

CITY OF SAFFORD
REPORT ON AUDIT OF ANNUAL
EXPENDITURE LIMITATION REPORT
FOR THE YEAR ENDED JUNE 30, 2017

CITY OF SAFFORD
ANNUAL EXPENDITURE LIMITATION REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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INDEPENDENT ACCOUNTANTS' REPORT

The Auditor General of the State of Arizona and
The Honorable Mayor and City Council
of the City of Safford, Arizona

We have examined the accompanying Annual Expenditure Limitation Report of City of Safford, Arizona for the year ended June 30, 2017. The City's management is responsible for presenting this report in accordance with the uniform expenditure reporting system as described in Note 1. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether this report is presented in accordance with the uniform expenditure reporting system in all material respects. An examination involves performing procedures to obtain evidence about the amounts and disclosures in the report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the report, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of City of Safford, Arizona, referred to above is presented in accordance with the uniform expenditure reporting system as described in Note 1 in all material respects.

Henry + Horne LLP

Casa Grande, Arizona
December 21, 2017

CITY OF SAFFORD
 ANNUAL EXPENDITURE LIMITATION REPORT - PART I
 Year Ended June 30, 2017

1	Economic Estimates Commission expenditure limitation	\$ 93,166,633
2	Voter-approved alternative expenditure limitation	<u>-</u>
3	Enter applicable amount from line 1 or line 2	\$ 93,166,633
4	Amount subject to the expenditure limitation (total amount from Part II, Line C)	30,029,971
5	Board-authorized expenditures necessitated by a disaster declared by the Governor (Article IX, Sec. 20(2)(a), Arizona Constitution)	N/A
6	Board-authorized expenditures necessitated by a disaster not declared by the Governor (Article IX, Sec. 20(2)(b), Arizona Constitution)	N/A
7	Prior-year voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year (Article IX, Sec. 20(2)(c), Arizona Constitution)	<u>N/A</u>
8	Subtotal	30,029,971
9	Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters (Article IX, Sec. 20(2)(b), Arizona Constitution)	N/A
10	Total adjusted amount subject to the expenditure limitation	<u>30,029,971</u>
11	Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation)	<u>\$ 63,136,662</u>

I hereby certify, to the best of my knowledge and belief, that the information contained in this report is accurate and in accordance with the requirements of the uniform expenditure reporting system.

Signature of Chief Fiscal Officer: 

Name and Title: Alma Flores, Finance Officer

Telephone Number: (928) 432-4032 Date: 12/21/17

CITY OF SAFFORD
ANNUAL EXPENDITURE LIMITATION REPORT - PART II
Year Ended June 30, 2017

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Amounts reported on the Reconciliation Line D	<u>\$ 15,476,234</u>	<u>\$17,683,025</u>	<u>\$ 3,764,560</u>	<u>\$ 36,923,819</u>
B. Less exclusions claimed:				
1 Bond proceeds	-	-	-	-
Debt service requirements on bonded indebted	-	-	-	-
Debt service requirements on other long-term	-	-	-	-
obligations				
2 Dividends, interest and gains on the sale or	-	-	-	-
redemption of investment securities				
3 Trustee or custodian	-	-	-	-
4 Grants and aid from the Federal government	907,551	-	-	-
5 Grants, aid, contributions, or gifts from a	-	-	-	-
private agency, organization, or individual				
except amounts received in lieu of taxes				
6 Amounts received from the State of Arizona	1,187,556	-	-	-
7 Quasi-external interfund transactions	-	-	3,764,560	-
8 Amounts accumulated for the purchase of	-	-	-	-
land, and the purchase or construction of				
buildings or improvements				
9 Highway user revenues in excess of those	626,455	-	-	-
received in fiscal year 1979-80				
10 Contracts with other political subdivisions	-	-	-	-
11 Refunds, reimbursements, and other recoveries	-	-	-	-
12 Voter-approved exclusions not identified above	-	-	-	-
(attach resolution)				
13 Prior years carryforward	110,516	297,210	-	407,726
14 Qualifying capital improvement expenditures	-	-	-	-
repaid in accordance with A.R.S A.R.S. §41-				
1279.07				
15 Total exclusions claimed	<u>2,832,078</u>	<u>297,210</u>	<u>3,764,560</u>	<u>-</u>
C. Amount subject to the expenditure limitation	<u>12,644,156</u>	<u>17,385,815</u>	<u>-</u>	<u>30,029,971</u>
(If an individual fund type amount is negative,				
reduce exclusions claimed to net to zero.)	<u>\$ 12,644,156</u>	<u>\$17,385,815</u>	<u>\$ -</u>	<u>\$ 30,029,971</u>

CITY OF SAFFORD
ANNUAL EXPENDITURE LIMITATION REPORT - RECONCILIATION
Year Ended June 30, 2017

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund based financial statements	\$ 15,495,969	\$ 16,670,198	\$ 4,169,796	\$ 36,335,963
B. Subtractions				
1 Items not requiring use of working capital:				
Depreciation	-	2,088,678	827,598	2,916,276
Loss on disposal of capital assets	-	10,771	-	10,771
Bad debt expense	-	130,555	-	130,555
Other postemployment benefits (OPEB) expense	-	-	-	-
Claims incurred but not reported	-	-	-	-
Landfill closure and postclosure care costs	-	150,000	-	150,000
Pension Expense	-	257,749	136,978	394,727
2 Expenditures of separate legal entities established under Arizona Revised Statute	-	-	-	-
3 Required fees paid to the Arizona Department of Revenue	19,735	-	-	19,735
4 Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	-	-	-	-
5 Involuntary court judgments	-	-	-	-
6 Total subtractions	19,735	2,637,753	964,576	3,622,064
C. Additions:				
1 Principal payments on long-term debt	-	151,989	79,192	231,181
2 Acquisition of capital assets	-	3,269,840	335,228	3,605,068
3 Amounts paid in the current year but reported as expenses in previous years:				
OPEB	-	-	-	-
Claims previously recognized as IBNR	-	-	-	-
Landfill closure and postclosure care costs	-	-	-	-
4 Pension contributions paid in the current year	-	228,751	144,920	373,671
5 Total additions	-	3,650,580	559,340	4,209,920
D. Amounts reported on Part II, Line A	\$ 15,476,234	\$ 17,683,025	\$ 3,764,560	\$ 36,923,819

CITY OF SAFFORD, ARIZONA
NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
Year Ended June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting as prescribed by the Uniform Expenditure Reporting System (UERS), as required by Arizona Revised Statutes §41-1279.07, which excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20 from the total expenditures, expenses or deductions reported in the fund financial statements.

In accordance with the UERS requirements, a note to the AELR is presented below for any exclusion claimed on part II and each subtraction or addition in the Reconciliation that cannot be traced directly to an amount reported in the fund financial statements. All references to financial statement amounts in the following notes refer to the Statement of Revenues, Expenditures, and Changes in Fund Balances for the Governmental Funds, Statement of Revenues, Expenses, and Changes in Net Position for the Proprietary Funds, and Statement of Cash Flows for the Proprietary Funds.

NOTE 2 RECONCILIATION DEDUCTIONS AND ADDITIONS

The deductions for depreciation and pension expense and the additions for principal payments, the acquisition of capital assets, and pension contributions are all provided in the Statement of Revenues, Expenses, and Changes in Fund Net Position for the proprietary funds; the Statement of Cash Flows for the proprietary funds and the financial statement footnotes 4, 5, and 8.

The addition of \$231,181 for principal payments on long-term debt in the Enterprise and Internal Service Funds consists of \$140,000 paid on bonds payable and \$11,989 paid on loans payable, and \$79,192 paid on capital leases during the current fiscal year. The addition for the acquisition of capital assets consists of \$3,605,068 paid for various capital assets in the Water and Sewer funds as well as Internal Service Funds.

The subtraction of \$394,727 for pension expense consists of the change in the net pension liability recognized in the current year in the Enterprise Funds. The addition of \$373,671 for pension contributions paid in the current year consists of the required pension contributions made to the Arizona State Retirement System from the Enterprise Funds.

CITY OF SAFFORD, ARIZONA
 NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
 Year Ended June 30, 2017

NOTE 3 GRANTS AND AID FROM THE FEDERAL GOVERNMENT, STATE OF ARIZONA,
 AND HIGHWAY USER REVENUES

The exclusion claimed for grants and aid from the Federal Government, State of Arizona, and Highway User Revenues is presented on the following schedule. The amounts excluded do not exceed expenditures for such revenues.

	Governmental funds	Proprietary funds
Intergovernmental Revenues		
Grants and aid from the Federal government	\$ 907,551	\$ -
Amounts received from the State of Arizona	1,187,556	-
Highway user revenues in excess of those received in fiscal year 1979-80 see note 4.	626,455	-
Other revenues - non-excludable	2,780,255	-
Total intergovernmental revenues as reported in the fund financial statements	<u>\$ 5,501,817</u>	<u>\$ -</u>

NOTE 4 HIGHWAY USER REVENUES IN EXCESS OF FISCAL YEAR 1979-80

The deduction for the highway user revenues in excess of fiscal year 1979-80 was calculated as follows:

HURF revenues received in FY17	\$ 774,986
HURF revenues received in FY80	(148,531)
Revenues available for exclusion	<u>\$ 626,455</u>
Actual FY17 HURF expenditures	\$ 1,510,635
Less expenditure from other revenues	(735,649)
Net FY17 HURF expenditures	\$ 774,986
Amount equal to FY80 revenues expended in FY17	(148,531)
Excludable HURF expenditures in FY17	<u>\$ 626,455</u>
Revenues available for exclusion	\$ 626,455
Revenues claimed as an exclusion	(626,455)
Unspent revenues available for carry forward	<u>\$ -</u>

CITY OF SAFFORD, ARIZONA
 NOTES TO ANNUAL EXPENDITURE LIMITATION REPORT
 Year Ended June 30, 2017

NOTE 5 CARRY FORWARDS FOR INVESTMENT INCOME AND STATE REVENUES

The following schedule presents beginning carry forwards for investment income and state revenues reported in City's 2016 AELR, carry forward used, carry forward earned and unused in the current fiscal year, and the remaining carry forward balances available for future years.

	<u>Governmental funds</u>	<u>Proprietary funds</u>
	<u>General Fund</u>	<u>Utility Funds</u>
Beginning amount of carry forward	\$ 84,071	\$ 217,718
Carry forward used	-	-
Carry forward earned and unused	<u>26,445</u>	<u>79,492</u>
Remaining carry forward available for future year	<u>\$ 110,516</u>	<u>\$ 297,210</u>