

**CITY OF GLOBE, ARIZONA**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2014**

**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:

### Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility of the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **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, 2014, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 13 and 46 through 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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 and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 28, Chapter 18, 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.

**Other Reporting Required by Government Auditing Standard**

In accordance with *Government Auditing Standards*, I have also issued my report dated March 30, 2015 on my consideration of the City of Globe, Arizona's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over financial reporting and compliance.



Mesa, Arizona  
March 30, 2015

## 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, 2014. 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 \$18,409,184 (net position) for the fiscal year reported.
- Total net position is comprised of the following:
  - (1) Capital assets of \$10,387,257 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 position amounts of \$1,357,652 are restricted and committed for various purposes.
  - (4) Unrestricted net position amounts of \$3,846,641 represent the portion available to maintain the City's continuing obligations to citizens and creditors. This amount increased \$212,271 from the prior year.
- The City's governmental funds reported a total ending fund balance of \$3,849,942 this year. This compares to the prior year total ending fund balance of \$3,684,224 showing an increase of \$165,718 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 Position*. 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 position*. Over time, increases in net position 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 position 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 position 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 position at June 30, 2014:

<b>SUMMARY OF NET ASSETS</b>					
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Totals</b>	<b>Totals</b>	<b>Amount Change</b>
	<b>2014</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>	
Current and other assets .....	\$ 5,182,004	\$ 5,050,230	\$10,232,234	\$10,039,097	\$ 193,137
Capital assets .....	5,232,483	8,688,762	13,921,245	14,966,033	(1,044,788)
<b>Total Assets .....</b>	<b>10,414,487</b>	<b>13,738,992</b>	<b>24,153,479</b>	<b>25,005,130</b>	<b>(851,651)</b>
Long-term liabilities.....	372,876	3,588,110	3,960,986	4,005,856	(44,870)
Other liabilities .....	1,201,383	581,926	1,783,309	2,028,820	(245,511)
<b>Total Liabilities .....</b>	<b>1,574,259</b>	<b>4,170,036</b>	<b>5,744,295</b>	<b>6,034,676</b>	<b>(290,381)</b>
Net position:					
Capital Contributed from General Fund.....	0	2,817,634	2,817,634	2,817,634	0
Invested in capital assets .....	5,167,235	5,220,022	10,387,257	11,232,491	(845,254)
Restricted and Committed .....	108,156	1,249,496	1,357,652	1,285,959	71,693
Unrestricted .....	3,564,837	281,804	3,846,641	3,634,370	212,271
<b>Total Net position .....</b>	<b>\$ 8,840,228</b>	<b>\$ 9,568,956</b>	<b>\$18,409,184</b>	<b>\$18,970,454</b>	<b>\$ (561,270)</b>

The City reported positive balances in net position for both governmental and business-type activities. Net position decreased \$370,612 for governmental activities and decreased (\$190,658) for business-type activities.

The following table provides a summary of the City's changes in net position for the year ended June 30, 2014.

**SUMMARY OF CHANGES IN NET POSITION**

	Governmental Activities	Business- type Activities	Totals	Totals	Amount Change
	2014	2014	2014	2013	
<b>Revenues:</b>					
Program revenues:					
Charges for services .....	\$ 807,169	\$3,064,483	\$ 3,871,652	\$ 3,716,256	\$ 155,396
Operating grants and contributions.....	1,186,329	0	1,186,329	1,003,513	182,816
Capital grants and contributions .....	96,605	0	96,605	91,509	5,096
General revenues:					
Sales tax .....	3,677,803		3,677,803	3,724,431	(46,628)
State shared revenues .....	1,917,118		1,917,118	1,795,758	121,360
Property tax .....	495,060		495,060	510,451	(15,391)
Franchise fees and business licenses .....	630,199		630,199	632,976	(2,777)
Other .....	166,835	8,152	174,987	198,554	(23,567)
<b>Total Revenues</b> .....	<b>8,977,118</b>	<b>3,072,635</b>	<b>12,049,753</b>	<b>11,673,448</b>	<b>376,305</b>
<b>Expenses:</b>					
General Government.....	1,577,531		1,577,531	1,837,098	(259,567)
Police .....	2,558,568		2,558,568	2,564,248	(5,680)
Fire .....	1,848,207		1,848,207	1,795,987	52,220
Sanitation.....	668,591		668,591	648,807	19,784
Parks and Recreation and Cemetery.....	596,437		596,437	540,694	55,743
Streets .....	1,339,901		1,339,901	1,364,971	(25,070)
Library.....	200,735		200,735	202,316	(1,581)
Museum .....	184,390		184,390	196,835	(12,445)
Active Adult Center .....	205,297		205,297	220,810	(15,513)
Community Development .....	166,616		166,616	3,991	162,625
Interest on General Long-Term Debt.....	1,457		1,457	1,929	(472)
Water Utility .....		2,217,844	2,117,844	2,217,853	(100,009)
Sewer Utility .....		1,145,449	1,145,449	937,406	208,043
<b>Total Expenses</b> .....	<b>9,347,730</b>	<b>3,263,293</b>	<b>12,611,023</b>	<b>12,532,945</b>	<b>78,078</b>
<b>Change in net position</b> .....	<b>(370,612)</b>	<b>(190,658)</b>	<b>(561,270)</b>	<b>(859,497)</b>	<b>298,227</b>
<b>Beginning net position</b> .....	<b>9,210,840</b>	<b>9,759,614</b>	<b>18,970,454</b>	<b>19,829,951</b>	<b>(859,497)</b>
<b>Ending net position</b> .....	<b>\$ 8,840,228</b>	<b>\$ 9,568,956</b>	<b>\$18,409,184</b>	<b>\$18,970,454</b>	<b>\$ 561,270</b>

**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 \$8,634,751 in 2013-2014, a decrease of 2.0% from 2012-2013. A comparative summary of principal revenues is as follows:

	2013-2014 Amount	Increase (Decrease) from 2012-2013		2012-2013 Amount
		Amount	%	
State Sales Tax .....	\$ 655,606	\$ 39,098		\$ 616,508
State Revenue Sharing .....	839,537	70,159		769,378
Highway Users Tax .....	674,636	6,097		668,539
Property Tax .....	487,379	(24,716)		512,095
Vehicle Lieu Tax .....	421,975	12,103		409,872
City Sales Tax .....	3,677,803	(46,628)		3,724,431
Licenses, Permits and Miscellaneous	851,993	(77,290)		929,283
Magistrate Fines.....	102,343	(119,934)		222,277
County Library Property Tax .....	113,800	(3,150)		116,750
Sanitation Fees .....	617,114	(8,675)		625,789
Bed Tax .....	128,774	341		128,433
Interest Income and Gain on Investments...	7,033	(16,217)		23,250
Museum Fees and Product Sales .....	55,135	(4,477)		59,612
Donations .....	1,823	(1,031)		2,854
Proceeds of Long-Term Debt Obligation.....	0	0		0
	<b>\$ 8,634,751</b>	<b>\$ (174,320)</b>	<b>(2.0%)</b>	<b>\$ 8,809,071</b>

Expenditures and transfers (excluding grants) totaled \$8,469,033 in 2013-2014. This represents a decrease of 3.6% from the prior year. The schedule that follows summarizes the expenditures and transfers.

	2013-2014 Amount	Increase (Decrease) from 2012-2013		2012-2013 Amount
		Amount	Amount	
<b>Operating Expenditures and Transfers</b>				
Mayor and Council .....	\$ 271,412	\$ 1,304		\$ 270,108
Community Organizations .....	100,000	(28,434)		128,434
Administration.....	822,467	(19,162)		841,629
Police .....	2,491,183	(35,354)		2,526,537
Fire .....	1,786,241	23,139		1,763,102
Streets .....	1,130,599	(21,957)		1,152,556
Maintenance .....	0	(231,163)		231,163
Sanitation .....	628,518	19,784		608,734
Parks and Recreation.....	410,766	51,284		359,482
Museum .....	186,835	(3,649)		190,484
Cemetery.....	61,758	(7,830)		69,588
Magistrate .....	155,777	(60,094)		215,871
Engineering .....	43,054	8,751		34,303
Library .....	183,717	(11,719)		195,436
Debt Service.....	33,360	0		33,360
Active Adult Center Operating Transfer....	64,657	(24,433)		89,090
Capital Outlay .....	98,689	21,567		77,122
	<b>\$8,469,033</b>	<b>\$ (317,966)</b>	<b>(3.6%)</b>	<b>\$8,786,999</b>

Revenues (\$8,634,751) exceeded expenditures (\$8,469,033) by \$165,718 and increased the City's overall governmental fund balance carryover from \$3,684,224 at June 30, 2013 to \$3,849,942 at June 30, 2014. The \$165,718 increase for 2013-2014 was \$143,646 more than the \$22,072 increase for 2012-2013. State shared revenues increased over the prior year and were the main reason for the increase.

*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 position for these funds decreased \$190,658 for the year ended June 30, 2014 compared to a decrease of \$508,176 for 2012-2013.

That is an increase in profitability of \$317,518. Due to an increase in utility rates effective September 1, 2013 water utility revenues increased \$136,900 and sewer utility revenues increased \$71,280 for a total revenue increase of \$208,180.

*City Payroll and Fringe Benefits*

The City's gross payroll for 2013-2014 was \$4,405,675 a decrease of 2.3% or \$102,664 from 2012-2013. A summary by department follows:

	2013-2014 Amount	INCREASE (DECREASE) FROM 2012-2013	2012-2013 Amount
Administration .....	\$ 597,245	\$ (55,777)	\$ 653,022
Police .....	1,400,403	(33,814)	1,434,217
Fire.....	987,395	(25,435)	1,012,830
Streets.....	337,860	68,931	268,929
Maintenance.....	0	(83,645)	83,645
Parks, Recreation, Cemetery & Museum.	330,703	26,683	304,020
Library.....	107,082	2,433	104,649
Active Adult Center.....	61,618	(13,267)	74,885
Water Utility.....	449,732	9,851	439,881
Sewer Utility.....	133,637	1,376	132,261
	<u>\$4,405,675</u>	<u>\$ (102,664)</u>	<u>\$4,508,339</u>

The following payroll fringe benefits amounted to \$2,551,362, an increase of \$117,009, or 4.6% and are detailed as follows:

	2013-2014	INCREASE DECREASE	2012-2013
Social Security and Medicare Taxes .....	\$ 258,536	\$ (5,311)	\$ 263,847
State Retirement Contributions .....	246,543	9,942	236,601
Policemen's Pension Contributions.....	301,968	(48,735)	350,703
Regular and Volunteer Firemen's Pension Contributions ..	313,557	56,791	256,766
Elected Officials Retirement Contributions .....	8,711	(1,346)	10,057
Industrial Insurance .....	171,997	46,803	125,194
Health and Life Insurance .....	1,250,050	58,865	1,191,185
	<u>\$2,551,362</u>	<u>\$ 117,009</u>	<u>\$2,434,353</u>

Fringe benefits provided by the City (\$2,551,362) amounted to 58% of the total gross payroll (\$4,405,675).

*Budgetary Highlights*

The City’s budget for fiscal year 2014 was \$24,660,000. This was an increase of \$263,000 from the previous year’s budget of \$24,397,000.

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, 2014, none of the general fund contingency budget was transferred to the other departments or funds to provide for unexpected additional expenditures.

The expenditure limit adopted by the City Council under its voter approved home-rule expenditure limitation option was \$24,660,000 for the year ended June 30, 2014. 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 2014 and 2012.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$1,298,822	\$1,298,822	\$ 287,893	\$ 287,893
Construction in Progress	0	0	130,275	130,275
Buildings	1,631,435	1,760,550	2,101,496	2,295,299
Street Infrastructure And Other Improvements	1,435,092	1,697,115	5,860,545	6,269,469
Machinery and Equipment	867,134	912,549	308,553	314,060
	<u>\$5,232,483</u>	<u>\$5,669,036</u>	<u>\$8,688,762</u>	<u>\$9,296,997</u>

Long-Term Obligations

The City did not incur new long-term general government debt. The second payment on the accounting software debt was made for \$31,903, leaving \$65,248 of debt at June 30, 2014. The City did borrow additional amounts in its 2004 Water Revenue Bonds to fund additional water and well system expenditures.

## FISCAL YEAR 2013-2014 ACCOMPLISHMENTS

Although there were continued uncertainties associated with the economic future due to a decrease of \$46,628 in city sales tax collections, the City's sales tax rate was not increased and remained at 2%. State shared revenues increased \$127,457 to provide the major increase in governmental revenues.

The City hired a consultant to examine the City's utility rates and make recommendations. As a result of that rate study, beginning on September 1, 2013, the water and sewer rates were increased at that time and will be further increased over several years. For the year ended June 30, 2014, this rate increase provided an increase of \$136,900 and \$71,280 in water and sewer revenues, respectively.

In June 2014, the City entered into an agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) that will provide \$5,500,000 in financial assistance for drinking water capital improvement projects. \$3,000,000 will be grants and \$2,500,000 will be revenue bonds payable over twenty years at 2.333%

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 cost of these programs only increased \$58,865 or 4.9% compared to the prior year.

Approximately \$73,800 in salary adjustments were added to the 2013-2014 budget for various departments to bring employees up to 80% of the midpoint of the Arizona League salary survey. However, the total City payroll actually decreased by \$102,664 compared to the prior year.

The City's only remaining long-term general government debt is for a five-year capital lease on its new accounting software. It made the third principal payment of \$31,903 on the lease and the remaining balance at June 30, 2014 was \$65,248. The City has Water Revenue Bonds outstanding at June 30, 2014 of \$3,468,740.

The City received a \$56,206 federal grant from Homeland Security to purchase communications equipment for the Fire Department.

The City received a \$56,866 federal grant to purchase a media box for the library.

The City also received a \$312,825 community development block grant from the Arizona Department of Housing to install an elevator at the Cobre Valley Center for the Arts to provide for the removal of barriers (ROB) in conjunction with the American Disabilities Act.

**CITY OF GLOBE, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2014**

	<b>PRIMARY GOVERNMENT</b>		
	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Pooled Cash and Cash Equivalents .....	\$ 156,056	\$ 4,134,915	\$ 4,290,971
Non-Pooled Cash and Cash Equivalents .....	1,460		1,460
Investments.....	4,428,433		4,428,433
Property Taxes Receivable.....	42,602		42,602
Accounts Receivable .....	54,088	309,261	363,349
Other Receivables.....	223,685	106,054	329,739
Due from Other Governments.....	614,353		614,353
Internal Balances.....	(500,000)	500,000	0
Inventory.....	20,503		20,503
Prepaid Expenses.....	140,824		140,824
Capital Assets:			
Land and Construction in Progress.....	1,298,822	418,168	1,716,990
Other Capital Assets, net of Depreciation.....	3,933,661	8,270,594	12,204,255
<b>TOTAL ASSETS</b> .....	<b>\$ 10,414,487</b>	<b>\$ 13,738,992</b>	<b>\$ 24,153,479</b>
<b>LIABILITIES:</b>			
Accounts Payable.....	\$ 546,755	\$ 355,895	\$ 902,650
Accrued Expenses and Other Liabilities.....	49,062	19,614	68,676
Customer Deposits.....		73,591	73,591
Compensated Absences - Current.....	561,039	159,064	720,103
Contracts and Lease Obligations Payable - Current.....	32,381	3,762	36,143
Deferred Revenues.....	12,146	0	12,146
Non-Current Liabilities:			
Compensated Absences.....	193,551	42,186	235,737
Contracts and Lease Obligations Payable.....	32,867		32,867
Water Revenue Bonds Payable.....		3,468,740	3,468,740
Post Employment Benefits Obligations Payable.....	146,458	47,184	193,642
<b>TOTAL LIABILITIES</b> .....	<b>1,574,259</b>	<b>4,170,036</b>	<b>5,744,295</b>
<b>NET POSITION</b>			
Capital Contributed from General Fund.....		2,817,634	2,817,634
Invested in Capital Assets, Net of Related Debt.....	5,167,235	5,220,022	10,387,257
Restricted for:			
Library Improvements.....	24,589		24,589
Canyon Water District Reserves.....		22,724	22,724
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.....	60,550		60,550
Water Exploration.....		795,200	795,200
Unrestricted.....	3,564,837	281,804	3,846,641
<b>TOTAL NET POSITION</b> .....	<b>\$8,840,228</b>	<b>\$ 9,568,956</b>	<b>\$ 18,409,184</b>

See accompanying notes to financial statements.

**CITY OF GLOBE, ARIZONA**  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	PROGRAM REVENUES					NET (EXPENSE) REVENUE
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS		
<b>GOVERNMENTAL ACTIVITIES:</b>						
Mayor and Council.....	\$ 338,143					\$ (338,143)
Community Organizations.....	100,000		\$ 128,774			28,774
Administration.....	939,081					(939,081)
Police .....	2,558,568	\$ 9,606	13,568	\$ 56,206		(2,479,188)
Fire.....	1,848,207	27,468	325			(1,820,414)
Streets .....	1,339,901		674,636			(665,265)
Sanitation.....	668,591	617,114				(51,477)
Parks and Recreation.....	532,179	5,594				(526,585)
Cemetery.....	64,258	11,000				(53,258)
Magistrate.....	157,016	30,475				(126,541)
Library.....	200,735	9,610	119,209	40,399		(31,517)
Museum.....	184,390	55,135				(129,255)
Active Adult Center.....	205,297	41,167	83,201			(80,929)
Community Development.....	166,616		166,616			0
Engineering.....	43,291					(43,291)
Interest on Long-Term Debt.....	1,457					(1,457)
<b>TOTAL GOVERNMENTAL ACTIVITIES..</b>	<b>9,347,730</b>	<b>807,169</b>	<b>1,186,329</b>	<b>96,805</b>		<b>(7,257,627)</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Water.....	2,117,844	2,197,388				79,544
Sewer.....	1,145,449	867,095				(278,354)
<b>TOTAL BUSINESS TYPE ACTIVITIES....</b>	<b>3,263,293</b>	<b>3,064,483</b>	<b>0</b>	<b>0</b>		<b>(198,810)</b>
<b>TOTAL.....</b>	<b>\$ 12,611,023</b>	<b>\$ 3,871,852</b>	<b>\$ 1,186,329</b>	<b>\$ 96,805</b>		<b>\$ (7,456,437)</b>

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>CHANGE IN NET POSITION:</b>			
Net (Expenses) Revenue from above.....	\$ (7,257,627)	\$ (198,810)	\$ (7,456,437)
<b>General Revenues:</b>			
State Sales Tax.....	\$ 655,606		\$ 655,606
State Revenue Sharing.....	839,537		839,537
Property Tax .....	495,060		495,060
Vehicle Lieu Tax.....	421,975		421,975
City Sales Tax.....	3,677,803		3,677,803
Utility Franchise Fees.....	173,961		173,961
Business Licenses.....	456,238		456,238
Miscellaneous.....	159,843		159,843
Interest Income.....	3,503	4,084	7,587
Gain on Investments.....	3,489	4,068	7,557
Gain (Loss) on Disposal of Assets.....	0	0	0
<b>Total General Revenues and Transfers</b>	<b>6,887,015</b>	<b>8,152</b>	<b>6,895,167</b>
<b>Change in Net Position.....</b>	<b>(370,612)</b>	<b>(190,658)</b>	<b>(561,270)</b>
<b>Net Position - Beginning.....</b>	<b>9,210,840</b>	<b>9,759,614</b>	<b>18,970,454</b>
<b>Net Position - Ending.....</b>	<b>\$ 8,840,228</b>	<b>\$ 9,568,956</b>	<b>\$ 18,409,184</b>

See accompanying notes to financial statements.

**CITY OF GLOBE, ARIZONA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2014**

	GENERAL FUND	HIGHWAY USERS FUND	GRANTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Pooled Cash and Cash Equivalents.....	\$ 69,998	\$ 51,538		\$34,520	\$ 156,056
Non-Pooled Cash and Cash Equivalents.....	1,425			35	1,460
Investments.....	4,428,433				4,428,433
Property Taxes Receivable.....	42,602				42,602
Accounts Receivable.....	54,088				54,088
Other Receivables.....	223,685				223,685
Due from Other Governments.....	323,938	\$68,888	\$210,854	10,673	614,353
Due from Other Funds.....	202,618				202,618
Inventory.....	20,503				20,503
Prepaid Expenses.....	140,824				140,824
<b>TOTAL ASSETS.....</b>	<b>\$ 5,508,114</b>	<b>\$120,426</b>	<b>\$210,854</b>	<b>\$45,228</b>	<b>\$ 5,884,622</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable.....	\$ 468,076	\$70,899	\$ 1,090	\$ 6,690	\$ 546,755
Accrued Expenses and Other Liabilities...	49,062				49,062
Compensated Absences .....	502,563	49,527		8,949	561,039
Due to Other Funds.....	500,000		202,618		702,618
Deferred Revenues.....	0		7,146	5,000	12,146
<b>Total Liabilities.....</b>	<b>1,519,701</b>	<b>120,426</b>	<b>210,854</b>	<b>20,639</b>	<b>1,871,620</b>
Deferred Inflows of Resources.....	163,060				163,060
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Library Improvements.....				24,589	24,589
<b>Committed:</b>					
Recycling Program.....	23,017				23,017
Cemetery Improvements.....	60,550				60,550
Unassigned.....	3,741,786				3,741,786
<b>Total Fund Balances.....</b>	<b>3,825,353</b>	<b>0</b>	<b>0</b>	<b>24,589</b>	<b>3,849,942</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 5,508,114</b>	<b>\$ 120,426</b>	<b>\$ 210,854</b>	<b>\$45,228</b>	<b>\$ 5,884,622</b>
<b>TOTAL FUND BALANCE - Total Governmental Funds.....</b>					<b>\$3,849,942</b>
Amounts reported for governmental activities in the statement of net assets are different because:					
- Capital assets of \$15,450,313, net of accumulated depreciation of (\$10,217,830), are not financial resources and therefore, are not reported in the funds.....					5,232,483
- Other long-term assets (receivables) are not available to pay for current period expenditures and therefore, are deferred inflows of resources in the funds. These include property taxes of \$29,917 and magistrate fines of \$133,143.....					163,060
- Compensated Absences for sick leave are payable only upon employee retirement and therefore are not payable from current resources.....					(193,551)
- Capital lease and contract liabilities of \$65,248 are not due and payable in the current period and are not reported in the funds.....					(65,248)
- 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.....					(146,458)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES.....</b>					<b>\$8,840,228</b>

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, 2014**

	GENERAL FUND	HIGHWAY USERS FUND	GRANTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
State Sales Tax.....	\$ 655,606				\$ 655,606
State Revenue Sharing.....	839,537				839,537
Highway Users Tax.....		\$674,636			674,636
Property Tax .....	487,379				487,379
Vehicle Lieu Tax.....	421,975				421,975
Grant Revenue.....			\$282,185	\$ 70,101	352,286
City Sales Tax.....	3,677,803				3,677,803
Bed Tax.....	128,774				128,774
Utility Franchise.....	173,961				173,961
Business Licenses.....	456,238				456,238
Licenses, Permits and Other.....	212,013			64,048	276,061
County Library Property Tax.....				113,600	113,600
Fines and Forfeitures.....	102,343				102,343
Sanitation Fees.....	617,114				617,114
Museum Fees and Product Sales.....	55,135				55,135
Interest Income.....	3,503			41	3,544
Gain on Investments.....	3,489				3,489
Donations.....	1,823				1,823
<b>TOTAL REVENUES.....</b>	<b>7,836,693</b>	<b>674,636</b>	<b>282,185</b>	<b>247,790</b>	<b>9,041,304</b>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
Mayor and Council.....	271,412				271,412
Community Organizations.....	100,000				100,000
Administration.....	822,467				822,467
Police .....	2,491,183		13,568		2,504,751
Fire.....	1,786,241				1,786,241
Streets .....		1,130,599			1,130,599
Sanitation.....	628,518				628,518
Parks and Recreation.....	410,766				410,766
Cemetery.....	61,758				61,758
Magistrate.....	155,777				155,777
Library.....			5,437	183,717	189,154
Museum.....	186,835				186,835
Active Adult Center.....				189,025	189,025
Community Development.....			186,616		186,616
Engineering.....	43,054				43,054
Capital Outlay.....	91,878	6,811	96,564		195,253
<b>Debt Service:</b>					
Principal.....	31,903				31,903
Interest.....	1,457				1,457
<b>TOTAL EXPENDITURES.....</b>	<b>7,083,249</b>	<b>1,137,410</b>	<b>282,185</b>	<b>372,742</b>	<b>8,875,586</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>753,444</b>	<b>(462,774)</b>	<b>0</b>	<b>(124,952)</b>	<b>165,718</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer to Active Adult Center Fund.....	(64,657)			64,657	0
Transfer to Highway User Fund.....	(462,774)	462,774		0	0
Transfer to Library Fund.....	(60,336)			60,336	0
Proceeds of Long Term Debt Obligations.....	0				0
<b>NET OTHER FINANCING SOURCES (USES).....</b>	<b>(587,767)</b>	<b>462,774</b>	<b>0</b>	<b>124,993</b>	<b>0</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>165,677</b>	<b>0</b>	<b>0</b>	<b>41</b>	<b>165,718</b>
<b>FUND BALANCES, Beginning.....</b>	<b>3,659,676</b>	<b>0</b>	<b>0</b>	<b>24,548</b>	<b>3,684,224</b>
<b>FUND BALANCES, Ending.....</b>	<b>\$3,825,353</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 24,589</b>	<b>\$ 3,849,942</b>

**CITY OF GLOBE, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

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NET CHANGE IN FUND BALANCE - Total Governmental Funds (from prior page)..... \$ 165,718

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

- Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$195,253) were less than depreciation (\$631,806) in the current period.....	(436,553)
- Compensated Absences for sick leave are payable only upon employee retirement and, therefore, not payable from current resources .....	(763)
- 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.....	31,903
- Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include an increase of (\$7,681) in the City's property taxes and an decrease of (\$71,867) in court fines.....	(64,186)
-On the statement of activities, the gain or loss on the disposal of assets is reported, whereas in the governmental funds the proceeds from the disposal increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets sold of (\$0) net of related accumulated depreciation of \$0.....	0
-On the statement of activities, the actual and projected long-term expenditures for post retirement health benefits are reported whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.....	(66,731)

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES..... \$ (370,612)

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

**CITY OF GLOBE, ARIZONA**  
**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
<b>ASSETS</b>			
<b>Current Assets:</b>			
Pooled Cash and Cash Equivalents.....	\$ 2,353,565	\$1,781,350	\$ 4,134,915
Due from Other Funds.....	500,000	0	500,000
Accounts Receivable.....	232,660	76,601	309,261
Other Receivable.....	106,054	0	106,054
<b>Total Current Assets.....</b>	<b>3,192,279</b>	<b>1,857,951</b>	<b>5,050,230</b>
<b>Capital Assets:</b>			
Land and Construction in Progress.....	418,168	0	418,168
Other Capital Assets net of Accumulated Depreciation.....	5,417,540	2,853,054	8,270,594
<b>TOTAL ASSETS.....</b>	<b>\$9,027,987</b>	<b>\$4,711,005</b>	<b>\$13,738,992</b>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable.....	\$ 313,132	\$ 42,763	\$ 355,895
Sales Tax Payable.....	19,614		19,614
Customer Deposits.....	73,591		73,591
Compensated Absences - Current.....	98,692	60,372	159,064
Easement Contracts Payable - Current.....	3,762		3,762
<b>Total Current Liabilities.....</b>	<b>508,791</b>	<b>103,135</b>	<b>611,926</b>
<b>Non-current Liabilities:</b>			
Compensated Absences - Non-Current.....	30,091	12,095	42,186
Water Revenue Bonds Payable.....	3,468,740		3,468,740
Post Employment Benefits Obligations Payable.....	7,694	39,490	47,184
<b>Total Non-Current Liabilities.....</b>	<b>3,506,525</b>	<b>51,585</b>	<b>3,558,110</b>
<b>TOTAL LIABILITIES.....</b>	<b>4,015,316</b>	<b>154,720</b>	<b>4,170,036</b>
<b>NET POSITION</b>			
Capital Contributed from General Fund.....	1,635,291	1,182,343	2,817,634
Invested in Capital Assets, Net of Related Debt.....	2,366,968	2,853,054	5,220,022
Restricted for Canyon Water District Reserves.....	22,724		22,724
Restricted for Revenue Bond Debt Service.....	308,266		308,266
Restricted for Repair and Replacement.....	123,306		123,306
Committed for Water Exploration.....	795,200		795,200
Unrestricted.....	(239,084)	520,888	281,804
<b>TOTAL NET POSITION.....</b>	<b>\$5,012,671</b>	<b>\$4,556,285</b>	<b>\$9,568,956</b>

See accompanying notes to financial statements.

**CITY OF GLOBE, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
<b>OPERATING REVENUES:</b>			
Charges for Services.....	\$ 2,002,696	\$ 862,620	\$ 2,865,316
Taps, Extensions and Permits.....	45,116	4,475	49,591
Penalties.....	60,370	0	60,370
<b>TOTAL OPERATING REVENUES.....</b>	<b>2,108,182</b>	<b>867,095</b>	<b>2,975,277</b>
<b>OPERATING EXPENSES:</b>			
Personal Services.....	642,971	330,906	973,877
Telephone and Utilities.....	325,824	80,892	406,716
Repairs and Maintenance.....	109,181	305,780	414,961
Supplies.....	301,587	77,956	379,543
Miscellaneous.....	152,296	53,630	205,926
Depreciation.....	412,983	278,516	691,499
Bad Debt Expense.....	0	0	0
Insurance.....	48,896	17,769	66,665
<b>TOTAL OPERATING EXPENSES.....</b>	<b>1,993,738</b>	<b>1,145,449</b>	<b>3,139,187</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>114,444</b>	<b>(278,354)</b>	<b>(163,910)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Gain on Investments.....	2,478	1,590	4,068
Interest Income.....	2,488	1,596	4,084
Net Proceeds from Water Revenue Bonds.....	89,206		89,206
Interest Expense.....	(124,106)		(124,106)
Gain (Loss) on Disposal of Equipment.....	0		0
<b>TOTAL NON-OPERATING REVENUES (EXPENSES).....</b>	<b>(29,934)</b>	<b>3,186</b>	<b>(26,748)</b>
<b>CHANGE IN NET POSITION.....</b>	<b>84,510</b>	<b>(275,168)</b>	<b>(190,658)</b>
<b>TOTAL NET POSITION - Beginning.....</b>	<b>4,928,161</b>	<b>4,831,453</b>	<b>9,759,614</b>
<b>TOTAL NET POSITION - Ending.....</b>	<b>\$5,012,671</b>	<b>\$4,556,285</b>	<b>\$9,568,956</b>

See accompanying notes to financial statements.

**CITY OF GLOBE, ARIZONA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers.....	\$ 2,115,091	\$ 865,521	\$ 2,980,612
Cash Payments to Suppliers for Goods and Services.....	(769,318)	(601,323)	(1,370,641)
Cash Payments for Employees, Payroll Taxes and Fringe Benefits.....	(679,912)	(203,263)	(883,175)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....</b>	<b>665,861</b>	<b>60,935</b>	<b>726,796</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Temporary Loans From (to) Other Funds.....	0	0	0
<b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES.....</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Water Revenue Bond Proceeds Net.....	9,056	0	9,056
Interest Expense Payments.....	(124,106)	0	(124,106)
Principal Payments on Debt.....	(181,600)	0	(181,600)
Acquisition and Construction of Capital Assets.....	(17,364)	(65,900)	(83,264)
<b>NET CASH PROVIDED BY (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....</b>	<b>(314,014)</b>	<b>(65,900)</b>	<b>(379,914)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest Income.....	2,488	1,596	4,084
Gain on Investments.....	2,478	1,590	4,068
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES.....</b>	<b>4,966</b>	<b>3,186</b>	<b>8,152</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>	<b>356,813</b>	<b>(1,779)</b>	<b>355,034</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>1,996,752</b>	<b>1,783,129</b>	<b>3,779,881</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 2,353,565</b>	<b>\$ 1,781,350</b>	<b>\$ 4,134,915</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (Loss).....	\$ 114,444	\$ (278,354)	\$ (163,910)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>			
Depreciation.....	412,983	278,516	691,499
(Increase) Decrease in Accounts Receivable.....	6,963	(1,574)	5,389
(Increase) Decrease in Other Receivables.....	(54)	0	(54)
Increase (Decrease) in Accounts Payable.....	160,952	(65,296)	95,656
Increase (Decrease) in Sales Tax Payable and Deposits.....	7,514	0	7,514
Increase (Decrease) in Compensated Absences.....	(20,119)	51,526	31,407
Increase (Decrease) in Post Employment Benefits Obligations Payable.....	(16,822)	76,117	59,295
<b>Total Adjustments.....</b>	<b>551,417</b>	<b>339,289</b>	<b>890,706</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....</b>	<b>\$ 665,861</b>	<b>\$ 60,935</b>	<b>\$ 726,796</b>

See accompanying notes to financial statements.

**CITY OF GLOBE, ARIZONA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>VOLUNTEER FIREMEN'S RELIEF AND PENSION FUND</b>
<b>ASSETS</b>	
Non-pooled Cash and Cash Equivalents.....	\$ 7,071
Investments.....	<u>42,708</u>
<b>TOTAL ASSETS.....</b>	<b><u>49,779</u></b>
<b>LIABILITIES:</b>	
Accrued Expenses and Other Liabilities.....	<u>0</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>0</u></b>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS.....</b>	<b><u><u>\$49,779</u></u></b>

See accompanying notes to financial statements.

**CITY OF GLOBE, ARIZONA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>VOLUNTEER FIREMEN'S RELIEF AND PENSION FUND</b>
<b>ADDITIONS</b>	
Contributions:	
Employer.....	\$ 191
Plan Members.....	191
<b>Total Contributions.....</b>	<b>382</b>
Investment Income:	
Gain (Loss) on Investments.....	167
Interest.....	58
<b>Total Investment Income.....</b>	<b>225</b>
<b>TOTAL ADDITIONS .....</b>	<b>607</b>
<b>DEDUCTIONS</b>	
Benefits.....	6,720
Refunds of Contributions.....	0
Administrative Expenses.....	0
<b>TOTAL DEDUCTIONS.....</b>	<b>6,720</b>
<b>CHANGE IN NET ASSETS.....</b>	<b>(6,113)</b>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS BEGINNING OF YEAR...</b>	<b>55,892</b>
<b>NET POSITION HELD IN TRUST FOR PENSION BENEFITS END OF YEAR.....</b>	<b>\$49,779</b>

See accompanying notes to financial statements.

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

June 30, 2014

**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, 2014.

**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 position 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, charges to customers for services, 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 Position or Equity**

**1. Cash and Investments**

The City maintains one checking account. Each fund’s portion of the checking account 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”.

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 (\$20,503).

Prepaid expenses record payments to vendors that benefit future reporting periods. 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 a 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 a 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 position 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 amounts – Consists of net amounts 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 amounts – consist of net amounts 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 amounts – All other net amounts 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.

## **7. 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. 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, 2014, none of the general fund contingency budget was transferred to departments or funds to provide for unexpected additional expenditures.

For legal compliance budgetary purposes, the modified accrual basis is followed for the utility funds. For the Water Utility fund the changes in net position on the accrual basis of (\$84,510) plus depreciation (\$412,983), less debt principal retirement (\$181,600), less capital outlay (\$17,364) plus debt proceeds (\$16,462) equals excess revenues over expenditures (\$314,991) on the modified accrual basis.

For the Sewer Utility fund the changes in net position on the accrual basis of (-\$275,168) plus depreciation (\$278,516), less capital outlay (\$65,900), equals excess expenditures over revenues (-\$62,552) on the modified accrual basis.

The expenditure limit adopted by the City Council under its voter approved home-rule expenditure limitation option was \$24,660,000 for the year ended June 30, 2014. 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.....	\$ 4,501,067	\$ 500,000	\$4,001,067	\$4,290,971

###### Investments

For fiscal year 2014, 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 \$4,428,433 carrying amount is substantially the same as market value at June 30, 2014. Gains on investments amounts represent recovery of prior year investment bankruptcy losses recognized by the LGIP. Therefore, there is a risk of loss in the LGIP investment.

## 2. Receivables, Prepaid Expenses and Deferred Revenues

The following is a description of significant receivables as of June 30, 2014:

<b>PROPERTY TAXES RECEIVABLE - Property taxes due from County:</b>		
revenue deferred for amounts assessed by County but uncollected (\$29,917) for governmental fund financial statements .....		\$ 42,602
<b>ACCOUNTS RECEIVABLE:</b>		
Sanitation (\$54,088), Water (\$232,660), Sewer (\$76,601).....		363,349
<b>OTHER RECEIVABLES:</b>		
Franchise Fees Receivable .....	\$ 41,375	
Magistrate Fines Receivable (Deferred for Uncollected Amounts) .....	133,143	
Wild-Fire Reimbursements Receivable.....	8,787	
Miscellaneous Receivables .....	40,766	
Water Revenue Bonds Reimbursement Receivable .....	<u>105,668</u>	329,739
<b>DUE FROM OTHER GOVERNMENTS:</b>		
City Sales Tax .....	249,869	
Highway Users Tax.....	68,888	
State Sales Tax.....	55,665	
Vehicle License Tax.....	18,404	
Active Adult Center Grants .....	10,673	
Other Grants.....	200,804	
Community Development Block Grant.....	<u>10,050</u>	<u>614,353</u>
<b>TOTAL .....</b>		<u><u>\$1,350,043</u></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.

Prepaid Expense of \$140,824 include: prepaid July 2014 health insurance premiums (\$127,402) and various dues (\$13,422).

The City is subject to a maximum primary property tax levy by Arizona State Statutes. For 2013-2014 this levy limit was \$618,147, and the City levied \$500,620 in primary taxes a difference of \$117,527. The City has no secondary property tax levy for general obligation bonded debt.

Due from Other Government 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 (\$7,146) and unearned Active Adult Center donations of (\$5,000). Other revenue is accrued that is unavailable to pay liabilities of the current period. These amounts are property taxes (\$29,917) and magistrate fines (\$133,143) that have not been collected within sixty days of year end. These total \$163,060 and are recorded as Deferred Inflows of Resources in the governmental fund financial statements.

### 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
<b>PRIMARY GOVERNMENT</b>						
<i>Governmental Activities</i>						
Balance, Beginning	\$1,298,822		\$4,056,820	\$4,183,633	\$5,715,785	\$15,255,060
Increases					195,253	195,253
Decreases					0	0
Balance, Ending	1,298,822	\$ 0	4,056,820	4,183,633	5,911,038	15,450,313
Accumulated Depreciation						
Balance, Beginning			2,296,270	2,486,518	4,803,236	9,586,024
Increases			129,115	262,023	240,668	631,806
Decreases					0	0
Balance, Ending	0	0	2,425,385	2,748,541	5,043,904	10,217,830
<i>Governmental Activities</i>						
Capital Assets, Net	\$1,298,822	\$ 0	\$1,631,435	\$ 1,435,092	\$ 867,134	\$ 5,232,483
<i>Business-type Activities</i>						
Balance, Beginning	\$287,893	\$ 130,275	\$6,618,103	\$ 12,259,333	\$1,477,624	\$20,773,228
Increases	0				83,264	83,264
Decreases	0				0	0
Balance, Ending	287,893	130,275	6,618,103	12,259,333	1,560,888	20,856,492
Accumulated Depreciation						
Balance, Beginning			4,322,804	5,989,864	1,163,563	11,476,231
Increases			193,803	408,924	88,772	691,499
Decreases					0	0
Balance, Ending	0	0	4,516,607	6,398,788	1,252,335	12,167,730
<i>Business-type Activities</i>						
Capital Assets, Net	\$287,893	\$ 130,275	\$2,101,496	\$5,860,545	\$ 308,553	\$ 8,688,762

\$161,942 of the above equipment amounts are being acquired under capital leases or contracts as of June 30, 2014.

*Depreciation Expense*

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

<b><i>Governmental Activities</i></b>		<b><i>Business-type Activities</i></b>	
Administration	\$119,138	Water Utility	\$412,983
Police	52,782	Sewer Utility	<u>278,516</u>
Fire	55,315		
Sanitation	40,074	<b>Total</b>	<b><u>\$691,499</u></b>
Parks and Recreation	116,201		
Engineering	694		
Museum	5,641		
Streets	212,118		
Cemetery	2,070		
Active Adult Center	16,240		
Library	<u>11,533</u>		
<b>Total</b>	<b><u>\$631,806</u></b>		

**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, 2014:

	<b>BALANCE</b> July 1, 2013	<b>ADDITIONS</b>	<b>RETIREMENTS</b>	<b>BALANCE</b> June 30, 2014
<b>Governmental Activities</b>				
Contract Payable:				
Accounting Software.....	\$ 97,151	\$0	\$31,903	<u>\$ 65,248</u>

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

	WATER UTILITY EASEMENT CONTRACTS	ACCOUNTING SOFTWARE CONTRACT
LEASE OR CONTRACT START DATE...	VARIOUS	2-1-12
ASSET COST.....	\$46,297	\$ 161,942
DOWN PAYMENT.....	\$ 0	\$ 33,360
PAYMENT AMOUNT.....	VARIOUS	\$33,360/Year
ASSET PLEDGED-COLLATERAL	NO	YES
INTEREST RATE.....	10%	1.5%
INTEREST EXPENSE		
Reported in Water Utility.....	\$ 70	
Reported in General Fund.....		\$ 1,457
REMAINING PRINCIPAL PAYMENTS:		
2014-2015.....	\$ 3,762	\$ 32,381
2015-2016.....		32,867
	\$ 3,762	\$ 65,248

The City had no special assessment debt at June 30, 2014.

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, 2014, water revenues were increased \$1,266 in conjunction with interest expense of \$70 and contract principal retirement of \$1,196.

The above debt amount of \$65,248 is well within the legal debt limit imposed by state statutes: i.e. 6% of the City's assessed valuation of \$37,925,563 or \$2,275,534. The remaining debt limit available to the City is \$2,210,286 at June 30, 2014.

The following is a summary of changes in compensated absences debt for the year ended June 30, 2014:

	BALANCE July 1, 2013	ADDITIONS	RETIREMENTS	BALANCE June 30, 2014	DUE WITHIN ONE YEAR
Compensated Absences					
Vacation & Comp Time	\$677,100	\$720,103	\$(677,100)	\$420,103	\$720,103
Sick Leave.....	232,839	235,737	(232,839)	235,737	0
TOTAL.....	\$ 909,939	\$955,840	\$(909,939)	\$ 955,840	\$720,103

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, 2014, \$4,894,212 had been obtained

from the water bonds and principal of \$180,410 and interest of \$124,036 had been incurred for the year then ended. The debt balance at June 30, 2014, was \$3,468,740. Five annual debt service reserve payments of \$61,653 had been reserved as of June 30, 2014, for a total of \$308,266. Also \$123,306 had been reserved for the Repair and Replacement Reserve requirement.

Remaining payments on the \$3,468,740 are as follows through July 1, 2029.

	Total	Interest	Principal
2014-2015	\$308,265	\$121,712	\$186,553
2015-2016	\$308,265	\$115,360	\$192,905
2016-2017	\$308,265	\$108,792	\$199,473
2017-2018	\$308,265	\$102,000	\$206,265
2018-2023	\$1,541,328	\$399,744	\$1,141,584
2023-2028	\$1,541,328	\$178,896	\$1,362,432
2028-2029	\$ 189,679	\$ 10,151	\$ 179,528
	<b>\$4,505,395</b>	<b>\$1,036,655</b>	<b>\$3,468,740</b>

On June 25, 2014 the City entered into an agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) whereby WIFA would provide \$5,500,000 in financial assistance for drinking water capital improvement projects. \$3,000,000 will be grants and \$2,500,000 will be revenue bonds payable over 20 years at 2.333%

## 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, 2014:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES
	Interfund Receivables (Due From)	Interfund Payables (Due To)	Interfund Receivables (Due From)
Water Utility Fund.....			\$500,000
General Fund.....	\$202,618	\$500,000	
Grant Fund.....		202,618	
	<b>\$202,618</b>	<b>\$702,618</b>	<b>\$500,000</b>

### **3. Transfers**

Transfers within the reporting entity are substantially for the purposes of subsidizing operating functions. The General Fund transferred \$64,657 to the Active Adult Center Fund, and \$60,336 to the Library Fund and \$462,774 to the Highway Users Fund for the year ended June 30, 2014.

### **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, 2012. The plan is still in effect for retired employees participating in the plan as of December 31, 2012. Due to the significant expense of obtaining actuarial reports, the City is electing to use the most recent actuarial report until the plan terminates in 2022. 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

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). 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, 2014.

<u>Annual OPEB Cost</u>	<u>Fiscal Year Ending June 30, 2014</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	<u>59,752</u>
Net OPEB overfunded obligation for the fiscal year	(14,952)
Cumulative unfunded obligation at 6-30-13	67,616
Catch up Funding of OBEP Obligation	<u>140,978</u>
Cumulative obligation at 6-30-14	\$193,642
 Percentage of expense contributed (\$59,752/\$44,800)	 133.38%

c. FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2014, the actuarial accrued liability for benefits was \$193,642, of which \$193,462 was fully accrued on the government wide financial statements.

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**

<b>Valuation Date</b>	June 30, 2011
<b>Actuarial cost method</b>	Projected Unit Credit, level dollar
<b>Amortization method</b>	30-Year Amortization Open, level dollar
<b>Remaining amortization period</b>	30
<b>Asset valuation method</b>	N/A – No assets in irrevocable trust
<b>Actuarial assumptions:</b>	
Investment rate of return	4.50%
Inflation rate	N/A
Projected salary increases	N/A
Assumed increase in health insurance premium reimbursement	None
<b>Plan Membership 6-30-2014:</b>	
Current retirees	<u>8</u>
<b>Total</b>	<b>8</b>

e. ALLOCATION OF POST EMPLOYMENT BENEFITS

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

<b>Government Activities:</b>	
General government	\$ 146,458
Water Utility	7,694
Sewer Utility	<u>39,490</u>
<b>Total Liability</b>	<b><u>\$ 193,642</u></b>

**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 2013-2014.....	\$ 69,856
Expenditures.....	<u>0</u>
	69,856
Committed Balance, July 1, 2013.....	<u>725,344</u>
Committed Balance, June 30, 2014.....	\$795,200

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 \$22,724 at June 30, 2014.

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 2013-2014.....	\$ 5,500
Expenditures.....	<u>0</u>
	5,500
Committed Balance, July 1, 2013.....	<u>55,050</u>
Committed Balance, June 30, 2014.....	\$60,050

The library board of directors donated \$40,000 to the City's library for future building improvements. Interest of \$41 and donations of \$0 were allocated to the reserve for the year ended June 30, 2014. The restricted balance at year-end was \$24,589.

#### **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**

<b>Eligibility to Participate</b>	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
<b>Determination of Contribution Requirements</b> .....	Actuarially Determined	Actuarially Determined
<b>Plan Member's Contributions Rate (percent of covered payroll) 2013-2014</b> .....	10.35%	10.35%
<b>City's contribution Rate (percent of covered payroll 2013-2014</b> .....	30.89%	35.82%
<b>Benefits and Eligibility for Distribution</b>	<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>
<b>Period Required to Vest</b> .....	10 years	10 years
<b>Deferred Retirement Option (DROP)</b>	Termination of covered position employment with 10 or more years of credited service. Pension is equal to twice the amount of pension based on the member's accumulated contributions with payments commencing at age 62. Benefit is forfeited if accumulated contributions are withdrawn.	Termination of covered position employment with 10 or more years of credited service. Pension is equal to twice the amount of pension based on the member's accumulated contributions with payments commencing at age 62. Benefit is forfeited if accumulated contributions are withdrawn.
<b>Provisions for:</b>		
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
<b>Memberships of the plans are as follows:</b>		
Inactive vested members.....	3	0
Fully vested active members.....	23	18
Retirees and beneficiaries receiving benefits.....	13	11
DROP.....	<u>1</u>	<u>1</u>
<b>Total</b> .....	40	30

Total.....

40

30

**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%
2013.....	\$350,639	100%	\$256,464	100%
2014.....	\$301,963	100%	\$313,557	100%

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

Valuation date:	June 30, 2013 *(The June 30, 2014 valuation was not available)
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent-of-pay closed
Remaining amortization period	23 years for underfunded actuarial accrued liability; 20 years for overfunded
Asset valuation method	7 year smoothed market value 80%/120% market
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5% - 8.5%
Includes payroll growth at	4.5%
Cost of Living Adjustments	None

**IV. Funding Progress**

**a. GASB Statement 25 Disclosure**

	(1)	(2)	(3)	(4)	(5)	(6)
VALUATION DATE JUNE 30	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE	PERCENT FUNDED (1) / (2)	UNFUNDED AAL (2)-(1)	ANNUAL COVERED PAYROLL	UNFUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL (4) / (5)
<b>POLICE OFFICERS</b>						
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%
2012	\$3,833,491	\$7,935,627	48.3%	\$4,102,136	\$1,245,174	329.4%
2013	\$3,951,965	\$8,262,738	47.8%	\$4,310,773	\$1,096,682	393.1%

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)
<b>FIREFIGHTERS</b>						
2003	\$3,122,426	\$3,062,086	102.0%	\$ ( 80,340)	\$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	295.4%
2012	\$3,702,594	\$7,008,467	52.8%	\$3,305,873	\$834,811	396.0%
2013	\$3,636,717	\$7,358,238	49.4%	\$3,721,521	\$884,920	420.6%

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
	<b>Authority establishing contribution obligations and benefits</b>	State statute
<b>Plan members' contribution rate (percent of covered payroll) 2013-2014</b>	11.54%	13.0%
<b>City's contribution rate (percent of covered payroll) 2013-2014</b>	11.54%	23.50%
<b>Period required to vest</b>	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. Early Retirement (reduction for age) 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.

**Provisions for:**

Cost of living adjustments (normal) retirement.....	NO	NO
Death and Survivor.....	YES	YES
Disability.....	YES	YES
Post Retirement Health Insurance Subsidy.....	YES	YES
Cost of living allowances.....	YES	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%
2013.....	\$236,601	100%	\$10,058	100%
2014.....	\$246,543	100%	\$ 8,710	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 \$191 to the pension fund during the year ended June 30, 2014, which was 5% of the covered and total payroll of \$3,816. The volunteer firemen's required and actual contributions amounted to \$191, 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, 2014 \$5,148 in testing and engineering costs had been incurred.

### **B. Federal and State Grants**

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

### **C. Participation In Public Entity Risk Pool**

The City is a member of the Arizona Municipal Risk Retention Pool ("Pool"). The Pool was created to formulate, develop and administer a program of self-funding for the Pool's membership, obtain lower costs for property and liability insurance

coverage and develop a comprehensive loss control program. The City pays an annual premium to the Pool for its coverage. The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member local governments. Insurance settlements for the City did not exceed insurance coverage for each of the past three years.

The Pool is financially solvent as of June 30, 2014. 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. \$225,601. As long as the City maintains its insurance coverage through the Pool it will have this contingent liability.

#### **D. Litigation**

The City is in receipt of two Notices of Claim submitted by Arizona Water Company concerning currently unsubstantiated claims regarding the City's provision of water service to City customers that Arizona Water Company claims violates the CC&N issued by the Arizona Corporation Commission to Arizona Water Company. No law suit has been filed, but a proceeding has commenced before the Arizona Corporation Commission. The City and Arizona Water Company have entered into a tolling agreement to allow the parties to attempt to negotiate a settlement of this dispute. Those negotiations continue. The City's legal counsel is not in a position to evaluate the prospects of settlement.

#### **E. Subsequent Events**

Management of the City has evaluated subsequent events through March 30, 2015. No events, including instances of non-compliance, have occurred subsequent to the balance sheet date and through March 30, 2015 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, 2014**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS (Budgetary Basis)</b>	<b>VARIANCE WITH FINAL BUDGET Positive (Negative)</b>
	Original	Final		
<b>REVENUES:</b>				
State Sales Tax.....	\$ 650,825	\$ 650,825	\$ 655,606	\$ 4,781
State Revenue Sharing.....	840,300	840,300	839,537	(763)
Property Tax ..	500,620	500,620	487,379	(13,241)
Vehicle Lieu Tax.....	424,220	424,220	421,975	(2,245)
City Sales Tax.....	3,500,000	3,500,000	3,677,803	177,803
Bed Tax.....	120,000	120,000	128,774	8,774
Utility Franchise Fees.....	155,000	155,000	173,961	18,961
Business Licenses.....	500,000	500,000	456,238	(43,762)
Access to Care Fee.....	1,940,000	1,940,000	0	(1,940,000)
Licenses and Permits and Other.....	369,500	369,500	212,013	(157,487)
Fines and Forfeitures.....	215,250	215,250	102,343	(112,907)
Sanitation Fees.....	650,000	650,000	617,114	(32,886)
Museum Fees and Product Sales.....	75,000	75,000	55,135	(19,865)
Interest Income.....	10,000	10,000	3,503	(6,497)
Gain on Investments.....	0	0	3,489	3,489
Donations.....	14,000	14,000	1,823	(12,177)
<b>TOTAL REVENUES.....</b>	<b>9,964,715</b>	<b>9,964,715</b>	<b>7,836,693</b>	<b>(2,128,022)</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Mayor and Council.....	1,352,165	1,352,165	271,412	1,080,753
Contingency.....	3,338,880	3,338,880	0	3,338,880
Community Organizations.....	100,000	100,000	100,000	0
Administration.....	858,265	858,265	822,467	35,798
Police .....	2,646,235	2,646,235	2,491,183	155,052
Fire.....	1,871,950	1,871,950	1,766,241	85,709
Sanitation.....	656,500	656,500	628,518	27,982
Parks and Recreation.....	444,455	444,455	410,766	33,689
Cemetery.....	166,010	166,010	61,758	104,252
Magistrate.....	230,855	230,855	155,777	75,078
Museum.....	211,655	211,655	186,835	24,820
Engineering.....	74,730	74,730	43,054	31,676
Capital Outlay.....	1,013,500	1,013,500	91,878	921,622
<b>Debt Service:</b>				
Principal.....	31,903	31,903	31,903	0
Interest.....	1,457	1,457	1,457	0
<b>TOTAL EXPENDITURES.....</b>	<b>12,998,560</b>	<b>12,998,560</b>	<b>7,083,249</b>	<b>5,915,311</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURE:</b>	<b>(3,033,845)</b>	<b>(3,033,845)</b>	<b>753,444</b>	<b>3,787,289</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer to Active Adult Center Fund.....	(120,280)	(120,280)	(64,657)	55,623
Transfer to Highway Users Fund.....	(733,805)	(733,805)	(462,774)	271,031
Transfer to Library Fund.....	(72,545)	(72,545)	(80,336)	12,209
Proceeds of Long Term Debt Obligations.....	730,000	730,000	0	(730,000)
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(196,630)</b>	<b>(196,630)</b>	<b>(587,767)</b>	<b>(391,137)</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES.....</b>	<b>(3,230,475)</b>	<b>(3,230,475)</b>	<b>165,677</b>	<b>3,396,152</b>
<b>FUND BALANCE, BEGINNING.....</b>	<b>3,230,475</b>	<b>3,230,475</b>	<b>3,659,676</b>	<b>429,201</b>
<b>FUND BALANCE, ENDING.....</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,825,353</b>	<b>\$ 3,825,353</b>

**CITY OF GLOBE, ARIZONA**  
**BUDGETARY COMPLIANCE SCHEDULE**  
**HIGHWAY USERS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS (Budgetary Basis)</b>	<b>VARIANCE WITH FINAL BUDGET Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Highway Users Tax .....	\$699,630	\$699,630	\$674,636	(24,994)
<b>TOTAL REVENUES.....</b>	<b>699,630</b>	<b>699,630</b>	<b>674,636</b>	<b>(24,994)</b>
<b>EXPENDITURES:</b>				
Personal Services.....	573,435	573,435	518,342	55,093
Supplies, Repairs, and Other.....	224,000	224,000	229,501	(5,501)
Street Lighting.....	276,000	276,000	283,887	(7,887)
Street Repairs.....	350,000	350,000	98,869	251,131
Capital Outlay.....	10,000	10,000	6,811	3,189
<b>TOTAL EXPENDITURES.....</b>	<b>1,433,435</b>	<b>1,433,435</b>	<b>1,137,410</b>	<b>296,025</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(733,805)</b>	<b>(733,805)</b>	<b>(462,774)</b>	<b>271,031</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfer from General Fund.....	733,805	733,805	462,774	(271,031)
<b>TOTAL OTHER FINANCING SOURCES.....</b>	<b>733,805</b>	<b>733,805</b>	<b>462,774</b>	<b>(271,031)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCE, BEGINNING.....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCE, ENDING.....</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

**CITY OF GLOBE, ARIZONA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GRANTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>BUDGETED AMOUNTS</u>		<b>ACTUAL AMOUNTS (Budgetary Basis)</b>	<b>VARIANCE WITH FINAL BUDGET Positive (Negative)</b>
	Original	Final		
<b>REVENUES:</b>				
Grants - Federal.....	\$ 2,500,000	\$2,500,000	\$ 264,917	\$ (2,235,083)
Grants - Non -Federal.....	0	0	17,268	17,268
<b>TOTAL REVENUES.....</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>282,185</b>	<b>(2,217,815)</b>
<b>EXPENDITURES:</b>				
<b>Library Grants</b>				
2013 SGIA State Grant - Non-Federal.....	0	0	1,700	(1,700)
2014 SGIA State Grant - Non-Federal.....	0	0	2,000	(2,000)
2013 LSTA Media Bank Grant - Federal.....	0	0	42,095	(42,095)
<b>Walmart Police Department Grant - Non-Federal.....</b>	<b>0</b>	<b>0</b>	<b>2,000</b>	<b>(2,000)</b>
<b>State of Arizona Department of Homeland Security-Federal</b>				
Multi-Jurisdiction Interoperable Communications				
Equipment - Fire .....	0	0	196,272	(196,272)
<b>Governor's Office of Highway Wafety - Police:</b>				
DUI Alcohol Education and Enforcement-Non-Federal.....	0	0	9,080	(9,080)
Traffic Safety - Non-Federal.....	0	0	2,488	(2,488)
<b>Arizona Department of Housing - Federal</b>				
Community Development Block Grant #138-13				
Removal of Architectural Barriers - Elevator at Cobre				
Center for the Arts.....	0	0	26,550	(26,550)
<b>Other Grants - Federal .....</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>0</b>	<b>2,500,000</b>
<b>TOTAL EXPENDITURES.....</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>282,185</b>	<b>2,217,815</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCE, BEGINNING.....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCE, ENDING .....</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

**CITY OF GLOBE, ARIZONA**  
**BUDGETARY COMPLIANCE SCHEDULE**  
**ACTIVE ADULT CENTER FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>Original</u>	<u>Final</u>	<u>AMOUNTS</u> <u>(Budgetary</u> <u>Basis)</u>	<u>FINAL BUDGET</u> <u>Positive (Negative)</u>
<b>REVENUES:</b>				
Older American Act				
Title IIB and C - Federal.....	\$70,185	\$70,185	\$64,845	(\$5,340)
Cash in Lieu of Commodities - Federal..	0	0	0	0
ALTCS - State.....	250	250	1,256	1,006
Gila County Contribution.....	3,000	3,000	4,000	1,000
<b>Total Grant Revenues.....</b>	<b>73,435</b>	<b>73,435</b>	<b>70,101</b>	<b>(3,334)</b>
Donations.....	0	0	13,100	13,100
Program Income.....	25,000	25,000	33,217	8,217
City Contribution In-Kind.....	7,950	7,950	7,950	0
<b>TOTAL REVENUES.....</b>	<b>106,385</b>	<b>106,385</b>	<b>124,368</b>	<b>17,983</b>
<b>EXPENDITURES:</b>				
Personal Services.....	136,285	136,285	96,883	39,402
Transportation Costs.....	8,470	8,470	8,238	232
Space Costs.....	23,805	23,805	26,441	(2,636)
Food Supplies.....	47,690	47,690	45,132	2,558
Other Operating Costs.....	10,415	10,415	12,331	(1,916)
Capital Outlay.....	0	0	0	0
<b>TOTAL EXPENDITURES.....</b>	<b>226,665</b>	<b>226,665</b>	<b>189,025</b>	<b>37,640</b>
<b>EXCESS OF REVENUES OVER</b>				
<b>(UNDER) EXPENDITURES.....</b>	<b>(120,280)</b>	<b>(120,280)</b>	<b>(64,657)</b>	<b>55,623</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfer from General Fund.....	120,280	120,280	64,657	(55,623)
<b>TOTAL OTHER FINANCING SOURCES..</b>	<b>120,280</b>	<b>120,280</b>	<b>64,657</b>	<b>(55,623)</b>
<b>EXCESS OF REVENUES AND OTHER</b>				
<b>SOURCES OVER (UNDER)</b>				
<b>EXPENDITURES.....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCE, BEGINNING.....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>FUND BALANCE, ENDING.....</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

**CITY OF GLOBE, ARIZONA**  
**BUDGETARY COMPLIANCE SCHEDULE**  
**LIBRARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>BUDGETED AMOUNTS</u>		<b>ACTUAL AMOUNTS (Budgetary Basis)</b>	<b>VARIANCE WITH FINAL BUDGET Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property Tax .....	\$113,600	\$113,600	\$113,600	\$ 0
Fines and Donations .....	12,550	12,550	9,781	(2,769)
Interest Income.....	0	0	41	41
<b>TOTAL REVENUES.....</b>	<b>126,150</b>	<b>126,150</b>	<b>123,422</b>	<b>(2,728)</b>
<b>EXPENDITURES:</b>				
Personal Services.....	158,030	158,030	149,770	8,260
Supplies, Repairs, and Other.....	47,565	47,565	21,914	25,651
Books and Periodicals.....	14,300	14,300	12,033	2,267
Capital Outlay.....	2,590	2,590	0	2,590
<b>TOTAL EXPENDITURES.....</b>	<b>222,485</b>	<b>222,485</b>	<b>183,717</b>	<b>38,768</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(96,335)</b>	<b>(96,335)</b>	<b>(60,295)</b>	<b>36,040</b>
<b>OTHER FINANCING SOURCES:</b>				
Transfer from General Fund.....	72,545	72,545	60,338	(12,209)
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....</b>	<b>(23,790)</b>	<b>(23,790)</b>	<b>41</b>	<b>23,831</b>
<b>FUND BALANCE, BEGINNING.....</b>	<b>23,790</b>	<b>23,790</b>	<b>24,548</b>	<b>758</b>
<b>FUND BALANCE, ENDING.....</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 24,589</b>	<b>\$ 24,589</b>

**CITY OF GLOBE, ARIZONA**  
**BUDGETARY COMPLIANCE SCHEDULE**  
**WATER UTILITY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Water Revenues.....	\$ 2,057,700	\$ 2,057,700	\$ 2,002,696	\$ (55,004)
Taps, Extensions and Permits.....	60,000	60,000	45,116	(14,884)
Penalties.....	66,000	66,000	60,370	(5,630)
Interest Income.....	0	0	2,488	2,488
Gain on Investments.....	0	0	2,478	2,478
<b>TOTAL REVENUES.....</b>	<b>2,183,700</b>	<b>2,183,700</b>	<b>2,113,148</b>	<b>(70,552)</b>
<b>EXPENDITURES:</b>				
Personal Services.....	775,685	775,685	642,971	132,714
Supplies, Repairs and Other.....	1,253,775	1,253,775	937,784	315,991
Capital Outlay.....	2,040,780	2,040,780	17,364	2,023,416
Debt Service.....	305,910	305,910	305,706	204
<b>TOTAL EXPENDITURES.....</b>	<b>4,376,150</b>	<b>4,376,150</b>	<b>1,903,825</b>	<b>2,472,325</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(2,192,450)</b>	<b>(2,192,450)</b>	<b>209,323</b>	<b>2,401,773</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Water Revenue Bonds	118,650	118,650	105,668	(12,982)
Proceeds from Disposal of Equipment	0	0	0	0
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>118,650</b>	<b>118,650</b>	<b>105,668</b>	<b>(12,982)</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES.....</b>	<b>(2,073,800)</b>	<b>(2,073,800)</b>	<b>314,991</b>	<b>2,388,791</b>
<b>FUND BALANCE, BEGINNING.....</b>	<b>2,073,800</b>	<b>2,073,800</b>	<b>2,353,216</b>	<b>279,416</b>
<b>FUND BALANCE, ENDING.....</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,668,207</b>	<b>\$ 2,668,207</b>

**CITY OF GLOBE, ARIZONA**  
**BUDGETARY COMPLIANCE SCHEDULE**  
**SEWER UTILITY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Sewer Revenues.....	\$ 865,735	\$ 865,735	\$ 862,620	\$ (3,115)
Taps, Extensions and Permits.....	10,000	10,000	4,475	(5,525)
Interest Income.....	0	0	1,596	1,596
Gain on Investments.....	0	0	1,590	1,590
Miscellaneous.....	142,750	142,750	0	(142,750)
<b>TOTAL REVENUES.....</b>	<b>1,018,485</b>	<b>1,018,485</b>	<b>870,281</b>	<b>(148,204)</b>
<b>EXPENDITURES:</b>				
Personal Services.....	328,835	328,835	330,906	(2,071)
Supplies, Repairs and Other.....	492,975	492,975	536,026	(43,051)
Capital Outlay.....	2,025,190	2,025,190	65,900	1,959,290
<b>TOTAL EXPENDITURES.....</b>	<b>2,847,000</b>	<b>2,847,000</b>	<b>932,832</b>	<b>1,914,168</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(1,828,515)</b>	<b>(1,828,515)</b>	<b>(62,551)</b>	<b>1,765,964</b>
<b>FUND BALANCE, BEGINNING.....</b>	<b>1,828,515</b>	<b>1,828,515</b>	<b>1,785,783</b>	<b>(62,732)</b>
<b>FUND BALANCE, ENDING.....</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,703,232</b>	<b>\$ 1,703,232</b>

**CITY OF GLOBE, ARIZONA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2014**

	ACTIVE ADULT CENTER	LIBRARY	TOTAL
<b>- ASSETS -</b>			
Pooled Cash and Cash Equivalents.....	\$ 1,410	\$ 33,110	\$ 34,520
Non-Pooled Cash and Cash Equivalents.....		35	35
Due from Other Governments.....	10,673		10,673
<b>TOTAL ASSETS.....</b>	<b>\$10,673</b>	<b>\$ 33,145</b>	<b>\$ 45,228</b>
<b>-LIABILITIES AND FUND BALANCES-</b>			
<b>LIABILITIES:</b>			
Accounts Payable.....	\$ 4,963	\$ 1,727	\$ 6,690
Compensated Absences.....	2,120	6,829	8,949
Deferred Revenue.....	5,000	0	5,000
<b>TOTAL LIABILITIES.....</b>	<b>12,083</b>	<b>8,556</b>	<b>20,639</b>
<b>FUND BALANCES:</b>			
Restricted for Library Improvements.....		24,589	24,589
<b>TOTAL FUND BALANCES.....</b>	<b>0</b>	<b>24,589</b>	<b>24,589</b>
<b>TOTAL LIABILITIES AND FUND BALANCES.....</b>	<b>\$ 12,083</b>	<b>\$ 33,145</b>	<b>\$ 45,228</b>

**CITY OF GLOBE, ARIZONA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<b>ACTIVE ADULT CENTER</b>	<b>LIBRARY</b>	<b>TOTAL</b>
<b>REVENUES:</b>			
Interest Income.....		\$ 41	41
Grant Revenue.....	\$ 70,101		70,101
Fines and Donations.....	13,100	9,781	22,881
Active Adult Program Income.....	41,167		41,167
County Library Property Tax.....		113,600	113,600
<b>TOTAL REVENUES.....</b>	<b>124,368</b>	<b>123,422</b>	<b>247,790</b>
<b>EXPENDITURES:</b>			
Current:			
Library.....		183,717	183,717
Active Adult Center.....	189,025		189,025
Capital Outlay.....	0	0	0
<b>TOTAL EXPENDITURES.....</b>	<b>189,025</b>	<b>183,717</b>	<b>372,742</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>(64,657)</b>	<b>(60,295)</b>	<b>(124,952)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer from General Fund.....	64,657	60,336	124,993
<b>NET OTHER FINANCING SOURCES (USES).....</b>	<b>64,657</b>	<b>60,336</b>	<b>124,993</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>0</b>	<b>41</b>	<b>41</b>
<b>FUND BALANCES, Beginning.....</b>	<b>0</b>	<b>24,548</b>	<b>24,548</b>
<b>FUND BALANCES, Ending.....</b>	<b>\$ 0</b>	<b>\$ 24,589</b>	<b>\$ 24,589</b>

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**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the 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, 2014, and the related notes to the financial statements which collectively comprise the City of Globe, Arizona's basic financial statements and have issued my report thereon dated March 30, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the City of Globe, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriated in the circumstances for the purpose of expressing my opinions 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. Accordingly, I do not express an opinion on the effectiveness of the City of Globe, Arizona's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies, or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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. I consider the deficiencies described below to be significant material weaknesses.

**DEFICIENCIES IN ACCOUNTING PROCEDURES**

During the year ended June 30, 2014, the City's long-time finance director retired and another finance director was hired. The City was in the midst of a conversion to new accounting software. The conversion was not successful and the City is in the process of converting back to its previous accounting software. Due to these problems, bank reconciliations were not prepared on a timely basis. No bank reconciliations were prepared from July 2013 through June 2014 until July 2014.

An outside consulting firm was hired to assist the City finance personnel in preparing the bank reconciliations and adjusting the records to prepare them for audit. The preliminary trial balances for June 30, 2014 were not delivered to the independent auditor until mid-December 2014. No bank reconciliations have been prepared by City finance personnel since June 30, 2014.

For management and the City council to make informed decisions, they must have timely and accurate financial information. Monthly financial statements cannot be accurate without the preparation of timely bank reconciliations. Also, a detail ledger of all accounts needs to be reviewed by the finance director for proper postings and clearing of debits and credits where applicable. Journal entries need to be prepared to correct miss-postings and errors. This process needs to be performed before financial statements are presented to the City Council.

I recommend the City correct these deficiencies in accounting procedures as soon as possible.

#### **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*.

#### **City of Globe, Arizona's Response to Findings**

The City is considering adding another accounting position which requires significant experience in governmental accounting. The City expects all the deficiencies noted in this letter will be corrected as soon as the City can convert back to its previous accounting software and fill the additional accounting position.

#### **Purpose of This Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mesa, Arizona  
March 30, 2015