The City of Peoria (City) was incorporated in 1954 under the Arizona Revised Statutes. The current City charter provides for the Council - Manager form of government and provides such services as authorized by the charter as limited by the constitution of the State of Arizona.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles for state and local governments.

The following is a summary of other significant accounting policies:

A. Financial Reporting Entity

The City's major operations include police and fire protection, parks and recreation, development services, public works, certain social services and general administrative services. In addition, the City owns and operates enterprise funds, which include water, wastewater, solid waste and storm drain operations, a baseball stadium complex, and the public housing operations.

The financial reporting entity presented in these financial statements consists of the City and two blended component units. In accordance with GASB Statement #14, as amended by GASB Statement #61, these component units, discussed below, are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. These component units are governed by boards, wholly or substantially, comprised of the government's elected council and the City is financially accountable for these component units. Additionally, these component units provide services entirely to the City.

Individual Component Units - Blended

City of Peoria Municipal Development Authority, Inc.

City of Peoria Municipal Development Authority, Inc. (Authority), an Arizona not-for-profit corporation, was organized for the purpose of financing the construction of municipal facilities within the City through the issuance of bonds. Concurrent with these bond issues, the City entered into contracts with the Authority whereby the City will pay, to the Authority, amounts sufficient to retire the Authority's bonds and related interest. The outstanding Municipal Development Authority, Inc. bonds are reported as a debt service fund in the City's financial statements. All of the oustanding debt of the Authority will be repaid by revenues of the City. No separate financial statements are prepared for the Municipal Development Authority, Inc.

Vistancia Community Facilities District

The Vistancia Community Facilities District (the District) was formed by petition to the City Council in 2002. The district's purpose is to acquire or construct public infrastructure in a specified area of the City. As a special purpose district and separate political subdivision under the Arizona Constitution, the District can levy taxes and issue bonds independently of the City. Property owned in the designated areas is assessed for the District's property taxes, and thus for the costs of operating the District. The City Council serves as the Board of Directors of the District and City management has operational responsibility for the District. The City has no liability for the District's debt. For reporting purposes, the transactions of the District are included as governmental type funds as if they were part of the City's operations.

Stand-alone financial statements are prepared for the Vistancia Community Facilities District. The accounting records of the District are maintained by the City and the financial statements for the District are available from the City of Peoria Finance Department at 8401 West Monroe Street, Peoria, AZ 85345.

City of Peoria Employee Benefit Trust

The City of Peoria Employee Benefit Trust (the Trust) was formed by petition to the City Council on January 1, 2010. The Trust's purpose is to fund health, welfare and related benefit programs by the City in accordance with the provisions of Arizona law. Plan premiums are paid by Particpants and the City. The City Council Sub Committee on Boards and Commissions nominate individuals to serve as Trustees overseeing the management and administration of the Trust. For financil reporting purposes, the transactions of the Trust are included as governmental type funds in the City's financial statements as if they were part of the City's operations.

Stand-alone financial statements are prepared for the Trust. The accounting records of the Trust are maintained by the City and the financial statements are available from the City of Peoria Finance Department at 8401 West Monroe Street, Peoria, AZ 85345.

City of Peoria Workers' Compensation Trust

The City of Peoria Workers' Compensation Trust (the Trust) was formed by petition to the City Council in 2009. The Trust's purposes is to fund workers' compensation benefit programs by the City in accorance with the provisions of Arizona law. Plan premiums are paid by the City. The City Council Sub Committee on Boards and Commissions nominate individuals to serve as Trustees overseeing the management and administration of the Trust. For financial reporting purposes, the transactions of the Trust are included as governmental type funds in the City's financial statements as if they were part of the City's operations.

Stand-alone financial statements are prepared for the Trust. The accounting records of the Trust are maintained by the City and the financial statements are available from the City of Peoria Finance Department at 8401 West Monroe Street, Peoria, AZ 85345.

B. Basic Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (statement of net position and statement of activities) report on the City and its component units as a whole, excluding fiduciary activities. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. All activities, both governmental and business type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements. The "doubling up" effect of internal service fund activity has been removed from the government-wide statements with the expenses shown in the various functions and segments on the Statement of Activities. Quasi-external transactions, like the sale of utility services from the Enterprise Funds to the other funds, are not eliminated for the financial statements. Elimination of these charges would distort the direct costs and program revenue reported for the various functions.

The City does not currently employ an indirect cost allocation system. The General Fund and certain other funds charge administrative service fees to other operating funds to support general services used by the other operating funds (like purchasing, accounting and administration). These administrative fees are eliminated from the financial statements at both the government-wide and fund level like a reimbursement, by reducing revenues and expenditures/expenses in the allocating fund.

The government-wide Statement of Net Position reports all financial and capital resources of the government (excluding fiduciary funds). It is displayed in a format of assets plus deferred outflows of resources less liabilities less deferred inflows of resources equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted and 3) unrestricted. Net investment in capital assets, is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net position balances are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position balances are available.

Commitments or assignments of net position imposed by the reporting government, whether by administrative policy or legislative action of the reporting government, are not shown on the government-wide financial statements. Note 11 discusses the internal commitments and assignments of net position in the various funds to demonstrate the government's intended use of those net position balances.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of the various functions and segments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on long-term debt and depreciation expense on assets shared by multiple functions are not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and other revenues not identifiable with particular functions or segments are included as general revenues. State shared revenues, such as sales taxes, urban revenue sharing and auto-in-lieu taxes, that are not restricted for use in any function, are also included as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Also part of the basic financial statements are fund financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds. Although GASB Statement #34 sets forth minimum criteria for the determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of the fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. The City has opted to add some funds as major funds because of outstanding debt or community focus. Other non-major funds, as well as the internal service funds, are combined in a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements.

The internal service funds, which provide services to the other funds of the government, are presented in a single combined column in the proprietary fund financial statements. Because the principal users of the internal service funds are the City's governmental activities, the assets and liabilities of the internal service funds are consolidated into the governmental activities column of the government-wide Statement of Net Position. The costs of the internal service funds services are spread to the appropriate function or segment on the government-wide Statement of Activities and the revenues and expenses within the internal service funds are eliminated from the government-wide financial statements to avoid any doubling up effect of these revenues and expenses.

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental fund financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements. Additional reconciliations are also provided in Note 2.

Externally imposed restrictions as well as internally imposed commitments and assignments of fund balance, as defined by GASB Statement 54, are shown on the face of the governmental fund financial statements as well as discussed in Note 11. Generally, the order in which the City would apply resources when multiple categories of fund balance are available is as follows: restricted, committed, assigned and unassigned.

The proprietary fund and fiduciary fund financial statements, except for the Agency Funds which have no measurement focus, are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds may be eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary fund financial statements. The net costs/income of the internal service funds are also partially allocated to the business-type activities column on the government-wide financial statements. A reconciliation of the total enterprise funds on the fund financial statements to the business-type activities column on the government-wide financial statements is provided on the face of the fund statements.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses are items like investment income and interest expense that are not a result of the direct operations of the activity.

C. Basis of Presentation

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts, which includes assets, liabilities, fund equity, revenues and expenditures/expenses. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following fund categories (further divided by fund type) are used by the City:

Governmental Funds

Governmental funds are used to account for the City’s general government activities. The focus of Governmental Fund measurement, in the fund financial statements, is upon determination of financial position and changes in financial position rather than upon net income. The following are the Governmental Funds of the City:

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.

Special Revenue Funds account for revenue sources that are restricted to expenditures for specific purposes (not including major capital projects). The restrictions may be imposed by outside parties or by the governing body. The special revenue funds presented as major funds in the basic financial statements are as follows: Half-Cent Sales Tax Fund accounts for the revenues generated from a sales tax increase designated for specific uses per Council policy; Highway User Revenue Fund is required by state statute to track receipts of specific state shared revenues and the expenditure of those funds; and the Transportation Sales Tax Fund accounts for the revenues generated from a sales tax increase designated by public vote for use in funding transportation needs throughout the City.

Debt Service Funds account for the resources accumulated and the servicing of long-term debt not being financed by proprietary funds. One debt service fund is presented as a major fund in the basic financial statements. The GO Bond Debt Service Fund accounts for the principal and interest requirements of the City's general obligation bonds, with revenues generated from the general property tax levy sufficient to meet the debt service.

Capital Projects Funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds. One capital projects fund is presented as a major fund in the basic financial statements. The Development Fee Fund accounts for the receipt and expenditure of development impact or expansion fees for all governmental activities as governed by state statutes.

Proprietary Funds

Proprietary funds account for activities of the City similar to those found in the private sector, where cost recovery and the determination of net income is useful or necessary for sound fiscal management. The focus of Proprietary Fund measurement is upon the determination of operating income, changes in net position, financial position and cash flows. The following are the Proprietary Funds of the City:

Enterprise Funds are used to account for those operations that provide services to the general public for a fee. Enterprise funds are required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed *solely* by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs. All of the enterprise funds of the City are presented discretely in the basic financial statements.

The enterprise funds of the City are as follows:

The Water Utility, Wastewater Utility, Solid Waste Utility and Storm Drain Utility Funds all account for the revenues from charges to the customers of these services and the costs of these services.

The Stadium Fund accounts for the revenues generated by and the costs of operation of a sports complex owned by the City. This facility is used for spring training by two major league baseball teams as well as multiple other uses throughout the year.

The Public Housing Fund accounts for the revenues and expenses of the low income housing program operated by the City. While this program does receive Federal subsidies through the Department of Housing and Urban Development, it also generates substantial user fees.

Internal Service Funds account for operations that provide services to other departments or agencies of the government or to other governments on a cost-reimbursement basis. The internal service funds are presented as one column on the proprietary fund financial statements. Combining financial statements are also presented for the internal service funds, but are not part of the basic financial statements. The internal service funds of the City are as follows:

Motor Pool Fund – accounts for the costs of operating the City garage. These costs are charged out to user departments based on direct charges for services used. This fund also accounts for the vehicle replacement fund for all of the City's general governmental vehicles.

Self-Insurance Fund – accounts for the Risk Management function of the City as well as maintaining the costs of the City's liability insurance and any claims paid under the City's self-insurance program. Also, beginning in fiscal year 2010, the City became self-insured for workers' compensation claims and health insurance claims. The City carries excess insurance coverage and uses third party administrators to monitor the workers compensation and health claims programs. The workers' compensation and health insurance programs operate under a trust. The costs of all these programs are allocated to all operational activities of the City.

Facilities Maintenance Fund – allocates the costs of operations and maintenance of the City's facilities to the user departments.

Information Technology Fund – maintains the costs of operation and maintenance of the City's computer systems. The computer replacement fund for all functions is also in this fund. Revenues are internal charges to user departments.

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee or agency capacity on behalf of others. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds. Fiduciary Funds are not included in the government-wide financial statements since they are not assets of the City available to support City programs. The City maintains the following types of fiduciary funds:

Pension Trust Funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post employment benefit plans, or other employee benefit plans. The City has one Pension Trust Fund to account for the activities of the volunteer firemen's retirement plan.

Agency Funds account for assets the City holds as an agent for individuals, private organizations, other governments or other funds in a temporary custodial capacity. The City currently maintains five agency funds. One fund accounts for the monies collected from developers in one area of the City and held in trust by the City until reimbursed by the City to a developer that made certain infrastructure improvements in that area. Three funds account for monies held on behalf of separate not-for-profit agencies for which the City operates as an administrator. These are Neighborhood Pride, PLAY Peoria, and Peoria Citizens Corp Council. The fifth fund accounts for monies held on behalf of Westside Fire Training IGA, a consortium of area fire departments that pool monies for training activities, for which the City acts as the administrator.

D. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All funds are reported in the government-wide financial statements on the flow of economic resources measurement focus and accrual basis of accounting.

Governmental fund types are presented, in the fund financial statements, using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets, and unassigned fund balance is a measure of available spendable resources. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. The City considers revenues available under modified accrual, if they are earned by June 30 (all eligibility requirements have been met) and the revenue is expected to be collected within six months after year-end, except for property taxes. For property taxes, the City uses a 60 day collection period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

When applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33 – *Recipient Reporting for Certain Shared Non-exchange,* receivables and revenues are recognized when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances or deferred inflows of resources.

Property taxes and special assessments are susceptible to accrual when an enforceable legal claim has arisen. As noted above, the City recognizes property taxes received within 60 days of fiscal year-end to be revenues under modified accrual. The remaining taxes levied are considered deferred inflows of resources on the governmental fund financial statements. State Shared Sales Taxes and Highway User revenues collected and held by the state at year-end on behalf of the City are also recognized as revenue. Transaction privilege taxes (sales taxes) are considered susceptible to accrual at the time of the underlying transaction (sale). In practice, taxes collected by local businesses in June and remitted to the City or State in July are recognized as revenue in the previous fiscal year. Other receipts become measurable and available when cash is received by the City and are recognized as revenue at that time.

Interest and dividend income is recognized on the modified accrual basis. Changes in fair value of investments are recognized in investment income at the end of the year.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. For the governmental fund statements, grant revenue earned but not expected to be received within six months of year end is a deferred inflow of resources.

Proprietary funds and pension trust funds are accounted for on the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income.

The accrual basis of accounting is used for proprietary fund types and pension trust funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Agency funds are custodial in nature and do not measure results of operations or have a measurement focus.

E. Budgets and Budgetary Accounting

The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements:

- According to the laws of the State of Arizona, all operating budgets must be approved by their governing board on or before the second Monday in August to allow sufficient time for legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August.

- In April, the proposed budget for the following fiscal year is presented by the City Manager to the City Council. The budget includes proposed expenditures and the means of financing them. Public meetings are held to obtain citizen comment.

- Prior to June 30, the City Council legally enacts the budget, through the passage of an ordinance. The ordinance sets the limit for expenditures for the year, within the voter mandated state expenditure limitation (see Note 1.F). Additional expenditures may be authorized if directly necessitated by a natural or man-made disaster as prescribed in the state constitution. There were no supplemental appropriations made during fiscal year 2013.

- The maximum legal expenditure permitted for the year is the total budget as adopted. The expenditure appropriations in the adopted budget are maintained in the City's financial system by department within individual funds. Departmental appropriations may be amended during the year, within administrative guidelines and adopted Council policies.

- The initial budget for the fiscal year may be amended during the year in a legally permissible manner.

- The City Manager is generally authorized to transfer budgeted amounts within any specific department's expenditure appropriation. Any budget revisions requiring a transfer between departments must be approved by the City Council. Additionally, budget revisions involving personnel or capital asset expenditures/expenses or the use of contingency budgets must be approved by the City Council.

- All unencumbered expenditure appropriations expire at the end of the fiscal year.

- Encumbered amounts are re-budgeted in the following year as deemed appropriate and necessary after review by the Budget Office staff. Budgetary carry forwards are approved by the City Council.

- All funds of the City, except the agency funds, have legally adopted budgets. Formal integration of these budgets into the City's financial systems is employed as a management control device during the year for all funds.

The City prepares its annual budget on a modified cash basis, which differs from GAAP. GASB Statement #34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the annual financial statements. These statements must display original budget, amended budget and actual results (on a budgetary basis). The City has also shown this information as supplementary schedules for other governmental funds as well as enterprise funds and internal service funds.

F. Expenditure Limitation

On June 3,1980, the voters of Arizona approved an expenditure limitation for all local governments. The limitation restricts the annual growth of expenditures to a percentage determined by population and inflation. Certain types of expenditures are excluded from the limitation. Article 9, Sections 20 and 21 of the Arizona Constitution require the Economic Estimate Commission to determine each year the expenditure limitation for the following fiscal year for all cities in Arizona. The limitation is calculated based on the amount of fiscal year 1979-1980 actual payments of local revenues, referred to as the "base limit". Each year, the base limits for local jurisdictions are adjusted for population growth and inflation to calculate the new expenditure limitations for the cities. Local governments may carry forward revenues which were not subject to the expenditure limitation, and which were not expended in the year of receipt, to later years.

The State Constitution also gives local jurisdictions several methods of seeking approval from their citizens to override the state expenditure limitation. One of these is local approval of a permanent base adjustment. In March 2003, the voters of Peoria approved a $15 million permanent adjustment of the expenditure base. This permanent base adjustment was effective beginning in fiscal year 2005-2006. The City of Peoria's state calculated expenditure limitation for fiscal year 2012-2013, including the permanent base adjustment, was $759,367,985

G. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed by the City. Since they do not constitute expenditures or liabilities, encumbrances are not reported in either the fund financial statements or the government-wide financial statements. Further information about commitments outstanding at June 30 may be found in Note 20.

H. Deposits and Investments

The City generally reports investments at fair value in the balance sheet and recognizes the corresponding change in the fair value of investments in the year in which the change occurred. It is generally the City's policy to hold investments to maturity.

Investment Policy

The City's funds are invested through the City's Finance Department in accordance with the City's investment policy and Arizona Revised Statutes. The City's policy is to invest in certificates of deposit, money market mutual funds, repurchase agreements, corporate securities, direct U.S. Treasury debt, securities guaranteed by the U.S. Government or any of its agencies and the State of Arizona local government investment pool. In addition, the function of the Finance Department is to review and monitor the City's investment policy and to monitor compliance with the investment policy and reporting provisions of the law through an annual audit.

The investment balances are comprised of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issuances of the Enterprise funds and the General Fund's cash reserve requirements. In addition to these, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City.

Investment Valuation

Local Government Investment Pool - Investments are carried at fair value. The fair value of pooled investments is determined annually and is based on current market prices. The fair value of participants' position in the pool approximates the value of the pool shares. The method used to determine the value of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of such withdrawal.

Other Investments - Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market price are reported at estimated fair value.

The City's investment policy permits the City to invest in fixed coupon dollar repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase similar securities in the future at a lower price that reflects a financing rate. The fair value of securities underlying fixed coupon dollar repurchase agreements must equal at least 102% the cash received. If the dealers default on their obligations to resell these securities to the City at the agreed upon buyback price, the City could suffer an economic loss if the securities have to be purchased in the open market at a price higher than the agreed-upon buyback price.

Other non-pooled investments are also generally carried at fair value. However, money market investments (such as short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and U.S. Treasury and agency obligations) and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) that have a remaining maturity at the time of purchase of one year or less, are carried at amortized cost. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the funds' current share price.

Investment Income

Except for certain specific investments, generally those held in trust for a specific purpose, the City maintains pooled cash and investments. Income from pooled cash and investments is allocated to the individual funds based on the fund's month end cash balance in relation to the total pooled investments. City management has determined that the investment income related to certain Special Revenue Funds should be allocated to the General Fund. Each fund's equity in the pooled cash and investments is tracked on an ongoing basis. In the event that a certain fund overdraws its share of pooled cash, the overdraft is reported as a due to the General Fund at year-end.

Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

I. Inventory and Prepaid items

Inventories are valued at cost and the City uses the first-in, first-out (FIFO) flow assumption in determining cost. Inventory in the governmental funds, which consists of expendable supplies held for consumption, is recorded as an expenditure at the time individual inventory items are consumed and is offset by a fund balance reserve (nonspendable) in the governmental fund financial statements indicating it does not constitute available expendable resources. No reservation of net position is shown in the proprietary fund statements or the government-wide financial statements for inventories.

Prepaid items are generally for payments made by the City in the current fiscal year for goods or services to be received in the subsequent fiscal year. Such items are recorded as prepaid at the time of the payment and recognized as expenditures/expenses when the related goods or services are received. Prepaid items are offset by a reservation of fund balance (nonspendable) in governmental funds to indicate it does not constitute available expendable resources. No reservation of net position is shown in the proprietary fund statements or the government-wide financial statements for prepaid items.

J. Capital Assets

All capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated in the government-wide financial statements. The City has chosen not to apply the modified approach to any networks or subsystems of infrastructure assets. No long-term assets or depreciation are shown in the governmental fund financial statements.

Capital assets, including public domain infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the City) are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest incurred during the construction phase of projects is reflected in the capitalized value of the asset constructed. For the year ended June 30, 2013, the City did not capitalize any net interest costs in the business-type activities of the government-wide financial statements (also in the Enterprise Funds on the proprietary fund statements). Total interest incurred, not including agent fees or other costs, of the business-type activities (and the Enterprise Funds on the proprietary fund statements) before capitalization was $3,579,904.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful life (Years)
Water Rights	50
Buildings and improvements	20-40
Water and sewer systems	5-40
Storm drainage systems	40
Street system	20
Park facilities and landscape	40
Streetlights and traffic control devices	10
Equipment	7
Furniture and fixtures	7
Vehicles	3-15
Computers/software	3

Capital assets transferred between funds are transferred at their net book value (cost less accumulated depreciation) or net realizable value, if lower, as of the date of the transfer.

K. Water Rights

The City entered into a lease agreement with Gila River Indian Community (GRIC) for the rights to 7,000 acre-feet of water each year through 2057. These rights, costing $12,889,809, are being amortized over the 50 year life of the agreement on a straight-line basis starting in fiscal year 2008. Fiscal year 2013 amortization was $257,796 and the net book value at June 30, 2013 was $11,343,032. Also see Note 14 for debt service on this purchase.

L. Transactions Between Funds

Transactions that would be treated as revenue, expenditures or expenses if they involved organizations external to the governmental unit, like the sale of water from the Water Utility to various functions of the General Fund, are accounted for as revenue and expenditures or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund, which are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. Administrative service fees that are charged to other operating funds to support general services used by the other operating funds (like purchasing, accounting and administration) are treated as reimbursement transactions and the revenue and expenditures/expenses reduced in the allocating fund. Transfers between funds are included in the results of both governmental and proprietary funds (as other sources/uses in governmental funds and as non-operating revenues/expenses in proprietary funds).

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported in the fund financial statements as “due to/from other funds” for the current portion and “interfund receivables and payables” for the non-current portion (if applicable).

Certain transactions occurring between funds that are combined within the same fund type or displayed in the same financial statement column for presentation in these annual financial statements have been eliminated from the financial statements. These transactions include transfers between funds and interdepartmental service charges. In the government-wide financial statements, only the net interfund activity and balances between governmental activities and business-type activities are shown (reported as “internal balances”). Also see Note 8.

M. Receivables

All receivables are shown net of an allowance for uncollectible accounts. For trade accounts receivable (miscellaneous receivables and utility billing receivables), amounts outstanding in excess of 90 days are included in the allowance. Also see Notes 5 and 7.

N. Restricted Assets

Certain proceeds of the City’s bonds, as well as certain resources set aside for their repayment, are classified as restricted on the balance sheet, or statement of net position, because they are maintained in separate bank accounts and their use is limited by applicable debt covenants.

O. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts in the period in which the bonds are issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The long-term debt of the City is serviced by various funds, according to the type of debt and the funds benefiting from that debt. The General Obligation Bonds Debt Service Fund, Municipal Development Authority Bonds Debt Service Fund, Community Facilities District Bonds Debt Service Fund, and Special Assessment Debt Service Fund are all specifically established to service those specific types of debt obligations of the City. The Highway User Revenue Fund services the highway user revenue bonds, if any, which are funded by state shared gas tax revenues. The Half-Cent Sales Tax Fund and Development Fee Fund service debt obligations from development agreements. Each enterprise fund individually accounts for and services the applicable bonds and contracts payable that benefit that fund.

P. Compensated Absences

Annual leave, based on a graduated scale of years of employment, is credited to each employee as it accrues. The maximum annual leave accrual for permanent employees is 320 hours. Upon employment termination, payment is made to the employee for the unused leave.

City employees are granted one sick leave day per month. The maximum an employee may accumulate varies according to union status; however, the City makes no payment on the unused portion upon employment termination except on the condition of retirement. Any sick time accrued above the maximum allowed to be carried is paid out annually in May at a rate of 25% and the employees' sick leave is reduced to the allowable maximum.

For the governmental fund financial statements, compensated absences are accrued only when due. For the government-wide financial statements, as well as the proprietary fund financial statements, all of the outstanding vacation, compensatory time and benefits, as well as an estimate of the retirement sick-time payout for eligible employees, are recorded as a liability. Compensated absences are liquidated when mature by the various operating funds accruing the liability.

Q. Risk Financing Activities

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; workers' compensation; and health insurance. The City maintains a Self-Insurance Fund (accounted for in the Internal Service Funds) to account for and finance its uninsured risks of loss. Premiums are paid into the internal service fund by the other operating funds and are available to pay claims, claim reserves and administrative costs of the program. These interfund premiums are used to fund claim expenses reported in the internal service fund. The City uses third party administrators to monitor the workers' compensation and health insurance claims programs. As with any risk retention program, the City is contingently liable with respect to claims beyond those actuarially projected.

Risk management -
The City is self-insured for property and public liability up to $1,000,000 and for damage to City vehicles valued up to $100,000. Vehicles with a value in excess of $100,000 have a $5,000 deductible. Excess coverage insurance policies purchased through commercial insurance carriers cover individual claims in excess of these amounts up to $40,000,000.

The operating funds of the City pay monthly premiums to the risk management fund based upon a budget model taking into consideration prior loss experience, staffing, and operating budget.

Premium payments to insurance carriers are made directly from the risk management fund. There have been no settlements paid in excess of insurance in any of the past three years nor has insurance coverage been significantly reduced in recent years.

Workers' compensation -
On July 1, 2009, the City established a workers' compensation trust fund for work-related injuries to employees. For workers' compensation insurance, the City is self-insured up to $850,000 per claim on public safety employees and $750,000 for all other employees up to an aggregate stop loss of $3,423,282 for fiscal year 2013. Commercial insurance is purchased to cover claims above the self-insurance amounts.

Operating funds with employees covered under the workers' compensation insurance program pay monthly premiums to the workers' compensation fund based upon staffing levels.

Premium payments to insurance carriers, as well as third party administrator costs are made directly from the workers' compensation trust fund. Employee wages while off work for workers' compensation injuries (2/3rds of weekly wages) are also paid from this fund. There have been no settlements paid in excess of insurance in the last three years, nor has insurance coverage been significantly reduced in recent years.

Health insurance -
On January 1, 2010, the City established a health insurance trust fund for health insurance coverage for City employees and dependants. The City is self-insured for employee health claims up to $200,000 per claimant. Commercial insurance is purchased for claims in excess of those limits as well as aggregate insurance for claims in excess of 125% of the City's total actuarially projected claims.

Premiums are collected through contributions from employee paychecks and department budgets. COBRA participants contribute 100% of the premiums for their insurance coverage. Premiums for the medical, vision, dental, and life insurance plans are determined prior to each renewal period by estimating the costs of claims and administration of the plan based on a number of factors including: the demographics of the group, previous claims history, plan design changes and any new mandated benefits.

Premium payments to insurance carriers, as well as third party administrator costs are made directly from the health insurance trust fund. There have been no settlements in excess of insurance in the past three years, nor have insurance coverage been significantly reduced in recent years.

Estimated liability –
The total claims liability of $3,835,774 reported in the Self-Insurance Fund at June 30, 2013 is based on the requirements of Governmental Accounting Standards Board Statement #10 which requires that liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The claims liability consists of $1,898,573 for liability/property claims, $1,378,432 for workers' compensation claims and $558,769 for health insurance claims.

For additional information on insurance amounts, see Table XXXIV on page 192. The claims liability includes an estimated amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. Non-incremental claims adjustment expenses are not included in the calculation. Changes in the Self-Insurance Fund's claims liability amount (claims only, exclusive of other insurance expenses) during the last two fiscal years are as follows:

Fiscal Year 2012:

	Beginning of Fiscal Year Liability	Changes in Estimates	Current Year Claims	Claims Payments	Balance at Fiscal Year-end
Risk management	$ 1,761,000	$ 1,383,409	$ 2,226,420	$ (2,226,420)	$ 3,144,409
Workers' comp	675,000	1,902,748	2,331,374	(2,331,374)	2,577,748
Health insurance	719,000	(6,477)	11,700,457	(11,700,457)	712,523
	$ 3,155,000	$ 3,279,680	$ 16,258,251	$(16,258,251)	$ 6,434,680

Fiscal Year 2013:

	Beginning of Fiscal Year Liability	Changes in Estimates	Current Year Claims	Claims Payments	Balance at Fiscal Year-end
Risk management	$ 3,144,409	$(1,245,836)	$ 2,158,084	$ (2,158,084)	$ 1,898,573
Workers' comp	2,577,748	(1,199,316)	575,858	(575,858)	1,378,432
Health insurance	712,523	(153,754)	10,579,379	(10,579,379)	558,769
	$ 6,434,680	$(2,598,906)	$ 13,313,321	$(13,313,321)	$ 3,835,774

Detailed financial statements of the three functions making up the self-insurance fund may be found on pages 136-137.

R. Cash Equivalents

The City considers short-term investments (including restricted assets) in the State of Arizona investment pool, mutual fund-money market, U.S. Treasury bills and notes with maturities of three months or less at acquisition date to be cash equivalents.

S. New AccountingStandards

During fiscal year 2013, the City implemented the following new accounting standards issued by the Governmental Accounting Standards Board:

Statement No. 63 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
Statement No. 65 – Items Previously Reported as Assets and Liabilities

T. Change in Accounting Principle

The implementation of GASB Statements #63 and 65 are a change in accounting principle, which cause certain prior period net position/fund balances to be restated. Under previous accounting principles, bond issuance costs which were expensed in the year incurred in the governmental funds, were deferred and amortized over the life of the bonds in the government-wide and proprietary fund statements. GASB Statement No. 65 requires that bond issuance costs no longer be deferred, causing an adjustment to beginning net position to reflect the removal of unamortized bond issuance costs.

The following re-statements of net position are included in the fund and government-wide financial statements:

Government-wide Statement of Activities:	
Governmental Activities	$ 2,751,048
Business-type Activities	383,178
Total	$ 3,134,226
Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position:	
Water Utility Fund	$ 258,344
Wastewater Utility Fund	124,834
Total	$ 383,178

U. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of net position/balance sheet and the reported amounts of revenues and expenses/expenditures during the reporting period. Specifically, the city has made certain estimates and assumptions relating to the collectibility of its receivables (including accounts receivable), valuation of capital assets and depreciation expense, and the ultimate outcome of claims payable. Actual results could differ from those estimates.

2. RECONCILIATION OF GOVERNMENTAL FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE STATEMENTS

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual accounting basis while the government-wide financial statements are prepared on a long-term economic resources measurement focus and accrual accounting basis. Reconciliations briefly explaining the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements immediately follow each fund financial statement. Additional reconciliations are provided below.

Reconciliation of Governmental Funds Balance Sheet and the government-wide Statement of Net Position:

	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Internal Service Funds (2)	Eliminations (3)	Statement of Net Position Totals
Assets					
Cash and cash equivalents	$ 40,431,138	-	6,097,182	-	46,528,320
Cash with fiscal agent	3,745,828	-	-	-	3,745,828
Investments	159,670,619	-	24,233,066	-	183,903,685
Accounts receivable, net	10,435,309	-	35,200	-	10,470,509
Interest receivable	222,784	-	25,479	-	248,263
Due from other funds	1,375,375	-	(1,917,820)	(1,375,375)	(1,917,820)
Due from other governments	4,287,261	-	-	-	4,287,261
Prepaid items	148,315	-	22,745	-	171,060
Supply inventories	210,147	-	193,108	-	403,255
Other assets	-	1,800,000	-	-	1,800,000
Restricted cash/cash equivalents	47,182,046	-	-	-	47,182,046
Restricted investments	28,362,497	-	-	-	28,362,497
Special assessment receivables	3,520,000	-	-	-	3,520,000
Interfund receivable (non-current)	890,133	-	-	(890,133)	-
Capital assets	-	1,111,300,735	17,944,897	-	1,129,245,632
Total assets	$ 300,481,452	1,113,100,735	46,633,857	(2,265,508)	1,457,950,536
Deferred outflows of resources					
Deferred loss on bond refunding	$ -	407,974	-	-	407,974
Total Assets & Deferred Outflows	$ 300,481,452	1,113,508,709	46,633,857	(2,265,508)	1,458,358,510

	Total Governmental Funds	Long-term Assets/ Liabilities (1)	Internal Service Funds (2)	Eliminations (3)	Statement of Net Position Totals
Liabilities					
Accounts payable	$ 10,417,107	-	1,539,579	-	11,956,686
Accrued payroll	1,034,768	-	87,861	-	1,122,629
Interest payable	-	6,389,570	-	-	6,389,570
Due to other funds	1,375,375	-	-	(1,375,375)	-
Due to other governments	1,257,224	-	-	-	1,257,224
Claims/deposits payable	3,567	-	1,660,785	-	1,664,352
Other liabilities	3,037,933	-	-	-	3,037,933
Unearned revenue-other	3,354,815	-	-	-	3,354,815
Interfund payable (non-current)	890,133	-	-	(890,133)	-
Unamortized bond premium	-	3,850,154	-	-	3,850,154
Compensated absences-current	-	4,594,960	507,950	-	5,102,910
Current bonds/contracts payable	-	21,879,034	-	-	21,879,034
Long-term liabilities	-	341,710,157	2,380,969	-	344,091,126
Total liabilities	$ 21,370,922	378,423,875	6,177,144	(2,265,508)	403,706,433
Deferred inflows of resources					
Unavailable revenue-property taxes	139,359	(139,359)	-	-	-
Unavailable revenue-special assessments	3,520,000	(3,520,000)	-	-	-
Total Deferred Inflows	$ 3,659,359	(3,659,359)	-	-	-
Fund Balance/Net Position					
Total fund balance/net position	$ 275,451,171	738,744,193	40,456,713	-	1,054,652,077
Total liabilities, deferred inflows & fund balance/net position	$ 300,481,452	1,113,508,709	46,633,857	(2,265,508)	1,458,358,510

(1) When capital assets (land, buildings, equipment, etc.) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net position includes those capital assets among the assets of the City as a whole.

Costs of capital assets	$ 1,381,949,305
Accumulated depreciation	(270,648,570)
	$ 1,111,300,735

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expense when paid.

Interest payable	$ (6,389,570)

Bond premiums are recognized at the time of issuance in the governmental funds, but are amortized over the life of the bonds on the statement of net position. $ (3,850,154)

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly are not reported as fund liabilities in the governmental fund statement. All liabilities, both current and long-term are reported in the statement of net position.

Contracts payable	$ (57,165,982)
Bonds payable	(304,850,000)
Compensated absences	(6,168,169)
Subtotal	(368,184,151)
Less: current compensated absences	(4,594,960)
current portion of bonds/contracts	(21,879,034)
	$ (341,710,157)

Loss on refunding bonds is expensed at the time of issuance in the governmental funds, but is amortized over the life of the bonds on the statement of net position. $ 407,974

Certain long-term debt obligations that are booked for the government-wide statements are offset by goodwill. $ 1,800,000

Advanced revenue for the long-term special assessment receivables shown on the governmental fund statements is not included on the statement of net position. Also, certain property tax revenues deferred under modified accrual for the governmental fund statements, is recognized as revenue in the year received under accrual accounting for the government-wide statements.

Advanced special assessment revenue	$ 3,520,000
Deferred property tax revenue	139,359
	$ 3,659,359

(2) Internal service funds are used by management to charge the costs of certain activities, such as insurance, motor pool, information technology, and facilities maintenance, to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position, but are not included on the governmental fund balance sheet.

ISF Net Position	$ 40,456,713

(3) Certain interfund transactions between governmental activities are eliminated in the consolidation of those activities for the statement of net position.

Interfund receivables - current	$	1,375,375
Interfund receivables – non-current		890,133
Interfund payables – current		(1,375,375)
Interfund payables – non-current		(890,133)
	$	-

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities:

	Total Governmental Funds	Long-term Revenues/ Expenses(1)	Capital-related Items(2)	Internal Service Funds(3)	Long-term Debt Transactions(4)	Eliminations and Adjustments(5)	Statement of Activities
Revenues and Other Sources							
Taxes:							
Sales and use taxes	$ 65,950,235	-	-	-	-	-	65,950,235
Property taxes	19,862,485	(385,158)	-	-	-	-	19,477,327
Franchise taxes	4,136,004	-	-	-	-	-	4,136,004
Intergovernmental:							
State shared sales taxes	12,665,191	-	-	-	-	-	12,665,191
Urban revenue sharing	14,425,958	-	-	-	-	-	14,425,958
Auto-in-lieu taxes	5,155,206	-	-	-	-	-	5,155,206
Highway user revenue	8,435,926	-	-	-	-	-	8,435,926
From federal government	2,929,700	-	-	-	-	-	2,929,700
Other governmental	6,219,163	-	-	-	-	-	6,219,163
Charges for services	21,405,623	-	-	-	-	867,759	22,273,382
Licenses and permits	2,564,075	-	-	-	-	-	2,564,075
Fines and forfeitures	2,257,477	-	-	-	-	-	2,257,477
Rents	1,101,082	-	-	-	-	-	1,101,082
Investment earnings	537,732	-	-	61,531	-	-	599,263
Special assessments	1,217,271	(1,031,324)	-	-	-	-	185,947
Miscellaneous	5,880,511	-	19,093	-	-	(1,501,988)	4,397,616
Other sources:							
Gain on sale of capital assets	-	-	66,465	-	-	-	66,465
Capital contributions	-	-	6,704,158	-	-	-	6,704,158
Capital-related debt issued	35,510,000	-	-	-	(35,510,000)	-	-
Premium on bonds issued	1,039,481	-	-	-	(1,039,481)	-	-
Expired development agreement	-	-	-	-	630,104	-	630,104
Transfers in	16,968,105	-	3,777,254	2,312,937	36,549,481	(58,415,316)	1,192,461
Total revenues and other sources	228,261,225	(1,416,482)	10,566,970	2,374,468	630,104	(59,049,545)	181,366,740
Expenditures/Expenses							
Current:							
General government	15,094,866	514,910	4,156,703	(429,165)	-	(161,524)	19,175,790
Culture and recreation	19,668,598	31,910	3,817,353	(610,188)	-	(472,705)	22,434,968
Police	35,375,166	(16,980)	1,572,468	(1,533,820)	-	-	35,396,834
Fire	21,327,100	(230,910)	1,548,144	(1,283,628)	-	-	21,360,706
Development services	8,568,013	(22,890)	6,084	(176,588)	-	-	8,734,619
Highways and streets	16,355,505	39,130	14,117,536	(544,964)	-	-	29,967,207
Public works	4,914,720	81,060	2,143,565	(149,357)	-	-	6,989,988
Human services	2,213,374	(2,300)	39,771	(54,044)	-	-	2,196,801
Debt service:							
Principal payments	20,120,163	-	-	-	(20,120,163)	-	-
Interest and other charges	12,534,039	204,990	-	-	-	-	12,739,029
Capital outlay	39,612,698	-	(39,612,698)	-	-	-	-
Unallocated depreciation	-	-	574,557	-	-	-	574,557
Total expenditures/ expenses	195,784,242	598,290	(11,636,517)	(4,781,754)	(20,120,163)	(634,229)	159,210,499
Other financing uses/changes in net position							
Transfers out	27,205,066	-	5,119,384	128,300	36,549,481	(58,415,316)	10,586,915
Total expenditures/expenses & other financing uses	222,989,308	598,290	(6,517,133)	(4,653,454)	16,429,318	(59,049,545)	169,797,414
Net change for the year	$ 5,271,917	(2,015,402)	17,084,103	7,027,922	(15,799,214)	-	11,569,326

(1) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrual of long-term compensated absences	$	(146,071)

Interest expense on long-term debt is accrued for the statement of activities but is not accrued for the governmental fund statements. Amortization of bond premiums and deferred loss on refunding is also included in the statement of activities, but not the governmental fund statements.

Accrued interest	$ (428,993)
Amortization of loss on refunding	(58,282)
Amortization of bond premium	282,285
	$ (204,990)

Property taxes revenues not received within 60 days of year-end are deferred for governmental fund reporting, but are not deferred for government-wide reporting. When these revenues are subsequently received, they are recognized in the governmental operating statement and reversed in the statement of activities. $ (385,158)

Special assessment principal payments received are reported as revenue on the governmental fund statements, but are reductions to the outstanding special assessment debt for government-wide reporting. Also, the sale of additional special assessment bonds is reported as a receivable and Advances in the governmental funds, but on the government-wide financial statements, it is reported as an increase in outstanding debt and the revenue is recognized.

Current year principal payments received	$ (1,031,324)

Certain long-term debt obligations are offset by a goodwill asset that is amortized over the life of the debt. Goodwill amortization is included in the statement of activities, but not the governmental fund statements. $ (540,000)

(2) When capital assets that are to be used in the governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of the financial resources expended, whereas net position decrease by the amount of depreciation expense charged for the year.

Capital outlay	$ 39,612,698
Depreciation expense	(27,952,231)
	$ 11,660,467

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital assets is removed from the capital assets account in the statement of net position and offset against the sales proceeds resulting in a “gain on sale of capital assets” in the statement of activities. Thus, more revenue is reported in the governmental funds than gain in the statement of activities.

Cost of capital assets disposed of:	$ 19,093

Donations of capital assets are not shown on the governmental funds, but are included in the assets of the City. On the statement of activities, these donations are shown as capital contributions.

Capital contributions	$ 6,704,158

Gains and losses on sales of fixed assets are not shown on the governmental fund statements, but are included in the statement of activities.

Gains	$ 66,465
Losses	(23,951)
	$ 42,514

The donation of capital assets between Governmental and Proprietary Funds is not shown in the governmental fund statements but is a transfer in/out on the statement of activities.

Transfers out	$ (5,119,384)
Transfers in	3,777,254
	$ (1,342,130)

(3) Internal service funds are used by management to charge the costs of certain activities, such as insurance, motor pool, information technology, and facilities maintenance, to the individual funds. The adjustments for internal service funds “close” those funds by charging the additional amounts to participating governmental activities to completely cover the internal service funds’ costs for the year.

Revenue and other sources	$ 2,374,468
Expenditures and other uses	4,653,454
Change in net position	$ 7,027,922

(4) Repayment of bond principal is reported as an expenditure in governmental funds and thus has the effect of reducing fund balance because current financial resources have been used. For the City as a whole however, the principal payments reduce the long-term liabilities in the statement of net position and do not result in an expense in the statement of activities.

Principal payments made	$ 20,120,163

The issuance of additional debt is reported as an other financing source in the governmental funds, but is an increase in outstanding debt, not an other financing source, for government-wide reporting.

Bonds issued	$ (35,510,000)

Certain bond transactions, like bond premiums and loss on refunding, are reported as revenues or expenditures in the governmental funds because they provide, or use, current financial resources. However, for the City as a whole, these costs are amortized (expensed) over the life of the bonds.

Bond premium	$ (1,039,481)
Loss on bond refunding	-
	$ (1,039,481)

A Development Agreement (long term not carried in the governmental funds) expired without meeting the revenue requirements necessary to cause the City to pay out the entire amount of the agreement. This transaction has not effect on the governmental statements, but creates a special item on the statement of activities $ 630,104

Certain debt transactions cause transfers between funds.

Transfers out	$ 36,549,481
Transfers in	(36,549,481)
	$ -

(5) Certain other transactions are treated differently under modified accrual accounting used in the governmental funds and full accrual accounting used for the statement of activities. Also interfund transactions between governmental funds or between business-type activities are eliminated in the statement of activities and only net transactions between governmental and business-type activities remain.

Interfund charges for service between governmental activities are eliminated in the consolidation of these activities for the statement of activities. The elimination is reflected as a reduction of revenues and expenditures in the charging fund so that the expenses remain in the charged activity.

Interfund charges for services revenue	$ 634,229
Interfund service charges	(634,229)
	$ -

Interfund transfers between governmental activities, other than Internal Service Funds, are eliminated in the consolidation of these activities for the statement of activities. The elimination is reflected as a reduction of transfers in and transfers out to eliminate the doubling up effect of these transactions within the governmental activities. Elimination of transfers to/from the Internal Service Funds is netted into the results of the Internal Service Funds in (3) above.

Transfers out	$ 58,415,316
Transfers in	(58,415,316)
	$ -

3. BUDGET BASIS OF ACCOUNTING

The City prepares the annual budget on a modified cash basis, which differs from GAAP, as discussed in Note 1.E. Budgetary comparison statements for the General Fund and major Special Revenue Funds are included with the basic financial statements. Budgetary comparison schedules for all other governmental funds as well as schedules of operation – budget and actual for the proprietary funds are presented as supplementary information. In all cases, the budgetary statements or schedules include a reconciliation of the adjustments required to convert the budgetary revenues and expenditures or change in net position on a budgetary basis, to revenues and expenditures/expenses or change in net position on a GAAP basis.

4. DEPOSITS AND INVESTMENTS

A. Deposits

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the government-wide Statement of Net Position, and on the fund financial statements, as "Cash and cash equivalents" and "Investments".

At June 30, 2013, the carrying amount of the City's deposits was $37,961,857 and the bank balance was $37,510,164. The entire bank balance was covered by federal depository insurance or collateralized by the City's agent in the City's name or in the Municipal Development Authority, Inc.'s trust name. The difference between the City's carrying amount and the bank balance of $451,693 represents deposits in transit, outstanding checks and other reconciling items.

B. Investments

City charter, ordinance, and trust agreements authorize the City to invest in obligations of the U.S. Treasury or its agencies and instrumentalities. In addition, the City may invest in certificates of deposit, mutual fund money market, repurchase agreements, corporate securities and the State of Arizona local government investment pool. The State Treasurer's Investment Pool is overseen according to Arizona State Statute by the State Board of Deposit.

Governmental Accounting Standards Board Statement No. 40 – Deposit and Investment Risk Disclosures (Statement 40) requires the City to disclose its deposit and investment policies regarding certain types of investment risks. The City's adopted investment policy is in compliance with Statement 40.

Interest rate risk: In order to limit interest and market rate risk, State law and the City's investment policy sets a maximum maturity on any investment of five years with a minimum of 35% invested for a period of one year or less and no more than 20% of the City's portfolio be invested for a period greater than three years. At June 30, 2013, 72.5% of the City's investments have a maturity of less than one year and 4.5% have maturities greater than three years. The City's investment policy also sets a maximum weighted average maturity (WAM) not to exceed one year. The WAM at June 30, 2013 was 356 days.

Credit risk: State law and the City's investment policy limits the purchase of Commercial Paper to those securities rated A-1/P-1 or the equivalent by two nationally recognized statistical rating agencies. The City's investment policy also limits the purchase of Banker's Acceptances to those securities rated Aa or better by two nationally recognized rating agencies and with a maximum maturity of 180 days. At June 30, 2013, the City's investments include $86.9 million in Commercial Paper and no Banker's Acceptance securities. State law and the City's investment policy also restricts investments in certificates of deposit (CD) to fully collateralized or insured from eligible Arizona depositories limited on a statewide basis by their capital structure on a quarterly basis. Such CDs are further collateralized to 110% with pledged securities held by an independent custodian approved by the City. City policy requires that securities underlying repurchase agreements must have a market value of at least 102 percent of the cost of the repurchase agreement. The market values of securities underlying repurchase agreements were at or above the required level during the fiscal year.

Investment Type	Moody's Rating	S&P Rating	% of Investments
Federal Farm Credit Bank - Agency Note	Aaa	AA+	2.8
Federal Farm Credit Bank – Callable Agency Note	Aaa	AA+	4.2
Federal Home Loan Bank - Agency Note	Aaa	AA+	7.9
Federal Home Loan Bank - Callable Agency Note	Aaa	AA+	0.9
Federal Home Loan Mortgage Corp - Agency Note	Aaa	AA+	2.8
Federal Home Loan Mortgage Corp - Callable Agency Note	Aaa	AA+	8.7
Federal National Mortgage Assoc - Agency Note	Aaa	AA+	8.9
Federal National Mortgage Assoc - Callable Agency Note	Aaa	AA+	5.8

The City's investment in the State of Arizona local government investment pool is limited to a pool that invests only in government securities. At June 30, 2013, all investments of that pool were U.S. Government Obligations and Agencies, and it therefore does not carry a credit rating.

Concentration of credit risk: The City's investment policy sets diversification limits on both security types and length of maturity. As of June 30, 2013, the City's investments include 45.2% invested in U.S. Agency Coupon securities, 7.9% in U.S. Treasury Notes, 24.3% in Commercial Paper, and 22.6% in money market funds, cash with fiscal agent, and the Arizona State Investment Pool.

Custodial credit risk: To control custodial credit risk, State law and the City's investment policy requires all securities and collateral to be held by an independent third party custodian in the City's name. The custodian provides the City with monthly market values along with original safekeeping receipts.

The City's investment in the State of Arizona's local government investment pool is stated at fair value, which also approximates the value of the investment upon withdrawal.

At June 30, 2013, the City's investments included the following:

		Investment Maturities in Years				
.		Less than 1	1-2	2-3	Over 3	Fair Value
Unrestricted Investments:						
U.S. Treasury notes and strips	$	26,183,530	-	-	- $	26,183,530
Agency coupon securities		55,286,942	48,958,628	29,944,500	16,096,624	150,286,694
Agency discount notes		1,999,153	-	-	-	1,999,153
Commercial paper		71,431,327	-	-	-	71,431,327
State of Arizona local government investment pool		297,072	-	-	-	297,072
Mutual fund-money market		25,342,820	-	-	-	25,342,820
Total unrestricted investments		180,540,844	48,958,628	29,944,500	16,096,624	275,540,596
Less: amount included in cash and cash equivalents						25,292,606
Plus: amount included in restricted investments						1,614,147
Unrestricted investments, net					$	251,862,137
Total investments per statement of net position					$	251,421,521
Plus: Investments in fiduciary funds						440,616
Net unrestricted investments					$	251,862,137
Restricted Investments:						
Agency coupon securities		9,081,192	1,392,463	1,995,900	- $	12,469,555
Commercial paper		15,484,974	-	-	-	15,484,974
Mutual fund-money market		51,767,885	-	-	-	51,767,885
U.S. Treasury notes and strips		2,019,000	-	-	-	2,019,000
Total Restricted Investments		78,353,051	1,392,463	1,995,900	- $	81,741,414
Less: amount included in restricted cash with fiscal agents						3,745,828
Less: amount included in restricted cash and cash equivalents						48,018,941
Less: amount included in unrestricted investments						1,614,147
Net restricted investments					$	28,362,498

Restricted cash, cash equivalents, and cash with fiscal agents at June 30, 2013, consisted of the following:

Restricted investments included in restricted cash and cash equivalents		47,018,941
Less: amount included in unrestricted cash and cash equivalents		836,895
Total restricted cash and cash equivalents per statement of net position	$	47,182,046

Cash with Fiscal Agents at June 30, 2013, consisted of the following:

Cash with fiscal agents	$	-
Restricted investments included in cash with fiscal agents		3,745,828
Total cash with fiscal agents	$	3,745,828

Unrestricted Cash and cash equivalents at June 30, 2013, consisted of the following:

Investments included in cash and cash equivalents	$	25,292,605
Carrying amount of city deposits		37,961,852
Amounts due from restricted cash		836,895
Cash on hand		6,435
Total cash and cash equivalents		64,097,787
Less: Cash and cash equivalents of Fiduciary funds		110,862
Total cash and cash equivalents per statement of net position	$	63,986,925

Fair value fluctuates with interest rates, and increasing rates could cause fair value to decline below original cost. City management believes the liquidity in the portfolio is adequate to meet cash flow requirements and to preclude the City from having to sell investments below original cost.

Investment income is comprised of the following for the year ended June 30, 2013:

Net interest and dividends	$	1,169,148
Net decrease in the fair value of investments		(393,447)
Total net investment income		775,701
Less: net investment income of Fiduciary funds		262
Total net investment income per statement of activities	$	775,439

The net decrease in the fair value of investments during fiscal year 2012-2013 was approximately $393,447. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at June 30, 2013, was approximately $381,353.

5. PROPERTY TAXES

Arizona law provides for a two tiered tax system: (1) a primary system for taxes levied to pay for current operation and maintenance expenses, and (2) a secondary system for taxes levied to pay principal and interest on bonded indebtedness as well as for the determination of maximum permissible bonded indebtedness.

Specific provisions are made under each system for determining full cash values of property, the basis of assessment, and the maximum annual tax levies on certain types of property and by certain taxing authorities. Under the primary system, the full cash value of locally assessed real property (consisting of residential, commercial, industrial, agricultural and unimproved property) may increase by more than 10% annually only under certain circumstances. Under the secondary system, there is no limitation on annual increases in full cash value of any property. Primary levies on residential property are limited to one percent of the primary full cash value of such property. Additionally, primary taxes on all types of property are limited to a maximum increase of two percent over the prior year's levy, adjusted for new construction and annexations. Secondary property taxes levied to pay principal and interest on bonded indebtedness are not limited. The City's primary and secondary assessed valuation for fiscal year 2013 are $1,133,938,910 and $1,137,434,740 respectively.

The Arizona tax year has been defined as a calendar year, not withstanding the fact that tax procedures begin prior to January 1 of the tax year and continue through May of the succeeding calendar year. The definition of the tax year is a function of the fact that the tax lien for the year attaches to the real property as of January 1 of the year in question.

The City Council adopts the annual tax levy each year on or before the third Monday in August. The basis of this levy is the full cash value as determined by the Maricopa County Assessor. For locally assessed property, the value is determined as of January 1 of the preceding year, known as the valuation year. For utilities and other centrally valued properties, the full cash value is determined as of January 1 of the tax year. The City has an enforceable claim on the property when the property tax is levied. Levies are due and payable in two installments, on October 1 and March 1, and become delinquent on November 1 and May 1, respectively. Delinquent amounts bear interest at the rate of 16 percent. A lien is placed on the property at the time the tax bill is sold. Maricopa County, at no charge to the taxing entities, bills and collects all property taxes. Public auctions for sale of delinquent real estate taxes are held in February following the May 1 date upon which the second half taxes become delinquent. The purchaser is given a Certificate of Purchase issued by the County Treasurer. Five years from the date of sale, the holder of a Certificate of Purchase that has not been redeemed may demand a County Treasurer's Deed from the County Treasurer.

Property taxes are recognized as revenue in the government-wide financial statements when an enforceable legal claim has arisen. Therefore, the City recognizes revenue and a receivable, less any allowance for doubtful accounts deemed appropriate, for the entire tax levy in the year it is levied. For the governmental fund financial statements, property tax revenues not collected within 60 days of year end are deferred. Unsecured taxes on personal property, which are assessed on a monthly basis using different procedures than those mentioned above, are recognized as revenue on a cash basis for both the governmental fund statements and the government-wide statements.

6. DUE FROM OTHER GOVERNMENTS

The following amounts are due from other governments at June 30, 2013:

Governmental activities:	
General Fund:	
Due from Maricopa County for:	
Property tax	30,122
Due from State of Arizona for:	
State shared sales tax	2,177,346
Auto lieu tax	250,023
Miscellaneous other	24,849
Due from Peoria Unified School District	116,987
Subtotal	2,599,327
Highway User Revenue Fund:	
Due from State of Arizona (Highway user revenue)	797,774
Due from Maricopa County – Property tax (SLIDS)	4,233
Subtotal	802,007
GO Bond Debt Service Fund:	
Due from Maricopa County (Property tax)	176,777
Subtotal	176,777
Non-major Governmental Funds:	
Due from US Department of Housing & Urban Development	230,121
Due from US Department of Transportation	62,091
Due from US Department of Interior	38,972
Due from other Federal agencies	121,554
Due from Maricopa County:	
Home Grant	47,501
Property tax	28,805
Other	55,464
Due from State of Arizona	
Various Grants	124,642
Subtotal	709,150
Total Governmental Activities	$ 4,287,261

7. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are recorded in the various funds and displayed in the financial statements net of an allowance for uncollectible accounts as follows at June 30, 2013.

Fund		Receivables	Allowance	Net
Governmental funds:				
General Fund	$	5,515,834	28,122	5,487,712
Half-Cent Sales Tax Fund		1,499,009	-	1,499,009
Highway User Revenue Fund		310,804	6,717	304,087
Transportation Sales Tax Fund		899,536	-	899,536
GO Bond Debt Service Fund		2,038,298	184,880	1,853,418
Other Governmental Funds		420,057	28,510	391,547
Total governmental funds	$	10,683,538	248,229	10,435,309
Enterprise funds:				
Water Utility Fund	$	7,762,103	2,813,156	4,948,947
Wastewater Utility Fund		2,804,668	622,443	2,182,225
Solid Waste Utility Fund		1,687,422	440,043	1,247,379
Stadium Fund		4,250	-	4,250
Storm Drain Utility Fund		118,367	28,720	89,647
Public Housing Fund		-	-	-
Total enterprise funds		12,376,810	3,904,362	8,472,448
Internal Service Funds		35,200	-	35,200
Grand totals	$	23,095,548	4,152,591	18,942,957

8. INTERFUND TRANSACTIONS, RECEIVABLE AND PAYABLE BALANCES

Net interfund receivables and payables between governmental activities and business-type activities of $1,917,820 are included in the government-wide financial statements at June 30, 2013. These internal balances are between the proprietary funds (business-type activities) and the internal service funds (governmental activities). Other interfund payables and receivables, $34,363 at June 30, 2013, shown on the fund financial statements generally represent short-term cash loans at year end. Such balances are expected to be repaid in the next fiscal year.

At June 30, 2013, there are two interfund loans that are considered to be long-term loans: 1) The General Fund has an outstanding balance of $141,012 (all current) due from the Development Fee Fund for a cash loan for the completion the Sunrise Mountain Branch Library construction, and 2) The Development Fee Fund owes the MDA Debt Service Fund $2,090,133 ($1,200,000 current and $890,133 long-term) to repay future debt service payments for bonds used to complete construction of Happy Valley Road.

The net transfers of $9,394,454 from governmental activities to business-type activities on the government-wide statement of activities are primarily operational subsidies from the Half-Cent Sales Tax Fund to the Stadium Fund and the transfer of completed capital assets from the MDA to the Stadium Fund and the General Fund to the Water Utility Fund. The following interfund transfers are reflected in the fund financial statements for the year ended June 30, 2013:

Fund		Transfers out	Transfers in
Governmental funds:			
General Fund	$	1,543,141	8,469,088
Half-Cent Sales Tax Fund		13,353,028	496,659
Highway User Revenue Fund		-	1,066,230
Transportation Sales Tax Fund		4,126,930	-
GO Bond Debt Service Fund		-	97,738
Impact Fee Fund		21,242	-
Non-Major Governmental Funds		8,160,725	6,838,390
Total governmental funds		27,205,066	16,968,105

Enterprise funds:		
Water Utility Fund	3,849,754	1,714,544
Wastewater Utility Fund	618,844	3,083,246
Solid Waste Utility Fund	23,842	3,258
Stadium Fund	-	7,718,860
Storm Drain Utility Fund	-	24,856
Total enterprise funds	4,492,440	12,544,764
Internal Service funds	128,300	2,312,937
Grand totals	$ 31,825,806	31,825,806

The interfund transfers generally fall within one of the following categories: 1) debt service payments made from a debt service fund but funded from an operating fund; 2) subsidy transfers; 3) transfers to fund internal service equipment replacement funds; or 4) capital assets purchased or constructed in one fund, but capitalized in another. There were no significant transfers during fiscal year 2013 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

9. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Both the Water Utility Fund and the Wastewater Utility Fund have revenue streams pledged in support of outstanding revenue bonds but since both segments are discretely presented in the proprietary fund financial statements, all required segment information is disclosed on the face of those statements.

10. DEFICITS IN FUND EQUITY/EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2013, one fund, as shown in the basic financial statements, was in a deficit position. The Facilities Maintenance Fund, as shown in the Combining Statements for the Internal Service Funds, has a deficit balance of $144,158 at June 30, 2013. The City intends to remedy this situation through service charges to the various operating departments in future fiscal years.

For the year ended June 30, 2013, expenditures, including capital outlay and transfers, did not exceed budget at the fund level (i.e. the level of budgetary control) in any funds.

11. FUND BALANCE/NET POSITION RESTRICTIONS, COMMITMENTS AND ASSIGNMENTS

Only restrictions imposed by external sources are shown as Restricted Net Position on the government-wide financial statements. Additionally, restrictions for inventories, prepaid items, and long-term interfund loans are shown as nonspendable fund balance on the governmental fund financial statements. Restrictions imposed by external sources or State of Arizona enabling legislation are shown as restricted fund balance on the governmental fund financial statements. Commitments or assignments of fund balances imposed by the reporting government, whether by administrative policy or legislative action of the reporting government, are shown on the governmental fund financial statements, but not on the proprietary fund financial statements. The City does, however, commit or assign portions of net position in other funds to demonstrate the government's intended use of those net position balances. Commitments are created by legislative action of the City Council, the City's highest level of decision making authority, by resolution or ordinance and would require the same legislative action to reverse. Ordinances and resolutions both require public votes of the Council and, although the uses may differ, they are both considered to be of the highest level of decision making authority for the City. The authority to make assignments has been delegated by the City Council to the Chief Financial Officer. Much of the authority to commit fund balance is established in *Principals of Sound Financial Management* last adopted by Council by resolution in November 2010. As previously noted in Note 1.B, generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. The order in which the City would apply resources when multiple categories of unrestricted fund balance are available is as follows: committed, assigned and unassigned. The committed and assigned fund balances of the governmental funds are shown on the fund financial statements. The following are the commitments or assignments of net position included in unrestricted net position on the proprietary fund financial statements at June 30, 2013:

Water Utility Fund:	
Committed for working capital policy reserve	$ 7,100,000
Committed for rate stabilization	1,600,000
Committed for debt stabilization	3,200,000
Committed for system asset maintenance	6,939,861
Committed for capital equipment replacement	1,035,990
	19,875,851
Wastewater Utility Fund:	
Committed for working capital policy reserve	4,500,000
Committed for rate stabilization	900,000
Committed for debt stabilization	3,100,000
Committed for system asset maintenance	4,725,000
Committed for capital equipment replacement	600,202
	13,825,202
Solid Waste Utility Fund:	
Committed for working capital policy reserve	2,200,000
Committed for capital equipment replacement	3,152,956
	5,352,956
Stadium Fund:	
Committed for capital equipment replacement	146,244
Total proprietary funds	39,225,253
Internal Service Funds:	
Committed for capital equipment replacement	12,337,917
Assigned for Workers' Compensation self-insurance reserve	650,000
Assigned for risk management purpose	6,256,183
Total internal service funds	19,244,100

The City has set aside funds for various stabilization arrangements. The authority for the stabilization arrangements is in the Council adopted *Principals of Sound Financial Management*. The governmental fund stabilization arrangements are shown as committed fund balance on the governmental fund financial statements. The commitments for stabilization arrangements in the proprietary funds are shown above. The City has the following stabilization arrangements at June 30, 2013:

Budget stabilization reserve – Is maintained in the General Fund (10% of the average general fund revenues for the preceding five years) and the Half-Cent Sales Tax Fund (35% of the average fund revenues for the preceding five years). These reserves may be used to provide funding to deal with fluctuations in fiscal cycles and operating requirements that exceed $500,000. Any use of these reserves must be formally approved by the City Council and include a repayment plan to restore the reserve within the three fiscal years following the year in which the event occurred.

Emergency reserve – Maintained in the General Fund (10% of the average general fund revenues for the preceding five years) and is for unexpected, large-scale events where damage in excess of $250,000 is incurred and immediate remedial action must be taken to protect the health and safety of residents (e.g. floods, fires, storm damage). Usage of the emergency reserve must be approved by City Council, but the City Manager may utilize these funds when immediate action must be taken to protect the health and safety of residents. The City Manager must then provide a summary report to the City Council as soon as practical on the usage of these funds. The City shall strive to restore the Emergency Reserve to the 10% level within the next fiscal year following the fiscal year in which the event occurred.

Operating Reserve - Maintained in the General Fund (15% of the average general fund revenues for the preceding five years) and is for unexpected events whose impact exceeds $500,000, such as failure of the State to remit shared revenues, unexpected mandates, unexpected loss of State Shared revenues, continuance of critical city services due to unanticipated events, or to offset unexpected loss of a significant funding source for the remainder of the fiscal year. Any use of these reserves must be formally approved by the City Council and include a repayment plan to restore the reserve within the two fiscal years following the year in which the event occurred.

Enterprise Operating Fund Working Capital Reserve – Maintained in the Water Utility Fund (25% of the operating expenditures of the fund for the fiscal year), the Wastewater Utility Fund (25% of the operating expenditures of the fund for the fiscal year), and the Solid Waste Utility Fund (20% of the operating expenditures of the fund for the fiscal year). These reserves are to provide the City with a comfortable margin of safety to address emergencies and unexpected declines in revenue without borrowing.

Rate Stabilization Reserve – In the Water and Wastewater Utility Funds (5% of the average operating fund revenues for the preceding three fiscal years). These funds may be used to moderate significant rate increases. In the event these funds are used, the City shall strive to restore the reserve to the 5% level within the next three fiscal years following the year in which the funds were used.

Debt Stabilization Reserve – In the Water and Wastewater Utility Funds (50% of the maximum annual debt service payment of the fund in the next five fiscal years). The Debt Stabilization Reserve is intended to provide additional security to insure the City's ability to meet debt service obligations. In the event the Debt Stabilization Reserve is used, the City shall strive to restore the fund to the defined level within the three fiscal years following the year in which the funds were used.

Asset Maintenance Reserve - In the Water and Wastewater Utility Funds (2% of the gross enterprise infrastructure assets). The Asset Maintenance Reserve may be used to provide funding for the repair and maintenance of critical enterprise infrastructure. In the event the Asset Maintenance Reserve is used, the City shall strive to restore the fund to the defined level within the three fiscal years following the year in which the funds were used.

In the event the Enterprise Funds do not have sufficient fund balance to fully fund the four reserves just discussed, the funding priority will be 1) Working Capital Reserve, 2) Rate Stabilization Reserve, 3) Debt Stabilization Reserve and 4) Asset Maintenance Reserve.

Capital Equipment Replacement Reserves – The City maintains various capital equipment replacement reserves to fund future replacement of certain capital equipment, primarily vehicles and computers. The annual internal charges to the operating funds are determined as part of the annual budget process.

12. CAPITAL ASSETS

A summary of capital asset activity, for the government-wide financial statements, for the year ended June 30, 2013, follows:

	Balances June 30, 2012	Additions/ Transfers in	Disposals/ Transfers out	Balances June 30, 2013
Governmental activities:				
Non-depreciable assets:				
Work in Progress – Parks	$ 16,874,160	19,934,496	(10,509,062)	26,299,594
Work in Progress – Buildings	992,426	131,343	(311,545)	812,224
Work in Progress - Equipment	117,740	-	-	117,740
Work in Progress – Furniture	31,036	-	-	31,036
Work in Progress – Surface water	9,850,137	6,276	(38,214)	9,818,199
Work in Progress – Streets	104,999,631	13,446,354	(18,262)	118,427,723
Work in Progress – Technology	3,258,530	723,861	(1,926,964)	2,055,427
Work in Progress – Vehicles	446,428	384,175	(451,363)	379,240
Work in Progress – CFD	2,634,530	2,455,422	(1,342,130)	3,747,822
Land	336,691,112	2,470,013	-	339,161,125
Total non-depreciable assets	475,895,730	39,551,940	(14,597,540)	500,850,130

	Balances June 30, 2012	Additions/ Transfers in	Disposals/ Transfers out	Balances June 30, 2013
Depreciable assets:				
Buildings & Improvements	170,730,564	8,718,054	-	179,448,618
Furniture	2,131,775	-	-	2,131,775
Equipment	45,423,032	4,526,519	-	49,949,551
Vehicles	22,778,135	2,133,702	(1,119,055)	23,792,782
Surface water system	80,324,605	38,214	-	80,362,819
Street system	536,820,597	6,550,813	-	543,371,410
Park system	60,343,077	1,936,628	-	62,279,705
Total depreciable assets at historical cost	918,551,785	23,903,930	(1,119,055)	941,336,660
Less accumulated depreciation for:				
Buildings & Improvements	(37,394,414)	(4,306,635)	-	(41,701,049)
Furniture	(1,586,340)	(158,417)	-	(1,744,757)
Equipment	(33,086,884)	(3,773,366)	-	(36,860,250)
Vehicles	(15,697,079)	(1,996,205)	1,042,153	(16,651,131)
Surface water system	(19,778,414)	(1,979,144)	-	(21,757,558)
Street system	(166,594,210)	(13,989,888)	-	(180,584,098)
Park system	(11,893,739)	(1,748,576)	-	(13,642,315)
Total accum. depreciation	(286,031,080)	(27,952,231)	1,042,153	(312,941,158)
assets, net	632,520,705	(4,048,301)	(76,902)	628,395,502
Governmental activities capital assets, net	$ 1,108,416,435	35,503,639	(14,674,442)	1,129,245,632
Business-type activities:				
Non-depreciable assets:				
Work in Progress - Water	$ 23,497,031	3,053,625	-	26,550,656
Work in Progress - Wastewater	10,628,039	4,785,130	-	15,413,169
Work in Progress – Stadium	229,106	7,309,561	-	7,538,667
Land	17,020,639	2,600	(410,350)	16,612,889
Total non-depreciable assets	51,374,815	15,150,916	(410,350)	66,115,381
Depreciable assets:				
Buildings & improvements	38,474,045	-	(3,276,922)	35,197,123
Furniture	224,675	-	(9,613)	215,062
Equipment	5,027,793	3,428,348	(24,351)	8,431,790
Vehicles	12,100,600	2,091,346	(417,834)	13,774,112
Surface water system	-	24,856	-	24,856
Water Rights	12,889,809	-	-	12,889,809
Water system	307,604,328	3,670,497	-	311,274,825
Wastewater system	346,276,759	2,131,410	-	348,408,169
Total depreciable assets at historical cost	722,598,009	11,346,457	(3,728,720)	730,215,746
Less accumulated depreciation for:				
Buildings & improvements	(14,823,329)	(941,328)	2,061,629	(13,703,028)
Furniture	(175,939)	(15,865)	9,612	(182,192)
Equipment	(2,236,374)	(874,992)	20,256	(3,091,110)
Surface water system	-	(2)	-	(2)
Vehicles	(8,362,203)	(1,175,374)	417,832	(9,119,745)
Water Rights	(1,288,981)	(257,796)	-	(1,546,777)
Water system	(66,352,650)	(7,329,441)	66	(73,682,025)
Wastewater system	(65,092,223)	(8,484,288)	-	(73,576,511)
Total accum. depreciation	(158,331,699)	(19,079,086)	2,509,395	(174,901,390)
Total depreciable assets, net	564,266,310	(7,732,629)	(1,219,325)	555,314,356
Business-type activities capital assets, net	$ 615,641,125	7,418,287	(1,629,675)	621,429,737

Depreciation expense was charged to governmental functions in the government-wide financial statements as follows:

General government	$ 4,156,703
Culture and recreation	3,817,353
Police	1,609,945
Fire	1,490,878
Development services	6,084
Highways and streets	14,117,536
Public works	2,143,565
Human services	35,610

Unallocated	574,557
Total depreciation expense	$ 27,952,231

13. COMMUNITY FACILITIES DISTRICT DEBT

Community Facilities Districts (CFD's), special purpose districts created specifically to acquire or construct public infrastructure within specified areas of the City, are authorized under state law to issue general obligation (GO) or revenue bonds to be repaid by property (ad valorem) taxes levied on property within the district (for GO debt), or by specified revenues generated within the districts (revenue bonds). CFD's are created by petition to the City Council by property owners within the area to be covered by the district, and debt may be issued only after approval of the voters within the district.

On October 15, 2002 the City Council formed the Vistancia Community Facilities District (VCFD) pursuant to Title 48, Chapter 4, Article 6, Arizona Revised Statutes. VCFD was subsequently authorized, by the voters of the district on November 12, 2002, to issue up to $100,000,000 in general obligation bonds to construct public infrastructure within VCFD. VCFD issued $21,250,000 in fiscal year 2003 and $23,550,000 in fiscal year 2005 and $22,760,000 in fiscal year 2007 of general obligation bonds against this authorization. These bonds will be repaid by the property owners within VCFD. The bonds are obligations of the district only. The City has no obligation for VCFD debt other than the administration of the collection of the property taxes and payment of the debt service on behalf of VCFD.

14. LONG-TERM DEBT

A. General Obligation bonds

General: General obligation (GO) bonds are issued, after approval of the City of Peoria voters at an authorized bond election, to finance the purchase or construction of major capital facilities. While GO bonds may be issued for both governmental and business-type activities, at June 30, 2013, there are no outstanding GO bonds in the business-type activities.

GO bonds are backed by the "full faith and credit" of the City and are repaid through the City's levying of property (ad valorem) taxes. There is no legal limit on the secondary property tax used for debt service on GO bonds.

Statutory Debt Limitation: Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, (after January 1, 1974) parks and open space, and (after December 7, 2006) public safety and transportation purposes may not exceed 20 percent of a City's net secondary assessed valuation. Also outstanding general obligation bonded debt for all other purposes may not exceed 6 percent of a City's net secondary assessed valuation. The City's computation of legal debt margins available for creation of additional debt at June 30, 2013 was $66,521,084 and $66,576,948 for the 6 percent and 20 percent debt limits respectively. Also see Table XXIII in the Statistical Section.

B. Revenue bonds

Water and Sewer Revenue Bonds: Water and Wastewater Revenue Bonds are issued, pursuant to voter authorization, for the construction, acquisition, and equipping of water and wastewater facilities and related systems and infrastructure. The bonds are backed by the revenues of the water and wastewater utilities. Also see Table XXV in the Statistical Section of this report.

C. Municipal Development Authority bonds

Municipal Development Authority (MDA) Bonds are issued by a non-profit corporation created by the City for the purpose of financing certain capital construction projects. The MDA issues its own bonds, which are repaid through a lease purchase agreement with the City equal to the debt service requirements. The City utilizes the City's excise tax and other unrestricted revenues to pay the lease payments. Also see Table XXIV in the Statistical Section of this report.

D. Special assessment bonds with Governmental Commitment

Special Assessment Bonds are used to construct projects within special assessment districts created by the City after property owners within these districts agree to be assessed for the costs of debt service on these bonds. Payments made by the assessed property owners within the districts are pledged to pay the debt service on the bonds. In the event of default by a property owner, the lien created by the assessment is sold at public action, and the proceeds are used to offset the defaulted assessment. If there is no purchase at the public auction, the City is required to buy the property, and pay off the assessment, with funds appropriated from the General Fund.

As trustee for improvement districts, the City is responsible for collection of assessments levied against the owners of property within the improvement districts and for disbursement of these amounts for retirement of the respective bonds issued to finance the improvements. The City is contingently liable on special assessment bonds to the extent that proceeds from auction sales are insufficient to retire outstanding bonds.

At June 30, 2013, special assessments receivable, together with amounts paid in advance and interest to be received over the life of the assessment period, are adequate to meet the scheduled maturities of the bonds payable and related interest. There were no delinquent assessments at June 30, 2013. Also see Tables XXVI and XXVII in the Statistical Section of this report.

E. Community Facilities District bonds

Community Facilities District (CFD) bonds are issued by separate legal entities formed for the purposes of financing public infrastructure improvement within a specific area of the City. The repayment of these bonds is the responsibility of the district, not the City. As the administrator for the district, the City collects the property taxes and makes the debt payments on behalf of the district. See further discussion of CFD bonds outstanding in Note 13.

F. Authorized and issued debt

The voters of the City authorized $22,080,000 of general obligation bonds at a special bond election in March 1990, and $75,150,000 in September 1994 of which $592,560 and $12,000,657, respectively, was unissued at June 30, 2012. In September 1996, the voters authorized $75,550,000 in either general obligation bonds or utility revenue bonds. To date, the City has not issued general obligation bonds against this authorization; however, $60,380,132 in utility revenue bonds has been issued against the 1996 authorization, leaving $15,169,868 unissued against the authorization. In September 2000, the voters authorized $282,000,000 in bonds as follows: $164,000,000 in general obligation, utility revenue bonds or Water Infrastructure Finance Authority of Arizona Revolving Fund Loan for the acquisition and construction of water and wastewater facilities; $22,300,000 in general obligation or utility revenue bonds for storm drainage projects; $47,150,000 in general obligation or highway user revenue bonds for street, bridges and traffic control projects; and $48,550,000 in general obligation bonds for parks, open space, public safety and public service projects. General obligation bonds in the amount of $21,681,456 in 2003, $59,472,631 in 2007, $19,555,776 in 2009, $9,384,315 in 2010 and $495,000 in 2012; and water infrastructure debt of $13,965,546 in 2008, $8,575,248 in 2009, and $13,775,827 in 2010 have been issued against the 2000 authorization, leaving $135,094,201 unissued. In May 2005, the voters authorized $196,000,000 in general obligation bonds as follows: $52,000,000 for public safety and municipal operations, $109,000,000 for streets, bridges and traffic control projects, and $35,000,000 for parks, recreation and library projects. Also in May 2005 the voters authorized $160,000,000 in revenue or general obligation bonds for water treatment, water system, wastewater, and storm drainage projects. General obligation bonds in the amount of $24,087,416 in 2007, $38,511,231 in 2009, $9,497,031 in 2010, and $8,775,000 in 2012 were issued against the 2005 authorization leaving $115,129,322 unissued. Water infrastructure debt of $24,631,066 in 2007, $28,775,995 in 2008, $10,372,993 in 2009 and $4,045,230 in 2010 in general obligation bonds for drainage projects were issued against the 2005 water, wastewater and storm drainage authorization leaving $92,174,716 unissued at June 30, 2013.

In November 2008, the voters authorized $378,000,000 in bonds as follows: $276,700,000 in general obligation or utility revenue bonds for transportation and drainage projects, $60,300,000 for public safety and municipal operations projects, and $41,000,000 for parks, recreation and trails projects. General obligation bonds in the amount of $6,243,424 were issued in 2010 and $5,445,000 in 2012 against the 2008 authorization leaving $366,311,576 unissued as of June 30, 2013.

Additionally, in 1996 the citizens of Peoria approved $42,480,000 in Water Infrastructure Finance Authority of Arizona revolving fund loan for the acquisition and construction of water and wastewater facilities. These projects are financed by utility rates for water and wastewater. As of June 30, 2013, $23,605,000 remains available of this authorization. For further detail of authorized, issued and unissued bonds, see Table XXIX in the Statistical Section of this report.

G. Bond covenants and restrictions

There are various limitations and restrictions contained in debt covenants on some bonds requiring that the City maintain certain reserves or other restrictions. No violations of those covenants occurred during the fiscal year ending June 30, 2013.

H. Arbitrage

Under U.S. Treasury Department regulations, all government tax-exempt debt issued after August 31,1986 is subject to arbitrage rebate requirements. In general the requirements stipulate that the earnings from investments of tax-exempt bond proceeds that exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond and revenue bond issue subject to the arbitrage rebate requirement as of June 30, 2013. At June 30, 2013, there is no outstanding arbitrage liability.

Bonds and loans payable at June 30, 2013 are comprised of the following:

Delivery Date	Description	Purpose	Maturity Dates	Net Interest Rate	Ave. Life (Yrs)	Original Principal Balance	Principal Balance Outstanding
CLASSIFIED IN GOVERNMENTAL ACTIVITIES ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS:							
General Obligation Bonds							
03/01/07	Series A (2007)	Various improvements	7/1/07-26	4.27	20	94,380,000	61,090,000
03/01/07	Series B (2007)	Refunding portions of Series 1995, 1996, 2000	7/1/07-20	4.00	14	18,365,000	10,780,000
02/19/09	Series 2009	Various improvements	7/1/09-28	3.86	7.4	68,440,000	37,945,000
06/24/10	Series 2010	Various improvements	07/1/10-30	4.03	10.5	29,170,000	24,155,000
06/28/12	Series 2012A	Various improvements	07/1/12-32	3.32	11.38	14,715,000	14,715,000
06/28/12	Series 2012B	Refunding of Series 2003A	7/1/12-22	1.75	5.7	13,690,000	13,690,000
	Total General Obligation Bonds					238,760,000	162,375,000
Municipal Development Authority Bonds							
03/09/06	Series 2006	Revenue Bonds MDA Series 2006 – Community Theater	7/1/06-25	4.2	10.9	6,675,000	4,805,000
03/12/08	Series 2008	Revenue Bonds MDA Series 2008 - Transportation	7/1/08-26	4.6	10.5	47,000,000	37,385,000
06/08/11	Series 2011	Revenue Bonds MDA Series 2011	7/1/12-26	3.9	8.7	7,920,000	7,530,000
07/18/13	Series 2012	Revenue Bonds MDA Series 2012	7/1/13-32	3.3	11.6	35,510,000	35,510,000
	Total General Obligation Bonds					97,105,000	85.230,000
Special Assessment Bonds with governmental commitment (collateralized by the special assessments levied on the property benefiting from the improvements)							
04/01/07	ID# 0601	99^{tth} Ave & Northern ID-Street improvements	7/1/07-22	4.25	15	4,660,000	3,520,000
	Total Improvement District Bonds					4,660,000	3,520,000
Community Facility District Bonds (collateralized by ad valorem property taxes levied on the property benefiting from the improvements)							
12/17/02	Series 2002	Vistancia Community Facilities District infrastructure	7/15/05-22	6.69	12.7	21,250,000	14,450,000
04/27/05	Series 2005	Vistancia Community Facilities District infrastructure	7/15/07-24	5.47	13.2	23,550,000	18,900,000
12/28/06	Series 2006	Vistancia Community Facilities District Infrastructure	7/15/09-26	4.26	20	22,760,000	20,375,000
	Total Community Facilities District Bonds					67,560,000	53,725,000
Total bonds payable recorded in governmental activities							304,850,000
Less current portion							(16,705,000)

Long-term portion of bonds payable recorded in governmental activities	288,145,000

CLASSIFIED IN BUSINESS-TYPE ACTIVITIES ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS:

Revenue Bonds							
07/26/02	WIFA Series 2000 (ph 3)	Water system improvements	7/1/03-22	3.94	11.8	1,964,789	1,169,884
12/08/06	WIFA Series 2006 CW 1	Butler Water Treatment Plant	7/1/08-26	3.06	20	27,183,342	22,349,661
02/15/08	WIFA Series 2006 CW 2	Butler Water Treatment Plant	7/1/09-27	3.30	20	42,741,541	35,791,511
05/16/08	WIFA Series 2006 CW 3	Butler Water Treatment Plant	7/1/10-28	3.48	19	8,575,253	7,562,886
07/17/09	WIFA Series CW0182009	Northern Ave Repairs	7/1/10-29	3.48	20	1,577,978	635,215
07/17/09	WIFA Series DW0382009	Various improvements	7/1/10-29	2.00	20	8,484,204	6,961,702
07/17/09	WIFA Series CW0412009	Beardsley upgrades & Northern Ave repairs	7/1/10-29	2.00	20	4,021,623	3,227,316
07/17/09	WIFA Series CW0172009	Beardsley reclamation facility	7/1/10-29	3.27	20	4,545,000	3,861,721
11/20/09	WIFA Series DW1272009	Pinnacle Peak Road improvements	7/1/10-29	3.23	20	1,780,000	652,756
05/27/10	WWW Series 2010	Refunding Series 1998A & Series 2000 Revenue Bonds	7/1/11-20	3.21	6.2	15,780,000	14,015,000
06/28/12	WWW Series 2012	Refunding Series1995,1997, WIFA Series 2000 PH 1&2	7/1/12-21	1.60	4.3	23,280,000	23,280,000
	Total Revenue Bonds					200,318,811	119,507,652

Total bonds payable recorded in business-type activities	119,507,652
Less current portion	(9,007,117)
Long-term portion of bonds payable recorded in business-type activities	110,500,535
Total long-term portion of bonds payable	$398,645,535
Reconciliation to total bonded debt principal:	
Total long-term portion of bonds payable	$398,645,535
Add:	
Current portion of bonds payable	25,712,117
Total bonded debt principal as of June 30, 2013	$424,357,652

Contracts Payable

The contracts payable listed below are generally development agreements where, in return for developers constructing capital infrastructure that the City would otherwise be responsible for constructing, and then dedicating (donating) that infrastructure to the City, the City has agreed to repay the developer at some future time. Both the liability (Contracts payable) and the capital asset are reported in the governmental activities on the government-wide financial statements. No other financing source or use is reported in the governmental fund financial statements since these are not cash transactions.

Other debt at June 30, 2013 consists of the following:

Agreement Date	Type	Nature of Improvements	Expiration Date	Interest Rate	Interest Cap	Original Amount	Principal Balance Outstanding
CLASSIFIED IN GOVERNMENTAL ACTIVITIES ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS:							
06/01/94	Planned area retail project	Offsite improvements-Bell Rd & Paradise Ln-IDs 8802 and 9303 – DMB Circle Road	06/20/17	Prime	7.0	4,538,187	309,094
03/16/99	Master-planned community	Street & infrastructure improvements-West Wing Pkwy; Park land; Trail improvements; Open space land – West Wing	03/16/14	-	-	4,316,327	3,940,961
10/22/01	Master-planned community	Fire station building, equipment & land; Street & infrastructure improvements-parts of El Mirage Road, Ridgeline Rd, Vistancia Blvd, Jomax Rd, Ln Mtn Rd, Westland Rd; Park land & improvements - Vistancia	10/22/26	-	-	45,251,014	23,348,852
07/01/03	Planned area retail project	Offsite improvements-91st Ave & Bell Rd – DIB Investment Group	05/20/20	-	-	1.800,000	1,022,194
11/18/03	Planned area retail project	Offsite improvements-91st Ave & Bell Rd- BCC Development (Acura)	04/30/14	-	-	1,800,000	929,815
02/17/04	Residential development	Neighborhood park land & improvements; Right of way land on 67th Ave – Sonoran Mtn Ranch	02/17/14	-	-	1,382,257	102,014
03/16/04	Residential development	Street & infrastructure improvements; Right of way land; Park land; Library land – Camino A Lago	08/31/14	-	-	14,512,075	11,094,044
10/19/04	Residential development	Street & infrastructure improvements; Right of way land; Trail land; Fire station land – Rock Springs	-	-	-	3,901,317	3,026,791
12/14/04	Planned area retail project	Offsite improvements-92nd Ave & Bell Rd – Phoenix Motor Co.	07/29/18	-	-	1,800,000	1,379,531
02/11/05	Master-planned community	Offsite improvements; Right of way land; Trail land; Open space land – Tierra del Rio	02/11/15	-	-	10,587,249	8,614,259
09/14/05	Residential development	Offsite improvements-Lake Pleasant Pkwy, Deer Valley to Williams – Casa Del Ray	-	-	-	588,659	54,935
10/12/06	Planned area retail project	Offsite improvements & Right of way land-Peoria east of 83rd Ave - Wal-Mart	10/01/13	-	-	6,926,205	2,342,091

Agreement Date	Type	Nature of Improvements	Expiration Date	Interest Rate	Interest Cap	Original Amount	Principal Balance Outstanding
CLASSIFIED IN GOVERNMENTAL ACTIVITIES ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued):							
12/22/06	Residential development	Right of way land – Peoria Place	-	-	-	748,209	748,209
03/05/09	Planned area retail project	Right of way land; Intersection improvements – Empire Center	-	-	-	253,192	253,192
Total contracts payable recorded in governmental activities							57,165,982
Less estimated current portion							(5,177,034)
Long-term portion of contracts payable in governmental activities							51,988,948
CLASSIFIED IN BUSINESS-TYPE ACTIVITIES ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS:							
12/14/00	Master-planned community	Water and wastewater treatment plant facilities and lift stations - Quintero	-	-	-	661,005	626,568
10/22/01	Master-planned community	Water rights-4,200 acre feet of assured water supply - Vistancia	10/22/26	-	-	4,841,000	2,348,454
02/17/04	Residential development	Wastewater infrastructure improvements –Sonoran Mtn Ranch	02/17/14	-	-	2,376,931	173,070
03/16/04	Residential development	Water rights-947 acre feet water allocation – Camino A Lago	08/31/14	-	-	426,208	292,851
02/11/05	Master-planned community	Offsite improvements; Right of way land; Trail land; Open space land – Tierra del Rio	02/11/15	-	-	3,427,985	2,856,261
Total contracts payable recorded in business-type activities							6,297,204
Less estimated current portion							(563,190)
Long-term portion of contracts payable							5,734,014
Total long-term contracts payable as of June 30, 2013							$ 57,722,962

The following is a summary of changes in non-current liabilities reported in the government-wide financial statements for the year ended June 30, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 170,960,000	-	8,585,000	162,375,000	9,555,000
MDA Bonds	52,480,000	35,510,000	2,760,000	85,230,000	4,195,000
Special assessment bonds	4,660,000	-	1,140,000	3,520,000	325,000
CFD bonds	56,230,000	-	2,505,000	53,725,000	2,630,000
Total bonds payable	284,330,000	35,510,000	14,990,000	304,850,000	16,705,000
Contracts payable	62,926,249	-	5,760,267	57,165,982	5,177,034
Compensated absences	7,011,230	8,394,712	8,523,843	6,882,099	5,102,910
Deferred bond premium	3,092,958	1,039,481	282,285	3,850,154	-
Deferred loss on refunding	(466,255)	-	(58,382)	(407,973)	-
Governmental activities totals	$ 356,894,183	44,944,193	29,498,013	372,340,362	26,984,944
Business-type activities:					
Bonds payable:					
Revenue bonds	128,283,906	-	8,776,254	119,507,652	9,007,117
Contracts payable	6,936,350	-	639,146	6,297,204	563,190
Compensated absences	801,950	863,196	822,416	842,730	614,690
Lease payable	-	-	-	-	-
Deferred bond premium	2,444,595	-	276,791	2,176,804	-
Deferred loss on refunding	(379,208)	-	(47,401)	(331,807)	-
Business-type activities totals	$ 138,087,593	863,196	10,467,206	128,483,583	10,184,997

The following is a summary of bond debt service requirements, including interest requirements, to maturity for long-term debt at June 30, 2013:

Fiscal Year	General Obligation Bonds	Municipal Development Authority Bonds	Special Assessment Bonds	Revenue Bonds	Community Facilities District Bonds	Total
2014	15,628,409	7,633,645	474,600	12,695,674	5,484,633	41,916,961
2015	15,638,309	7,595,408	475,788	12,684,630	5,476,311	41,870,446
2016	15,665,759	7,583,308	476,338	12,652,567	5,475,713	41,853,685
2017	15,263,734	7,576,707	476,250	12,952,581	5,468,074	41,737,346
2018	14,693,884	7,571,358	480,525	12,937,109	5,462,674	41,145,550
2019	14,681,728	7,549,657	478,950	12,001,210	5,455,359	40,166,904
2020	14,644,259	7,561,183	481,738	10,613,246	5,445,671	38,746,097
2021	14,665,603	7,557,017	483,675	10,633,223	5,443,926	38,783,444
2022	13,467,774	7,547,712	484,761	7,706,818	5,432,718	34,639,783
2023	13,453,315	7,546,978	-	6,888,325	5,425,388	33,314,006
2024	11,861,871	7,517,769	-	6,744,469	5,427,431	31,551,540
2025	11,846,175	7,532,213	-	6,741,606	5,419,936	31,539,930
2026	11,831,774	7,508,634	-	6,747,233	5,437,175	31,524,816
2027	11,835,219	3,157,307	-	6,753,332	5,430,802	27,176,660
2028	6,085,050	2,464,791	-	4,728,820	-	13,278,661
2029	6,076,688	2,463,106	-	1,656,385	-	10,196,179
2030	2,820,575	2,455,581	-	304,515	-	5,580,671
2031	2,815,638	2,459,128	-	-	-	5,274,766
2032	967,406	2,455,300	-	-	-	3,422,706
2033	957,622	2,457,263	-	-	-	3,414,885
Less Interest	(52,525,792)	(30,964,065)	(792,625)	(25,934,091)	(22,560,811)	(132,777,384)
	$162,375,000	85,230,000	3,520,000	119,507,652	53,725,000	424,357,652

The following table discloses the bond debt service requirements as of June 30, 2013, segregating principal and interest, for the next five years and in five-year increments thereafter.

Fiscal year	Principal	Interest	Total
2014	25,712,117	16,204,844	41,916,961
2015	26,539,387	15,331,059	41,870,446
2016	27,490,996	14,362,689	41,853,685
2017	28,422,081	13,315,265	41,737,346
2018	28,947,787	12,197,763	41,145,550
2019-2023	141,976,908	43,673,326	185,650,234
2024-2028	119,278,968	15,792,639	135,071,607
2029-2033	25,989,408	1,899,799	27,889,207
Totals	$ 424,357,652	132,777,384	557,135,036

The City had no outstanding variable rate bonds at June 30, 2013. The City had $309,094 in variable rate outstanding contracts payable at June 30, 2013. Interest on this debt is tied to the prime rate with an interest rate cap that varies per agreement. The City had no short-term debt activity during the year ended June 30, 2013.

Long-term compensated absences of governmental activities are expected to be liquidated by the operating funds (primarily the General Fund, Highway User Revenue Fund and Transit Fund) as they come due.

15. ADVANCE REFUNDINGS

In prior years, the City refinanced various bond issues through advance refunding arrangements. Under the terms of the refunding bond issues, sufficient assets to pay all principal and interest on the refunded bond issues have been placed in irrevocable trust accounts at commercial banks and invested in U.S. Government Securities which, together with interest earned thereon, will provide amounts sufficient for future payment of principal and interest of the issues refunded.

Prior Years Refundings (amounts not yet callable)

2000 Ph2	Water Infrastructure Authority Bonds	$7,912,547

16. PLEDGED REVENUES

The City has pledged certain future revenues to repay specific bonded debt as follows:

The City has pledged future water utility and wastewater utility revenues, net of specific operating expenses, to repay $15,780,000 in Revenue Refunding Bonds issued in 2010, $23,280,000 in Revenue Refunding Bonds issued in 2012 and $161,258,811 in Water Infrastructure Financing Authority Bonds issued in 1995-2010. The various bonds were issued for the purchase or construction of various water or wastewater infrastructure including wells, treatment plants, pumping stations and water and wastewater distribution or collection lines. At June 30, 2013, $119,507,652 in bonds remain outstanding to be repaid by future water and wastewater revenues. For the fiscal year ended June 30, 2013, the net revenues available for service of this debt were $26,911,394. The debt principal and interest paid on this debt in fiscal year 2013 was $12,356,158 (45.9% of available net pledged revenues). For further information on long-term debt, refer to Note 14. For additional information on pledged revenues for revenue bonds, refer to Table XXV (page 183).

The City has pledged certain revenues for the repayment of $50,105,000 in Municipal Development Authority (MDA) Bonds issued in 2006, 2011 and 2012. Pledged revenues for these bonds include excise taxes and state shared revenues not specifically reserved by law or other regulation to be expended for other purposes. At June 30, 2013, $47,845,000 in bonds remained outstanding to be repaid by these future revenues. The bonds were issued to construct various City operational facilities and to purchase water rights. For the fiscal year ended June 30, 2013, the pledged revenues available to service this debt were $105,886,977. The debt principal and interest paid on this debt in fiscal year 2013 was $1,162481 (1.1% of available pledged revenues). For further information on long-term debt, refer to Note 14. For additional information on pledged revenues for MDA bonds, refer to Table XXIV (page 182).

The City has pledged certain revenues for the repayment of $47,000,000 in Municipal Development Authority Bonds issued in 2008. The bonds were issued to construct transportation infrastructure. The bonds have a senior lien on the .03% transportation sales tax and a secondary lien on the excise taxes and state shared revenues not specifically reserved by law or other regulation to be expended for other purposes (secondary after the MDA Bonds discussed above). At June 30, 2013, $37,385,000 of the bonds remained outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2013, the net revenues available to service this debt were $114,651,932. The debt principal and interest paid on this debt in fiscal year 2013 was $3,898,588 (3.4% of available pledged revenues). For further information on long-term debt, refer to Note 14. For additional information on pledged revenues for revenue bonds, refer to Table XXIV (page 182).

The City has pledged certain revenues for the repayment of Special Assessment Bonds. The bonds were issued to purchase or construct infrastructure within the various special assessment districts. Pledged revenues for these bonds include the fund balance of the Special Assessment Debt Service Fund, plus the collections of assessments against property owners in the districts. At June 30, 2013 $3,520,000 in bonds are outstanding to be repaid by these revenues. For the fiscal year ended June 30, 2013, the net revenues available to service this debt were $1,484,283. The debt principal and interest paid on this debt in fiscal year 2013 was $1,362,820 (91.8% of available pledged revenues). For further information on long-term debt, refer to Note 14. For additional information on pledged revenues for Special Assessment bonds, refer to Table XXVI (page 184).

17. RETIREMENT AND PENSION PLANS

All full-time employees of the City are covered by one of three pension plans. Benefits are established by state statute and the plans generally provide retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retiree's average compensation. Long-term disability benefits vary by circumstances, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are paid as a flat dollar amount per month towards the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The Arizona State Retirement System (A.S.R.S.) is for the benefit of the employees of the state and certain other governmental jurisdictions. All full-time City employees, except sworn fire and police personnel, are included in the Arizona State Retirement System plan, which is a cost sharing, multiple-employer, defined benefit plan. Sworn police and fire personnel participate in the Public Safety Retirement System, which is an agent multiple-employer defined benefit plan. In addition, the Mayor and City Council members are covered by the State's Elected Officials Plan, which is also a multiple-employer defined benefit cost sharing plan.

Arizona State Retirement System:

a. **Plan Description**

All of the City's full-time employees, other than those covered by one of the other retirement plans, participate in the Arizona State Retirement System (System), a cost sharing multiple-employer defined benefit pension plan; health insurance premium plan; and long-term disability plan. The System was established by the State of Arizona to provide benefits for employees of the state and employees of participating political subdivisions and school districts. The System is administered in accordance with Title 38, Chapter 5, Article 2 of the Arizona Revised Statutes. The System provides for retirement, disability, health insurance premiums, and death and survivor benefits. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Arizona State Retirement System, 3300 N. Central Ave., Suite 1300, Phoenix, Arizona, 85012 or by calling 1-800-621-3778 or 602-240-2000.

b. **Funding Policy**

Covered employees were required by state statute to contribute 11.14 percent (10.9 percent for retirement and 0.24 percent for long-term disability) of their salaries to the System and the City was required to match it (10.25 percent for retirement, .65 percent for health insurance premium, and 0.24 percent for long-term disability). Arizona Revised Statutes (A.R.S.) provide statutory authority for determining the employees' and employers' contribution amounts as a percentage of covered payroll. Employers are required to contribute at the same rate as employees. Although the statutes prescribe the basis of making the actuarial calculation, the Arizona legislature is able to impose a contribution rate other than the actuarially determined rate. The City was also required to contribute an alternate contribution rate of 8.64 percent of salaries for those employees that are currently receiving retirement benefits from the System. These retirement members are not required to contribute to the System. These amounts have been included in the employer retirement fund contributions in the following table.

The City's contributions for the current year and two preceding years, all of which were equal to the required contributions, were as follows:

Fiscal Year Ended	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2011	4,439,940	290,740	123,195
2012	4,263,942	272,167	103,682
2013	5,048,667	320,008	117,811

Elected Officials Retirement Plan:

a. **Plan Description**

The City's Mayor and Council members participate in the Elected Officials Retirement System (EORP), a cost sharing, multiple-employer defined benefit pension plan and insurance premium plan. The Board of Trustees of the Public Safety Personnel Retirement System (PSPRS) is the administrator for the EORP which was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits for state and county elected officials, judges and certain elected city officials. EORP provides retirement benefits, death and disability benefits, and health insurance premium benefits.

Because the health insurance premium plan benefit of the EORP is not established as a formal trust, it is reported in accordance with GASB Statement 45 as an agent multiple-employer plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer plan. According to GASB Statement 43, the health insurance subsidy paid by the Plan represents other post employment benefits. The Plan does not administer a separate healthcare plan as defined under IRC 401h or an equivalent arrangement. In addition, the Plan is not statutorily authorized to maintain a separate account for the health insurance subsidy assets and benefit payments. Therefore, in accordance with GASB Statement 43, the healthcare subsidy is reported by the Plan as an agency fund. All assets of the plan are available to pay both pension and health insurance subsidy. The pension benefits and health insurance subsidy are funded through employer contributions based on an annual actuarial valuation. Contributions are separately accounted for by employer but are not segregated by contribution type.

EORP issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Elected Officials Retirement Plan, 3010 E. Camelback Rd., Ste 200, Phoenix, Arizona, 85016, by calling 602-255-5575, or on the internet at www.psprs.com.

b. **Funding Policy**

The EORP's funding policy (required by State Statutes) provides for periodic employer contributions at actuarially determined rates and employee contributions of 11.50 percent of their annual covered salary. The employer rate for fiscal year 2012-2013 was 36.44 percent. The health insurance premium portion of the contribution rate was actuarially set at 1.80 percent of covered payroll. The City's contributions from employer and employees for the fiscal year 2013, 2012, and 2011 were $17,410, $15,140, and $11,010, respectively for the employees and $55,166, $49,943, and $46,649, respectively for the employer. These contributions matched the required contributions for those years.

c. **Actuarial Methods and Assumptions**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual contributions are subject to continual revisions as actual results are compared to past expectations and new estimates are made.

Projections of benefits are based on 1) the plan as understood by the City and the plan's members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term prospective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The required contribution was determined as part of the June 30, 2011, actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.25 percent investment rate of return, (b) projected salary increases of 4.5 percent, and (c) payroll growth of 4.5

percent per year. Since the heath insurance premium benefits are fixed, no health care cost trend rate is used in the actuarial valuation.

The actuarial value of EORP assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven-year period. EORP's assets in excess of actuarial accrued liabilities are amortized as level percents of payroll over an open period of 20 years, while unfunded actuarial liabilities are amortized as level percents of payroll over a closed period of 25 years.

Public Safety Personnel Retirement System:

a. **Plan Description**

The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and insurance premium plan, which acts as a common investment and administrative agent for the various fire and police agencies within the state. Sworn police and fire personnel are eligible to participate in the plan. The plan provides retirement and disability benefits, death benefits, and insurance premium benefits, to plan members and beneficiaries. The PSPRS is jointly administered by the Fund Manager and 209 Local Boards and was established by Title 38, Chapter 5, Article 4 of the Arizona Revised Statutes. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Public Safety Personnel Retirement System 3010 East Camelback Rd., Ste 200, Phoenix, Arizona, 85016, by calling 602-255-5575, or on the internet at www.psprs.com.

b. **Funding Policy**

PSPRS police personnel are required to contribute 9.55 percent of their annual covered salary and fire personnel are required to contribute 9.55 percent while the City is required to contribute an actuarially determined rate. Police personnel contributed $1,266,014 and fire personnel $1,015,995 during fiscal year 2012-2013. The City rate for fiscal year 2013 was 20.85 percent for police personnel and 16.15 percent for fire members. The City was also required to contribute 14.57 percent for those police and fire personnel that were currently drawing retirement benefits from a PSPRS retirement system and were not required to make employee contributions. The health insurance premium portion of the contribution rate was actuarially set at 1.02 percent of covered payroll for police and 1.01 percent for fire for fiscal year 2013. Benefit and contribution provisions are established by state law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38-843).

c. **Actuarial Methods and Assumptions**

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

Projections of benefits are based on 1) the plan as understood by the City and the plan's members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term prospective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The most recent actuarial valuation and related information follow.

	Fire	Police
Valuation date	6/30/2012	6/30/2012
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level % of pay, closed for underfunded, open for overfunded	Level % of pay, closed for underfunded, open for overfunded
Remaining amortization period	24 years for underfunded 20 years for overfunded	24 years for underfunded 20 years for overfunded
Asset valuation method	7 years smoothed market	7 years smoothed market
Actuarial assumptions:		
Investment rate of return	8.00%	8.00%
Projected salary increases	5.0% - 9.0%	5.0% -9.0%
Includes inflation at	5.0%	5.0%
Cost of living adjustments	None	None

Since the heath insurance premium benefits are fixed, no health care cost trend rate is used in the actuarial valuation.

Annual Pension/OPEB Cost - Agent Plans:

The City's pension/OPEB costs for the agent plans for the year ended June 30, 2013, follows:

	PSPRS - Police		PSPRS - Fire		EORP	
	Pension	Health Insurance	Pension	Health Insurance	Pension	Health Insurance
Annual pension/OPEB cost	$2,622,025	$134,785	$1632,474	$107,353	$52,441	$2,725
Contributions made	2,622,025	134,785	1,632,474	107,353	52,441	2,725

Three Year Trend Information for Agent Plans:

Annual pension cost information for the current and two preceding years follows for each of the agent plans.

Fiscal Year Ended	Annual Pension/ OPEB Cost	Annual Costs Contributed	Percentage of Net Pension/OPEB Obligation
PSPRP - Police - Pension			
2011	$2,112,544	100%	$ 0
2012	2,090,120	100	0
2013	2,622,025	100	0
PSPRP - Police – Health Insurance			
2011	$ 126,533	100%	$ 0
2012	123,935	100	0
2013	134,785	100	0
PSPRP - Fire - Pension			
2011	$1,457,929	100%	$ 0
2012	1,394,608	100	0
2013	1,632,474	100	0
PSPRP - Fire – Health Insurance			
2011	$ 99,083	100%	$ 0
2012	109,878	100	0
2013	107,353	100	0

EORP – Pension			
2011	$ 43,878	100%	$ 0
2012	47,233	100	0
2013	52,441	100	0
EORP – Health Insurance			
2011	$ 2,772	100%	$ 0
2012	2,710	100	0
2013	2,725	100	0

Volunteer Firemen's Pension Trust Fund

The Volunteer Firemen's Pension Trust plan covers participants in a volunteer firemen program formerly sponsored by the City. There are currently four individuals receiving monthly benefits of $425 each. There are no potential additional demands upon the fund since the volunteer program has been discontinued. An actuarial valuation of this pension plan has not been performed. The City believes the unfunded liability, if any, is not material.

Schedule of Funding Progress:

The funded status of the plans as of the most recent valuation date, June 30, 2011, and the prior two years follow. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the EORP is reported for such purposes as an agent multiple-employer plan. The Fund Manager obtains an actuarial valuation for the EORP on its statutory basis as a cost-sharing plan and therefore, actuarial information for the City, as a participating government, is not available.

Schedule of Funding Progress (Latest Available Actuarial Information)

Valuation Date June 30,	Actuarial Value of Plan Assets	Projected Unit Credit Actuarial Accrued Liability (AAL)	Percent Funded	Unfunded AAL	Annual Covered Payroll	Unfunded AAL as a % of Covered Payroll
Police – Retirement						
2010	$38,917,135	$54,236,036	71.8%	$15,318,901	$13,537,319	113.2%
2011	42,776,856	62,806,469	68.1	20,029,613	12,989,140	154.2
2012	47,252,572	72,134,658	65.5	24,882,086	12,995,169	191.5
Police – Health Insurance Subsidy						
2010	$ 0	$1,188,099	0.0%	$1,188,099	$13,537,319	8.78%
2011	0	1,547,097	0.0	1,547,097	12,989,140	12.12
2012	0	1,637,968	0.0	1,637,968	12,995,169	12.60
Fire – Retirement						
2010	$32,543,378	$37,236,602	87.4%	$4,693,224	$10,423,082	45.0%
2011	36,477,794	44,039,032	82.8	7,591,238	10,271,122	73.9
2012	41,223,476	49,863,454	82.7	8,639,978	10,470,454	82.5

Fire – Health Insurance Subsidy

2010	$ 0	$1,152,655	0.0%	$1,152,655	$10,423,082	11.06%
2011	0	1,390,847	0.0	1,390,847	10,271,122	13.54
2012	0	1,377,734	0.0	1,377,734	10,470,454	13.16

18. LEASES

The City leases vehicles, equipment and land under certain non-cancelable operating leases. Operating leases do not give rise to property rights or lease obligations (long-term debt), and therefore the results of the lease agreements are not reflected in the City's Statement of Net Position. Lease costs for the fiscal year ended June 30, 2013 were $158,989.

The following is a schedule of the future minimum lease payments on the operating leases.

Year Ending June 30,	Amount
2014	$ 192,356
2015	196,312
2016	196,518
2017	200,842
2018	205,286
Total	$ 991,314

The City is the lessor on several operating leases of land. The cost of the real property associated with these leases is $2,218,519. Operating lease revenues for fiscal year 2013 were $901,183.

The following is a schedule of five years minimum future rental revenues on these leases:

Year Ending June 30,	Amount
2014	$ 311,335
2015	314,739
2016	320,187
2017	348,889
2018	355,427

19. DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Additionally, the City offers its management employees an additional deferred compensation plan created in accordance with Internal Revenue Code Section 401a. The deferred compensation is not available to employees, under either plan, until termination, retirement, death or unforeseeable emergency. The City's fiduciary responsibility is that of exercising "due care" in selecting a third-party administrator. Federal legislation requires that Section 457 and 401a plan assets be held in trust for employees. This means that employee assets held in Section 457 and 401a plans are not the property of the City and are not subject to claims of the City's general creditors. Also, the City exercises no administrative control nor makes investment decisions. Therefore, the deferred compensation assets are not included in the City's Basic Financial Statements.

20. COMMITMENTS AND CONTINGENCIES

The City is involved in litigation arising in the ordinary course of its operations. The City believes that it's ultimate liability, if any, in connection with these matters will not have a material adverse effect on the City's financial position, changes in financial position, or liquidity. The City is self-insured for the first $1,000,000 of any occurrence and then has additional coverage up to $40.0 million.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The following table presents the City's commitments and encumbrances as of June 30, 2013:

Fund/Description	Remaining Commitment
General Fund:	
Old Town Commercial Rehab	$ 219,968
Public Safety Equipment	130,583
Systems Upgrades	82,719
Parks and Recreation Facilities	7,877
	441,147
Highway User Revenue Fund:	
Streets/Traffic Infrastructure	51,504
Sidewalk Improvements	25,135
ADA Ramp Improvements	1,205
	77,844
Development Fee Fund:	
Parks and Recreation Facilities	106,759
Municipal Facilities	46,175
Streets/Traffic Infrastructure	3,713
	156,647
Transportation Sales Tax Fund:	
Streets/Traffic Infrastructure	4,459,993
Non-Major Governmental Funds:	
GO Bond Cap Proj – Streets/Traffic Infrastructure	6,807,067
GO Bond Cap Proj – Parks and Recreation Facilitities	300,674
GO Bond Cap Proj – Asset Management System Upgrade	136,819
GO Bond Cap Proj – Police CAD Replacement	136,488
GO Bond Cap Proj – Drainage Infrastructure	98,095
GO Bond Cap Proj – Municipal Facilities	48,410
Non-Bond Cap Proj –Parks and Recreation Facilities	2,496,195
Non-Bond Cap Proj –Drainage Infrastructure	555,828
Non-Bond Cap Proj –Streets/Traffic Infrastructure	505,567
CFD Cap Proj – Recharge Wells	222,361
MDA Bonds Capital Proj – Parks and Recreation Facilities	24,895,534
	36,203,038
Water Utility Fund:	
Water Lines	1,076,199
Wells and Reservoirs	354,942
Water Facilities	119,663
Systems Upgrades	82,720
Operational Purposes	80,944
	1,714,468
Wastewater Utility Fund:	
Wastewater Lines	1,075,589
Systems Upgrades	82,723
Operational Purposes	52,413
	1,210,725
Total commitments	$ 44,263,862

21. OTHER MATTERS

Park West Development

The City signed a development agreement with DJN Eagle Mountain, LLC on July 5, 2005, and amended on April 15, 2008, with provisions that reimbursement will be made by the City to the developer for certain public infrastructure improvements related to the retail component of a mixed use project called Park West in the southwest area of the City. The developer is required by the agreement to complete construction of 150,000 square feet of retail business space by July 31, 2008, and an additional 360,000 square feet of retail business space by March 31, 2010, and to have a capital investment of at least forty-five million dollars in the project within 36 months of the construction commencement date. Reimbursements will begin once certain construction obligations are met by the developer. The agreement caps the reimbursement amount at no more than $9,000,000. Payments will be made quarterly, consisting of fifty percent of one percent of sales tax revenues generated by the project. No liability will be recorded by the City until such time as the developer has met all obligations of the agreement. The developer is in default of the terms of the Agreement related to the improvement district, but the Agreement has not been terminated. Because of the default, the $9,000,000 has not been recorded as a liability as of June 30, 2013.

Vistancia

The City approved a development agreement with Shea Sunbelt Pleasant Point LLC on October 22, 2001, for development of a master-planned community north of Happy Valley Road and west of the Agua Fria River. Included in the agreement are certain infrastructure improvements, right-of-way and land dedications, water rights acquisition, fire station building and equipment, and park and trail development. In return the City agreed to certain impact fee reimbursements. Individual liabilities will not be recorded until the developer has met City requirements associated with each agreed-upon item. As of June 30, 2013, there are currently estimated potential impact fee reimbursements of the following that are not yet recorded as liabilities: One neighborhood park site currently estimated at $450,000; two community park sites currently estimated at $4,500,000; one library site currently estimated at $750,000; and street and intersection improvements and associated ROW land dedications currently estimated at $11,500,000.

Saddleback Heights

The City approved a development agreement with Diamond Ventures Inc. on December 24, 2002 for a master-planned community located on the southwest corner of 163rd Avenue and State Highway 74. Included in the agreement are certain infrastructure improvements, right-of-way and land dedications, and provision of certain equipment. Associated with some of these requirements, the City has agreed to credit the developer from impact fees and other sources. As of June 30, 2013, no building activities have commenced and the credits could not be reliably estimated. The agreement is in force for 25 years from the signing of the agreement. The developer is currently seeking an amendment to the development plan and agreement. As of June 30, 2013, these potential credits/reimbursements could not be reliably estimated.

Lake Pleasant Heights

On December 19, 2005, the City approved a development agreement with Group Three Properties, Noranda Properties Inc., and Pleasant Views LLC, which terminated an existing development agreement and enabled the developer to rely on existing City ordinances related to infrastructure improvements, right-of-way and land dedications. Subsequently, these entities not longer have ownership interests in the land, and new developers are looking to amend or restate a development agreement. The development is a master-planned community east of Vistancia North and south of State Route 74. As the developer(s) moves forward with the project, there may be infrastructure and land dedications resulting in impact fee credits due them from the City. As of June 30, 2013, the potential credits could not be reliably estimated.