

CITY OF GLOBE, ARIZONA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED
JUNE 30, 2010

CITY OF GLOBE, ARIZONA

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Globe, Arizona, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the municipality's management. My responsibility is to express opinions on these financial statements based on my audit.

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


In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Globe, Arizona as of June 30, 2010, and the respective changes in financial position and where applicable cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with my audit, nothing came to my attention that caused me to believe that the City failed to use highway user revenue fund monies received by the City pursuant to Arizona Revised Statutes Title 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 8, 2010, on my consideration of the City of Globe, Arizona's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 40 through 51, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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



November 8, 2010

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, 2010. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by \$19,024,433 (net assets) for the fiscal year reported.
- Total net assets are comprised of the following:
 - (1) Capital assets of \$12,731,317 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 governmental funds to the Water and Sewer Enterprise Funds.
 - (3) Net assets of \$946,081 are restricted and committed for various purposes.
 - (4) Unrestricted net assets of \$2,529,401 represent the portion available to maintain the City's continuing obligations to citizens and creditors. This amount decreased \$770,709 from the prior year.
- The City's governmental funds reported a total ending fund balance of \$3,111,020 this year. This compares to the prior year total ending fund balance of \$3,899,691 showing a decrease of \$788,671 during the current year.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

The City has three kinds of funds:

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis of the City as a Whole

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

The following table provides a summary of the City's net assets at June 30, 2010:

SUMMARY OF NET ASSETS					
	Governmental Activities	Business-type Activities	Totals	Totals	Amount Change
	2010	2010	2010	2009	
Current and other assets	\$ 4,504,682	\$ 3,723,531	\$ 8,228,213	\$ 9,124,617	\$ (896,404)
Capital assets	6,413,294	10,065,144	16,478,438	14,980,741	1,497,697
Total Assets	10,917,976	13,788,675	24,706,651	24,105,358	601,293
Long-term liabilities.....	286,079	3,717,969	4,004,048	3,741,094	262,954
Other liabilities	1,191,113	487,057	1,678,170	2,013,228	(335,058)
Total Liabilities	1,477,192	4,205,026	5,682,218	5,754,322	(72,104)
Net assets:					
Capital Contributed from Governmental Funds.....		2,817,634	2,817,634	2,817,634	0
Invested in capital assets	6,406,666	6,324,651	12,731,317	11,425,981	1,305,336
Restricted and Committed	82,286	863,795	946,081	807,311	138,770
Unrestricted	2,951,832	(422,431)	2,529,401	3,300,110	(770,709)
Total Net Assets	\$ 9,440,784	\$ 9,583,649	\$19,024,433	\$18,351,036	\$ 673,397

The City reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$567,527 for governmental activities and increased \$105,870 for business-type activities.

The following table provides a summary of the City's changes in net assets for the year ended June 30, 2010.

SUMMARY OF CHANGES IN NET ASSETS

	Governmental Activities	Business- type Activities	Totals	Totals	Amount Change
	2010	2010	2010	2009	
Revenues:					
Program revenues					
Charges for services	\$ 935,204	\$2,862,826	\$3,798,030	\$3,750,511	\$ 47,519
Operating grants and Specific					
Revenues	1,148,495		1,148,495	1,363,212	(214,717)
Capital grants and contributions	1,253,164		1,253,164	424,961	828,203
General revenues					
Sales tax	3,420,259		3,420,259	3,761,896	(341,637)
State shared revenues	1,937,253		1,937,253	2,175,210	(237,957)
Property tax	552,215		552,215	518,367	33,848
Franchise fees and business licenses	563,424		563,424	470,372	93,052
Other	152,651	16,046	168,697	170,083	(1,386)
Total Revenues	9,962,665	2,878,872	12,841,537	12,634,612	(206,925)
Expenses:					
General Government	1,864,688		1,864,688	1,949,668	(84,980)
Police	2,546,915		2,546,915	2,552,343	(5,428)
Fire	1,683,883		1,683,883	1,738,458	(54,575)
Sanitation	620,554		620,554	678,804	(58,250)
Parks and Recreation/Cemetery/Weed	933,497		933,497	774,627	158,870
Streets and Transit	1,051,645		1,051,645	1,205,521	(153,876)
Library	210,834		210,834	216,515	(5,681)
Museum	206,377		206,377	211,732	(5,355)
Senior Citizens Center	187,281		187,281	169,915	17,366
Community Development	88,687		88,687	285,697	(197,010)
Interest on Long-Term Debt	777		777	1,727	(950)
Water Utility		1,899,067	1,899,067	1,812,144	86,923
Sewer Utility		873,935	873,935	912,253	(38,318)
Total Expenses	9,395,138	2,773,002	12,168,140	12,509,404	(341,264)
Change in net assets	567,527	105,870	673,397	125,208	548,189
Beginning net assets	8,873,257	9,477,779	18,351,036	18,225,828	125,208
Ending net assets	\$ 9,440,784	\$9,583,649	\$19,024,433	\$18,351,036	\$ 673,397

Financial Analysis of the City's Funds

Governmental funds

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

Revenues and proceeds of debt obligations (excluding grants and the donation of buildings from Gila County of \$1,081,990) totaled \$8,446,385 in 2009-2010, a decrease of 7.9% from 2008-2009. A comparative summary of principal revenues is as follows:

	2009-2010 Amount	Increase (Decrease) from 2008-2009		2008-2009 Amount
		Amount	%	
State Sales Tax	\$ 550,024	\$ (46,302)		\$ 596,326
State Revenue Sharing	967,683	(155,703)		1,123,386
Highway Users Tax	688,084	(13,251)		701,335
Local Transportation Assistance and Secondary LTAF	19,395	(28,213)		47,608
Property Tax	548,007	34,550		513,457
Vehicle Lieu Tax	419,546	(35,952)		455,498
City Sales Tax	3,420,259	(341,637)		3,761,896
Fines, Licenses, Permits and Miscellaneous	1,001,875	(114,344)		1,116,219
County Library Property Tax	116,750	0		116,750
Sanitation Fees	520,777	4,358		516,419
Bed Tax	94,300	(23,189)		117,489
Interest Income	13,701	(17,187)		30,888
Museum Fees and Product Sales	68,144	10,158		57,986
Sales of General Fixed Assets	0	(40,100)		40,100
Gain (Loss) on Investments	0	32,003		(32,003)
Donations	17,840	12,633		5,207
	\$ 8,446,385	\$ (722,176)	7.9%	\$ 9,168,561

Expenditures and transfers (excluding grants and the capital outlay of \$1,081,990 associated with the Gila County building donation) totaled \$9,235,056 in 2009-2010. This represents a decrease of 1.6% from the prior year. The schedule that follows summarizes the expenditures and transfers.

	2009-2010 Amount	Increase (Decrease) from 2008-2009		2008-2009 Amount
		Amount	Amount	
Operating Expenditures and Transfers				
Mayor and Council	\$ 302,893	\$ 8,078		\$ 294,815
Community Organizations	94,300	(23,189)		117,489
Administration and Legal	718,428	(86,084)		804,512
Police	2,455,719	(2,268)		2,457,987
Fire	1,605,936	(58,698)		1,664,634
Streets	836,433	(186,305)		1,022,738
Maintenance	386,937	36,783		350,154
Sanitation	563,349	(54,295)		617,644
Parks and Recreation/Weed Control	751,682	170,291		581,391
Museum	201,372	(5,050)		206,422
Cemetery	61,588	(10,844)		72,432
Magistrate	134,354	(1,768)		136,122
Engineering	107,425	(21,839)		129,264
LTAF Social Services	500	0		500
Library	185,915	(30,832)		216,747
Debt Service	26,714	0		26,714
Senior Citizen Operating Transfer	68,209	(7,706)		75,915
Capital Outlay	733,302	127,178		606,124
	\$9,235,056	\$ (146,548)	(1.6%)	\$9,381,604

The governmental funds gross payroll for 2009-2010 was \$4,411,067 a decrease of 3.5% or \$158,843 from 2008-2009. A summary by department follows:

	2009-2010 Amount	INCREASE (DECREASE) FROM 2008-2009	2008-2009 Amount
Administration	\$ 576,437	\$(114,441)	\$ 690,878
Police	1,482,244	305	1,481,939
Fire	999,851	(14,028)	1,013,879
Streets	278,314	(47,364)	325,678
Sanitation	221,013	(44,050)	265,063
Maintenance	158,555	(6,991)	165,546
Parks, Recreation, Cemetery & Museum	521,355	70,378	450,977
Library	105,613	(5,652)	111,265
Senior Citizens	67,685	3,000	64,685
	<u>\$4,411,067</u>	<u>\$(158,843)</u>	<u>\$4,569,910</u>

The following payroll fringe benefits for all funds amounted to \$2,376,399, an increase of \$27,236, or 1.2% and are detailed as follows:

	2009-2010	INCREASE DECREASE	2008-2009
Social Security and Medicare Taxes	\$ 313,042	\$ (12,362)	\$ 325,404
State Retirement Contributions	264,325	(18,637)	282,962
Policemen's Pension contributions	254,173	5,826	248,347
Regular and Volunteer Firemen's Pension Contributions ..	208,183	(7,361)	215,544
Elected officials retirement contributions	7,246	(440)	7,686
Industrial Insurance	177,126	(13,598)	190,724
Health and Life Insurance	1,152,304	73,808	1,078,496
	<u>\$2,376,399</u>	<u>\$ 27,236</u>	<u>\$2,349,163</u>

Expenditures exceeded revenues by \$788,671 and decreased the City's overall governmental fund balance carryover from \$3,899,691 at June 30, 2009 to \$3,111,020 at June 30, 2010. This year's decrease added to the decrease of \$213,043 for the prior year totals \$1,001,714. This means the City has lost almost 25% (\$1,001,714/\$4,112,734) of its governmental carryover fund balance in two years. This year's decrease was primarily due to a state shared revenues decrease of \$279,421, a city sales tax decrease of \$341,637. Two parcels of land for the library cost the City \$250,686. These three amounts total \$871,744 negative effect on the City's fund balance.

Proprietary funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The change in net assets for these funds increased \$105,870 for the year ended June 30, 2010 compared to \$144,285 for 2008-09. There was no rate increase in the water and sewer utility billing rates for the year ended June 30, 2010.

Budgetary Highlights

The City's budget for fiscal year 2010 was \$26,418,000. This was an increase of \$557,000 from the previous year's budget of \$25,861,000.

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, 2010, \$317,000 of the general fund contingency budget was transferred to the following departments or funds to provide for unexpected additional expenditures:

Parks	\$ 7,000
Cemetery	1,000
Library Fund	251,000
Senior Citizen Fund	58,000
	<u>\$ 317,000</u>

The expenditure limit adopted by the City Council under its voter approved home-rule expenditure limitation option was \$26,418,000 for the year ended June 30, 2010. 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 2010 and 2009.

	Governmental Activities		Business-Type Activities	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$1,231,841	\$ 981,156	\$ 287,893	\$ 287,893
Construction in Progress	504,400	66,249	1,413,887	965,651
Buildings	1,992,058	957,979	2,517,739	2,438,664
Street Infrastructure And Other Improvements	1,573,662	1,814,966	5,407,446	5,663,540
Machinery and Equipment	1,111,333	1,248,909	438,179	555,732
	<u>\$6,413,294</u>	<u>\$5,069,259</u>	<u>\$10,065,144</u>	<u>\$9,911,480</u>

Long-Term Obligations

The City did not incur any new long-term debt for governmental purposes. It retired \$140,175 of debt on its capital lease obligations. The City did borrow an additional \$490,331 in its 2004 Water Revenue Bonds to fund additional water and well system improvements.

FISCAL YEAR 2009-2010 ACCOMPLISHMENTS

Despite the continued uncertainties associated with the economic downturn and the decrease in State Shared Revenues the City managed to deliver the entire range of mandated and discretionary quality-of-life-preserving daily services to the taxpayers of the City of Globe. The level of employee benefits remained the same as in prior years.

The City was able to maintain the current formula of health insurance benefits with the City paying 100% less \$20.00 per month of the employee coverage and 67% of the dependent coverage. The City did not give any Cost of Living Adjustment increases during this fiscal year.

The City was able to avoid employees lay-offs by leaving non-critical positions vacant.

In an effort to lessen the impact of decreased revenue (sales tax and stated shared) on the General Fund, the City began mandatory one day a month furloughs for all employees beginning in March of 2010. This was a savings of \$95,100 in salaries, and an estimated benefit savings of \$23,750 for a total savings of \$118,850 for March through June.

The City continued Code Enforcement efforts to reduce blight, with the goal of enhancing tourism and economic development. The City had great success with the reduction of blight on the most dangerous commercial buildings in the City.

In February of 2010 the City launched the City's web site at www.globeaz.gov.

The City revised and implemented new personnel policies.

In an effort to capitalize on the downturn of the real estate market, the Council purchased two properties adjacent to the current library building with the intent of building a new library on all three properties at some point in the future. There were buildings on the two properties purchased which will need to be demolished. These two properties were purchased for \$250,686.

The City acquired the Old Gila County Courthouse and Old Gila County Jail through a donation from Gila County. The appraised value of both buildings was \$1,081,990.

The City also repaired the roof on the Fire Department and the Administration building at a cost of \$67,957.

The City received a \$39,251 Department of Justice Grant to purchase a voice recorder and computer equipment for the Police Department.

The City also completed Economic Development Initiative Streetscape Improvements with grant funds of \$63,519. This project was approximately 60% complete at June 30.

In an effort to clean up an Underground Storage Tank site located at the City's maintenance yard, the City paid Speedie and Associates \$84,957 in fees for monitoring and remediation efforts.

The Jesse Hayes Road improvement and water line replacement project was completed with 50% being paid by the General Fund and the other 50% was reimbursed by the 2004 Water Bond Issue. Total cost of the project for the current fiscal year was \$599,131.

The City continued the water well number 5 project and spent \$168,491 of WIFA dollars, which were approved by the voters in the 2004 Bond Issue. At June 30, 2010 this project was 95% complete.

CITY OF GLOBE, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2010

	PRIMARY GOVERNMENT		
	GOVERNMENTAL	BUSINESS-TYPE	
	ACTIVITIES	ACTIVITIES	TOTAL
ASSETS			
Pooled Cash and Cash Equivalents.....	\$ 172,615	\$ 2,073,669	\$ 2,246,284
Non-Pooled Cash and Cash Equivalents	1,060		1,060
Investments.....	4,351,752		4,351,752
Property Taxes Receivable.....	33,314		33,314
Accounts Receivable	44,570	317,565	362,135
Other Receivables.....	336,701	323,321	660,022
Due from Other Governments.....	514,898		514,898
Internal Balances.....	(1,000,000)	1,000,000	0
Inventory.....	27,545		27,545
Prepaid Expenses.....	22,227	8,976	31,203
Capital Assets:			
Land and Construction in Progress.....	1,736,241	1,701,780	3,438,021
Other Capital Assets, net of Depreciation.....	4,677,053	8,363,364	13,040,417
TOTAL ASSETS.....	\$ 10,917,976	\$ 13,788,675	\$ 24,706,651
LIABILITIES:			
Accounts Payable.....	\$ 509,836		\$ 509,836
Accrued Expenses and Other Liabilities.....	195,806	\$ 234,215	430,021
Customer Deposits.....		54,012	54,012
Compensated Absences - Current.....	475,043	108,535	583,578
Contracts and Lease Obligations Payable - Current.....	6,628	90,295	96,923
Deferred Revenues.....	3,800	0	3,800
Non-Current Liabilities:			
Compensated Absences.....	227,623	49,652	277,275
Contracts and Lease Obligations Payable.....	0	139,367	139,367
Water Revenue Bonds Payable.....		3,519,077	3,519,077
Post Employment Benefits Obligations Payable.....	58,456	9,873	68,329
TOTAL LIABILITIES.....	1,477,192	4,205,026	5,682,218
NET ASSETS			
Capital Contributed from Governmental Funds.....		2,817,634	2,817,634
Invested in Capital Assets, Net of Related Debt.....	6,406,666	6,324,651	12,731,317
Restricted for:			
Library Improvements.....	22,569		22,569
Canyon Water District Reserves.....		44,131	44,131
Revenue Bond Debt Service Reserve.....		308,266	308,266
Committed for:			0
Recycling Program.....	23,017		23,017
Cemetery Improvements.....	36,700		36,700
Water Exploration.....		511,398	511,398
Unrestricted.....	2,951,832	(422,431)	2,529,401
TOTAL NET ASSETS.....	\$ 9,440,784	\$ 9,583,649	\$ 19,024,433

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES:					
Mayor and Council.....	\$ 325,960	\$ 510			\$ (325,450)
Community Organizations.....	94,300		\$ 94,300		0
Administration.....	817,055			\$1,081,990	264,935
Police	2,546,915	24,209	24,366	35201	(2,463,139)
Fire.....	1,683,883	120,576	(11,209)	10,500	(1,564,016)
Streets and Transit.....	1,051,645		731,069	70,614	(249,962)
Sanitation.....	620,554	520,777			(99,777)
Parks and Recreation.....	718,609	58,368			(660,241)
Cemetery.....	63,930	3,700			(60,230)
Magistrate.....	134,609	104,742			(29,867)
Library.....	210,834	9,551	135,906	1,207	(64,170)
Museum.....	206,377	68,144			(138,233)
Weed Control.....	150,958				(150,958)
Senior Citizens Center.....	187,281	24,627	85,376	53,652	(23,626)
Community Development.....	88,687		88,687		0
Maintenance.....	384,988				(384,988)
Engineering.....	107,776				(107,776)
Interest on Long-Term Debt.....	777				(777)
TOTAL GOVERNMENTAL ACTIVITIES.....	9,395,138	935,204	1,148,495	1,253,164	(6,058,275)
BUSINESS-TYPE ACTIVITIES					
Water.....	1,899,067	1,998,228			99,161
Sewer.....	873,935	864,598			(9,337)
TOTAL BUSINESS TYPE ACTIVITIES.....	2,773,002	2,862,826			89,824
TOTAL.....	\$ 12,168,140	\$ 3,798,030	\$ 1,148,495	\$ 1,253,164	\$ (5,968,451)

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGE IN NET ASSETS:			
Net (Expenses) Revenue from above.....	\$ (6,058,275)	\$ 89,824	\$ (5,968,451)
General Revenues:			
State Sales Tax.....	\$ 550,024		\$ 550,024
State Revenue Sharing.....	967,683		967,683
Property Tax	552,215		552,215
Vehicle Lieu Tax.....	419,546		419,546
City Sales Tax.....	3,420,259		3,420,259
Utility Franchise Fees.....	163,219		163,219
Business Licenses.....	400,205		400,205
Miscellaneous.....	139,033		139,033
Interest Income.....	13,618	16,046	29,664
Gain (Loss) on Disposal of Assets.....			0
Total General Revenues and Transfers	6,625,802	16,046	6,641,848
Change in Net Assets.....	567,527	105,870	673,397
Net Assets - Beginning.....	8,873,257	9,477,779	18,351,036
Net Assets - Ending.....	\$ 9,440,784	\$ 9,583,649	\$ 19,024,433

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

	GENERAL	HIGHWAY	GRANTS	OTHER	TOTAL
	FUND	USERS FUND	FUND	GOVERNMENTAL FUNDS	GOVERNMENTAL FUNDS
ASSETS					
Pooled Cash and Cash Equivalents.....	\$ 142,948			\$29,667	\$ 172,615
Non-Pooled Cash and Cash Equivalents.....	1,025			35	1,060
Investments.....	4,351,752				4,351,752
Property Taxes Receivable.....	33,314				33,314
Accounts Receivable.....	44,570				44,570
Other Receivables.....	336,701				336,701
Due from Other Governments.....	333,337	\$ 65,795	\$ 92,220	23,546	514,898
Due from Other Funds.....	121,843				121,843
Inventory.....	27,545				27,545
Prepaid Expenses.....	767	21,460			22,227
TOTAL ASSETS.....	\$ 5,393,802	\$ 87,255	\$ 92,220	\$53,248	\$ 5,626,525
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable.....	\$ 509,836				\$ 509,836
Accrued Expenses and Other Liabilities.....	195,806				195,806
Compensated Absences	390,532	\$ 74,895		\$ 9,616	475,043
Due to Other Funds.....	1,000,000	12,360	\$ 88,420	21,063	1,121,843
Deferred Revenues.....	209,177		3,800		212,977
Total Liabilities.....	2,305,351	87,255	92,220	30,679	2,515,505
Fund Balances:					
Restricted:					
Library Improvements.....				22,569	22,569
Committed:					
Recycling Program.....	23,017				23,017
Cemetery Improvements.....	36,700				36,700
Unassigned.....	3,028,734				3,028,734
Total Fund Balances.....	3,088,451	0	0	22,569	3,111,020
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,393,802	\$ 87,255	\$ 92,220	\$53,248	\$ 5,626,525
TOTAL FUND BALANCE - Total Governmental Funds.....					
					\$3,111,020
Amounts reported for governmental activities in the statement of net assets are different because:					
- Capital assets of \$14,462,347, net of accumulated depreciation of (\$8,049,053), are not financial resources and therefore, are not reported in the funds.....					6,413,294
- Other long-term assets (receivables) are not available to pay for current period expenditures and therefore, are deferred in the funds. These include property taxes of \$24,169 and magistrate fines of \$185,008.....					209,177
- Compensated Absences for sick leave are payable only upon employee retirement and therefore are not payable from current resources.....					(227,623)
- Capital lease liabilities of \$6,628 are not due and payable in the current period and are not reported in the funds. See Note III B. 1.....					(6,628)
- 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.....					(58,456)
NET ASSETS OF GOVERNMENTAL ACTIVITIES.....					\$9,440,784

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, 2010

	GENERAL FUND	HIGHWAY USERS FUND	GRANTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
State Sales Tax.....	\$ 550,024				\$ 550,024
State Revenue Sharing.....	967,683				967,683
Highway Users Tax.....		\$ 688,084			688,084
Local Transportation Assistance Revenues...				\$ 19,395	19,395
Property Tax.....	548,007				548,007
Vehicle Lieu Tax.....	419,546				419,546
Grant Revenue.....			\$ 260,866	93,526	354,392
City Sales Tax.....	3,420,259				3,420,259
Bed Tax.....	94,300				94,300
Utility Franchise.....	163,219				163,219
Business Licenses.....	400,205				400,205
Licenses, Permits and Other.....	328,507			80,892	409,399
County Library Property Tax.....				116,750	116,750
Fines and Forfeitures.....	99,231				99,231
Sanitation Fees.....	520,777				520,777
Museum Fees and Product Sales.....	68,144				68,144
Interest Income.....	13,618			83	13,701
Donations.....	1,099,830				1,099,830
TOTAL REVENUES	8,693,350	688,084	260,866	310,646	9,952,946
EXPENDITURES:					
Current:					
Mayor and Council.....	302,893				302,893
Community Organizations.....	94,300				94,300
Legal.....	128,729				128,729
Administration.....	589,699				589,699
Police.....	2,455,719		24,366		2,480,085
Fire.....	1,605,936		(11,209)		1,594,727
Streets and Transit.....		822,149	33,591	11,839	867,579
Sanitation.....	563,349				563,349
Parks and Recreation.....	604,644				604,644
Cemetery.....	61,588				61,588
Magistrate.....	134,354				134,354
Library.....			19,156	185,915	205,071
Museum.....	201,372				201,372
Weed Control.....	147,038				147,038
Senior Citizens Center.....				178,262	178,262
Community Development.....			88,187	500	88,687
Maintenance.....	386,937				386,937
Engineering.....	107,425				107,425
Capital Outlay.....	1,203,041	354,470	109,220	311,433	1,978,164
Debt Service:					
Principal.....		25,937			25,937
Interest.....		777			777
TOTAL EXPENDITURES	8,587,024	1,203,333	263,311	687,949	10,741,617
EXCESS OF REVENUES OVER					
(UNDER) EXPENDITURES	106,326	(515,249)	(2,445)	(377,303)	(788,671)
OTHER FINANCING SOURCES (USES):					
Sale of General Fixed Assets.....	0				0
Transfer to Senior Citizens Fund.....	(68,209)			68,209	0
Transfer to Highway User Fund.....	(515,249)	515,249			0
Transfer to Library Fund.....	(309,300)			309,300	0
NET OTHER FINANCING SOURCES (USES)	(892,758)	515,249	0	377,509	0
NET CHANGE IN FUND BALANCES	(786,432)	0	(2,445)	206	(788,671)
FUND BALANCES, Beginning	3,874,883	0	2,445	22,363	3,899,691
FUND BALANCES, Ending	\$ 3,088,451	\$ 0	\$ 0	\$ 22,569	\$ 3,111,020

CITY OF GLOBE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

NET CHANGE IN FUND BALANCE - Total Governmental Funds (from prior page)..... \$ (788,671)

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 (\$1,978,164) were more than depreciation (\$634,129) in the current period.....	1,344,035
- Compensated Absences for sick leave are payable only upon employee retirement and, therefore, not payable from current resources	(426)
- 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.....	25,937
- 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 (\$4,208) in the City's property taxes and an increase of (\$5,511) in court fines.....	9,719
-On the statement of activities, the loss on the disposal of assets is reported, whereas in the governmental funds the proceeds from the disposal increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets sold of (\$0) net of related accumulated depreciation of \$0.....	0
-On the statement of activities, the actual and projected long-term expenditures for post retirement health benefits are reported whereas on the governmental funds only the actual expenditures are recorded for post employment benefits.....	(23,067)

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES..... \$ 567,527

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

CITY OF GLOBE, ARIZONA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
<u>ASSETS</u>			
Current Assets:			
Pooled Cash and Cash Equivalents.....	\$ 813,440	\$ 1,260,229	\$ 2,073,669
Due from Other Funds.....	1,000,000	0	1,000,000
Accounts Receivable.....	234,983	82,582	317,565
Other Receivable.....	323,321	0	323,321
Prepaid Expense.....	8,976	0	8,976
Total Current Assets.....	2,380,720	1,342,811	3,723,531
Capital Assets:			
Land and Construction in Progress.....	1,701,780	0	1,701,780
Other Capital Assets net of Accumulated Depreciation.....	4,928,249	3,435,115	8,363,364
TOTAL ASSETS.....	\$9,010,749	\$4,777,926	\$13,788,675
<u>LIABILITIES</u>			
Current Liabilities:			
Sales Tax Payable.....	\$ 20,857		\$ 20,857
Accrued Expenses and Other Liabilities.....	213,358		213,358
Customer Deposits.....	54,012		54,012
Compensated Absences - Current.....	83,229	\$ 25,306	108,535
Easement Contracts Payable - Current.....	1,215		1,215
Capital Lease Obligation - Current.....	84,155	4,925	89,080
Total Current Liabilities.....	456,826	30,231	487,057
Non-current Liabilities:			
Compensated Absences - Non-Current.....	44,135	5,517	49,652
Easement Contracts Payable - Non-Current.....	7,031		7,031
Capital Lease Obligation - Non-Current.....	132,336		132,336
Water Revenue Bonds Payable.....	3,519,077		3,519,077
Post Employment Benefits Obligations Payable.....	15,196	(5,323)	9,873
Total Non-Current Liabilities.....	3,717,775	194	3,717,969
TOTAL LIABILITIES.....	4,174,601	30,425	4,205,026
<u>NET ASSETS</u>			
Capital Contributed from Governmental Funds.....	1,635,291	1,182,343	2,817,634
Invested in Capital Assets, Net of Related Debt.....	2,894,461	3,430,190	6,324,651
Restricted for Canyon Water District Reserves.....	44,131		44,131
Restricted for Revenue Bond Debt Service.....	308,266		308,266
Committed for Water Exploration.....	511,398		511,398
Unrestricted.....	(557,399)	134,968	(422,431)
TOTAL NET ASSETS.....	\$4,836,148	\$4,747,501	\$9,583,649

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES:			
Charges for Services.....	\$ 1,885,661	\$ 855,126	\$ 2,740,787
Taps, Extensions and Permits.....	55,705	9,472	65,177
Penalties.....	56,862		56,862
TOTAL OPERATING REVENUES.....	1,998,228	864,598	2,862,826
OPERATING EXPENSES:			
Personal Services.....	730,318	299,708	1,030,026
Telephone and Utilities.....	317,955	97,069	415,024
Repairs and Maintenance.....	97,316	91,973	189,289
Supplies.....	221,314	55,821	277,135
Miscellaneous.....	56,460	732	57,192
Depreciation.....	323,096	303,911	627,007
Bad Debt Expense.....	2,492	480	2,972
Insurance.....	29,425	23,665	53,090
TOTAL OPERATING EXPENSES.....	1,778,376	873,359	2,651,735
OPERATING INCOME (LOSS).....	219,852	(8,761)	211,091
NON-OPERATING REVENUES (EXPENSES):			
Loss on Disposal of Equipment.....	0	0	0
Interest Income.....	9,814	6,232	16,046
Gain (Loss) on Investments.....	0	0	0
Interest Expense.....	(120,691)	(576)	(121,267)
TOTAL NON-OPERATING REVENUES (EXPENSES).....	(110,877)	5,656	(105,221)
CHANGE IN NET ASSETS.....	108,975	(3,105)	105,870
TOTAL NET ASSETS - Beginning.....	4,727,173	4,750,606	9,477,779
TOTAL NET ASSETS - Ending.....	\$4,836,148	\$4,747,501	\$9,583,649

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers.....	\$ 1,997,619	\$ 860,318	\$ 2,857,937
Cash Payments to Suppliers for Goods and Services.....	(728,070)	(269,740)	(997,810)
Cash Payments for Employees, Payroll Taxes and Fringe Benefits.....	(715,994)	(298,163)	(1,014,157)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	553,555	292,415	845,970
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Temporary Loans From (to) Other Funds.....	(1,000,000)	0	(1,000,000)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES.....	(1,000,000)	0	(1,000,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Water Revenue Bond Proceeds Net.....	282,549	0	282,549
Interest Expense Payments.....	(120,691)	(576)	(121,267)
Principal Payments on Debt.....	(253,829)	(19,266)	(273,095)
Acquisition and Construction of Capital Assets.....	(532,373)	(248,297)	(780,670)
NET CASH PROVIDED BY (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	(624,344)	(268,139)	(892,483)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment Sales.....	0	0	0
Interest Income.....	9,814	6,232	16,046
Gain (Loss) on Investments.....	0	0	0
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES.....	9,814	6,232	16,046
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	(1,060,975)	30,508	(1,030,467)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,874,415	1,229,721	3,104,136
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 813,440	\$ 1,260,229	\$ 2,073,669
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED			
Operating Income (Loss).....	\$ 219,852	\$ (8,761)	\$ 211,091
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation.....	323,096	303,911	627,007
(Increase) Decrease in Accounts Receivable.....	(552)	(4,280)	(4,832)
(Increase) Decrease in Other Receivables.....	(58)	0	(58)
(Increase) Decrease in Prepaid Expense.....	(8,796)	0	(8,796)
Increase (Decrease) in Sales Tax Payable and Deposits.....	5,689	0	5,689
Increase (Decrease) in Compensated Absences.....	6,726	6,300	13,026
Increase (Decrease) in Post Employment Benefits Obligations Payable.....	7,598	(4,755)	2,843
Total Adjustments.....	333,703	301,176	634,879
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 553,555	\$ 292,415	\$ 845,970

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

	VOLUNTEER FIREMEN'S RELIEF AND PENSION FUND
<hr/>	
ASSETS	
Non-pooled Cash and Cash Equivalents.....	\$ 2,874
Investments.....	<u>72,410</u>
TOTAL ASSETS.....	<u>75,284</u>
LIABILITIES:	
Accrued Expenses and Other Liabilities.....	<u>73</u>
TOTAL LIABILITIES.....	<u>73</u>
ASSETS HELD IN TRUST FOR PENSION BENEFITS.....	<u><u>\$75,211</u></u>

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

	VOLUNTEER FIREMEN'S RELIEF AND PENSION FUND
ADDITIONS	
Contributions:	
Employer.....	\$ 269
Plan Members.....	269
Total Contributions.....	<u>538</u>
Investment Income:	
Gain (Loss) on Investments.....	0
Interest.....	164
Total Investment Income.....	<u>164</u>
TOTAL ADDITIONS	<u>702</u>
DEDUCTIONS	
Benefits.....	10,000
Refunds of Contributions.....	0
Administrative Expenses.....	<u>0</u>
TOTAL DEDUCTIONS.....	<u>10,000</u>
CHANGE IN NET ASSETS.....	(9,298)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS BEGINNING OF YEAR	<u>84,509</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS END OF YEAR.....	<u><u>\$75,211</u></u>

See accompanying notes to financial statements.

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

June 30, 2010

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, 2010.

A. Reporting Entity

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

D. Fund Types and Major Funds

Governmental Funds

The City only reports the following major governmental funds.

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

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

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

The City also has the Local Transportation Assistance Fund, Senior Citizens’ Fund, and Library Fund which are aggregated in the “Other Governmental Funds” column.

Proprietary Funds

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

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

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

Fiduciary Fund

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

E. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments

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

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

Investments are reported at fair value.

2. Inventories and Prepaid Expenses

Inventories consist of books, postcards and other items available for sale to the public at the Besh Ba Gowah Museum (\$27,545).

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

3. Capital Assets and Depreciation

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets beginning July 1, 2008. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line

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

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

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

4. Capitalized Interest

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

5. Compensated Absences

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

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

6. Fund Equity

Government-wide Statements

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

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

Fund Statements

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

6. Use of Estimates

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Expenditure Limit

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

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Revisions to the budget are made by Council approval at year end. For the year ended June 30, 2010, \$317,000 of the general fund contingency budget was transferred to the following departments or funds to provide for unexpected additional expenditures:

Parks Department	\$ 7,000
Cemetery Department	1,000
Library Fund	251,000
Senior Citizens Fund	<u>58,000</u>
	<u>\$ 317,000</u>

For legal compliance budgetary purposes, the modified accrual basis is followed for the utility funds. For the Water Utility fund the changes in net assets on the accrual basis of (\$108,975) plus depreciation (\$323,096), less debt principal retirement (\$253,830), less capital outlay (\$532,373), plus debt proceeds (\$468,356) equals excess revenues over expenditures (\$114,224) on the modified accrual basis.

For the Sewer Utility fund the changes in net assets on the accrual basis of (-\$3,105) plus depreciation (\$303,911), less capital outlay (\$248,297), less debt principal retirement (\$19,266), equals excess revenues over expenditures (\$33,243) on the modified accrual basis.

The expenditure limit adopted by the City Council under its voter approved home-rule expenditure limitation option was \$26,418,000 for the year ended June 30, 2010. 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.....	\$ 2,606,618	\$ 750,000	\$1,856,618	\$2,246,284

Investments

For fiscal year 2010, the City invested in the Arizona's Local Government Investment Pool (LGIP). Arizona's Local Government Investment Pool is duly chartered and administered by the State Treasurer's Office. The City records all interest revenue earned from investment activities in the respective funds. The \$4,351,752 carrying amount is substantially the same as market value at June 30, 2010.

2. Receivables and Deferred Revenues

The following is a description of significant receivables as of June 30, 2010:

PROPERTY TAXES RECEIVABLE - Property taxes due from County: revenue deferred for amounts assessed by County but uncollected (\$24,169) for governmental fund financial statements				\$ 33,314
ACCOUNTS RECEIVABLE: Sanitation (\$44,570), Water (\$234,983), Sewer (\$82,582).....				362,135
OTHER RECEIVABLES:				
Franchise Fees Receivable		\$ 38,399		
Magistrate Fines Receivable		189,055		
Wild-Fire Reimbursements Receivable.....		25,057		
Miscellaneous Receivables		52,057		
Water Revenue Bonds Reimbursement Receivable		323,248		
Environmental Remediation State Assurance Fund.....		32,206		660,022
DUE FROM OTHER GOVERNMENTS:				
State Sales Tax.....		47,032		
City Sales Tax		249,377		
Vehicle Lieu Tax.....		36,928		
Highway Users Tax.....		65,795		
Senior Citizens Grants.....		23,546		
Other Grants.....		20,762		
Community Development Block Grant.....		71,458		514,898
TOTAL				<u>\$ 1,570,369</u>

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

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

The City is subject to a maximum primary property tax levy by Arizona State Statutes. For 2009-2010 this levy limit was \$552,699, and the City levied \$552,699 in primary taxes. The City has no secondary property tax levy for general obligation bonded debt.

Intergovernmental receivables are primarily comprised of amounts due from the federal and state governments. Revenue is recorded as earned when eligibility requirements are met. Revenues deferred in the governmental fund financial statements include unearned grant revenue and other revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). Also deferred in the governmental fund financial statements are property taxes (\$24,169) and magistrate fines (\$185,007) that have not been collected within sixty days of year end.

3. Capital Assets

Changes in Capital Assets

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

	CAPITAL ASSETS, NOT DEPRECIATED		CAPITAL ASSETS, DEPRECIATED			
	LAND	CONSTRUCTION IN PROGRESS	BUILDINGS	STREET INFRASTRUCTURE AND IMPROVEMENTS OTHER THAN BUILDINGS	FURNITURE, MACHINERY AND EQUIPMENT	TOTALS
PRIMARY GOVERNMENT						
<i>Governmental Activities</i>						
Balance, Beginning	\$ 981,156	\$ 66,249	\$1,559,047	\$3,366,571	\$6,514,513	\$12,487,536
Increases	250,685	438,151	2,361,746	(39,827)	(1,032,592)	1,978,163
Decreases					(3,352)	(3,352)
Balance, Ending	1,231,841	504,400	3,920,793	3,326,744	5,478,569	14,462,347
Accumulated Depreciation						
Balance, Beginning			1,806,117	1,531,940	4,080,220	7,418,277
Increases			122,618	221,142	290,368	634,128
Decreases					(3,352)	(3,352)
Balance, Ending	0	0	1,928,735	1,753,082	4,367,236	8,049,053
<i>Governmental Activities</i> Capital Assets, Net	\$1,231,841	\$504,400	\$1,992,058	\$1,573,662	\$1,111,333	\$ 6,413,294
<i>Business-type Activities</i>						
Balance, Beginning	\$287,893	\$ 965,651	\$6,034,548	\$10,277,211	\$1,217,203	\$18,782,506
Increases	0	468,356	249,826	57,595	25,013	800,790
Decreases	0	(20,120)		(15,342)		(35,462)
Balance, Ending	287,893	1,413,887	6,284,374	10,319,464	1,242,216	19,547,834
Accumulated Depreciation						
Balance, Beginning			3,595,884	4,613,671	661,471	8,871,026
Increases			170,751	313,689	142,567	627,007
Decreases				(15,342)		(15,342)
Balance, Ending	0	0	3,766,635	4,912,018	804,038	9,482,691
<i>Business-type Activities</i> Capital Assets, Net	\$287,893	\$1,413,887	\$2,517,739	\$5,407,446	\$ 438,178	\$10,065,143

\$826,313 of the above equipment amounts are being acquired under capital leases as of June 30, 2010.

Gila County donated the Old Gila County Courthouse and Old Gila County Jail to the City during 2010 for a total fair market value of \$1,081,990.

Depreciation Expense

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

<i>Governmental Activities</i>		<i>Business-type Activities</i>	
Administration	\$ 97,686	Water Utility	\$323,096
Police	62,818	Sewer Utility	<u>303,911</u>
Fire	86,705		
Sanitation	56,932	Total	<u>\$627,007</u>
Parks and Recreation	113,993		
Engineering	416		
Museum	4,856		
Weed Control	4,238		
Streets	183,468		
Maintenance	5,971		
Cemetery	2,224		
Senior Center	9,208		
Library	<u>5,614</u>		
Total	<u>\$634,129</u>		

B. Liabilities

1. Lease Commitments, Contracts Payable and Water Revenue Bonds

The following is a summary of changes in lease commitments and contracts payable for the year ended June 30, 2010:

	BALANCE July 1, 2009	ADDITIONS	RETIREMENTS	BALANCE June 30, 2010
Governmental Activities				
Capital Lease Obligations:				
Street Equipment.....	\$32,565	\$0	\$25,937	\$6,628

	BALANCE July 1, 2009	ADDITIONS	RETIREMENTS	BALANCE June 30, 2010
Business Type Activities				
Capital Lease Obligations:				
Radio Meter Reading				
Equipment.....	\$287,888	\$0	\$ 76,212	\$211,676
Backhoe – Water.....	23,574	0	18,760	4,814
Wheelloader - Sewer.....	24,191	0	19,266	4,925
TOTAL.....	\$335,653	\$0	\$ 114,238	\$221,415

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

	WATER UTILITY EASEMENT CONTRACTS	RADIO WATER METER READING EQUIPMENT	COMBINATION BACKHOE, WHEELLOADER & STREET EQUIPMENT
LEASE START DATE.....	VARIOUS	2-3-06	9-22-05
ASSET COST.....	\$46,297	\$526,313	\$300,000
DOWN PAYMENT.....	\$ 0	\$ 0	\$ 0
MONTHLY PAYMENT.....	VARIOUS	\$ 7,201	\$ 5,490
ASSET PLEDGED-COLLATERAL	NO	YES	YES
INTEREST RATE.....	10%	4.03%	3.74%
INTEREST EXPENSE			
Reported in Street Function.....			777
Reported in Sewer Utility.....			576
Reported in Water Utility.....	615	10,204	562
REMAINING PRINCIPAL			
PAYMENTS:			
2010-2011.....	1,177	79,340	16,367
2011-2012.....	1,300	82,597	0
2012-2013.....	1,438	49,739	0
Subsequent.....	4,331	0	0
	\$ 8,246	\$211,676	\$ 16,367

The City had no special assessment debt at June 30, 2010.

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, 2010, water revenues were increased \$1,677 in conjunction with interest expense of \$615 and contract principal retirement of \$1,062.

The above debt amount of \$228,043 is well within the legal debt limit imposed by state statutes: i.e. 6% of the City's assessed valuation of \$41,904,057 or \$2,514,243. The remaining debt limit available to the City is \$2,286,200 at June 30, 2010.

The following is a summary of changes in compensated absences debt for the year ended June 30, 2010:

	BALANCE July 1, 2009	ADDITIONS	RETIREMENTS	BALANCE June 30, 2010	DUE WITHIN ONE YEAR
Compensated Absences					
Vacation & Comp Time	\$516,887	\$583,578	\$(516,887)	\$583,578	\$583,578
Sick Leave.....	275,882	277,275	(275,882)	277,275	0
TOTAL.....	\$ 792,769	\$860,853	\$(792,769)	\$ 860,853	\$583,578

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, 2010, \$4,255,663 had been obtained from the water bonds and principal of \$157,795 and interest of \$109,310 had been incurred for the year then ended. The debt balance at June 30, 2010, was \$3,519,077. The fifth of five annual debt service reserve payments of \$61,653 had been reserved as of June 30, 2010, for a total of \$308,266.

Remaining payments on the \$3,519,077 are as follows through July 1, 2029.

	Total	Interest	Principal	Balance
2010-2011	\$253,061	\$118,690	\$134,371	\$3,384,706
2011-2012	\$253,061	\$114,076	\$138,985	\$3,245,721
2012-2013	\$253,061	\$109,303	\$143,758	\$3,101,963
2013-2014	\$253,061	\$104,367	\$148,694	\$2,953,269
2014-2015	\$253,061	\$99,260	\$153,801	\$2,799,468
Remaining	\$3,542,858	\$743,390	\$2,799,468	\$ 0
	\$4,808,163	\$1,289,086	\$3,510,077	\$ 0

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, 2010:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES
	Interfund Receivables (Due From)	Interfund Payables (Due To)	Interfund Receivables (Due From)
Water Utility Fund.....			\$1,000,000
General Fund.....	\$121,843	\$1,000,000	
Highway User Fund.....		12,360	
Grants Fund.....		88,420	
Senior Citizens Fund.....		21,063	
	\$121,843	\$ 1,121,843	\$1,000,000

3. Transfers

Transfers within the reporting entity are substantially for the purposes of subsidizing operating functions. The General Fund transferred \$68,209 to the Senior Citizens Fund, and \$309,300 to the Library Fund and \$515,249 to the Highway Users Fund for the year ended June 30, 2010. The transfer to the Library Fund was significantly higher due to the purchase of land for a future new library building for \$250,686.

4. Post Employment Employee Health Care Benefits

a. PLAN DESCRIPTION

Eligibility: A retiree who was an employee of the City of Globe immediately prior to retirement and qualifies and receives retirement benefits from the Arizona State Retirement System (ASRS), Public Safety Personnel Retirement System (PSPRS) or Elected Officials' Retirement Plan (EORP) may be eligible for retiree health benefits. To be eligible for retiree health benefits, an employee must meet the following requirements:

Age	None
Service	10 years of continuous and uninterrupted service with the City under ASRS, PSPRS and/or EORP.
Other	Sum of age and service at retirement must be at least 80

Employer Provided Benefit: A retiree who was an employee of the City of Globe immediately prior to retirement and qualifies and receives retirement benefits from the ASRS, PSPRS or EORP may be

eligible for retiree health benefits with the following health benefit subsidies

Retirement Date After December 31, 2009 – Those retiring after December 31, 2009 will be reimbursed up to \$400 per month for coverage through the ASRS, PSPRS, or EORP for themselves and their dependents. The retiree must provide proof of coverage. The post-2009 retirees will not be able to purchase health insurance at the City's active rates.

Retirement Prior to January 1, 2010 – The City will continue to reimburse retirees at the same level as of December 31, 2009, 2/3 of the premiums

Duration of Coverage – This benefit is available until the employee reaches age 65 or becomes eligible for Medicare, whichever occurs earlier.

Dependent Benefits - Same benefits as for retirees.

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

b. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement 45 for employers in plans with more than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the City's net OPEB obligation to the plan at June 30, 2010.

<u>Annual OPEB Cost</u>	<u>Fiscal Year Ending June 30, 2010</u>
Normal Cost	\$ 22,395
Annual Unfunded Actuarial Accrued Liability	49,757
Adjustment for timing to end of year	3,247
ARC	75,399
Net OPEB contributions made during the fiscal year	49,489
Net OPEB unfunded obligation for the fiscal year	25,910
Cumulative unfunded obligation at 6-30-09	42,419
Cumulative unfunded obligation at 6-30-10	\$68,329
Percentage of expense contributed (\$49,489/\$75,399)	65.6%

c. FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2010, the actuarial accrued liability for benefits was \$846,964, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$5,156,551 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 16.43 percent.

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

d. METHODS AND ASSUMPTIONS

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

Summary of Required Supplementary Information

Valuation Date	July 1, 2008
Actuarial cost method	Entry Age Normal, level dollar
Amortization method	30-Year Amortization Open, level dollar
Remaining amortization period	30
Asset valuation method	N/A – No assets in irrevocable trust
Actuarial assumptions:	
Investment rate of return	4.50%
Inflation rate	N/A
Projected salary increases	N/A
Assumed increase in health insurance premium reimbursement	None
Plan Membership:	
Current retirees	9
Current active participants	<u>120</u>
Total	<u>129</u>

e. ALLOCATION OF POST EMPLOYMENT BENEFITS

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

Government Activities:	
General government	\$ 58,456
Water Utility	15,196
Sewer Utility	<u>(5,323)</u>
Total Liability	<u>\$ 68,329</u>

5. Restricted/Committed Fund Balances

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

Allocation of Revenue for 2009-2010.....	\$ 71,883
Expenditures.....	<u>0</u>
	71,883
Committed Balance, July 1, 2009.....	<u>439,515</u>
Committed Balance, June 30, 2010.....	\$511,398

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 \$44,131 at June 30, 2010.

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 2009-2010.....	\$ 1,850
Expenditures.....	<u>0</u>
	1,850
Committed Balance, July 1, 2009.....	<u>34,850</u>
Committed Balance, June 30, 2010.....	\$36,700

The library board of directors donated \$40,000 to the City's library for future building improvements. Interest of \$444 and donations of \$1,163 were allocated to the reserve for the year ended June 30, 2010. The restricted balance at year-end was \$22,569.

IV. RETIREMENT PLANS

A. COST SHARING MULTIPLE EMPLOYER PLANS

Plan Descriptions, Contribution Information and Funding Policies

1. Arizona Public Safety Personnel Retirement System

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

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

I.	GLOBE POLICE	GLOBE FIREFIGHTER'S
Eligibility to Participate	All full-time officers employed by a participating municipality in a covered position prior to attaining age 50 years, for at least 20 hours per week for more than 6 months per year	All full-time officers employed by a participating municipality in a covered position prior to attaining age 50 years, for at least 20 hours per week for more than 6 months per year
Determination of Contribution Requirements	Actuarially Determined	Actuarially Determined
Plan Member's Contributions Rate (percent of covered payroll) 2009-2010	7.65%	7.65%
City's contribution Rate (percent of covered payroll 2009-2010)	22.25%	22.47% less allocation of fire insurance premium tax
Benefits and Eligibility for Distribution	<p><u>For retirement with twenty years of credited service but less than twenty-five years of credited service</u> - 50% of average monthly compensation for the first twenty years of credited service, plus 2% of average monthly compensation for each year of credited service between twenty and twenty-five years</p> <p><u>For retirement with less than twenty years of credited service</u> - the percent of average monthly compensation is reduced by a rate of 4% for each year less than twenty years.</p> <p><u>For retirement with twenty-five or more years of credited service</u> - 50% of average monthly compensation for the first twenty years of credited service plus 2 1/2% of average monthly compensation for each year of credited service above twenty years.</p> <p>The maximum amount payable as a normal retirement pension shall be 80% of the average monthly compensation.</p> <p>Average monthly compensation is one thirty-sixth of total compensation paid a member during the highest three consecutive years, out of the last twenty years of credited service.</p>	<p><u>For retirement with twenty years of credited service but less than twenty-five years of credited service</u> - 50% of average monthly compensation for the first twenty years of credited service, plus 2% of average monthly compensation for each year of credited service between twenty and twenty-five years</p> <p><u>For retirement with less than twenty years of credited service</u> - the percent of average monthly compensation is reduced by a rate of 4% for each year less than twenty years.</p> <p><u>For retirement with twenty-five or more years of credited service</u> - 50% of average monthly compensation for the first twenty years of credited service plus 2 1/2% of average monthly compensation for each year of credited service above twenty years.</p> <p>The maximum amount payable as a normal retirement pension shall be 80% of the average monthly compensation.</p> <p>Average monthly compensation is one thirty-sixth of total compensation paid a member during the highest three consecutive years, out of the last twenty years of credited service.</p>
Period Required to Vest	10 years	10 years
Deferred Retirement Option	Termination of covered position employment with 10 or more years of credited service. Pension is equal to twice the amount of pension based on the member's accumulated contributions with payments commencing at age 62. Benefit is forfeited if accumulated contributions are withdrawn.	Termination of covered position employment with 10 or more years of credited service. Pension is equal to twice the amount of pension based on the member's accumulated contributions with payments commencing at age 62. Benefit is forfeited if accumulated contributions are withdrawn.
Provisions for:		
Cost of living adjustments (normal retirement).....	Yes	Yes
Death (duty, non-duty, post retirement).....	Yes	Yes
Disability (duty, non duty).....	Yes	Yes
Post-Retirement Health Insurance Subsidy.....	Yes	Yes
Cost of living allowances.....	No	No
Memberships of the plans are as follows:		
Inactive vested members.....	1	0
Fully vested active members.....	22	19
Retirees and beneficiaries receiving benefits.....	11	10
Total	34	29

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.....	\$266,857	100%	\$ 224,596	100%

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

Valuation date:	June 30, 2009
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level percent-of-pay closed
Remaining amortization period	27 years for unfunded actuarial accrued liability; 20 years for overfunded
Asset valuation method	7 year smoothed market value
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.50% - 8.50%
Includes payroll growth at	5.5%

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)
POLICE OFFICERS						
2003	\$2,854,480	\$3,310,030	86.2%	\$ 455,550	\$ 778,451	58.5%
2004	\$2,970,185	\$3,761,983	79.0%	\$ 791,798	\$ 880,732	89.9%
2005	\$3,088,728	\$4,214,390	73.3%	\$ 1,125,662	\$ 731,591	153.9%
2006	\$3,042,140	\$4,603,642	66.1%	\$ 1,561,502	\$ 936,652	166.7%
2007	\$3,017,686	\$5,484,100	55.0%	\$ 2,466,414	\$ 954,199	258.5%
2008	\$3,177,459	\$5,443,956	58.4%	\$ 2,266,497	\$1,012,299	223.9%
2009	\$3,478,690	\$5,959,813	58.4%	\$ 2,481,123	\$1,040,198	238.5%
FIREFIGHTERS						
2003	\$3,122,426	\$3,062,086	102.0%	\$ (60,340)	\$666,305	-%
2004	\$2,989,691	\$3,382,649	88.4%	\$ 392,958	\$689,309	57%
2005	\$3,147,732	\$3,856,940	81.6%	\$ 709,208	\$693,102	102.3%
2006	\$3,129,304	\$4,096,286	76.4%	\$ 966,982	\$622,372	155.4%
2007	\$3,010,467	\$4,861,263	61.9%	\$1,850,796	\$785,091	235.7%
2008	\$3,185,126	\$4,860,775	65.5%	\$1,675,649	\$887,571	188.8%
2009	\$3,305,527	\$5,525,306	62.9%	\$ 1,949,779	\$958,958	203.3%

b. GASB Statement 45 Disclosure

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

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

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

I.	ARIZONA STATE RETIREMENT SYSTEM	ELECTED OFFICIALS RETIREMENT SYSTEM
Authority establishing contribution obligations and benefits	State statute	State Statute
Plan members' contribution rate (percent of covered payroll) 2009-2010	9.40%	7.0%
City's contribution rate (percent of covered payroll) 2009-2010	9.40%	26.25%
Period required to vest	No vesting. Upon termination of employment a member may withdraw only his contributions plus interest.	Upon termination of employment a member may withdraw only his contributions and an additional amount based on 5 or more years of credited service.
Benefits and eligibility for distribution	Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit. Members are eligible for full retirement benefits on (A) their 65th birthday, (B) their 62nd birthday and completion of ten years of total credited service, or (C) the first day immediately following the day when age plus total credited service equals 80. The benefit is based on 2% of average monthly compensation multiplied by the years of service credit. Average monthly compensation is defined as the period of 36 consecutive months during which a participant receives the highest compensation within the last 120 months of service during which the employee made retirement contributions as required by law.	An elected official may retire upon meeting one of the following age and service requirements (A) Any age with 20 or more years of credited service (B) Age 62 with 10 or more years of credited service or (C) Age 65 years with 5 or more years of credited service. The amount of a normal retirement pension is 4.0% of the members average yearly salary multiplied by years of credited service. Maximum is 80 percent of average yearly salary. <u>Early Retirement (reduction for age)</u> An elected official who has 5 or more years of credited service may retire before meeting an age or service requirement for normal retirement. The amount of an early retirement pension is computed by determining the amount of accrued normal retirement pension and then reducing the amount determined by three-twelfths of one percent for each month early retirement precedes the member's normal retirement age. The maximum reduction is 30%.
Deferred retirement option	Persons who attain age 50 with at least five years of total credited service may take an early retirement which entitles them to a reduced retirement benefit.	An elected official with 5 or more years of credited service retains entitlement to a deferred pension upon ceasing to be an elected official if the official's accumulated contributions are left on deposit in the Retirement Plan. The amount of pension is determined in the same manner as a normal or early pension, whichever is applicable.

Continued from prior page

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

II. Trend Information

Contributions required by State statute:

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

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 \$269 to the pension fund during the year ended June 30, 2010, which was 5% of the covered and total payroll of \$5,377. The volunteer firemen's required and actual contributions amounted to \$269, 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, 2010 \$84,348 in remediation costs had been incurred. This amount is the City's cost after reimbursements from the State Assurance Fund to assist with the clean-up.

B. Federal and State Grants

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

C. Participation In Public Entity Risk Pool

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

The Pool is financially solvent as of June 30, 2010. 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. \$257,322. As long as the City maintains its insurance coverage through the Pool it will have this contingent liability.

CITY OF GLOBE, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
State Sales Tax.....	\$ 576,219	\$ 576,219	\$ 550,024	\$ (26,195)
State Revenue Sharing.....	967,654	967,654	967,683	29
Property Tax.....	552,699	552,699	548,007	(4,692)
Vehicle Lieu Tax.....	461,900	461,900	419,546	(42,354)
City Sales Tax.....	2,800,000	2,800,000	3,420,259	620,259
Bed Tax.....	100,000	100,000	94,300	(5,700)
Utility Franchise Fees.....	165,000	165,000	163,219	(1,781)
Business Licenses.....	750,000	750,000	400,205	(349,795)
Licenses and Permits and Other.....	1,341,598	1,341,598	328,507	(1,013,091)
Fines and Forfeitures.....	139,545	139,545	99,231	(40,314)
Sanitation Fees.....	538,000	538,000	520,777	(17,223)
Museum Fees and Product Sales.....	64,000	64,000	68,144	4,144
Interest Income.....	100,000	100,000	13,618	(86,382)
Donations.....	11,200	11,200	1,099,830	1,088,630
TOTAL REVENUES.....	8,567,815	8,567,815	8,693,350	125,535
EXPENDITURES:				
Current:				
Mayor and Council.....	485,725	485,725	302,893	182,832
Contingency.....	2,551,000	2,234,000	0	2,234,000
Legal.....	100,000	100,000	94,300	5,700
Community Organizations.....	188,465	188,465	128,729	59,736
Administration.....	928,445	928,445	589,699	338,746
Police.....	2,684,615	2,684,615	2,455,719	228,896
Fire.....	1,621,100	1,621,100	1,605,936	15,164
Sanitation.....	698,365	698,365	563,349	135,016
Parks.....	498,280	505,280	504,802	478
Recreation.....	136,830	136,830	99,842	36,988
Cemetery.....	61,315	62,315	61,588	727
Magistrate.....	137,265	137,265	134,354	2,911
Museum.....	214,830	214,830	201,372	13,458
Weed Control.....	156,105	156,105	147,038	9,067
Maintenance.....	792,090	792,090	386,937	405,153
Engineering.....	166,890	166,890	107,425	59,465
Capital Outlay.....	1,575,345	1,575,345	1,203,041	372,304
TOTAL EXPENDITURES.....	12,996,665	12,687,665	8,587,024	4,100,641
EXCESS OF REVENUES OVER (UNDER) EXPENDITURE:	(4,428,850)	(4,119,850)	106,326	4,226,176
OTHER FINANCING SOURCES (USES):				
Sale of General Fixed Assets.....	1,200,000	1,200,000	0	(1,200,000)
Transfer to Senior Citizens Fund.....	(83,476)	(141,476)	(68,209)	73,267
Transfer to Highway Users Fund.....	(1,466,575)	(1,466,575)	(515,249)	951,326
Transfer to Library Fund.....	(79,315)	(330,315)	(309,300)	21,015
Proceeds of Long Term Debt Obligations.....	1,435,000	1,435,000	0	(1,435,000)
TOTAL OTHER FINANCING SOURCES (USES).....	1,005,634	696,634	(892,758)	(1,589,392)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES.....	(3,423,216)	(3,423,216)	(786,432)	2,636,784
FUND BALANCE, BEGINNING.....	3,423,216	3,423,216	3,874,883	451,667
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 3,088,451	\$ 3,088,451

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
HIGHWAY USERS FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Highway Users Tax	\$695,660	\$695,660	\$688,084	\$ (7,576)
TOTAL REVENUES.....	695,660	695,660	688,084	(7,576)
EXPENDITURES:				
Personal Services.....	530,835	530,835	365,548	165,287
Supplies, Repairs, and Other.....	101,270	101,270	170,587	(69,317)
Street Lighting.....	275,000	275,000	261,114	13,886
Street Repairs.....	80,000	80,000	24,900	55,100
Capital Outlay.....	1,148,000	1,148,000	354,470	793,530
Debt Service:				
Principal.....	25,937	25,937	25,937	0
Interest.....	778	778	777	1
TOTAL EXPENDITURES.....	2,161,820	2,161,820	1,203,333	958,487
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,466,160)	(1,466,160)	(515,249)	950,911
OTHER FINANCING SOURCES:				
Transfer from General Fund.....	1,466,575	1,466,575	515,249	(951,326)
TOTAL OTHER FINANCING SOURCES.....	1,466,575	1,466,575	515,249	(951,326)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	415	415	0	(415)
FUND BALANCE, BEGINNING.....	(415)	(415)	0	415
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF GLOBE, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	Original	Final	AMOUNTS (Budgetary Basis)	FINAL BUDGET Positive (Negative)
REVENUES:				
Grants - Federal.....	\$ 2,431,750	\$ 2,431,750	\$ 196,864	\$ (2,234,886)
Grants - Non -Federal.....	68,250	68,250	64,002	(4,248)
TOTAL REVENUES.....	2,500,000	2,500,000	260,866	(2,239,134)
EXPENDITURES:				
Community Development Block Grants - Federal				
#159-10 Residential Rehabilitation.....	141,672	141,672	2,457	139,215
#146-09 Residential Rehabilitation.....	136,646	136,646	85,730	50,916
Arizona Department of Public Safety				
DUI Task Force Grant - Non-Federal				
Police Overtime Compensation.....	320	320	316	4
Arizona Department of Transportation				
HB2565 Transit and Transportation Non-Federal....	13,591	13,591	13,591	0
Copper Spike Train Excursion Non-Federal.....	20,000	20,000	20,000	0
Library Grants				
2009 SGIA State Grant - Non-Federal.....	1,839	1,839	1,839	0
2010 SGIA State Grant - Non-Federal.....	2,000	2,000	200	1,800
2009 LSTA Virtual Access 34501-02 - Federal.....	17,220	17,220	17,117	103
Tribal Gaming Compact 12-D Grant - Non Federal				
Fire Equipment Grant.....	10,500	10,500	10,500	0
Arizona Department of Homeland Security - Federal				
Firefighter Equipment EMW 2008-FO-02877.....	0	0	(11,209)	11,209
Bureau of Justic Assistance - Federal				
2009-SB-B9-0281 Dispatching Equipment.....	35,201	35,201	35,201	0
2009-SB-B9-2081 Supplies.....	4,050	4,050	4,050	0
Gila County/Globe Public Schools				
K-9 Dog Drug Enforcement - Non-Federal.....	20,000	20,000	20,000	0
Arizona Department of Housing and Urban Development - Federal				
Economic Development Initiative - EDI				
Acquisition and Streetscape Improvements				
B-06-SP-AZ-0058.....	100,000	100,000	63,519	36,481
Other Grants - Federal	1,996,961	1,996,961	0	1,996,961
TOTAL EXPENDITURES.....	2,500,000	2,500,000	263,311	2,236,689
EXCESS OF REVENUES OVER (UNDER) EXPENDITURE	0	0	(2,445)	(2,445)
FUND BALANCE, BEGINNING.....	0	0	2,445	2,445
FUND BALANCE, ENDING	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF GLOBE, ARIZONA
BUDGETARY COMPARISON SCHEDULE
LOCAL TRANSPORTATION ASSISTANCE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Local Transportation Assistance (LTAF) Revenue.....	\$ 35,040	\$ 35,040	\$19,395	\$ (15,645)
Interest Income.....	0	0	39	39
TOTAL REVENUES.....	35,040	35,040	19,434	(15,606)
EXPENDITURES:				
Current:				
Community Development.....	500	500	500	0
Street Repairs/Transit.....	34,540	34,540	11,839	22,701
Capital Outlay.....	0	0	7,095	(7,095)
TOTAL EXPENDITURES.....	35,040	35,040	19,434	15,606
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES.....	0	0	0	0
FUND BALANCE, BEGINNING.....	0	0	0	0
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
SENIOR CITIZENS FUND
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	Original	Final	AMOUNTS (Budgetary Basis)	FINAL BUDGET Positive (Negative)
REVENUES:				
Older American Act				
Title IIIB and C - Federal.....	\$65,250	\$65,250	\$69,301	\$4,051
Cash in Lieu of Commodities - Federal..	0	0	6,083	6,083
ALTCS - State.....	2,485	2,485	142	(2,343)
Gila County Contribution.....	3,000	3,000	18,000	15,000
Total Grant Revenues.....	70,735	70,735	93,526	22,791
Donations.....	0	0	45,552	45,552
Program Income.....	12,050	12,050	16,677	4,627
City Contribution In-Kind.....	7,950	7,950	7,950	0
TOTAL REVENUES.....	90,735	90,735	163,705	72,970
EXPENDITURES:				
Personal Services.....	110,642	110,642	102,260	8,382
Transportation Costs.....	6,364	6,364	4,748	1,616
Space Costs.....	26,450	26,450	28,187	(1,737)
Food Supplies.....	26,498	30,498	35,629	(5,131)
Other Operating Costs.....	4,256	4,256	7,438	(3,182)
Capital Outlay.....	0	54,000	53,652	348
TOTAL EXPENDITURES.....	174,210	232,210	231,914	296
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(83,475)	(141,475)	(68,209)	73,266
OTHER FINANCING SOURCES:				
Transfer from General Fund.....	83,476	141,476	68,209	(73,267)
TOTAL OTHER FINANCING SOURCES..	83,476	141,476	68,209	(73,267)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	1	1	0	(1)
FUND BALANCE, BEGINNING.....	(1)	(1)	0	1
FUND BALANCE, ENDING.....	\$0	\$0	\$0	\$0

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
LIBRARY FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Property Tax	\$116,750	\$116,750	\$116,750	\$ 0
Fines and Donations	9,500	9,500	10,713	1,213
Interest Income.....	0	0	44	44
TOTAL REVENUES.....	126,250	126,250	127,507	1,257
EXPENDITURES:				
Personal Services.....	154,385	154,385	142,990	11,395
Supplies, Repairs, and Other.....	73,805	73,805	28,499	45,306
Books and Periodicals.....	22,500	22,500	14,426	8,074
Capital Outlay.....	0	251,000	250,686	314
TOTAL EXPENDITURES.....	250,690	501,690	436,601	65,089
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(124,440)	(375,440)	(309,094)	66,346
OTHER FINANCING SOURCES:				
Transfer from General Fund.....	79,315	330,315	309,300	(21,015)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	(45,125)	(45,125)	206	45,331
FUND BALANCE, BEGINNING.....	45,125	45,125	22,363	(22,762)
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 22,569	\$ 22,569

SCHEDULE 7

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
WATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Water Revenues.....	\$ 1,870,000	\$ 1,870,000	\$ 1,885,661	\$ 15,661
Taps, Extensions and Permits.....	64,750	64,750	55,705	(9,045)
Penalties.....	63,000	63,000	56,862	(6,138)
Interest Income.....	0	0	9,814	9,814
Gain (Loss) on Investments.....	0	0	0	0
TOTAL REVENUES.....	1,997,750	1,997,750	2,008,042	10,292
EXPENDITURES:				
Personal Services.....	766,015	766,015	730,318	35,697
Supplies, Repairs and Other.....	1,424,090	1,424,090	724,962	699,128
Capital Outlay.....	3,394,775	3,394,775	532,373	2,862,402
Debt Service.....	415,120	415,120	374,521	40,599
TOTAL EXPENDITURES.....	6,000,000	6,000,000	2,362,174	3,637,826
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....				
	(4,002,250)	(4,002,250)	(354,132)	3,648,118
OTHER FINANCING SOURCES (USES):				
Proceeds from Water Revenue Bonds.....	995,250	995,250	468,356	(526,894)
TOTAL OTHER FINANCING SOURCES (USES).....	995,250	995,250	468,356	(526,894)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES.....				
	(3,007,000)	(3,007,000)	114,224	3,121,224
FUND BALANCE, BEGINNING.....	3,007,000	3,007,000	1,833,604	(1,173,396)
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 1,947,828	\$ 1,947,828

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
SEWER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2010

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Sewer Revenues.....	\$ 873,500	\$ 873,500	\$ 855,126	\$ (18,374)
Taps, Extensions and Permits.....	10,500	10,500	9,472	(1,028)
Interest Income.....	0	0	6,232	6,232
Gain (Loss) on Investments.....	0	0	0	0
TOTAL REVENUES.....	884,000	884,000	870,830	(13,170)
EXPENDITURES:				
Personal Services.....	333,275	333,275	299,708	33,567
Supplies, Repairs and Other.....	450,550	450,550	269,740	180,810
Capital Outlay.....	1,407,330	1,407,330	248,297	1,159,033
Debt Service.....	19,845	19,845	19,842	3
TOTAL EXPENDITURES.....	2,211,000	2,211,000	837,587	1,373,413
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,327,000)	(1,327,000)	33,243	1,360,243
OTHER FINANCING SOURCES (USES):				
Transfer (to) from General Fund.....	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES).....	0	0	0	0
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES.....	(1,327,000)	(1,327,000)	33,243	1,360,243
FUND BALANCE, BEGINNING.....	1,327,000	1,327,000	1,284,059	(42,941)
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 1,317,302	\$ 1,317,302

CITY OF GLOBE, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010.

	SENIOR CITIZENS	LOCAL TRANSPORTATION ASSISTANCE	LIBRARY	TOTAL
-- ASSETS --				
Pooled Cash and Cash Equivalents.....			\$ 29,667	\$ 29,667
Non-Pooled Cash and Cash Equivalents.....			35	35
Due from Other Governments.....	\$23,546	\$0		23,546
TOTAL ASSETS.....	\$ 23,546	\$0	\$ 29,702	\$ 53,248

--LIABILITIES AND FUND BALANCES--

LIABILITIES:

Accounts Payable.....		\$0		\$ 0
Compensated Absences.....	\$2,483		\$7,133	9,616
Due to Other Funds.....	21,063			21,063
TOTAL LIABILITIES.....	23,546	0	7,133	30,679

FUND BALANCES:

Restricted for Library Improvements.....			22,569	22,569
TOTAL FUND BALANCES.....	0	0	22,569	22,569
TOTAL LIABILITIES AND FUND BALANCES.....	\$23,546	\$0	\$29,702	\$53,248

CITY OF GLOBE, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	SENIOR CITIZENS	LOCAL TRANSPORTATION ASSISTANCE	LIBRARY	TOTAL
REVENUES:				
Local Transportation Assistance Revenues.....		\$19,395	\$	19,395
Interest Income.....		39	\$ 44	83
Grant Revenue.....	\$ 93,526			93,526
Fines and Donations.....	45,552		10,713	56,265
Senior Citizens Program Income.....	24,627			24,627
County Library Property Tax.....			116,750	116,750
TOTAL REVENUES.....	163,705	19,434	127,507	310,646
EXPENDITURES:				
Current:				
Library.....			185,915	185,915
Streets.....		11,839		11,839
Senior Citizens Center.....	178,262			178,262
Community Development.....		500		500
Capital Outlay.....	53,652	7,095	250,686	311,433
TOTAL EXPENDITURES.....	231,914	19,434	436,601	687,949
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(68,209)	0	(309,094)	(377,303)
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund.....	68,209	0	309,300	377,509
NET OTHER FINANCING SOURCES (USES).....	68,209	0	309,300	377,509
NET CHANGE IN FUND BALANCES.....	0	0	206	206
FUND BALANCES, Beginning.....	0	0	22,363	22,363
FUND BALANCES, Ending.....	\$ 0	\$ 0	\$ 22,569	\$ 22,569

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

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

I have audited the financial statements of the governmental activities, the business-type activities and each major fund, of the City of Globe, Arizona, as of and for the year ended June 30, 2010, which collectively comprise the Town's basic financial statements and have issued my report thereon dated November 8, 2010. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Globe, Arizona's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Globe, Arizona's financial statements that is more than inconsequential will not be prevented or detected by the Town's internal control. There were no significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Globe, Arizona's internal control. My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I did not

identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

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



November 8, 2010