

CITY OF GLOBE, ARIZONA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED
JUNE 30, 2013

CITY OF GLOBE, ARIZONA

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Globe, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility of the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Globe, Arizona as of June 30, 2013, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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 December 19, 2013 on my consideration of the City of Globe, Arizona's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over financial reporting and compliance.

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 fund financial statements on pages 53 and 54 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the

basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in blue ink, appearing to be "John A. [unclear]", written in a cursive style.

Mesa, Arizona
December 19, 2013

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, 2013. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by \$18,970,454 (net position) for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Capital assets of \$11,232,491 include property and equipment, net of accumulated depreciation and reduced by outstanding debt related to the purchase of capital assets.
 - (2) \$2,817,634 of capital contributed by the general fund to the Water and Sewer Enterprise Funds.
 - (3) Net position amounts of \$1,285,959 are restricted and committed for various purposes.
 - (4) Unrestricted net position amounts of \$3,634,370 represent the portion available to maintain the City's continuing obligations to citizens and creditors. This amount decreased \$101,569 from the prior year.
- The City's governmental funds reported a total ending fund balance of \$3,684,224 this year. This compares to the prior year total ending fund balance of \$3,662,152 showing an increase of \$22,072 during the current year.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

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

Fund Financial Statements

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

The City has three kinds of funds:

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis of the City as a Whole

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

The following table provides a summary of the City's net position at June 30, 2013:

SUMMARY OF NET ASSETS					
	Governmental Activities	Business-type Activities	Totals	Totals	Amount Change
	2013	2013	2013	2012	
Current and other assets	\$ 5,431,475	\$ 4,607,622	\$10,039,097	\$ 9,556,043	\$ 483,054
Capital assets	5,669,036	9,296,997	14,966,033	15,906,051	(940,018)
Total Assets	11,100,511	13,904,619	25,005,130	25,462,094	(456,964)
Long-term liabilities.....	337,763	3,668,093	4,005,856	4,111,959	(106,103)
Other liabilities	1,551,908	476,912	2,028,820	1,520,184	508,636
Total Liabilities	1,889,671	4,145,005	6,034,676	5,632,143	402,533
Net position:					
Capital Contributed from General Fund.....	0	2,817,634	2,817,634	2,817,634	0
Invested in capital assets	5,571,885	5,660,606	11,232,491	12,052,528	(820,037)
Restricted and Committed	102,615	1,183,344	1,285,959	1,223,850	62,109
Unrestricted	3,536,340	98,030	3,634,370	3,735,939	(101,569)
Total Net position	\$ 9,210,840	\$ 9,759,614	\$18,970,454	\$19,829,951	\$ (859,497)

The City reported positive balances in net position for both governmental and business-type activities. Net position decreased \$351,321 for governmental activities and decreased \$508,176 for business-type activities.

The following table provides a summary of the City's changes in net position for the year ended June 30, 2013.

SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities	Business- type Activities	Totals	Totals	Amount Change
	2013	2013	2013	2012	
Revenues:					
Program revenues:					
Charges for services	\$ 1,095,417	\$2,620,839	\$ 3,716,256	\$4,367,726	\$ (651,470)
Operating grants and contributions	1,003,513	0	1,003,513	1,165,823	(162,310)
Capital grants and contributions	91,509	0	91,509	148,172	(56,663)
General revenues:					
Sales tax	3,724,431		3,724,431	3,369,541	354,890
State shared revenues	1,795,758		1,795,758	1,634,319	161,439
Property tax	510,451		510,451	526,416	(15,965)
Franchise fees and business licenses	632,976		632,976	610,287	22,689
Other	172,310	26,244	198,554	196,643	1,911
Total Revenues	9,026,365	2,647,083	11,673,448	12,018,927	(345,479)
Expenses:					
General Government	1,837,098		1,837,098	1,921,569	(84,471)
Police	2,564,248		2,564,248	2,409,186	155,062
Fire	1,795,987		1,795,987	1,722,074	73,913
Sanitation	648,807		648,807	664,072	(15,265)
Parks and Recreation and Cemetery	540,694		540,694	630,535	(89,841)
Streets	1,364,971		1,364,971	1,073,136	291,835
Library	202,316		202,316	184,373	17,943
Museum	196,835		196,835	193,004	3,831
Active Adult Center	220,810		220,810	215,255	5,555
Community Development	3,991		3,991	159,389	(155,398)
Interest on General Long-Term Debt	1,929		1,929	0	1,929
Water Utility		2,217,853	2,217,853	1,888,374	329,479
Sewer Utility		937,406	937,406	734,748	202,658
Total Expenses	9,377,686	3,155,259	12,532,945	11,795,715	737,230
Change in net position	(351,321)	(508,176)	(859,497)	223,212	(1,082,709)
Beginning net position	9,562,161	10,267,790	19,829,951	19,606,739	223,212
Ending net position	\$ 9,210,840	\$ 9,759,614	\$18,970,454	\$19,829,951	\$ (859,497)

Financial Analysis of the City's Funds

Governmental funds

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

Revenues and proceeds of debt obligations (excluding grants) totaled \$8,809,071 in 2012-2013, a decrease of .2% from 2011-2012. A comparative summary of principal revenues is as follows:

	2012-2013 Amount	Increase (Decrease) from 2011-2012		2011-2012 Amount
		Amount	%	
State Sales Tax	\$ 616,508	\$ 27,955		\$ 588,553
State Revenue Sharing	769,378	133,672		635,706
Highway Users Tax	668,539	45,496		623,043
Property Tax	512,095	(14,947)		527,042
Vehicle Lieu Tax	409,872	(188)		410,060
City Sales Tax	3,724,431	354,890		3,369,541
Licenses, Permits and Miscellaneous	929,283	47,098		882,185
Magistrate Fines.....	222,277	(442,067)		664,344
County Library Property Tax	116,750	0		116,750
Sanitation Fees	625,789	(1,245)		627,034
Bed Tax	128,433	22,468		105,965
Interest Income and Gain on Investments....	23,250	14,618		8,632
Museum Fees and Product Sales	59,612	(5,647)		65,259
Donations	2,854	(33,195)		36,049
Proceeds of Long-Term Debt Obligation.....	0	(161,942)		161,942
	<u>\$ 8,809,071</u>	<u>\$ (13,034)</u>	<u>(.2%)</u>	<u>\$ 8,822,105</u>

Expenditures and transfers (excluding grants) totaled \$8,786,299 in 2012-2013. This represents an increase of 1.9% from the prior year. The schedule that follows summarizes the expenditures and transfers.

	2012-2013 Amount	Increase (Decrease) from 2011-2012		2011-2012 Amount
		Amount	Amount	
Operating Expenditures and Transfers				
Mayor and Council	\$ 270,108	\$ (52,852)		\$ 322,960
Community Organizations	128,434	22,469		105,965
Administration and Legal	841,629	109,780		731,849
Police	2,526,537	189,591		2,336,946
Fire	1,763,102	103,184		1,659,918
Streets	1,152,556	286,372		866,184
Maintenance	231,163	(14,540)		245,703
Sanitation	608,734	(14,759)		623,493
Parks and Recreation.....	359,482	(98,089)		457,571
Museum	190,484	3,298		187,186
Cemetery	69,588	9,171		60,417
Magistrate	215,871	(173,108)		388,979
Engineering.....	34,303	15,490		18,813
Library.....	195,436	19,358		176,078
Debt Service	33,360	0		33,360
Senior Citizen Operating Transfer	89,090	1,666		87,424
Capital Outlay.....	77,122	(239,469)		316,591
	<u>\$8,786,999</u>	<u>\$ 167,562</u>	<u>1.9%</u>	<u>\$8,619,437</u>

Revenues (\$8,809,071) exceeded expenditures (\$8,786,999) by \$22,072 and increased the City's overall governmental fund balance carryover from \$3, 662,152 at June 30, 2012 to \$3,684,224 at June 30, 2013. The \$22,072 increase for 2012-2013 was \$180,596 less than the \$202,668 increase for 2011-2012. The main reason for the decrease was the \$208,676 chip-seal street maintenance expense incurred in 2012-2013.

There was concern last year that the termination of photo radar system would strain the City's revenues. However, state shared revenues increased \$206,935 and the City's sales tax increased \$354,890. Those two sources exceeded the loss in net photo radar receipts of \$277,470 compared to the prior year

Proprietary funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The change in net position for these funds decreased \$508,176 for the year ended June 30, 2013 compared to an increase of \$298,164 for 2011-2012.

That is a decrease in profitability of \$806,304. Water utility revenues decreased \$41,149 and sewer utility revenues decreased \$47,297 for a total revenue decrease of \$88,446. Total depreciation of \$727,675 (a non-cash expense) exceeded total capital outlays of \$229,108 which accounts for \$498,567. Repairs and maintenance expense increased \$183,582, supplies increased \$157,335 and other operating expenses increased \$193,908.

An increase in utility rates effective September 1, 2013 will increase utility revenues annually. If expenditures increase further, they will need to be in line with an increase in revenues so that the system remains sustainable.

City Payroll and Fringe Benefits

The City's gross payroll for 2012-2013 was \$4,508,339 a decrease of .8% or \$36,361 from 2011-2012. A summary by department follows:

	2012-2013 Amount	INCREASE (DECREASE) FROM 2011-2012	2011-2012 Amount
Administration.....	\$ 653,022	\$ 51,664	\$ 601,358
Police.....	1,434,217	52,745	1,381,472
Fire	1,012,830	1,351	1,011,479
Streets	268,929	(26,582)	295,511
Maintenance	83,645	(13,163)	96,808
Parks, Recreation, Cemetery & Museum.	304,020	(24,100)	328,120
Library.....	104,649	6,173	98,476
Active Adult Center.....	74,885	2,039	72,846
Water Utility.....	439,881	(49,015)	488,896
Sewer Utility.....	132,261	(37,473)	169,734
	<u>\$4,508,339</u>	<u>\$ (36,361)</u>	<u>\$4,544,700</u>

The following payroll fringe benefits amounted to \$2,434,353, an increase of \$129,552, or 5.6% and are detailed as follows:

	2012-2013	INCREASE DECREASE	2011-2012
Social Security and Medicare Taxes.....	\$ 263,847	\$ (3,574)	\$ 267,421
State Retirement Contributions.....	236,601	557	236,044
Policemen's Pension Contributions	350,703	88,860	261,843
Regular and Volunteer Firemen's Pension Contributions..	256,766	44,527	212,239
Elected Officials Retirement Contributions.....	10,057	1,330	8,727
Industrial Insurance.....	125,194	(20,019)	145,213
Health and Life Insurance.....	1,191,185	17,871	1,173,314
	<u>\$2,434,353</u>	<u>\$129,552</u>	<u>\$2,304,801</u>

Budgetary Highlights

The City's budget for fiscal year 2013 was \$24,397,000. This was an increase of \$72,000 from the previous year's budget of \$24,325,000.

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, 2013, \$30,000 of the general fund contingency budget was transferred to the following departments or funds to provide for unexpected additional expenditures:

Community Organizations	\$ 30,000
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The expenditure limit adopted by the City Council under its voter approved home-rule expenditure limitation option was \$24,397,000 for the year ended June 30, 2013. 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 2013 and 2012.

	Governmental Activities		Business-Type Activities	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$1,298,822	\$1,298,822	\$ 287,893	\$ 287,893
Construction in Progress	0	0	130,275	130,275
Buildings	1,760,550	1,889,666	2,295,299	2,489,102
Street Infrastructure And Other Improvements	1,697,115	1,959,137	6,269,469	6,665,634
Machinery and Equipment	912,549	962,863	314,060	222,659
	<u>\$5,669,036</u>	<u>\$6,110,488</u>	<u>\$9,296,997</u>	<u>\$9,795,563</u>

Long-Term Obligations

The City did not incur new long-term general government debt. The second payment on the accounting software debt was made for \$31,431, leaving \$97,151 of debt at June 30, 2013. The City retired the final \$56,750 on the water department's radio water meter reading equipment capital lease obligation. The City did borrow additional amounts in its 2004 Water Revenue Bonds to fund additional water and well system improvements.

FISCAL YEAR 2012-2013 ACCOMPLISHMENTS

Although there were continued uncertainties associated with the economic future, the City terminated its photo radar traffic enforcement program which cost the City \$277,470 in net revenues compared to the prior year. However, state shared revenues increased \$206,935 and city sales tax collections increased \$354,890 to help offset the loss of that program. The City sales tax rate was not increased and remained at 2%

The City was able to maintain the current formula of health insurance benefits where the City paid for employee coverage at 100% less \$20 per month, which was contributed by the employee, and 67% of the dependent coverage. The cost of these programs only increased \$17,8971 or 1.5% compared to the prior year.

On January 5, 2013, a 2% cost of living increase was given to employees. However, the total City payroll actually decreased by \$36,361 compared to the prior year. Approximately \$73,800 in salary adjustments will be added to the 2013-2014 budget for various departments to bring employees up to 80% of the midpoint of the Arizona League salary survey. This information was obtained from the class and compensation study that was presented at the May 20, 2013 City council meeting.

The City hired a consultant to examine the City's utility rates and make recommendations. As a result of that rate study, beginning on September 1, 2013, the water and sewer rates will be increased over several years.

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

The City expended \$208,676 for a chip-seal maintenance program for some of its city streets.

The City was required by Arizona Department of Environmental Quality regulations to purchase an emergency back-up generator for its sewer plant costing \$167,994.

The City made its last payment on the 2006 \$526,313 water meter reading equipment capital lease in 2012-2013. The City's only remaining long-term general government debt is for a five-year capital lease on its new accounting software. It made the second principal payment of \$31,431 on the lease

and the remaining balance at June 30, 2013 was \$97,151. The City has Water Revenue Bonds outstanding at June 30, 2013 of \$3,363,391.

The City received a \$81,953 federal grant from Homeland Security to purchase communications equipment for the Police Department.

The City also received a \$56,866 federal grant to purchase a media box for the library. As of June 30, 2013, \$9,227 of these grant funds had been expended.

CITY OF GLOBE, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2013

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Pooled Cash and Cash Equivalents	\$ 840,899	\$ 3,779,881	\$ 4,620,780
Non-Pooled Cash and Cash Equivalents	1,460		1,460
Investments.....	4,415,874		4,415,874
Property Taxes Receivable.....	31,706		31,706
Accounts Receivable	58,549	314,650	373,199
Other Receivables.....	311,151	13,091	324,242
Due from Other Governments.....	179,986		179,986
Internal Balances.....	(500,000)	500,000	0
Inventory.....	19,696		19,696
Prepaid Expenses.....	72,154		72,154
Capital Assets:			
Land and Construction in Progress.....	1,298,822	418,168	1,716,990
Other Capital Assets, net of Depreciation.....	4,370,214	8,878,829	13,249,043
TOTAL ASSETS.....	\$ 11,100,511	\$ 13,904,619	\$ 25,005,130
LIABILITIES:			
Accounts Payable.....	\$ 924,705	\$ 260,239	\$ 1,184,944
Accrued Expenses and Other Liabilities.....	39,830	23,178	63,008
Customer Deposits.....		62,513	62,513
Compensated Absences - Current.....	547,308	129,792	677,100
Contracts and Lease Obligations Payable - Current.....	31,903	1,190	33,093
Deferred Revenues.....	8,162	0	8,162
Non-Current Liabilities:			
Compensated Absences.....	192,788	40,051	232,839
Contracts and Lease Obligations Payable.....	65,248	3,762	69,010
Water Revenue Bonds Payable.....		3,636,391	3,636,391
Post Employment Benefits Obligations Payable.....	79,727	(12,111)	67,616
TOTAL LIABILITIES.....	1,889,671	4,145,005	6,034,676
NET POSITION			
Capital Contributed from General Fund.....		2,817,634	2,817,634
Invested in Capital Assets, Net of Related Debt.....	5,571,885	5,660,606	11,232,491
Restricted for:			
Library Improvements.....	24,548		24,548
Canyon Water District Reserves.....		26,428	26,428
Revenue Bond Debt Service Reserve.....		308,266	308,266
Revenue Bond Repair and Maintenance Reserve.....		123,306	123,306
Committed for:			0
Recycling Program.....	23,017		23,017
Cemetery Improvements.....	55,050		55,050
Water Exploration.....		725,344	725,344
Unrestricted.....	3,536,340	98,030	3,634,370
TOTAL NET POSITION.....	\$9,210,840	\$ 9,759,614	\$ 18,970,454

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES:					
Mayor and Council.....	\$ 265,139				\$ (265,139)
Community Organizations.....	128,434		\$ 128,434		0
Administration.....	958,663				(958,663)
Police	2,564,248	\$ 11,702		\$ 81,953	(2,470,593)
Fire.....	1,795,987	103,346	1,052		(1,691,589)
Streets	1,364,971		668,539		(696,432)
Sanitation.....	648,807	625,789			(23,018)
Parks and Recreation.....	468,537	11,232			(457,305)
Cemetery.....	72,157	14,000			(58,157)
Magistrate.....	216,516	226,809			10,293
Library.....	202,316	8,831	117,755	9,556	(66,174)
Museum.....	196,835	59,612			(137,223)
Active Adult Center.....	220,810	34,096	83,742		(102,972)
Community Development.....	3,991		3,991		0
Maintenance.....	233,036				(233,036)
Engineering.....	35,310				(35,310)
Interest on Long-Term Debt.....	1,929				(1,929)
TOTAL GOVERNMENTAL ACTIVITIES.....	9,377,686	1,095,417	1,003,513	91,509	(7,187,247)
BUSINESS-TYPE ACTIVITIES					
Water.....	2,217,853	1,825,024			(392,829)
Sewer.....	937,406	795,815			(141,591)
TOTAL BUSINESS TYPE ACTIVITIES.....	3,155,259	2,620,839	0	0	(534,420)
TOTAL.....	\$ 12,532,945	\$ 3,716,256	\$ 1,003,513	\$ 91,509	\$ (7,721,667)

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGE IN NET POSITION:			
Net (Expenses) Revenue from above.....	\$ (7,187,247)	\$ (534,420)	\$ (7,721,667)
General Revenues:			
State Sales Tax.....	\$ 616,508		\$ 616,508
State Revenue Sharing.....	769,378		769,378
Property Tax	510,451		510,451
Vehicle Lieu Tax.....	409,872		409,872
City Sales Tax.....	3,724,431		3,724,431
Utility Franchise Fees.....	171,231		171,231
Business Licenses.....	461,745		461,745
Miscellaneous.....	149,060		149,060
Interest Income.....	6,921	7,779	14,700
Gain on Investments.....	16,329	18,465	34,794
Gain (Loss) on Disposal of Assets.....	0	0	0
Total General Revenues and Transfers	6,835,926	26,244	6,862,170
Change in Net Position.....	(351,321)	(508,176)	(859,497)
Net Position - Beginning.....	9,562,161	10,267,790	19,829,951
Net Position - Ending.....	\$ 9,210,840	\$ 9,759,614	\$ 18,970,454

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013

	GENERAL FUND	HIGHWAY USERS FUND	GRANTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Pooled Cash and Cash Equivalents.....	\$ 483,736	\$ 314,137	\$ 8,489	\$34,537	\$ 840,899
Non-Pooled Cash and Cash Equivalents.....	1,425			35	1,460
Investments.....	4,415,874				4,415,874
Property Taxes Receivable.....	31,706				31,706
Accounts Receivable.....	58,549				58,549
Other Receivables.....	311,152		(1)		311,151
Due from Other Governments.....	146,505		11,405	22,076	179,986
Due from Other Funds.....	12,492				12,492
Inventory.....	19,696				19,696
Prepaid Expenses.....	72,154				72,154
TOTAL ASSETS.....	\$ 5,553,289	\$314,137	\$19,893	\$56,648	\$ 5,943,967
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable.....	\$ 646,903	\$253,798	\$ 11,731	\$ 12,273	\$ 924,705
Accrued Expenses and Other Liabilities.....	39,830				39,830
Compensated Absences.....	479,634	60,339		7,335	547,308
Due to Other Funds.....	500,000			12,492	512,492
Deferred Revenues.....	0		8,162		8,162
Total Liabilities.....	1,666,367	314,137	19,893	32,100	2,032,497
Deferred Inflows of Resources.....	227,246				227,246
Fund Balances:					
Restricted:					
Library Improvements.....				24,548	24,548
Committed:					
Recycling Program.....	23,017				23,017
Cemetery Improvements.....	55,050				55,050
Unassigned.....	3,581,609				3,581,609
Total Fund Balances.....	3,659,676	0	0	24,548	3,684,224
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,553,289	\$ 314,137	\$ 19,893	\$56,648	\$ 5,943,967
TOTAL FUND BALANCE - Total Governmental Funds.....					
					\$3,684,224
Amounts reported for governmental activities in the statement of net assets are different because:					
- Capital assets of \$15,255,061, net of accumulated depreciation of (\$9,586,025), are not financial resources and therefore, are not reported in the funds.....					
					5,669,036
- Other long-term assets (receivables) are not available to pay for current period expenditures and therefore, are deferred inflows of resources in the funds. These include property taxes of \$22,236 and magistrate fines of \$205,010.....					
					227,246
- Compensated Absences for sick leave are payable only upon employee retirement and therefore are not payable from current resources.....					
					(192,788)
- Capital lease and contract liabilities of \$97,151 are not due and payable in the current period and are not reported in the funds.....					
					(97,151)
- 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.....					
					(79,727)
NET POSITION OF GOVERNMENTAL ACTIVITIES.....					
					\$9,210,840

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, 2013

	GENERAL FUND	HIGHWAY USERS FUND	GRANTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
State Sales Tax.....	\$ 616,508				\$ 616,508
State Revenue Sharing.....	769,378				769,378
Highway Users Tax.....		\$668,539			668,539
Property Tax.....	512,095				512,095
Vehicle Lieu Tax.....	409,872				409,872
Grant Revenue.....			\$102,572	\$ 77,640	180,212
City Sales Tax.....	3,724,431				3,724,431
Bed Tax.....	128,433				128,433
Utility Franchise.....	171,231				171,231
Business Licenses.....	461,745				461,745
Licenses, Permits and Other.....	286,831			43,650	330,481
County Library Property Tax.....				116,750	116,750
Fines and Forfeitures.....	222,277				222,277
Sanitation Fees.....	625,789				625,789
Museum Fees and Product Sales.....	59,612				59,612
Interest Income.....	6,879			42	6,921
Gain on Investments.....	16,329				16,329
Donations.....	2,854				2,854
TOTAL REVENUES.....	8,014,264	668,539	102,572	238,082	9,023,457
EXPENDITURES:					
Current:					
Mayor and Council.....	270,108				270,108
Community Organizations.....	128,434				128,434
Legal.....	111,527				111,527
Administration.....	730,102				730,102
Police.....	2,526,537				2,526,537
Fire.....	1,763,102		652		1,763,754
Streets.....		1,152,556			1,152,556
Sanitation.....	608,734				608,734
Parks and Recreation.....	359,482				359,482
Cemetery.....	69,588				69,588
Magistrate.....	215,871				215,871
Library.....			648	195,436	196,084
Museum.....	190,484				190,484
Active Adult Center.....			6,102	199,757	205,859
Community Development.....			3,990		3,990
Maintenance.....	231,163				231,163
Engineering.....	34,303				34,303
Capital Outlay.....	63,191	12,205	91,180	2,873	169,449
Debt Service:					
Principal.....	31,431				31,431
Interest.....	1,929				1,929
TOTAL EXPENDITURES.....	7,335,986	1,164,761	102,572	398,066	9,001,385
EXCESS OF REVENUES OVER					
(UNDER) EXPENDITURES.....	678,278	(496,222)	0	(159,984)	22,072
OTHER FINANCING SOURCES (USES):					
Transfer to Active Adult Center Fund.....	(89,090)			89,090	0
Transfer to Highway User Fund.....	(496,222)	496,222		0	0
Transfer to Library Fund.....	(71,224)			71,224	0
Proceeds of Long Term Debt Obligations.....	0				0
NET OTHER FINANCING SOURCES (USES).....	(656,536)	496,222	0	160,314	0
NET CHANGE IN FUND BALANCES.....	21,742	0	0	330	22,072
FUND BALANCES, Beginning.....	3,637,934	0	0	24,218	3,662,152
FUND BALANCES, Ending.....	\$ 3,659,676	\$ 0	\$ 0	\$ 24,548	\$ 3,684,224

CITY OF GLOBE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

NET CHANGE IN FUND BALANCE - Total Governmental Funds (from prior page)..... \$ 22,072

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 (\$169,449) were less than depreciation (\$610,902) in the current period.....	(441,452)
- Compensated Absences for sick leave are payable only upon employee retirement and, therefore, not payable from current resources	28,772
- Payment of principal amounts on capital leases is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.....	31,431
- Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include a decrease of (\$1,644) in the City's property taxes and an increase of (\$4,531) in court fines.....	2,887
-On the statement of activities, the gain or loss on the disposal of assets is reported, whereas in the governmental funds the proceeds from the disposal increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets sold of (\$53,193) net of related accumulated depreciation of \$53,193.....	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.....	4,969

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES..... \$ (351,321)

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

CITY OF GLOBE, ARIZONA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
ASSETS			
Current Assets:			
Pooled Cash and Cash Equivalents.....	\$ 1,996,752	\$1,783,129	\$ 3,779,881
Due from Other Funds.....	500,000	0	500,000
Accounts Receivable.....	239,623	75,027	314,650
Other Receivable.....	13,091	0	13,091
Total Current Assets.....	2,749,466	1,858,156	4,607,622
Capital Assets:			
Land and Construction in Progress.....	418,168	0	418,168
Other Capital Assets net of Accumulated Depreciation.....	5,813,159	3,065,670	8,878,829
TOTAL ASSETS.....	\$8,980,793	\$4,923,826	\$13,904,619
LIABILITIES			
Current Liabilities:			
Accounts Payable.....	\$ 152,180	\$ 108,059	\$ 260,239
Sales Tax Payable.....	23,178		23,178
Customer Deposits.....	62,513		62,513
Compensated Absences - Current.....	113,743	16,049	129,792
Easement Contracts Payable - Current.....	1,190		1,190
Total Current Liabilities.....	352,804	124,108	476,912
Non-current Liabilities:			
Compensated Absences - Non-Current.....	35,159	4,892	40,051
Easement Contracts Payable - Non-Current.....	3,762		3,762
Water Revenue Bonds Payable.....	3,636,391		3,636,391
Post Employment Benefits Obligations Payable.....	24,516	(36,627)	(12,111)
Total Non-Current Liabilities.....	3,699,828	(31,735)	3,668,093
TOTAL LIABILITIES.....	4,052,632	92,373	4,145,005
NET POSITION			
Capital Contributed from General Fund.....	1,635,291	1,182,343	2,817,634
Invested in Capital Assets, Net of Related Debt.....	2,594,936	3,065,670	5,660,606
Restricted for Canyon Water District Reserves.....	26,428		26,428
Restricted for Revenue Bond Debt Service.....	308,266		308,266
Restricted for Repair and Replacement.....	123,306		123,306
Committed for Water Exploration.....	725,344		725,344
Unrestricted.....	(485,410)	583,440	98,030
TOTAL NET POSITION.....	\$4,928,161	\$4,831,453	\$9,759,614

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES:			
Charges for Services.....	\$ 1,857,569	\$ 795,027	\$ 2,652,596
Taps, Extensions and Permits.....	57,525	788	58,313
Penalties.....	56,188	0	56,188
TOTAL OPERATING REVENUES.....	1,971,282	795,815	2,767,097
OPERATING EXPENSES:			
Personal Services.....	664,498	218,768	883,266
Telephone and Utilities.....	342,928	97,247	440,175
Repairs and Maintenance.....	212,130	208,424	420,554
Supplies.....	314,174	62,626	376,800
Miscellaneous.....	112,242	21,982	134,224
Depreciation.....	412,423	315,252	727,675
Bad Debt Expense.....	2,790	566	3,356
Insurance.....	26,472	12,541	39,013
TOTAL OPERATING EXPENSES.....	2,087,657	937,406	3,025,063
OPERATING INCOME (LOSS).....	(116,375)	(141,591)	(257,966)
NON-OPERATING REVENUES (EXPENSES):			
Gain on Investments.....	8,295	10,170	18,465
Interest Income.....	3,494	4,285	7,779
Net Proceeds from Water Revenue Bonds.....	(146,258)		(146,258)
Interest Expense.....	(130,196)		(130,196)
Gain (Loss) on Disposal of Equipment.....	0		0
TOTAL NON-OPERATING REVENUES (EXPENSES).....	(264,665)	14,455	(250,210)
CHANGE IN NET POSITION.....	(381,040)	(127,136)	(508,176)
TOTAL NET POSITION - Beginning.....	5,309,201	4,958,589	10,267,790
TOTAL NET POSITION - Ending.....	\$4,928,161	\$4,831,453	\$9,759,614

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers.....	\$ 1,970,115	\$ 790,635	\$ 2,760,750
Cash Payments to Suppliers for Goods and Services.....	(848,370)	(295,327)	(1,143,697)
Cash Payments for Employees, Payroll Taxes and Fringe Benefits.....	(645,144)	(219,045)	(864,189)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	476,601	276,263	752,864
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Temporary Loans From (to) Other Funds.....	0	0	0
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES.....	0	0	0
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Water Revenue Bond Proceeds Net.....	126,319	0	126,319
Interest Expense Payments.....	(130,196)	0	(130,196)
Principal Payments on Debt.....	(232,296)	0	(232,296)
Acquisition and Construction of Capital Assets.....	(15,054)	(214,054)	(229,108)
NET CASH PROVIDED BY (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	(251,227)	(214,054)	(465,281)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Income.....	3,494	4,285	7,779
Gain on Investments.....	8,295	10,170	18,465
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES.....	11,789	14,455	26,244
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	237,163	76,664	313,827
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	1,759,589	1,706,465	3,466,054
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 1,996,752	\$ 1,783,129	\$ 3,779,881
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss).....	\$ (116,375)	\$ (141,591)	\$ (257,966)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation.....	412,423	315,252	727,675
(Increase) Decrease in Accounts Receivable.....	(851)	(5,180)	(6,031)
(Increase) Decrease in Other Receivables.....	(316)	0	(316)
(Increase) Decrease in Prepaid Expense.....	7,202	0	7,202
Increase (Decrease) in Accounts Payable.....	152,180	108,059	260,239
Increase (Decrease) in Sales Tax Payable and Deposits.....	2,984	0	2,984
Increase (Decrease) in Compensated Absences.....	19,082	10,777	29,859
Increase (Decrease) in Post Employment Benefits Obligations Payable.....	272	(11,054)	(10,782)
Total Adjustments.....	592,976	417,854	1,010,830
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 476,601	\$ 276,263	\$ 752,864

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	VOLUNTEER FIREMEN'S RELIEF AND PENSION FUND
<hr/>	
ASSETS	
Non-pooled Cash and Cash Equivalents.....	\$ 2,909
Investments.....	<u>52,983</u>
TOTAL ASSETS	<u>55,892</u>
LIABILITIES:	
Accrued Expenses and Other Liabilities.....	<u>0</u>
TOTAL LIABILITIES	<u>0</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$55,892</u></u>

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	VOLUNTEER FIREMEN'S RELIEF AND PENSION FUND
ADDITIONS	
Contributions:	
Employer.....	\$ 302
Plan Members.....	302
Total Contributions.....	<u>604</u>
Investment Income:	
Gain (Loss) on Investments.....	1,123
Interest.....	116
Total Investment Income.....	<u>1,239</u>
TOTAL ADDITIONS	<u>1,843</u>
DEDUCTIONS	
Benefits.....	6,720
Refunds of Contributions.....	231
Administrative Expenses.....	<u>0</u>
TOTAL DEDUCTIONS.....	<u>6,951</u>
CHANGE IN NET ASSETS.....	(5,108)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS BEGINNING OF YEAR...	<u>61,000</u>
NET POSITION HELD IN TRUST FOR PENSION BENEFITS END OF YEAR.....	<u><u>\$55,892</u></u>

See accompanying notes to financial statements.

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

June 30, 2013

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, 2013.

A. Reporting Entity

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

D. Fund Types and Major Funds

Governmental Funds

The City only reports the following major governmental funds.

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

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

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

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

Proprietary Funds

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

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

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

Fiduciary Fund

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

E. Assets, Liabilities, and Net Position or Equity

1. Cash and Investments

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

None of the City’s investments are considered “cash equivalents” for reporting purposes.

Investments are reported at fair value.

2. Inventories and Prepaid Expenses

Inventories consist of books, postcards and other items available for sale to the public at the Besh Ba Gowah Museum (\$19,696).

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

3. Capital Assets and Depreciation

The City’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets beginning July 1, 2009. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City capitalizes assets with a cost of \$1,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs

that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the a cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. The City has elected not to report general infrastructure assets retroactively.

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

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

4. Capitalized Interest

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

5. Compensated Absences

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

City employees are granted vacation leave in varying amounts. In the event of termination or retirement, an employee is reimbursed for any unused accumulated vacation leave up to 240 hours. Unlike sick leave, it and related payroll taxes and other salary-related payments are accrued as a current liability on the assumption that employees may terminate their employment at any time and the City would use current resources to pay the accumulated leave amounts. It is recognized as an expense and current liability on all the City's financial statements.

6. Fund Equity

Government-wide Statements

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

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

Fund Statements

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

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. 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, 2013, \$30,000 of the general fund contingency budget was transferred to the following departments or funds to provide for unexpected additional expenditures:

Community Organizations	\$ 30,000
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For legal compliance budgetary purposes, the modified accrual basis is followed for the utility funds. For the Water Utility fund the changes in net position on the accrual basis of (-\$381,040) plus depreciation (\$412,423), less debt principal retirement (\$232,296), less capital outlay (\$15,054) plus debt proceeds (\$159,017) equals excess expenditures over revenues (-\$56,950) on the modified accrual basis.

For the Sewer Utility fund the changes in net position on the accrual basis of (-\$127,136) plus depreciation (\$315,252), less capital outlay (\$214,054), equals excess expenditures over revenues (-\$25,937) on the modified accrual basis.

The expenditure limit adopted by the City Council under its voter approved home-rule expenditure limitation option was \$24,397,000 for the year ended June 30, 2013. The City's expenditures complied with this expenditure limitation.

III. DETAILED NOTES ON FUNDS

A. Assets

1. Deposits and Investments

Deposits

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

Deposits categorized by level of risk are as follows:

	BANK BALANCE	CATEGORY 1	CATEGORY 2	CARRYING AMOUNT
DEPOSITS:				
Pooled Cash and Cash Equivalents.....	\$ 4,837,140	\$ 500,000	\$4,337,140	\$4,620,780

Investments

For fiscal year 2013, the City invested in the Arizona's Local Government Investment Pool (LGIP). Arizona's Local Government Investment Pool is duly chartered and administered by the State Treasurer's Office. It is an eligible investment according to Arizona Revised Statutes. The City records all interest revenue earned from investment activities in the respective funds. The \$4,415,873 carrying amount is substantially the same as market value at June 30, 2013. Gains on investments amounts represent recovery of prior year investment bankruptcy losses recognized by the LGIP. These losses amounted to \$131,400 in 2002-2003 and \$55,126 in 2008-2009, for a total of \$186,526. Therefore, there is a risk of loss in the LGIP investment.

2. Receivables and Deferred Revenues

The following is a description of significant receivables as of June 30, 2013:

PROPERTY TAXES RECEIVABLE - Property taxes due from County: revenue deferred for amounts assessed by County but uncollected (\$22,236) for governmental fund financial statements			\$ 31,706
ACCOUNTS RECEIVABLE: Sanitation (\$58,549), Water (\$239,623), Sewer (\$75,027).....			373,199
OTHER RECEIVABLES:			
Franchise Fees Receivable	\$ 41,760		
Magistrate Fines Receivable (Deferred for Uncollected Amounts)	205,010		
Wild-Fire Reimbursements Receivable.....	13,537		
Miscellaneous Receivables	51,176		
Water Revenue Bonds Reimbursement Receivable	12,759	324,242	
DUE FROM OTHER GOVERNMENTS:			
City Sales Tax	146,505		
Active Adult Center Grants	22,076		
Other Grants.....	11,405		
Community Development Block Grant.....	0	179,986	
TOTAL			<u>\$ 909,133</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 2012-2013 this levy limit was \$606,026, and the City levied \$518,475 in primary taxes a difference of \$87,551. 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 (\$8,162). Other revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). These amounts are property taxes (\$22,236) and magistrate fines (\$205,010) that have not been collected within sixty days of year end. These total \$227,246 and are recorded as Deferred Inflows of Resources in the governmental fund financial statements.

3. Capital Assets

Changes in Capital Assets

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

	CAPITAL ASSETS, NOT DEPRECIATED		CAPITAL ASSETS, DEPRECIATED			
	LAND	CONSTRUCTION IN PROGRESS	BUILDINGS	STREET INFRASTRUCTURE AND IMPROVEMENTS OTHER THAN BUILDINGS	FURNITURE, MACHINERY AND EQUIPMENT	TOTALS
PRIMARY GOVERNMENT						
<i>Governmental Activities</i>						
Balance, Beginning	\$1,298,822		\$4,056,820	\$4,183,633	\$5,599,529	\$15,138,804
Increases					169,449	169,449
Decreases					(53,193)	(53,193)
Balance, Ending	1,298,822	\$ 0	4,056,820	4,183,633	5,715,785	15,255,060
<i>Accumulated Depreciation</i>						
Balance, Beginning			2,167,154	2,224,496	4,636,666	9,028,316
Increases			129,116	262,022	219,764	610,902
Decreases					(53,194)	(53,194)
Balance, Ending	0	0	2,296,270	2,486,518	4,803,236	9,586,024
<i>Governmental Activities Capital Assets, Net</i>	\$1,298,822	\$ 0	\$1,760,550	\$ 1,697,115	\$ 912,549	\$ 5,669,036
 <i>Business-type Activities</i>						
Balance, Beginning	\$287,893		\$6,618,103	\$ 12,246,574	\$1,278,595	\$20,561,440
Increases	0	\$130,275		112,759	216,349	229,108
Decreases	0				(17,320)	(17,320)
Balance, Ending	287,893	130,275	6,618,103	12,259,333	1,477,623	20,773,228
<i>Accumulated Depreciation</i>						
Balance, Beginning			4,129,001	5,580,940	1,055,935	10,765,876
Increases			193,803	408,924	124,947	727,675
Decreases					(17,319)	(17,319)
Balance, Ending	0	0	4,322,804	5,989,864	1,163,563	11,476,231
<i>Business-type Activities Capital Assets, Net</i>	\$287,893	\$ 130,275	\$2,295,299	\$6,269,469	\$ 314,060	\$ 9,296,997

\$161,942 of the above equipment amounts are being acquired under capital leases or contracts as of June 30, 2013.

Depreciation Expense

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

<i>Governmental Activities</i>		<i>Business-type Activities</i>	
Administration	\$118,764	Water Utility	\$412,423
Police	53,494	Sewer Utility	<u>315,252</u>
Fire	41,891		
Sanitation	40,074	Total	<u>\$727,675</u>
Parks and Recreation	109,876		
Engineering	639		
Museum	5,551		
Streets	211,782		
Maintenance	4,696		
Cemetery	2,070		
Active Adult Center	15,935		
Library	<u>6,130</u>		
Total	<u>\$610,902</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, 2013:

	BALANCE July 1, 2012	ADDITIONS	RETIREMENTS	BALANCE June 30, 2013
Governmental Activities				
Contract Payable:				
Accounting Software.....	\$ 128,582	\$0	\$31,431	\$ 97,151

	BALANCE July 1, 2012	ADDITIONS	RETIREMENTS	BALANCE June 30, 2013
Business Type Activities				
Capital Lease Obligations:				
Radio Meter Reading				
Equipment.....	\$56,750	\$0	\$ 56,750	\$0

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

	WATER UTILITY EASEMENT CONTRACTS	RADIO WATER METER READING EQUIPMENT	ACCOUNTING SOFTWARE CONTRACT
LEASE OR CONTRACT START DATE...	VARIOUS	2-3-06	2-1-12
ASSET COST.....	\$46,297	\$526,313	\$ 161,942
DOWN PAYMENT.....	\$ 0	\$ 0	\$ 33,360
PAYMENT AMOUNT.....	VARIOUS	\$7,201/Month	\$33,360/Year
ASSET PLEDGED-COLLATERAL	NO	YES	YES
INTEREST RATE.....	10%	4.03%	1.5%
INTEREST EXPENSE Reported in Water Utility.....	183	861	
REMAINING PRINCIPAL PAYMENTS:			
2013-2014.....	1,190	0	31,903
2014-2015.....	3,762	0	32,381
2015-2016.....		0	32,867
	\$ 4,952	\$ 0	\$ 97,151

The City had no special assessment debt at June 30, 2013.

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, 2013, water revenues were increased \$1,260 in conjunction with interest expense of \$183 and contract principal retirement of \$1,077.

The above debt amount of \$97,151 is well within the legal debt limit imposed by state statutes: i.e. 6% of the City's assessed valuation of \$39,278,433 or \$2,356,706. The remaining debt limit available to the City is \$2,259,555 at June 30, 2013.

The following is a summary of changes in compensated absences debt for the year ended June 30, 2013:

	BALANCE July 1, 2012	ADDITIONS	RETIREMENTS	BALANCE June 30, 2013	DUE WITHIN ONE YEAR
Compensated Absences					
Vacation & Comp Time	\$627,006	\$677,100	\$(627,006)	\$677,100	\$677,100
Sick Leave.....	258,297	232,839	(258,297)	232,839	0
TOTAL.....	\$ 885,303	\$909,939	\$(885,303)	\$ 909,939	\$677,100

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, 2013, \$4,751,543 had been obtained

from the water bonds and principal of \$174,469 and interest of \$129,153 had been incurred for the year then ended. The debt balance at June 30, 2013, was \$3,636,391. Five annual debt service reserve payments of \$61,653 had been reserved as of June 30, 2013, for a total of \$308,266. Also \$123,306 had been reserved for the Repair and Replacement Reserve requirement.

Remaining payments on the \$3,636,391 are as follows through July 1, 2029.

	Total	Interest	Principal
2013-2014	\$308,265	\$127,855	\$180,410
2014-2015	\$308,265	\$121,712	\$186,553
2015-2016	\$308,265	\$115,360	\$192,905
2016-2017	\$308,265	\$108,792	\$199,473
2017-2018	\$308,265	\$102,000	\$206,265
2018-2023	\$1,541,328	\$399,744	\$1,141,584
2023-2028	\$1,541,328	\$191,655	\$1,349,673
2028-2029	\$ 189,679	\$ 10,151	\$ 179,528
	<u>\$4,813,660</u>	<u>\$1,177,269</u>	<u>\$3,636,391</u>

2. Receivables and Payables

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

The following is a reconciliation of the interfund receivables and payables at June 30, 2013:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES
	Interfund Receivables (Due From)	Interfund Payables (Due To)	Interfund Receivables (Due From)
Water Utility Fund.....			\$500,000
General Fund.....	\$12,492	\$500,000	
Active Adult Center Fund.....		12,492	
	<u>\$12,492</u>	<u>\$512,492</u>	<u>\$500,000</u>

3. Transfers

Transfers within the reporting entity are substantially for the purposes of subsidizing operating functions. The General Fund transferred \$89,090 to the

Active Adult Center Fund, and \$71,224 to the Library Fund and \$496,222 to the Highway Users Fund for the year ended June 30, 2013.

4. Post Employment Employee Health Care Benefits

a. PLAN DESCRIPTION

Due to the projected actuarial costs of the plan, the City terminated the plan for employees retiring from the City of Globe after December 31, 2012. The plan is still in effect for retired employees participating in the plan as of December 31, 2012. Due to the significant expense of obtaining actuarial reports, the City is electing to use the most recent actuarial report to calculate its commitments until another report is prepared. The following plan description is from the June 30, 2011 actuarial report.

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

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

Effective January 1, 2009, all retiree health coverage is through ASRS or Public Safety Personnel Retirement System (PSPRS). The City's current health plan is now for active employees only and those eligible for COBRA. For Arizona residents the only medical/drug option with ASRS or PSPRS is the UHC Choice Plan, which covers all costs after certain co-pays. The UHC Choice annual copay

maximum is \$3,000 per person or \$6,000 per family. ASRS and PSPRS both offer dental options all administered by Assurant Employee Benefits. Included with each dental option are VSP discounts for examinations and eyewear.

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

b. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has engaged an actuary to calculate the ARC and related information per the provisions of GASB Statement 45 for employers in plans with more than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the City's net OPEB obligation to the plan at June 30, 2013.

<u>Annual OPEB Cost</u>	<u>Fiscal Year Ending June 30, 2013</u>
Normal Cost	\$ 8,700
Annual Unfunded Actuarial Accrued Liability	36,100
ARC	44,800
Net OPEB contributions made during the fiscal year	60,551
Net OPEB overfunded obligation for the fiscal year	15,751
Cumulative unfunded obligation at 6-30-12	83,367
Cumulative unfunded obligation at 6-30-13	\$67,616
Percentage of expense contributed (\$60,552/\$44,800)	135.16%

c. FUNDED STATUS AND FUNDING PROGRESS

As of June 30, 2013, the actuarial accrued liability for benefits was \$235,222, of which \$167,606 was unfunded.

d. METHODS AND ASSUMPTIONS

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

Summary of Required Supplementary Information

Valuation Date	June 30, 2011
Actuarial cost method	Projected Unit Credit, level dollar
Amortization method	30-Year Amortization Open, level dollar
Remaining amortization period	30
Asset valuation method	N/A – No assets in irrevocable trust
Actuarial assumptions:	
Investment rate of return	4.50%
Inflation rate	N/A
Projected salary increases	N/A
Assumed increase in health insurance premium reimbursement	None
Plan Membership 6-30-2013:	
Current retirees	<u>9</u>
Total	9

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	\$ 79,727
Water Utility	24,516
Sewer Utility	<u>(36,627)</u>
Total Liability	<u>\$ 67,616</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 2012-2013.....	\$ 71,127
Expenditures.....	<u>0</u>
	71,127
Committed Balance, July 1, 2012.....	<u>654,217</u>
Committed Balance, June 30, 2013.....	\$725,344

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 \$26,428 at June 30, 2013.

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 2012-2013.....	\$ 7,000
Expenditures.....	<u>0</u>
	7,000
Committed Balance, July 1, 2012.....	<u>48,050</u>
Committed Balance, June 30, 2013.....	\$55,050

The library board of directors donated \$40,000 to the City's library for future building improvements. Interest of \$42 and donations of \$288 were allocated to the reserve for the year ended June 30, 2013. The restricted balance at year-end was \$24,548.

IV. RETIREMENT PLANS

A. COST SHARING MULTIPLE EMPLOYER PLANS

Plan Descriptions, Contribution Information and Funding Policies

1. Arizona Public Safety Personnel Retirement System

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

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

I.	GLOBE POLICE	GLOBE FIREFIGHTER'S
Eligibility to Participate	All full-time officers employed by a participating municipality in a covered position prior to attaining age 50 years, for at least 20 hours per week for more than 6 months per year	All full-time officers employed by a participating municipality in a covered position prior to attaining age 50 years, for at least 20 hours per week for more than 6 months per year
Determination of Contribution Requirements.....	Actuarially Determined	Actuarially Determined
Plan Member's Contributions Rate (percent of covered payroll) 2012-2013.....	9.55%	9.55%
City's contribution Rate (percent of covered payroll 2012-2013.....	31.02%	29.78%
Benefits and Eligibility for Distribution	<p><u>For retirement with twenty years of credited service but less than twenty-five years of credited service</u> - 50% of average monthly compensation for the first twenty years of credited service, plus 2% of average monthly compensation for each year of credited service between twenty and twenty-five years</p> <p><u>For retirement with less than twenty years of credited service</u> - the percent of average monthly compensation is reduced by a rate of 4% for each year less than twenty years.</p> <p><u>For retirement with twenty-five or more years of credited service</u> - 50% of average monthly compensation for the first twenty years of credited service plus 2 1/2% of average monthly compensation for each year of credited service above twenty years.</p> <p>The maximum amount payable as a normal retirement pension shall be 80% of the average monthly compensation.</p> <p>Average monthly compensation is one thirty-sixth of total compensation paid a member during the highest three consecutive years, out of the last twenty years of credited service.</p>	<p><u>For retirement with twenty years of credited service but less than twenty-five years of credited service</u> - 50% of average monthly compensation for the first twenty years of credited service, plus 2% of average monthly compensation for each year of credited service between twenty and twenty-five years</p> <p><u>For retirement with less than twenty years of credited service</u> - the percent of average monthly compensation is reduced by a rate of 4% for each year less than twenty years.</p> <p><u>For retirement with twenty-five or more years of credited service</u> - 50% of average monthly compensation for the first twenty years of credited service plus 2 1/2% of average monthly compensation for each year of credited service above twenty years.</p> <p>The maximum amount payable as a normal retirement pension shall be 80% of the average monthly compensation.</p> <p>Average monthly compensation is one thirty-sixth of total compensation paid a member during the highest three consecutive years, out of the last twenty years of credited service.</p>
Period Required to Vest.....	10 years	10 years

Deferred Retirement Option (DROP)

Termination of covered position employment with 10 or more years of credited service. Pension is equal to twice the amount of pension based on the member's accumulated contributions with payments commencing at age 62. Benefit is forfeited if accumulated contributions are withdrawn.

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.....	3	0
Fully vested active members.....	23	18
Retirees and beneficiaries receiving benefits.....	13	11
DROP.....	<u>1</u>	<u>1</u>
Total.....	40	30

II. Trend Information

	City's Annual Pension Cost	Percentage Contributed	City's Annual Pension Cost	Percentage Contributed
2003.....	\$ 90,339	100%	\$ 17,191	100%
2004.....	\$123,843	100%	\$ 43,089	100%
2005.....	\$110,861	100%	\$ 64,317	100%
2006.....	\$131,849	100%	\$ 79,132	100%
2007.....	\$164,348	100%	\$ 115,913	100%
2008.....	\$166,371	100%	\$ 152,607	100%
2009.....	\$247,632	100%	\$ 229,881	100%
2010.....	\$254,889	100%	\$ 208,138	100%
2011.....	\$269,898	100%	\$206,210	100%
2012.....	\$261,843	100%	\$212,239	100%
2013.....	\$350,639	100%	\$256,464	100%

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

Valuation date:	June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent-of-pay closed
Remaining amortization period	23 years for underfunded actuarial accrued liability; 20 years for overfunded
Asset valuation method	7 year smoothed market value 80%/120% market
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5% - 8.5%
Includes payroll growth at	4.5%
Cost of Living Adjustments	None

IV. Funding Progress

a. GASB Statement 25 Disclosure

VALUATION DATE JUNE 30	(1) ACTUARIAL VALUE OF ASSETS	(2) ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE	(3) PERCENT FUNDED (1) / (2)	(4) UNFUNDED AAL (2)-(1)	(5) ANNUAL COVERED PAYROLL	(6) UNFUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL (4) / (5)
POLICE OFFICERS						
2003	\$2,854,480	\$3,310,030	86.2%	\$ 455,550	\$ 778,451	58.5%
2004	\$2,970,185	\$3,761,983	79.0%	\$ 791,798	\$ 880,732	89.9%
2005	\$3,088,728	\$4,214,390	73.3%	\$ 1,125,662	\$ 731,591	153.9%
2006	\$3,042,140	\$4,603,642	66.1%	\$ 1,561,502	\$ 936,852	166.7%
2007	\$3,017,686	\$5,484,100	55.0%	\$ 2,466,414	\$ 954,199	258.5%
2008	\$3,177,459	\$5,443,956	58.4%	\$ 2,266,497	\$1,012,299	223.9%
2009	\$3,478,690	\$5,959,813	58.4%	\$ 2,481,123	\$1,040,198	238.5%
2010	\$3,733,092	\$6,464,638	57.7%	\$ 2,731,546	\$1,158,285	235.8%
2011	\$3,871,913	\$7,167,220	54.0%	\$3,295,307	\$1,028,864	320.3%
2012	\$3,833,491	\$7,935,627	48.3%	\$4,102,136	\$1,245,174	329.4%
2013	\$3,951,965	\$8,262,738	47.8%	\$4,310,773	\$1,096,682	393.1%
FIREFIGHTERS						
2003	\$3,122,426	\$3,062,086	102.0%	\$ (60,340)	\$666,305	-%
2004	\$2,989,691	\$3,382,649	88.4%	\$ 392,958	\$689,309	57%
2005	\$3,147,732	\$3,856,940	81.6%	\$ 709,208	\$693,102	102.3%
2006	\$3,129,304	\$4,096,286	76.4%	\$ 966,982	\$622,372	155.4%
2007	\$3,010,467	\$4,861,263	61.9%	\$1,850,796	\$785,091	235.7%
2008	\$3,185,126	\$4,860,775	65.5%	\$1,675,649	\$887,571	188.8%
2009	\$3,305,527	\$5,525,306	62.9%	\$ 1,949,779	\$958,958	203.3%
2010	\$3,426,868	\$5,474,660	62.6%	\$ 2,047,792	\$912,635	224.4%
2011	\$3,658,089	\$6,132,109	59.7%	\$2,474,020	\$837,638	295.4%
2012	\$3,702,594	\$7,008,467	52.8%	\$3,305,873	\$834,811	396.0%
2013	\$3,636,717	\$7,358,238	49.4%	\$3,721,521	\$884,920	420.6%

b. GASB Statement 45 Disclosure

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

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

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

I.	ARIZONA STATE RETIREMENT SYSTEM	ELECTED OFFICIALS RETIREMENT SYSTEM
Authority establishing contribution obligations and benefits	State statute	State Statute
Plan members' contribution rate (percent of covered payroll) 2012-2013	11.14%	11.5%
City's contribution rate (percent of covered payroll) 2012-2013	11.14%	36.44%
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 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.
Provisions for:		
Cost of living adjustments		
(normal) retirement.....	NO	NO
Death and Survivor.....	YES	YES
Disability.....	YES	YES
Post Retirement Health		
Insurance Subsidy.....	YES	YES
Cost of living allowances.....	YES	YES

II. Trend Information

Contributions required by State statute:

	REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED	REQUIRED CONTRIBUTION	PERCENTAGE CONTRIBUTED
2003.....	\$52,673	100%	\$ 1,506	100%
2004.....	\$124,557	100%	\$ 2,894	100%
2005.....	\$131,313	100%	\$ 2,894	100%
2006.....	\$185,731	100%	\$ 4,622	100%
2007.....	\$258,350	100%	\$ 4,008	100%
2008.....	\$276,065	100%	\$ 4,467	100%
2009.....	\$282,961	100%	\$ 7,686	100%
2010.....	\$264,325	100%	\$ 7,246	100%
2011.....	\$238,169	100%	\$ 8,223	100%
2012.....	\$236,044	100%	\$ 8,727	100%
2013.....	\$236,601	100%	\$10,058	100%

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 \$302 to the pension fund during the year ended June 30, 2013, which was 5% of the covered and total payroll of \$6,040. The volunteer firemen's required and actual contributions amounted to \$302, 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, 2013 \$4,984 in testing and engineering costs had been incurred.

B. Federal and State Grants

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

C. Participation In Public Entity Risk Pool

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

The Pool is financially solvent as of June 30, 2013. However, if the Pool should become insolvent, the City may be assessed an "additional premium" not to exceed the City's annual premium for the year i.e. \$225,601. As long as the City maintains its insurance coverage through the Pool it will have this contingent liability.

D. Subsequent Events

Management of the City has evaluated subsequent events through December 19, 2013. No events, including instances of non-compliance, have occurred subsequent to the balance sheet date and through December 19, 2013 that would require adjustment to or disclosure in the financial statements.

CITY OF GLOBE, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	Original	Final	(Budgetary Basis)	Positive (Negative)
REVENUES:				
State Sales Tax.....	\$ 629,830	\$ 629,830	\$ 616,508	\$ (13,322)
State Revenue Sharing.....	769,310	769,310	769,378	68
Property Tax	518,475	518,475	512,095	(6,380)
Vehicle Lieu Tax.....	431,035	431,035	409,872	(21,163)
City Sales Tax.....	3,500,000	3,500,000	3,724,431	224,431
Bed Tax.....	100,000	100,000	128,433	28,433
Utility Franchise Fees.....	155,000	155,000	171,231	16,231
Business Licenses.....	665,000	665,000	461,745	(203,255)
Licenses and Permits and Other.....	560,000	560,000	286,831	(273,169)
Fines and Forfeitures.....	618,750	618,750	222,277	(396,473)
Sanitation Fees.....	650,000	650,000	625,789	(24,211)
Museum Fees and Product Sales.....	75,000	75,000	59,612	(15,388)
Interest Income.....	15,000	15,000	6,879	(8,121)
Gain on Investments.....	0	0	16,329	16,329
Donations.....	25,000	25,000	2,854	(22,146)
TOTAL REVENUES.....	8,712,400	8,712,400	8,014,264	(698,136)
EXPENDITURES:				
Current:				
Mayor and Council.....	404,230	404,230	270,108	134,122
Contingency.....	1,653,205	1,612,205	0	1,612,205
Legal.....	202,830	202,830	111,527	91,303
Community Organizations.....	100,000	130,000	128,434	1,566
Administration.....	934,860	934,860	730,102	204,758
Police	2,611,050	2,611,050	2,526,537	84,513
Fire.....	1,777,250	1,777,250	1,763,102	14,148
Sanitation.....	656,500	656,500	608,734	47,766
Parks	396,830	396,830	337,584	59,246
Recreation.....	116,555	116,555	21,898	94,657
Cemetery.....	72,545	72,545	69,588	2,957
Magistrate.....	403,620	403,620	215,871	187,749
Museum.....	196,685	196,685	190,484	6,201
Maintenance.....	600,615	600,615	231,163	369,452
Engineering.....	72,340	72,340	34,303	38,037
Capital Outlay.....	1,971,695	1,971,695	63,191	1,908,504
Debt Service:				
Principal.....	28,000	28,000	31,431	(3,431)
Interest.....	2,000	2,000	1,929	71
TOTAL EXPENDITURES.....	12,200,810	12,189,810	7,335,986	4,853,824
EXCESS OF REVENUES OVER (UNDER) EXPENDITURE:	(3,488,410)	(3,477,410)	678,278	4,155,688
OTHER FINANCING SOURCES (USES):				
Transfer to Active Adult Center Fund.....	(105,245)	(105,245)	(89,090)	16,155
Transfer to Highway Users Fund.....	(817,250)	(817,250)	(496,222)	321,028
Transfer to Library Fund.....	(61,195)	(72,195)	(71,224)	971
Proceeds of Long Term Debt Obligations.....	1,500,000	1,500,000	0	(1,500,000)
TOTAL OTHER FINANCING SOURCES (USES).....	516,310	505,310	(656,536)	(1,161,846)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES.....	(2,972,100)	(2,972,100)	21,742	2,993,842
FUND BALANCE, BEGINNING.....	2,972,100	2,972,100	3,637,934	665,834
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 3,659,676	\$ 3,659,676

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
HIGHWAY USERS FUND
FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Highway Users Tax	\$687,625	\$687,625	\$668,539	(19,086)
TOTAL REVENUES.....	687,625	687,625	668,539	(19,086)
EXPENDITURES:				
Personal Services.....	444,375	444,375	410,219	34,156
Supplies, Repairs, and Other.....	83,500	83,500	175,383	(91,883)
Street Lighting.....	280,000	280,000	292,311	(32,311)
Street Repairs.....	720,000	720,000	274,643	445,357
Capital Outlay.....	0	0	12,205	(12,205)
TOTAL EXPENDITURES.....	1,507,875	1,507,875	1,164,761	343,114
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(820,250)	(820,250)	(496,222)	324,028
OTHER FINANCING SOURCES:				
Transfer from General Fund.....	817,250	817,250	496,222	(321,028)
TOTAL OTHER FINANCING SOURCES.....	817,250	817,250	496,222	(321,028)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	3,000	3,000	0	3,000
FUND BALANCE, BEGINNING.....	0	0	0	0
FUND BALANCE, ENDING.....	\$ 3000	\$ 3000	\$ 0	\$ 3000

CITY OF GLOBE, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Grants - Federal.....	\$ 2,482,758	\$2,482,758	\$ 94,802	\$ (2,387,956)
Grants - Non -Federal.....	17,242	17,242	7,770	(9,472)
TOTAL REVENUES.....	2,500,000	2,500,000	102,572	(2,397,428)
EXPENDITURES:				
Arizona Dept. of Emergency Management Services				
Fire Fighter Training - Non-Federal.....	652	652	652	0
Arizona Department of Transportation				
Railroad Depot Rehab SLS9601D - Federal.....	530,404	530,404	3,622	526,782
Library Grants				
2012 SGIA State Grant - Non-Federal.....	348	348	348	0
2013 SGIA State Grant - Non-Federal.....	2,000	2,000	300	1,700
2013 LSTA Media Bank Grant - Federal.....	0	0	9,227	(9,227)
Walmart Police Department Grant - Non-Federal.....	2,000	2,000	0	2,000
State of Arizona Department of Homeland Security-Federal				
2011 Multi-Jurisdiction Dispatch and Communications Redundancy Equipment 888304-01.....	81,953	81,953	81,953	0
Gila County Economic Development Grants				
Old Dominion Mine Park Improvements-Non-Federal.....	7,268	7,268	368	6,900
Active Adult Center - Non-Federal.....	3,848	3,848	3,848	0
Emergency Food and Shelter Program - Non-Federal				
Active Adult Center LRO 024800-011.....	1,127	1,127	2,254	(1,127)
Other Grants - Federal	1,870,400	1,870,400	0	1,870,400
TOTAL EXPENDITURES.....	2,500,000	2,500,000	102,572	2,397,428
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	0	0	0	0
FUND BALANCE, BEGINNING.....	0	0	0	0
FUND BALANCE, ENDING	\$ 0	\$ 0	\$ 0	\$ 0

SCHEDULE 4

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
ACTIVE ADULT CENTER FUND
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$63,757	(\$1,493)
Cash in Lieu of Commodities - Federal..	3,500	3,500	6,929	3,429
ALTCS - State.....	250	250	1,076	826
Gila County Contribution.....	3,000	3,000	5,878	2,878
Total Grant Revenues.....	72,000	72,000	77,640	5,640
Donations.....	0	0	78	78
Program Income.....	27,000	27,000	26,146	(854)
City Contribution In-Kind.....	7,950	7,950	7,950	0
TOTAL REVENUES.....	106,950	106,950	111,814	4,864
EXPENDITURES:				
Personal Services.....	128,375	128,375	113,097	15,278
Transportation Costs.....	9,185	9,185	11,329	(2,144)
Space Costs.....	24,950	24,950	26,436	(1,486)
Food Supplies.....	42,940	42,940	38,639	4,301
Other Operating Costs.....	6,745	6,745	10,256	(3,511)
Capital Outlay.....	0	0	1,147	(1,147)
TOTAL EXPENDITURES.....	212,195	212,195	200,904	11,291
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(105,245)	(105,245)	(89,090)	16,155
OTHER FINANCING SOURCES:				
Transfer from General Fund.....	105,245	105,245	89,090	(16,155)
TOTAL OTHER FINANCING SOURCES..	105,245	105,245	89,090	(16,155)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	0	0	0	0
FUND BALANCE, BEGINNING.....	0	0	0	0
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
LIBRARY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		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	9,700	9,700	9,476	(224)
Interest Income.....	0	0	42	42
TOTAL REVENUES.....	126,450	126,450	126,268	(182)
EXPENDITURES:				
Personal Services.....	144,420	144,420	143,212	1,208
Supplies, Repairs, and Other.....	28,800	28,800	34,107	(5,307)
Books and Periodicals.....	15,850	15,850	18,117	(2,267)
Capital Outlay.....	22,365	22,365	1,726	20,639
TOTAL EXPENDITURES.....	211,435	211,435	197,162	14,273
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(84,985)	(84,985)	(70,894)	14,091
OTHER FINANCING SOURCES:				
Transfer from General Fund.....	61,195	61,195	71,224	10,029
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	(23,790)	(23,790)	330	24,120
FUND BALANCE, BEGINNING.....	23,790	23,790	24,218	428
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 24,548	\$ 24,548

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
WATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Water Revenues.....	\$ 2,052,500	\$ 2,052,500	\$ 1,857,569	\$ (194,931)
Taps, Extensions and Permits.....	38,700	38,700	57,525	18,825
Penalties.....	63,000	63,000	56,188	(6,812)
Interest Income.....	0	0	3,494	3,494
Gain on Investments.....	0	0	8,295	8,295
TOTAL REVENUES.....	2,154,200	2,154,200	1,983,071	(171,129)
EXPENDITURES:				
Personal Services.....	657,465	657,465	664,498	(7,033)
Supplies, Repairs and Other.....	946,700	946,700	1,010,736	(64,036)
Capital Outlay.....	2,857,670	2,857,670	15,054	2,842,616
Debt Service.....	395,170	395,170	362,492	32,678
TOTAL EXPENDITURES.....	4,857,005	4,857,005	2,052,780	2,804,225
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,702,805)	(2,702,805)	(69,709)	2,633,096
OTHER FINANCING SOURCES (USES):				
Proceeds from Water Revenue Bonds	230,000	230,000	12,759	(217,241)
Proceeds from Disposal of Equipment.....	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES).....	230,000	230,000	12,759	(217,241)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES.....	(2,472,805)	(2,472,805)	(56,950)	2,415,855
FUND BALANCE, BEGINNING.....	2,472,805	2,472,805	2,410,166	(62,639)
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 2,353,216	\$ 2,353,216

SCHEDULE 7

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
SEWER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Sewer Revenues.....	\$ 905,000	\$ 905,000	\$ 795,027	\$ (109,973)
Taps, Extensions and Permits.....	10,000	10,000	788	(9,212)
Interest Income.....	0	0	4,285	4,285
Gain on Investments.....	0	0	10,170	10,170
Miscellaneous.....	142,750	142,750	0	(142,750)
TOTAL REVENUES.....	1,057,750	1,057,750	810,270	(247,480)
EXPENDITURES:				
Personal Services.....	285,870	285,870	218,768	67,102
Supplies, Repairs and Other.....	395,300	395,300	403,385	(8,085)
Capital Outlay.....	2,164,525	2,164,525	214,054	1,950,471
TOTAL EXPENDITURES.....	2,845,695	2,845,695	836,207	2,009,488
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,787,945)	(1,787,945)	(25,937)	1,762,008
FUND BALANCE, BEGINNING.....	1,787,945	1,787,945	1,791,720	3,775
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 1,765,783	\$ 1,765,783

CITY OF GLOBE, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

	ACTIVE ADULT CENTER	LIBRARY	TOTAL
- ASSETS -			
Pooled Cash and Cash Equivalents.....		\$ 34,537	\$ 34,537
Non-Pooled Cash and Cash Equivalents.....		35	35
Due from Other Governments.....	\$22,076		22,076
TOTAL ASSETS.....	\$22,076	\$ 34,572	\$ 56,648

- LIABILITIES AND FUND BALANCES -

LIABILITIES:

Accounts Payable.....	\$ 8,075	\$ 4,198	\$ 12,273
Compensated Absences.....	1,509	5,826	7,335
Due to Other Funds.....	12,492	0	12,492
TOTAL LIABILITIES.....	22,076	10,024	32,100

FUND BALANCES:

Restricted for Library Improvements.....		24,548	24,548
TOTAL FUND BALANCES.....	0	24,548	24,548
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 22,076	\$ 34,572	\$ 56,648

CITY OF GLOBE, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013

	ACTIVE ADULT CENTER	LIBRARY	TOTAL
REVENUES:			
Interest Income.....		\$ 42	42
Grant Revenue.....	\$ 77,640		77,640
Fines and Donations.....	78	9,476	9,554
Active Adult Program Income.....	34,096		34,096
County Library Property Tax.....		116,750	116,750
TOTAL REVENUES.....	111,814	126,268	238,082
EXPENDITURES:			
Current:			
Library.....		195,436	195,436
Active Adult Center.....	199,757		199,757
Capital Outlay.....	1,147	1,726	2,873
TOTAL EXPENDITURES.....	200,904	197,162	398,066
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(89,090)	(70,894)	(159,984)
OTHER FINANCING SOURCES (USES):			
Transfer from General Fund.....	89,090	71,224	160,314
NET OTHER FINANCING SOURCES (USES).....	89,090	71,224	160,314
NET CHANGE IN FUND BALANCES.....	0	330	330
FUND BALANCES, Beginning.....	0	24,218	24,218
FUND BALANCES, Ending.....	\$ 0	\$ 24,548	\$ 24,548

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

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Globe, Arizona as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the City of Globe, Arizona's basic financial statements and have issued my report thereon dated December 19, 2013.

Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Globe, Arizona's financial statements are free from 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*.

Purpose of this Report

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



Mesa, Arizona
December 19, 2013