



# **City of Apache Junction Arizona**

**Comprehensive Annual Financial Report  
For the Year Ended June 30, 2019**



Cover Photo: by Patrick Bulger

# **City of Apache Junction, Arizona**



## **Comprehensive Annual Financial Report**

**For the Year Ended June 30, 2019**

**Prepared by the Finance Department**

Donna M. Meinerts, Finance Director



**CITY OF APACHE JUNCTION, ARIZONA**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2019**

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## INTRODUCTORY SECTION

# **City of Apache Junction, Arizona**

## **LIST OF CITY OFFICIALS**

**June 30, 2019**

### **Elected Officials**

**Jeffrey M. Serdy, Mayor**

Walter L. (Chip) Wilson  
Robin Barker  
Gail Evans  
Christa Rizzi  
Jeffrey Struble  
Robert Schroeder

Vice-Mayor  
Councilmember  
Councilmember  
Councilmember  
Councilmember  
Councilmember

### **Staff**

Bryant F. Powell  
Richard Joel Stern  
James W. Hazel

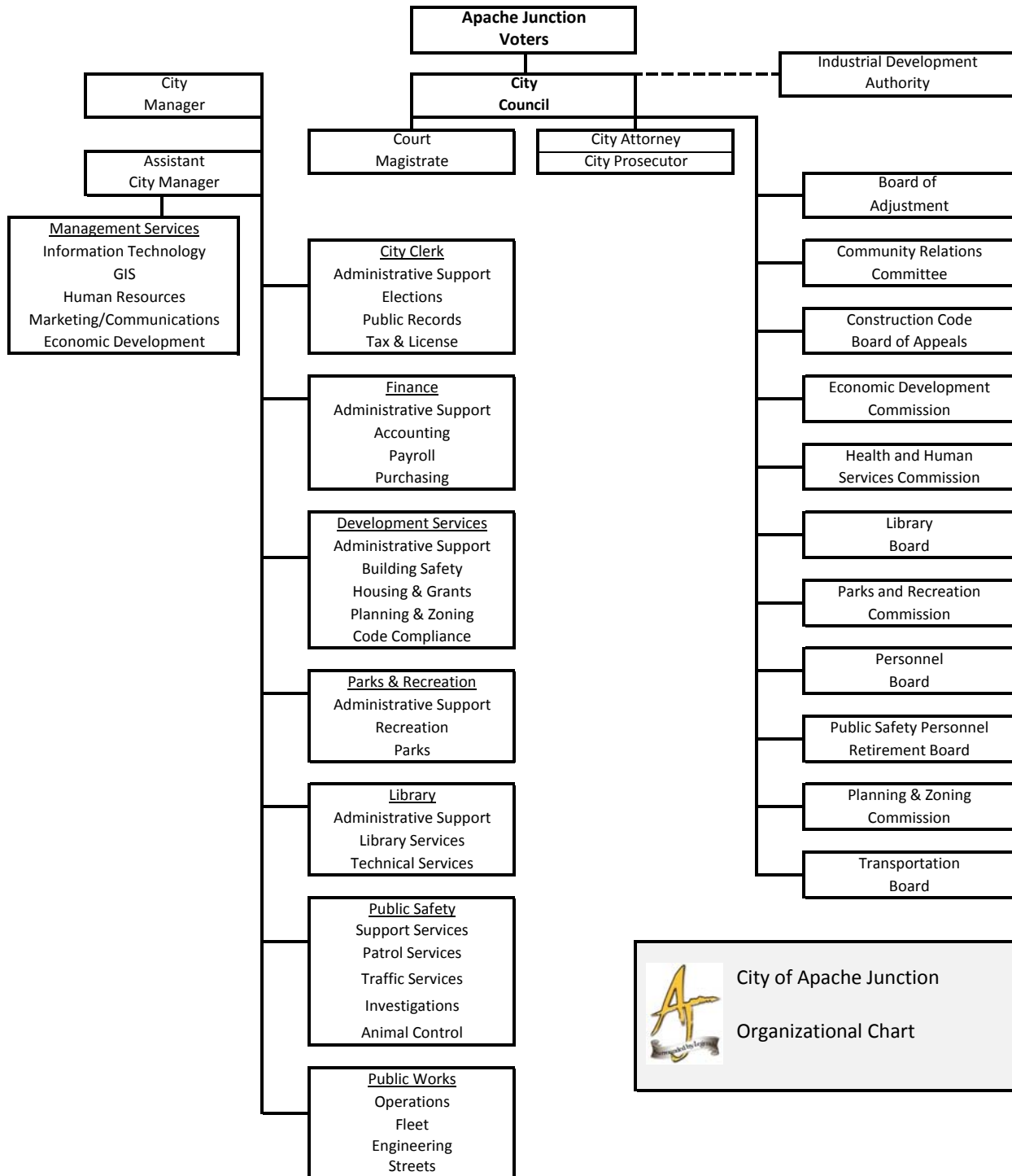
City Manager  
City Attorney  
City Magistrate

### **Department Directors**

Matthew E. Busby  
Kathleen Connelly  
Lawrence J. Kirch  
Donna M. Meinerts  
Spencer R. Paden  
Liz Langenbach  
Thomas E. Kelly  
Mike Wever

Assistant City Manager  
City Clerk  
Development Services  
Finance  
Library  
Parks and Recreation  
Public Safety  
Public Works

City of Apache Junction, Arizona  
Organizational Chart  
June 30, 2019



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, 2018**

*Christopher P. Morill*

Executive Director/CEO



## *City of Apache Junction*

*Home of the Superstition Mountains*

December 30, 2019

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 twenty-first Comprehensive Annual Financial Report (CAFR) of the City of Apache Junction, Arizona, for the year ended June 30, 2019.

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 misappropriation, 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, PLLC, which has conducted the audit in recent years, performed the audit for the year ended June 30, 2019. Fester & Chapman, PLLC 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 absorbed into the *Greater 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.

Detailed information by which to gauge the local economy at the municipal level is limited compared to the national, state, and regional levels. Some information can be obtained through sales tax collections, unemployment statistics and data related to construction and building. According to the Economic and Business Research Center at the Eller College of Management, Arizona's job growth has been well above the nation since 2014. Yet, information from the Bureau of Labor Statistic's data sources indicates an increase in unemployment. Unemployment for June 2019 was at 4.9%, up from 4.7% reported in June 2018. The likely explanation, according to the Eller College of Management, lies in the state's strong job growth which is drawing more residents to the state and more discouraged workers off the sidelines and into the labor market. Additional information on unemployment is reported in Table D-1 of the Statistical Section on page 103.

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

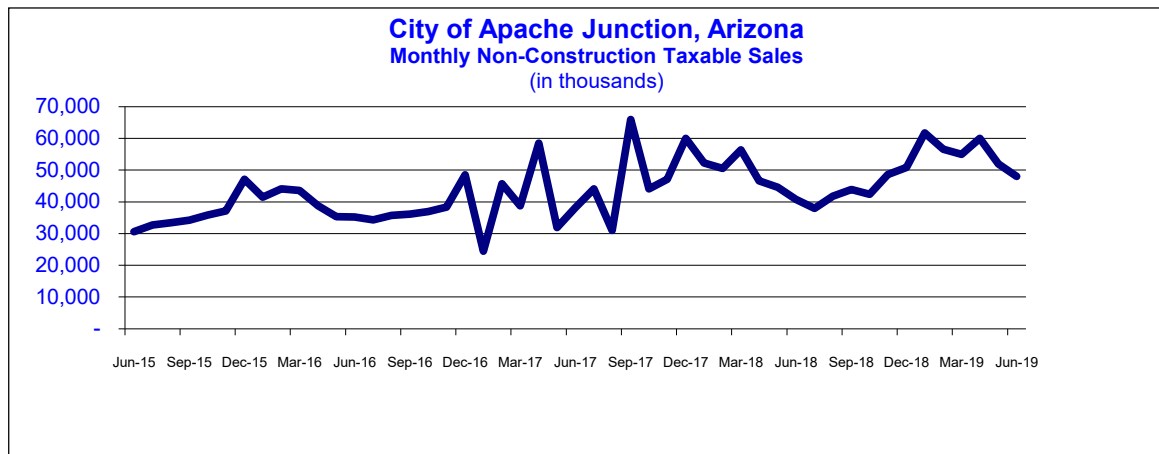
**City of Apache Junction, Arizona**  
**Non-Construction Taxable Sales by Month**

	<b>2016/17</b>		<b>2017/18</b>			<b>2018/19</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	\$ 34,300		\$ 44,082	\$ 3,279	9,782	\$ 37,977	\$ (2,826)	\$ (6,105)
August	35,698		31,000	(13,082)	(4,698)	41,767	3,790	10,767
September	36,118		65,935	34,935	29,817	43,910	2,143	(22,025)
October	36,933		44,118	(21,817)	7,185	42,405	(1,505)	(1,713)
November	38,357		47,082	2,964	8,725	48,640	6,235	1,558
December	48,476		60,005	12,923	11,529	50,815	2,175	(9,190)
January	24,439		52,235	(7,770)	27,796	61,674	10,859	9,439
February	45,677		50,519	(1,716)	4,842	56,536	(5,138)	6,017
March	38,775		56,376	5,857	17,601	54,940	(1,596)	(1,436)
April	58,498		46,589	(9,787)	(11,909)	59,986	5,046	13,397
May	31,857		44,625	(1,964)	12,768	51,949	(8,037)	7,324
June	38,112		40,803	(3,822)	2,691	48,013	(3,936)	7,210
Annual Total	<u>\$ 467,240</u>		<u>\$ 583,369</u>		<u>\$ 116,129</u>	<u>\$ 598,612</u>		<u>\$ 15,243</u>

An encouraging sign is that the non-construction taxable sales continued to increase from the prior year. The increase of \$15.2 million was an increase of 2.6% over fiscal year 2018. The prior year's increase of \$116.1 million over fiscal year 2017 was an increase of 24.9%. 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 92 and 93.

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 2016 through 2019. 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 tax and income tax is shared with, and distributed to, cities and towns. The 6.4% increase in the state shared sales tax, 0.8% decrease in state shared income tax (urban

revenue sharing), and 6.2% increase in vehicle license tax reflect the statewide economic activity. 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 page 18 and in the Statistical Section on pages 94 through 102.

As has always been the practice of the City of Apache Junction, all governmental funds are appropriated annually. This budget represents management's best efforts to anticipate the economic factors that will impact the City's ability to provide services in the next fiscal year.

## **MAJOR INITIATIVES**

The fiscal year 2019 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 2019 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 continued participating with the East Valley Partnerships, Greater Phoenix Economic Council (GPEC), Arizona Association for Economic Development (AAED), Maricopa Association of Governments (MAG), Pinal Partnership, Central Arizona Governments (CAG) and Phoenix Mesa Gateway Airport.
- 2) **Revenue Development**: Effective March 1<sup>st</sup>, 2015 the City increased the transaction privilege license tax rate in most sections of the city tax code, referred to as the city sales tax by two-tenths of one percent (0.2%) with the proceeds earmarked for maintenance, repair, design, construction, and replacement of public right-of-ways. The provisions of this ordinance shall terminate, or "sunset" on March 1<sup>st</sup>, 2025. The City Council also changed the Tax Code to include a Use Tax on purchases from out-of-state vendors.
- 3) **Employees**: 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. In addition, fiscal year 2019 saw the implementation of a 2.5% salary increase for most employees which seeks to compensate City personnel at a rate comparable to other Arizona cities of equivalent size.
- 4) **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 2019, the City was able to resume funding some of these costs such as completing pool re-plastering at the Superstition Shadows Aquatic Center.

- 5) Infrastructure: The overall condition of the streets/roads in Apache Junction is gradually declining. To add to the problem, revenues for roads have dropped dramatically as a result of greater fuel efficiency and alternative fuel vehicles. The City utilizes a pay-as-you-go approach and has no current debt for road maintenance. Additional discussion on this matter is included in the Management's Discussion and Analysis on pages 13 through 14.
- 6) Water: The Water Utilities Community Facilities District (WUCFD), a blended component unit of the City, continues to make improvements to the water system to ensure quality water is delivered to the City. Additional information can be found on pages 14 through 16 in the Management's Discussion and Analysis.

## **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, 2018. This is the twentieth 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: Connie Chow, Controller; Maggi Gricius, Accountant; Sandra Teeple, Accounting Technician; and Vonnie Adamsky, Accounting Technician. 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, 2019, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

## **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, 2019, 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 19, the Budgetary Comparison Schedules on pages 64 through 66, and the Pension Plan Schedules on pages 67 through 69 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 management's responsibility 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 comply with the authorized transportation purpose insofar, as they relate to accounting matters, for highway user revenue fund monies it received pursuant to Arizona Revised Statutes, Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues it received. 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 authorized transportation purposes referred to above, 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 issued our report dated December 30, 2019 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 solely 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 the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Fester & Chapman, PLLC*

December 30, 2019





## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

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## 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, 2019. Please read it in conjunction with the transmittal letter at the front of this report and the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- From a government-wide perspective, the City's net position increased by \$5,522,843 during the year. This reflects a \$4,329,912 increase in the governmental activities and a \$1,192,931 increase in the business-type activities.
- Government-wide revenues increased from \$41,225,196 to \$43,709,706. Governmental activities revenues increased from \$36,158,718 to \$38,976,302 while business-type activities revenues decreased from \$5,066,478 to \$4,733,404.
- Government-wide expenses decreased overall from \$40,425,886 to \$38,186,863. This is comprised of a decrease in governmental activities expenses from \$36,223,205 to \$34,646,390 and a decrease in business-type activities expenses from \$4,202,681 to \$3,540,473.
- From a fund perspective, the City's general fund balance increased by \$1,412,612 from \$5,461,039 to \$6,873,651.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

- 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 which 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 are reported (including buildings and infrastructure), 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, it is considered to be a *blended component unit* because of the City's ability to exercise control over the District. 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, such as the Governor's Office of Highway Safety grants, which are reported 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, 2019 and June 30, 2018. 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 total government-wide net position experienced an increase of 12.4% or \$5,522,843. Governmental activities net position increased by \$4,329,912, while the total net position for business-type activities increased by \$1,192,931.

### **Assets**

Taken as a whole, total assets increased by 5.1% or \$5,363,459 (\$111,129,057 on June 30, 2019 compared to \$105,765,598 on June 30, 2018). Following is a further analysis of the City's assets:

- *Current and other assets:* Reflect an overall increase of 24.4% or \$5,380,520 (\$27,472,097 on June 30, 2019 compared to \$22,091,577 on June 30, 2018). This amount is the result of an increase of 36.6% or \$4,890,803 (\$18,264,008 on June 30, 2019 compared to \$13,373,205 on June 30, 2018) in governmental activities and an increase of 5.6% or \$489,717 in business-type activities (\$9,208,089 on June 30, 2019 compared to \$8,718,372 on June 30, 2018). A substantial portion of the increase in the governmental activities involved an increase in cash and equivalents. Higher yields in investments and a healthier economy, as reflected in increased amusement and retail food and sales, contributed to an increase in sales tax revenue.
- *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 decrease of 0.02% or \$17,061 (\$83,656,960 on June 30, 2019 compared to \$83,674,021 on June 30, 2018). Governmental activities experienced a modest increase of .03% or \$18,436 (\$61,976,100 on June 30, 2019 compared to \$61,957,664 on June 30, 2018). The minimal decrease in business-type activities of 0.16% or \$35,497 (\$21,680,860 on June 30, 2019 compared to \$21,716,357 on June 30, 2018) were from the net changes of depreciation expense to the cost of adding new assets. Additional information on capital assets is presented in the letter of transmittal, in the notes to the financial statements on pages 41 and 42, and in the capital assets section of the MD&A (this section, page 18).



## Liabilities

Total liabilities decreased by 2.2% or \$1,442,660 (\$64,888,932 on June 30, 2019 compared to \$66,331,592 on June 30, 2018) due primarily to the decrease of net pension liabilities. The changes in liabilities are as follows:

- Long-term debt outstanding: Overall decrease of 3.6% or \$2,266,053 (\$61,245,211 on June 30, 2019 compared to \$63,511,264 on June 30, 2018). Additional information on the long-term debt can be found in Note 4 on pages 42 through 45, as well as in the capital assets and debt administration section of the MD&A (this section, page 18).
- Other liabilities: Increased government-wide by 29.2% or \$823,393 (\$3,643,721 on June 30, 2019 compared to \$2,820,328 on June 30, 2018). The increase in governmental activities was 31.1% or \$613,062 (\$2,583,113 on June 30, 2019 compared to \$1,970,051 on June 30, 2018). Business-type activities experienced an increase of 24.7% or \$210,331 (\$1,060,608 on June 30, 2019 compared to \$850,277 on June 30, 2018). Year-end payments related to construction projects accounted for the increases in both the governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	June 30,		June 30,		June 30,		2018-2019
	2019	2018	2019	2018	2019	2018	
Current and other assets	\$ 18,264,008	\$ 13,373,205	\$ 9,208,089	\$ 8,718,372	\$ 27,472,097	\$ 22,091,577	24.4%
Capital assets	61,976,100	61,957,664	21,680,860	21,716,357	83,656,960	83,674,021	0.0%
Total assets	80,240,108	75,330,869	30,888,949	30,434,729	111,129,057	105,765,598	5.1%
Deferred outflows of resources	6,333,652	6,730,643	155,689	159,317	6,489,341	6,889,960	-5.8%
Total assets and deferred outflows of resources	86,573,760	82,061,512	31,044,638	30,594,046	117,618,398	112,655,558	4.4%
Long-term debt outstanding	49,209,541	50,479,625	12,035,670	13,031,639	61,245,211	63,511,264	-3.6%
Other liabilities	2,583,113	1,970,051	1,060,608	850,277	3,643,721	2,820,328	29.2%
Total liabilities	51,792,654	52,449,676	13,096,278	13,881,916	64,888,932	66,331,592	-2.2%
Deferred inflows of resources	2,496,597	1,657,239	157,106	113,807	2,653,703	1,771,046	49.8%
Total liabilities and deferred inflows of resources	54,289,251	54,106,915	13,253,384	13,995,723	67,542,635	68,102,638	-0.8%
Net position							
Net investment in capital assets	53,696,432	53,428,940	12,779,581	11,947,405	66,476,013	65,376,345	1.7%
Restricted	8,924,413	6,147,634	1,167,076	1,167,076	10,091,489	7,314,710	38.0%
Unrestricted	(30,336,336)	(31,621,977)	3,844,597	3,483,842	(26,491,739)	(28,138,135)	-5.9%
Total net position	\$ 32,284,509	\$ 27,954,597	\$ 17,791,254	\$ 16,598,323	\$ 50,075,763	\$ 44,552,920	12.4%

## Net Position

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 132.8% or \$66,476,013 of the fiscal year 2019 total net position in comparison to fiscal year 2018 when net investment in capital assets made up 146.7% or \$65,376,345 of the net position.
- Restricted: Restricted net position made up 20.2% or \$10,091,489 of the total net position in fiscal year 2019 compared to 16.4% or \$7,314,710 in fiscal year 2018. The overall increase of 38.0% or \$2,776,779 is solely from governmental activities, where restricted net position increased 45.2% or \$2,776,779 over the prior year (\$8,924,413 on June 30, 2019 compared to \$6,147,634 on June 30, 2018). Business type activities restricted net position remained the same as prior year at \$1,167,076 on June 30, 2019 due to debt services reserve fund requirements being fully met.
- Unrestricted: One way of determining if the financial position improved or deteriorated is to note the change in the unrestricted net position. Overall, the unrestricted net deficit decreased by 5.9% or \$1,646,396 (-\$26,491,739 on June 30, 2019 compared to -\$28,138,135 on June 30, 2018). The unrestricted net position deficit in governmental activities decreased by 4.0% or \$1,285,641 (-\$30,336,336 on June 30, 2019 compared to -\$31,621,977 on

June 30, 2018). In the business-type activities, unrestricted net position remained positive and increased by 10.4% or \$360,755 (\$3,844,597 on June 30, 2019 compared to \$3,483,842 on June 30, 2018).

### **Changes in Net Position**

Table A-2 on the following page and discussed thereafter summarizes the changes in net position for the City during the fiscal year. Overall, the net position of the City increased by 12.4% or \$5,522,843 (\$50,075,763 on June 30, 2019 compared to \$44,552,920 on June 30, 2018). This increase is comprised of a 15.5% or \$4,329,912 increase in the governmental activities and a 7.2% or \$1,192,931 increase in business-type activities.

Following is a discussion of significant items and year-to-year changes in Table A-2 (next page) relating to governmental activities, followed by an analysis of business-type activities.

### **Revenues: Governmental Activities**

Revenues are divided into two categories: *Program Revenues* and *General Revenues*. Governmental activities revenues experienced an overall increase of 7.8% or \$2,817,584 (\$38,976,302 on June 30, 2019 compared to \$36,158,718 on June 30, 2018).

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 reasons for the decrease of 11.3% or \$253,909 (\$1,988,967 on June 30, 2019 compared to \$2,242,876 on June 30, 2018) were the results of fewer citations filed by Public Safety which meant fewer case filings in Municipal Court. The prior year also included more building permits from two new subdivisions.
- 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:
  - 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.
  - Development Services: Community Development Block Grants (CDBG) and Housing Assistance Grants.
  - 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 revenues increased by 8.2% or \$523,673 (\$6,933,197 on June 30, 2019 compared to \$6,409,524 on June 30, 2018). The main factors were the increase of asset forfeiture distributions, the continued increase of the Highway Users' Revenue Fund (HURF) and the partial elimination of the annual HURF sweep to fund DPS. These revenues were offset by fewer projects funded by federal grants through the Department of Housing and Urban Development.

Capital Grants and Contributions: The increase of 171.3% or \$1,333,019 (\$2,111,307 on June 30, 2019 compared to \$778,288 on June 30, 2018) can be attributed to a capital contribution received from Arizona Department of Transportation for \$1,541,364.

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

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	Year Ended June 30,		Year Ended June 30,		Year Ended June 30,		2018-2019
	2019	2018	2019	2018	2019	2018	
<b>Revenues</b>							
<u>Program Revenues</u>							
Charges for services	\$ 1,988,967	\$ 2,242,876	\$ 4,369,346	\$ 4,507,541	\$ 6,358,313	\$ 6,750,417	-5.8%
Operating grants and contributions	6,933,197	6,409,524		26,349	6,933,197	6,435,873	7.7%
Capital grants and contributions	2,111,307	778,288	242,782	466,737	2,354,089	1,245,025	89.1%
<u>General Revenues</u>							
Sales taxes	15,221,039	14,654,025			15,221,039	14,654,025	3.9%
State shared sales taxes	4,087,739	3,842,681			4,087,739	3,842,681	6.4%
Urban revenue sharing	4,909,147	4,948,683			4,909,147	4,948,683	-0.8%
State shared vehicle license tax	2,462,491	2,318,019			2,462,491	2,318,019	6.2%
Other taxes	100,698	96,979			100,698	96,979	3.8%
Earnings (loss) on investments	306,771	74,800	114,213	40,068	420,984	114,868	266.5%
Miscellaneous	854,946	792,843	7,063	25,783	862,009	818,626	5.3%
Total revenues	38,976,302	36,158,718	4,733,404	5,066,478	43,709,706	41,225,196	6.0%
<b>Expenses</b>							
General government	4,929,194	6,301,117			4,929,194	6,301,117	-21.8%
Public safety	13,303,993	13,457,505			13,303,993	13,457,505	-1.1%
Public works	8,081,699	8,120,495	3,237,295	3,872,452	11,318,994	11,992,947	-5.6%
Development services	1,498,997	1,700,770			1,498,997	1,700,770	-11.9%
Culture and recreation	6,721,604	6,521,262			6,721,604	6,521,262	3.1%
Interest on long-term debt	110,903	122,056	303,178	330,229	414,081	452,285	-8.5%
Total expenses	34,646,390	36,223,205	3,540,473	4,202,681	38,186,863	40,425,886	-5.5%
Change in net position	4,329,912	(64,487)	1,192,931	863,797	5,522,843	799,310	591.0%
Net position - beginning of year	27,954,597	28,019,084	16,598,323	15,734,526	44,552,920	43,753,610	1.8%
Net position - end of year	\$ 32,284,509	\$ 27,954,597	\$ 17,791,254	\$ 16,598,323	\$ 50,075,763	\$ 44,552,920	12.4%

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

- City sales tax (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 3.9% or \$567,014 (\$15,221,039 on June 30, 2019 compared to \$14,654,025 on June 30, 2018). Additional information on sales tax can be found on Schedules B-1 and B-2 of the statistical section and in the letter of transmittal.
- State shared sales tax (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 tax increased by 6.4% or \$245,058 (\$4,087,739 on June 30, 2019 compared to \$3,842,681 on June 30, 2018) 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 decrease was 0.8% or \$39,536 (\$4,909,147 on June 30, 2019 compared to \$4,948,683 on June 30, 2018).

- 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 6.2% or \$144,472 (\$2,462,491 on June 30, 2019 compared to \$2,318,019 on June 30, 2018) which continues to show an improving economy.
- Other taxes: This consists of the cable franchise tax which increased by 3.8% or \$3,719 (\$100,698 on June 30, 2019 compared to \$96,979 on June 30, 2018) due to additional revenue received.
- Earnings (loss) on investments: Increased 310% or \$231,971 (\$306,771 on June 30, 2019 compared to \$74,800 on June 30, 2018) due to higher yields and retained investment in the Local Government Investment Pool (LGIP).
- 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 revenue categories. There was an increase of 7.8% or \$62,103 (\$854,946 on June 30, 2019 compared to \$792,843 on June 30, 2018) in miscellaneous revenues primarily resulting from increased landfill tonnage over the prior year.

### **Expenses: Governmental Activities**

Overall, expenses decreased 4.3% or \$1,576,815 (\$34,646,390 on June 30, 2019 compared to \$36,223,205 on June 30, 2018).

- General government: Decreased by 21.8% or \$1,371,923 (\$4,929,194 on June 30, 2019 compared to \$6,301,117 on June 30, 2018) primarily due to wage adjustments and associated decreased costs in the City's employee retirement plan; the Arizona State Retirement System (ASRS).
- Public safety: Decreased by 1.1% or \$153,512 (\$13,303,993 on June 30, 2019 compared to \$13,457,505 on June 30, 2018) resulting from the implementation of a home detention program by municipal court which reduced the number of days spent in county jail, fewer seasoned officers and fewer grants used compared to the previous year.
- Public works: Decreased by 0.5% or \$38,796 (\$8,081,699 on June 30, 2019 compared to \$8,120,495 on June 30, 2018) primarily due to the minimal usage of engineering services on projects and fewer maintenance and repairs to streets.
- Development services: Decreased by 11.9% or \$201,773 (\$1,498,997 on June 30, 2019 compared to \$1,700,770 on June 30, 2018) mostly due to the completion of projects started in the prior year.
- Culture and recreation: Increased by 3.07% or \$200,342 (\$6,721,604 on June 30, 2019 compared to \$6,521,262 on June 30, 2018). The prior year included expenses for refurbishing the cool deck at the community swimming pool.
- Interest on long-term debt: Decreased by 9.1% or \$11,153 (\$110,903 on June 30, 2019 compared to \$122,056 on June 30, 2018) due to reduction of principal.

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

Revenues from business-type activities decreased overall by 6.6% or \$333,074 (\$4,733,404 on June 30, 2019 compared to \$5,066,478 on June 30, 2018). The following is a year-to-year comparison by function:

Program Revenues: Program revenues typically 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: Decreased by 3.1% or \$138,195 (\$4,369,346 on June 30, 2019 compared to \$4,507,541 on June 30, 2018). This was the result of a wetter spring season which meant less water consumption by businesses and residents.
- Operating grants and contributions: Consists of grants and contributions dedicated to the operations of the WUCFD. Overall, revenues in this category showed a 100% decrease or \$26,349 (\$0 on June 30, 2019 compared to \$26,349 on June 30, 2018). The prior year included the fulfillment of a tax sharing agreement with the City, the Water Utilities Community Facilities District (WUCFD), and an outside developer.
- Capital grants and contributions: Consists of grants and contributions dedicated to the WUCFD's capital additions/improvements. Revenues decreased 48.0% or \$223,955 (\$242,782 on June 30, 2019 compared to \$466,737 on June 30, 2018) due to the prior year's acceptance of new residential development water lines.

### General Revenues

- Earnings (loss) on investments: Interest increased 185.0% or \$74,145 (\$114,213 on June 30, 2019 compared to \$40,068 on June 30, 2018) due to higher yields and retained investment in the Local Government Investment Pool (LGIP).
- Miscellaneous: Consists of monies received that are typically non-recurring payments that are one-time in nature. Miscellaneous revenue decreased 72.6% or \$18,720 (\$7,063 on June 30, 2019 compared to \$25,783 on June 30, 2018) due primarily to prior year's refund of state land right of way.

### Expenses: Business-Type Activities

Overall, expenses decreased 15.8% or \$662,208 (\$3,540,473 on June 30, 2019 compared to \$4,202,681 on June 30, 2018). Below is a description, by function, of the year-to-year changes.

- Public works: Expenses decreased by 16.4% or \$635,157 (\$3,237,295 on June 30, 2019 compared to \$3,872,452 on June 30, 2018) due to the prior year's costs associated with re-coating a water tank and increased Central Arizona Project (CAP) water usage.
- Interest on long-term debt: Decrease of 8.2% or \$27,051 (\$303,178 on June 30, 2019 compared to \$330,229 on June 30, 2018). Additional information regarding long-term debt is shown on page 18 and in Note 4 of the Notes to Financial Statements on pages 42 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 (HURF), and the proprietary fund: the Water Utilities Community Facilities District (WUCFD) Fund.

Type text here

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 (on the following page) compares the general fund activity for fiscal years 2019 and 2018. Many of the components of government-wide activities consist of items that are also included in the general fund.

### Revenues: General Fund

Overall, revenues increased by 3.6% or \$980,823. A further break-down is as follows:

- Taxes: An increase in city sales tax collections of 3.9% or \$524,910.
- Licenses and permits: A decrease in building permit revenue of 11.2% or \$96,397 due to the majority of project permits associated with Apache Junction Townhomes were issued at the end of fiscal year 2018.
- Intergovernmental revenue: An overall increase of 3.2% or \$349,994 in intergovernmental revenues. Additional information on this revenue source is covered in the government-wide analysis on pages 9 and 10.
- Charges for service: The decrease of 4.5% or \$26,202 can primarily be attributed to decreased participation in recreational programs.
- Fines and forfeitures: The decrease of 21.5% or \$130,475 is the result of a decrease in court case filings.
- Interest income: The primary component of the increase in the general fund revenues was the increase of 329.7% or \$107,931 in interest income. The healthier return on investments and in the City's investment portfolio in the Local Government Investment Pool (LGIP) withstood any possible market fluctuations. The market valuation in fiscal year 2019 was more than in fiscal year 2018 (\$140,671 on June 30, 2019 compared to \$32,740 on June 30, 2018).
- Miscellaneous: Increased \$251,062 or 52.2%, primarily as result of an increase in the use of the landfill.

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

	Year Ended		Increase (Decrease)	
	June 30, 2019	June 30, 2018	Amount	Percentage
<b>Revenues</b>				
Taxes	\$ 14,154,308	\$ 13,629,398	\$ 524,910	3.9%
Licenses and permits	763,259	859,656	(96,397)	-11.2%
Intergovernmental revenue	11,459,377	11,109,383	349,994	3.2%
Charges for service	553,162	579,364	(26,202)	-4.5%
Fines and forfeitures	476,541	607,016	(130,475)	-21.5%
Investment earnings	140,671	32,740	107,931	329.7%
Miscellaneous	732,036	480,974	251,062	52.2%
<b>Total revenues</b>	<b>28,279,354</b>	<b>27,298,531</b>	<b>980,823</b>	<b>3.6%</b>
<b>Expenditures</b>				
Current:				
General government	5,984,937	6,306,865	(321,928)	-5.1%
Public safety	11,657,361	11,462,296	195,065	1.7%
Public works	1,828,905	1,788,159	40,746	2.3%
Development services	1,145,492	1,139,581	5,911	0.5%
Culture and recreation	6,019,275	5,665,093	354,182	6.3%
Debt service	230,772	176,708	54,064	30.6%
<b>Total expenditures</b>	<b>26,866,742</b>	<b>26,538,702</b>	<b>328,040</b>	<b>1.2%</b>
Deficiency of revenues (under) expenditures	1,412,612	759,829	652,783	85.9%
Net changes in fund balance	1,412,612	759,829	652,783	85.9%
Fund balance - beginning of year	5,461,039	4,701,210	759,829	16.2%
Fund balance - end of year	<u>\$ 6,873,651</u>	<u>\$ 5,461,039</u>	<u>\$ 1,412,612</u>	<u>25.9%</u>

#### **Expenditures: General Fund**

- The total general fund expenditures increased of 1.2% or \$328,040 (\$26,866,742 on June 30, 2019 compared to \$26,538,702 on June 30, 2018). The following is an analysis of expenditures by function:
- General government: The decrease of 5.1% or \$321,928 can be attributed to the delayed fulfillment of employee vacancies as well as the prior year's retirement payments made as a result of Wade vs. ASRS.
- Public safety: Increased by 1.7% or \$195,065. The primary components were the increase in PSPRS (Public Safety Personnel Retirement System) and communication costs offset by the savings in prisoner maintenance.
- Public works: Increased by 2.3% or \$40,746 as a result of increased maintenance costs to buildings and structures.
- Development services: Increased minimally by 0.5% or \$5,911 due to the elimination of an annual license fee and converting to new permitting software.
- Culture and recreation: Increased by 6.3% or \$354,182 attributable mostly to Park's equipment purchases and city parks maintenance costs.
- Debt service: Increased by 30.6% or \$54,064 due to the reduction of principal.
- The overall financial position of the General Fund increased \$1,412,612 in fiscal year 2019 compared with an increase of \$759,829 in fiscal year 2018.

### HIGHWAY USER REVENUE FUND (HURF)

Table B-2 summarizes the activity of the Highway User Revenue Fund (HURF) activity for fiscal years 2019 and 2018.

#### **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 4.5% or \$231,006.

- 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. Intergovernmental revenues increased 7.5% or \$362,471 (\$5,189,129 in fiscal year 2019 compared to \$4,826,658 in fiscal year 2018) due, in part, to the recovering economy resulting in increased distributions from the State. Intergovernmental revenues are further broken down as follows:
  - HURF-State: Increase of 6.6% or \$203,540.
  - Pinal County ½ cent sales tax: Increase of 9.1% or \$158,931.
  - Charges for Services: Increase of 6.1% or \$1,111. This revenue is mainly comprised of fees charged to individuals for their personal projects cover the costs of the City's Engineering Department.
  - Interest income (loss): Increase of 252.4% or \$64,279. The gain in fiscal year 2019 can be attributed to an increase in higher yields and investments in the Local Government Investment Pool (LGIP), as was discussed in the government-wide analysis.
  - Miscellaneous: Decrease of 61.5% or \$196,855 due primarily to prior year's refund from the Department of Transportation for a roadway drainage project.

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

HURF incurred an overall decrease of 19.4% or \$983,497 in expenditures. The fund balance increased 41.6% or \$1,344,292 during fiscal year 2019.

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

	Year Ended		Increase (Decrease)	
	June 30, 2019	June 30, 2018	Amount	Percentage
<b>Revenues</b>				
Intergovernmental				
HURF-State	\$ 3,287,991	\$ 3,084,451	\$ 203,540	6.6%
Pinal County 1/2 cent sales tax	1,901,138	1,742,207	158,931	9.1%
Charges for services	19,325	18,214	1,111	6.1%
Investment earnings (loss)	89,742	25,463	64,279	252.4%
Miscellaneous	123,128	319,983	(196,855)	-61.5%
<b>Total revenues</b>	<b>5,421,324</b>	<b>5,190,318</b>	<b>231,006</b>	<b>4.5%</b>
<b>Expenditures</b>				
Public works	4,077,032	5,060,529	(983,497)	-19.4%
<b>Total expenditures</b>	<b>4,077,032</b>	<b>5,060,529</b>	<b>(983,497)</b>	<b>-19.4%</b>
Excess of revenues over expenditures	1,344,292	129,789	1,214,503	935.8%
<b>Other Financing Sources (Uses)</b>				
Gain on disposal of assets	-	33,145		0.0%
Total other financing sources (uses)	-	33,145	-	0.0%
Net change in fund balance	1,344,292	162,934	1,181,358	725.1%
Fund balance - beginning of year	3,235,248	3,072,314	162,934	5.3%
Fund balance - end of year	<u>\$ 4,579,540</u>	<u>\$ 3,235,248</u>	<u>\$ 1,344,292</u>	41.6%

**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 7.2% or \$1,192,931. Table B-3 (on page 16) 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.

**Water Utilities Community Facilities District: Revenues**

**Operating Revenues**

As a whole, revenues received from operations decreased 3.5% or \$156,915 as a result of a decrease in residential sales revenues.

- **Residential Sales:** Experienced a decrease of 1.9% or \$67,471 as a result of lower water consumption.
- **Nonresidential Sales:** The decrease of 1.9% or \$14,782 was due to lower water consumption.
- **Other Charges:** The 30.0% decrease or \$55,942 was primarily due to the start-up of a prior year's subdivision project.
- **Miscellaneous:** Consists of monies received that are typically non-recurring and one-time in nature. These decreased by 72.6% or \$18,720.



### Non-operating Revenues

- Interest and investment revenue (loss): The increase of 185.0% or \$74,145 reflects a gain on the District's investment portfolio in the Local Government Investment Pool (LGIP) as funds earned a higher yield and remained in the pool longer to realize the return.
- Intergovernmental Revenues: Consists of grants and contributions dedicated to the operations of the WUCFD. The revenue from a three-way tax sharing agreement with the City, the Water Utilities Community Facilities District (WUCFD), and an outside developer ceased after the first quarter fiscal year 2018 when tax proceeds fulfilled the agreement amount. Revenue in this category shows a decrease of 100% or \$26,349.

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

### Operating Expenses

Operating expenses are broken down into two categories: Administration and System Operations. Overall, operating expenses decreased by 16.4% or \$635,157.

#### Administration

- Operations: The increase of 0.6% or \$3,978 can be attributed to personnel vacancies.
- Depreciation: Remained the same at \$944 or 0.0% as there were no changes to capital assets.
- Amortization: Decreased 15.6% or \$647.

#### System Operations

- Operations: The decrease of 29.3% or \$653,076 can be attributed to the prior year's interior and exterior coating expense of two 500,000 gallon water tanks and water recharge costs.
- Depreciation: The increase of 1.6% or \$14,588 reflects the continual aging of operational equipment.
- Amortization: Remained the same at 0.0% or \$36,091 as there were no changes in the amortization of the 100 year Central Arizona Project (CAP) water lease from the Gila River Indian Community (GRIC).

### Non-operating Expenses

- Interest Expense: The decrease of 8.2% or \$27,051 is the result of the reduction of long-term loans.  
Additional information regarding long-term debt is shown on page 18 through 19 and in Note 4 of the Notes to Financial Statements on pages 42 through 45.
- Capital Contributions: Consists of one-time fees which are held and designated by the District for additional water sources and infrastructure along with a water resource acquisition fee. Fees decreased by 48.0% or \$223,955 over the prior year.
- Change in net position: The primary elements for the increase of 38.1% or \$329,134 were due to fewer maintenance and repair costs and higher returns on investments.

Table B-3  
Comparative Revenues and Expenditures of the Water Utilities Community Facilities District  
(a component unit of the City of Apache Junction, Arizona)  
Year Ended June 30,

	2019	2018	Increase (Decrease)	
			Amount	Percentage
<b>Operating Revenues</b>				
Residential sales	\$ 3,488,393	\$ 3,555,864	\$ (67,471)	-1.9%
Nonresidential sales	750,568	765,350	(14,782)	-1.9%
Other charges	130,385	186,327	(55,942)	-30.0%
Miscellaneous	7,063	25,783	(18,720)	-72.6%
<b>Total operating revenues</b>	<b>4,376,409</b>	<b>4,533,324</b>	<b>(156,915)</b>	<b>-3.5%</b>
Interest and investment revenue (loss)	114,213	40,068	74,145	185.0%
Intergovernmental revenue	-	26,349	(26,349)	-100.0%
<b>Total revenues</b>	<b>4,490,622</b>	<b>4,599,741</b>	<b>(109,119)</b>	<b>-2.4%</b>
<b>Operating Expenses</b>				
Administration:				
Operations	721,268	717,290	3,978	0.6%
Depreciation	944	944	-	0.0%
Amortization	3,488	4,135	(647)	-15.6%
System operations:				
Operations	1,575,661	2,228,737	(653,076)	-29.3%
Depreciation	899,843	885,255	14,588	1.6%
Amortization	36,091	36,091	-	0.0%
<b>Total operating expenses</b>	<b>3,237,295</b>	<b>3,872,452</b>	<b>(635,157)</b>	<b>-16.4%</b>
<b>Nonoperating Expenses</b>				
Interest expense	303,178	330,229	(27,051)	-8.2%
<b>Total expenses</b>	<b>3,540,473</b>	<b>4,202,681</b>	<b>(662,208)</b>	<b>-15.8%</b>
<b>Income before other revenues, expenses, gains, losses, and transfers</b>	<b>950,149</b>	<b>397,060</b>	<b>553,089</b>	<b>139.3%</b>
Capital contributions	242,782	466,737	(223,955)	-48.0%
Changes in net position	1,192,931	863,797	329,134	38.1%
Fund balance - beginning of year	16,598,323	15,734,526	863,797	5.5%
Fund balance - end of year	\$ 17,791,254	\$ 16,598,323	\$ 1,192,931	7.2%

## 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 \$28,279,354 compared to general fund budgeted revenues of \$27,328,475; an overall positive variance of \$950,879. Most significant differences in budget to actual revenues are as follows:

- City Taxes: Budget: \$13,296,340 Actual: \$14,154,308.  
Effective January 2017, the State of Arizona began the administration and collection of City Sales tax, which has delayed receipt of taxes by the City. Higher retail sales accounts for much of the variance.
- Intergovernmental revenues: Budget: \$11,332,885 Actual: \$11,459,377.  
Intergovernmental revenues consist of three main revenue streams: state sales tax, state revenue sharing (income tax), and vehicle license. The State distributed more revenue to the City than its projections.
- Fines and forfeitures: Budget: \$525,000 Actual: \$476,541.  
Less revenues collected from court fines due to option of paying fines off through voluntary work program.
- Miscellaneous revenues: Budget: \$825,000 Actual: \$732,036.  
These consist of one-time, non-recurring receipts.

## EXPENDITURE VARIANCES

General fund expenditures totaled \$26,866,742 compared to general fund budgeted outlays of \$28,900,895 – over \$2.03M under budget. Significant components of the variance of \$2,034,153 are summarized as follows:

- Management Services: Budget: \$2,510,285 Actual: \$2,439,024.  
Management services consist of five departments: Human Resources, Information Technology, Economic Development, Marketing/Communications and Geographic Information System. The variance was largely attributed to unused consultant fees and training/conference.
- General government: Budget: \$1,432,000 Actual: \$732,412.  
The variance is from unused contingency appropriations.
- Finance: Budget: \$821,060 Actual: \$552,654.  
The Financial reporting software conversion project began mid-fiscal year and was postponed before year end for further analysis.
- Public Safety: Budget: \$11,278,570 Actual: \$10,833,421.  
Postponement of the Emergency Center remodel, unused budgeted overtime and savings on prisoner maintenance contributed to the variance.
- Public Works: Budget: \$1,969,760 Actual: \$1,828,905.  
Savings in maintenance and repair of buildings and structures, building improvements, professional services, gas, oil and lubricants and capitalized equipment accounted for the difference.
- Library: Budget \$1,879,345 Actual \$1,777,713.  
Salary, utilities and maintenance and repair savings accounted for the difference.

For additional information on the general fund budget, please refer to page 64, 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 41, governmental-type capital outlays totaled \$4,783,709. Noteworthy additions include:

- Street Improvements
  - Broadway Ave. Roadway Improvement \$ 691,226
  - Baseline Ave. Roadway Paving from Idaho to Ironwood \$ 498,132
  - Palo Verde Drive Sidewalks \$ 387,884
  - Enchanted Acres Streets Overlay \$ 278,316
  - Broadway Ave Streets Overlay from Tomahawk to Goldfield \$ 267,688
- Buildings and Improvements
  - Superstition Shadows Pool Deck Refurbishing \$ 245,207
  - Library Community Room \$ 105,724
- Machinery and Equipment
  - Police Fleet Vehicles \$ 224,252
  - Police Portable Radios and Earpieces \$ 95,958

For additional information concerning capital assets, see Note 3 in the notes to the financial statements on pages 41 and 42.

### 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 \$1,770,000  
Purpose: Finance library expansion
- Pinal County IGA \$6,157,958  
Purpose: Cost-sharing arrangement for Ironwood Drive improvements
- Siemens Financial and Siemens Building Technologies lease purchase \$315,063  
Purpose: Finance substantial portion of energy enhancements

#### Business-Type Activities

The business-type activities have three long-term notes payable outstanding:

- WIFA note payable #920111-06 (Closed on May 3, 2006) \$817,637  
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) \$3,270,563  
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.
- WIFA loan payable #920250-14 (Closed on June 20, 2015) \$6,907,079  
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

Additional information concerning governmental and business-type activities is presented in Note 4 – Long-Term Debt on pages 42 through 45.

## **ECONOMIC FACTORS EFFECTING 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.

A common problem for many Arizona Cities and Towns is that the Public Safety Personnel Retirement System (PSPRS), which is the pension system for sworn police personnel, continues to experience employer contribution rate increases. For the City of Apache Junction, rates for the last five years are as follows:

FY 2015	38.83%
FY 2016	52.09%
FY 2017	52.10%
FY 2018	52.47%
FY 2019	57.86%

The upward trend will continue for the upcoming year, FY 2020 with a rate of 61.34%. In addition, those hired on or after July 1, 2017 have a different level of benefit promise, which is financed on a 50/50 basis between employer and employee. The rate for those individuals will be 10.51%. For additional information on the funding and contribution trends, please refer to Note 10 on pages 48 through 61 and to the Schedules of Retirement Plan on pages 67 through 71.

## **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:

Donna M. Meinerts, Finance Director at (480) 474-5451 or [dmeinerts@ajcity.net](mailto:dmeinerts@ajcity.net)



## BASIC FINANCIAL STATEMENTS

## CITY OF APACHE JUNCTION, ARIZONA

## Statement of Net Position

June 30, 2019

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,843,002	\$ 1,552,558	\$ 4,395,560
Investments	11,395,176	2,651,079	14,046,255
Receivables (net of allowances for uncollectibles):			
Accounts	141,211	241,632	382,843
Due from other governments	3,376,209		3,376,209
Restricted cash and cash equivalents	427,284	1,167,076	1,594,360
Internal balances	42	(42)	
Inventories	22,446	122,200	144,646
Prepaid items	36,453	160,363	196,816
Other assets	22,185	3,313,223	3,335,408
Capital assets, not being depreciated	4,927,123	877,053	5,804,176
Capital assets, being depreciated, net	<u>57,048,977</u>	<u>20,803,807</u>	<u>77,852,784</u>
Total assets	<u>80,240,108</u>	<u>30,888,949</u>	<u>111,129,057</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>6,333,652</u>	<u>155,689</u>	<u>6,489,341</u>
<b>LIABILITIES</b>			
Accounts payable	1,568,221	301,811	1,870,032
Accrued payroll and employee benefits	550,600	149,140	699,740
Accrued interest		151,589	151,589
Deposits held for others	203,786	399,135	602,921
Unearned revenue	98,021	58,933	156,954
Other liabilities	162,485		162,485
Noncurrent liabilities:			
Due within one year	707,014	885,962	1,592,976
Due in more than one year	<u>48,502,527</u>	<u>11,149,708</u>	<u>59,652,235</u>
Total liabilities	<u>51,792,654</u>	<u>13,096,278</u>	<u>64,888,932</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>2,496,597</u>	<u>157,106</u>	<u>2,653,703</u>
<b>NET POSITION</b>			
Net investment in capital assets	53,696,432	12,779,581	66,476,013
Restricted for:			
Debt service		1,167,076	1,167,076
Highways and streets	4,670,660		4,670,660
Development services	2,309,630		2,309,630
Law enforcement	969,524		969,524
Education	173,502		173,502
Other purposes	801,097		801,097
Unrestricted (deficit)	<u>(30,336,336)</u>	<u>3,844,597</u>	<u>(26,491,739)</u>
Total net position	<u>\$ 32,284,509</u>	<u>\$ 17,791,254</u>	<u>\$ 50,075,763</u>

See accompanying notes to financial statements.



## CITY OF APACHE JUNCTION, ARIZONA

## Statement of Activities

Year Ended June 30, 2019

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	\$ 4,929,194	\$ 204,583			\$ (4,724,611)		\$ (4,724,611)
Public safety	13,303,993	717,660	\$ 661,422	\$ 25,783	(11,899,128)		(11,899,128)
Public works	8,081,699	26,083	5,229,962	1,541,364	(1,284,290)		(1,284,290)
Development services	1,498,997	489,204	696,482	539,660	226,349		226,349
Culture and recreation	6,721,604	551,437	345,331	4,500	(5,820,336)		(5,820,336)
Interest on long-term debt	110,903				(110,903)		(110,903)
Total governmental activities	<u>34,646,390</u>	<u>1,988,967</u>	<u>6,933,197</u>	<u>2,111,307</u>	<u>(23,612,919)</u>		<u>(23,612,919)</u>
Business-type activities:							
Water	<u>3,540,473</u>	<u>4,369,346</u>		<u>242,782</u>		\$ 1,071,655	<u>1,071,655</u>
Total business-type activities	<u>3,540,473</u>	<u>4,369,346</u>		<u>242,782</u>		<u>1,071,655</u>	<u>1,071,655</u>
Total government	<u>\$ 38,186,863</u>	<u>\$ 6,358,313</u>	<u>\$ 6,933,197</u>	<u>\$ 2,354,089</u>	<u>(23,612,919)</u>	<u>1,071,655</u>	<u>(22,541,264)</u>
General revenues:							
Sales taxes					15,221,039		15,221,039
State shared sales tax					4,087,739		4,087,739
State shared vehicle license tax					2,462,491		2,462,491
Urban revenue sharing					4,909,147		4,909,147
Other taxes					100,698		100,698
Investment earnings					306,771	114,213	420,984
Miscellaneous					<u>854,946</u>	<u>7,063</u>	<u>862,009</u>
Total general revenues					<u>27,942,831</u>	<u>121,276</u>	<u>28,064,107</u>
Change in net position					4,329,912	1,192,931	5,522,843
Net position, July 1, 2018					<u>27,954,597</u>	<u>16,598,323</u>	<u>44,552,920</u>
Net position, June 30, 2019					<u>\$ 32,284,509</u>	<u>\$ 17,791,254</u>	<u>\$ 50,075,763</u>

See accompanying notes to financial statements.

## CITY OF APACHE JUNCTION, ARIZONA

Balance Sheet  
Governmental Funds

June 30, 2019

	General Fund	Highway User Revenue Fund	Gifts and Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,738,988	\$ 100	\$ 1,103,914		\$ 2,843,002
Investments	4,175,061	3,956,120	2,525,581	\$ 738,414	11,395,176
Inventories	22,446				22,446
Receivables (net of allowances for uncollectibles):					
Accounts	71,736	27,019	42,456		141,211
Due from other governments	2,128,909	623,083	483,967	140,250	3,376,209
Due from other funds	129,108	303,388		30,538	463,034
Prepaid items	33,593		2,860		36,453
Restricted cash	7,082		299,009		306,091
Restricted cash held by other agencies			121,193		121,193
Other assets	22,185				22,185
Total assets	<u>\$ 8,329,108</u>	<u>\$ 4,909,710</u>	<u>\$ 4,578,980</u>	<u>\$ 909,202</u>	<u>\$ 18,727,000</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 775,135	\$ 219,094	\$ 524,401	\$ 49,591	\$ 1,568,221
Accrued payroll and related liabilities	473,625	72,497	4,478		550,600
Due to other funds			163,149	299,843	462,992
Unearned revenue			98,021		98,021
Deposits held for others	44,212	38,579	120,995		203,786
Other liabilities	162,485				162,485
Total liabilities	<u>1,455,457</u>	<u>330,170</u>	<u>911,044</u>	<u>349,434</u>	<u>3,046,105</u>
<b>Fund balances:</b>					
Nonspendable	56,039		2,860		58,899
Restricted		4,579,540	3,665,076	559,768	8,804,384
Unassigned	6,817,612				6,817,612
Total fund balances	<u>6,873,651</u>	<u>4,579,540</u>	<u>3,667,936</u>	<u>559,768</u>	<u>15,680,895</u>
Total liabilities and fund balances	<u>\$ 8,329,108</u>	<u>\$ 4,909,710</u>	<u>\$ 4,578,980</u>	<u>\$ 909,202</u>	<u>\$ 18,727,000</u>

See accompanying notes to financial statements.

CITY OF APACHE JUNCTION, ARIZONA

Reconciliation of the Governmental Funds Balance Sheet to the  
Government-wide Statement of Net Position  
June 30, 2019

Fund balances - total governmental funds	\$ 15,680,895
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Amounts reported for governmental activities in the Statement of  
Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	61,976,100
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Some liabilities, such as net pension liabilities, bonds payable,  
and compensated absences, are not due and payable in the  
current period and, therefore, are not reported as a liability in  
the funds.

Bonds payable	\$ 1,806,647	
Other government payable	6,157,958	
Capital leases payable	315,063	
Net pension liabilities	39,108,933	
Compensated absences	<u>1,820,940</u>	
		(49,209,541)

Deferred outflows and inflows of resources related to pensions  
are applicable to future reporting periods and, therefore, are  
not reported in the funds.

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<u>3,837,055</u>
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Net position of governmental activities	<u><u>\$ 32,284,509</u></u>
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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, 2019

	General Fund	Highway User Revenue Fund	Gifts and Grants Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	\$ 14,154,308			\$ 1,208,262	\$ 15,362,570
Licenses and permits	763,259		\$ 539,660		1,302,919
Intergovernmental revenue	11,459,377	\$ 5,189,129	1,451,673	330,217	18,430,396
Charges for services	553,162	19,325			572,487
Fines and forfeits	476,541		101,028		577,569
Investment earnings	140,671	89,742	70,041	6,828	307,282
Miscellaneous	<u>732,036</u>	<u>123,128</u>	<u>13,894</u>	<u>21,977</u>	<u>891,035</u>
Total revenues	28,279,354	5,421,324	2,176,296	1,567,284	37,444,258
EXPENDITURES:					
Current:					
General government	5,984,937		117,218		6,102,155
Public safety	11,657,361		268,717		11,926,078
Public works	1,828,905	4,077,032	330,693	617,277	6,853,907
Development services	1,145,492		383,635		1,529,127
Culture and recreation	6,019,275		365,246	63,292	6,447,813
Debt service:					
Principal	157,632		52,368		210,000
Interest and other charges	<u>73,140</u>		<u>24,297</u>		<u>97,437</u>
Total expenditures	26,866,742	4,077,032	1,542,174	680,569	33,166,517
Net change in fund balances	1,412,612	1,344,292	634,122	886,715	4,277,741
Fund balances (deficit), July 1, 2018	<u>5,461,039</u>	<u>3,235,248</u>	<u>3,033,814</u>	<u>(326,947)</u>	<u>11,403,154</u>
Fund balances, June 30, 2019	<u>\$ 6,873,651</u>	<u>\$ 4,579,540</u>	<u>\$ 3,667,936</u>	<u>\$ 559,768</u>	<u>\$ 15,680,895</u>

See accompanying notes to financial statements.

CITY OF APACHE JUNCTION, ARIZONA

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures, and Changes in Fund Balances to the Government-wide  
Statement of Activities  
Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ 4,277,741

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

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.

Capital outlay	\$	3,242,345	
Depreciation expense		<u>(4,755,953)</u>	(1,513,608)

Contributions of capital assets are not reflected in the  
governmental funds but are reported in the statement of  
activities. The item consists of an infrastructure project  
contributed by developers. 1,541,364

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. (9,320)

City pension contributions are reported as expenditures in  
the governmental funds when made. However, they are  
reported as deferred outflows of resources in the Statement  
of Net Position because the reported net pension liability is  
measured a year before the City's report date. Pension  
expense, which is the change in the net pension liability  
adjusted for changes in deferred outflows and inflows of  
resources related to pensions, is reported in the Statement  
of Activities. (116,553)

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. 249,056

See accompanying notes to financial statements.

CITY OF APACHE JUNCTION, ARIZONA

Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures, and Changes in Fund Balances to the Government-wide  
Statement of Activities  
Year Ended June 30, 2019

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expenditures available resources. In the statement of activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

Increase in compensated absences	<u>(98,768)</u>
Change in net position of governmental activities	<u><u>\$ 4,329,912</u></u>

See accompanying notes to financial statements.

## CITY OF APACHE JUNCTION, ARIZONA

Statement of Net Position  
Proprietary Fund Type - Enterprise Fund

June 30, 2019

	<u>WUCFD</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 1,552,558
Investments	2,651,079
Receivables (net of allowances for uncollectibles):	
Accounts	241,632
Inventories	122,200
Prepaid items	<u>160,363</u>
Total current assets	<u>4,727,832</u>
Noncurrent assets:	
Restricted cash	1,167,076
Other assets	3,313,223
Capital assets, not being depreciated	877,053
Capital assets, being depreciated, net	<u>20,803,807</u>
Total noncurrent assets	<u>26,161,159</u>
Total assets	<u>30,888,991</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	<u>155,689</u>
 <b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	301,811
Accrued payroll and employee benefits	149,140
Accrued interest payable	151,589
Deposits held for others	399,135
Due to other funds	42
Unearned revenue	58,933
Notes payable, current portion	<u>885,962</u>
Total current liabilities	<u>1,946,612</u>
Noncurrent liabilities:	
Notes payable, noncurrent	10,109,317
Net pension liability	<u>1,040,391</u>
Total noncurrent liabilities	<u>11,149,708</u>
Total liabilities	<u>13,096,320</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>157,106</u>
 <b>NET POSITION</b>	
Net investment in capital assets	12,779,581
Restricted for:	
Debt service	1,167,076
Unrestricted	<u>3,844,597</u>
Total net position	<u>\$ 17,791,254</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, 2019

	<u>WUCFD</u>
OPERATING REVENUES	
Charges for services	\$ 4,369,346
Miscellaneous	<u>7,063</u>
Total operating revenues	4,376,409
OPERATING EXPENSES	
Payroll and payroll related	1,113,205
Legal and professional services	83,096
Telephone and utilities	366,519
Office and supplies	2,703
Postage and shipping	23,093
Printing and copying	14,818
Insurance	20,139
Other operating	272,834
Repairs and maintenance	400,522
Amortization	39,579
Depreciation	<u>900,787</u>
Total operating expenses	<u>3,237,295</u>
Operating income	1,139,114
NONOPERATING REVENUES (EXPENSES)	
Investment earnings	114,213
Interest expense	<u>(303,178)</u>
Total nonoperating revenues (expenses)	(188,965)
CAPITAL CONTRIBUTION	
Capital facilities fees	<u>242,782</u>
Increase in net position	1,192,931
Net position, July 1, 2018	<u>16,598,323</u>
Net position, June 30, 2019	<u><u>\$ 17,791,254</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, 2019

	<u>WUCFD</u>
<b>CASH FLOWS FROM OPERATING REVENUES</b>	
Cash received from customers	\$ 4,396,049
Other operating receipts	7,063
Cash payments to suppliers for goods and services	(1,053,669)
Cash payments to employees for services	<u>(1,184,302)</u>
Net cash provided by operating activities	<u>2,165,141</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Proceeds from capital facilities fees	242,782
Purchase and construction of capital assets and other assets	(865,290)
Interest paid on long-term debt	(289,652)
Principal payments on revenue bonds payable and note payable	<u>(867,673)</u>
Net cash used by capital and related financing activities	<u>(1,779,833)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of investments	(580,121)
Interest received on investments	<u>84,083</u>
Net cash used for investing activities	<u>(496,038)</u>
Net decrease in cash and cash equivalents	(110,730)
Cash and cash equivalents, July 1, 2018	<u>2,830,364</u>
Cash and cash equivalents, June 30, 2019	<u><u>\$ 2,719,634</u></u>
<b>CASH AND CASH EQUIVALENTS AT JUNE 30, 2019 CONSISTED OF</b>	
Unrestricted cash	\$ 1,552,558
Restricted cash	<u>1,167,076</u>
	<u><u>\$ 2,719,634</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, 2019

(Continued)

	<u>WUCFD</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 1,139,114
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	900,787
Amortization	39,579
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
Decrease in net pension liability	(128,296)
Decrease in deferred outflows of resources related to pensions	3,628
Increase in deferred inflows of resources related to pensions	43,299
Decrease in inventories	26,407
Increase in net change in due to/from	42
Decrease in accounts receivable, net	17,633
Increase in prepaid items	(100,909)
Increase in deposits held for others	12,850
Increase in accounts payable and accrued liabilities related to operations	214,787
Decrease in unearned revenue	(3,780)
Net cash provided by operating activities	<u><u>\$ 2,165,141</u></u>

See accompanying notes to financial statements.

## CITY OF APACHE JUNCTION, ARIZONA

### Notes to Financial Statements

June 30, 2019

#### **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.

##### **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.

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 and city management has operational responsibility. WUCFD is reported as an enterprise fund.

# CITY OF APACHE JUNCTION, ARIZONA

## Notes to Financial Statements

June 30, 2019

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

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. 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.

**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.

## CITY OF APACHE JUNCTION, ARIZONA

### Notes to Financial Statements

June 30, 2019

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

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

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

The Highway User Revenue Fund (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.

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.

# CITY OF APACHE JUNCTION, ARIZONA

## Notes to Financial Statements

June 30, 2019

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

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

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 capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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

#### 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's Local Government Investment Pool (LGIP); 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.

## CITY OF APACHE JUNCTION, ARIZONA

### Notes to Financial Statements

June 30, 2019

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

The LGIP is a part of the State of Arizona Treasurer's office. The State Board of Deposit provides oversight for the State Treasurer's pools, and the LGIP Advisory Committee provides consultation and advice to the Treasurer. Investments in the State of Arizona LGIP are stated at fair value, which also approximates the value of the investment upon withdrawal. All investments are stated at fair value.

##### **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 2% of year-end accounts receivable, is based on historical collection experience and a review of the current status of accounts receivable.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

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

**I. Inventories**

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

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

**J. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items 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 321 and 639 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.



CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

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

N. Investment Income

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

O. Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

P. Post-Employment Benefits

For purposes of measuring the net pension and other post-employment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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, 2019, the carrying amount of deposits was \$4,311,579 and the bank balance was \$4,623,615. As of June 30, 2019, the City's deposits were fully insured by the Federal Deposit Insurance Corporation or covered by collateral held by the pledging financial institution's trust department in the City's name.

Restricted cash consists of the required debt service reserve fund and cash held by an outside agency for restricted use. Its future use will be for the repayments on outstanding revenue bonds payable and capital improvements.

B. Investments

A.R.S authorize the City to invest public monies in the State Treasurer's local government investment pools, obligations of the U.S. Government and its agencies, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

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

At June 30, 2019, the City's investments with the external investment pools measured at fair value were as follows:

Investment Type	Amount	Investment Maturities
		Less than 1 year
State Treasurer's investment pool 7	\$ 9,249,986	\$ 9,249,986
State Treasurer's investment pool 700	6,474,610	6,474,610
Total	<u>\$ 15,724,596</u>	<u>\$ 15,724,596</u>

The City has 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. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the City held.

**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 has an investment policy. At June 30, 2019, all of the City's investments were held by the State of Arizona's Local Government Investment Pool (LGIP).

**Interest Rate Risk** – The City has 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, 2019, 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, 2019

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019, was as follows:

<b>Governmental activities:</b>	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 2,199,129			\$ 2,199,129
Construction in progress	<u>1,682,527</u>	<u>\$ 3,655,775</u>	<u>\$ (2,610,308)</u>	<u>2,727,994</u>
Total capital assets not being depreciated	<u>3,881,656</u>	<u>3,655,775</u>	<u>(2,610,308)</u>	<u>4,927,123</u>
Capital assets being depreciated:				
Buildings	22,467,712			22,467,712
Improvements other than buildings	14,429,848	294,564		14,724,412
Machinery and equipment	13,823,082	828,277	(387,541)	14,263,818
Infrastructure	<u>78,973,813</u>	<u>2,615,401</u>		<u>81,589,214</u>
Total	<u>129,694,455</u>	<u>3,738,242</u>	<u>(387,541)</u>	<u>133,045,156</u>
Less accumulated depreciation for:				
Buildings	8,817,079	600,236		9,417,315
Improvements other than buildings	9,263,833	533,588		9,797,421
Machinery and equipment	11,064,887	967,677	(378,221)	11,654,343
Infrastructure	<u>42,472,648</u>	<u>2,654,452</u>		<u>45,127,100</u>
Total	<u>71,618,447</u>	<u>4,755,953</u>	<u>(378,221)</u>	<u>75,996,179</u>
Total capital assets being depreciated, net	<u>58,076,008</u>	<u>(1,017,711)</u>	<u>(9,320)</u>	<u>57,048,977</u>
Governmental activities capital assets, net	<u>\$ 61,957,664</u>	<u>\$ 2,638,064</u>	<u>\$ (2,619,628)</u>	<u>\$ 61,976,100</u>
<b>Business-type activities:</b>	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 639,076			\$ 639,076
Construction in progress		<u>\$ 237,977</u>		<u>237,977</u>
Total capital assets not being depreciated	<u>639,076</u>	<u>237,977</u>		<u>877,053</u>
Capital assets being depreciated:				
Buildings	11,312,767	\$ 34,777		11,347,544
Water system	17,993,351	365,330		18,358,681
Machinery and equipment	<u>1,742,667</u>	<u>227,206</u>		<u>1,969,873</u>
Total	<u>31,048,785</u>	<u>627,313</u>		<u>31,676,098</u>
Less accumulated depreciation for:				
Buildings	538,995	237,853		776,848
Water system	7,838,609	615,818		8,454,427
Machinery and equipment	<u>1,593,900</u>	<u>47,116</u>		<u>1,641,016</u>
Total	<u>9,971,504</u>	<u>900,787</u>		<u>10,872,291</u>
Total capital assets being depreciated, net	<u>21,077,281</u>	<u>(273,474)</u>		<u>20,803,807</u>
Business-type activities capital assets, net	<u>\$ 21,716,357</u>	<u>\$ (35,497)</u>	<u>\$</u>	<u>\$ 21,680,860</u>

## CITY OF APACHE JUNCTION, ARIZONA

## Notes to Financial Statements

June 30, 2019

**NOTE 3 - CAPITAL ASSETS - CONTINUED**

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

Governmental activities:	
General government	\$ 388,693
Public safety	534,719
Public works	2,942,274
Development services	9,854
Culture and recreation	<u>880,413</u>
Total depreciation expense - governmental activities	<u>\$ 4,755,953</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, 2019:

<b>Governmental activities:</b>	<u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>	<u>Due Within 1 Year</u>
2007 GADA Series 2007A					
Bonds	\$ 1,980,000		\$ (210,000)	\$ 1,770,000	\$ 220,000
Bond premium	<u>46,476</u>		<u>(9,829)</u>	<u>36,647</u>	
Total bonds payable	2,026,476		(219,829)	1,806,647	220,000
Inter-governmental payable	6,157,958			6,157,958	
Capital leases payable	344,290		(29,227)	315,063	31,779
Net pension liabilities	40,228,729		(1,119,796)	39,108,933	
Compensated absences payable	<u>1,722,172</u>	<u>\$ 1,298,344</u>	<u>(1,199,576)</u>	<u>1,820,940</u>	<u>455,235</u>
Governmental activities long-term liabilities	<u>\$ 50,479,625</u>	<u>\$ 1,298,344</u>	<u>\$ (2,568,428)</u>	<u>\$ 49,209,541</u>	<u>\$ 707,014</u>
<b>Business-type activities:</b>	<u>July 1, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>	<u>Due Within 1 Year</u>
WIFA Note Payable					
#920111-06	\$ 1,013,598		\$ (195,961)	\$ 817,637	\$ 202,800
WIFA Note Payable					
#920133-08	3,810,563		(540,000)	3,270,563	546,240
WIFA Note Payable					
#920250-14	<u>7,038,791</u>		<u>(131,712)</u>	<u>6,907,079</u>	<u>136,922</u>
Total notes payable	11,862,952		(867,673)	10,995,279	885,962
Net pension liability	<u>1,168,687</u>		<u>(128,296)</u>	<u>1,040,391</u>	
Business-type activities long-term liabilities	<u>\$ 13,031,639</u>	<u>\$</u>	<u>\$ (995,969)</u>	<u>\$ 12,035,670</u>	<u>\$ 885,962</u>

# CITY OF APACHE JUNCTION, ARIZONA

## Notes to Financial Statements

June 30, 2019

### 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 \$1,770,000 is outstanding and reported gross of unamortized bond premium of \$36,647. 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.

\$	1,806,647
	(220,000)
\$	<u>1,586,647</u>

Less: Current maturities

##### 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.

\$	<u>6,157,958</u>
----	------------------

#### Business-type Activities:

##### 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.

\$	817,637
----	---------

Water Infrastructure Finance Authority (WIFA) note payable #920133-08 for the financing of 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.

3,270,563
-----------

Water Infrastructure Finance Authority (WIFA) note payable #920250-14 for the financing of the acquisition of water rights and construction of a water treatment facility. The balance represents draws from an authorized maximum of \$9,077,296. Interest is 2.488%. Semi-annual interest payments are due on January 1 and July 1. Principal payments are due annually starting July 1, 2015, with the note maturing July 1, 2033.

	6,907,079
	10,995,279
	(885,962)
\$	<u>10,109,317</u>

Less: Current maturities

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

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

**Governmental activities:**

Year Ending June 30,	Bond Payable		Inter-governmental Payable	
	Principal	Interest	Principal	Interest
2020	\$ 220,000	\$ 86,937		
2021	230,000	75,937		
2022	240,000	64,437		
2023	250,000	72,437	\$ 579,741	\$ 160,494
2024	265,000	41,500	566,707	173,528
2025-2029	565,000	42,750	2,648,050	1,053,127
2030-2034			2,363,460	1,337,718
Total	<u>\$ 1,770,000</u>	<u>\$ 383,998</u>	<u>\$ 6,157,958</u>	<u>\$ 2,724,867</u>

**Business-type activities:**

Year Ending June 30,	Notes Payable	
	Principal	Interest
2020	\$ 885,962	\$ 289,371
2021	913,849	261,311
2022	942,630	232,361
2023	967,559	202,817
2024	996,751	172,672
2025-2029	3,002,827	596,390
2030-2034	3,285,701	208,387
Total	<u>\$ 10,995,279</u>	<u>\$ 1,963,309</u>

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. During the year ended June 30, 2019, the City has \$999,999 left to draw on the loan.

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.

	Governmental Activities			Business-Type Activity
	General Fund	HURF	Total	
Balance - June 30, 2018	\$ 1,590,594	\$ 131,578	\$ 1,722,172	\$ 106,993
Increase for the year	1,183,830	114,514	1,298,344	90,633
Decrease for the year	(1,106,047)	(93,529)	(1,199,576)	(93,045)
Balance - June 30, 2019	<u>\$ 1,668,377</u>	<u>\$ 152,563</u>	<u>\$ 1,820,940</u>	<u>\$ 104,581</u>
Estimated amount due within one year	\$ 417,094	\$ 38,141	\$ 455,235	\$ 104,581

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

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

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	313,399
Carrying value	<u>\$ 276,855</u>

The following schedule details debt service requirements to maturity for the City's capital leases payable at June 30, 2019:

Year ending June 30,	Governmental Activities
2020	\$ 45,701
2021	42,309
2022	42,309
2023	42,309
2024	42,309
Thereafter	<u>159,121</u>
Total minimum lease payments	374,058
Less amount representing interest	<u>(58,995)</u>
Present value of net minimum lease payments	<u>\$ 315,063</u>

**NOTE 5 - INTERFUND BALANCES**

The composition of interfund balances as of June 30, 2019, is listed below.

	Payable To			
Payable From	General	HURF	Other Governmental Funds	Total
Gifts and Grants Fund	\$ 129,066	\$ 3,545	\$ 30,538	\$ 163,149
Other Governmental Funds		299,843		299,843
WUCFD	<u>42</u>			<u>42</u>
Total	<u>\$ 129,108</u>	<u>\$ 303,388</u>	<u>\$ 30,538</u>	<u>\$ 463,034</u>

The amounts due from the HURF fund, Gifts and Grants Fund, Other Governmental Funds, and WUCFD, and the amounts due to the General Fund, HURF Fund, and Other Governmental Funds represent expenditures made in latter funds to be reimbursed by the former funds. All interfund balances are expected to be repaid next year.

## CITY OF APACHE JUNCTION, ARIZONA

### Notes to Financial Statements

June 30, 2019

#### **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. They are 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.

#### **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 pool also 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. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



# CITY OF APACHE JUNCTION, ARIZONA

## Notes to Financial Statements

June 30, 2019

### 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 6/30/2019	Remaining Commitment
TriTech	Software System for Police Department	October 2017	\$ 349,332	\$ 216,541	\$ 132,791
Tyler Technology	Munis- Financial Software	August 2018	326,337	175,399	150,938
Sunland Asphalt	Reconstruction of Idaho Rd from Lost Dutchman to McKellips	November 2018	566,916	74,473	492,443
Garney Co.	Booster Station No. 2 Generator	March 2019	163,203	62,508	100,695
			<u>\$ 1,405,788</u>	<u>\$ 528,921</u>	<u>\$ 876,867</u>

Litigation – The City receives numerous notices of claims for damages occurring generally from false arrest, negligence, bodily injury, breach of contract, defamation of character and invasion of privacy. The filing of such claims commences a statutory period for initiating judicial action, and the City currently carries excess general liability insurance to cover possible losses arising therefrom.

### NOTE 9 - FUND BALANCE CLASSIFICATIONS

The Fund balance classifications of the governmental funds as of June 30, 2019, were as follows:

	General Fund	HURF	Gifts and Grants Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Inventories	\$ 22,446				\$ 22,446
Prepaid items	33,593		\$ 2,860		36,453
Total nonspendable	56,039		2,860		58,899
Restricted for:					
Public access			132,377		132,377
Health and welfare			3,327		3,327
Law enforcement			969,524		969,524
Highway and streets		\$ 4,579,540	6,342	\$ 85,641	4,671,523
Development services			2,309,630		2,309,630
Library service			173,502	46,275	219,777
Park and recreation			70,374		70,374
Total restricted		4,579,540	3,665,076	131,916	8,376,532
Unassigned	6,817,612			427,852	7,245,464
Total fund balances	<u>\$ 6,873,651</u>	<u>\$ 4,579,540</u>	<u>\$ 3,667,936</u>	<u>\$ 559,768</u>	<u>\$ 15,680,895</u>

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

**NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The City contributes to the three plans described below and on the following pages. The plans are component units of the State of Arizona. At June 30, 2019, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Government Activities	Business-Type Activities	Total
Net pension liabilities	\$ 39,108,933	\$ 1,040,391	\$ 40,149,324
Deferred outflows of resources	6,333,652	155,689	6,489,341
Deferred inflows of resources	2,496,597	157,106	2,653,703
Pension expense	3,523,284	10,610	3,533,894

The City did not disclose the OPEB plan separately because of its insignificance to the City's financial statements. The City's accrued payroll and employee benefits includes \$121,069 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2019. Also, the City reported \$3,402,215 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

**A. Arizona State Retirement System**

**Plan Description** - City employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

**Benefits Provided** - The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	Retirement Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and, age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on:	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\*With actuarially reduced benefits.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

**NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

**Contributions** - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.80 percent (11.64 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 11.8 percent (11.18 percent for retirement, 0.46 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. The City's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2019 were \$1,145,212, \$47,120, and \$16,389 respectively. The WUCFD's contributes to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2019 were \$87,605, \$3,215 and \$1,159 respectively.

During fiscal year 2019, the City paid for ASRS pension and OPEB contributions as follows: 93 percent from the General Fund, and 7 percent from WUCFD.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

**NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

**Liability** - At June 30, 2019, the City reported a liability of \$15,382,691 for its proportionate share of the ASRS' net pension/OPEB liability. The net asset and net liabilities were measured as of June 30, 2018. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary from 3-6.75 percent to 2.7-7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

The City's proportion of the net asset or net liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2018. The City's proportion measured as of June 30, 2018 was 0.10272 percent, which was a decrease of 0.00355 percent from its proportion measured as of June 30, 2017.

**Pension Expense and Deferred Outflows/Inflows of Resources** - For the year ended June 30, 2019, the City recognized pension expense for ASRS of \$371,991. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 424,763	\$ 121,429
Changes of assumptions or other inputs	495,802	1,362,304
Net difference between projected and actual earnings on pension plan investments		454,558
Changes in proportion and differences between City contributions and proportionate share of contributions	378,673	202,286
City contributions subsequent to the measurement date	<u>1,300,700</u>	
Total	<u>\$ 2,599,938</u>	<u>\$ 2,140,577</u>

The \$1,300,700 reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

<u>Year ending June 30,</u>	
2020	\$ 131,904
2021	(247,500)
2022	(575,507)
2023	(162,290)
2024	7,373
Thereafter	4,681

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

**NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

**Actuarial Assumptions** - The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

**ASRS**

Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 20, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7–7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

ASRS		
Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	5.50%
Fixed income	30%	3.83%
Real estate	20%	5.85%
Total	100%	

**Discount Rate** - At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

**NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

**Sensitivity of the City's Proportionate Share of the ASRS Net Pension/OPEB (asset) Liability to Changes in the Discount Rate** - The following table presents the City's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

ASRS		Current	
	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
The City's proportionate share of the net pension/OPEB liability	\$ 22,109,241	\$ 15,382,691	\$ 9,758,782

**Plan Fiduciary Net Position** - Detailed information about the plan's fiduciary net position is available in the separately issued ASRS financial report.

**B. Public Safety Personnel Retirement System (PSPRS)**

**Plan Description** - The Public Safety Personnel Retirement System (PSPRS) administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans 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 nine-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 18, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the City's financial statement.

The PSPRS issues a publicly available financial report that includes their financial statements and required supplementary information. The reports are available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

**NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

**Benefits Provided** - The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits for public safety personnel who are regularly assigned hazardous duty. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
<b>Retirement and Disability:</b>		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit:</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

**NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

**Employees Covered by Benefit Terms** - At June 30, 2019, the following employees were covered by the agent pension plans' benefit terms:

	<u>PSPRS Police</u>
Inactive employees or beneficiaries currently receiving benefits	41
Inactive employees entitled to but not yet receiving benefits	14
Active employees	<u>52</u>
Total	<u><u>107</u></u>

**Contributions** - State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for the PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2019 are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>PSPRS Police</u>
Active members—Pension	7.65%
City Pension	57.86%
Health insurance premium benefit	0.17%

For the agent plans, the City's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2019 were:

	<u>PSPRS Police</u>
Pension	\$ 2,151,606
Health Insurance Premium Benefit	6,322

During fiscal year 2019, the City paid for PSPRS and OPEB contributions from the General Fund.

**Liability** - At June 30, 2019, the City reported a net pension/OPEB liability of \$24,360,718.

The net assets and liabilities were measured as of June 30, 2018 and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.



CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

**NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

**Actuarial Assumptions** - The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

PSPRS - Pension	
Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price Inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 table using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.40 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset Class	Target Allocation	Long-Term Expected
		Arithmetic Real Rate of Return
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

**Discount Rate** - At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.40 percent, which was the same as the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

## CITY OF APACHE JUNCTION, ARIZONA

## Notes to Financial Statements

June 30, 2019

**NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED****Changes in the Net Pension/OPEB Liability****PSPRS**

	Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) – (b)
Balances at June 30, 2018	<u>\$ 36,847,636</u>	<u>\$ 13,004,220</u>	<u>\$ 23,843,416</u>
Changes for the year:			
Service cost	763,836		763,836
Interest on the total pension liability	2,685,077		2,685,077
Changes of benefit terms			
Differences between expected and actual experience in the measurement of the pension liability	35,234		35,234
Changes of assumptions or other inputs			
Contributions—employer		2,040,771	(2,040,771)
Contributions—employee		515,398	(515,398)
Net investment income		899,377	(899,377)
Benefit payments, including refunds of employee contributions	(1,889,462)	(1,889,462)	
Hall/Parker Settlement		(474,455)	474,455
Administrative expense		(14,389)	14,389
Other changes		143	(143)
Net changes	<u>1,594,685</u>	<u>1,077,383</u>	<u>517,302</u>
Balances at June 30, 2019	<u><u>\$ 38,442,321</u></u>	<u><u>\$ 14,081,603</u></u>	<u><u>\$ 24,360,718</u></u>

**Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate** - The following table presents the City's net pension liability calculated using the discount rate noted above, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.40%	7.40%	8.40%
Net pension/OPEB liability	\$ 29,386,172	\$ 24,360,718	\$ 20,255,001

**Plan Fiduciary Net Position** - Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial reports.

**Expense** - For the year ended June 30, 2019 the City recognized \$3,370,859 as pension and OPEB expense.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

**NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

**Deferred Outflows/Inflows of Resources** - At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

<b>PSPRS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 292,747	\$ 16,906
Changes of assumptions or other inputs	1,205,064	173,221
Net difference between projected and actual earnings on pension plan investments		14,811
Changes in proportion and differences between city contributions and proportionate share of contributions	190,112	
City contributions subsequent to the measurement date	2,157,928	
<b>Total</b>	<b>\$ 3,845,851</b>	<b>\$ 204,938</b>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net pension liability (or an increase in the net pension asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in expense as follows:

<b>Year ending June 30,</b>	<b>PSPRS Police</b>
2020	\$ 635,742
2021	523,544
2022	227,508
2023	96,120
2024	71

**C. Elected Officials Retirement Plan**

Plan description—Elected officials and judges participate in the Elected Officials Retirement Plan (EORP), ASRS, or the Elected Officials Defined Contribution Retirement Systems (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. The EORP pension and OPEB plan were closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS's website at [www.psprs.com](http://www.psprs.com).

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

**NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

**Benefits provided**—The EORP provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

EORP	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
<b>Retirement and Disability:</b>		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability Retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
<b>Survivor Benefit:</b>		
Retired Members	75% of retired member's benefit	50% of retired member's benefit
Active Members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

\*With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increase after a Joint Legislature Budget Committee analysis of the increase's effects on the plan.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 8 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 7 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

**NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

**Contribution** - State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability and designates a portion of certain court fees for the EORP. For the year ended June 30, 2019, statute required active EORP to contribute 7 or 13 percent of the members' annual covered payroll and the City to contribute at the actuarially determined rate of 61.5 percent of all active EORP members' annual covered payroll. Also, statute required the City to contribute 49.86 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.5 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the City's required contributions to ASRS and EODCRS for these elected officials and judges. The City's contributions to the pension and health insurance premium benefit plans for the year ended June 30, 2019, were \$34,686 and \$880, respectively.

During fiscal year 2019, the City paid for EORP pension contributions from the General Fund.

**Liability**—At June 30, 2019, the City reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the City recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the EORP net pension liability	\$	405,915
State's proportionate share of the EORP net pension liability associated with the City		<u>76,881</u>
Total	\$	<u><u>482,796</u></u>

The net asset and net liability were measured as of June 30, 2018, and the total liability used to calculate the net asset or net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2018, reflect statutory changes in benefit terms for automatic cost-of-living adjustments. The basis for cost-of-living adjustments was changed from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.

The City's proportion of the net pension liability was based on the City's required contributions to the plan relative to the total of all participating employers' required contributions for the year ended June 30, 2018. The City's proportion of the net OPEB asset was based on the City's present value of benefits relative to the total of all participating employers' present value of benefits for the year ended June 30, 2018. The City's proportion measured as of June 30, 2018, was 0.0871206 percent, which was a decrease of 0.01785 from its proportion measured as of June 30, 2017.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

**NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

**Expense and deferred outflows/inflows of resources** - For the year ended June 30, 2019, the City recognized pension expense for EORP of \$27,559 and revenue of \$236,515 for the City's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 515	\$ 8,997
Changes of assumptions or other inputs	2,941	186,796
Net difference between projected and actual earnings on pension plan investments	3,894	2,315
Changes in proportion and differences between city contributions and proportionate share of contributions	636	110,080
City contributions subsequent to the measurement date	35,566	
Total	<u>\$ 43,552</u>	<u>\$ 308,188</u>

The \$35,566 reported as deferred outflows of resources related to EORP pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions and OPEB will be recognized in pension expense as follows:

Year ending June 30,	
2020	\$ (276,166)
2021	(21,692)
2022	(2,431)
2023	87

**Actuarial assumptions**—The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

EORP	
Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Discount rate	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

CITY OF APACHE JUNCTION, ARIZONA

Notes to Financial Statements

June 30, 2019

**NOTE 10 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

The long-term expected rate of return on EORP plan investments was determined to be 7.40 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP	Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
	Short term investments	2%	0.25%
	Risk parity	4%	5.00%
	Fixed income	5%	1.25%
	Real assets	9%	4.52%
	GTS	12%	3.96%
	Private Credit	16%	6.75%
	Real estate	10%	3.75%
	Private equity	12%	5.83%
	Non-U.S. equity	14%	8.70%
	U.S. equity	16%	7.60%
	Total	100%	

**Discount rate**—At June 30, 2018, the discount rate used to measure the EORP total pension liability and total OPEB liability was 7.4 percent, which was an increase of 3.49 for pension and no change for OPEB from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at actuarially determined rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**Sensitivity of the City's proportionate share of the EORP net pension/OPEB (asset) liability to changes in the discount rate** - The following table presents the City's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rates of 7.4 percent, as well as what the City's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.4 percent) or one percentage point higher (8.4 percent) than the current rate:

EORP	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
The City's proportionate share of the net pension liability	\$ 477,179	\$ 405,915	\$ 345,270

**Pension Plan Fiduciary Net Position**—Detailed information about the pension plan's fiduciary net position is available in the separately issued EORP financial report.





## 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
- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Changes in the Net Pension Liability and Related Ratios - Agent Pension Plan
- Schedule of Pension Contributions
- Schedule of Agent OPEB Plan Funding Progress

CITY OF APACHE JUNCTION, ARIZONA

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

Year Ended June 30, 2019

	Budgeted amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 13,296,340	\$ 13,296,340	\$ 14,154,308	\$ 857,968
Licenses and permits	615,450	615,450	763,259	147,809
Intergovernmental revenue	11,332,885	11,332,885	11,459,377	126,492
Charges for services	688,800	688,800	553,162	(135,638)
Fines and forfeitures	525,000	525,000	476,541	(48,459)
Investment earnings	45,000	45,000	140,671	95,671
Miscellaneous	<u>825,000</u>	<u>825,000</u>	<u>732,036</u>	<u>(92,964)</u>
Total revenues	<u>27,328,475</u>	<u>27,328,475</u>	<u>28,279,354</u>	<u>950,879</u>
<b>EXPENDITURES</b>				
General government:				
Mayor and council	199,620	199,620	198,839	781
City manager	743,425	743,425	725,242	18,183
City clerk	795,420	795,420	683,431	111,989
Management services	2,510,285	2,510,285	2,439,024	71,261
Non-departmental	1,432,000	1,432,000	732,412	699,588
Finance	821,060	821,060	552,654	268,406
City Attorney	<u>717,800</u>	<u>717,800</u>	<u>653,335</u>	<u>64,465</u>
Total general government	<u>7,219,610</u>	<u>7,219,610</u>	<u>5,984,937</u>	<u>1,234,673</u>
Public safety:				
Public safety	11,278,570	11,278,570	10,833,421	445,149
Magistrate court	<u>835,990</u>	<u>835,990</u>	<u>823,940</u>	<u>12,050</u>
Total public safety	<u>12,114,560</u>	<u>12,114,560</u>	<u>11,657,361</u>	<u>457,199</u>
Public works	1,969,760	1,969,760	1,828,905	140,855
Development services	1,245,070	1,245,070	1,145,492	99,578
Culture and recreation:				
Library	1,879,345	1,879,345	1,777,713	101,632
Parks and recreation	<u>4,472,550</u>	<u>4,472,550</u>	<u>4,472,334</u>	<u>216</u>
Total culture and recreation	<u>6,351,895</u>	<u>6,351,895</u>	<u>6,250,047</u>	<u>101,848</u>
Total expenditures	<u>28,900,895</u>	<u>28,900,895</u>	<u>26,866,742</u>	<u>2,034,153</u>
Excess (deficiency) of revenues over (under) expenditures	(1,572,420)	(1,572,420)	1,412,612	2,985,032
Fund balances, beginning of year	<u>5,461,039</u>	<u>5,461,039</u>	<u>5,461,039</u>	
Fund balances, end of year	<u>\$ 3,888,619</u>	<u>\$ 3,888,619</u>	<u>\$ 6,873,651</u>	<u>\$ 2,985,032</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, 2019

	Budgeted amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Intergovernmental revenue	\$ 3,923,535	\$ 3,923,535	\$ 5,189,129	\$ 1,265,594
Charges for services	5,000	5,000	19,325	14,325
Investment earnings	18,000	18,000	89,742	71,742
Miscellaneous	125,000	125,000	123,128	(1,872)
Total revenues	<u>4,071,535</u>	<u>4,071,535</u>	<u>5,421,324</u>	<u>1,349,789</u>
EXPENDITURES				
Public works	<u>4,373,775</u>	<u>4,373,775</u>	<u>4,077,032</u>	<u>296,743</u>
Total expenditures	<u>4,373,775</u>	<u>4,373,775</u>	<u>4,077,032</u>	<u>296,743</u>
Excess (deficiency) of revenues over (under) expenditures	(302,240)	(302,240)	1,344,292	1,646,532
Fund balance, beginning of year	<u>3,235,248</u>	<u>3,235,248</u>	<u>3,235,248</u>	
Fund balance, end of year	<u>\$ 2,933,008</u>	<u>\$ 2,933,008</u>	<u>\$ 4,579,540</u>	<u>\$ 1,646,532</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, 2019

	Budgeted amounts		Actual	Variance
	Original	Final	Amounts	Positive (Negative)
<b>REVENUES</b>				
Development fees	\$ 492,500	\$ 492,500	\$ 539,660	\$ 47,160
Investment earnings	25,000	25,000	70,041	45,041
Miscellaneous	<u>6,632,500</u>	<u>6,632,500</u>	<u>1,566,595</u>	<u>(5,065,905)</u>
Total revenues	<u>7,150,000</u>	<u>7,150,000</u>	<u>2,176,296</u>	<u>(4,973,704)</u>
<b>EXPENDITURES</b>				
General government	5,564,400	5,564,400	117,218	5,447,182
Public safety	912,095	912,095	268,717	643,378
Public works	1,325,000	1,325,000	330,693	994,307
Development services	500,000	500,000	383,635	116,365
Culture and recreation	<u>921,005</u>	<u>921,005</u>	<u>441,911</u>	<u>479,094</u>
Total expenditures	<u>9,222,500</u>	<u>9,222,500</u>	<u>1,542,174</u>	<u>7,680,326</u>
Excess (deficiency) of revenues over (under) expenditures	(2,072,500)	(2,072,500)	634,122	2,706,622
Fund balance, beginning of year	<u>3,033,814</u>	<u>3,033,814</u>	<u>3,033,814</u>	
Fund balance, end of year	<u>\$ 961,314</u>	<u>\$ 961,314</u>	<u>\$ 3,667,936</u>	<u>\$ 2,706,622</u>

CITY OF APACHE JUNCTION, ARIZONA

Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension/OPEB Liability

June 30, 2019

ASRS

	Reporting Fiscal Year (Measurement Date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
City's proportion of the net pension liability	0.099170%	0.099170%	0.1098800%	0.102800%	0.1046140%	Information
City's proportionate share of the net pension liability	\$ 15,382,691	\$ 16,599,242	\$ 17,735,736	\$ 17,022,895	\$ 15,479,351	not
City's covered payroll	10,842,010	10,983,478	10,231,152	10,156,610	9,214,851	available
City's proportionate share of the net pension liability as a percentage of its covered payroll	141.88 %	151.13 %	173.35 %	167.60 %	167.98 %	
Plan fiduciary net position as a percentage of the total pension liability	73.40 %	69.92 %	67.06 %	68.35 %	69.49 %	

EORP

	Reporting Fiscal Year (Measurement Date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
City's proportion of the net pension liability	0.071206%	0.089060%	0.0881943%	0.0790852%	0.09834%	Information
City's proportionate share of the net pension liability	\$ 405,915	\$ 1,050,048	\$ 833,218	\$ 618,012	\$ 659,450	not
State's proportionate share of the net pension liability	76,881	225,238	172,038	192,670	202,193	available
Total	<u>\$ 482,796</u>	<u>\$ 1,275,286</u>	<u>\$ 1,005,256</u>	<u>\$ 810,682</u>	<u>\$ 861,643</u>	
City's covered payroll	\$ 67,100	\$ 67,100	\$ 70,800	\$ 70,800	\$ 76,417	
City's proportionate share of the net pension liability as a percentage of its covered payroll	719.52 %	1,900.58 %	1,419.85 %	1,145.03 %	1,127.55 %	
Plan fiduciary net position as a percentage of the total pension liability	30.36 %	19.66 %	23.42 %	28.32 %	31.91 %	

See accompanying notes to pension plan schedules.

CITY OF APACHE JUNCTION, ARIZONA  
Required Supplementary Information  
Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios

Agent Plans

June 30, 2019

PSPRS

	Reporting Fiscal Year (Measurement Date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2010
Total pension liability:						
Service cost	\$ 763,836	\$ 900,066	\$ 750,341	\$ 611,341	\$ 597,570	Information
Interest on the total pension liability	2,685,077	2,468,071	2,349,386	2,291,453	1,938,795	not available
Changes of benefit terms	-	438,978	784,968	-	615,359	
Differences between expected and actual experience in the measurement of the pension liability	35,234	397,842	(380,400)	(102,327)	(232,211)	
Changes of assumptions or other inputs	-	1,205,207	1,193,376	-	3,251,293	
Benefit payments, including refunds of employee contributions	<u>(1,889,462)</u>	<u>(2,040,224)</u>	<u>(2,769,153)</u>	<u>(1,494,774)</u>	<u>(1,875,687)</u>	
Net change in total pension liability	1,594,685	3,369,940	1,928,518	1,305,693	4,295,119	
Total pension liability—beginning	<u>36,847,636</u>	<u>33,477,696</u>	<u>30,937,892</u>	<u>29,632,199</u>	<u>25,337,080</u>	
Total pension liability—ending (a)	<u><u>\$ 38,442,321</u></u>	<u><u>\$ 36,847,636</u></u>	<u><u>\$ 32,866,410</u></u>	<u><u>\$ 30,937,892</u></u>	<u><u>\$ 29,632,199</u></u>	
Plan fiduciary net position:						
Contributions—employer	\$ 2,040,771	\$ 1,780,305	\$ 1,534,907	\$ 1,279,586	\$ 1,112,992	
Contributions—employee	515,398	436,158	419,315	369,455	322,946	
Net investment income	899,377	1,361,997	65,053	405,989	1,370,447	
Benefit payments, including refunds of employee contributions	<u>(1,889,462)</u>	<u>(2,040,224)</u>	<u>(2,769,153)</u>	<u>(1,494,774)</u>	<u>(1,875,687)</u>	
Hall/Parker settlement	(474,455)	-	-	-	-	
Administrative expense	(14,389)	(12,452)	(9,761)	(10,283)	(11,037)	
Other changes	<u>143</u>	<u>135</u>	<u>32,403</u>	<u>(66,844)</u>	<u>19,766</u>	
Net change in plan fiduciary net position	1,077,383	1,525,919	(727,236)	483,129	939,427	
Plan fiduciary net position—beginning	<u>13,004,220</u>	<u>11,478,301</u>	<u>11,535,151</u>	<u>11,052,022</u>	<u>10,112,595</u>	
Plan fiduciary net position—ending (b)	<u><u>\$ 14,081,603</u></u>	<u><u>\$ 13,004,220</u></u>	<u><u>\$ 10,807,915</u></u>	<u><u>\$ 11,535,151</u></u>	<u><u>\$ 11,052,022</u></u>	
City's net pension liability (asset)—ending (a) – (b)	\$ 24,360,718	\$ 23,843,416	\$ 22,058,495	\$ 19,402,741	\$ 18,580,177	
Plan fiduciary net position as a percentage of the total pension liability	36.63 %	35.29 %	32.88 %	37.28 %	37.30 %	
Covered payroll	\$ 3,759,747	\$ 3,796,145	\$ 3,753,581	\$ 3,281,326	\$ 3,110,731	
City's net pension liability (asset) as a percentage of covered payroll	647.94 %	628.10 %	587.67 %	591.31 %	597.29 %	

See accompanying notes to pension plan schedules.

CITY OF APACHE JUNCTION, ARIZONA

Required Supplementary Information  
Schedule of Pension/OPEB Contributions

June 30, 2019

ASRS-Pension/OPEB	Reporting Fiscal Year						2013 through 2010 Information not available
	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 1,300,700	\$ 1,246,416	\$ 1,184,019	\$ 1,110,080	\$ 1,106,055	\$ 1,041,277	Information not available
City's contributions in relation to the statutorily required contribution	<u>1,300,700</u>	<u>1,246,416</u>	<u>1,184,019</u>	<u>1,110,080</u>	<u>1,106,055</u>	<u>1,041,277</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 11,022,881	\$ 10,842,010	\$ 10,983,478	\$ 10,231,152	\$ 10,156,610	\$ 9,214,851	
City's contributions as a percentage of covered payroll	11.80 %	11.50 %	10.78 %	10.85 %	10.89 %	11.30 %	

PSPRS-Pension/OPEB	Reporting Fiscal Year						2013 through 2010 Information not available
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 2,157,928	\$ 1,958,452	\$ 1,810,349	\$ 1,510,973	\$ 1,279,586	\$ 1,112,992	Information not available
City's contributions in relation to the actuarially determined contribution	<u>2,157,928</u>	<u>1,539,315</u>	<u>1,810,349</u>	<u>1,510,973</u>	<u>1,279,586</u>	<u>1,112,992</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 419,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 3,718,642	\$ 3,759,747	\$ 3,796,145	\$ 3,753,581	\$ 3,281,326	\$ 3,110,731	
City's contributions as a percentage of covered payroll	58.03 %	40.94 %	47.69 %	40.25 %	39.00 %	35.78 %	

EORP-Pension/OPEB	Reporting Fiscal Year						2013 through 2010 Information not available
	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 35,566	\$ 16,816	\$ 16,693	\$ 16,638	\$ 16,638	\$ 20,954	Information not available
City's contributions in relation to the statutorily required contribution	<u>35,566</u>	<u>16,816</u>	<u>16,693</u>	<u>16,638</u>	<u>16,638</u>	<u>20,954</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 56,400	\$ 67,100	\$ 67,100	\$ 70,800	\$ 70,800	\$ 76,417	
City's contributions as a percentage of covered payroll	63.06 %	25.06 %	24.88 %	23.50 %	23.50 %	27.42 %	

See accompanying notes to pension plan schedules.

CITY OF APACHE JUNCTION, ARIZONA

Required Supplementary Information  
Notes to Pension Plan Schedules

June 30, 2019

**NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES**

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2017 actuarial valuation	20 years for unfunded actuarial accrued liability, 19 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%-8.0% to 3.5%-7.5%. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5%. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)



CITY OF APACHE JUNCTION, ARIZONA

Required Supplementary Information  
Notes to Pension Plan Schedules

June 30, 2019

**NOTE 2 - FACTORS THAT AFFECT TRENDS**

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS and EORP changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS and EORP also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. EORP-required contributions are not based on actuarial valuations, and therefore, these changes did not affect them. Also, the City refunded excess employee contributions to PSPRS and EORP members. PSPRS and EORP allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

The fiscal year 2019 (measurement date 2018) pension liabilities for EORP reflect the replacement of the permanent benefit increase (PBI) for retirees based on investment returns with a cost of living adjustment based on inflation. Also, the EORP liability and required pension contributions for fiscal year 2019 reflect a statutory change that requires the employer contribution rate to be actuarially determined. This change increased the discount rate used to calculate the liability thereby reducing the total pension liability.



## 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, Lighting District funds, Street Projects Sales Tax Fund, and Senior Services Fund
- 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, 2019

	Local Transportation Assistance	Library	Lighting District Fund	Street Projects Sales Tax Fund	Senior Services Fund	Totals
<b>ASSETS</b>						
Cash and cash equivalents						
Investments	\$	\$ 124,485	\$ 85,326	\$ 521,252	\$ 7,351	\$ 738,414
Receivables:						
Due from other governments			250	79,227	60,773	140,250
Due from other funds					30,538	30,538
Total assets	<u>\$</u>	<u>\$ 124,485</u>	<u>\$ 85,576</u>	<u>\$ 600,479</u>	<u>\$ 98,662</u>	<u>\$ 909,202</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$	\$ 10,658	\$ 3,439		\$ 35,494	\$ 49,591
Due to other funds				\$ 299,843		299,843
Total liabilities		<u>10,658</u>	<u>3,439</u>	<u>299,843</u>	<u>35,494</u>	<u>349,434</u>
Fund balances:						
Restricted		<u>113,827</u>	<u>82,137</u>	<u>300,636</u>	<u>63,168</u>	<u>559,768</u>
Total fund balances		<u>113,827</u>	<u>82,137</u>	<u>300,636</u>	<u>63,168</u>	<u>559,768</u>
Total liabilities and fund balances	<u>\$</u>	<u>\$ 124,485</u>	<u>\$ 85,576</u>	<u>\$ 600,479</u>	<u>\$ 98,662</u>	<u>\$ 909,202</u>

CITY OF APACHE JUNCTION, ARIZONA  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2019

	Local Transportation Assistance	Library	Lighting District Fund	Street Projects Sales Tax Fund	Senior Services Fund	Totals
REVENUES						
Taxes			\$ 40,833	\$ 1,167,429		\$ 1,208,262
Intergovernmental revenue		\$ 88,880			\$ 241,337	330,217
Investment earnings	\$ 23	2,143	2,518	1,530	614	6,828
Miscellaneous		<u>21,977</u>				<u>21,977</u>
Total revenues	<u>23</u>	<u>113,000</u>	<u>43,351</u>	<u>1,168,959</u>	<u>241,951</u>	<u>1,567,284</u>
EXPENDITURES						
Public works	1,290		44,004	335,000	236,983	617,277
Culture and recreation		<u>63,292</u>				<u>63,292</u>
Total expenditures	<u>1,290</u>	<u>63,292</u>	<u>44,004</u>	<u>335,000</u>	<u>236,983</u>	<u>680,569</u>
Net change in fund balances	(1,267)	49,708	(653)	833,959	4,968	886,715
Fund balances (deficit), July 1, 2018	<u>1,267</u>	<u>64,119</u>	<u>82,790</u>	<u>(533,323)</u>	<u>58,200</u>	<u>(326,947)</u>
Fund balances (deficit), June 30, 2019	<u>\$</u>	<u>\$ 113,827</u>	<u>\$ 82,137</u>	<u>\$ 300,636</u>	<u>\$ 63,168</u>	<u>\$ 559,768</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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Investment earnings	\$ 15	\$ 15	\$ 23	\$ 8
Total revenues	15	15	23	8
EXPENDITURES				
LTAF	1,290	1,290	1,290	
Total expenditures	1,290	1,290	1,290	
Excess (deficiency) of revenues (under) over expenditures	(1,275)	(1,275)	(1,267)	8
Fund balances, July 1, 2018	1,267	1,267	1,267	
Fund balances, June 30, 2019	<u>\$ (8)</u>	<u>\$ (8)</u>	<u>\$</u>	<u>\$ 8</u>

CITY OF APACHE JUNCTION, ARIZONA

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

Library Special Revenue Fund

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
REVENUES				
Intergovernmental revenue			\$ 88,880	\$ 88,880
Investment earnings			2,143	2,143
Miscellaneous	\$ 53,550	\$ 53,550	21,977	(31,573)
Total revenues	53,550	53,550	113,000	59,450
EXPENDITURES				
Library	63,550	63,550	63,292	258
Total expenditures	63,550	63,550	63,292	258
Excess (deficiency) of revenues (under) over expenditures	(10,000)	(10,000)	49,708	59,708
Fund balances, July 1, 2018	64,119	64,119	64,119	
Fund balances, June 30, 2019	<u>\$ 54,119</u>	<u>\$ 54,119</u>	<u>\$ 113,827</u>	<u>\$ 59,708</u>

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, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Taxes			\$ 40,833	\$ 40,833
Investment earnings			2,518	2,518
Miscellaneous	\$ 60,000	\$ 60,000		(60,000)
Total revenues	60,000	60,000	43,351	(16,649)
EXPENDITURES				
Lighting District	68,975	68,975	44,004	24,971
Total expenditures	68,975	68,975	44,004	24,971
Excess (deficiency) of revenues				
(under) over expenditures	(8,975)	(8,975)	(653)	8,322
Fund balances, July 1, 2018	82,790	82,790	82,790	
Fund balances, June 30, 2019	\$ 73,815	\$ 73,815	\$ 82,137	\$ 8,322



CITY OF APACHE JUNCTION, ARIZONA

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

Street Projects Sales Tax Fund

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Taxes	\$ 950,000	\$ 950,000	\$ 1,167,429	\$ 217,429
Investment earnings			1,530	1,530
Total revenues	950,000	950,000	1,168,959	218,959
EXPENDITURES				
Public works	773,000	773,000	335,000	438,000
Total expenditures	773,000	773,000	335,000	438,000
Excess (deficiency) of revenues (under) over expenditures	177,000	177,000	833,959	656,959
Fund balances, July 1, 2018	(533,323)	(533,323)	(533,323)	
Fund balances, June 30, 2019	<u><u>\$ (356,323)</u></u>	<u><u>\$ (356,323)</u></u>	<u><u>\$ 300,636</u></u>	<u><u>\$ 656,959</u></u>

CITY OF APACHE JUNCTION, ARIZONA

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

Senior Services Fund

Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
REVENUES				
Intergovernmental Revenue			\$ 241,337	\$ 241,337
Investment earnings			614	614
Miscellaneous	\$ 325,000	\$ 325,000		(325,000)
Total revenues	325,000	325,000	241,951	(83,049)
EXPENDITURES				
Public works	325,000	325,000	236,983	88,017
Total expenditures	325,000	325,000	236,983	88,017
Excess (deficiency) of revenues (under) over expenditures			4,968	4,968
Fund balances, July 1, 2018	58,200	58,200	58,200	
Fund balances, June 30, 2019	\$ 58,200	\$ 58,200	\$ 63,168	\$ 4,968

**CAPITAL ASSETS USED IN  
GOVERNMENTAL ACTIVITIES**

CITY OF APACHE JUNCTION, ARIZONA

Schedule of Capital Assets - By Source

June 30, 2019

Governmental funds capital assets:

Land	\$ 2,199,129
Buildings	22,467,712
Improvements other than buildings	14,724,412
Machinery and Equipment	14,263,818
Infrastructure	81,589,214
Construction in process	<u>2,727,994</u>

Total governmental funds capital assets \$ 137,972,279

Investments in governmental funds capital  
assets by source:

General fund	\$ 26,816,461
Capital projects fund	15,361,315
Special revenue funds	<u>95,794,503</u>

Total governmental funds capital assets \$ 137,972,279

CITY OF APACHE JUNCTION, ARIZONA  
Schedule of Capital Assets - By Function and Activity  
June 30, 2019

<b>Function and Activity</b>	<b>Land</b>	<b>Buildings</b>	<b>Improvements</b>	<b>Equipment</b>	<b>Infrastructure</b>	<b>Construction in Progress</b>	<b>Total</b>
General government							
City manager				\$ 41,674			\$ 41,674
City clerk				51,761			51,761
Finance				36,373			36,373
Other general government	\$1,432,330	\$ 7,759,354	\$ 1,791,014	2,749,870		\$ 465,784	14,198,352
City attorney				41,228			41,228
Total general government	<u>1,432,330</u>	<u>7,759,354</u>	<u>1,791,014</u>	<u>2,920,906</u>		<u>465,784</u>	<u>14,369,388</u>
Public safety							
Municipal courts		23,236		125,162		8,700	157,098
Police		<u>4,559,172</u>	<u>524,076</u>	<u>4,792,242</u>		<u>216,541</u>	<u>10,092,031</u>
Total public safety		<u>4,582,408</u>	<u>524,076</u>	<u>4,917,404</u>		<u>225,241</u>	<u>10,249,129</u>
Public works							
Streets	322,374			2,134,481	\$ 81,437,627	2,031,585	85,926,067
Public works	444,425	377,586	655,566	2,007,853			3,485,430
Engineering					<u>80,923</u>		<u>80,923</u>
Total public works	<u>766,799</u>	<u>377,586</u>	<u>655,566</u>	<u>4,142,334</u>	<u>81,518,550</u>	<u>2,031,585</u>	<u>89,492,420</u>
Culture and recreation							
Library		4,398,994	789,748	1,329,553			6,518,295
Parks and recreation		<u>5,349,370</u>	<u>10,964,008</u>	<u>953,621</u>	<u>70,664</u>	<u>5,384</u>	<u>17,343,047</u>
Total culture and recreation		<u>9,748,364</u>	<u>11,753,756</u>	<u>2,283,174</u>	<u>70,664</u>	<u>5,384</u>	<u>23,861,342</u>
Governmental funds capital assets	<u>\$2,199,129</u>	<u>\$ 22,467,712</u>	<u>\$ 14,724,412</u>	<u>\$ 14,263,818</u>	<u>\$ 81,589,214</u>	<u>\$ 2,727,994</u>	<u>\$137,972,279</u>

CITY OF APACHE JUNCTION, ARIZONA  
Schedule of Changes in Capital Assets - By Function and Activity  
June 30, 2019

FUNCTION AND ACTIVITY	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
General government				
City manager	\$ 41,674			\$ 41,674
City clerk	51,761			51,761
Finance	36,373			36,373
Other general government	13,719,225	\$ 493,734	\$ 14,607	14,198,352
City attorney	41,228			41,228
Total general government	<u>13,890,261</u>	<u>493,734</u>	<u>14,607</u>	<u>14,369,388</u>
Public safety				
Municipal courts	157,098			157,098
Police	<u>9,953,912</u>	<u>371,457</u>	<u>233,338</u>	<u>10,092,031</u>
Total public safety	<u>10,111,010</u>	<u>371,457</u>	<u>233,338</u>	<u>10,249,129</u>
Public works				
Streets	83,331,016	2,595,051		85,926,067
Public works	2,715,640	839,506	69,716	3,485,430
Engineering	<u>80,923</u>			<u>80,923</u>
Total public works	<u>86,127,579</u>	<u>3,434,557</u>	<u>69,716</u>	<u>89,492,420</u>
Culture and recreation				
Library	6,495,328	22,967		6,518,295
Parks and recreation	<u>16,951,933</u>	<u>460,994</u>	<u>69,880</u>	<u>17,343,047</u>
Total culture and recreation	<u>23,447,261</u>	<u>483,961</u>	<u>69,880</u>	<u>23,861,342</u>
Governmental funds capital assets	<u>\$ 133,576,111</u>	<u>\$ 4,783,709</u>	<u>\$ 387,541</u>	<u>\$ 137,972,279</u>

## STATISTICAL SECTION

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

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<b>Financial Trends</b> <i>These schedules contain trend information to assist the reader in understanding how the City's financial performance and well-being have changed over time.</i>	87
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<b>Debt Capacity</b> <i>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.</i>	94
<b>Demographic and Economic Information</b> <i>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.</i>	103
<b>Operating Information</b> <i>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.</i>	105





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

	For the year ended June 30,									
	2010	2011	2012	2013	2014 (restated)	2015	2016	2017	2018	2019
Governmental activities										
Net investment in capital assets	\$ 52,902,708	\$ 53,965,519	\$ 54,102,601	\$ 52,154,679	\$ 53,880,206	\$ 53,098,552	\$ 51,154,593	\$ 53,746,501	\$ 53,428,940	\$ 53,696,432
Restricted	12,969,559	10,715,671	5,118,752	9,426,243	5,189,618	4,407,236	4,675,774	5,401,497	6,147,634	8,924,413
Unrestricted	<u>7,041,752</u>	<u>6,968,252</u>	<u>10,038,061</u>	<u>7,066,238</u>	<u>(21,759,637)</u> <sup>(1)</sup>	<u>(25,052,646)</u>	<u>(27,117,217)</u>	<u>(31,128,914)</u>	<u>(31,621,977)</u>	<u>(30,336,336)</u>
Total governmental activities net position	<u>\$ 72,914,019</u>	<u>\$ 71,649,442</u>	<u>\$ 69,259,414</u>	<u>\$ 68,647,160</u>	<u>\$ 37,310,187</u>	<u>\$ 32,453,142</u>	<u>\$ 28,713,150</u>	<u>\$ 28,019,084</u>	<u>\$ 27,954,597</u>	<u>\$ 32,284,509</u>
Business-type activities										
Net investment in capital assets	\$ 3,221,376	\$ 3,636,093	\$ 4,569,186	\$ 4,493,493	\$ 4,911,582	\$ 7,705,532	\$ 13,111,734	\$ 11,749,195	\$ 11,947,405	\$ 12,779,581
Restricted	219,560	233,540	23,179	44,956	2,340,184	484,781	718,196	951,611	1,167,076	1,167,076
Unrestricted, restated	<u>6,400,127</u>	<u>7,031,827</u>	<u>7,169,764</u>	<u>8,118,572</u>	<u>4,456,854</u> <sup>(2)</sup>	<u>5,523,007</u>	<u>928,323</u>	<u>3,033,720</u>	<u>3,483,842</u>	<u>3,844,597</u>
Total business-type activities net position	<u>\$ 9,841,063</u>	<u>\$ 10,901,460</u>	<u>\$ 11,762,129</u>	<u>\$ 12,657,021</u>	<u>\$ 11,708,620</u>	<u>\$ 13,713,320</u>	<u>\$ 14,758,253</u>	<u>\$ 15,734,526</u>	<u>\$ 16,598,323</u>	<u>\$ 17,791,254</u>
Primary Government										
Net investment in capital assets	\$ 56,124,084	\$ 57,601,612	\$ 58,671,787	\$ 56,648,172	\$ 58,791,788	\$ 60,804,084	\$ 64,266,327	\$ 65,495,696	\$ 65,376,345	\$ 66,476,013
Restricted	13,189,119	10,949,211	5,141,931	9,471,199	7,529,802	4,892,017	5,492,970	6,353,108	7,314,710	10,091,489
Unrestricted	<u>13,441,879</u>	<u>14,000,079</u>	<u>17,207,825</u>	<u>15,184,810</u>	<u>(17,302,783)</u>	<u>(19,529,639)</u>	<u>(26,188,894)</u>	<u>(28,095,194)</u>	<u>(28,138,135)</u>	<u>(26,491,739)</u>
Total primary governmental activities net position	<u>\$ 82,755,082</u>	<u>\$ 82,550,902</u>	<u>\$ 81,021,543</u>	<u>\$ 81,304,181</u>	<u>\$ 49,018,807</u>	<u>\$ 46,166,462</u>	<u>\$ 43,570,403</u>	<u>\$ 43,753,610</u>	<u>\$ 44,552,920</u>	<u>\$ 50,075,763</u>

<sup>(1)</sup> Previously reported as \$6,315,982 prior to the implementation of GASB Statement 68  
<sup>(2)</sup> Previously reported as \$5,576,835 prior to the implementation of GASB Statement 68

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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Governmental activities										
General government	\$ 5,697,790	\$ 5,275,413	\$ 5,476,229	\$ 5,425,442	\$ 6,703,341	\$ 6,445,251	\$ 6,430,588	\$ 6,896,108	\$ 6,301,117	\$ 4,929,194
Public safety	8,776,883	9,205,446	9,532,235	9,726,131	9,886,008	11,995,950	12,119,088	13,465,852	13,457,505	13,303,993
Public works	6,487,597	6,331,853	6,649,218	6,583,382	8,442,716	7,093,897	7,327,601	4,746,620	8,120,495	8,081,699
Development services	1,941,344	2,327,916	1,898,963	1,363,737	1,332,778	1,476,201	1,824,890	1,868,544	1,700,770	1,498,997
Culture and recreation	5,334,007	5,505,114	5,228,563	5,380,681	5,399,502	5,713,690	6,036,389	6,081,928	6,521,262	6,721,604
Interest on long-term debt	<u>220,554</u>	<u>168,508</u>	<u>142,391</u>	<u>132,028</u>	<u>139,818</u>	<u>149,213</u>	<u>140,173</u>	<u>131,329</u>	<u>122,056</u>	<u>110,903</u>
Total governmental activities net expenses	<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>	<u>32,874,202</u>	<u>33,878,729</u>	<u>33,190,381</u>	<u>36,223,205</u>	<u>34,646,390</u>
Business-type activities										
Water	<u>3,032,861</u>	<u>2,926,094</u>	<u>3,203,971</u>	<u>3,249,679</u>	<u>4,045,920</u>	<u>3,351,171</u>	<u>3,399,263</u>	<u>3,513,216</u>	<u>4,202,681</u>	<u>3,540,473</u>
Total government expenses	<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>	<u>\$ 36,225,373</u>	<u>\$ 37,277,992</u>	<u>\$ 36,703,597</u>	<u>\$ 40,425,886</u>	<u>\$ 38,186,863</u>
<b>Program Revenues</b>										
Governmental activities										
Charges for services										
General government	\$ 226,009	\$ 277,413	\$ 240,476	\$ 240,351	\$ 272,404	\$ 260,036	\$ 272,800	\$ 63,112	\$ 191,991	\$ 204,583
Public safety	544,631	522,822	828,296	538,093	568,907	773,681	754,178	878,863	840,494	717,660
Public works				5,256	2,612	4,587	6,328	12,587	45,146	26,083
Development services	498,176	268,535	476,319	510,457	364,033	260,445	354,855	425,886	582,363	489,204
Culture and recreation	698,460	673,446	609,007	629,550	623,539	588,907	593,362	581,945	582,882	551,437
Operating grants and contributions	5,790,370	6,107,709	4,384,139	4,630,021	4,690,816	4,926,927	5,280,369	5,623,049	6,409,524	6,933,197
Capital grants and contributions	<u>2,608,695</u>	<u>954,171</u>	<u>689,429</u>	<u>1,569,937</u>	<u>886,948</u>	<u>447,414</u>	<u>387,692</u>	<u>1,826,252</u>	<u>778,288</u>	<u>2,111,307</u>
Total governmental activities program revenues	10,366,341	8,804,096	7,227,666	8,123,665	7,409,259	7,261,997	7,649,584	9,411,694	9,430,688	11,033,471
Business-type activities										
Water	<u>3,801,703</u>	<u>3,801,700</u>	<u>4,044,473</u>	<u>4,160,174</u>	<u>4,174,788</u>	<u>5,046,733</u>	<u>4,419,659</u>	<u>4,470,136</u>	<u>5,000,627</u>	<u>4,612,128</u>
Total government program revenues	<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>	<u>\$ 12,308,730</u>	<u>\$ 12,069,243</u>	<u>\$ 13,881,830</u>	<u>\$ 14,431,315</u>	<u>\$ 15,645,599</u>

(Continued)

**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,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Net (Expense) Revenue</b>										
Governmental activities	\$ (18,091,834)	\$ (20,010,154)	\$ (21,699,933)	\$ (20,487,736)	\$ (24,494,904)	\$ (25,612,205)	\$ (26,229,145)	\$ (23,778,687)	\$ (26,792,517)	\$ (23,612,919)
Business-type activities	<u>768,842</u>	<u>875,606</u>	<u>840,502</u>	<u>910,495</u>	<u>128,868</u>	<u>1,695,562</u>	<u>1,020,396</u>	<u>956,920</u>	<u>797,946</u>	<u>1,071,655</u>
Total government net expense	<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>	<u>\$ (23,916,643)</u>	<u>\$ (25,208,749)</u>	<u>\$ (22,821,767)</u>	<u>\$ (25,994,571)</u>	<u>\$ (22,541,264)</u>
<b>General Revenues and other Changes</b>										
<b>in net position</b>										
Governmental activities:										
Transaction privilege (sales) taxes	\$ 9,613,361	\$ 9,796,198	\$ 10,615,162	\$ 10,947,365	\$ 11,224,784	\$ 11,547,463	\$ 12,004,509	\$ 12,014,818	\$ 14,654,025	\$ 15,221,039
Urban revenue sharing	4,398,795	3,316,127	3,024,922	3,660,979	3,994,823	4,338,654	4,315,131	4,756,076	4,948,683	4,909,147
State shared sales tax	2,500,241	2,618,154	2,800,548	2,933,570	3,119,613	3,275,373	3,396,781	3,572,673	3,842,681	4,087,739
State shared vehicle license taxes	2,126,433	2,055,085	1,513,397	1,558,626	1,664,944	1,787,006	1,942,867	2,094,297	2,318,019	2,462,491
Other taxes	234,781	130,736	140,630	102,361	104,443	101,271	107,411	109,451	96,979	100,698
Earnings on investments	19,433	20,593	11,568	97,115	82,019	34,792	95,537	28,942	74,800	306,771
Miscellaneous	<u>829,016</u>	<u>808,684</u>	<u>1,203,678</u>	<u>575,466</u>	<u>1,042,924</u>	<u>519,388</u>	<u>626,917</u>	<u>508,364</u>	<u>792,843</u>	<u>854,946</u>
Total governmental activities	19,722,060	18,745,577	19,309,905	19,875,482	21,233,550	21,603,947	22,489,153	23,084,621	26,728,030	27,942,831
Business-type activities										
Earnings on investments	4,990	7,206	7,475	(16,389)	36,470	28,656	20,257	8,518	40,068	114,213
Miscellaneous	<u>7,734</u>	<u>177,585</u>	<u>12,692</u>	<u>786</u>	<u>6,242</u>	<u>280,482</u>	<u>4,280</u>	<u>10,835</u>	<u>25,783</u>	<u>7,063</u>
Total government	<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>	<u>\$ 21,913,085</u>	<u>\$ 22,513,690</u>	<u>\$ 23,103,974</u>	<u>\$ 26,793,881</u>	<u>\$ 28,064,107</u>
<b>Changes in net position</b>										
Governmental activities	\$ 1,630,226	\$ (1,264,577)	\$ (2,390,028)	\$ (612,254)	\$ (3,261,354)	\$ (4,008,258)	\$ (3,739,992)	\$ (694,066)	\$ (64,487)	\$ 4,329,912
Business-type activities	<u>781,566</u>	<u>1,060,397</u>	<u>860,669</u>	<u>894,892</u>	<u>171,580</u>	<u>2,004,700</u>	<u>1,044,933</u>	<u>976,273</u>	<u>863,797</u>	<u>1,192,931</u>
Total government change in net position	<u>\$ 2,411,792</u>	<u>\$ (204,180)</u>	<u>\$ (1,529,359)</u>	<u>\$ 282,638</u>	<u>\$ (3,089,774)</u>	<u>\$ (2,003,558)</u>	<u>\$ (2,695,059)</u>	<u>\$ 282,207</u>	<u>\$ 799,310</u>	<u>\$ 5,522,843</u>

**Schedule A-3**  
**Fund Balances (Deficits), Governmental Funds**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 206,291									
Unreserved	8,023,316									
Nonspendable		\$ 34,050	\$ 179,758	\$ 184,416	\$ 195,215	\$ 53,016	\$ 79,237	\$ 77,203	\$ 196,898	\$ 56,039
Restricted								4,939	4,939	
Unassigned		7,984,362	7,486,564	8,111,539	7,639,121	6,896,477	6,160,842	4,619,068	5,259,202	6,817,612
Total general fund	<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>	<u>\$ 6,949,493</u>	<u>\$ 6,240,079</u>	<u>\$ 4,701,210</u>	<u>\$ 5,461,039</u>	<u>\$ 6,873,651</u>
All Other Governmental Funds										
Reserved	\$ 1,520									
Unreserved, reported in:										
Special revenue funds	12,761,748									
Capital projects fund										
Debt service fund										
Nonspendable		\$ 2,858	\$ 19,233	\$ 37,423	\$ 43,726	\$ 315,375	\$ 50,398	\$ 6,195	\$ 14,775	\$ 2,860
Restricted		10,678,763	8,890,116	9,388,820	5,145,892	3,828,767	4,530,209	5,527,218	6,386,203	8,804,384
Committed						267,500	267,500			
Unassigned						(4,406)	(172,333)	(249,085)	(458,863)	
Total all other governmental funds	<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>	<u>\$ 4,407,236</u>	<u>\$ 4,675,774</u>	<u>\$ 5,284,328</u>	<u>\$ 5,942,115</u>	<u>\$ 8,807,244</u>

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

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

	Fiscal Year Ended June 30,									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Taxes	\$ 9,848,143	\$ 9,990,594	\$ 10,836,672	\$ 11,098,494	\$ 11,367,974	\$ 11,687,010	\$ 12,154,500	\$ 12,166,639	\$ 14,790,177	\$ 15,362,570
Licenses and permits	806,410	616,596	923,689	1,385,359	986,077	718,884	781,693	1,761,072	1,574,788	1,302,919
Intergovernmental revenue	15,451,912	14,866,007	12,167,591	13,189,854	13,531,460	14,613,140	15,193,129	16,408,992	17,707,666	18,430,396
Charges for services	668,901	644,930	585,061	620,497	604,284	567,271	582,373	582,007	597,578	572,487
Fines and forfeitures	491,965	500,612	703,466	463,355	489,927	699,297	666,192	785,636	726,185	577,569
Investment earnings	19,432	20,593	11,568	97,115	82,019	21,835	95,537	28,942	75,108	307,282
Miscellaneous	853,308	910,052	1,277,923	637,264	1,063,377	605,161	667,092	797,008	843,222	891,035
	28,140,071	27,549,384	26,505,970	27,491,938	28,125,118	28,912,598	30,140,516	32,530,296	36,314,724	37,444,258
<b>Expenditures</b>										
Current:										
General government	5,257,086	4,834,099	4,978,333	4,979,894	6,095,640	5,964,426	5,804,629	5,930,869	6,014,416	5,608,421
Public safety	8,444,552	8,736,116	9,106,088	9,343,875	9,343,063	10,168,895	10,635,862	10,906,802	11,280,322	11,554,621
Public works	4,623,506	3,450,885	3,726,079	3,040,807	4,619,681	3,856,561	1,594,491	1,484,022	5,388,326	3,419,350
Development services	1,934,410	2,855,997	1,870,117	1,432,842	1,318,388	1,485,297	1,683,723	2,209,019	1,709,181	1,529,127
Culture and recreation	4,121,626	4,636,860	4,433,583	4,588,321	4,755,719	4,897,511	5,226,964	5,271,498	5,633,499	5,963,851
Capital Outlay	1,595,280	4,694,019	2,396,601	2,639,980	6,365,593	3,882,920	5,333,035	7,353,363	4,597,071	4,783,710
Debt service:										
Principal	1,525,000	450,000	2,475,000	173,130	185,460	175,000	180,000	190,000	200,068	210,000
Interest	253,425	184,250	157,550	146,562	139,818	149,213	122,688	115,038	107,370	97,437
Total expenditures	27,754,885	29,842,226	29,143,351	26,345,411	32,823,362	30,579,823	30,581,392	33,460,611	34,930,253	33,166,517
<b>Other Financing Sources (Uses)</b>										
Transfers in	326,976	746,643	327,331							
Transfers out	(326,976)	(746,643)	(327,331)							
Proceeds from lease			513,019							
Gain on disposal of assets									33,145	
Total Other Financing Sources (Uses)			513,019						33,145	
<b>Extraordinary Item</b>										
Loss from State Treasurer's Local Government Investment Pool										
<b>Net Change in Fund Balances</b>	<u>\$ 385,186</u>	<u>\$ (2,292,842)</u>	<u>\$ (2,124,362)</u>	<u>\$ 1,146,527</u>	<u>\$ (4,698,244)</u>	<u>\$ (1,667,225)</u>	<u>\$ (440,876)</u>	<u>\$ (930,315)</u>	<u>\$ 1,417,616</u>	<u>\$ 4,277,741</u>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	6.80%	2.52%	9.84%	1.35%	1.23%	1.21%	1.21%	1.18%	1.02%	1.09%

# Schedule B-1

## City of Apache Junction, Arizona Estimated Taxable Sales <sup>(1)</sup>

### Last Ten Fiscal Years

(amounts expressed in thousands)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Advertising	\$ 3,806	\$ 3,628	\$ 2,239	\$ 1,809	\$ 1,113	\$ 1,506	\$ 1,125	\$ 1,229	\$ 938	\$ 992
Amusements	2,905	3,022	3,146	2,997	3,185	4,353	4,766	15,224	6,695	9,281
Animal Feed			200							
Job Printing	434	402	412	485	530	476	367	359	366	295
Manufactured Buildings	987	801	891	176	432	458	1,516	125	28	139
Publishing	1,627	2,238	3,492	4,399	4,518	3,782	401	1,483	3,288	2,243
Real Property Rental	59,169	61,158	64,880	66,060	67,337	70,105	76,115	67,158	83,281	86,426
Hotel/Motel	5,917	6,800	5,692	4,780	5,086	5,237	5,487	5,273	6,649	7,483
Tangible Property Rental	11,484	13,824	18,324	20,288	14,233	14,423	13,701	16,364	23,313	27,253
Restaurants/Bars	29,659	30,052	32,486	34,122	36,409	38,226	38,568	25,175	43,495	40,625
Retail Sales - Food <sup>(4)</sup>							4,568	56,227	88,966	93,544
Retail Sales	215,723	220,796	231,440	237,759	251,136	259,952	255,178	203,128	250,516	258,357
Telecommunications <sup>(2)</sup>	16,495	16,007	15,182	13,913	13,133	12,506	10,910	8,003	8,778	7,144
Transportation	32	54	43	30	90	53	75	263		9
Other		16						17	(13)	34
Utilities <sup>(2)</sup>	39,863	40,204	40,902	41,339	42,222	42,605	44,474	36,049	51,641	47,252
Use Tax <sup>(4)</sup>							1,626	31,163	15,429	17,535
Subtotal:										
Non-Construction	388,101	399,002	419,329	428,157	439,424	453,682	458,877	467,240	583,369	598,612
Construction	25,637	27,433	32,151	39,941	34,104	22,690	19,773	14,472	23,167	31,492
<b>Total Taxable Sales</b>	<b>\$ 413,738</b>	<b>\$ 426,435</b>	<b>\$ 451,480</b>	<b>\$ 468,098</b>	<b>\$ 473,528</b>	<b>\$ 476,372</b>	<b>\$ 478,650</b>	<b>\$ 481,712</b>	<b>\$ 606,536</b>	<b>\$ 630,104</b>
Direct Tax Rate <sup>(3)</sup>	2.2%	2.2%	2.2%	2.2%	2.2%	2.4%	2.4%	2.4%	2.4%	2.4%

<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 sales 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 1/2% difference on large purchases went into effect March 1, 2015, and is not considered when estimating taxable sales.

<sup>(4)</sup> The City Council instituted a 0.2% tax on food purchased for preparation and consumption at home (groceries) and a 2.4% Use Tax that went into effect in February of 2016.

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>Real Property Rental</b>	<b>Utilities and Communications</b>		
2010 <sup>(2)</sup>	2.20	1.20	2.20	3.20	1.10	6.60
2011	2.20	1.20	2.20	3.20	1.10	6.60
2012	2.20	1.20	2.20	3.20	1.10	6.60
2013 <sup>(2)</sup>	2.20	1.20	2.20	3.20	1.10	5.60
2014	2.20	1.20	2.20	3.20	1.10	5.60
2015 <sup>(3)</sup>	2.40	1.40	2.20	3.40	1.10	5.60
2016 <sup>(4)</sup>	2.40	1.40	2.20	3.40	1.10	5.60
2017	2.40	1.40	2.20	3.40	1.10	5.60
2018 <sup>(5)</sup>	2.40	1.40	2.20	3.40	1.60	5.60
2019	2.40	1.40	2.20	3.40	1.60	5.60

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

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

<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.

<sup>(3)</sup> Effective March 1, 2015, the city tax rate increased 0.2% following the passage of Ordinance No. 1406.

<sup>(4)</sup> Effective January 1, 2016, the City implemented a use tax rate of 2.4% on single item purchases up to \$2,000; 1.4% on single item a

<sup>(5)</sup> Effective April 1, 2018, Pinal County increased its tax rate by .5%

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>	<b>% of per capita personal income</b>
2010	4,423,627	8,632,498	13,056,125	364.41	1.8%
2011	3,967,885	8,170,162	12,138,047	332.19	1.6%
2012	9,848,704	7,540,423	17,389,127	470.89	2.2%
2013	9,661,040	8,395,613	18,056,653	484.79	2.3%
2014	9,460,152	7,639,090	17,099,242	454.30	2.2%
2015	9,239,064	7,895,175	17,134,239	445.77	2.1%
2016	9,009,823	11,441,892	20,451,715	521.73	2.3%
2017	8,765,676	12,557,015	21,322,691	533.68	2.2%
2018	8,528,724	11,862,952	20,391,676	510.38	2.1%
2019	8,279,668	10,995,279	19,274,947	474.62	2.0%

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

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

Per capita personal income source: US Census Bureau 2018



**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						Percentage	
	Municipal Property Corporation Bonds	GADA <sup>(1)</sup> Revenue Bonds	Subtotal Bonds	Capital Leases	Inter- governmental	Total	of Personal Income	Per Capita
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	266.70
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	253.98
2015		2,631,249	2,631,249	449,857	6,157,958	9,239,064	1.13	245.48
2016		2,438,880	2,438,880	412,985	6,157,958	9,009,823	1.02	234.40
2017		2,237,303	2,237,303	370,415	6,157,958	8,765,676	0.92	223.61
2018		2,026,476	2,026,476	344,290	6,157,958	8,528,724	0.76	214.73
2019		1,806,647	1,806,647	315,063	6,157,958	8,279,668	0.85	203.88

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 restated

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

<b>Year Ended</b>	<b>2004 Series A Revenue</b>	<b>WIFA <sup>(1)</sup></b>		<b>Per</b>
<b>June 30,</b>	<b>Bonds</b>	<b>Loans</b>	<b>Total</b>	<b>Meter <sup>(2)</sup></b>
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
2015	-	7,895,175	7,895,175	1,918.63
2016	-	11,441,892	11,441,892	2,740.57
2017	-	12,557,015	12,557,015	3,007.67
2018	-	11,862,952	11,862,952	2,738.45
2019	-	10,995,279	10,995,279	2,501.20

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

<sup>(1)</sup> WIFA - Water Infrastructure Finance Authority of Arizona. WIFA loan #920018-02 was merged into WIFA Loan #920111-06 on May 3, 2006.

<sup>(2)</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>
2010	910,000	3,513,627	4,423,627	2,170,093,114	0.20	121.07
2011	620,000	3,347,885	3,967,885	1,775,212,416	0.22	107.45
2012	-	3,177,727	3,177,727	1,489,068,553	0.21	85.32
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
2015	-	2,631,249	2,631,249	1,402,413,863	0.19	68.46
2016	-	2,438,880	2,438,880	1,624,706,133	0.15	62.35
2017	-	2,237,303	2,237,303	1,853,943,196	0.12	56.93
2018	-	2,180,000	2,180,000	1,836,653,983	0.12	54.46
2019	-	1,980,000	1,980,000	2,201,178,927	0.09	47.44

<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, 2019**

<b>Governmental Unit</b>	<b>Net Secondary Assessed Value<sup>(1)</sup></b>	<b>Debt Outstanding<sup>(2)</sup></b>	<b>Approximate Percentage Applicable to the City of Apache Junction</b>	<b>Proportionate Share of Debt Applicable to City of Apache Junction</b>
<b><u>Pinal County Agencies</u></b>				
<b><u>General Obligation (G.O.) Bonds</u></b>				
Pinal County	\$ 2,774,864,317	\$ -	6.592%	\$ -
Apache Junction Unified				
School District #43 (AJUSD #43)	\$ 479,703,922	25,165,000	38.129%	9,595,063
Pinal County Comm College District <sup>(4)</sup>	2,774,864,317	79,820,000	6.592%	5,261,313
Superstition Fire and Medical District	464,429,754	5,355,000	39.383%	2,108,937
Overlapping GO Bonded Debt-Pinal		110,340,000		16,965,313
<b><u>Debt other than G.O. Bonds</u></b>				
Pinal County Revenue Bonds	2,774,864,317	147,230,000	6.592%	9,704,624
Pinal County Municipal Property Corp	2,774,864,317	-	6.592%	-
Pinal County Capital Leases	2,774,864,317	412,039	6.592%	27,159
Pinal County Comm Coll. Capital Leases <sup>(4)</sup>	2,774,864,317	2,499,602	6.592%	164,761
Pinal County Comm Coll. Revenue Bonds <sup>(4)</sup>	2,774,864,317	31,700,000	6.592%	2,089,497
Superstition Fire and Medical District (SFMD)	464,429,754	2,003,025	39.383%	788,843
Superstition Mountains Comm. Fac. Dist.		-	39.383%	-
<b>Total Pinal County overlapping debt</b>		294,184,666		29,740,197
<b>City Direct Debt (Pinal portion)<sup>(3)</sup></b>	182,904,407	8,279,668	99.270%	8,219,307
<b>Direct and overlapping debt- Pinal County portion of City</b>		<b>\$ 302,464,334</b>		<b>\$ 37,959,504</b>
<b><u>Maricopa County Agencies</u></b>				
<b><u>General Obligation Bonds</u></b>				
Maricopa County Community				
College District (MCCCD)	\$ 51,944,549,119	\$ 380,740	0.003%	\$ 10
Mesa Unified School District #4 <sup>(4)</sup>	4,079,323,286	245,005,000	0.033%	80,673
Total Maricopa County overlapping debt		245,385,740		80,683
<b><u>Debt other than G.O. Bonds</u></b>				
<b><u>Maricopa County</u></b>				
Revenue bonds	51,944,549,119	5,800,000	0.260%	150
Certificates of participation	51,944,549,119	122,185,000	0.260%	3,160
Capital leases	51,944,549,119	3,689,687	0.260%	95
<b>Total Maricopa County overlapping debt</b>		377,060,427		84,088
<b>City Direct Debt (Maricopa portion)<sup>(3)</sup></b>	1,343,205	8,279,668	0.730%	60,361
<b>Direct and overlapping debt- Maricopa County portion of City</b>		<b>\$ 385,340,095</b>		<b>\$ 144,449</b>
<b>Total Overlapping Debt</b>		<b>\$ 671,245,093</b>		<b>\$ 29,824,285</b>
<b>Total Direct City Debt</b>		<b>\$ 16,559,336</b>		<b>\$ 8,279,668</b>
<b>Total Direct and Overlapping Debt</b>		<b>\$ 687,804,429</b>		<b>\$ 38,103,953</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: 2018 State and County Abstract the Assessment Roll published by the Arizona Department of Revenue.

<sup>(2)</sup> Source: State Treasurer's FY 2017/18 Report of Long Term Debt - December 2019.

<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 Net Assessed Value for each County.

<sup>(4)</sup> Note: FY 2018 unsubmitted debt report; FY 2017 data used

## 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, Opens 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.

	<b>Bonds Excluded From Limitation</b>	<b>Utility Purpose and Open Space 20%</b>	<b>All Other General Obligation Bonds 6%</b>	<b>Total Bonded Debt</b>
Legal Debt Limitation-2018 <sup>(2)</sup>				
Assessed Valuation:				
184,247,612		\$ 36,849,522	\$ 11,054,857	
<b>Outstanding Bonded Debt By Purpose:</b>				
<u>Governmental Activities</u>				
Greater Arizona Development Authority Bonds	\$ 1,770,000			\$ 2,180,000
Municipal Property Corp. Series 1998 Revenue Bonds	-	-	-	-
<u>Business-Type Activities</u>				
Water Revenue Bonds				
WIFA Notes Payable	10,995,279			10,995,279
Total Bonded Debt	\$ 12,765,279	-	-	\$ 13,175,279
Legal Debt Margin		\$ 36,849,522	\$ 11,054,857	

<b>Fiscal Year ended</b>	<b>Debt limits</b>		<b>Total Debt Applicable to limits</b>		<b>Legal Debt Margins (in thousands)</b>		<b>Total net debt applicable to debt limit as a percentage of Debt Limits</b>	
<b>June 30,</b>	<b>20%</b>	<b>6%</b>	<b>20%</b>	<b>6%</b>	<b>20%</b>	<b>6%</b>	<b>20%</b>	<b>6%</b>
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%
2015	28,995,762	8,698,729	-	-	28,996	8,699	0.00%	0.00%
2016	33,119,629	9,935,889			33,120	9,936	0.00%	0.00%
2017	34,242,229	10,272,669			34,242	10,273	0.00%	0.00%
2018	35,086,725	10,526,017			35,087	10,526	0.00%	0.00%
2019	36,849,522	11,054,857			36,850	11,055	0.00%	0.00%

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

<sup>(2)</sup> The 2018 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**

<b>Year Ended June 30,</b>	<b>Pledged Revenues<sup>(2)</sup></b>	<b>Debt Service Requirements</b>			<b>Net Bonded Coverage Ratio</b>	<b>Required Coverage</b>
		<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
2010	21,433,390	290,000	40,950	330,950	64.8	4.0
2011	19,454,587	300,000	27,900	327,900	59.3	4.0
2012	19,762,551	320,000	7,200	327,200	60.4	4.0
2013	20,795,264	-	-	0	N/A	4.0
2014	21,423,102	-	-	0	N/A	4.0
2015	22,443,694	-	-	0	N/A	4.0
2016	25,019,850	-	-	0	N/A	4.0
2017	23,469,559	-	-	0	N/A	4.0
2018	27,355,401	-	-	0	N/A	4.0
2019	28,064,107	-	-	0	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**  
**Last Ten Fiscal Years**

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			
2010	21,433,390	145,000	162,150	307,150	327,900	33.8	2.0
2011	19,454,587	150,000	156,350	306,350	327,200	30.7	2.0
2012	19,762,551	155,000	150,350	305,350	0	64.7	2.0
2013	20,795,264	160,000	150,150	310,150	0	67.0	2.0
2014	21,423,102	170,000	137,350	307,350	0	69.7	2.0
2015	22,443,694	175,000	130,125	305,125	0	73.6	2.0
2016	25,019,850	180,000	122,688	302,688	0	82.7	2.0
2017	23,469,559	190,000	115,038	305,038	0	76.9	2.0
2018	27,355,401	200,000	107,438	307,438	0	89.0	2.0
2019	28,064,107	210,000	97,438	307,438	0	91.3	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**

<b>Year Ended June 30,</b>	<b>Gross Revenues<sup>(2)</sup></b>	<b>Operation and Maintenance Expenses<sup>(3)</sup></b>	<b>Net Revenues Available for Debt Service</b>	<b>Debt Service Requirements<sup>(4)</sup></b>			<b>Coverage Ratio</b>	<b>Required Coverage<sup>(5)</sup></b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>		
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	2,848,800	1,368,700	780,625	350,417	1,131,042	1.21	1.20
2015 <sup>(8)</sup>	4,355,871	2,428,597	1,927,274	649,495	232,775	882,270	2.18	1.20
2016	4,444,196	2,443,101	2,001,095	669,067	250,110	919,177	2.18	1.20
2017	4,489,489	2,345,960	2,143,529	694,063	344,175	1,038,238	2.06	1.20
2018	5,066,478	2,946,027	2,120,451	867,673	330,229	1,197,902	1.77	1.20
2019	4,733,404	2,296,929	2,436,475	885,962	289,371	1,175,333	2.07	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.

<sup>(8)</sup> Forgivable principal of \$1,000,000 excluded from calculation as it consists of federal funds



**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>			
2010	35,828 <sup>(d)</sup>	Unavailable	726,269	20,271 <sup>(d)</sup>	8.9 <sup>(a)</sup>
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>
2015	38,437 <sup>(b)</sup>	Unavailable	817,603	21,271 <sup>(g)</sup>	8.7 <sup>(a)</sup>
2016	39,200 <sup>(d)</sup>	Unavailable	883,029	22,526 <sup>(g)</sup>	7.6 <sup>(a)</sup>
2017	39,954 <sup>(d)</sup>	Unavailable	953,115	23,855 <sup>(g)</sup>	6.6 <sup>(a)</sup>
2018	40,030 <sup>(e)</sup>	Unavailable	1,119,399	27,964 <sup>(a)</sup>	4.7 <sup>(a)</sup>
2019	41,739 <sup>(c)</sup>	Unavailable	972,811	23,307 <sup>(a)</sup>	4.9 <sup>(b)</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>(e)</sup> Arizona Office of Economic Opportunity

<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 Capita 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>(g)</sup> Extrapolated from American Community Survey using University of Arizona growth data

<sup>(4)</sup> Sources: 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.
- <sup>(b)</sup> Arizona Office of Economic Opportunity

**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, 2019</u></b>		<b><u>Year ended June 30, 2010</u></b>	
	<b><u>Full-Time</u></b>	<b><u>Percentage <sup>(1)</sup></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	340	2.18%	668	4.44%
City of Apache Junction	280	1.79%	239	1.59%
Wal-Mart Supercenter Store # 1831	220	1.41%	370	2.46%
Western Industrial Resources Corporation	130	0.83%		
Horizon Health & Wellness <sup>(2)</sup>	130	0.83%	220	1.46%
Central Arizona College-Superstition Mountain Campus	130	0.83%	112	0.74%
Fry's Food and Drug	110	0.70%	143	0.95%
United States Postal Service	100	0.64%	89	0.59%
Banner Health	99	0.63%		
Safeway	80	0.51%	70	0.46%
Superstition Fire and Medical District <sup>(4)</sup>	60	0.38%	85	0.56%
Apache Junction Medical Center		0.00%	170	1.13%
Total	1,440	26.92%	2,166	14.38%

<sup>(1)</sup> Source: City of Apache Junction, Office of Economic Development and Office of Economic Opportunity (Arizona Employment Statistics)

<sup>(2)</sup> Formerly Superstition Mountain Mental Health Center & Mountain Health & Wellness

<sup>(3)</sup> Formerly Earnhardt's & Superstition Ford

<sup>(4)</sup> Formerly Apache Junction Fire District

**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>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>General Government</b>										
Mayor and City Council	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
City Manager	2.00	1.50	2.00	2.00	2.00	1.50	4.00	4.00	3.82	3.82
Management Services	17.50	14.50	15.50	14.00	18.00	18.50	16.00	15.00	16.85	16.40
Marketing/Communications										
City Clerk	8.00	8.00	7.00	7.00	7.00	7.00	7.00	6.00	5.80	5.80
Finance	7.00	5.00	6.00	6.00	6.00	6.25	6.71	7.00	6.20	6.20
City Attorney	8.00	6.00	6.00	7.00	7.25	7.00	8.00	6.75	6.65	6.65
<b>Public Safety</b>										
Police Department	104.48	90.95	80.00	89.50	88.00	90.50	96.95	96.48	95.19	95.74
Magistrate Court	9.90	10.84	9.90	8.48	8.48	9.20	8.95	8.54	9.80	9.89
<b>Public Works</b>	51.00	38.00	38.00	29.00	30.00	29.00	25.00	30.00	31.00	30.25
<b>Culture and Recreation</b>										
Parks and Recreation	52.30	39.00	38.30	36.00	35.80	36.20	35.08	37.63	38.30	38.03
Library	22.70	17.84	13.48	14.00	15.50	28.23	27.50	27.33	27.35	29.29
<b>Development Services</b>	27.00	19.00	18.00	13.00	12.50	12.50	11.98	13.95	14.13	14.27
<b>Total</b>	<u>316.88</u>	<u>257.63</u>	<u>241.18</u>	<u>232.98</u>	<u>237.53</u>	<u>252.88</u>	<u>254.16</u>	<u>259.67</u>	<u>262.09</u>	<u>263.34</u>

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><b>Function/Program</b></u>	<u><b>Fiscal Year Ended June 30,</b></u>									
	<u><b>2010</b></u>	<u><b>2011</b></u>	<u><b>2012</b></u>	<u><b>2013</b></u>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>	<u><b>2018</b></u>	<u><b>2019</b></u>
<b>General Government</b>										
New Business Licenses	1,088	1,026	651	800	1,066	921	935	498	390	405
<b>Culture and Recreation</b>										
Library										
Patron use	390,384	377,676	362,935	323,561	312,139	300,424	301,948	309,907	292,169	285,555
Circulation of materials	629,391	578,831	625,857	544,517	530,473	525,763	534,241	527,667	515,960	596,425
Computer lab use	98,867	86,336	92,106	73,122	67,127	65,197	63,082	59,488	57,535	57,139
<b>Development Services</b>										
Building Permits										
Residential	231	339	259	310	187	134	184	169	263	220
Commercial	5	10	4	2	7	13	13	30	33	17
Other	251	209	185	177	226	210	210	237	272	227

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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Public Works</b>										
Miles of paved streets	180	182	182	182	182	183	183	183	183	187
Paved streets in lane miles	447	452	452	452	452	455	459	459	459	461
Unpaved roads in miles	9	9	9	8	8	8	8	8	8	8
Unpaved roads in lane miles	18	18	18	16	16	16	16	16	16	16
Signaled Intersections	33	33	33	33	33	33	33	33	33	33
City operated traffic signals	16	16	16	16	16	16	16	16	16	18
<b>Culture and Recreation</b>										
Parks and recreation										
Multi-generational center	1	1	1	1	1	1	1	1	1	1
Park areas	13	13	13	13	13	13	13	14	14	14
Park acreage	2,178.1	2,178.1	2,178.1	2,178.1	2,178.1	2,181.1	2,181.6	2,181.6	2,181.6	2,181.6
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	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8

Source: Respective Departments

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