

CITY OF GLOBE, ARIZONA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED
JUNE 30, 2011

CITY OF GLOBE, ARIZONA

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council
City of Globe, Arizona:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Globe, Arizona, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the municipality's management. My responsibility is to express opinions on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Globe, Arizona as of June 30, 2011, and the respective changes in financial position and where applicable cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with my audit, nothing came to my attention that caused me to believe that the City failed to use highway user revenue fund monies received by the City pursuant to Arizona Revised Statutes Title 27, Chapter 17, Article 2 and any other dedicated state transportation revenues received by the City solely for the authorized transportation purposes. However, my audit was not directed primarily toward obtaining knowledge of such noncompliance.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 7, 2011, on my consideration of the City of Globe, Arizona's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 44 through 50, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Globe, Arizona's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor governmental fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



November 7, 2011

CITY OF GLOBE, ARIZONA MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Globe (City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by \$19,606,739 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 - (1) Capital assets of \$12,425,360 include property and equipment, net of accumulated depreciation and reduced by outstanding debt related to the purchase of capital assets.
 - (2) \$2,817,634 of capital contributed by the general fund to the Water and Sewer Enterprise Funds.
 - (3) Net assets of \$1,087,436 are restricted and committed for various purposes.
 - (4) Unrestricted net assets of \$3,276,309 represent the portion available to maintain the City's continuing obligations to citizens and creditors. This amount increased \$746,908 from the prior year.
- The City's governmental funds reported a total ending fund balance of \$3,459,484 this year. This compares to the prior year total ending fund balance of \$3,111,020 showing an increase of \$348,464 during the current year.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these government-wide statements is the *Statement of Net Assets*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net assets*. Over time, increases in net assets may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of

activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, and recreation. The business-type activities are the water and sewer utilities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives. Budgetary comparison schedules can be found in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The Water and Sewer Utility funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization for water and sewer services.

Fiduciary funds such as the Volunteer Firemen's Relief and Pension Fund are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund city programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparison schedules. These schedules demonstrate compliance with the City's adopted and final revised budget. Supplementary information follows the notes to the financial statements. Combining financial statements are provided for nonmajor governmental funds totaled in one column on the fund financial statements.

Financial Analysis of the City as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the City as a whole.

The following table provides a summary of the City's net assets at June 30, 2011:

SUMMARY OF NET ASSETS					
	Governmental Activities	Business-type Activities	Totals	Totals	Amount Change
	2011	2011	2011	2010	
Current and other assets	\$ 5,000,147	\$ 4,091,912	\$ 9,092,059	\$ 8,228,213	\$ 863,846
Capital assets	6,267,635	10,005,801	16,273,436	16,478,438	(205,002)
Total Assets	11,267,782	14,097,713	25,365,495	24,706,651	658,844
Long-term liabilities	307,088	3,826,042	4,133,130	4,004,048	129,082
Other liabilities	1,323,131	302,495	1,625,626	1,678,170	(52,544)
Total Liabilities	1,630,219	4,128,537	5,758,756	5,682,218	76,538
Net assets:					
Capital Contributed from General Fund.....		2,817,634	2,817,634	2,817,634	0
Invested in capital assets	6,267,635	6,157,725	12,425,360	12,731,317	(305,957)
Restricted and Committed	88,858	998,578	1,087,436	946,081	141,355
Unrestricted	3,281,070	(4,761)	3,276,309	2,529,401	746,908
Total Net Assets	\$ 9,637,563	\$ 9,969,176	\$19,606,739	\$19,024,433	\$ 582,306

The City reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$196,779 for governmental activities and increased \$385,527 for business-type activities.

The following table provides a summary of the City's changes in net assets for the year ended June 30, 2011.

SUMMARY OF CHANGES IN NET ASSETS

	Governmental Activities	Business- type Activities	Totals	Totals	Amount Change
	2011	2011	2011	2010	
Revenues:					
Program revenues					
Charges for services	\$ 969,087	\$2,902,255	\$3,871,342	\$3,798,030	\$ 73,312
Operating grants and contributions	1,183,653	134,335	1,317,988	1,148,495	169,493
Capital grants and contributions	374,084	74,186	448,270	1,253,164	(804,894)
General revenues					
Sales tax	3,443,356		3,443,356	3,420,259	23,097
State shared revenues	1,717,439		1,717,439	1,937,253	(219,814)
Property tax	561,449		561,449	552,215	9,234
Franchise fees and business licenses	627,700		627,700	563,424	64,276
Other	168,163	11,950	180,113	168,697	11,416
Total Revenues	9,044,931	3,122,726	12,167,657	12,841,537	(673,880)
Expenses:					
General Government	1,654,753		1,654,753	1,864,688	(209,935)
Police	2,372,316		2,372,316	2,546,915	(174,599)
Fire	1,717,724		1,717,724	1,683,883	33,841
Sanitation	584,759		584,759	620,554	(35,795)
Parks and Recreation and Cemetery	664,101		664,101	933,497	(269,396)
Streets and Transit	1,221,144		1,221,144	1,051,645	169,499
Library	178,661		178,661	210,834	(32,173)
Museum	193,719		193,719	206,377	(12,658)
Active Adult Center	198,775		198,775	187,281	11,494
Community Development	62,150		62,150	88,687	(26,537)
Interest on Long-Term Debt	50		50	777	(727)
Water Utility		1,881,669	1,881,669	1,899,067	(17,398)
Sewer Utility		855,530	855,530	873,935	(18,405)
Total Expenses	8,848,152	2,737,199	11,585,351	12,168,140	(582,789)
Change in net assets	196,779	385,527	582,306	673,397	(91,091)
Beginning net assets	9,440,784	9,583,649	19,024,433	18,351,036	673,397
Ending net assets	\$ 9,637,563	\$9,969,176	\$19,606,739	\$19,024,433	\$ 582,306

Financial Analysis of the City's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

Revenues and proceeds of debt obligations (excluding grants and the donation of street improvements from the Arizona Department of Transportation of \$272,326) totaled \$8,373,340 in 2010-2011, a decrease of .9% from 2009-2010. A comparative summary of principal revenues is as follows:

	2010-2011 Amount	Increase (Decrease) from 2009-2010		2009-2010 Amount
		Amount	%	
State Sales Tax	\$ 573,629	\$ 23,605		\$ 550,024
State Revenue Sharing	729,509	(238,174)		967,683
Highway Users Tax	694,986	6,902		688,084
Local Transportation Assistance.....	0	(19,395)		19,395
Property Tax	561,113	13,106		548,007
Vehicle Lieu Tax	414,301	(5,245)		419,546
City Sales Tax	3,443,356	23,097		3,420,259
Fines, Licenses, Permits and Miscellaneous	1,056,154	54,279		1,001,875
County Library Property Tax	116,750	0		116,750
Sanitation Fees	584,291	63,514		520,777
Bed Tax	93,332	(968)		94,300
Interest Income	10,927	(2,774)		13,701
Museum Fees and Product Sales	66,943	(1,201)		68,144
Sales of General Fixed Assets	0	0		0
Donations	28,049	10,209		17,840
	\$ 8,373,340	\$ (73,045)	(.9%)	\$ 8,446,385

Expenditures and transfers (excluding grants and the capital outlay of \$272,326 associated with the Arizona Department of Transportation donation) totaled \$8,024,876 in 2010-2011. This represents a decrease of 13.1% from the prior year. The schedule that follows summarizes the expenditures and transfers.

	2010-2011 Amount	Increase (Decrease) from 2009-2010		2009-2010 Amount
		Amount	Amount	
Operating Expenditures and Transfers				
Mayor and Council	\$ 256,026	\$ (46,867)		\$ 302,893
Community Organizations	93,332	(968)		94,300
Administration and Legal	680,177	(38,251)		718,428
Police	2,255,008	(200,711)		2,455,719
Fire	1,628,725	22,789		1,605,936
Streets	1,029,403	192,970		836,433
Maintenance	248,811	(138,126)		386,937
Sanitation	555,760	(7,589)		563,349
Parks and Recreation.....	484,821	(266,861)		751,682
Museum	189,061	(12,311)		201,372
Cemetery.....	58,135	(3,453)		61,588
Magistrate	149,297	14,943		134,354
Engineering.....	54,368	(53,057)		107,425
LTA Social Services	0	(500)		500
Library	162,692	(23,223)		185,915
Debt Service.....	6,678	(20,036)		26,714
Senior Citizen Operating Transfer.....	70,723	2,514		68,209
Capital Outlay	101,859	(631,443)		733,302
	\$8,024,876	\$(1,210,180)	(13.1%)	\$9,235,056

The governmental funds gross payroll for 2010-2011 was \$4,024,300 a decrease of 8.8% or \$386,767 from 2009-2010. A summary by department follows:

	2010-2011 Amount	INCREASE (DECREASE) FROM 2009-2010	2009-2010 Amount
Administration	\$ 550,968	\$ (25,469)	\$ 576,437
Police	1,375,050	(107,194)	1,482,244
Fire.....	982,947	(16,904)	999,851
Streets.....	388,715	110,401	278,314
Sanitation.....	111,470	(109,543)	221,013
Maintenance.....	104,944	(53,611)	158,555
Parks, Recreation, Cemetery & Museum.	349,528	(171,827)	521,355
Library	93,440	(12,173)	105,613
Senior Citizens	67,238	(447)	67,685
	<u>\$4,024,300</u>	<u>\$(386,767)</u>	<u>\$4,411,067</u>

The following payroll fringe benefits for all funds amounted to \$2,303,003, a decrease of \$73,396, or 3.1% and are detailed as follows:

	2010-2011	INCREASE DECREASE	2009-2010
Social Security and Medicare Taxes	\$ 279,884	\$ (33,158)	\$ 313,042
State Retirement Contributions	238,169	(26,156)	264,325
Policemen's Pension contributions.....	269,898	15,725	254,173
Regular and Volunteer Firemen's Pension Contributions ..	206,546	(1,637)	208,183
Elected officials retirement contributions	8,222	976	7,246
Industrial Insurance	181,418	4,292	177,126
Health and Life Insurance.....	1,118,866	(33,438)	1,152,304
	<u>\$2,303,003</u>	<u>\$ (73,396)</u>	<u>\$2,376,399</u>

Revenues exceeded expenditures by \$348,464 and increased the City's overall governmental fund balance carryover from \$3,111,020 at June 30, 2010 to \$3,459,484 at June 30, 2011. This year's increase when compared to the decrease of \$788,671 for the prior year equals a positive change of \$1,137,135. The state shared revenues still decreased \$232,307 from the prior year. However, the City implemented significant expenditure reductions in payroll and fringe benefits (\$460,163) and governmental capital outlays (\$631,443) to offset this revenue decrease.

Proprietary funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The change in net assets for these funds increased \$385,527 for the year ended June 30, 2011 compared to \$105,870 for 2009-10. There was no rate increase in the water and sewer utility billing rates for the year ended June 30, 2011.

Budgetary Highlights

The City's budget for fiscal year 2011 was \$24,251,000. This was a decrease of \$2,167,000 from the previous year's budget of \$26,418,000.

The City Council is authorized to allocate its contingency budget to increase departmental budgets within any fund, as long as total budgeted expenditures as originally adopted are not exceeded. For the year ended June 30, 2011, \$87,000 of the general fund contingency budget was transferred to the following departments or funds to provide for unexpected additional expenditures:

Sanitation Department	\$ 75,000
Active Adult Center Fund	12,000
	<u>\$ 87,000</u>

The expenditure limit adopted by the City Council under its voter approved home-rule expenditure limitation option was \$24,251,000 for the year ended June 30, 2011. The City's expenditures complied with this expenditure limitation.

Capital Asset and Debt Administration

Capital Assets

The following is a comparison of capital assets net of depreciation for 2011 and 2010.

	Governmental Activities		Business-Type Activities	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$1,231,841	\$1,231,841	\$ 287,893	\$ 287,893
Construction in Progress	0	504,400	1,281,562	1,413,887
Buildings	1,901,271	1,992,058	2,413,288	2,517,739
Street Infrastructure And Other Improvements	2,219,596	1,573,662	5,699,749	5,407,446
Machinery and Equipment	914,927	1,111,333	323,309	438,179
	<u>\$6,267,635</u>	<u>\$6,413,294</u>	<u>\$10,005,801</u>	<u>\$10,065,144</u>

Long-Term Obligations

The City did not incur any new long-term debt for governmental purposes. It retired \$88,973 of debt on its capital lease obligations. The City did borrow an additional \$353,096 in its 2004 Water Revenue Bonds to fund additional water and well system improvements.

FISCAL YEAR 2010-2011 ACCOMPLISHMENTS

Although there were continued uncertainties associated with the economic downturn and the decrease in State Shared Revenues the City managed to deliver the entire range of mandated and discretionary daily services to the taxpayers of the City of Globe. The level of employee salaries and benefits however, remained the same as in prior years.

The City was able to maintain the current formula of health insurance benefits where the City paid for employee coverage at 100% less \$20 per month, which was contributed by the employee, and 67% of the dependent coverage.

In an effort to lessen the impact of decreased revenue (sales tax and stated shared) on the General Fund, the City continued mandatory one day a month furloughs for all employees for the entire fiscal year. This was a savings of \$205,219 in salaries, and an estimated benefit savings of \$64,350 for a total savings of \$269,569 for the year.

In an effort to promote the retail sales of large dollar items, the Council adopted an ordinance that provided for a tiered tax rate on single item purchases that exceeded \$15,000. The current City sales tax rate would apply to the first \$15,000 of the purchase and after the first \$15,000 no sales tax would apply.

The City amended its Personnel Policy and limited the number of vacation hours that could be paid at termination (retirement, or resignation) to 240 hours.

The City continued to provide fire services to the Town of Miami through an intergovernmental agreement.

The solid waste service was privatized and a recycling service was added.

The Magistrate court was successfully moved from the Gila County Courthouse to the City Hall and the City hired a Magistrate. Redflex photo-enforcement program was successfully implemented and has already reduced accidents, red-light and speeding violations throughout the City. This allows officer to spend more time protecting neighborhoods instead of traffic enforcement.

The City also completed Economic Development Initiative Streetscape improvements with grant funds of \$36,481. This project was 100% complete at June 30.

The City received \$60,000 Economic Recovery grant to retain a police officer position.

The Gateway Phase II enhancements projects were completed with the assistance of ADOT and enhanced the Oak and Hill intersection as well as the Hill and Ash intersections. The value of the enhancement was \$335,000.

The City also received several grants from the Arizona Department of Energy. The combined grant total was \$157,035. These grants improved energy efficiency at the wastewater treatment plant by the installation of Variable Fixed Drives on the blower motors, upgraded the lighting for City Hall, Police Department, Fire Department and Library, and also replaced the air conditioning units at City Hall.

In 2004 the City voters approved a \$5,000,000 Bond Issue. In fiscal year 2011 the City spent \$201,452 to retrofit the new Well #5 with these dollars. Well #2 was repaired at a cost of \$232,152. The water line in Ruiz Canyon was upgraded in the amount of \$40,332, and the Water Modeling for downtown was begun.

CITY OF GLOBE, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2011

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Pooled Cash and Cash	\$ 620,213	\$ 2,648,110	\$ 3,268,323
Non-Pooled Cash and Cash Equivalents	1,460		1,460
Investments.....	4,360,479		4,360,479
Property Taxes Receivable.....	33,285		33,285
Accounts Receivable	54,811	316,475	371,286
Other Receivables.....	436,511	127,327	563,838
Due from Other Governments.....	461,343		461,343
Internal Balances.....	(1,000,000)	1,000,000	0
Inventory.....	22,657		22,657
Prepaid Expenses.....	9,388		9,388
Capital Assets:			
Land and Construction in Progress.....	1,231,841	1,569,456	2,801,297
Other Capital Assets, net of Depreciation.....	5,035,794	8,436,345	13,472,139
TOTAL ASSETS.....	11,267,782	\$ 14,097,713	\$ 25,365,495
LIABILITIES:			
Accounts Payable.....	516,422		\$ 516,422
Accrued Expenses and Other Liabilities.....	197,117	\$ 21,502	218,619
Customer Deposits.....		56,860	56,860
Compensated Absences - Current.....	549,120	140,512	689,632
Contracts and Lease Obligations Payable - Current.....		83,621	83,621
Deferred Revenues.....	60,472	0	60,472
Non-Current Liabilities:			
Compensated Absences.....	224,361	46,001	270,362
Contracts and Lease Obligations Payable.....	0	62,519	62,519
Water Revenue Bonds Payable.....		3,709,005	3,709,005
Post Employment Benefits Obligations Payable.....	82,727	8,517	91,244
TOTAL LIABILITIES.....	1,630,219	4,128,537	5,758,756
NET ASSETS			
Capital Contributed from General Fund.....		2,817,634	2,817,634
Invested in Capital Assets, Net of Related Debt.....	6,267,635	6,157,725	12,425,360
Restricted for:			
Library Improvements.....	23,791		23,791
Canyon Water District Reserves.....		45,553	45,553
Revenue Bond Debt Service Reserve.....		308,266	308,266
Revenue Bond Repair and Maintenance Reserve.....		61,653	61,653
Committed for:			0
Recycling Program.....	23,017		23,017
Cemetery Improvements.....	42,050		42,050
Water Exploration.....		583,106	583,106
Unrestricted.....	3,281,070	(4,761)	3,276,309
TOTAL NET ASSETS.....	\$9,637,563	\$ 9,969,176	\$ 19,606,739

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES:					
Mayor and Council.....	\$ 280,297	\$ 85			\$ (280,212)
Community Organizations.....	93,332		\$ 93,332		0
Administration.....	822,492		21,445	\$ 55,589	(745,458)
Police.....	2,372,316	14,695	67,890		(2,289,731)
Fire.....	1,717,724	162,141	300		(1,555,283)
Streets and Transit.....	1,221,144		702,261	308,807	(210,076)
Sanitation.....	584,759	584,291			(468)
Parks and Recreation.....	603,961	20,070	23,378		(560,513)
Cemetery.....	60,140	10,700			(49,440)
Magistrate.....	149,616	72,397			(77,219)
Library.....	178,661	8,908	127,045	1,222	(41,486)
Museum.....	193,719	66,943			(126,776)
Active Adult Center.....	198,775	28,857	85,852	8,466	(75,600)
Community Development.....	62,150		62,150		0
Maintenance.....	254,095				(254,095)
Engineering.....	54,921				(54,921)
Interest on Long-Term Debt.....	50				(50)
TOTAL GOVERNMENTAL ACTIVITIES.....	8,848,152	969,087	1,183,653	374,084	(6,321,328)
BUSINESS-TYPE ACTIVITIES					
Water.....	1,881,669	2,042,802	128,521		289,654
Sewer.....	855,530	859,453	5,814	74,186	83,923
TOTAL BUSINESS TYPE ACTIVITIES.....	2,737,199	2,902,255	134,335	74,186	373,577
TOTAL.....	\$ 11,585,351	\$ 3,871,342	\$ 1,317,988	\$ 448,270	\$ (5,947,751)

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGE IN NET ASSETS:			
Net (Expenses) Revenue from above.....	\$ (6,321,328)	\$ 373,577	\$ (5,947,751)
General Revenues:			
State Sales Tax.....	\$ 573,629		\$ 573,629
State Revenue Sharing.....	729,509		729,509
Property Tax.....	561,449		561,449
Vehicle Lieu Tax.....	414,301		414,301
City Sales Tax.....	3,443,356		3,443,356
Utility Franchise Fees.....	166,265		166,265
Business Licenses.....	461,435		461,435
Miscellaneous.....	157,278		157,278
Interest Income.....	10,885	11,950	22,835
Gain (Loss) on Disposal of Assets.....	0		0
Total General Revenues and Transfers	6,518,107	11,950	6,530,057
Change in Net Assets.....	196,779	385,527	582,306
Net Assets - Beginning.....	9,440,784	9,583,649	19,024,433
Net Assets - Ending.....	\$ 9,637,563	\$ 9,969,176	\$ 19,606,739

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2011

	GENERAL FUND	HIGHWAY USERS FUND	GRANTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Pooled Cash and Cash Equivalents.....	\$ 531,431	\$ 34,437	\$ 23,514	\$ 30,831	\$ 620,213
Non-Pooled Cash and Cash Equivalents.....	1,425			35	1,460
Investments.....	4,360,479				4,360,479
Property Taxes Receivable.....	33,285				33,285
Accounts Receivable.....	54,811				54,811
Other Receivables.....	436,511				436,511
Due from Other Governments.....	316,317	66,810	40,617	37,599	461,343
Due from Other Funds.....	31,964				31,964
Inventory.....	22,657				22,657
Prepaid Expenses.....	9,388				9,388
TOTAL ASSETS.....	\$ 5,798,268	\$ 101,247	\$ 64,131	\$ 68,465	\$ 6,032,111
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable.....	\$ 511,289		\$ 3,659	\$ 1,474	\$ 516,422
Accrued Expenses and Other Liabilities...	197,118				197,118
Compensated Absences	436,637	\$ 101,247		11,236	549,120
Due to Other Funds.....	1,000,000			31,964	1,031,964
Deferred Revenues.....	217,531		60,472		278,003
Total Liabilities.....	2,362,575	101,247	64,131	44,674	2,572,627
Fund Balances:					
Restricted:					
Library Improvements.....				23,791	23,791
Committed:					
Recycling Program.....	23,017				23,017
Cemetery Improvements.....	42,050				42,050
Unassigned.....	3,370,626				3,370,626
Total Fund Balances.....	3,435,693	0	0	23,791	3,459,484
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,798,268	\$ 101,247	\$ 64,131	\$ 68,465	\$ 6,032,111
TOTAL FUND BALANCE - Total Governmental Funds.....					\$3,459,484
Amounts reported for governmental activities in the statement of net assets are different because:					
- Capital assets of \$14,924,273, net of accumulated depreciation of (\$8,656,638), are not financial resources and therefore, are not reported in the funds.....					6,267,635
- Other long-term assets (receivables) are not available to pay for current period expenditures and therefore, are deferred in the funds. These include property taxes of \$24,506 and magistrate fines of \$193,026.....					217,532
- Compensated Absences for sick leave are payable only upon employee retirement and therefore are not payable from current resources.....					(224,361)
- Long-term liabilities for post employment health benefits are not due and payable in the current period and therefore are not reported in the funds.....					(82,727)
NET ASSETS OF GOVERNMENTAL ACTIVITIES.....					\$9,637,563

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	GENERAL FUND	HIGHWAY USERS FUND	GRANTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
State Sales Tax.....	\$ 573,629				\$ 573,629
State Revenue Sharing.....	729,509				729,509
Highway Users Tax.....		\$ 694,986			694,986
Property Tax.....	561,113				561,113
Vehicle Lieu Tax.....	414,301				414,301
Grant Revenue.....			\$ 267,735	\$ 94,318	362,053
City Sales Tax.....	3,443,356				3,443,356
Bed Tax.....	93,332				93,332
Utility Franchise.....	166,265				166,265
Business Licenses.....	461,433				461,433
Licenses, Permits and Other.....	353,771			39,164	392,935
County Library Property Tax.....				116,750	116,750
Fines and Forfeitures.....	64,378				64,378
Sanitation Fees.....	584,291				584,291
Museum Fees and Product Sales.....	66,943				66,943
Interest Income.....	10,885			42	10,927
Donations.....	28,049	272,326			300,375
TOTAL REVENUES.....	7,551,255	967,312	267,735	250,274	9,036,576
EXPENDITURES:					
Current:					
Mayor and Council.....	256,026				256,026
Community Organizations.....	93,332				93,332
Legal.....	95,466				95,466
Administration.....	584,711		21,445		606,156
Police.....	2,255,008		67,800		2,322,808
Fire.....	1,628,725				1,628,725
Streets and Transit.....		1,029,403	7,275		1,036,678
Sanitation.....	555,760				555,760
Parks and Recreation.....	484,821		6,828		491,649
Cemetery.....	58,135				58,135
Magistrate.....	149,297				149,297
Library.....			10,076	162,692	172,768
Museum.....	189,061				189,061
Active Adult Center.....				185,432	185,432
Community Development.....			62,151		62,151
Maintenance.....	248,811				248,811
Engineering.....	54,368				54,368
Capital Outlay.....	49,524	324,661	92,070	8,466	474,721
Debt Service:					
Principal.....		6,628			6,628
Interest.....		50			50
TOTAL EXPENDITURES.....	6,703,045	1,360,742	267,645	356,590	8,688,022
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	848,210	(393,430)	90	(106,316)	348,554
OTHER FINANCING SOURCES (USES):					
Sale of General Fixed Assets.....	0	0	0	0	0
Transfer to Senior Citizens Fund.....	(70,723)			70,723	0
Transfer to Highway User Fund.....	(393,430)	393,430			0
Transfer to Library Fund.....	(36,815)			36,815	0
NET OTHER FINANCING SOURCES (USES).....	(500,968)	393,430	0	107,538	0
NET CHANGE IN FUND BALANCES.....	347,242	0	90	1,222	348,554
FUND BALANCES, Beginning.....	3,088,451	0	0	22,569	3,111,020
FUND BALANCES, Ending.....	\$ 3,435,693	\$ 0	\$ 90	\$ 23,791	\$ 3,459,574

CITY OF GLOBE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

NET CHANGE IN FUND BALANCE - Total Governmental Funds (from prior page).....	\$	348,464
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
- Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$474,721) were less than depreciation (\$620,380) in the current period.....		(145,659)
- Compensated Absences for sick leave are payable only upon employee retirement and, therefore, not payable from current resources		3,262
- Payment of principal amounts on capital leases is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.....		6,628
- Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include an increase of (\$336) in the City's property taxes and an increase of (\$8,019) in court fines.....		8,355
-On the statement of activities, the loss on the disposal of assets is reported, whereas in the governmental funds the proceeds from the disposal increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets sold of (\$0) net of related accumulated depreciation of \$0.....		0
-On the statement of activities, the actual and projected long-term expenditures for post retirement health benefits are reported whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.....		<u>(24,271)</u>
 CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	 \$	 <u>196,779</u>

The notes to the financial statements are an integral part of this statement.

CITY OF GLOBE, ARIZONA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
ASSETS			
Current Assets:			
Pooled Cash and Cash Equivalents.....	\$ 1,083,205	\$ 1,564,905	\$ 2,648,110
Due from Other Funds.....	1,000,000	0	1,000,000
Accounts Receivable.....	236,881	79,594	316,475
Other Receivable.....	127,327	0	127,327
Prepaid Expense.....	0	0	0
Total Current Assets.....	2,447,413	1,644,499	4,091,912
Capital Assets:			
Land and Construction in Progress.....	1,569,456	0	1,569,456
Other Capital Assets net of Accumulated Depreciation.....	5,218,208	3,218,137	8,436,345
TOTAL ASSETS.....	\$9,235,077	\$4,862,636	\$14,097,713
LIABILITIES			
Current Liabilities:			
Sales Tax Payable.....	\$ 21,502		\$ 21,502
Accrued Expenses and Other Liabilities.....	0		0
Customer Deposits.....	56,860		56,860
Compensated Absences - Current.....	105,189	\$ 35,323	140,512
Easement Contracts Payable - Current.....	1,300		1,300
Capital Lease Obligation - Current.....	82,321		82,321
Total Current Liabilities.....	267,172	35,323	302,495
Non-current Liabilities:			
Compensated Absences - Non-Current.....	41,658	4,343	46,001
Easement Contracts Payable - Non-Current.....	5,769		5,769
Capital Lease Obligation - Non-Current.....	56,750		56,750
Water Revenue Bonds Payable.....	3,709,005		3,709,005
Post Employment Benefits Obligations Payable.....	22,052	(13,535)	8,517
Total Non-Current Liabilities.....	3,835,234	(9,192)	3,826,042
TOTAL LIABILITIES.....	4,102,406	26,131	4,128,537
NET ASSETS			
Capital Contributed from General Fund.....	1,635,291	1,182,343	2,817,634
Invested in Capital Assets, Net of Related Debt.....	2,939,588	3,218,137	6,157,725
Restricted for Canyon Water District Reserves.....	45,553		45,553
Restricted for Revenue Bond Debt Service.....	308,266		308,266
Restricted for Repair and Replacement.....	61,653		61,653
Committed for Water Exploration.....	583,106		583,106
Unrestricted.....	(440,786)	436,025	(4,761)
TOTAL NET ASSETS.....	\$5,132,671	\$4,836,505	\$9,969,176

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES:			
Charges for Services.....	\$ 1,953,908	\$ 850,784	\$ 2,804,692
Taps, Extensions and Permits.....	31,081	8,669	39,750
Penalties.....	57,813		57,813
TOTAL OPERATING REVENUES.....	2,042,802	859,453	2,902,255
OPERATING EXPENSES:			
Personal Services.....	662,821	292,207	955,028
Telephone and Utilities.....	318,656	87,836	406,492
Repairs and Maintenance.....	60,229	105,831	166,060
Supplies.....	234,604	39,354	273,958
Miscellaneous.....	106,604	452	107,056
Depreciation.....	323,371	308,484	631,855
Bad Debt Expense.....	3,774	2,303	6,077
Insurance.....	46,042	19,027	65,069
TOTAL OPERATING EXPENSES.....	1,756,101	855,494	2,611,595
OPERATING INCOME (LOSS).....	286,701	3,959	290,660
NON-OPERATING REVENUES (EXPENSES):			
ARRA Energy Efficient Block Grant.....	0	80,000	80,000
Interest Income.....	6,869	5,081	11,950
Net Proceeds from Water Revenue Bonds.....	128,521	0	128,521
Interest Expense.....	(125,568)	(36)	(125,604)
TOTAL NON-OPERATING REVENUES (EXPENSES).....	9,822	85,045	94,867
CHANGE IN NET ASSETS.....	296,523	89,004	385,527
TOTAL NET ASSETS - Beginning.....	4,836,148	4,747,501	9,583,649
TOTAL NET ASSETS - Ending.....	\$5,132,671	\$4,836,505	\$9,969,176

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers.....	\$ 2,040,750	\$ 862,441	\$ 2,903,191
Cash Payments to Suppliers for Goods and Services.....	(757,440)	(254,803)	(1,012,243)
Cash Payments for Employees, Payroll Taxes and Fringe Benefits.....	(636,482)	(291,576)	(928,058)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	646,828	316,062	962,890
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
ARRA Energy Efficient Block Grant.....	0	80,000	80,000
Temporary Loans From (to) Other Funds.....	0	0	0
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES.....	0	80,000	80,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Water Revenue Bond Proceeds Net.....	464,408	0	464,408
Interest Expense Payments.....	(125,568)	(36)	(125,604)
Principal Payments on Debt.....	(241,766)	(4,925)	(246,691)
Acquisition and Construction of Capital Assets.....	(481,006)	(91,506)	(572,512)
NET CASH PROVIDED BY (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	(383,932)	(96,467)	(480,399)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Income.....	6,869	5,081	11,950
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES.....	6,869	5,081	11,950
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	269,765	304,676	574,441
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	813,440	1,260,229	2,073,669
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,083,205	\$ 1,564,905	\$ 2,648,110
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED			
Operating Income (Loss).....	\$ 286,701	\$ 3,959	\$ 290,660
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation.....	323,371	308,484	631,855
(Increase) Decrease in Accounts Receivable.....	(1,898)	2,988	1,090
(Increase) Decrease in Other Receivables.....	(154)	0	(154)
(Increase) Decrease in Prepaid Expense.....	8,976	0	8,976
Increase (Decrease) in Sales Tax Payable and Deposits.....	3,493	0	3,493
Increase (Decrease) in Compensated Absences.....	19,483	8,843	28,326
Increase (Decrease) in Post Employment Benefits Obligations Payable.....	6,856	(8,212)	(1,356)
Total Adjustments.....	360,127	312,103	672,230
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 646,828	\$ 316,062	\$ 962,890

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	VOLUNTEER FIREMEN'S RELIEF AND PENSION FUND
ASSETS	
Non-pooled Cash and Cash Equivalents.....	\$ 2,634
Investments.....	<u>65,549</u>
TOTAL ASSETS.....	<u>68,183</u>
LIABILITIES:	
Accrued Expenses and Other Liabilities.....	<u>0</u>
TOTAL LIABILITIES.....	<u>0</u>
ASSETS HELD IN TRUST FOR PENSION BENEFITS.....	<u><u>\$68,183</u></u>

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	VOLUNTEER FIREMEN'S RELIEF AND PENSION FUND
ADDITIONS	
Contributions:	
Employer.....	\$ 336
Plan Members.....	336
Total Contributions.....	672
Investment Income:	
Gain (Loss) on Investments.....	0
Interest.....	140
Total Investment Income.....	140
TOTAL ADDITIONS	812
DEDUCTIONS	
Benefits.....	7,840
Refunds of Contributions.....	0
Administrative Expenses.....	0
TOTAL DEDUCTIONS.....	7,840
CHANGE IN NET ASSETS.....	(7,028)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS BEGINNING OF YEAR	75,211
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS END OF YEAR.....	\$68,183

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA**Notes to Financial Statements**

June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Globe, Arizona operates under a council-manager form of government and provides the following services as authorized by statute: police and fire protection, highways and streets maintenance, sanitation, water, sewer, parks and recreation, public improvements, planning and zoning and general administrative services.

The accounting and reporting framework and the more significant accounting principles and practices of the City of Globe (City) are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanation, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2011.

A. Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The basic criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. Based upon the application of these criteria, the City does not have any component units.

B. Government-wide and Fund Financial Statements*Governmental-wide Financial Statements*

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the City as a whole, excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services, (2) operating grants and contributions which finance operating activities including the Bed tax, Highway Users tax, Local Transportation Assistance revenue and the County Library Property tax; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental and utility funds are reported in separate columns with a composite column for non-major governmental funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting enterprise funds apply all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's enterprise funds do not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expense. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise fees, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

D. Fund Types and Major Funds

Governmental Funds

The City only reports the following major governmental funds.

General Fund - reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Highway Users Fund – the City receives a share of the State’s gas tax, which is to be used solely for street and highway expenditures.

Grants Fund – established to account for the City’s grant programs not reported in proprietary funds.

The City also has the Active Adult Center Fund and Library Fund which are aggregated in the “Other Governmental Funds” column.

Proprietary Funds

The City has only two enterprise funds and reports them both as major funds.

Water Utility Fund – accounts for the operating activities of the City’s water utility services.

Sewer Utility Fund – accounts for the operating activities of the City’s sewer utility services.

Fiduciary Fund

Volunteer Firemen's Relief and Pension Fund – reports fiduciary resources held in trust and the receipt, investment, and distribution of retirement contributions.

E. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

The City maintains one cash pool. Each fund's portion of the pool is displayed on its respective balance sheet as "pooled cash and cash equivalents." In addition, non-pooled cash and investments are separately held and reflected in their respective funds as "non-pooled cash and cash equivalents" and "investments".

The City reporting entity considers highly liquid investments with a planned maturity of three months or less when purchased to be cash equivalents. None of the City's investments are considered "cash equivalents" for reporting purposes.

Investments are reported at fair value.

2. Inventories and Prepaid Expenses

Inventories consist of books, postcards and other items available for sale to the public at the Besh Ba Gowah Museum (\$22,657).

Prepaid expenses record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

3. Capital Assets and Depreciation

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets beginning July 1, 2009. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line

method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. The City has elected not to report general infrastructure assets retroactively.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10 - 40
Improvements, other than buildings	5 - 40
Furniture, machinery, and equipment	3 - 10
Street and Highway Infrastructure	10

4. Capitalized Interest

The City capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material. There have been no such projects for several years.

5. Compensated Absences

The City allows employees to accumulate unused sick leave to a maximum of 120 days. To encourage employees to accrue sick leave for the full term of employment, the city will “buy-back” sick leave upon retirement at a ratio of one day’s pay for each four days of sick leave the employee has accrued at retirement. Sick leave is not compensated for any other means of separation other than retirement. It and related payroll taxes and other salary-related payments are accrued as a non-current liability on the conservative assumption that all employees will be with the City until retirement. It is recognized as an expense and liability on the government-wide financial statements and the proprietary fund financial statements, but is not recognized in the governmental fund financial statements.

City employees are granted vacation leave in varying amounts. In the event of termination or retirement, an employee is reimbursed for any unused accumulated vacation leave. Unlike sick leave, it and related payroll taxes and other salary-related payments are accrued as a current liability on the assumption that employees may terminate their employment at any time and the City would use current resources to pay the accumulated leave amounts. It is recognized as an expense and current liability on all the City’s financial statements.

6. Fund Equity

Government-wide Statements

Equity is classified as net assets and displayed in five components:

- a. Capital Contributed from General Fund – consists of funds contributed to the enterprise funds in prior years from the City’s General Fund.
- b. Invested in capital assets, net of related debt-Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- c. Restricted net assets – Consists of net assets with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- d. Committed net assets – consist of net assets that can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances adopted by the Mayor and Council.
- e. Unrestricted net assets – All other net assets that do not meet the definition of “contributed capital”, “restricted”, “committed” or “invested in capital assets, net of related debt”.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as restricted, committed and unassigned.

6. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Expenditure Limit

The City Manager submits an annual budget to the City Council in accordance with Arizona State Statutes. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. In August the City council adopts the annual fiscal year budgets for City operating funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Revisions to the budget are made by Council approval at year end. For the year ended June 30, 2011, \$87,000 of the general fund contingency budget was transferred to the following departments or funds to provide for unexpected additional expenditures:

Sanitation Department	\$ 75,000
Active Adult Center Fund	<u>12,000</u>
	<u>\$ 87,000</u>

For legal compliance budgetary purposes, the modified accrual basis is followed for the utility funds. For the Water Utility fund the changes in net assets on the accrual basis of (\$296,523) plus depreciation (\$323,371), less debt principal retirement (\$241,766), less capital outlay (\$481,006), plus debt proceeds (\$352,852) equals excess revenues over expenditures (\$249,974) on the modified accrual basis.

For the Sewer Utility fund the changes in net assets on the accrual basis of (\$89,004) plus depreciation (\$308,484), less capital outlay (\$91,506), less debt principal retirement (\$4,925), equals excess revenues over expenditures (\$301,057) on the modified accrual basis.

The expenditure limit adopted by the City Council under its voter approved home-rule expenditure limitation option was \$24,251,000 for the year ended June 30, 2011. The City's expenditures complied with this expenditure limitation.

III. DETAILED NOTES ON FUNDS

A. Assets

1. Deposits and Investments

Deposits

The City's deposits are categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes amounts that are FDIC insured. Category 2 includes amounts not covered by FDIC insurance but are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Deposits categorized by level of risk are as follows:

	BANK BALANCE	CATEGORY 1	CATEGORY 2	CARRYING AMOUNT
DEPOSITS:				
Pooled Cash and Cash Equivalents.....	\$ 3,785,005	\$ 3,005,236	\$779,769	\$3,268,323

Investments

For fiscal year 2011, the City invested in the Arizona's Local Government Investment Pool (LGIP). Arizona's Local Government Investment Pool is duly chartered and administered by the State Treasurer's Office. The City records all interest revenue earned from investment activities in the respective funds. The \$4,360,479 carrying amount is substantially the same as market value at June 30, 2011.

2. Receivables and Deferred Revenues

The following is a description of significant receivables as of June 30, 2011:

PROPERTY TAXES RECEIVABLE - Property taxes due from County: revenue deferred for amounts assessed by County but uncollected (\$24,506) for governmental fund financial statements		\$ 33,285
ACCOUNTS RECEIVABLE: Sanitation (\$54,811), Water (\$236,881), Sewer (\$79,594).....		371,286
OTHER RECEIVABLES:		
Franchise Fees Receivable	\$ 37,519	
Magistrate Fines Receivable	195,738	
Wild-Fire Reimbursements Receivable.....	153,253	
Miscellaneous Receivables	50,228	
Water Revenue Bonds Reimbursement Receivable.....	127,100	563,838
DUE FROM OTHER GOVERNMENTS:		
State Sales Tax.....	49,899	
City Sales Tax	230,066	
Vehicle Lieu Tax.....	36,352	
Highway Users Tax.....	66,810	
Active Adult Center Grants	37,599	
Other Grants.....	37,492	
Community Development Block Grant.....	3,125	461,343
TOTAL		<u>\$ 1,429,752</u>

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on May 1 and payable in two installments on October 1 and April 1 of the subsequent year. The County bills and collects property taxes on behalf of the City. In the governmental fund financial statements, City property tax revenues are recognized when levied to the extent that they have been collected by the City within sixty days of year end. Assessed amounts that are uncollected are recorded as a receivable and deferred revenue. In the government-wide financial statements, property taxes receivable and related revenue include all

amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected.

The City is subject to a maximum primary property tax levy by Arizona State Statutes. For 2010-2011 this levy limit was \$570,577, and the City levied \$560,255 in primary taxes. The City has no secondary property tax levy for general obligation bonded debt.

Intergovernmental receivables are primarily comprised of amounts due from the federal and state governments. Revenue is recorded as earned when eligibility requirements are met. Revenues deferred in the governmental fund financial statements include unearned grant revenue and other revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Also deferred in the governmental fund financial statements are property taxes (\$24,506) and magistrate fines (\$193,026) that have not been collected within sixty days of year end.

3. Capital Assets

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, NOT DEPRECIATED		CAPITAL ASSETS, DEPRECIATED			
	LAND	CONSTRUCTION IN PROGRESS	BUILDINGS	STREET INFRASTRUCTURE AND IMPROVEMENTS OTHER THAN BUILDINGS	FURNITURE, MACHINERY AND EQUIPMENT	TOTALS
PRIMARY GOVERNMENT						
<i>Governmental Activities</i>						
Balance, Beginning	\$1,231,841	\$ 504,400	\$3,920,793	\$3,326,744	\$5,478,569	\$14,462,347
Increases		(504,400)	55,589	865,542	57,990	474,721
Decreases			(12,176)		(619)	(12,795)
Balance, Ending	1,231,841	0	3,964,206	4,192,286	5,535,940	14,924,273
<i>Accumulated Depreciation</i>						
Balance, Beginning			1,928,735	1,753,082	4,367,236	8,049,053
Increases			146,376	219,608	254,396	620,380
Decreases			(12,176)		(619)	(12,795)
Balance, Ending	0	0	2,062,935	1,972,690	4,621,013	8,656,638
<i>Governmental Activities</i>						
Capital Assets, Net	\$1,231,841	\$ 0	\$1,901,271	\$ 2,219,596	\$ 914,927	\$ 6,267,635
<i>Business-type Activities</i>						
Balance, Beginning	\$287,893	\$1,413,887	\$6,284,374	\$ 10,319,464	\$1,242,216	\$19,547,834
Increases	0	208,619	74,186	272,387	17,320	572,512
Decreases	0	(340,944)		340,944		0
Balance, Ending	287,893	1,281,562	6,358,560	10,932,795	1,259,536	20,120,346
<i>Accumulated Depreciation</i>						
Balance, Beginning			3,766,635	4,912,018	804,037	9,482,690
Increases			178,637	321,028	132,190	631,855
Decreases						
Balance, Ending	0	0	3,945,272	5,233,046	936,227	10,114,545
<i>Business-type Activities</i>						
Capital Assets, Net	\$287,893	\$ 1,281,562	\$2,413,288	\$5,699,749	\$ 323,309	\$10,005,801

\$526,313 of the above equipment amounts are being acquired under capital leases as of June 30, 2011.

Depreciation Expense

Depreciation expense was charged to functions of the primary government as follows:

<i>Governmental Activities</i>		<i>Business-type Activities</i>	
Administration	\$ 118,478	Water Utility	\$323,371
Police	56,754	Sewer Utility	<u>308,484</u>
Fire	84,471		
Sanitation	40,834	Total	<u>\$631,855</u>
Parks and Recreation	112,269		
Engineering	416		
Museum	4,856		
Streets	176,354		
Maintenance	5,746		
Cemetery	2,070		
Active Adult Center	12,518		
Library	<u>5,614</u>		
Total	<u>\$620,380</u>		

B. Liabilities

1. Lease Commitments, Contracts Payable and Water Revenue Bonds

The following is a summary of changes in lease commitments and contracts payable for the year ended June 30, 2011:

	<u>BALANCE</u> July 1, 2010	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> June 30, 2011
Governmental Activities				
Capital Lease Obligations:				
Street Equipment.....	\$6,628	\$ 0	\$6,628	\$ 0

	BALANCE July 1, 2010	ADDITIONS	RETIREMENTS	BALANCE June 30, 2011
Business Type Activities				
Capital Lease Obligations:				
Radio Meter Reading				
Equipment.....	\$211,676	\$0	\$ 72,605	\$139,071
Backhoe – Water.....	4,814	0	4,814	0
Wheelloader - Sewer.....	4,925	0	4,925	0
TOTAL.....	\$221,415	\$0	\$ 82,344	\$139,071

A summary of the various terms of debt obligations are as follows:

	WATER UTILITY EASEMENT CONTRACTS	RADIO WATER METER READING EQUIPMENT	COMBINATION BACKHOE, WHEEL LOADER & STREET EQUIPMENT
LEASE START DATE.....	VARIOUS	2-3-06	9-22-05
ASSET COST.....	\$46,297	\$526,313	\$300,000
DOWN PAYMENT.....	\$ 0	\$ 0	\$ 0
MONTHLY PAYMENT.....	VARIOUS	\$ 7,201	\$ 5,490
ASSET PLEDGED-COLLATERAL	NO	YES	YES
INTEREST RATE.....	10%	4.03%	3.74%
INTEREST EXPENSE			
Reported in Street Function.....			50
Reported in Sewer Utility.....			36
Reported in Water Utility.....	615	10,204	16
REMAINING PRINCIPAL PAYMENTS:			
2011-2012.....	1,300	82,321	0
2012-2013.....	1,438	56,750	0
2013-2014.....	1,645	0	0
Subsequent.....	2,686	0	0
	\$ 7,069	\$139,071	\$ 0

The City had no special assessment debt at June 30, 2011.

The City entered into long-term contracts with seven property owners for the purchase of utility easement rights for waterline construction in exchange for reduced monthly water bills over ten or twenty years. The asset was recorded in the water utility fund (\$46,297) and contracts payable credited for the present value of these future water bill reductions at a rate of 10% per annum. For the year ended June 30, 2011, water revenues were increased \$1,680 in conjunction with interest expense of \$503 and contract principal retirement of \$1,177.

The above debt amount of \$139,071 is well within the legal debt limit imposed by state statutes: i.e. 6% of the City's assessed valuation of \$42,475,753 or 2,548,545. The remaining debt limit available to the City is \$2,409,474 at June 30, 2011.

The following is a summary of changes in compensated absences debt for the year ended June 30, 2011:

	BALANCE July 1, 2010	ADDITIONS	RETIREMENTS	BALANCE June 30, 2011	DUE WITHIN ONE YEAR
Compensated Absences					
Vacation & Comp Time	\$583,578	\$689,633	\$(583,578)	\$689,633	\$689,633
Sick Leave.....	277,275	270,362	(277,275)	270,362	0
TOTAL.....	\$ 860,853	\$959,995	\$(860,858)	\$ 959,995	\$689,633

On May 24, 2004, the Mayor and council approved a resolution authorizing the sale and issuance of 3.405% Water Revenue bonds, Project 2005 in an amount not to exceed \$5 million. As of June 30, 2011, \$4,610,873 had been obtained from the water bonds and principal of \$163,168 and interest of \$118,040 had been incurred for the year then ended. The debt balance at June 30, 2011, was \$3,709,005. The fifth of five annual debt service reserve payments of \$61,653 had been reserved as of June 30, 2011, for a total of \$308,266. Also, one payment of \$61,653 had been reserved for the Repair and Replacement Reserve requirement.

Remaining payments on the \$3,709,005 are as follows through July 1, 2029.

	Total	Interest	Principal
2011-2012	\$308,265	\$139,541	\$168,724
2012-2013	\$308,265	\$133,796	\$174,469
2013-2014	\$308,265	\$127,855	\$180,410
2014-2015	\$308,265	\$121,712	\$186,553
2015-2016	\$308,265	\$115,360	\$192,905
Remaining	\$3,618,329	\$812,385	\$2,805,944
	<u>\$5,159,654</u>	<u>\$1,450,649</u>	<u>\$3,709,005</u>

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described and "due to/from other funds" (current interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The following is a reconciliation of the interfund receivables and payables at June 30, 2011:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE
	Interfund Receivables (Due From)	Interfund Payables (Due To)	ACTIVITIES Interfund Receivables (Due From)
Water Utility Fund.....			\$1,000,000
General Fund.....	\$31,964	\$1,000,000	
Active Adult Center Fund...		31,964	
	\$31,964	\$ 1,031,964	\$1,000,000

3. Transfers

Transfers within the reporting entity are substantially for the purposes of subsidizing operating functions. The General Fund transferred \$70,723 to the Active Adult Center Fund, and \$36,815 to the Library Fund and \$393,430 to the Highway Users Fund for the year ended June 30, 2011.

4. Post Employment Employee Health Care Benefits

a. PLAN DESCRIPTION

As of June 30, 2011 eligibility for the fixed \$400/month single or family subsidy requires that an employee completes at least 10 years of continuous City service, participates in the City health plan until retirement, and commences a state pension/health benefit. In addition, non-Council employees must have attained at least 80 age plus service points, while Council members must be at least age 55 at retirement. Employees retiring prior to January 1, 2009 had a different eligibility requirement and are grandfathered with an increasing subsidy equal to the excess of their Arizona State Retirement System (ASRS) family health premium over a fixed state subsidy and fixed self-pay. Both the current and grandfathered City subsidies cease at the retiree's Medicare eligibility age.

To be eligible, a dependent must be a legal spouse, or a child under age 26 or an older child who is wholly dependent on the retiree and incapable of self-support because of a mental or physical incapacity that existed prior to reaching age 19. The City subsidy ceases for all dependents of a living retiree at the earlier of the dependent's or retiree's Medicare age, but a surviving spouse of a deceased retiree may continue the subsidy until the survivor's own Medicare age. An active employee's surviving spouse is not eligible for the City health subsidy.

Effective January 1, 2009, all retiree health coverage is through ASRS or Public Safety Personnel Retirement System (PSPRS). The City's current health plan is now for active employees only and those eligible for COBRA. For Arizona residents the only medical/drug option with ASRS or PSPRS is the UHC Choice Plan, which covers all costs after certain co-pays. The UHC Choice annual copay maximum is \$3,000 per person or \$6,000 per family. ASRS and PSPRS both offer dental options all administered by Assurant Employee Benefits. Included with each dental option are VSP discounts for examinations and eyewear.

The plan does not issue a stand alone financial report since there are not assets legally segregated for the sole purpose of paying benefits under the plan. The City currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis. The costs of administering the plan are paid by the City.

Subsequent to June 30, 2011 significant changes were made to the City's plan reducing benefits.

b. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement 45 for employers in plans with more than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the City's net OPEB obligation to the plan at June 30, 2011.

<u>Annual OPEB Cost</u>	<u>Fiscal Year Ending June 30, 2011</u>
Normal Cost	\$ 22,395
Annual Unfunded Actuarial Accrued Liability	49,757
Adjustment for timing to end of year	3,247
ARC	<u>75,399</u>
Net OPEB contributions made during the fiscal year	<u>52,484</u>
Net OPEB unfunded obligation for the fiscal year	22,915
Cumulative unfunded obligation at 6-30-10	<u>68,329</u>
Cumulative unfunded obligation at 6-30-11	\$91,244
Percentage of expense contributed (\$52,484/\$75,399)	69.6%

c. FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2011, the actuarial accrued liability for benefits was \$601,500, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$4,695,164 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.8 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

d. METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to the point. The methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions were made:

Summary of Required Supplementary Information

Valuation Date	June 30, 2011
Actuarial cost method	Projected Unit Credit, level dollar
Amortization method	30-Year Amortization Open, level dollar
Remaining amortization period	30
Asset valuation method	N/A – No assets in irrevocable trust
Actuarial assumptions:	
Investment rate of return	4.50%
Inflation rate	N/A
Projected salary increases	N/A
Assumed increase in health Insurance premium reimbursement	None
Plan Membership:	
Current retirees	7
Current active participants	<u>99</u>
Total	106

e. ALLOCATION OF POST EMPLOYMENT BENEFITS

The City's allocation of their OPEB liability to the City's functions are as follows:

Government Activities:	
General government	\$ 82,727
Water Utility	22,052
Sewer Utility	<u>(13,535)</u>
Total Liability	<u>\$ 91,244</u>

5. **Restricted/Committed Fund Balances**

In conjunction with an increase in its water fees during 1992-93, the City provided that \$1 per month per customer be reserved for expenditures necessary to "secure a future water supply" or "water exploration".

Allocation of Revenue for 2010-2011.....	\$ 71,708
Expenditures.....	<u>0</u>
	71,708
Committed Balance, July 1, 2010.....	<u>511,398</u>
Committed Balance, June 30, 2011.....	\$583,106

In conjunction with the City's billing assistance to the Canyon Water District (a water district in a neighboring unincorporated area), the City collects various revenues, some of which are allocated to various reserves for debt service and system maintenance. The restricted balance was \$45,553 at June 30, 2011.

In conjunction with an increase in its sanitation fees during 1991-92, the City provided that \$1 per month per customer be reserved for a recycling program for the City. This monthly allocation of sanitation fees was terminated in May, 1994, but prior funds set aside for the program remain committed for recycling purposes (\$23,017).

In November 1995, the City increased its cemetery lot fees, and designated \$50 of each \$100 lot fee received be set apart "for improvements and maintenance of current cemetery facilities or the acquisition and/or development of other property for cemetery purposes."

Allocation of Revenue for 2010-2011.....	\$ 5,350
Expenditures.....	<u>0</u>
	5,350
Committed Balance, July 1, 2010.....	<u>36,700</u>
Committed Balance, June 30, 2011.....	\$42,050

The library board of directors donated \$40,000 to the City's library for future building improvements. Interest of \$42 and donations of \$1,180 were allocated to the reserve for the year ended June 30, 2011. The restricted balance at year-end was \$23,791.

IV. RETIREMENT PLANS

A. COST SHARING MULTIPLE EMPLOYER PLANS

Plan Descriptions, Contribution Information and Funding Policies

1. Arizona Public Safety Personnel Retirement System

The City participates in a statewide, cost-sharing, multiple-employer defined benefit plan on behalf of its police officers and firefighter. The plan is administered by the Arizona Public Safety Personnel Retirement System and funded by contributions from participants, employers, and insurance premium taxes.

The following is a summary of eligibility factors, contribution methods, and benefit provisions.

I.	GLOBE POLICE	GLOBE FIREFIGHTER'S
Eligibility to Participate	All full-time officers employed by a participating municipality in a covered position prior to attaining age 50 years, for at least 20 hours per week for more than 6 months per year	All full-time officers employed by a participating municipality in a covered position prior to attaining age 50 years, for at least 20 hours per week for more than 6 months per year
Determination of Contribution Requirements.....	Actuarially Determined	Actuarially Determined
Plan Member's Contributions Rate (percent of covered payroll) 2010-2011.....	7.65%	7.65%
City's contribution Rate (percent of covered payroll 2010-2011.....)	24.97%	23.60% less allocation of fire insurance premium tax
Benefits and Eligibility for Distribution	<p><u>For retirement with twenty years of credited service but less than twenty-five years of credited service</u> - 50% of average monthly compensation for the first twenty years of credited service, plus 2% of average monthly compensation for each year of credited service between twenty and twenty-five years</p> <p><u>For retirement with less than twenty years of credited service</u> - the percent of average monthly compensation is reduced by a rate of 4% for each year less than twenty years.</p> <p><u>For retirement with twenty-five or more years of credited service</u> - 50% of average monthly compensation for the first twenty years of credited service plus 2 1/2% of average monthly compensation for each year of credited service above twenty years.</p> <p>The maximum amount payable as a normal retirement pension shall be 80% of the average monthly compensation.</p> <p>Average monthly compensation is one thirty-sixth of total compensation paid a member during the highest three consecutive years, out of the last twenty years of credited service.</p>	<p><u>For retirement with twenty years of credited service but less than twenty-five years of credited service</u> - 50% of average monthly compensation for the first twenty years of credited service, plus 2% of average monthly compensation for each year of credited service between twenty and twenty-five years</p> <p><u>For retirement with less than twenty years of credited service</u> - the percent of average monthly compensation is reduced by a rate of 4% for each year less than twenty years.</p> <p><u>For retirement with twenty-five or more years of credited service</u> - 50% of average monthly compensation for the first twenty years of credited service plus 2 1/2% of average monthly compensation for each year of credited service above twenty years.</p> <p>The maximum amount payable as a normal retirement pension shall be 80% of the average monthly compensation.</p> <p>Average monthly compensation is one thirty-sixth of total compensation paid a member during the highest three consecutive years, out of the last twenty years of credited service.</p>
Period Required to Vest.....	10 years	10 years
Deferred Retirement Option	Termination of covered position employment with 10 or more years of credited service. Pension is equal to twice the amount of pension based on the member's accumulated contributions with payments commencing at age 62. Benefit is forfeited if accumulated contributions are withdrawn.	Termination of covered position employment with 10 or more years of credited service. Pension is equal to twice the amount of pension based on the member's accumulated contributions with payments commencing at age 62. Benefit is forfeited if accumulated contributions are withdrawn.
Provisions for:		
Cost of living adjustments (normal retirement).....	Yes	Yes
Death (duty, non-duty, post retirement).....	Yes	Yes
Disability (duty, non duty).....	Yes	Yes
Post-Retirement Health Insurance Subsidy.....	Yes	Yes
Cost of living allowances.....	No	No
Memberships of the plans are as follows:		
Inactive vested members.....	1	0
Fully vested active members.....	24	18
Retirees and beneficiaries receiving benefits.....	<u>11</u>	<u>10</u>
Total.....	36	28

II. Trend Information

	City's Annual Pension Cost	Percentage Contributed	City's Annual Pension Cost	Percentage Contributed
2003.....	\$ 90,339	100%	\$ 17,191	100%
2004.....	\$123,843	100%	\$ 43,089	100%
2005.....	\$110,861	100%	\$ 64,317	100%
2006.....	\$131,849	100%	\$ 79,132	100%
2007.....	\$164,348	100%	\$ 115,913	100%
2008.....	\$166,371	100%	\$ 152,607	100%
2009.....	\$247,632	100%	\$ 229,881	100%
2010.....	\$254,889	100%	\$ 208,138	100%

III. Supplementary Information Applicable to both Police Officer's and Firefighter's Retirement Plans

Valuation date:	June 30, 2010
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percent-of-pay closed
Remaining amortization period	26 years for unfunded actuarial accrued liability; 20 years for overfunded
Asset valuation method	7 year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.50% - 8.50%
Includes payroll growth at	5.5%
Cost of Living Adjustments	None

IV. Funding Progress

a. GASB Statement 25 Disclosure

VALUATION DATE JUNE 30	(1) ACTUARIAL VALUE OF ASSETS	(2) ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE	(3) PERCENT FUNDED (1) / (2)	(4) UNFUNDED AAL (2)-(1)	(5) ANNUAL COVERED PAYROLL	(6) UNFUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL (4) / (5)
POLICE OFFICERS						
2003	\$2,854,480	\$3,310,030	86.2%	\$ 455,550	\$ 778,451	58.5%
2004	\$2,970,185	\$3,761,983	79.0%	\$ 791,798	\$ 880,732	89.9%
2005	\$3,088,728	\$4,214,390	73.3%	\$ 1,125,662	\$ 731,591	153.9%
2006	\$3,042,140	\$4,603,642	66.1%	\$ 1,561,502	\$ 936,652	166.7%
2007	\$3,017,686	\$5,484,100	55.0%	\$ 2,466,414	\$ 954,199	258.5%
2008	\$3,177,459	\$5,443,956	58.4%	\$ 2,266,497	\$1,012,299	223.9%
2009	\$3,478,690	\$5,959,813	58.4%	\$ 2,481,123	\$1,040,198	238.5%
2010	\$3,733,092	\$6,464,638	57.7%	\$ 2,731,546	\$1,158,285	235.8%
FIREFIGHTERS						
2003	\$3,122,426	\$3,062,086	102.0%	\$ (60,340)	\$666,305	-%
2004	\$2,989,691	\$3,382,649	88.4%	\$ 392,958	\$689,309	57%
2005	\$3,147,732	\$3,856,940	81.6%	\$ 709,208	\$693,102	102.3%
2006	\$3,129,304	\$4,096,286	76.4%	\$ 966,982	\$622,372	155.4%
2007	\$3,010,467	\$4,861,263	61.9%	\$1,850,796	\$785,091	235.7%
2008	\$3,185,126	\$4,860,775	65.5%	\$1,675,649	\$887,571	188.8%
2009	\$3,305,527	\$5,525,306	62.9%	\$ 1,949,779	\$958,958	203.3%
2010	\$3,426,868	\$5,474,660	62.6%	\$ 2,047,792	\$912,635	224.4%

b. GASB Statement 45 Disclosure

This information can be found in the City's annual actuarial report prepared by the actuary for the Public Safety Personnel Retirement System.

2. *Arizona State Retirement System and Elected Officials Retirement System*

The City of Globe participates in two statewide cost-sharing, multiple employer defined benefit plans on behalf of substantially all full-time non-public safety employees, and elected officials. The systems are funded by contributions from participants and employers.

I.	ARIZONA STATE RETIREMENT SYSTEM	ELECTED OFFICIALS RETIREMENT SYSTEM
Authority establishing contribution obligations and benefits	State statute	State Statute
Plan members' contribution rate (percent of covered payroll) 2010-2011	9.85%	7.0%
City's contribution rate (percent of covered payroll) 2010-2011	9.85%	29.79%
Period required to vest	No vesting. Upon termination of employment a member may withdraw only his contributions plus interest.	Upon termination of employment a member may withdraw only his contributions and an additional amount based on 5 or more years of credited service.
Benefits and eligibility for distribution	Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit. Members are eligible for full retirement benefits on (A) their 65th birthday, (B) their 62nd birthday and completion of ten years of total credited service, or (C) the first day immediately following the day when age plus total credited service equals 80. The benefit is based on 2% of average monthly compensation multiplied by the years of service credit. Average monthly compensation is defined as the period of 36 consecutive months during which a participant receives the highest compensation within the last 120 months of service during which the employee made retirement contributions as required by law.	An elected official may retire upon meeting one of the following age and service requirements (A) Any age with 20 or more years of credited service (B) Age 62 with 10 or more years of credited service or (C) Age 65 years with 5 or more years of credited service. The amount of a normal retirement pension is 4.0% of the members average yearly salary multiplied by years of credited service. Maximum is 80 percent of average yearly salary. <u>Early Retirement (reduction for age)</u> An elected official who has 5 or more years of credited service may retire before meeting an age or service requirement for normal retirement. The amount of an early retirement pension is computed by determining the amount of accrued normal retirement pension and then reducing the amount determined by three-twelfths of one percent for each month early retirement precedes the member's normal retirement age. The maximum reduction is 30%.
Deferred retirement option	Persons who attain age 50 with at least five years of total credited service may take an early retirement which entitles them to a reduced retirement benefit.	An elected official with 5 or more years of credited service retains entitlement to a deferred pension upon ceasing to be an elected official if the official's accumulated contributions are left on deposit in the Retirement Plan. The amount of pension is determined in the same manner as a normal or early pension, whichever is

applicable.

Continued from prior page	ARIZONA STATE RETIREMENT SYSTEM	ELECTED OFFICIALS RETIREMENT SYSTEM
Provisions for:		
Cost of living adjustments (normal) retirement.....	NO	YES
Death and Survivor.....	YES	YES
Disability.....	YES	YES
Post Retirement Health Insurance Subsidy.....	YES	YES
Cost of living allowances.....	NO	YES

II. Trend Information

Contributions required by State statute:

	REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED	REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED
2003.....	\$52,673	100%	\$1,506	100%
2004.....	\$124,557	100%	\$2,894	100%
2005.....	\$131,313	100%	\$2,894	100%
2006.....	\$185,731	100%	\$4,622	100%
2007.....	\$258,350	100%	\$4,008	100%
2008.....	\$276,065	100%	\$4,467	100%
2009.....	\$282,961	100%	\$7,686	100%
2010.....	\$264,325	100%	\$7,246	100%
2011.....	\$238,169	100%	\$8,223	100%

Trend information showing the progress of the systems in accumulating sufficient assets to pay benefits when due is presented in the annual financial reports of the respective plans. Copies of these reports may be obtained from the respective state retirement systems.

3. *Volunteer Firemen's Relief and Pension Fund*

The City has established the Volunteer Firemen's Relief and Pension Fund (a defined contribution plan) to provide pensions for its qualified volunteer firemen. The Fund covers only the volunteer firemen and is established solely upon the provisions for such pension and relief funds in the Arizona Revised Statutes. Sections therein give discretionary powers to the Board of Trustees in administering payment and/or non-payment of benefits to qualified retired or disabled volunteer firemen. No vested interests exist in any of the revenues of the fund other than the employee's right to his own contributions. Reserves for pensions, therefore, have not been established based on actuarial tables as the amounts are not vested. The City contributed \$336 to the pension fund during the year ended June 30, 2011, which was 5% of the covered and total payroll of \$6,721. The volunteer firemen's required and actual contributions amounted to \$336, which was 5% of covered payroll. These contributions met the funding requirements established by state statutes

V. LEGAL AND CONTINGENCIES

A. Pollution Remediation

The City is party to an environmental pollution remediation project involving land where underground gasoline storage tanks caused groundwater pollution. For the year ended June 30, 2011 no remediation costs had been incurred. This amount is the City's cost after reimbursements from the State Assurance Fund to assist with the clean-up.

B. Federal and State Grants

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for a reimbursement which may arise as the result of these audits, is not believed to be material.

C. Participation In Public Entity Risk Pool

The City is a member of the Arizona Municipal Risk Retention Pool ("Pool"). The Pool was created to formulate, develop and administer a program of self-funding for the Pool's membership, obtain lower costs for property and liability insurance coverage and develop a comprehensive loss control program. The City pays an annual premium to the Pool for its coverage. The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member local governments. Insurance settlements for the City did not exceed insurance coverage for each of the past three years.

The Pool is financially solvent as of June 30, 2011. However, if the Pool should become insolvent, the City may be assessed an "additional premium" not to exceed the City's annual premium for the year i.e. \$205,224. As long as the City maintains its insurance coverage through the Pool it will have this contingent liability.

CITY OF GLOBE, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2011

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
State Sales Tax.....	\$ 562,295	\$ 562,295	\$ 573,629	\$ 11,334
State Revenue Sharing.....	729,400	729,400	729,509	109
Property Tax ..	570,577	570,577	561,113	(9,464)
Vehicle Lieu Tax.....	432,160	432,160	414,301	(17,859)
City Sales Tax.....	3,968,000	3,968,000	3,443,356	(524,644)
Bed Tax.....	100,000	100,000	93,332	(6,668)
Utility Franchise Fees.....	165,000	165,000	166,265	1,265
Business Licenses.....	600,000	600,000	461,433	(138,567)
Licenses and Permits and Other.....	429,523	429,523	353,771	(75,752)
Fines and Forfeitures.....	899,000	899,000	64,378	(834,622)
Sanitation Fees.....	544,000	544,000	584,291	40,291
Museum Fees and Product Sales.....	75,000	75,000	66,943	(8,057)
Interest Income.....	50,000	50,000	10,885	(39,115)
Donations.....	26,200	26,200	28,049	1,849
TOTAL REVENUES.....	9,151,155	9,151,155	7,551,255	(1,599,900)
EXPENDITURES:				
Current:				
Mayor and Council.....	410,945	410,945	256,026	154,919
Contingency.....	2,798,730	2,711,730	0	2,711,730
Legal.....	132,495	132,495	95,466	37,029
Community Organizations.....	100,000	100,000	93,332	6,668
Administration.....	921,015	921,015	584,711	336,304
Police	2,484,930	2,484,930	2,255,008	229,922
Fire.....	1,575,630	1,575,630	1,628,725	(53,095)
Sanitation.....	485,300	560,300	555,760	4,540
Parks	466,010	466,010	399,758	66,252
Recreation.....	124,295	124,295	85,063	39,232
Cemetery.....	57,720	57,720	58,135	(415)
Magistrate.....	147,180	147,180	149,297	(2,117)
Museum.....	207,080	207,080	189,061	18,019
Maintenance.....	793,505	793,505	248,811	544,694
Engineering.....	217,195	217,195	54,368	162,827
Capital Outlay.....	1,249,000	1,249,000	49,524	1,199,476
TOTAL EXPENDITURES.....	12,171,030	12,159,030	6,703,045	5,455,985
EXCESS OF REVENUES OVER (UNDER) EXPENDITURE:	(3,019,875)	(3,007,875)	848,210	3,856,085
OTHER FINANCING SOURCES (USES):				
Sale of General Fixed Assets.....	200,000	200,000	0	(200,000)
Transfer to Senior Citizens Fund.....	(88,740)	(100,740)	(70,723)	30,017
Transfer to Highway Users Fund.....	(1,017,885)	(1,017,885)	(393,430)	624,455
Transfer to Library Fund.....	(94,025)	(94,025)	(36,815)	57,210
Proceeds of Long Term Debt Obligations.....	1,400,000	1,400,000	0	(1,400,000)
TOTAL OTHER FINANCING SOURCES (USES).....	399,350	387,350	(500,968)	(888,318)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES.....	(2,620,525)	(2,620,525)	347,242	2,967,767
FUND BALANCE, BEGINNING.....	2,620,525	2,620,525	3,088,451	467,926
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 3,435,693	\$ 3,435,693

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
HIGHWAY USERS FUND
FOR THE YEAR ENDED JUNE 30, 2011

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Highway Users Tax	\$702,530	\$702,530	\$694,986	\$ (7,544)
AZ Department of Transportation				
Street Improvement Donations.....	0	0	272,326	272,326
TOTAL REVENUES.....	702,530	702,530	967,312	264,782
EXPENDITURES:				
Personal Services.....	609,735	609,735	547,485	62,250
Supplies, Repairs, and Other.....	99,000	99,000	180,816	(81,816)
Street Lighting.....	270,000	270,000	264,293	5,707
Street Repairs.....	50,000	50,000	36,809	13,191
Capital Outlay.....	685,000	685,000	324,661	360,339
Debt Service:				
Principal.....	6,628	6,628	6,628	0
Interest.....	52	52	50	2
TOTAL EXPENDITURES.....	1,720,415	1,720,415	1,360,742	359,673
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,017,885)	(1,017,885)	(393,430)	624,455
OTHER FINANCING SOURCES:				
Transfer from General Fund.....	1,017,885	1,017,885	393,430	(624,455)
TOTAL OTHER FINANCING SOURCES.....	1,017,885	1,017,885	393,430	(624,455)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	0	0	0	0
FUND BALANCE, BEGINNING.....	0	0	0	0
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF GLOBE, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2011

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Grants - Federal.....	\$ 2,126,075	\$2,126,075	\$ 211,556	\$ (1,914,519)
Grants - Non -Federal.....	373,925	373,925	56,179	(317,746)
TOTAL REVENUES.....	2,500,000	2,500,000	267,735	(2,232,265)
EXPENDITURES:				
Community Development Block Grants - Federal				
#159-10 Residential Rehabilitation.....	141,672	141,672	668	141,004
#146-09 Residential Rehabilitation.....	50,916	50,916	51,482	(566)
Arizona Department of Public Safety				
Arizona Youth Partnership - Non-Federal				
Police Overtime Compensation.....	2,000	2,000	2,000	0
Arizona Department of Transportation				
HB2565 Transit and Transportation Non-Federal.....	6,225	6,225	6,225	0
Broad Street Phase II - Non-Federal.....	0	0	1,050	(1,050)
Library Grants				
2010 SGIA State Grant - Non-Federal.....	1,800	1,800	1,800	0
2011 SGIA State Grant - Non-Federal.....	2,000	2,000	400	1,600
Gila County/Globe Public Schools				
K-9 Dog Drug Enforcement - Non-Federal.....	20,000	20,000	20,000	0
Arizona Department of Housing and Urban Development - Federal				
Economic Development Initiative - EDI Acquisition and Streetscape Improvements B-06-SP-AZ-0058.....				
	36,481	36,481	36,481	0
American Recovery and Reinvestment Act - Federal				
Governor's Office of Economic Recovery Police Stabilization Program OER-11-IGA-G5-145.....				
	60,000	60,000	45,891	14,109
Arizona Department of Commerce Energy Efficiency Block Grant Program I016-10-22..				
	77,034	77,034	77,034	0
Gila County Economic Development Grant				
Old Dominion Mine Park Improvements-Non-Federal.....	65,000	65,000	6,828	58,172
Copper Spike Train Excursion - Non-Federal.....	0	0	10,000	(10,000)
Arizona Department of Environmental Quality- Non-Federal				
Asbestos Abatement of Buildings EV11-0125	26,200	26,200	7,876	18,324
Other Grants - Federal	2,010,672	2,010,672	0	2,010,672
TOTAL EXPENDITURES.....	2,500,000	2,500,000	267,735	2,232,265
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	0	0	0	0
FUND BALANCE, BEGINNING.....	0	0	0	0
FUND BALANCE, ENDING	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
ACTIVE ADULT CENTER FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>	<u>AMOUNTS</u> <u>(Budgetary</u> <u>Basis)</u>	
REVENUES:				
Older American Act				
Title IIIB and C - Federal.....	\$65,250	\$65,250	\$64,778	(\$472)
Cash in Lieu of Commodities - Federal..	0	0	16,204	16,204
ALTCS - State.....	250	250	336	86
Gila County Contribution.....	3,000	3,000	13,000	10,000
Total Grant Revenues.....	<u>68,500</u>	<u>68,500</u>	<u>94,318</u>	<u>25,818</u>
Donations.....	0	0	0	0
Program Income.....	17,500	17,500	20,907	3,407
City Contribution In-Kind.....	7,950	7,950	7,950	0
TOTAL REVENUES.....	<u>93,950</u>	<u>93,950</u>	<u>123,175</u>	<u>29,225</u>
EXPENDITURES:				
Personal Services.....	108,485	108,485	104,096	4,389
Transportation Costs.....	6,370	6,370	6,694	(324)
Space Costs.....	26,950	26,950	23,800	3,150
Food Supplies.....	34,490	34,490	41,383	(6,893)
Other Operating Costs.....	6,395	6,395	9,459	(3,064)
Capital Outlay.....	0	12,000	8,466	3,534
TOTAL EXPENDITURES.....	<u>182,690</u>	<u>194,690</u>	<u>193,898</u>	<u>792</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	<u>(88,740)</u>	<u>(100,740)</u>	<u>(70,723)</u>	<u>30,017</u>
OTHER FINANCING SOURCES:				
Transfer from General Fund.....	88,740	100,740	70,723	(30,017)
TOTAL OTHER FINANCING SOURCES..	<u>88,740</u>	<u>100,740</u>	<u>70,723</u>	<u>(30,017)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE, BEGINNING.....	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE, ENDING.....	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
LIBRARY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Property Tax	\$116,750	\$116,750	\$116,750	\$ 0
Fines and Donations	11,200	11,200	10,307	(893)
Interest Income.....	0	0	42	42
TOTAL REVENUES.....	127,950	127,950	127,099	(851)
EXPENDITURES:				
Personal Services.....	125,630	125,630	124,148	1,482
Supplies, Repairs, and Other.....	80,745	80,745	21,457	59,288
Books and Periodicals.....	15,600	15,600	17,087	(1,487)
Capital Outlay.....	0	0	0	0
TOTAL EXPENDITURES.....	221,975	221,975	162,692	59,283
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(94,025)	(94,025)	(35,593)	58,432
OTHER FINANCING SOURCES:				
Transfer from General Fund.....	94,025	94,025	36,815	(57,210)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	0	0	1,222	1,222
FUND BALANCE, BEGINNING.....	0	0	22,569	22,569
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 23,791	\$ 23,791

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
WATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Water Revenues.....	\$ 2,050,000	\$ 2,050,000	\$ 1,953,908	\$ (96,092)
Taps, Extensions and Permits.....	40,250	40,250	31,081	(9,169)
Penalties.....	63,000	63,000	57,813	(5,187)
Interest Income.....	0	0	6,869	6,869
TOTAL REVENUES.....	2,153,250	2,153,250	2,049,671	(103,579)
EXPENDITURES:				
Personal Services.....	743,795	743,795	662,821	80,974
Supplies, Repairs and Other.....	1,335,150	1,335,150	770,413	564,737
Capital Outlay.....	2,711,365	2,711,365	481,006	2,230,359
Debt Service.....	399,540	399,540	365,653	33,887
TOTAL EXPENDITURES.....	5,189,850	5,189,850	2,279,893	2,909,957
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(3,036,600)	(3,036,600)	(230,222)	2,806,378
OTHER FINANCING SOURCES (USES):				
Proceeds from Water Revenue Bonds.....	1,000,000	1,000,000	480,196	(519,804)
TOTAL OTHER FINANCING SOURCES (USES).....	1,000,000	1,000,000	480,196	(519,804)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES.....	(2,036,600)	(2,036,600)	249,974	2,286,574
FUND BALANCE, BEGINNING.....	2,036,600	2,036,600	1,947,828	(88,772)
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 2,197,802	\$ 2,197,802

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
SEWER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2011

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Sewer Revenues.....	\$ 893,000	\$ 893,000	\$ 850,784	\$ (42,216)
Taps, Extensions and Permits.....	10,500	10,500	8,669	(1,831)
Interest Income.....	0	0	5,081	5,081
TOTAL REVENUES.....	903,500	903,500	864,534	(38,966)
EXPENDITURES:				
Personal Services.....	303,060	303,060	292,207	10,853
Supplies, Repairs and Other.....	409,850	409,850	254,803	155,047
Capital Outlay.....	1,468,630	1,468,630	91,506	1,377,124
Debt Service.....	4,960	4,960	4,961	(1)
TOTAL EXPENDITURES.....	2,186,500	2,186,500	643,477	1,543,023
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,283,000)	(1,283,000)	221,057	1,504,057
OTHER FINANCING SOURCES (USES):				
American Recovery and Reinvestment Act Energy Efficient Block Grant G032-10.....	0	0	80,000	80,000
TOTAL OTHER FINANCING SOURCES (USES).....	0	0	80,000	80,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES.....	(1,283,000)	(1,283,000)	301,057	1,584,057
FUND BALANCE, BEGINNING.....	1,283,000	1,283,000	1,317,311	34,311
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 1,618,368	\$ 1,618,368

CITY OF GLOBE, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2011

	ACTIVE ADULT CENTER	LIBRARY	TOTAL
-- ASSETS --			
Pooled Cash and Cash Equivalents.....		\$ 30,831	\$ 30,831
Non-Pooled Cash and Cash Equivalents.....		35	35
Due from Other Governments.....	\$37,599		37,599
TOTAL ASSETS.....	\$37,599	\$ 30,866	\$ 68,465
 --LIABILITIES AND FUND BALANCES--			
LIABILITIES:			
Accounts Payable.....	\$ 1,474		\$ 1,474
Compensated Absences.....	4,161	\$7,075	11,236
Due to Other Funds.....	31,964		31,964
TOTAL LIABILITIES.....	37,599	7,075	44,674
FUND BALANCES:			
Restricted for Library Improvements.....		23,791	23,791
TOTAL FUND BALANCES.....	0	23,791	23,791
TOTAL LIABILITIES AND FUND BALANCES.....	\$37,599	\$30,866	\$68,465

CITY OF GLOBE, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2011

	ACTIVE ADULT CENTER	LIBRARY	TOTAL
REVENUES:			
Interest Income.....		\$ 42	42
Grant Revenue.....	\$ 94,318		94,318
Fines and Donations.....		10,307	10,307
Active Adult Program Income.....	28,857		28,857
County Library Property Tax.....		116,750	116,750
TOTAL REVENUES.....	123,175	127,099	250,274
EXPENDITURES:			
Current:			
Library.....		162,692	162,692
Active Adult Center.....	185,432		185,432
Capital Outlay.....	8,466		8,466
TOTAL EXPENDITURES.....	193,898	162,692	356,590
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(70,723)	(35,593)	(106,316)
OTHER FINANCING SOURCES (USES):			
Transfer from General Fund.....	70,723	36,815	107,538
NET OTHER FINANCING SOURCES (USES).....	70,723	36,815	107,538
NET CHANGE IN FUND BALANCES.....	0	1,222	1,222
FUND BALANCES, Beginning.....	0	22,569	22,569
FUND BALANCES, Ending.....	\$ 0	\$ 23,791	\$ 23,791

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the City Council
City of Globe, Arizona

I have audited the financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information, of the City of Globe, Arizona, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements and have issued my report thereon dated November 7, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Globe, Arizona's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Globe, Arizona's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Globe, Arizona's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



November 7, 2011