</b>										
New Business Licenses	835	976	968	1,827	1,018	1,088	1,026	651	800	1,066
<b>Culture and Recreation</b>										
Library										
Patron use	274,806	281,219	284,902	310,716	389,669	390,384	377,676	362,935	323,561	312,139
Circulation of materials	672,521	702,383	712,647	578,126	552,353	629,391	578,831	625,857	544,517	530,473
Computer lab use	84,855	71,072	68,166	82,706	104,009	98,867	86,336	92,106	73,122	67,127
<b>Development Services</b>										
Building Permits										
Residential	754	891	479	264	136	231	339	259	310	187
Commercial	80	53	12	26	139	5	10	4	2	7
Other	330	307	413	266	229	251	209	185	177	226

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>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>	<u>2014</u>
<b>Public Works</b>										
Miles of paved streets	147	147	155	161	176	180	182	182	182	182
Paved streets in lane miles	320	320	328	339	439	447	452	452	452	452
Unpaved roads in miles	22	22	28	14	9	9	9	9	8	8
Unpaved roads in lane miles	44	44	36	28	18	18	18	18	16	16
Signaled Intersections	23	23	24	24	33	33	33	33	33	33
City operated traffic signals	11	11	14	14	16	16	16	16	16	16
<b>Culture and Recreation</b>										
Parks and recreation										
Multi-generational center		1	1	1	1	1	1	1	1	1
Park areas	12	12	13	13	13	13	13	13	13	13
Park acreage	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	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	10.4	12.8	12.8	12.8	12.8	12.8	12.8	12.8

Source: Respective Departments

