

CITY OF GLOBE, ARIZONA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED
JUNE 30, 2012

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, 2012, 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, 2012, 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 5, 2012, 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 45 through 51, 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 5, 2012

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, 2012. 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 \$19,829,951 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 - (1) Capital assets of \$12,052,528 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 \$1,223,850 are restricted and committed for various purposes.
 - (4) Unrestricted net assets of \$3,735,939 represent the portion available to maintain the City's continuing obligations to citizens and creditors. This amount increased \$459,630 from the prior year.
- The City's governmental funds reported a total ending fund balance of \$3,662,152 this year. This compares to the prior year total ending fund balance of \$3,459,484 showing an increase of \$202,668 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, 2012:

	SUMMARY OF NET ASSETS				
	Governmental Activities	Business-type Activities	Totals	Totals	Amount Change
	2012	2012	2012	2011	
Current and other assets	\$ 5,131,483	\$ 4,424,560	\$ 9,556,043	\$ 9,092,059	\$ 463,984
Capital assets	6,110,488	9,795,563	15,906,051	16,273,436	(367,385)
Total Assets	11,241,971	14,220,123	25,462,094	25,365,495	96,599
Long-term liabilities.....	403,407	3,708,552	4,111,959	4,133,130	(21,171)
Other liabilities	1,276,403	243,781	1,520,184	1,625,626	(105,442)
Total Liabilities	1,679,810	3,952,333	5,632,143	5,758,756	(126,613)
Net assets:					
Capital Contributed from General Fund.....	0	2,817,634	2,817,634	2,817,634	0
Invested in capital assets	5,981,906	6,070,622	12,052,528	12,425,360	(372,832)
Restricted and Committed	95,285	1,128,565	1,223,850	1,087,436	136,414
Unrestricted	3,484,970	250,969	3,735,939	3,276,309	459,630
Total Net Assets	\$ 9,562,161	\$10,267,790	\$19,829,951	\$19,606,739	\$ 223,212

The City reported positive balances in net assets for both governmental and business-type activities. Net assets decreased \$75,402 for governmental activities and increased \$298,614 for business-type activities.

The following table provides a summary of the City's changes in net assets for the year ended June 30, 2012.

SUMMARY OF CHANGES IN NET ASSETS

	Governmental Activities	Business- type Activities	Totals	Totals	Amount Change
	2012	2012	2012	2011	
Revenues:					
Program revenues:					
Charges for services	\$ 1,512,183	\$2,855,543	\$4,367,726	\$3,871,342	\$ 496,384
Operating grants and contributions	1,138,983	26,840	1,165,823	1,317,988	(152,165)
Capital grants and contributions	117,210	30,962	148,172	448,270	(300,098)
General revenues:					
Sales tax	3,369,541		3,369,541	3,443,356	(73,815)
State shared revenues	1,634,319		1,634,319	1,717,439	(83,120)
Property tax	526,416		526,416	561,449	(35,033)
Franchise fees and business licenses	610,287		610,287	627,700	(17,413)
Other	188,252	8,391	196,643	180,113	16,530
Total Revenues	9,097,191	2,921,736	12,018,927	12,167,657	(148,730)
Expenses:					
General Government	1,921,569		1,921,569	1,654,753	266,816
Police	2,409,186		2,409,186	2,372,316	36,870
Fire	1,722,074		1,722,074	1,717,724	4,350
Sanitation	664,072		664,072	584,759	79,313
Parks and Recreation and Cemetery	630,535		630,535	664,101	(33,566)
Streets	1,073,136		1,073,136	1,221,144	(148,008)
Library	184,373		184,373	178,661	5,712
Museum	193,004		193,004	193,719	(715)
Active Adult Center	215,255		215,255	198,775	16,480
Community Development	159,389		159,389	62,150	97,239
Interest on General Long-Term Debt	0		0	50	(50)
Water Utility		1,888,374	1,888,374	1,881,669	6,705
Sewer Utility		734,748	734,748	855,530	(120,782)
Total Expenses	9,172,593	2,623,122	11,795,715	11,585,351	210,364
Change in net assets	(75,402)	298,614	223,212	582,306	(359,094)
Beginning net assets	9,637,563	9,969,176	19,606,739	19,024,433	582,306
Ending net assets	\$ 9,562,161	\$10,267,790	\$19,829,951	\$19,606,739	\$ 223,212

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) totaled \$8,822,105 in 2011-2012, an increase of 5.4% from 2010-2011. A comparative summary of principal revenues is as follows:

	2011-2012 Amount	Increase (Decrease) from 2010-2011		2010-2011 Amount
		Amount	%	
State Sales Tax	\$ 588,553	\$ 14,924		\$ 573,629
State Revenue Sharing	635,706	(93,803)		729,509
Highway Users Tax	623,043	(71,943)		694,986
Property Tax	527,042	(34,071)		561,113
Vehicle Lieu Tax	410,060	(4,241)		414,301
City Sales Tax	3,369,541	(73,815)		3,443,356
Licenses, Permits and Miscellaneous	879,827	(111,949)		991,776
Magistrate Fines.....	664,344	599,966		64,378
County Library Property Tax	116,750	0		116,750
Sanitation Fees	627,034	42,743		584,291
Bed Tax	105,965	12,633		93,332
Interest Income and Gain on Investments...	8,632	(2,295)		10,927
Museum Fees and Product Sales	65,259	(1,684)		66,943
Sales of General Fixed Assets	2,358	2,358		0
Donations	36,049	8,000		28,049
Proceeds of Long-Term Debt Obligation.....	161,942	161,942		0
	<u>\$ 8,822,105</u>	<u>\$ 448,765</u>	<u>5.4%</u>	<u>\$ 8,373,340</u>

Expenditures and transfers (excluding grants) totaled \$8,619,437 in 2011-2012. This represents an increase of 7.4% from the prior year. The schedule that follows summarizes the expenditures and transfers.

	2011-2012 Amount	Increase (Decrease) from 2010-2011		2010-2011 Amount
		Amount	Amount	
Operating Expenditures and Transfers				
Mayor and Council	\$ 322,960	\$ 66,934		\$ 256,026
Community Organizations	105,965	12,633		93,332
Administration and Legal	731,849	51,672		680,177
Police	2,336,946	81,938		2,255,008
Fire	1,659,918	31,193		1,628,725
Streets	866,184	(163,219)		1,029,403
Maintenance	245,703	(3,108)		248,811
Sanitation	623,493	67,733		555,760
Parks and Recreation.....	457,571	(27,250)		484,821
Museum	187,186	(1,875)		189,061
Cemetery.....	60,417	2,282		58,135
Magistrate	388,979	239,682		149,297
Engineering	18,813	(35,555)		54,368
Library	176,078	13,386		162,692
Debt Service.....	33,360	26,682		6,678
Senior Citizen Operating Transfer.....	87,424	16,701		70,723
Capital Outlay	316,591	214,732		101,859
	<u>\$8,619,437</u>	<u>\$ 594,561</u>	<u>7.4%</u>	<u>\$8,024,876</u>

Revenues (\$8,822,105) exceeded expenditures (\$8,619,437) by \$202,668 and increased the City's overall governmental fund balance carryover from \$3,459,484 at June 30, 2011 to \$3,662,152 at June 30, 2012.

However, analysis of this increase discloses problems for the City's future finances. The City instituted a photo radar system for 2011-2012 only which generated an additional \$599,966 in revenues compared to additional costs of \$239,682, a net increase of \$360,284. Without the photo radar system operation in 2011-2012, the City's expenditures would have exceeded revenues by \$157,616. The City will have to find additional revenue sources or make expenditure reductions to prevent deficits in future years.

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 \$298,614 for the year ended June 30, 2012 compared to \$385,527 for 2010-2011. There was no rate increase in the water and sewer utility billing rates for the year ended June 30, 2012.

City Payroll and Fringe Benefits

The City's gross payroll for 2011-2012 was \$4,544,700 a decrease of 3.2% or \$150,464 from 2010-2011. A summary by department follows:

	2011-2012 Amount	INCREASE (DECREASE) FROM 2010-2011	2010-2011 Amount
Administration	\$ 601,358	\$ 46,226	\$ 555,132
Police	1,381,472	6,422	1,375,050
Fire.....	1,011,479	28,532	982,947
Streets.....	295,511	(93,204)	388,715
Sanitation	0	(111,470)	111,470
Maintenance.....	96,808	(8,136)	104,944
Parks, Recreation, Cemetery & Museum.	328,120	(21,408)	349,528
Library	98,476	5,036	93,440
Active Adult Center.....	72,846	5,608	67,238
Water Utility.....	488,896	28,891	460,005
Sewer Utility.....	169,734	(36,961)	206,695
	<u>\$4,544,700</u>	<u>\$(150,464)</u>	<u>\$4,695,164</u>

The following payroll fringe benefits amounted to \$2,304,801, an increase of \$1,798, or .1% and are detailed as follows:

	2011-2012	INCREASE DECREASE	2010-2011
Social Security and Medicare Taxes	\$ 267,421	\$ (12,463)	\$ 279,884
State Retirement Contributions	236,044	(2,125)	238,169
Policemen's Pension Contributions.....	261,843	(8,055)	269,898
Regular and Volunteer Firemen's Pension Contributions..	212,239	5,693	206,546
Elected Officials Retirement Contributions	8,727	505	8,222
Industrial Insurance	145,213	(36,205)	181,418
Health and Life Insurance	1,173,314	54,448	1,118,866
	<u>\$2,304,801</u>	<u>\$ 1,798</u>	<u>\$2,303,003</u>

Budgetary Highlights

The City's budget for fiscal year 2012 was \$24,325,000. This was an increase of \$74,000 from the previous year's budget of \$24,251,000.

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, 2012, \$9,000 of the general fund contingency budget was transferred to the following departments or funds to provide for unexpected additional expenditures:

Community Organizations	\$ 6,000
Cemetery	3,000
	<u>\$ 9,000</u>

The expenditure limit adopted by the City Council under its voter approved home-rule expenditure limitation option was \$24,325,000 for the year ended June 30, 2012. 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 2012 and 2011.

	Governmental Activities		Business-Type Activities	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$1,298,822	\$1,231,841	\$ 287,893	\$ 287,893
Construction in Progress	0	0	130,275	1,281,562
Buildings	1,889,666	1,901,271	2,489,102	2,413,288
Street Infrastructure And Other Improvements	1,959,137	2,219,596	6,665,634	5,699,749
Machinery and Equipment	962,863	914,927	222,659	323,309
	<u>\$6,110,488</u>	<u>\$6,267,635</u>	<u>\$9,795,563</u>	<u>\$10,005,801</u>

Long-Term Obligations

The City did incur new long-term debt for new accounting software of \$161,942 payable over five years. The first payment on this debt was made for \$33,360, leaving \$128,582 of debt at June 30, 2012. The City retired \$88,973 of debt on its other capital lease obligations. The City did borrow additional amounts in its 2004 Water Revenue Bonds to fund additional water and well system improvements.

FISCAL YEAR 2011-2012 ACCOMPLISHMENTS

Although there were continued uncertainties associated with the economic future, the City terminated its one day per month furlough for all employees in October 2011. All City employees had been on this one day per month furlough since May of 2010. There were no merit increases or cost of living adjustments and the level of employee benefits 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.

The Arizona State Legislature began the fiscal year with a 53% employee and a 47% employer split on the Arizona State Retirement System Contributions. In May this decision was reversed to a 50% employee and 50% employer split, retroactive to July 1, 2011. The City was required to reimburse the employees the 3% retroactive to July 1, 2011. This reimbursement cost the City \$11,610.

In August of 2011 the City Council voted to terminate the retiree health insurance subsidy. The new GASB guidelines which require annual contributions to fund post retirement benefits is cost prohibitive to the City. GASB also required additional dollars to be spent every three years for an actuarial valuation which specified the annual required contribution amount to the plan.

The City Council authorized the purchase of new accounting software for the City. The total amount of the purchase price was \$ 161,942 and is payable over five years. This software will cover utility billing, payroll, accounts payable, general ledger and business licenses. In order to use this new software the City purchased new computers and a file server in the amount of \$25,691 for City Hall staff. The city's current computers had been in use since 2001.

The City completed a redistricting process based on the 2010 census figures.

There were three new Council persons elected who took office June 1, 2012.

The City continued to provide fire services to the Town of Miami through an intergovernmental agreement. The City also provided fire services to the Canyon Fire Department through an IGA.

The Magistrate court continued its successful administration of the Redflex photo-enforcement program. The program continued to reduce accidents, red-light and speeding violations throughout the City. This allowed officers to spend more time protecting neighborhoods instead of traffic enforcement. The net court revenue from the photo enforcement was \$360,824.

The City received a grant from Bureau of Justice Assistance to purchase bullet proof vests for its Police officers.
Department.

The City received an Economic Development Grant from Gila County that was used to build restrooms at the Old Dominion Park. The restrooms were built for \$71,600.

The City also received an additional grant from the Arizona Department of Energy to replace the energy efficient lighting at Besh Ba Gowah and the City Barn facilities. The total amount of the grant was \$38,702.

In 2004 the City voters approved a \$5,000,000 Bond Issue. In fiscal year 2012 Well #5 was completed. The Ice House Canyon Bridge water line was moved and the Water Modeling for downtown was continued at a total cost of \$142,669.

A new primary clarifier was installed at the City's wastewater treatment plant for a total cost of \$228,581.

CITY OF GLOBE, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2012

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Pooled Cash and Cash	\$ 372,105	\$ 3,466,054	\$ 3,838,159
Non-Pooled Cash and Cash Equivalents	1,460		1,460
Investments.....	4,372,376		4,372,376
Property Taxes Receivable.....	34,161		34,161
Accounts Receivable	52,138	308,619	360,757
Other Receivables.....	305,607	142,685	448,292
Due from Other Governments.....	455,809		455,809
Internal Balances.....	(500,000)	500,000	0
Inventory.....	22,674		22,674
Prepaid Expenses.....	15,153	7,202	22,355
Capital Assets:			
Land and Construction in Progress.....	1,298,822	418,168	1,716,990
Other Capital Assets, net of Depreciation.....	4,811,666	9,377,395	14,189,061
TOTAL ASSETS	11,241,971	\$ 14,220,123	\$ 25,462,094
LIABILITIES:			
Accounts Payable.....	680,645		\$ 680,645
Accrued Expenses and Other Liabilities.....	28,452	\$ 22,207	50,659
Customer Deposits.....		60,500	60,500
Compensated Absences - Current.....	523,759	103,247	627,006
Contracts and Lease Obligations Payable - Current.....	31,431	57,827	89,258
Deferred Revenues.....	12,116	0	12,116
Non-Current Liabilities:			
Compensated Absences.....	221,560	36,737	258,297
Contracts and Lease Obligations Payable.....	97,151	4,952	102,103
Water Revenue Bonds Payable.....		3,668,192	3,668,192
Post Employment Benefits Obligations Payable.....	84,696	(1,329)	83,367
TOTAL LIABILITIES	1,679,810	3,952,333	5,632,143
NET ASSETS			
Capital Contributed from General Fund.....		2,817,634	2,817,634
Invested in Capital Assets, Net of Related Debt.....	5,981,906	6,070,622	12,052,528
Restricted for:			
Library Improvements.....	24,218		24,218
Canyon Water District Reserves.....		42,776	42,776
Revenue Bond Debt Service Reserve.....		308,266	308,266
Revenue Bond Repair and Maintenance Reserve.....		123,306	123,306
Committed for:			0
Recycling Program.....	23,017		23,017
Cemetery Improvements.....	48,050		48,050
Water Exploration.....		654,217	654,217
Unrestricted.....	3,484,970	250,969	3,735,939
TOTAL NET ASSETS	\$9,562,161	\$ 10,267,790	\$ 19,829,951

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs	PROGRAM REVENUES				
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE
GOVERNMENTAL ACTIVITIES:					
Mayor and Council.....	\$ 324,929				\$ (324,929)
Community Organizations.....	105,965		\$ 105,965		0
Administration.....	830,190				(830,190)
Police.....	2,409,186	\$ 11,517	22,894	\$ 13,600	(2,361,175)
Fire.....	1,722,074	62,890	19,050		(1,640,134)
Streets.....	1,073,136		623,043		(450,093)
Sanitation.....	664,072	627,034			(37,038)
Parks and Recreation.....	567,901	20,031	9,304	71,600	(466,966)
Cemetery.....	62,634	12,000			(50,634)
Magistrate.....	390,789	671,797			281,008
Library.....	184,373	7,315	120,116	19,269	(37,673)
Museum.....	193,004	65,259		7,741	(120,004)
Active Adult Center.....	215,255	34,340	79,222	5,000	(96,693)
Community Development.....	159,389		159,389		0
Maintenance.....	250,930				(250,930)
Engineering.....	18,766				(18,766)
Interest on Long-Term Debt.....	0				0
TOTAL GOVERNMENTAL ACTIVITIES.....	9,172,593	1,512,183	1,138,983	117,210	(6,404,217)
BUSINESS-TYPE ACTIVITIES					
Water.....	1,888,374	2,012,431	15,648	30,962	170,667
Sewer.....	734,748	843,112	11,192		119,556
TOTAL BUSINESS TYPE ACTIVITIES.....	2,623,122	2,855,543	26,840	30,962	290,223
TOTAL.....	\$ 11,795,715	\$ 4,367,726	\$ 1,165,823	\$ 148,172	\$ (6,113,994)

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGE IN NET ASSETS:			
Net (Expenses) Revenue from above.....	\$ (6,404,217)	\$ 290,223	\$ (6,113,994)
General Revenues:			
State Sales Tax.....	\$ 588,553		\$ 588,553
State Revenue Sharing.....	635,706		635,706
Property Tax.....	526,416		526,416
Vehicle Lieu Tax.....	410,060		410,060
City Sales Tax.....	3,369,541		3,369,541
Utility Franchise Fees.....	170,467		170,467
Business Licenses.....	439,820		439,820
Miscellaneous.....	181,032		181,032
Interest Income.....	6,740	6,556	13,296
Gain on Investments.....	1,877	1,826	3,703
Gain (Loss) on Disposal of Assets.....	(1,397)	9	(1,388)
Total General Revenues and Transfers	6,328,815	8,391	6,337,206
Change in Net Assets.....	(75,402)	298,614	223,212
Net Assets - Beginning.....	9,637,583	9,969,176	19,606,759
Net Assets - Ending.....	\$ 9,562,181	\$ 10,267,790	\$ 19,829,971

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	GENERAL FUND	HIGHWAY USERS FUND	GRANTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Pooled Cash and Cash Equivalents.....	\$ 341,783			\$30,322	\$ 372,105
Non-Pooled Cash and Cash Equivalents.....	1,425			35	1,460
Investments.....	4,372,376				4,372,376
Property Taxes Receivable.....	34,161				34,161
Accounts Receivable.....	52,138				52,138
Other Receivables.....	305,607				305,607
Due from Other Governments.....	323,041	\$68,409	\$49,739	14,620	455,809
Due from Other Funds.....	60,327				60,327
Inventory.....	22,674				22,674
Prepaid Expenses.....	15,153				15,153
TOTAL ASSETS.....	\$ 5,528,685	\$68,409	\$49,739	\$44,977	\$ 5,691,810
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable.....	\$ 680,645				\$ 680,645
Accrued Expenses and Other Liabilities.....	28,452				28,452
Compensated Absences.....	457,295	\$ 57,853		8,611	523,759
Due to Other Funds.....	500,000	10,556	\$ 37,623	12,148	560,327
Deferred Revenues.....	224,359		12,116		236,475
Total Liabilities.....	1,890,751	68,409	49,739	20,759	2,029,658
Fund Balances:					
Restricted:					
Library Improvements.....				24,218	24,218
Committed:					
Recycling Program.....	23,017				23,017
Cemetery Improvements.....	48,050				48,050
Unassigned.....	3,566,867				3,566,867
Total Fund Balances.....	3,637,934	0	0	24,218	3,662,152
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,528,685	\$ 68,409	\$ 49,739	\$44,977	\$ 5,691,810
TOTAL FUND BALANCE - Total Governmental Funds.....					\$3,662,152
Amounts reported for governmental activities in the statement of net assets are different because:					
- Capital assets of \$15,138,804, net of accumulated depreciation of (\$9,028,316), are not financial resources and therefore, are not reported in the funds.....					6,110,488
- 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 \$23,880 and magistrate fines of \$200,479.....					224,359
- Compensated Absences for sick leave are payable only upon employee retirement and therefore are not payable from current resources.....					(221,560)
- Capital lease and contract liabilities of \$128,582 are not due and payable in the current period and are not reported in the funds.....					(128,582)
- 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.....					(84,696)
NET ASSETS OF GOVERNMENTAL ACTIVITIES.....					\$9,562,161

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, 2012

	GENERAL FUND	HIGHWAY USERS FUND	GRANTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
State Sales Tax.....	\$ 588,553				\$ 588,553
State Revenue Sharing.....	635,706				635,706
Highway Users Tax.....		\$623,043			623,043
Property Tax.....	527,042				527,042
Vehicle Lieu Tax.....	410,060				410,060
Grant Revenue.....			\$316,547	\$ 78,071	394,618
City Sales Tax.....	3,369,541				3,369,541
Bed Tax.....	105,965				105,965
Utility Franchise.....	170,467				170,467
Business Licenses.....	439,820				439,820
Licenses, Permits and Other.....	261,698			47,182	308,880
County Library Property Tax.....				116,750	116,750
Fines and Forfeitures.....	664,344				664,344
Sanitation Fees.....	627,034				627,034
Museum Fees and Product Sales.....	65,259				65,259
Interest Income.....	6,740			15	6,755
Gain on Investments.....	1,877				1,877
Donations.....	36,049				36,049
TOTAL REVENUES.....	7,910,155	623,043	316,547	242,018	9,091,763
EXPENDITURES:					
Current:					
Mayor and Council.....	322,960				322,960
Community Organizations.....	105,965				105,965
Legal.....	121,964				121,964
Administration.....	609,885		22,894		632,779
Police.....	2,336,946		13,775		2,350,721
Fire.....	1,659,918				1,659,918
Streets.....		866,184			866,184
Sanitation.....	623,493				623,493
Parks and Recreation.....	457,571		4,304		461,875
Cemetery.....	60,417				60,417
Magistrate.....	388,979				388,979
Library.....			3,252	176,078	179,330
Museum.....	187,186				187,186
Active Adult Center.....			1,151	199,835	200,986
Community Development.....			159,389		159,389
Maintenance.....	245,703				245,703
Engineering.....	18,813				18,813
Capital Outlay.....	285,166	14,850	111,782	21,575	433,373
Debt Service:					
Principal.....	33,360				33,360
Interest.....	0				0
TOTAL EXPENDITURES.....	7,458,326	881,034	316,547	397,488	9,053,395
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	451,829	(257,991)	0	(155,470)	38,368
OTHER FINANCING SOURCES (USES):					
Sale of General Fixed Assets.....	2,358	0	0	0	2,358
Transfer to Active Adult Center Fund.....	(87,424)			87,424	0
Transfer to Highway User Fund.....	(257,991)	257,991			0
Transfer to Library Fund.....	(68,473)			68,473	0
Proceeds of Long Term Debt Obligations.....	161,942				161,942
NET OTHER FINANCING SOURCES (USES).....	(249,588)	257,991	0	155,897	164,300
NET CHANGE IN FUND BALANCES.....	202,241	0	0	427	202,668
FUND BALANCES, Beginning.....	3,435,693	0	0	23,791	3,459,484
FUND BALANCES, Ending.....	\$ 3,637,934	\$ 0	\$ 0	\$ 24,218	\$ 3,662,152

CITY OF GLOBE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

NET CHANGE IN FUND BALANCE - Total Governmental Funds (from prior page).....	\$ 202,668
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 (\$433,373) were less than depreciation (\$586,764) in the current period.....	(153,391)
- Compensated Absences for sick leave are payable only upon employee retirement and, therefore, not payable from current resources	2,800
- 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.....	33,360
- Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include a decrease of (\$626) in the City's property taxes and an increase of (\$7,453) in court fines.....	6,827
-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 (\$218,841) net of related accumulated depreciation of \$215,086.....	(3,755)
-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.....	(1,969)
-Proceeds of long-term debt (including capital leases) recorded as an other financing source for governmental funds but is not recorded in the statement of activities. Proceeds of long-term debt are liabilities.....	<u>(161,942)</u>
 CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES.....	 <u>\$ (75,402)</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, 2012

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
ASSETS			
Current Assets:			
Pooled Cash and Cash Equivalents.....	\$ 1,759,589	\$ 1,706,465	\$ 3,466,054
Due from Other Funds.....	500,000	0	500,000
Accounts Receivable.....	238,772	69,847	308,619
Other Receivable.....	142,685	0	142,685
Prepaid Expense.....	7,202	0	7,202
Total Current Assets.....	2,648,248	1,776,312	4,424,560
Capital Assets:			
Land and Construction in Progress.....	418,168	0	418,168
Other Capital Assets net of Accumulated Depreciation.....	6,210,527	3,166,868	9,377,395
TOTAL ASSETS.....	\$9,276,943	\$4,943,180	\$14,220,123
LIABILITIES			
Current Liabilities:			
Sales Tax Payable.....	\$ 22,207		\$ 22,207
Accrued Expenses and Other Liabilities.....	0		0
Customer Deposits.....	60,500		60,500
Compensated Absences - Current.....	95,024	\$ 8,223	103,247
Easement Contracts Payable - Current.....	1,077		1,077
Capital Lease Obligation - Current.....	56,750		56,750
Total Current Liabilities.....	235,558	8,223	243,781
Non-current Liabilities:			
Compensated Absences - Non-Current.....	34,796	1,941	36,737
Easement Contracts Payable - Non-Current.....	4,952		4,952
Capital Lease Obligation - Non-Current.....	0		0
Water Revenue Bonds Payable.....	3,668,192		3,668,192
Post Employment Benefits Obligations Payable.....	24,244	(25,573)	(1,329)
Total Non-Current Liabilities.....	3,732,184	(23,632)	3,708,552
TOTAL LIABILITIES.....	3,967,742	(15,409)	3,952,333
NET ASSETS			
Capital Contributed from General Fund.....	1,635,291	1,182,343	2,817,634
Invested in Capital Assets, Net of Related Debt.....	2,903,754	3,166,868	6,070,622
Restricted for Canyon Water District Reserves.....	42,776		42,776
Restricted for Revenue Bond Debt Service.....	308,266		308,266
Restricted for Repair and Replacement.....	123,306		123,306
Committed for Water Exploration.....	654,217		654,217
Unrestricted.....	(358,409)	609,378	250,969
TOTAL NET ASSETS.....	\$5,309,201	\$4,958,589	\$10,267,790

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, 2012

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES:			
Charges for Services.....	\$ 1,911,389	\$ 828,919	\$ 2,740,308
Taps, Extensions and Permits.....	41,200	14,193	55,393
Penalties.....	59,842	0	59,842
TOTAL OPERATING REVENUES.....	2,012,431	843,112	2,855,543
OPERATING EXPENSES:			
Personal Services.....	661,868	204,250	866,118
Telephone and Utilities.....	265,742	93,649	359,391
Repairs and Maintenance.....	162,871	74,101	236,972
Supplies.....	187,276	32,189	219,465
Miscellaneous.....	76,624	2,885	79,509
Depreciation.....	347,841	314,625	662,466
Bad Debt Expense.....	3,599	2,299	5,898
Insurance.....	49,669	10,750	60,419
TOTAL OPERATING EXPENSES.....	1,755,490	734,748	2,490,238
OPERATING INCOME (LOSS).....	256,941	108,364	365,305
NON-OPERATING REVENUES (EXPENSES):			
Donations.....	0	11,192	11,192
ARRA Energy Efficient Block Grant.....	30,962		30,962
Gain on Investments.....	3,780	2,776	6,556
Interest Income.....	1,053	773	1,826
Net Proceeds from Water Revenue Bonds.....	15,648		15,648
Interest Expense.....	(132,884)		(132,884)
Gain (Loss) on Disposal of Equipment.....	1,030	(1,021)	9
TOTAL NON-OPERATING REVENUES (EXPENSES).....	(80,411)	13,720	(66,691)
CHANGE IN NET ASSETS.....	176,530	122,084	298,614
TOTAL NET ASSETS - Beginning.....	5,132,671	4,836,505	9,969,176
TOTAL NET ASSETS - Ending.....	\$5,309,201	\$4,958,589	\$10,267,790

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers.....	\$ 2,010,751	\$ 852,859	\$ 2,863,610
Cash Payments to Suppliers for Goods and Services.....	(748,638)	(215,873)	(964,511)
Cash Payments for Employees, Payroll Taxes and Fringe Benefits.....	(676,703)	(245,790)	(922,493)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	585,410	391,196	976,606
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Donations.....	0	11,192	11,192
ARRA Energy Efficient Block Grant.....	30,962	0	30,962
Temporary Loans From (to) Other Funds.....	500,000	0	500,000
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES.....	530,962	11,192	542,154
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Water Revenue Bond Proceeds Net.....	129,020	0	129,020
Interest Expense Payments.....	(132,884)	0	(132,884)
Principal Payments on Debt.....	(252,084)	(264,377)	(516,461)
Acquisition and Construction of Capital Assets.....	(188,873)	0	(188,873)
NET CASH PROVIDED BY (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	(444,821)	(264,377)	(709,198)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Income.....	3,780	2,776	6,556
Gain on Investments.....	1,053	773	1,826
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES.....	4,833	3,549	8,382
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	676,384	141,560	817,944
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,083,205	1,564,905	2,648,110
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,759,589	\$ 1,706,465	\$ 3,466,054
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED			
Operating Income (Loss).....	\$ 256,941	\$ 108,364	\$ 365,305
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation.....	347,841	314,625	662,466
(Increase) Decrease in Accounts Receivable.....	(1,891)	9,747	7,856
(Increase) Decrease in Other Receivables.....	211	0	211
(Increase) Decrease in Prepaid Expense.....	(7,202)	0	(7,202)
Increase (Decrease) in Sales Tax Payable and Deposits.....	4,345	0	4,345
Increase (Decrease) in Compensated Absences.....	(17,027)	(29,502)	(46,529)
Increase (Decrease) in Post Employment Benefits Obligations Payable.....	2,192	(12,038)	(9,846)
Total Adjustments.....	328,469	282,832	611,301
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 585,410	\$ 391,196	\$ 976,606

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	VOLUNTEER FIREMEN'S RELIEF AND PENSION FUND
ASSETS	
Non-pooled Cash and Cash Equivalents.....	\$ 2,252
Investments.....	<u>58,748</u>
TOTAL ASSETS	<u>61,000</u>
LIABILITIES:	
Accrued Expenses and Other Liabilities.....	<u>0</u>
TOTAL LIABILITIES	<u>0</u>
ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$61,000</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, 2012

	VOLUNTEER FIREMEN'S RELIEF AND PENSION FUND
<hr/>	
ADDITIONS	
Contributions:	
Employer.....	\$ 454
Plan Members.....	454
Total Contributions.....	<u>908</u>
Investment Income:	
Gain (Loss) on Investments.....	82
Interest.....	121
Total Investment Income.....	<u>203</u>
 TOTAL ADDITIONS	 <u>1,111</u>
 DEDUCTIONS	
Benefits.....	6,720
Refunds of Contributions.....	1,574
Administrative Expenses.....	<u>0</u>
 TOTAL DEDUCTIONS	 <u>8,294</u>
 CHANGE IN NET ASSETS	 <u>(7,183)</u>
 NET ASSETS HELD IN TRUST FOR PENSION BENEFITS BEGINNING OF YEAR	 <u>68,183</u>
 NET ASSETS HELD IN TRUST FOR PENSION BENEFITS END OF YEAR	 <u><u>\$61,000</u></u>

See accompanying notes to financial statements.

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

June 30, 2012

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, 2012.

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, 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 government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 grant revenues 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 are reported 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, for governmental activities it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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 (\$22,674).

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 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 up to 240 hours. 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, 2012, \$9,000 of the general fund contingency budget was transferred to the following departments or funds to provide for unexpected additional expenditures:

Community Organizations	\$ 6,000
Cemetery	<u>3,000</u>
	<u>\$ 9,000</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 (\$176,530) plus depreciation (\$347,841), less debt principal retirement (\$252,084), less capital outlay (\$188,873), less gain on disposal of equipment (\$1,030) plus debt proceeds (\$129,980) equals excess revenues over expenditures (\$212,364) on the modified accrual basis.

For the Sewer Utility fund the changes in net assets on the accrual basis of (\$122,084) plus depreciation (\$314,625), less capital outlay (\$264,377), plus loss on disposal of equipment (\$1,020), equals excess revenues over expenditures (\$173,352) on the modified accrual basis.

The expenditure limit adopted by the City Council under its voter approved home-rule expenditure limitation option was \$24,325,000 for the year ended June 30, 2012. 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.....	\$ 4,294,057	\$ 3,509,159	\$784,898	\$3,838,159

Investments

For fiscal year 2012, 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. It is an eligible investment according to Arizona Revised Statutes. The City records all interest revenue earned from investment activities in the respective funds. The \$4,372,376 carrying amount is substantially the same as market value at June 30, 2012. Gains on investments amounts represent recovery of prior year investment bankruptcy losses recognized by the LGIP. These losses amounted to \$131,400 in 2002-2003 and \$55,126 in 2008-2009, for a total of \$186,526. Therefore, there is a risk of loss in the LGIP investment.

2. Receivables and Deferred Revenues

The following is a description of significant receivables as of June 30, 2012:

PROPERTY TAXES RECEIVABLE - Property taxes due from County:			
revenue deferred for amounts assessed by County but uncollected (\$23,880) for governmental fund financial statements			\$ 34,161
ACCOUNTS RECEIVABLE:			
Sanitation (\$52,138), Water (\$238,772), Sewer (\$69,847).....			360,757
OTHER RECEIVABLES:			
Franchise Fees Receivable	\$ 41,646		
Magistrate Fines Receivable	203,190		
Wild-Fire Reimbursements Receivable.....	27,096		
Miscellaneous Receivables	33,691		
Water Revenue Bonds Reimbursement Receivable	142,669		448,292
DUE FROM OTHER GOVERNMENTS:			
State Sales Tax.....	49,981		
City Sales Tax	257,388		
Vehicle Lieu Tax	15,672		
Highway Users Tax.....	68,409		
Active Adult Center Grants	14,620		
Other Grants.....	49,739		
Community Development Block Grant.....	0		455,809
TOTAL			<u>\$ 1,299,019</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 2011-2012 this levy limit was \$584,804, and the City levied \$528,004 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 (\$12,116) and other revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). These amounts are property taxes (\$23,880) and magistrate fines (\$200,479) 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		\$3,964,206	\$4,192,286	\$5,535,940	\$14,924,273
Increases	66,981		125,043	(8,653)	250,001	433,372
Decreases			(32,429)		(186,412)	(218,841)
Balance, Ending	1,298,822	\$ 0	4,056,820	4,183,633	5,599,529	15,138,804
<i>Accumulated Depreciation</i>						
Balance, Beginning			2,062,935	1,972,690	4,621,013	8,656,638
Increases			126,361	262,093	198,310	586,764
Decreases			(22,142)	(10,287)	(182,657)	(215,086)
Balance, Ending	0	0	2,167,154	2,224,496	4,636,666	9,028,316
<i>Governmental Activities</i> Capital Assets, Net	\$1,298,822	\$ 0	\$1,889,666	\$ 1,959,137	\$ 962,863	\$ 6,110,488
<i>Business-type Activities</i>						
Balance, Beginning	\$287,893	\$1,281,562	\$6,358,560	\$ 10,932,795	\$1,259,536	\$20,120,346
Increases	0	96,099	259,543	66,393	31,214	453,249
Decreases	0	(1,247,386)		1,247,386	(12,155)	(12,155)
Balance, Ending	287,893	130,275	6,618,103	12,246,574	1,278,595	20,561,440
<i>Accumulated Depreciation</i>						
Balance, Beginning			3,945,272	5,233,046	936,227	10,114,545
Increases			183,729	347,894	130,843	662,466
Decreases					(11,135)	(11,135)
Balance, Ending	0	0	4,129,001	5,580,940	1,055,935	10,765,876
<i>Business-type Activities</i> Capital Assets, Net	\$287,893	\$ 130,275	\$2,489,102	\$6,665,634	\$ 222,660	\$ 9,795,564

\$688,255 of the above equipment amounts are being acquired under capital leases or contracts as of June 30, 2012.

Depreciation Expense

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

<i>Governmental Activities</i>		<i>Business-type Activities</i>	
Administration	\$ 98,963	Water Utility	\$347,841
Police	48,492	Sewer Utility	314,625
Fire	49,273		
Sanitation	40,579	Total	\$662,466
Parks and Recreation	105,638		
Engineering	416		
Museum	4,897		
Streets	211,761		
Maintenance	4,383		
Cemetery	2,070		
Active Adult Center	14,411		
Library	5,881		
Total	\$586,764		

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, 2012:

	BALANCE July 1, 2011	ADDITIONS	RETIREMENTS	BALANCE June 30, 2012
Governmental Activities				
Contract Payable:				
Accounting Software.....	\$ 0	\$161,942	\$33,360	\$ 128,582

	BALANCE July 1, 2011	ADDITIONS	RETIREMENTS	BALANCE June 30, 2012
Business Type Activities				
Capital Lease Obligations:				
Radio Meter Reading Equipment.....	\$139,071	\$0	\$ 82,321	\$56,750

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

	WATER UTILITY EASEMENT CONTRACTS	RADIO WATER METER READING EQUIPMENT	ACCOUNTING SOFTWARE CONTRACT
LEASE OR CONTRACT START DATE...	VARIOUS	2-3-06	2-1-12
ASSET COST.....	\$46,297	\$526,313	\$ 161,942
DOWN PAYMENT.....	\$ 0	\$ 0	\$ 33,360
PAYMENT AMOUNT.....	VARIOUS	\$7,201/Month	\$33,360/Year
ASSET PLEDGED-COLLATERAL	NO	YES	YES
INTEREST RATE.....	10%	4.03%	1.5%
INTEREST EXPENSE			
Reported in Water Utility.....	320	4,095	
REMAINING PRINCIPAL PAYMENTS:			
2012-2013.....	1,077	56,750	31,431
2013-2014.....	1,190	0	31,903
2014-2015.....	3,762	0	32,381
2015-2016.....		0	32,867
	\$ 6,029	\$56,750	\$ 128,582

The City had no special assessment debt at June 30, 2012.

The City entered into long-term contracts with seven property owners for the purchase of utility easement rights for waterline construction in exchange for

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, 2012, water revenues were increased \$1,360 in conjunction with interest expense of \$320 and contract principal retirement of \$1,040.

The above debt amount of \$185,332 is well within the legal debt limit imposed by state statutes: i.e. 6% of the City's assessed valuation of \$40,000,263 or \$2,400,016. The remaining debt limit available to the City is \$2,214,684 at June 30, 2012.

The following is a summary of changes in compensated absences debt for the year ended June 30, 2012:

	BALANCE July 1, 2011	ADDITIONS	RETIREMENTS	BALANCE June 30, 2012	DUE WITHIN ONE YEAR
Compensated Absences					
Vacation & Comp Time	\$689,633	\$627,006	\$(689,633)	\$627,006	\$627,006
Sick Leave.....	270,362	258,297	(270,362)	258,297	0
TOTAL.....	\$ 959,995	\$885,303	\$(959,995)	\$ 885,303	\$627,006

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, 2012, \$4,738,784 had been obtained from the water bonds and principal of \$168,724 and interest of \$128,469 had been incurred for the year then ended. The debt balance at June 30, 2012, was \$3,668,192. Five annual debt service reserve payments of \$61,653 had been reserved as of June 30, 2012, for a total of \$308,266. Also, the second of three payments of \$61,653 had been reserved for the Repair and Replacement Reserve requirement, for a total of \$123,306.

Remaining payments on the \$3,668,192 are as follows through July 1, 2029.

	Total	Interest	Principal
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
2016-2017	\$308,265	\$108,792	\$199,473
2017-2022	\$1,541,328	\$437,335	\$1,103,993
2022-2027	\$1,541,328	\$236,137	\$1,305,191
2027-2029	\$ 355,316	\$ 30,118	\$ 325,198
	\$4,979,297	\$1,311,105	\$3,668,192

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, 2012:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE
	Interfund	Interfund	ACTIVITIES
	Receivables	Payables	Interfund
	(Due From)	(Due To)	Receivables
			(Due From)
Water Utility Fund.....			\$500,000
General Fund.....	\$60,327	\$500,000	
Active Adult Center Fund.....		12,148	
Grants Fund.....		37,623	
Highway Users Fund.....		10,556	
	<u>\$60,327</u>	<u>\$560,327</u>	<u>\$500,000</u>

3. Transfers

Transfers within the reporting entity are substantially for the purposes of subsidizing operating functions. The General Fund transferred \$87,424 to the Active Adult Center Fund, and \$68,473 to the Library Fund and \$257,991 to the Highway Users Fund for the year ended June 30, 2012.

4. Post Employment Employee Health Care Benefits

a. PLAN DESCRIPTION

Due to the projected actuarial costs of the plan, the City terminated the plan for employees retiring from the City of Globe after December 31, 2011. The plan is still in effect for employees participating in the plan as of December 31, 2011. Due to the significant expense of obtaining actuarial reports, the City is electing to use the most recent actuarial report to calculate its commitments until a new report is required to be performed in June 30, 2014. The following plan description is from the June 30, 2011 actuarial report.

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.

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, 2012.

<u>Annual OPEB Cost</u>	<u>Fiscal Year Ending June 30, 2012</u>
Normal Cost	\$ 8,700
Annual Unfunded Actuarial Accrued Liability	36,100
ARC	<u>44,800</u>
Net OPEB contributions made during the fiscal year	52,678
Net OPEB overfunded obligation for the fiscal year	<u>7,878</u>
Cumulative unfunded obligation at 6-30-11	91,245
Cumulative unfunded obligation at 6-30-12	<u>\$83,367</u>
Percentage of expense contributed (\$52,678/\$44,800)	117.58%

c. FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2012, 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 \$4,982,200 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 12.1 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 6-30-2012:	
Current retirees	<u>11</u>
Total	11

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	\$ 84,696
Water Utility	24,244
Sewer Utility	<u>(25,573)</u>
Total Liability	<u>\$ 83,367</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 2011-2012.....	\$ 71,111
Expenditures.....	<u>0</u>
	71,111
Committed Balance, July 1, 2011.....	<u>583,106</u>
Committed Balance, June 30, 2012.....	\$654,217

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 \$42,776 at June 30, 2012.

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 2011-2012.....	\$ 6,000
Expenditures.....	<u>0</u>
	6,000
Committed Balance, July 1, 2011.....	<u>42,050</u>
Committed Balance, June 30, 2012.....	\$48,050

The library board of directors donated \$40,000 to the City’s library for future building improvements. Interest of \$15 and donations of \$412 were allocated to the reserve for the year ended June 30, 2012. The restricted balance at year-end was \$24,218.

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 and employers.

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)		
2011-2012.....	8.65%	8.65%
City's contribution Rate (percent of covered payroll 2011-2012.....)	25.13%	25.55%
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 (DROP) 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.....	22	17
Retirees and beneficiaries receiving benefits.....	12	9
DROP.....	<u>0</u>	<u>2</u>
Total.....	35	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%
2011.....	\$269,898	100%	\$206,210	100%
2012.....	\$261,843	100%	\$212,239	100%

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

Valuation date:	June 30, 2011
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent-of-pay closed
Remaining amortization period	25 years for underfunded actuarial accrued liability; 20 years for overfunded
Asset valuation method	7 year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases	5.0% - 8.0%
Includes payroll growth at	5.0%
Cost of Living Adjustments	None

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%
2011	\$3,871,913	\$7,167,220	54.0%	\$3,295,307	\$1,028,864	320.3%
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%
2011	\$3,658,089	\$6,132,109	59.7%	\$2,474,020	\$837,638	259.4%

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) 2011-2012	10.74%	10.0%
City's contribution rate (percent of covered payroll) 2011-2012	10.74%	32.99%
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

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%
2012.....	\$236,044	100%	\$8,727	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 \$454 to the pension fund during the year ended June 30, 2012, which was 5% of the covered and total payroll of \$9,080. The volunteer firemen's required and actual contributions amounted to \$454, 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, 2012 \$9,080 in testing and engineering 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.

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, 2012. 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. \$210,987. As long as the City maintains its insurance coverage through the Pool it will have this contingent liability.

D. Subsequent Events

Management of the City has evaluated subsequent events through November 5, 2012. No events, including instances of non-compliance, have occurred subsequent to the balance sheet date and through November 5, 2012 that would require adjustment to or disclosure in the financial statements.

CITY OF GLOBE, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS (Budgetary Basis)</u>	<u>VARIANCE WITH FINAL BUDGET Positive (Negative)</u>
	Original	Final		
REVENUES:				
State Sales Tax.....	\$ 569,845	\$ 569,845	\$ 588,553	\$ 18,708
State Revenue Sharing.....	635,735	635,735	635,706	(29)
Property Tax.....	560,005	560,005	527,042	(32,963)
Vehicle Lieu Tax.....	434,630	434,630	410,060	(24,570)
City Sales Tax.....	3,500,000	3,500,000	3,369,541	(130,459)
Bed Tax.....	100,000	100,000	105,965	5,965
Utility Franchise Fees.....	165,000	165,000	170,467	5,467
Business Licenses.....	665,000	665,000	439,820	(225,180)
Licenses and Permits and Other.....	554,825	554,825	261,698	(293,127)
Fines and Forfeitures.....	1,080,250	1,080,250	664,344	(415,906)
Sanitation Fees.....	650,000	650,000	627,034	(22,966)
Museum Fees and Product Sales.....	65,000	65,000	65,259	259
Interest Income.....	25,000	25,000	6,740	(18,260)
Gain on Investments.....	0	0	1,877	1,877
Donations.....	76,200	76,200	36,049	(40,151)
TOTAL REVENUES	9,081,490	9,081,490	7,910,155	(1,171,335)
EXPENDITURES:				
Current:				
Mayor and Council.....	404,230	404,230	322,960	81,270
Contingency.....	2,339,200	2,330,200	0	2,330,200
Legal.....	146,545	146,545	121,964	24,581
Community Organizations.....	100,000	106,000	105,965	35
Administration.....	899,465	899,465	609,885	289,580
Police.....	2,604,955	2,604,955	2,336,946	268,009
Fire.....	1,689,880	1,689,880	1,659,918	29,962
Sanitation.....	656,000	656,000	623,493	32,507
Parks.....	440,285	440,285	375,265	65,020
Recreation.....	90,250	90,250	82,306	7,944
Cemetery.....	57,740	60,740	60,417	323
Magistrate.....	618,390	618,390	388,979	229,411
Museum.....	214,545	214,545	187,186	27,359
Maintenance.....	742,835	742,835	245,703	497,132
Engineering.....	129,235	129,235	18,813	110,422
Capital Outlay.....	1,230,925	1,230,925	285,166	945,759
Debt Service:				
Principal.....	0	0	33,360	(33,360)
Interest.....	0	0	0	0
TOTAL EXPENDITURES	12,364,480	12,364,480	7,458,326	4,906,154
EXCESS OF REVENUES OVER (UNDER) EXPENDITURE:	(3,282,990)	(3,282,990)	451,829	3,734,819
OTHER FINANCING SOURCES (USES):				
Sale of General Fixed Assets.....	5,000	5,000	2,358	(2,642)
Transfer to Active Adult Center Fund.....	(109,780)	(109,780)	(87,424)	22,356
Transfer to Highway Users Fund.....	(1,005,665)	(1,005,665)	(257,991)	747,674
Transfer to Library Fund.....	(90,545)	(90,545)	(68,473)	22,072
Proceeds of Long Term Debt Obligations.....	1,400,000	1,400,000	161,942	(1,238,058)
TOTAL OTHER FINANCING SOURCES (USES)	199,010	199,010	(249,588)	(448,598)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(3,083,980)	(3,083,980)	202,241	3,286,221
FUND BALANCE, BEGINNING	3,083,980	3,083,980	3,435,693	351,713
FUND BALANCE, ENDING	\$ 0	\$ 0	\$ 3,637,934	\$ 3,637,934

CITY OF GLOBE, ARIZONA
 BUDGETARY COMPLIANCE SCHEDULE
 HIGHWAY USERS FUND
 FOR THE YEAR ENDED JUNE 30, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Highway Users Tax	\$621,225	\$621,225	\$623,043	\$ 1,818
TOTAL REVENUES	621,225	621,225	623,043	1,818
EXPENDITURES:				
Personal Services.....	565,750	565,750	407,409	158,341
Supplies, Repairs, and Other.....	91,140	91,140	160,408	(69,268)
Street Lighting.....	270,000	270,000	261,806	8,194
Street Repairs.....	700,000	700,000	36,561	663,439
Capital Outlay.....	0	0	14,850	(14,850)
TOTAL EXPENDITURES	1,626,890	1,626,890	881,034	745,856
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,005,665)	(1,005,665)	(257,991)	747,674
OTHER FINANCING SOURCES:				
Transfer from General Fund.....	1,005,665	1,005,665	257,991	(747,674)
TOTAL OTHER FINANCING SOURCES	1,005,665	1,005,665	257,991	(747,674)
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, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Grants - Federal.....	\$ 1,818,507	\$ 1,818,507	\$ 167,712	\$ (1,650,795)
Grants - Non -Federal.....	681,493	681,493	148,835	(532,658)
TOTAL REVENUES.....	2,500,000	2,500,000	316,547	(2,183,453)
EXPENDITURES:				
Community Development Block Grants - Federal				
#159-10 Residential Rehabilitation.....	141,004	141,004	137,078	3,926
Arizona Dept. of Emergency Management Services				
Fire Fighter Training - Non-Federal.....	700	700	49	651
Arizona Department of Transportation				
HSIP Engineering, Marking and Signs- Federal.....	106,910	106,910	0	106,910
Railroad Depot Rehab SLS9601D - Non-Federal.....	530,404	530,404	9,987	520,417
Library Grants				
2011 SGIA State Grant - Non-Federal.....	1,600	1,600	1,600	0
2012 SGIA State Grant - Non-Federal.....	2,000	2,000	1,652	348
2010 SGIA State Construction Grant - Non-Federal....	18,841	18,841	18,841	0
Bureau of Justice Assistance - Federal				
2011 Bullet Proof Vests.....	11,948	11,948	8,784	3,164
San Carlos Apache Tribe 12D Grants - Non-Federal				
2011 Police Computer Equipment.....	13,600	13,600	13,600	0
2011 Firefighter Protective Turnout Gear.....	13,726	13,726	13,726	0
American Recovery and Reinvestment Act - Federal				
Governor's Office of Economic Recovery Police				
Stabilization Program OER-11-IGA-GS-145.....	14,110	14,110	14,110	0
Governor's Office of Energy Policy				
Energy Efficient Block Grant Program 12-2213-05...	38,702	38,702	7,740	30,962
Gila County Economic Development Grants				
Old Dominion Mine Park Improvements-Non-Federal.....	83,172	83,172	75,904	7,268
Active Adult Center - Non-Federal.....	5,000	5,000	1,152	3,848
Arizona Department of Environmental Quality- Non-Federal				
Asbestos Abatement of Buildings EV11-0125	12,450	12,450	12,324	126
Other Grants - Federal	1,505,833	1,505,833	0	1,505,833
TOTAL EXPENDITURES.....	2,500,000	2,500,000	316,547	2,183,453
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, 2012

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	Original	Final	AMOUNTS (Budgetary Basis)	FINAL BUDGET Positive (Negative)
REVENUES:				
Older American Act				
Title IIB and C - Federal.....	\$65,250	\$65,250	\$62,876	(\$2,374)
Cash in Lieu of Commodities - Federal..	0	0	6,411	6,411
ALTCS - State.....	250	250	784	534
Gila County Contribution.....	3,000	3,000	8,000	5,000
Total Grant Revenues.....	68,500	68,500	78,071	9,571
Donations.....	0	0	5,000	5,000
Program Income.....	22,140	22,140	26,390	4,250
City Contribution In-Kind.....	7,950	7,950	7,950	0
TOTAL REVENUES.....	98,590	98,590	117,411	18,821
EXPENDITURES:				
Personal Services.....	125,343	125,343	111,886	13,457
Transportation Costs.....	7,375	7,375	10,137	(2,762)
Space Costs.....	26,950	26,950	27,002	(52)
Food Supplies.....	41,945	41,945	40,760	1,185
Other Operating Costs.....	6,757	6,757	10,050	(3,293)
Capital Outlay.....	0	0	5,000	(5,000)
TOTAL EXPENDITURES.....	208,370	208,370	204,835	3,535
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(109,780)	(109,780)	(87,424)	22,356
OTHER FINANCING SOURCES:				
Transfer from General Fund.....	109,780	109,780	87,424	(22,356)
TOTAL OTHER FINANCING SOURCES..	109,780	109,780	87,424	(22,356)
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 COMPLIANCE SCHEDULE
LIBRARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<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	10,050	10,050	7,842	(2,208)
Interest Income.....	0	0	15	15
TOTAL REVENUES.....	126,800	126,800	124,607	(2,193)
EXPENDITURES:				
Personal Services.....	152,290	152,290	135,464	16,826
Supplies, Repairs, and Other.....	49,265	49,265	23,745	25,520
Books and Periodicals.....	15,350	15,350	16,869	(1,519)
Capital Outlay.....	22,800	22,800	16,575	6,225
TOTAL EXPENDITURES.....	239,705	239,705	192,653	47,052
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(112,905)	(112,905)	(68,046)	44,859
OTHER FINANCING SOURCES:				
Transfer from General Fund.....	90,545	90,545	68,473	(22,072)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	(22,360)	(22,360)	427	22,787
FUND BALANCE, BEGINNING.....	22,360	22,360	23,791	1,431
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 24,218	\$ 24,218

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
WATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Water Revenues.....	\$ 2,052,725	\$ 2,052,725	\$ 1,911,389	\$ (141,336)
Taps, Extensions and Permits.....	37,525	37,525	41,200	3,675
Penalties.....	63,000	63,000	59,842	(3,158)
Interest Income.....	0	0	3,780	3,780
Gain on Investments.....	0	0	1,053	1,053
ARRA Energy Efficient Grant.....	0	0	30,962	30,962
TOTAL REVENUES.....	2,153,250	2,153,250	2,048,226	(105,024)
EXPENDITURES:				
Personal Services.....	763,540	763,540	661,868	101,672
Supplies, Repairs and Other.....	1,336,000	1,336,000	746,020	589,980
Capital Outlay.....	2,283,375	2,283,375	188,873	2,094,502
Debt Service.....	394,690	394,690	383,610	11,080
TOTAL EXPENDITURES.....	4,777,605	4,777,605	1,980,371	2,797,234
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,624,355)	(2,624,355)	67,855	2,692,210
OTHER FINANCING SOURCES (USES):				
Proceeds from Water Revenue Bonds	325,000	325,000	143,479	(181,521)
Proceeds from Disposal of Equipment.....	0	0	1,030	1,030
TOTAL OTHER FINANCING SOURCES (USES).....	325,000	325,000	144,509	(180,491)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES.....	(2,299,355)	(2,299,355)	212,364	2,511,719
FUND BALANCE, BEGINNING.....	2,299,355	2,299,355	2,197,802	(101,553)
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 2,410,166	\$ 2,410,166

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
SEWER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Sewer Revenues.....	\$ 905,500	\$ 905,500	\$ 828,919	\$ (76,581)
Taps, Extensions and Permits.....	10,000	10,000	14,193	4,193
Interest Income.....	0	0	2,776	2,776
Gain on Investments.....	0	0	773	773
Donations.....	0	0	11,192	11,192
TOTAL REVENUES.....	915,500	915,500	857,853	(57,647)
EXPENDITURES:				
Personal Services.....	300,915	300,915	204,250	96,665
Supplies, Repairs and Other.....	297,310	297,310	215,874	81,436
Capital Outlay.....	1,940,900	1,940,900	264,377	1,676,523
TOTAL EXPENDITURES.....	2,539,125	2,539,125	684,501	1,854,624
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,623,625)	(1,623,625)	173,352	1,796,977
FUND BALANCE, BEGINNING.....	1,623,625	1,623,625	1,618,368	(5,257)
FUND BALANCE, ENDING.....	\$ 1,623,625	\$ 1,623,625	\$ 1,791,720	\$ 1,791,720

CITY OF GLOBE, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012

	ACTIVE ADULT CENTER	LIBRARY	TOTAL
-- ASSETS --			
Pooled Cash and Cash Equivalents.....		\$ 30,322	\$ 30,322
Non-Pooled Cash and Cash Equivalents.....		35	35
Due from Other Governments.....	\$14,620		14,620
TOTAL ASSETS.....	\$14,620	\$ 30,357	\$ 44,977
 --LIABILITIES AND FUND BALANCES--			
LIABILITIES:			
Compensated Absences.....	\$ 2,472	\$ 6,139	\$ 8,611
Due to Other Funds.....	12,148	0	12,148
TOTAL LIABILITIES.....	14,620	6,139	20,759
FUND BALANCES:			
Restricted for Library Improvements.....		24,218	24,218
TOTAL FUND BALANCES.....	0	24,218	24,218
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 14,620	\$ 30,357	\$ 44,977

CITY OF GLOBE, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	ACTIVE ADULT CENTER	LIBRARY	TOTAL
REVENUES:			
Interest Income.....		\$ 15	15
Grant Revenue.....	\$ 78,071		78,071
Fines and Donations.....	5,000	7,842	12,842
Active Adult Program Income.....	34,340		34,340
County Library Property Tax.....		116,750	116,750
TOTAL REVENUES.....	117,411	124,607	242,018
EXPENDITURES:			
Current:			
Library.....		176,078	176,078
Active Adult Center.....	199,835		199,835
Capital Outlay.....	5,000	16,575	21,575
TOTAL EXPENDITURES.....	204,835	192,653	397,488
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(87,424)	(68,046)	(155,470)
OTHER FINANCING SOURCES (USES):			
Transfer from General Fund.....	87,424	68,473	155,897
NET OTHER FINANCING SOURCES (USES).....	87,424	68,473	155,897
NET CHANGE IN FUND BALANCES.....	0	427	427
FUND BALANCES, Beginning.....	0	23,791	23,791
FUND BALANCES, Ending.....	\$ 0	\$ 24,218	\$ 24,218

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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, 2012, which collectively comprise the City's basic financial statements and have issued my report thereon dated November 5, 2012. 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*.

I noted certain other matters that I reported to those charged with governance in a separate letter dated November 5, 2012.

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.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

November 5, 2012