



COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

YEAR ENDED JUNE 30, 2014  
WITH REPORT OF  
CERTIFIED PUBLIC ACCOUNTANTS

Prepared by the City of Safford  
Department of Finance

**CITY OF SAFFORD, ARIZONA**

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January 24, 2014

Honorable Mayor, Members of City Council and  
Citizens of Safford, Arizona:

State law mandates that cities publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a certified public accounting firm licensed in the State of Arizona. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Safford, Arizona for the fiscal year ended June 30, 2014.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with accounting principles generally accepted in the United States of America. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by HintonBurdick, P.L.L.C., a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2014, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated Single Audit as required by the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments and Non-Profit Organizations designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in a separately issued Single Audit Reporting Package.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE CITY**

The City is located in Graham County in the southeastern part of Arizona on the banks of the Gila River. To the southwest of the City lie the Pinaleno (Graham) Mountains. As of the 2010 census, the City had a population of 9,455. In 2013, the City of Safford's population was 9,602.

In 1873, a small party of hardy prisoners made their first camp on the bank of the river in the valley of the Pueblo Viejo, as the valley was known at that time, on the land now owned by the Chiricahua Cattle Company. The settlers were joined by a few others and they laid out the present townsite under the townsite laws of the United States, and put up a few rude buildings as a commencement of a town and named it after the then Governor, A.P.K. Safford, who always took a lively interest in its development. Later, the town of Safford was incorporated in October, 1901 and changed to City of Safford in 1955.

The City serves a trade center of over 37,000 people in Graham County. Retail trade and services play a significant role in the economy of the area. The city's largest employers are Freeport-McMoRan Copper (4,045 employees), Mount Graham Regional Hospital (532 employees), Safford Unified Schools (247 employees) and Wal-Mart (320 employees). Other major employers in the area include the Arizona State Prison Complex – Safford (378 employees), Eastern Arizona College (208 employees), and the Federal Correctional Institution – Safford (207 employees). Agriculture has also been a mainstay of the Safford and Graham County economy with cotton the principal commodity produced.

The Mt. Graham International Observatory (MGIO), located on Mt. Graham in the Pinaleno Mountains near Safford, operates and maintains the three telescopes currently on Mt. Graham. Two of the telescopes in operation are the Vatican Advanced Technology Telescope (VATT) and the Heinrich Hertz Submillimeter Telescope (SMT). A third telescope, the Large Binocular Telescope (LBT), is a large, powerful optical telescope which has a number of universities, institutes and observatories from Arizona, Ohio, Germany and Italy as partners. The MGIO Base Camp is located at the eastern base of Mt. Graham, six miles south of Safford and the observatory is another 30 miles. Annually the observatory has received between 400 – 600 visitors. However, during fiscal year 2013-14 the observatory began providing additional week day tours and they saw a huge increase in visitors with over 800 visitors. With the positive response for including week day tours, MGIO will continue to offer week day tours along with its Saturday schedule.

The construction of Freeport-McMoRan's San Juan/Dos Probes open pit copper mine north of Safford had a significant impact on Safford's economy. Construction on this project began in 2006 and production of copper began in December 2007, with full production in 2008. The mine was the first new large-scale copper mine in Arizona in more than 30 years. Freeport also has a state of the art Process Technology Center and a high-tech analysis center in the area.

The City provides a full range of services including police and fire protection, sanitation and landfill services, construction and maintenance of streets, a City owned airport, and recreational and cultural activities, including a public pool and library. Additional services provided by the City include water, gas, electric, and sewer and a waste water reclamation plant.

The annual budget serves as the foundation for the City's financial planning and control. The City Council formally adopts the budget and legally allocates or appropriates expenditures for the City's various funds. Expenditures may not legally exceed appropriations at the individual fund level.

Management presents a proposed line item budget to the Mayor and City Council for review after staff has analyzed revenue and expenditure data. Once presented to Council a plan is formulated to maximize the use of projected resources in order to provide the most efficient means of financing general government, utilities and special projects. The budget cycle begins in January. The budget is tentatively approved in June with final adoption in July along with the setting of the Property tax levy. The City Council is required to hold a public hearing on the proposed budget and adopts the final budget in July. The City has adopted budgets in accordance with A.R.S. requirements for the General and Special Revenue Funds.

## **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

**Local Economy:** Safford is the County seat for Graham County and the retail hub for over 37,000 people. Safford's tax base consists of a variety of tax categories the most significant being taxes applicable to retail sales.

In fiscal year 2013-14, the City saw local sales tax revenue increase by 8% over fiscal year 2012-13 collections. City sales tax represents 83% of its total taxes collected and 38% of the City's total revenues. Retail sales taxes accounts for 70% of the total sales tax collected, making it the main driver in the city sales tax revenues.

The mining industry has taken a front seat in Graham County over the past eight years with Freeport-McMoRan's construction of an open pit copper mine north of Safford. As previously mentioned, production at Freeport-McMoRan's open-pit copper mine began in 2008 in full production. With the copper mining industry playing such a key part in Safford's economic well-being, it is critical to monitor the industries' economic conditions both locally and at the national level.



Key factors the City evaluates when monitoring Freeport-McMoRan and the copper mining industry is their financial reports, company's stock price/value, copper prices, and overall demand for copper locally and nationally.

**Long-term financial planning.** Economic factors stemming from the nation's recession continue to improve in fiscal year 2012-13. State Shared Revenues increased by 5% compared to the prior fiscal year with the largest share in Urban Revenue Sharing (9%) and State Sales Tax (6%) of the total increase. Highway User Revenues improved over fiscal year 2012-13 collections by 4%.

Future forecasts in these revenue categories are at risk as the State of Arizona continues to deal with its budget deficiencies. Revenue projections provided by the Legislature's Finance Advisory Committee show that Arizona will end the fiscal year 2015 with a \$520 million deficit and up to \$1 billion deficit in the coming fiscal year 2016. Public and private economists predict that the estimated deficit to the state's budget is driven by a slowly recovering economy and the effect of business tax cuts that will reduce overall tax collections.

The City continues to deal with the allocation of its limited resources in order to provide the same level of services to its citizens for the upcoming fiscal year's budget. Forecasts for City revenues in fiscal year 2013-14 show a slow recovery with conservative revenue growth projections. The City is in the process of creating a new five-year plan to project future financial needs for the City's capital expenditure projects for fiscal year 2015-16. The City is unique in comparison to most Arizona cities and towns in that it provides water, wastewater, gas, electric and landfill utility services to its citizens. Separate utility funds continue to be presented on the 2013-14 financial report for each utility.

The City provides electric, gas and wastewater services to customers within its boundaries. Also, the City provides water services for customers both within and out City limits. As of June 30, 2014 the City's wastewater system served 3,627 customers with one treatment facility plant (capacity of 2 MGD). Electric and gas services are provided by the City to customers primarily residing in Safford with 4,076 electric customers and 3,553 gas accounts. The water system provided water to 8,054 customers both inside the city limits (3,819 accounts) and in the surrounding area of Graham County (4,235 accounts).

In order to maintain healthy financial operations, including sufficient debt service coverage and capital needs, the City continues to monitor and analyze each utility's rate structures recommending rate studies and adjustments when deemed necessary. In fiscal year 2012-13, a water and wastewater rate study was conducted with a revised tiered water rate structure implemented in 2013-14.

## **AWARDS AND ACKNOWLEDGMENTS**

**Awards.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the year ended June 30, 2013. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements. This was the sixteenth year the City received this prestigious award.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certification.

**Acknowledgments.** The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the efficient and dedicated services of the entire staff of the Financial Services Department who assisted and contributed in its preparation. We thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

In closing, without the leadership and support of the City Council, preparation of this report would not have been possible.

Respectfully submitted,



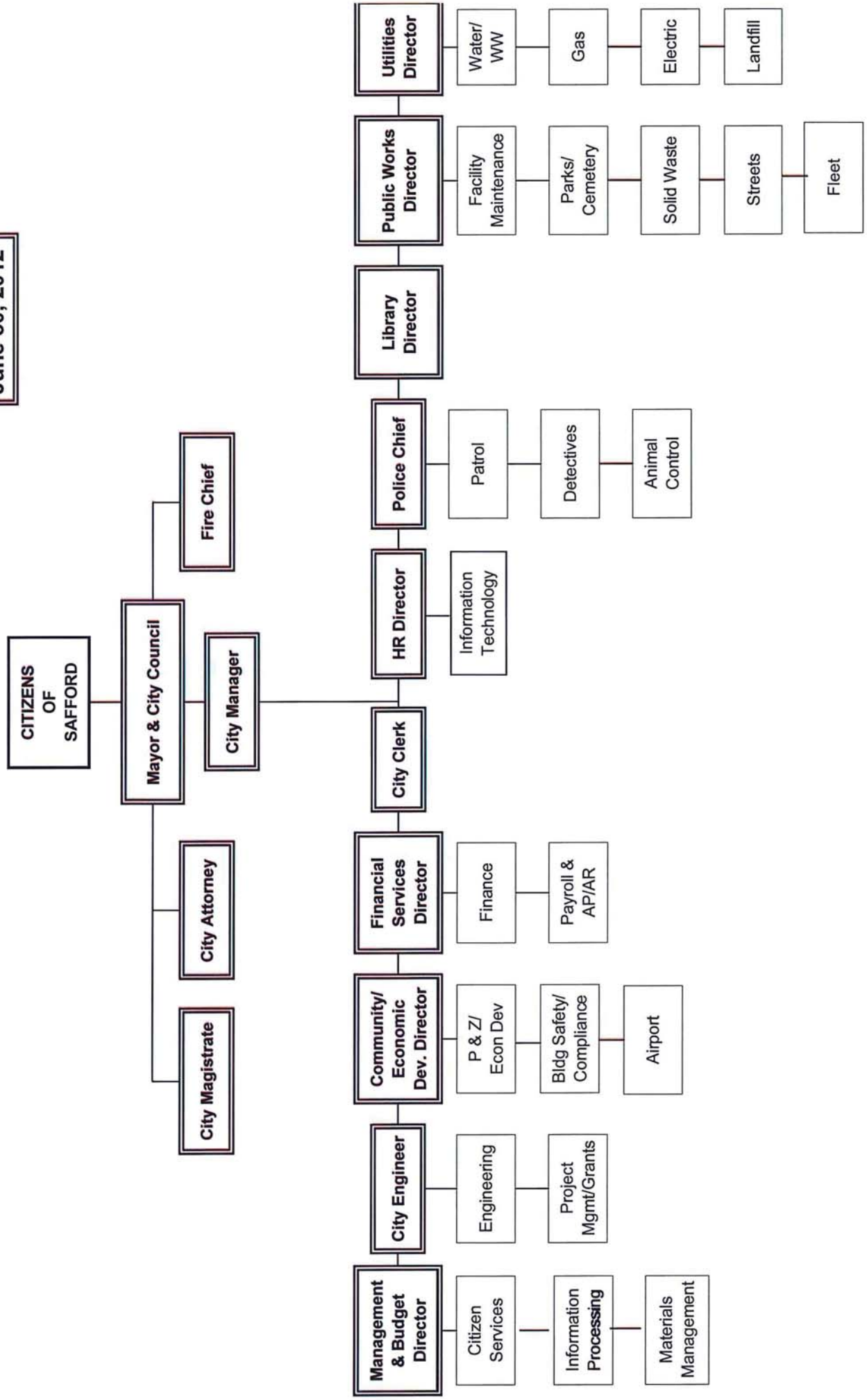
Terry Quest  
Finance Director



Horatio Skeet  
City Manager

# ORGANIZATIONAL CHART

June 30, 2012



**CITY OF SAFFORD, ARIZONA  
LIST OF CITY OFFICIALS**

**Elected Officials**

Mayor . . . . . Wyn C. Gibbs  
Vice Mayor . . . . . Mary Bingham  
Council member . . . . . James D. Howes  
Council member . . . . . Arnold Lopez  
Council member . . . . . Richard L. Ortega  
Council member . . . . . Ken Malloque  
Council member . . . . . Gene Seale

**Staff**

City Manager . . . . . Horatio Skeete  
Interim City Attorney . . . . . William J. Sims  
City Clerk . . . . . Georgia Luster  
City Magistrate . . . . . D. Corey Sanders, Esq.

**Department Directors**

Financial Services Director . . . . . Terry Quest  
Fire Chief . . . . . Clark Bingham  
Police Chief . . . . . Joe Burgman  
Planning and Community Services Director . . . . . Dustin Welker  
Public Works Director . . . . . Jenny Howard  
Utilities Director . . . . . Eric Buckley  
Human Resources Director . . . . . Christine Fisher  
City Engineer . . . . . Randy Petty  
Library Director . . . . . LeAnne McElroy



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
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Presented to

**City of Safford  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO

**FINANCIAL SECTION**

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## Independent Auditors' Report

The Honorable Mayor and  
City Council  
City of Safford, Arizona

### Report on the Financial Statements

We 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 Safford, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for 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 control 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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our 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 Safford, Arizona, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance 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, the public safety retirement system information, and budgetary comparison information 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Safford, Arizona's basic financial statements. The introductory section, supplementary budget and actual statements, combining non-major fund financial statements, nonmajor fund budget and actual statements, combining internal service fund financial statements, and statistical section listed are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary budget and actual statements, combining non-major fund financial statements, nonmajor fund budget and actual statements, and combining internal service fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary budget and actual statements, combining non-major fund financial statements, nonmajor fund budget and actual statements, and combining internal service fund financial statements are fairly stated, in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2015, on our consideration of the City of Safford, Arizona's internal control over financial reporting and on our 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 our 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 City of Safford, Arizona's internal control over financial reporting and compliance.



HintonBurdick, PLLC  
Flagstaff, Arizona  
January 24, 2015

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**CITY OF SAFFORD, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2014**

As management of the City of Safford, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2014. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity (3) identify changes in the City's financial position (4) identify any material deviations from the financial plan (the approved budget) and (5) individual fund issues or concerns.

The discussion and analysis (MD&A) has a different focus and purpose than the transmittal letter of this report, and is designed to be read in conjunction with the transmittal letter as well as the basic financial statements beginning on page 14 and the accompanying notes to the basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The City's total net position at the close of the fiscal year was \$93,861,909. This amount is comprised of \$77,891,993 in capital assets net of related debt, \$217,609 in nonspendable assets, \$2,669,789 of restricted net position and \$13,082,518 in unrestricted net position.
- Governmental net position increased by \$4,525,399 and Business-Type net position increased by \$985,291, net of restatement adjustments.
- Total City Sales tax revenue increased by 8.44 percent from last year and still is the single largest revenue in the budget.
- Improvements totaling nearly \$3.5 million were added to the City's water system. In addition, improvements of approximately \$.67 million were made to the electric system while \$3.3 million of assets were added to the City's governmental activities.
- Overall the City's total long-term debt decreased by nearly \$1.5 million during the current fiscal year. Total debt service principal payments on loans, bonds, and capital leases were approximately \$1.6 million leaving \$17.8 million in outstanding loans, bonds, and capital leases at the close of the year.
- The General Fund's fund balance decreased by \$2,399,343 to \$1,280,484. The main reason for the large decrease was from the elimination of long outstanding interfund balances. The General Fund's unassigned fund balance represents 9.7% of total General Fund expenditures, excluding transfers out, for the fiscal year.
- The net positions of the Landfill, Water, Gas, and Electric funds increased by \$60,271, \$2,727,946, \$142,159, and \$6,937 respectively while the Wastewater fund reported a decrease of \$78,137.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net position and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements.

## **Reporting the City as a Whole**

### **The Statement of Net Position and the Statement of Activities (Government-wide)**

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. Net position, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the City's property tax base or condition of the City's infrastructure to accurately assess the overall health of the City.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, public works/streets, economic development, culture and recreation, and interest on long-term debt. Sales tax, federal grants, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The City charges a fee to customers that is intended to cover all or most of the cost of the services provided for landfill, water, wastewater, gas, and electric services.

## **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$93.86 million as of June 30, 2014 as shown in the following condensed statement of net position. The City has chosen to account for its landfill, water, wastewater, gas, and electric operations in enterprise funds which are shown as Business Activities.

### City of Safford Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Current and other assets	\$ 6,774,952	\$ 4,027,694	\$ 21,027,214	\$ 20,075,730	\$ 27,802,166	\$ 24,103,424
Capital assets	37,480,171	36,374,757	58,396,770	55,773,853	95,876,941	92,148,610
Total assets	<u>44,255,123</u>	<u>40,402,451</u>	<u>79,423,984</u>	<u>75,849,583</u>	<u>123,679,107</u>	<u>116,252,034</u>
Long-term liabilities outstanding	9,625,802	10,366,878	16,986,481	14,574,408	26,612,283	24,941,286
Other liabilities	760,303	691,954	2,444,612	2,267,575	3,204,915	2,959,529
Total liabilities	<u>10,386,105</u>	<u>11,058,832</u>	<u>19,431,093</u>	<u>16,841,983</u>	<u>29,817,198</u>	<u>27,900,815</u>
Net position:						
Net investment in capital assets	29,268,578	27,349,488	48,623,415	45,199,095	77,891,993	72,548,583
Nonspendable	87,637	47,223	129,972	93,631	217,609	140,854
Restricted	2,390,620	1,071,188	279,169	279,169	2,669,789	1,350,357
Unrestricted	2,122,183	875,720	10,960,335	13,435,705	13,082,518	14,311,425
Total net position	<u>\$ 33,869,018</u>	<u>\$ 29,343,619</u>	<u>\$ 59,992,891</u>	<u>\$ 59,007,600</u>	<u>\$ 93,861,909</u>	<u>\$ 88,351,219</u>

The City has \$123,679,107 in total assets, with \$95,876,941 in capital assets (net of depreciation). The City's landfill, water, wastewater, gas, and electric enterprise fund operations are included in the Business-type activities column. These operations are capital intensive, using a large portion of their resources to maintain and replace major equipment and facilities.

### Governmental Activities

The City's programs include: General Government, Public Safety, Highways and Streets, Sanitation, Culture and Recreation, and Economic and Community Development. Each programs' net cost (total cost less revenues generated by the activities) is presented on the following page. The net cost shows the extent to which the City's general taxes support each of the City's programs.

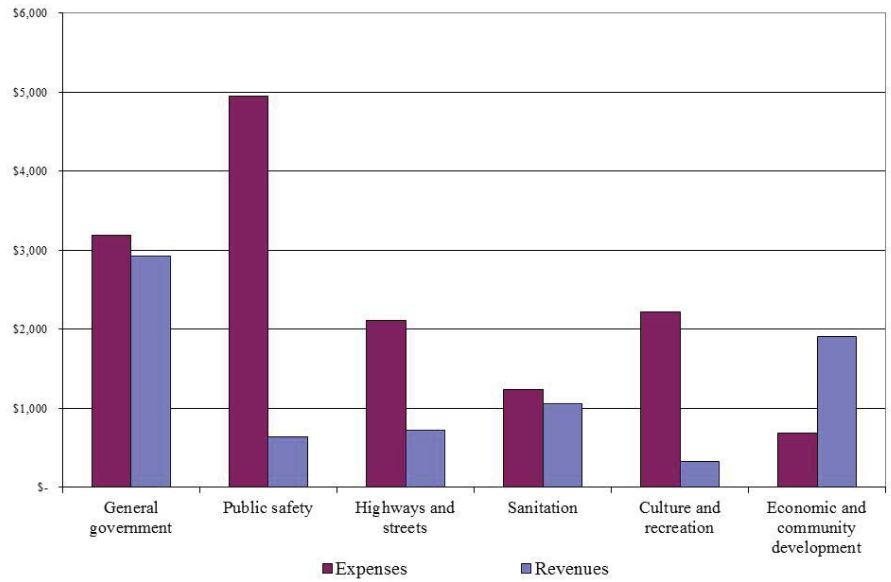
**City of Safford**  
**Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Revenues:						
Program revenues:						
Charges for services	\$ 4,591,439	\$ 4,601,845	\$ 21,324,767	\$ 19,882,726	\$ 25,916,206	\$ 24,484,571
Operating grants and contributions	960,254	897,058	-	-	960,254	897,058
Capital grants and contributions	2,029,410	334,183	1,718,482	2,756,504	3,747,892	3,090,687
General revenues:						
Taxes	9,047,606	8,479,099	-	-	9,047,606	8,479,099
State revenue sharing	1,066,252	977,146	-	-	1,066,252	977,146
Investment earnings	11,830	16,442	32,217	66,738	44,047	83,180
Other revenue/(expense)	293,770	366,725	-	-	293,770	366,725
Total revenues	<u>18,000,561</u>	<u>15,672,498</u>	<u>23,075,466</u>	<u>22,705,968</u>	<u>41,076,027</u>	<u>38,378,466</u>
Expenses:						
General government	3,192,161	3,150,383	-	-	3,192,161	3,150,383
Public safety	4,952,160	4,902,300	-	-	4,952,160	4,902,300
Highways and streets	2,117,746	2,071,690	-	-	2,117,746	2,071,690
Sanitation	1,239,595	1,220,126	-	-	1,239,595	1,220,126
Culture and recreation	2,220,900	2,107,606	-	-	2,220,900	2,107,606
Economic and community developmen	689,070	994,423	-	-	689,070	994,423
Interest on long-term debt	439,867	474,406	-	-	439,867	474,406
Airport	-	-	-	-	-	-
Landfill	-	-	1,207,653	1,113,660	1,207,653	1,113,660
Water	-	-	3,771,822	3,988,802	3,771,822	3,988,802
Wastewater	-	-	2,574,004	2,635,860	2,574,004	2,635,860
Gas	-	-	2,315,875	2,569,018	2,315,875	2,569,018
Electric	-	-	7,837,997	7,012,872	7,837,997	7,012,872
Total expenses	<u>14,851,499</u>	<u>14,920,934</u>	<u>17,707,351</u>	<u>17,320,212</u>	<u>32,558,850</u>	<u>32,241,146</u>
Increase (Decrease) in net position before transfers	3,149,062	751,564	5,368,115	5,385,756	8,517,177	6,137,320
Transfers	<u>1,376,337</u>	<u>30,070</u>	<u>(1,376,337)</u>	<u>(30,070)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in net position	4,525,399	781,634	3,991,778	5,355,686	8,517,177	6,137,320
Net position, beginning	29,343,619	23,339,935	59,007,600	58,798,961	88,351,219	82,138,896
Prior period adjustment	-	5,222,050	(3,006,487)	(5,147,047)	(3,006,487)	75,003
Net position, ending	<u>\$ 33,869,018</u>	<u>\$ 29,343,619</u>	<u>\$ 59,992,891</u>	<u>\$ 59,007,600</u>	<u>\$ 93,861,909</u>	<u>\$ 88,351,219</u>

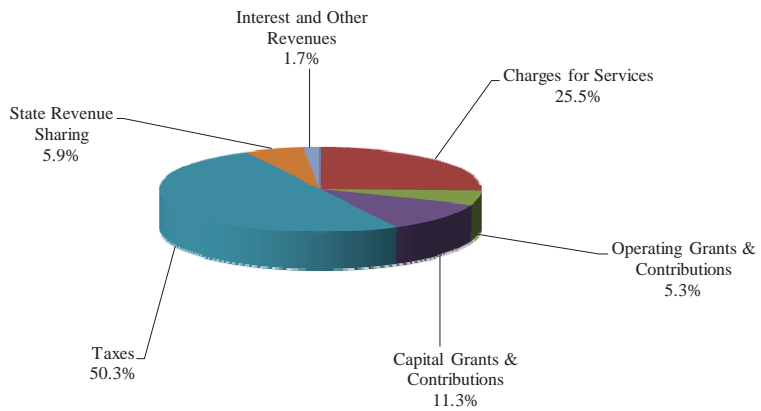
Total resources available during the year to finance governmental operations were \$47.34 million consisting of program revenues of \$7.58 million and General Revenues of \$10.42 million and net position at July 1, 2013 of \$29.34. Total Governmental expenses during the year were \$14.85 million. Net position was increased \$4.53 million to \$33.87 million which includes net transfers in of \$1.38 million.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all government activities.

**Expenses and Program Revenues - Governmental Activities  
(in Thousands)**



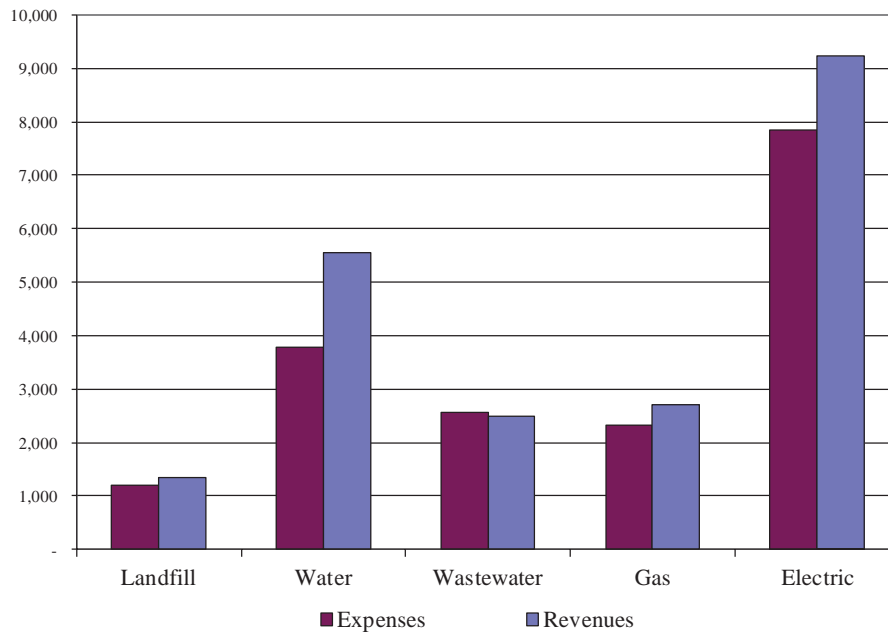
**Revenue By Source - Governmental Activities**



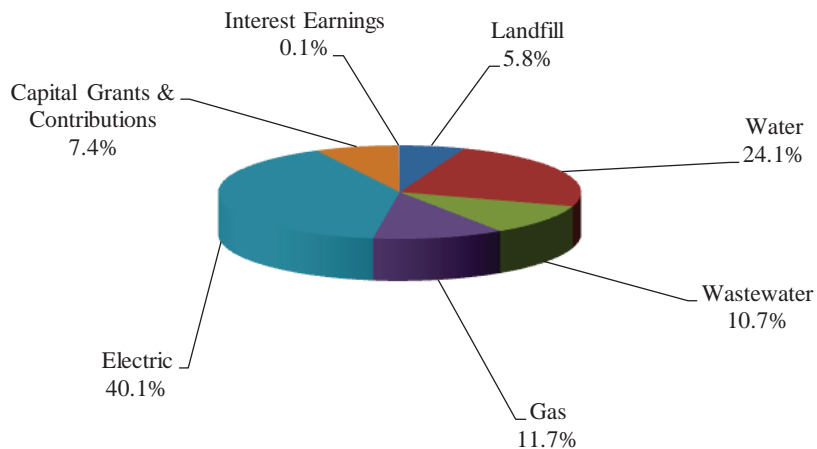
## Business Type Activities

Net Position of the Business Type activities at June 30, 2014, as reflected in the Statement of Net Position, was \$57.9 million. The cost of providing all Proprietary (Business Type) activities this year was \$17.66 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the systems were \$21.16 million and there were \$3.34 million subsidized by grant revenues. Net position decreased by \$147,311, net of a negative \$3.0 million restatement adjustment and operating transfers out of \$2.2 million.

**Expenses and Program Revenues - Business-Type Activities**  
(in Thousands)



**Revenue By Source - Business-type Activities**





## **Financial Analysis of the Government's Funds**

As noted earlier, the City of Safford uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the City of Safford's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Safford's governmental funds reported combined ending fund balances of \$3.72 million, an increase of \$2.56 million in comparison with the prior year. Approximately 34% of this total amount or \$1.23 million constitutes unassigned fund balance. The remainder of the fund balance is restricted or committed because it has already been committed 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The General Fund is the chief operating fund of the City of Safford. At the end of the current fiscal year, total fund balance in the general fund was \$1.28 million of which all but \$42,488 is unassigned. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 9.7% of total general fund expenditures (excluding transfers) which is consistent with the GFOA's recommended percentages of 5% - 15%.

During the year, the City of Safford's general fund balance decreased by \$2.4 million primarily due to large transfers to other funds which were made to eliminate long outstanding interfund balances.

The Highway User Revenue Fund has a fund balance of \$44,104. The fund balance increased by \$3.64 million from the prior year primarily due to large transfers from other funds which were made to eliminate long outstanding interfund balances.

The Street Reserve Fund has a fund balance of \$2.37 million. The fund balance increased by \$1.32 million from the prior year primarily due to the receipt of tax revenues which are being accumulated for future street projects.

Each of the proprietary funds reported increases to their net position with the exception of the wastewater fund. The Landfill fund has a deficit net position of \$5.40 million as of June 30, 2014.

## **Budgetary Highlights**

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all major special revenue funds. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$14,218,756, on a budgetary basis, were less than the budget of \$19,408,639 by \$5,189,883. The variance in budget to actual numbers related primarily to \$4 million in revenues budgeted as "contingency". The city utilizes this category as a contingency to account for potential revenues such as unexpected grant revenues. Additionally budgeted grants of approximately \$1.3 million were not received in the fiscal year.

Annual expenditures for the General Fund (excluding transfers) of \$12,778,799 were approximately 59% of the budgeted expenditures of \$21,692,404, a variance of \$8,913,605. The variance in budget to actual numbers related to expenditures of \$4,000,000 budgeted as “contingency”. It is the practice of the City to budget for contingencies so that if resources become available the necessary budgeted expense is available. Additionally unrealized grants impacting budgeted police, library and airport expenditures and capital outlay.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, vehicles, buildings, land, park facilities, roads, and assets used to provide water, wastewater, electric, gas, and other services to the City’s citizens. At the end of fiscal year 2014, net capital assets of the government activities totaled \$36.4 million and the net capital assets of the business-type activities totaled \$55.7 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

### **Debt**

At year-end, the City had \$10.3 million in governmental type debt, and \$12 million in business-type debt. During the current fiscal year there were no new debt issues and the City’s total debt decreased by \$2 million as a result of regularly scheduled debt service payments. (See note 7 to the financial statements for detailed descriptions.)

## **NEXT YEAR’S BUDGET AND ECONOMIC FACTORS**

The adopted combined operating and capital expenditure budget for fiscal year 2014-15 totals \$48.28 million, an increase of \$10.11 million or approximately 26% more than fiscal year 2013-14.

The increase in the fiscal year 2014-15 budget is primarily driven by an increase in budgeted grant funded capital expenditures including improvements to the City’s airport and other capital projects.

## **CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City’s finances for all of those with an interest in the government’s finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to: City of Safford, Financial Services Department, P.O. Box 272, Safford, AZ 85548, or call (928) 432-4031.

Or visit our website at: <http://www.cityofsafford.us/> or email: [tquest@ci.safford.az.us](mailto:tquest@ci.safford.az.us)

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## **BASIC FINANCIAL STATEMENTS**

**CITY OF SAFFORD, ARIZONA**  
**Statement of Net Position**  
**June 30, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,727,411	\$ 15,348,763	\$ 21,076,174
Receivables (net of allowance)	959,764	2,557,676	3,517,440
Inventory	140	1,551,118	1,551,258
Prepaid items	87,637	129,972	217,609
Temporarily restricted assets:			
Cash and cash equivalents	-	1,439,685	1,439,685
Capital assets (net of accumulated depreciation):			
Land	2,716,356	-	2,716,356
Infrastructure	16,527,642	51,806,419	68,334,061
Buildings and improvements	3,303,871	-	3,303,871
Improvements other than buildings	7,082,520	57,401	7,139,921
Machinery, equipment and vehicles	4,895,124	156,544	5,051,668
Construction in progress	2,954,658	6,376,406	9,331,064
Total assets	<u>44,255,123</u>	<u>79,423,984</u>	<u>123,679,107</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	744,453	1,284,096	2,028,549
Deposits held for others	-	1,160,516	1,160,516
Unearned revenue	15,850	-	15,850
Noncurrent liabilities:			
Landfill closure and post closure payable	-	6,387,115	6,387,115
Due within one year	1,149,120	1,074,936	2,224,056
Due in more than one year	8,476,682	9,524,430	18,001,112
Total liabilities	<u>10,386,105</u>	<u>19,431,093</u>	<u>29,817,198</u>
<b>Net Position</b>			
Net investment in capital assets	29,268,578	48,623,415	77,891,993
Nonspendable:			
Prepays	87,637	129,972	217,609
Restricted for:			
Highways and streets	2,366,902	-	2,366,902
Public Safety	23,718	-	23,718
Debt service	-	279,169	279,169
Unrestricted	2,122,183	10,960,335	13,082,518
Total net position	<u>\$ 33,869,018</u>	<u>\$ 59,992,891</u>	<u>\$ 93,861,909</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Statement of Activities**  
**For the Year Ended June 30, 2014**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 3,192,161	\$ 2,925,974	\$ -	\$ -	\$ (266,187)	\$ -	\$ (266,187)
Public safety	4,952,160	422,780	215,708	-	(4,313,672)	-	(4,313,672)
Highways and streets	2,117,746	-	690,409	28,861	(1,398,476)	-	(1,398,476)
Sanitation	1,239,595	1,058,977	-	-	(180,618)	-	(180,618)
Culture and recreation	2,220,900	58,011	54,137	218,578	(1,890,174)	-	(1,890,174)
Economic and community development	689,070	125,697	-	1,781,971	1,218,598	-	1,218,598
Interest on long-term debt	439,867	-	-	-	(439,867)	-	(439,867)
Total governmental activities	14,851,499	4,591,439	960,254	2,029,410	(7,270,396)	-	(7,270,396)
<b>Business-type activities:</b>							
Landfill	1,207,653	1,342,304	-	-	-	134,651	134,651
Water	3,771,822	5,562,149	-	1,678,072	-	3,468,399	3,468,399
Wastewater	2,574,004	2,478,847	-	40,410	-	(54,747)	(54,747)
Gas	2,315,875	2,697,397	-	-	-	381,522	381,522
Electric	7,837,997	9,244,070	-	-	-	1,406,073	1,406,073
Total business-type activities	17,707,351	21,324,767	-	1,718,482	-	5,335,898	5,335,898
Total primary government	\$ 32,558,850	\$ 25,916,206	\$ 960,254	\$ 3,747,892	(7,270,396)	5,335,898	(1,934,498)
General Revenues:							
Taxes:							
Property tax					228,994	-	228,994
City sales tax					6,607,750	-	6,607,750
Franchise tax					909,208	-	909,208
Auto fee in lieu tax					469,003	-	469,003
State sales tax					832,651	-	832,651
State revenue sharing					1,066,252	-	1,066,252
Unrestricted investment earnings					11,830	32,217	44,047
Gain on sale of capital assets					60,414	-	60,414
Other					233,356	-	233,356
Transfers					1,376,337	(1,376,337)	-
Total general revenues & transfers					11,795,795	(1,344,120)	10,451,675
Change in net position					4,525,399	3,991,778	8,517,177
Net position - beginning					29,343,619	59,007,600	88,351,219
Prior period adjustment					-	(3,006,487)	(3,006,487)
Net position - ending					\$ 33,869,018	\$ 59,992,891	\$ 93,861,909

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

<b>Assets</b>	General Fund	Highway User Revenue Fund	Street Reserve Fund	Non-major Funds	Total Governmental Funds
Cash and cash equivalents	\$ 1,142,909	\$ 4,234	\$ 2,276,770	\$ 26,499	\$ 3,450,412
Receivables:					
Other	280,944	-	-	-	280,944
Intergovernmental	525,020	63,168	90,132	-	678,320
Due from other funds	-	-	-	-	-
Prepaid items	42,488	8,961	-	-	51,449
<b>Total assets</b>	<b>\$ 1,991,361</b>	<b>\$ 76,363</b>	<b>\$ 2,366,902</b>	<b>\$ 26,499</b>	<b>\$ 4,461,125</b>
<b>Liabilities</b>					
Accounts payable	\$ 417,104	\$ 13,098	\$ -	\$ 1,518	\$ 431,720
Accrued wages and benefits	266,941	19,161	-	-	286,102
Unearned revenue	26,832	-	-	1,263	28,095
Due to other funds	-	-	-	-	-
<b>Total liabilities</b>	<b>710,877</b>	<b>32,259</b>	<b>-</b>	<b>2,781</b>	<b>745,917</b>
<b>Fund Balances:</b>					
Nonspendable	42,488	8,961	-	-	51,449
Restricted for:					
Public safety - Magistrate	-	-	-	23,718	23,718
Highways and streets	-	-	2,366,902	-	2,366,902
Unassigned	1,237,996	35,143	-	-	1,273,139
<b>Total fund balances</b>	<b>1,280,484</b>	<b>44,104</b>	<b>2,366,902</b>	<b>23,718</b>	<b>3,715,208</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,991,361</b>	<b>\$ 76,363</b>	<b>\$ 2,366,902</b>	<b>\$ 26,499</b>	<b>\$ 4,461,125</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Reconciliation of Total Governmental Fund Balances**  
**To Net Position of Governmental Activities**  
**June 30, 2014**

Total governmental fund balances	\$	3,715,208
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 51,779,755	
Less accumulated depreciation	<u>(19,103,059)</u>	32,676,696
<p>Internal service funds are used by management to charge the cost of certain activities to individual funds. Certain assets and liabilities, net of internal balances, of the Interagency Motor Pool Fund are included in governmental activities in the Statement of Net Position.</p>		
		6,860,073
<p>Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Bonds payable	\$ (6,710,000)	
Deferred amount of bond premium	(152,541)	
Capital leases	(552,256)	
Loans payable	(585,225)	
Compensated absences	(534,086)	
OPEB obligations	<u>(861,096)</u>	(9,395,204)
<p>Delinquent property taxes receivable are not current financial resources and are therefore classified as unearned revenue in the funds, however these amounts are recognized as revenue in the governmental activities.</p>		
		<u>12,245</u>
Total net position of governmental activities	\$	<u><u>33,869,018</u></u>

The accompanying notes are an integral part of the financial statements.



**CITY OF SAFFORD, ARIZONA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2014**

<b>REVENUES</b>	General Fund	Highway User Revenue Fund	Street Reserve Fund	Non-major Funds	Totals (Memorandum Only)
Taxes	\$ 6,568,363	\$ -	\$ 1,177,589	\$ -	\$ 7,745,952
Licenses, permits and fees	55,972	-	-	-	55,972
Intergovernmental revenue	4,616,564	690,409	-	53,139	5,360,112
Charges for services	2,837,209	-	-	-	2,837,209
Fines and forfeitures	65,576	-	-	4,302	69,878
Interest	10,725	-	-	-	10,725
Other revenues	64,347	169,008	-	-	233,355
Total revenues	<u>14,218,756</u>	<u>859,417</u>	<u>1,177,589</u>	<u>57,441</u>	<u>16,313,203</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,800,833	-	-	-	2,800,833
Public safety	4,450,627	-	-	7,039	4,457,666
Highways and streets	-	1,272,160	-	-	1,272,160
Sanitation	1,119,239	-	-	-	1,119,239
Culture and recreation	1,528,042	-	-	21,737	1,549,779
Economic and community development	598,661	-	-	-	598,661
Capital outlay	2,162,475	237,939	-	75,024	2,475,438
Debt service:					
Principal	94,691	-	-	448,769	543,460
Interest and fiscal charges	24,231	-	-	394,045	418,276
Total expenditures	<u>12,778,799</u>	<u>1,510,099</u>	<u>-</u>	<u>946,614</u>	<u>15,235,512</u>
Excess of revenues					
Over (Under) Expenditures	<u>1,439,957</u>	<u>(650,682)</u>	<u>1,177,589</u>	<u>(889,173)</u>	<u>1,077,691</u>
<b>Other Financing Sources (Uses):</b>					
Transfers out	(3,839,300)	-	(326,964)	-	(4,166,264)
Transfers in	-	4,292,262	469,003	888,977	5,650,242
Total other financing Sources (Uses)	<u>(3,839,300)</u>	<u>4,292,262</u>	<u>142,039</u>	<u>888,977</u>	<u>1,483,978</u>
Net change in fund balances	(2,399,343)	3,641,580	1,319,628	(196)	2,561,669
Fund balances, beginning of year	<u>3,679,827</u>	<u>(3,597,476)</u>	<u>1,047,274</u>	<u>23,914</u>	<u>1,153,539</u>
Fund balances, end of year	<u>\$ 1,280,484</u>	<u>\$ 44,104</u>	<u>\$ 2,366,902</u>	<u>\$ 23,718</u>	<u>\$ 3,715,208</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balance of Governmental Funds**  
**To The Statement of Activities**  
**For the Year Ended June 30, 2014**

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

Net change in fund balances - total governmental funds	\$	2,561,669
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital outlay	\$	2,707,362
Depreciation expense		<u>(1,344,517)</u>
		1,362,845
<p>Repayment of long-term debt (e.g., bonds, leases) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		543,460
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences	\$	51,170
OPEB obligations		<u>(123,770)</u>
		(72,600)
<p>Amortization of bond premium.</p>		
		11,734
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the Interagency Motor Pool is reported with governmental activities.</p>		
		118,291
Change in net position of governmental activities	<u>\$</u>	<u>4,525,399</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

	Business-type Activities - Enterprise Funds			
	Landfill	Water	Wastewater	Gas
<b>Assets</b>				
Current Assets:				
Cash and investments	\$ 809,912	\$ 1,479,257	\$ 2,571,272	\$ 1,310,136
Receivables (net of allowance)				
Accounts receivable	95,656	718,472	250,972	167,316
Intergovernmental	-	324,323	-	-
Due from other funds	-	-	-	-
Inventories	-	-	-	-
Prepaid items	8,217	26,797	12,057	25,504
Total current assets	<u>913,785</u>	<u>2,548,849</u>	<u>2,834,301</u>	<u>1,502,956</u>
Noncurrent Assets:				
Restricted cash and investments	53,328	472,708	233,412	257,823
Capital Assets:				
Infrastructure	389,718	40,981,557	27,157,682	5,408,572
Buildings and improvements	-	-	-	-
Improvements other than buildings	-	-	-	-
Machinery, equipment and vehicles	-	-	-	-
Construction in progress	2,613	4,902,331	69,309	296,477
Accumulated depreciation	(201,809)	(17,586,348)	(8,212,899)	(3,265,613)
Total capital assets	<u>190,522</u>	<u>28,297,540</u>	<u>19,014,092</u>	<u>2,439,436</u>
Total noncurrent assets	<u>243,850</u>	<u>28,770,248</u>	<u>19,247,504</u>	<u>2,697,259</u>
<b>Total Assets</b>	<u>1,157,635</u>	<u>31,319,097</u>	<u>22,081,805</u>	<u>4,200,215</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	43,831	155,555	67,362	39,707
Accrued payroll and employee benefits	12,687	35,705	14,291	15,984
Due to other funds	-	-	-	-
Deposits held for others	53,328	321,667	105,284	257,823
Bonds payable - current	-	-	-	-
Leases payable - current	-	-	-	-
Loans payable - current	-	605,671	89,265	-
Compensated absences - current	21,258	57,505	30,308	19,105
Total current liabilities	<u>131,104</u>	<u>1,176,103</u>	<u>306,510</u>	<u>332,619</u>
Noncurrent liabilities:				
Bonds payable, net of current portion	-	-	-	-
Leases payable, net of current portion	-	-	-	-
Loans payable, net of current portion	-	5,181,085	1,452,333	-
Compensated absences, net of current portion	4,455	24,645	12,989	7,815
Post employment benefits	30,368	230,006	53,047	69,389
Landfill closure and postclosure payable	6,387,115	-	-	-
Total noncurrent liabilities	<u>6,421,938</u>	<u>5,435,736</u>	<u>1,518,369</u>	<u>77,204</u>
<b>Total liabilities</b>	<u>6,553,042</u>	<u>6,611,839</u>	<u>1,824,879</u>	<u>409,823</u>
<b>Net Position</b>				
Net investment in capital assets	190,522	22,510,784	17,472,494	2,439,436
Nonspendable	8,217	26,797	12,057	25,504
Restricted for debt service	-	151,041	128,128	-
Unrestricted	(5,594,146)	2,018,636	2,644,247	1,325,452
<b>Total net position</b>	<u>\$ (5,395,407)</u>	<u>\$ 24,707,258</u>	<u>\$ 20,256,926</u>	<u>\$ 3,790,392</u>

The accompanying notes are an integral part of the financial statements.

		Governmental Activities	
Electric	Totals	Internal Service Funds	
\$ 8,591,513	\$ 14,762,090	\$ 2,863,673	
1,000,937	2,233,353	-	
-	324,323	500	
-	-	-	
-	-	1,551,258	
36,243	108,818	57,342	
<u>9,628,693</u>	<u>17,428,584</u>	<u>4,472,773</u>	
422,414	1,439,685	-	
13,190,500	87,128,029	-	
-	-	407,867	
-	-	68,677	
-	-	12,509,529	
1,105,676	6,376,406	-	
(6,054,941)	(35,321,610)	(7,968,654)	
<u>8,241,235</u>	<u>58,182,825</u>	<u>5,017,419</u>	
<u>8,663,649</u>	<u>59,622,510</u>	<u>5,017,419</u>	
<u>18,292,342</u>	<u>77,051,094</u>	<u>9,490,192</u>	
715,957	1,022,412	162,863	
19,043	97,710	27,743	
-	-	-	
422,414	1,160,516	-	
130,000	130,000	-	
-	-	128,109	
-	694,936	-	
38,946	167,122	91,440	
<u>1,326,360</u>	<u>3,272,696</u>	<u>410,155</u>	
2,315,000	2,315,000	-	
-	-	83,462	
-	6,633,418	-	
16,690	66,594	45,982	
91,090	473,900	-	
-	6,387,115	-	
<u>2,422,780</u>	<u>15,876,027</u>	<u>129,444</u>	
<u>3,749,140</u>	<u>19,148,723</u>	<u>539,599</u>	
5,796,235	48,409,471	4,805,848	
36,243	108,818	57,342	
-	279,169	-	
8,710,724	9,104,913	4,087,403	
<u>\$ 14,543,202</u>	<u>\$ 57,902,371</u>	<u>\$ 8,950,593</u>	

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Reconciliation of the Statement of Net Position – Proprietary Funds**  
**To the Statement of Net Position – Business-type Activities**  
**June 30, 2014**

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Total net position of proprietary funds		\$ 57,902,371
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Internal service funds are used by management to charge the cost of certain activities to individual funds, therefore, certain assets and liabilities, net of internal balances, are included in the business-type activities on the Statement of Net Position

Warehousing Fund	\$ 1,504,568	
Administrative Services Fund	585,952	
		2,090,520

Total net position of business-type activities		<u>\$ 59,992,891</u>
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The accompanying notes are an integral part of the financial statements.

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**CITY OF SAFFORD, ARIZONA**  
**Statement Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	Business-type Activities - Enterprise Funds			
	Landfill	Water	Wastewater	Gas
<b>Operating Revenues</b>				
Charges for services	\$ 1,281,083	\$ 5,536,039	\$ 2,471,555	\$ 2,693,543
Other income	61,221	26,110	7,292	3,854
Total operating revenues	<u>1,342,304</u>	<u>5,562,149</u>	<u>2,478,847</u>	<u>2,697,397</u>
<b>Operating Expenses</b>				
Contract services	475,854	278,561	329,224	398,641
Gas and power purchases	-	-	-	916,475
Depreciation	33,844	893,752	640,895	95,919
Franchise taxes	-	256,086	-	134,256
Insurance	29,293	37,705	22,538	126,779
Miscellaneous	139,026	48,309	113,143	16,856
Outside services	67,868	5,152	-	-
Professional fees	38,688	130,246	593,710	8,112
Rental	60,000	2,596	11,411	2,122
Salaries, wages, and benefits	224,856	928,820	493,819	473,208
Supplies	133,973	1,181,775	24,815	136,953
Utilities	4,251	135,560	293,041	6,554
Total operating expenses	<u>1,207,653</u>	<u>3,898,562</u>	<u>2,522,596</u>	<u>2,315,875</u>
Operating income (loss)	<u>134,651</u>	<u>1,663,587</u>	<u>(43,749)</u>	<u>381,522</u>
<b>Non-operating Revenues (Expenses)</b>				
Investment earnings	1,892	3,171	1,960	3,446
Interest and fiscal charges	-	(182,180)	(51,408)	-
Gain (loss) on sale of assets	-	-	-	-
Total non-operating revenue (expense)	<u>1,892</u>	<u>(179,009)</u>	<u>(49,448)</u>	<u>3,446</u>
Income before contributions and transfers	136,543	1,484,578	(93,197)	384,968
Capital contributions	-	1,678,072	40,410	-
Transfers out	(76,272)	(434,704)	(25,350)	(242,809)
Transfers in	-	-	-	-
Change in net position	60,271	2,727,946	(78,137)	142,159
Net position, beginning of year	(2,449,191)	21,979,312	20,335,063	3,648,233
Prior period adjustment	(3,006,487)	-	-	-
Net position, end of year	<u>\$ (5,395,407)</u>	<u>\$ 24,707,258</u>	<u>\$ 20,256,926</u>	<u>\$ 3,790,392</u>

The accompanying notes are an integral part of the financial statements.

		Governmental Activities	
Electric	Totals	Internal Service Funds	
\$ 9,175,560	\$ 21,157,780	\$ 4,681,612	
68,510	166,987	7,278	
<u>9,244,070</u>	<u>21,324,767</u>	<u>4,688,890</u>	
653,581	2,135,861	24,911	
4,861,738	5,778,213	-	
480,896	2,145,306	825,174	
447,648	837,990	-	
61,042	277,357	68,823	
159,630	476,964	295,282	
-	73,020	385,789	
116,031	886,787	29,413	
4,161	80,290	50,451	
553,153	2,673,856	1,912,329	
365,619	1,843,135	467,343	
16,129	455,535	122,715	
<u>7,719,628</u>	<u>17,664,314</u>	<u>4,182,230</u>	
<u>1,524,442</u>	<u>3,660,453</u>	<u>506,660</u>	
21,748	32,217	1,105	
(118,369)	(351,957)	(33,326)	
-	-	60,412	
<u>(96,621)</u>	<u>(319,740)</u>	<u>28,191</u>	
1,427,821	3,340,713	534,851	
-	1,718,482	-	
(1,420,884)	(2,200,019)	(107,641)	
-	-	823,682	
<u>6,937</u>	<u>2,859,176</u>	<u>1,250,892</u>	
14,536,265	58,049,682	7,699,701	
-	(3,006,487)	-	
<u>\$ 14,543,202</u>	<u>\$ 57,902,371</u>	<u>\$ 8,950,593</u>	

The accompanying notes are an integral part of the financial statements.



**CITY OF SAFFORD, ARIZONA**  
**Reconciliation of the Statement of Revenues, Expenses, and**  
**Changes in Net Position – Proprietary Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2014**

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Change in net position of total proprietary funds	\$ 2,859,176
 Internal service funds are used by management to charge the cost of certain activities to individual funds, therefore, the change in net position is included in the business-type activities on the Statement of Activities	
Warehousing Fund	\$ 826,852
	<u>1,132,602</u>
Change in net position of business-type activities	<u><u>\$ 3,991,778</u></u>

The accompanying notes are an integral part of the financial statements.

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**CITY OF SAFFORD, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2014**

	Business-Type Activities - Enterprise Funds			
	Landfill	Water	Wastewater	Gas
<b>Cash Flows From Operating Activities:</b>				
Cash received from customers	\$ 1,500,845	\$ 6,011,602	\$ 2,451,807	\$ 2,975,520
Cash paid to suppliers	(790,370)	(2,093,883)	(1,435,213)	(1,792,228)
Cash paid to employees	(221,816)	(900,278)	(473,963)	(471,194)
Cash flows from operating activities	<u>488,659</u>	<u>3,017,441</u>	<u>542,631</u>	<u>712,098</u>
<b>Cash Flows From Noncapital and Related Financing Activities:</b>				
Interfund transfers	(76,272)	(434,704)	(25,350)	(242,809)
Cash flows from noncapital and related financing activities	<u>(76,272)</u>	<u>(434,704)</u>	<u>(25,350)</u>	<u>(242,809)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>				
Proceeds from the sale of assets	-	-	-	-
Capital grants	-	1,678,072	40,410	-
Purchase of capital assets	(28,127)	(3,492,906)	(195,604)	(248,788)
Principal paid on long term debt	-	(589,874)	(86,534)	-
Interest paid	-	(182,176)	(51,408)	-
Cash flows from capital and related financing activities	<u>(28,127)</u>	<u>(2,586,884)</u>	<u>(293,136)</u>	<u>(248,788)</u>
<b>Cash Flows From Investing Activities:</b>				
Interest on investments	1,892	3,171	1,960	3,446
Net change in cash and cash equivalents	386,152	(976)	226,105	223,947
Cash and cash equivalents, including temporarily restricted cash, beginning of year	477,088	1,952,941	2,578,580	1,344,012
<b>Cash and cash equivalents, including temporarily restricted cash, end of year</b>	<u><u>\$ 863,240</u></u>	<u><u>\$ 1,951,965</u></u>	<u><u>\$ 2,804,685</u></u>	<u><u>\$ 1,567,959</u></u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:				
Net operating income/(loss)	\$ 134,651	\$ 1,663,587	\$ (43,749)	\$ 381,522
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:				
Depreciation/amortization	33,844	893,752	640,895	95,919
Changes in operating assets and liabilities:				
(Increase)/Decrease in receivables	126,524	(10,987)	(17,474)	(23,670)
(Increase)/Decrease in due from other funds	76,272	333,304	-	217,459
(Increase)/Decrease in inventory	-	-	-	-
(Increase)/Decrease in prepaid items	(2,001)	(14,238)	4,999	(21,637)
Increase/(Decrease) in accounts payable	23,204	(3,655)	(52,330)	(23,843)
Increase/(Decrease) in accrued payroll and employee benefits	3,040	28,542	19,856	2,014
Increase/(Decrease) in due to other funds	-	-	-	-
Increase/(Decrease) in deposits held for others	(44,255)	127,136	(9,566)	84,334
Increase/(Decrease) in post closure costs	137,380	-	-	-
Net cash flows from operating activities	<u><u>\$ 488,659</u></u>	<u><u>\$ 3,017,441</u></u>	<u><u>\$ 542,631</u></u>	<u><u>\$ 712,098</u></u>

The accompanying notes are an integral part of the financial statements.

		Governmental Activities	
Electric	Totals	Internal Service Funds	
\$ 10,608,020	\$ 23,547,794	\$ 4,692,949	
(6,555,466)	(12,667,160)	(2,341,803)	
(525,401)	(2,592,652)	(1,895,824)	
<u>3,527,153</u>	<u>8,287,982</u>	<u>455,322</u>	
<u>(1,420,884)</u>	<u>(2,200,019)</u>	<u>716,041</u>	
<u>(1,420,884)</u>	<u>(2,200,019)</u>	<u>716,041</u>	
-	-	182,819	
-	1,718,482	-	
(793,686)	(4,759,111)	(699,263)	
(125,000)	(801,408)	(258,482)	
<u>(118,369)</u>	<u>(351,953)</u>	<u>(33,326)</u>	
<u>(1,037,055)</u>	<u>(4,193,990)</u>	<u>(808,252)</u>	
<u>21,748</u>	<u>32,217</u>	<u>1,105</u>	
1,090,962	1,926,190	471,718	
<u>7,922,965</u>	<u>14,275,586</u>	<u>2,391,955</u>	
<u>\$ 9,013,927</u>	<u>\$ 16,201,776</u>	<u>\$ 2,863,673</u>	
\$ 1,524,442	\$ 3,660,453	\$ 506,660	
480,896	2,145,306	825,174	
11,760	86,153	4,059	
1,403,984	2,031,019	-	
-	-	(112,932)	
(6,035)	(38,912)	(33,617)	
136,148	79,524	(33,352)	
27,752	81,204	16,505	
-	-	(717,175)	
(51,794)	105,855	-	
-	137,380	-	
<u>\$ 3,527,153</u>	<u>\$ 8,287,982</u>	<u>\$ 455,322</u>	

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Statement of Fiduciary Net Position**  
**Pension Trust Fund**  
**June 30, 2014**

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	<u>Pension Trust</u>
<b>ASSETS</b>	
Cash	\$ 737,616
Accounts receivable	<u>-</u>
Total assets	<u>737,616</u>
<b>NET POSITION</b>	
Held in trust	<u>737,616</u>
Total net position	<u><u>\$ 737,616</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Fund**  
**For the Year Ended June 30, 2014**

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	<u>Pension Trust</u>
<b>Additions:</b>	
Investment income	\$ 9,963
Participant contributions	<u>61,006</u>
Total additions	<u>70,969</u>
<b>Deductions:</b>	
Distributions	<u>38,400</u>
Total deductions	<u>38,400</u>
<b>Change in net position</b>	32,569
Net position - beginning	<u>705,047</u>
Net position - ending	<u><u>\$ 737,616</u></u>

The accompanying notes are an integral part of the financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 1. Summary of Significant Accounting Policies**

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**Description of government-wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**Reporting entity**

The City of Safford, Arizona (the City) is a municipal corporation governed by an elected mayor and council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of a primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. There are no component units combined with the City for financial reporting purposes and the City is not included in any other governmental reporting entity.

**Basis of presentation – government-wide financial statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

**Basis of presentation – fund financial statements**

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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The government reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Highway User Revenue Fund** is used to account for the City's share of motor fuel tax revenues which are restricted for the maintaining, repairing, and upgrading of streets.

The **Street Reserve Fund** accounts for the accumulation of resources for the payment of long-term debt related to the Street Renewal fund.

The City reports the following major proprietary funds:

The **Water Fund** accounts for all operations of the water system.

The **Wastewater Fund** accounts for all operations of the wastewater system.

The **Gas Fund** accounts for all operations of the gas system.

The **Landfill Fund** accounts for all operations of the landfill.

The **Electric Fund** accounts for all operations of the electric system.

Additionally, the City reports the following fund types:

Proprietary Funds – The Proprietary Funds include major utilities funds noted above and the Internal Service Funds established to account for financing of goods and services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The Internal Service Funds consist of the Interagency Motor Pool, Warehousing, Administration Services, and Engineering Services Funds.

Fiduciary Fund – The Fiduciary Fund is an Agency Fund which accounts for resources held by the City on behalf of others and includes the Volunteer Firefighter's Relief and Pension Trust Fund accounts for the contributions to and earnings of the volunteer firefighter's pension trust.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.



**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual 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 taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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The proprietary and internal service funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The pension trust fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***Cash and cash equivalents***

The City's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

***Investments***

The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's investment pool, obligations of the U.S. Government and other investments as allowed by Arizona State Statutes. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The reported value of the state treasurer's pool is the same as the fair value of the pool shares.

***Inventories and Prepaid Items***

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories of the business type activities consist principally of materials used in the repair of the distribution, collection and treatment systems and are valued at cost using the average cost method. The cost of such inventories is recorded as expense when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditure/expenses when consumed rather than when purchased.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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Depreciation is computed using the straight-line method over estimated useful lives of the assets as follows:

Buildings	50 years
Buildings improvements	20 years
Improvements other than buildings	20 years
Public domain infrastructure	35 to 50 years
System infrastructure	30 years
Vehicles	5-7 years
Machinery and equipment	5 years

***Deferred outflows/inflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government currently has no items which qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from only one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***Net position flow assumption***

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***Fund balance flow assumptions***

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund balance policies***

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the city manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Revenues and expenditures/expenses**

***Program revenues***

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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*Property taxes*

Property taxes are levied by the City and collected by the Graham County Treasurer. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquency date.

Pursuant to A.R.S. a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however, according to case law, an enforceable legal claim to the asset does not arise.

The State Constitution and State law specify a property tax levy limitation system. The system consists of two levies, a limited levy known as the primary property tax levy and an unlimited levy referred to as the secondary levy, which may only be used to retire bonded indebtedness.

The primary tax levy is limited to an increase of 2 percent over the previous year's maximum allowable primary levy, plus an increased dollar amount because of a net gain in property not taxed the previous year. Also, the primary property tax from all taxing jurisdictions for homeowners may not exceed 1 percent of the market value of their homes. If the combined primary property tax (for the City, County, School District, etc.) exceeds 1 percent of the market value of the homes, the school districts will reduce their rate until the homeowners' aggregate rate is equal to or less than the allowable 1 percent. The State will then subsidize the school districts for the reduced revenue. This 1 percent limitation applies to primary property taxes only and does not affect the secondary property tax levy.

There is also a control on the assessed value of property for primary tax purposes. The base year for the new tax system is fiscal year 1978-79. From this base year, two assessed values evolve. The primary assessed values are allowed to increase by no more than 10 percent a year. The dollar amount of the secondary property tax levy is "unlimited" and the actual full cash value of property is used in determining the tax rate.

*Compensated Absences*

The City's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Vacation benefits vest immediately at the employee's current rate of pay. Sick leave benefits vest at one half the hours accumulated at the employee's current rate of pay after six or more years of service, and one fourth (25%) the hours accumulated with a minimum of one, but no more than five years of service. The current and long-term liabilities for accumulated vacation and sick leave are reported on the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 1. Summary of Significant Accounting Policies, Continued**

---

*Proprietary funds operating and nonoperating revenues and expenses*

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the gas fund, water fund, sewer fund, electric fund, and refuse fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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**Note 2. Reconciliation of Government-Wide and Fund Financial Statements**

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 17.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 19.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 3. Stewardship, Compliance and Accountability**

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Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the City. The use of budgets and monitoring of equity status facilitate the City's compliance with legal requirements.

**Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The City follows a permanent base increase, voter-approved expenditure limitation that was adopted in May 2008.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Council has adopted a budget transfer policy and all amendments must be done in accordance with this policy.
6. The City has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Capital Projects and Proprietary funds.

The City is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the City to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year. No supplementary budgetary appropriations were made during the year ended June 30, 2014.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation for future years, is not employed by the City.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 3. Stewardship, Compliance and Accountability (Continued)**

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**Expenditures over Appropriations**

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual report as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2014, if any.

**Highway User Revenue Funds**

Highway user revenue fund monies received by the City pursuant to title 28, chapter 18, article 2 and other dedicated state transportation revenues received during the current fiscal year have been used solely for authorized transportation purposes.

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**Note 4. Deposits and Investments**

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A reconciliation of cash and investments as shown on the statement of net position is as follows:

Cash and cash equivalents	\$ 21,076,174
Restricted cash and cash equivalents	1,439,685
Fiduciary fund monies	737,616
	<u>\$ 23,253,475</u>

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2014, the City's bank balance of \$4,745,710 was fully insured or collateralized. Of the total bank balance, \$4,564,408 was held in a checking account. Each night the funds in this account are transferred into an interest bearing account. The funds are then transferred back to the checking account each morning.



**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 4. Deposits and Investments (Continued)**

**Investments**

The Arizona State Treasurer’s Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated “P1” by Moody’s investors or “A1” by Standard and Poor’s rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

As of June 30, 2014 the City had the following deposits, investments, ratings, and maturities:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Weighted Average Maturity</u>
<b>Deposits:</b>			
Cash on deposit	\$ 4,476,258	N/A	N/A
Cash on hand	4,200	N/A	N/A
<b>Investments:</b>			
Certificate of deposit	13,000	N/A	< 1 year
Money market - U.S. Treasuries	229,705	AA+	< 1 year
Local Governments Investment Pool #5	17,025,969	AAAF/S1+	25 days
Local Governments Investment Pool #700	<u>1,504,343</u>	AA+	2.12 years
Total cash and investments	<u>\$ 23,253,475</u>		

- (1) Ratings are provided where applicable to indicate associated credit risk. The City’s investment in the State Treasurer’s Investment Pool #5 was rated AAAF/S1+ by Standard and Poor’s. The City’s investment in the State Treasurer’s Pool #700 was rated AA+ by Standard and Poor’s.
- (2) Interest rate risk is estimated using the weighted average days to maturity, when applicable.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 4. Deposits and Investments (Continued)**

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**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35- 323). A.R.S. 35-323 requires that the City's investment portfolio maturities do not exceed five years from the time of purchase.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City does not have a specific policy related to credit risk; however, the City's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323). A.R.S. 35-323 limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

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**Note 5. Restricted Assets**

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Restricted assets consisted of the following cash reserves at June 30, 2014:

<u>Restricted Cash</u>	
Proprietary Funds:	
Landfill fund - deposits held for others	\$ 53,328
Water fund - debt reserves and deposits held for others	472,708
Wastewater fund - debt reserves and deposits held for others	233,412
Gas fund - deposits held for others	257,823
Electric fund - deposits held for others	<u>422,414</u>
Subtotal	1,439,685
Pension Trust Fund	<u>737,616</u>
Total restricted cash	<u><u>\$ 2,177,301</u></u>

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 6. Capital Assets**

The following table summarizes the changes to capital assets for governmental activities during the year:

<b>Governmental Activities:</b>	<b>Balance 6/30/2013</b>	<b>Adjustments</b>	<b>Additions</b>	<b>Deletions</b>	<b>Reclassifications</b>	<b>Balance 6/30/2014</b>
Capital assets, not being depreciated:						
Land	\$ 2,716,356	\$ -	\$ -	\$ -	\$ -	\$ 2,716,356
Construction in progress	746,496	-	2,571,605	-	(363,443)	2,954,658
Total capital assets, not being depreciated	<u>3,462,852</u>	<u>-</u>	<u>2,571,605</u>	<u>-</u>	<u>(363,443)</u>	<u>5,671,014</u>
Capital assets, being depreciated:						
Buildings and improvements	6,284,352	-	11,919	-	-	6,296,271
Improvements other than buildings	12,541,766	-	-	-	363,443	12,905,209
Machinery, equipment and vehicles	12,123,120	-	737,541	(211,117)	-	12,649,544
Infrastructure	26,379,800	-	-	-	-	26,379,800
Total capital assets, being depreciated	<u>57,329,038</u>	<u>-</u>	<u>749,460</u>	<u>(211,117)</u>	<u>363,443</u>	<u>58,230,824</u>
Less accumulated depreciation for:						
Buildings and improvements	(2,854,720)	-	(137,680)	-	-	(2,992,400)
Improvements other than buildings	(5,335,230)	-	(487,459)	-	-	(5,822,689)
Machinery, equipment and vehicles	(7,086,649)	-	(756,481)	88,710	-	(7,754,420)
Infrastructure	(9,140,534)	-	(711,624)	-	-	(9,852,158)
Total accumulated depreciation	<u>(24,417,133)</u>	<u>-</u>	<u>(2,093,244)</u>	<u>88,710</u>	<u>-</u>	<u>(26,421,667)</u>
Total capital assets, being depreciated, net	<u>32,911,905</u>	<u>-</u>	<u>(1,343,784)</u>	<u>(122,407)</u>	<u>363,443</u>	<u>31,809,157</u>
Governmental activities capital assets, net	<u>\$ 36,374,757</u>	<u>\$ -</u>	<u>\$ 1,227,821</u>	<u>\$ (122,407)</u>	<u>\$ -</u>	<u>\$ 37,480,171</u>

Depreciation expense was charged to the functions/programs of the City as follows:

<b>Governmental Activities:</b>	
General government	\$ 90,131
Public safety	15,126
Public works/streets	1,457,501
Economic and Community Development	26,031
Culture and Recreation	504,455
Total depreciation expense - governmental activities	<u>\$ 2,093,244</u>

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 6. Capital Assets, Continued**

The following table summarizes the changes to capital assets for business-type activities during the year.

<b>Business Type Activities:</b>	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Reclassifications</b>	<b>Balance 6/30/2014</b>
Capital assets not being depreciated:					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	3,117,510	4,047,563	-	(788,667)	6,376,406
Total capital assets, not being depreciated	<u>3,117,510</u>	<u>4,047,563</u>	<u>-</u>	<u>(788,667)</u>	<u>6,376,406</u>
Capital assets being depreciated:					
Electric system	13,055,378	135,122	-	-	13,190,500
Gas system	5,392,138	16,434	-	-	5,408,572
Water system	39,855,660	390,858	-	735,039	40,981,557
Wastewater system	26,961,756	142,298	-	53,628	27,157,682
Landfill system	362,883	26,835	-	-	389,718
Improvements other than buildings	68,677	-	-	-	68,677
Machinery, equipment and vehicles	709,754	85,559	-	-	795,313
Total capital assets, being depreciated	<u>86,406,246</u>	<u>797,106</u>	<u>-</u>	<u>788,667</u>	<u>87,992,019</u>
Less accumulated depreciation for:					
Electric system	(5,574,045)	(480,896)	-	-	(6,054,941)
Gas system	(3,169,694)	(95,919)	-	-	(3,265,613)
Water system	(16,692,596)	(893,752)	-	-	(17,586,348)
Wastewater system	(7,572,005)	(640,894)	-	-	(8,212,899)
Landfill system	(167,965)	(33,844)	-	-	(201,809)
Improvements other than buildings	(8,480)	(2,796)	-	-	(11,276)
Machinery, equipment and vehicles	(565,118)	(73,652)	-	-	(638,770)
Total accumulated depreciation	<u>(33,749,903)</u>	<u>(2,221,753)</u>	<u>-</u>	<u>-</u>	<u>(35,971,656)</u>
Total capital assets, being depreciated, net	<u>52,656,343</u>	<u>(1,424,647)</u>	<u>-</u>	<u>788,667</u>	<u>52,020,363</u>
Business-type activities capital assets, net	<u>\$ 55,773,853</u>	<u>\$ 2,622,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,396,769</u>

Depreciation expense was charged to the functions/programs of the City as follows:

<b>Business-Type Activities:</b>	
Landfill	\$ 33,844
Water	893,752
Wastewater	640,895
Gas	95,919
Electric	480,896
Warehousing (Internal Service Fund)	2,796
Administration (Internal Service Fund)	73,651
Total Business-type Activities	<u>\$ 2,221,753</u>

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 7. Long-Term Debt**

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The following is a summary of changes in long-term obligations for the year ended June 30, 2014:

	Balance 6/30/2013	Additions	Retirements	Balance 6/30/2014	Current Portion
<b>Governmental Activities:</b>					
Bonds Payable:					
Revenue bonds	\$ 7,125,000	\$ -	\$ (415,000)	\$ 6,710,000	\$ 440,000
Loans Payable	618,994	-	(33,769)	585,225	31,409
Bond Premium	164,276	-	(11,735)	152,541	-
Capital Leases	1,117,000	-	(353,173)	763,827	227,711
OPEB Obligations	737,326	123,770	-	861,096	-
Compensated Absences	604,283	464,312	(515,482)	553,113	450,000
Governmental Activities					
Long-term Liabilities	<u>\$ 10,366,879</u>	<u>\$ 588,082</u>	<u>\$ (1,329,159)</u>	<u>\$ 9,625,802</u>	<u>\$ 1,149,120</u>
<b>Business-Type Activities:</b>					
Bonds Payable:					
Revenue Bonds	\$ 2,570,000	\$ -	\$ (125,000)	\$ 2,445,000	\$ 130,000
Loans Payable	8,004,761	-	(676,407)	7,328,354	694,936
OPEB Obligations	405,784	68,116	-	473,900	-
Compensated Absences	350,614	318,792	(317,294)	352,112	250,000
Business-type Activities					
Long-term Liabilities	<u>\$ 11,331,159</u>	<u>\$ 386,908</u>	<u>\$ (1,118,701)</u>	<u>\$ 10,599,366</u>	<u>\$ 1,074,936</u>
Total Long-Term Liabilities	<u>\$ 21,698,038</u>	<u>\$ 974,990</u>	<u>\$ (2,447,860)</u>	<u>\$ 20,225,168</u>	<u>\$ 2,224,056</u>

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 7. Long-Term Debt, Continued**

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The following is a listing of long-term debt outstanding as of June 30, 2014:

**Governmental Activities:**

**Revenue Bonds:**

Greater Arizona Development Authority (GADA) Revenue Bonds, Series 2006A, interest at 3.4% - 4.32%. Due in annual principal and semi-annual interest installments. Matures July 1, 2025. Bond proceeds were utilized for street renewal projects. The City has pledged future state shared revenues and City transaction privilege tax revenues to repay the bond. \$ 6,710,000

**Loans Payable:**

Industrial Building Loan, issued in 2007 for the construction of an industrial building which the City is currently renting to a third party. The note bears interest at 7.25% and is payable in monthly installments of \$6,090 which includes principal and interest. Matures in 2026. 585,225

**Total Bonds and Notes Payable - Governmental Activities** \$ 7,295,225

**Business-Type Activities:**

**Revenue Bonds:**

Greater Arizona Development Authority (GADA) Revenue Bonds, Series 2008A, interest at 3.0% - 5.0%. Due in annual principal and semi-annual interest installments. Matures August 1, 2028. Bond proceeds were utilized for electrical system improvements. The City has pledged future utility revenues to repay the bond. \$ 2,445,000

**Loans Payable:**

Water Infrastructure Finance Authority (WIFA) loan. The note bears interest at 3.15%. Due in annual principal and semi-annual interest installments. Matures in 2028. Proceeds were used for various wastewater system projects. The City has pledged future utility revenues to repay the loan. 1,541,598

Water Infrastructure Finance Authority (WIFA) loan. The note bears interest at 2.46%. Due in annual principal and semi-annual interest installments. Matures in 2016. Proceeds were used for various water system projects. The City has pledged future utility revenues to repay the loan. 334,678

(Continued on next page)

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 7. Long-Term Debt, Continued**

Water Infrastructure Finance Authority (WIFA) loan. The note bears interest at 2.94%. Due in annual principal and semi-annual interest installments. Matures in 2028. Proceeds were used for various water system projects. The City has pledged future utility revenues to repay the loan.

5,001,767

Water Infrastructure Finance Authority (WIFA) loan. The note bears interest at 2.38%. Due in annual principal and semi-annual interest installments. Matures in 2017. Proceeds were used for various water system projects. The City has pledged future utility revenues to repay the loan.

450,311

**Total Bonds and Notes Payable - Business-Type Activities**

\$ 9,773,354

Long-term debt service maturities are as follows:

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2015	471,409	373,870	824,936	328,429
2016	498,763	352,816	848,977	302,887
2017	531,294	327,035	700,010	277,918
2018	569,015	299,564	563,526	256,475
2019	606,939	270,140	586,066	236,684
2020-2024	3,666,838	837,307	3,236,997	876,201
2025-2028	950,967	52,477	3,012,842	273,683
Totals	<u>\$ 7,295,225</u>	<u>\$ 2,513,209</u>	<u>\$ 9,773,354</u>	<u>\$ 2,552,277</u>

**Obligations under Capital Leases**

The City has entered into lease agreements as a lessee for financing the acquisition of a landfill compactor, grader, dozer, equipment, and hangers. The lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date for amounts that meet the City's capitalization threshold. Revenues from the Interagency Motor Pool Fund, an Internal Service Fund, are used to pay the governmental activities capital lease obligations. Revenues from the Airport Fund and Administrative Services Fund, an Internal Service Fund, are used to pay the business-type activities capital lease obligations.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 8. Long-Term Debt, Continued**

The future minimum lease obligations and the net present value of the minimum lease payments as of June 30, 2014 are as follows:

Year Ending June 30	Governmental Activities
2015	253,715
2016	200,080
2017	118,922
2018	113,563
2019	102,924
2020	37,101
Total remaining minimum lease payments	826,305
Less amount representing interest	(62,478)
Present value of net remaining minimum lease payments	\$ 763,827

Assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Buildings and Improvements	\$ 1,359,681
Machinery and equipment	2,452,205
Less: Accumulated depreciation	(1,825,572)
Total	\$ 1,986,314



**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 9. Landfill Closure and Postclosure Costs**

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will not be paid until near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs as an addition to long-term liabilities on the Statement of Net Position in each period based on landfill capacity used as of fiscal year end. The \$6,387,115 reported as landfill closure and post closure care liability at June 30, 2014, represents the cumulative amount reported to date based on the use of 91.3 percent of the estimated capacity of the landfill and an estimated final cost of \$6,791,490. The City will recognize the remaining estimated cost of closure and postclosure care as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal year 2013-2014. The City expects to close the landfill in the year 2024, and the actual cost may be higher due to inflation, changes in technology, or changes in regulations. Resources from the Landfill Fund will be used to liquidate the landfill closure and postclosure payable.

**Note 10. Interfund Receivables, Payables and Transfers**

Interfund transfers for the fiscal year ended June 30, 2014 are as follows:

Transfers Out	Transfers In				Total
	Highway User Revenue Fund	Street Reserve Fund	Non-Major Governmental Funds	Internal Service Funds	
General Fund	\$ 1,810,087	\$ 469,003	\$ 844,169	\$ 716,041	\$ 3,839,300
Street Reserve Fund	282,156	-	44,808	-	326,964
Water Fund	434,704	-	-	-	434,704
Wastewater Fund	25,350	-	-	-	25,350
Gas Fund	242,809	-	-	-	242,809
Landfill Fund	76,272	-	-	-	76,272
Electric Fund	1,420,884	-	-	-	1,420,884
Internal Service Funds	-	-	-	107,641	107,641
<b>Total</b>	<b>\$ 4,292,262</b>	<b>\$ 469,003</b>	<b>\$ 888,977</b>	<b>\$ 823,682</b>	<b>\$ 6,473,923</b>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 11. Retirement and Pension Plans**

**Arizona State Retirement System (ASRS)**

**Plan Description** - The City contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The system is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix AZ 85067-3910 or by calling (602) 240-2002 or (800) 621-3778. [www.azasrs.gov](http://www.azasrs.gov)

**Funding Policy** - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rate. For the current fiscal year, active plan members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.3 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the City was required to contribute 11.54 percent (10.7 percent for retirement, 0.6 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The City's contributions for the current and two previous fiscal years were equal to the required contributions and were as follows:

<u>Year Ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2012	526,408	33,601	12,800
2013	544,569	34,534	12,751
2014	606,923	34,033	13,613

**Public Safety Personnel Retirement System (PSPRS)**

**Plan Description** - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575. [www.psprs.com](http://www.psprs.com)

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 11. Retirement and Pension Plans, Continued**

**Funding Policy** - For the current fiscal year, active PSPRS members were required by statute to contribute 7.65 percent of the members' covered compensation, and the City was required to contribute at the actuarially determined rate of 33.34 percent of covered compensation. The health insurance premium portion of the contribution rate was actuarially set at 1.91 percent of covered payroll.

**Actuarial Methods and Assumptions** - The significant actuarial methods and assumptions used for the PSPRS plan and related benefits (unless noted), and the actuarial assumptions used to establish the contribution requirements are as follows:

The PSPRS contribution requirements for the year ended June 30, 2014 were established by the June 30, 2012 actuarial valuations using the projected unit credit method. The actuarial assumptions include (a) 8.0 percent investment rate of return and (b) projected salary increases ranging from 5.0 to 9.0 percent per year. The assumptions did not include cost-of-living adjustments and healthcare cost trend rates are not applicable. The actuarial value of assets are determined using techniques that smooth the effects of short-term volatility in the market value of investments and spreads differences between actual and assumed investment return over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2014, was 24 years for unfunded actuarial accrued liability and 20 years for excess.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made.

**Annual Pension/OPEB Cost** - During the year ended June 30, 2014 the City's annual pension cost of \$451,770 and the annual OPEB cost of \$23,214 was equal to the City's required and actual contributions.

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Pension	2012	347,435	100%	-
	2013	378,305	100%	-
	2014	451,770	100%	-
Health Insurance	2012	24,947	100%	-
	2013	23,912	100%	-
	2014	23,214	100%	-

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 11. Retirement and Pension Plans, Continued**

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**Funded Status and Funding Progress** - The funded status of the plan as of June 30, 2014 is as follows:

Actuarial accrued liability (AAL)	\$ 11,959,313
Actuarial value of plan assets	4,047,018
Unfunded actuarial accrued liability (UAAL)	<u>\$ 7,912,295</u>
Funded ratio (actuarial value of plan assets/AAL)	33.8%
Covered payroll (active plan members)	\$ 1,172,447
UAAL as a percentage of covered payroll	674.9%

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plans assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. This historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

**Elected Officials Retirement System (EORP)**

The Elected Officials Retirement System administers a multiple employer, cost-sharing defined benefit pension plan. The Fund Manager of the Public Safety Personnel Retirement System is the administrator for the EORP which was established by Title 38, Chapter 5, Article 3 of the Arizona Revised Statutes to provide pension benefits for state and county elected officials, judges and certain city elected officials. Due to the immateriality of the EORP plan to these financial statements, no additional disclosures regarding the plan are provided in this report.

**Volunteer Firefighters' Relief and Pension Fund (VFRPF)**

The City contributes to the Volunteer Firefighters' Relief and Pension Fund (VFRPF), a defined contribution plan to provide pensions to volunteer firefighters only. State statute requires that both the employee and the City make contributions equal to 7% of the employees' compensation. Some monies are also received from the State. After a volunteer firefighter has 20 years of service, he or she is entitled to a monthly pension, the amount of which is determined by the board of trustees of the VFRPF, not to exceed \$200. If an employee resigns before completing 20 years of service, he or she is entitled to a refund of his or her contributions only. He or she is not entitled to any part of the employer's contributions, the amounts received from the state or earnings on any of the contributions. Both the City and the employees made the required 7% contribution.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 12. Other Postemployment Benefits – Single Employer Plan**

**Plan Description** – Under authority of the City Council, the City provides postretirement insurance (health) subsidy payments for retirees and their dependents through a single employer defined benefit plan. The City pays a subsidy to retirees and disabled employees for actual medical insurance coverage costs. The City’s regular insurance providers do not underwrite the retiree policies. Retirees convert the benefit into an in-lieu payment to secure coverage under independent plans, including but not specific to Arizona State Retirement insurance. The City pays the difference between actual insurance coverage costs and the subsidy the State Retirement System provides to the retiree for health insurance costs. For the current fiscal year, the City contributed \$187,042 for these benefits, which was net of \$62,100 of Arizona State Retirement contributions. The Plan does not issue a separate financial report.

The number of participants as of the effected date of the biannual OPEB valuation follows:

	<u>Participants</u>
Active employees	159
Retired employees	35
Total	<u><u>194</u></u>

**Funding Policy** – The City currently pays for postemployment benefits on a pay-as-you-go basis. Although the City is studying the establishment of a trust that would be used to accumulate and invest assets necessary to pay for the accumulated liability, these financial statements assume that pay-as-you-go funding will continue.

**Annual OPEB Cost and Net OPEB Obligation** – The City’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 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 changes in the City’s net OPEB obligation.

Annual required contribution	\$ 187,085
Interest on net OPEB obligation	4,801
Annual OPEB cost (expense)	<u>191,886</u>
Contributions made	-
Increase in net OPEB obligation	<u>191,886</u>
Net OPEB obligation - beginning of year	1,143,110
Net OPEB obligation - end of year	<u><u>\$ 1,334,996</u></u>

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**Note 12. Other Postemployment Benefits – Single Employer Plan, Continued**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ended June 30, 2014 and the two preceding years is as follows:

Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
2012	\$ 223,099	9%	\$ 952,026
2013	191,084	0%	1,143,110
2014	191,886	0%	1,334,996

**Actuarial Methods and Assumptions** – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer at the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the most recent actuarial valuation, the normal cost and the allocation of actuarial present values between services rendered before and after the valuation date were determined using an individual entry-age actuarial cost method. The actuarial assumptions utilized an 8% discount rate based upon the assumption that the City will contribute the actuarially determined annual required contribution. The valuation assumes an 8% inflation factor for healthcare cost trend increases for fiscal year 2013-14, reduced by decrements to a rate of 5% over 6 years. The amortization method is a level percent of payroll over an open 30 year period. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 13. Risk Management**

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The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City joined with other cities around the State in the Arizona Municipal Risk Retention Pool (AMRRP), a public entity risk pool currently operating as a common risk management and insurance and workers' compensation program for approximately 73 members. The City pays an annual premium to AMRRP for its general insurance coverage. The agreement provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$600,000 for general liability claims and \$400,000 for property claims for each insured event.

The City insures employee health insurance and accident claims from the Rural Arizona Governmental Health Trust (RAGHT) pool. RAGHT is a multi-entity benefits consortium formed in accordance with A.R.S. §11-952 and A.R.S. §11952.01. RAGHT offers a partially self-funded medical benefit program, a fully self-funded dental program, and full insured Life/AD&D and vision benefit programs. Administrative services are performed by independent agencies for the medical and dental programs.

The City continues to carry commercial insurance for workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four fiscal years.

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**Note 14. Contingent Liabilities and Commitments**

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The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of City management and City Counsel, the amount of potential losses resulting from these lawsuits will not have a materially adverse effect on the City's financial position at June 30, 2014.

The City receives federal and state funding for specific purposes that are subject to review and audit by the grantor agencies. Such audits could result in disallowances under the terms of the grants. There are no required disbursements identified or recorded at the date of these financial statements.

At year end, the City had contractual commitments related to various capital projects for the construction of streets, water, wastewater, electric, and airport renewal projects. These projects are largely being funded by state and federal grants.

**CITY OF SAFFORD, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**Note 15.      Prior Period Adjustment**

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During fiscal year 2014 the City hired an engineering firm to reevaluate the closure/postclosure costs of the City operated landfill. Under current conditions the landfill is expected to be at capacity within the next 6-8 years. The resulting liability was significantly higher than the previously reported liability. As a result, the city booked an adjustment to beginning equity of the Landfill Fund for the amount attributable to prior years. This caused beginning equity of the Landfill Fund to decrease by \$3,006,487 and the Landfill Closure/Postclosure liability increased by the same amount. The City is now exploring options to extend the life of the landfill for another 25-30 years thus making the liability more manageable. Options being considered include, but are not limited to, developing a curbside recycling program and a green waste recycling program. These programs could extend the life of the landfill by another 25%.



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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF SAFFORD, ARIZONA**  
**Required Supplementary Information**

**Schedule of Funding Progress**  
**PSPRS**

An analysis of the progress of the Public Safety Personnel Retirement System Plan (PSPRS) from June 30, 2009 through June 30, 2014, based on actuarial valuations follows:

<b>Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Accrued Liability (AAL)</b>	<b>(b) - (a) Unfunded AAL (UAAL)</b>	<b>(a)/(b) Funded Ratio</b>	<b>(c) Annual Covered Payroll</b>	<b>Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)</b>
June 30, 2009	4,389,761	8,099,949	3,710,188	54.2%	1,170,968	316.8%
2010	4,228,818	8,342,077	4,113,259	50.7%	1,088,025	378.0%
2011	4,497,097	9,091,238	4,594,141	49.5%	972,602	472.4%
2012	4,656,655	10,176,357	5,519,702	45.8%	1,102,416	500.7%
2013	4,802,966	10,500,609	5,697,643	45.7%	1,061,331	536.8%
2014	4,047,018	11,959,313	7,912,295	33.8%	1,172,447	674.9%

**Post-retirement health insurance subsidy measurements under GASB Statement No. 45**

<b>Valuation Date</b>	<b>(a) Actuarial Value of Assets</b>	<b>(b) Actuarial Accrued Liability (AAL)</b>	<b>(b) - (a) Unfunded AAL (UAAL)</b>	<b>(a)/(b) Funded Ratio</b>	<b>(c) Annual Covered Payroll</b>	<b>Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)</b>
June 30, 2009	-	282,470	282,470	0.0%	1,170,968	24.1%
2010	-	281,923	281,923	0.0%	1,088,025	25.9%
2011	-	320,197	320,197	0.0%	972,602	32.9%
2012	-	321,829	321,829	0.0%	1,102,416	29.2%
2013	-	334,357	334,357	0.0%	1,061,331	31.5%
2014	254,585	346,077	91,492	73.6%	1,172,447	7.8%

**CITY OF SAFFORD, ARIZONA**  
**Required Supplementary Information**

**Schedule of Funding Progress**  
**Other Postemployment Benefits**

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
<b>Valuation Date June 30,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	
2013	-	2,255,831	2,255,831	0.0%	7,853,474	29%
2011	-	2,531,151	2,531,151	0.0%	7,840,917	32%
2009	-	3,076,380	3,076,380	0.0%	8,313,736	37%

The above information was derived from the bi-annual valuation report prepared by Rodwan Consulting Company.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON STATEMENTS**

**FOR THE FOLLOWING MAJOR FUNDS:**

**General Fund**

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

**Special Revenue Funds**

- The **Highway User Revenue Fund** accounts for state gasoline taxes that are legally restricted by the State of Arizona for road construction and maintenance.

**CITY OF SAFFORD, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

<b>Revenues</b>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Taxes:</b>				
City sales tax	\$ 5,104,016	\$ 5,104,016	\$ 5,430,161	\$ 326,145
Franchise taxes	909,000	909,000	909,208	208
Property taxes	230,486	230,486	228,994	(1,492)
Total taxes	<u>6,243,502</u>	<u>6,243,502</u>	<u>6,568,363</u>	<u>324,861</u>
<b>Intergovernmental revenues:</b>				
State sales tax	826,575	826,575	832,651	6,076
Auto lieu tax	465,307	465,307	469,003	3,696
Urban revenue sharing	1,067,230	1,067,230	1,066,252	(978)
Grant revenues	3,343,471	3,343,471	1,997,680	(1,345,791)
Other	424,400	424,400	250,978	(173,422)
Total intergovernmental	<u>6,126,983</u>	<u>6,126,983</u>	<u>4,616,564</u>	<u>(1,510,419)</u>
Licenses and permits	65,000	65,000	55,972	(9,028)
Charges for services	2,771,654	2,771,654	2,837,209	65,555
Fines and forfeitures	64,000	64,000	65,576	1,576
Interest earnings	7,500	7,500	10,725	3,225
Contingency	4,000,000	4,000,000	-	(4,000,000)
Other revenues	130,000	130,000	64,347	(65,653)
Total revenues	<u>19,408,639</u>	<u>19,408,639</u>	<u>14,218,756</u>	<u>(5,189,883)</u>
<b>Expenditures</b>				
<b>Current:</b>				
<b>General government:</b>				
City council	488,885	488,885	492,076	(3,191)
City manager	294,735	294,735	249,732	45,003
Human resources	228,369	228,369	194,351	34,018
City attorney	171,510	171,510	138,736	32,774
City clerk & general	260,163	260,163	255,778	4,385
Financial services	591,758	591,758	506,842	84,916
Building inspection	134,995	134,995	90,543	44,452
Public works administration	263,393	263,393	243,102	20,291
Building maintenance	600,348	600,348	550,959	49,389
Street lights	80,000	80,000	78,714	1,286
Contingency	3,530,000	3,530,000	-	3,530,000
Total general government	<u>6,644,156</u>	<u>6,644,156</u>	<u>2,800,833</u>	<u>3,843,323</u>

(Continued)

**CITY OF SAFFORD, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance (Continued)**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Public safety:</b>				
Police chief & admin	768,340	768,340	646,783	121,557
Criminal investigation	574,008	574,008	528,876	45,132
Patrol	2,237,170	2,237,170	2,174,976	62,194
Animal control	138,752	138,752	132,823	5,929
Police grant division	512,400	512,400	162,045	350,355
City court	254,008	254,008	225,997	28,011
Fire department	653,879	653,879	579,127	74,752
Total public safety	<u>5,138,557</u>	<u>5,138,557</u>	<u>4,450,627</u>	<u>687,930</u>
<b>Sanitation</b>				
Sanitation	1,177,261	1,177,261	1,119,239	58,022
Total sanitation	<u>1,177,261</u>	<u>1,177,261</u>	<u>1,119,239</u>	<u>58,022</u>
<b>Culture and recreation</b>				
Library grants	392,000	392,000	190,552	201,448
Library general	558,485	558,485	533,161	25,324
Recreational program	133,971	133,971	120,585	13,386
Parks	525,825	525,825	471,899	53,926
Golf course	205,300	205,300	211,845	(6,545)
Total culture and recreation	<u>1,815,581</u>	<u>1,815,581</u>	<u>1,528,042</u>	<u>287,539</u>
<b>Economic and community development:</b>				
Planning & community development	475,788	475,788	338,436	137,352
Airport	3,083,334	3,083,334	260,225	2,823,109
Total economic and community development	<u>3,559,122</u>	<u>3,559,122</u>	<u>598,661</u>	<u>2,960,461</u>
Capital outlay	<u>3,238,799</u>	<u>3,238,799</u>	<u>2,162,475</u>	<u>1,076,324</u>
Debt service:				
Principal	94,697	94,697	94,691	6
Interest	24,231	24,231	24,231	-
Total debt service	<u>118,928</u>	<u>118,928</u>	<u>118,922</u>	<u>6</u>
Total expenditures	<u>21,692,404</u>	<u>21,692,404</u>	<u>12,778,799</u>	<u>8,913,605</u>
Excess of revenues over expenditures	<u>(2,283,765)</u>	<u>(2,283,765)</u>	<u>1,439,957</u>	<u>3,723,722</u>
<b>Other financing sources (uses)</b>				
Transfers out	-	-	(3,839,300)	(3,839,300)
Transfers in	230,000	230,000	-	(230,000)
Total other financing sources and (uses)	<u>230,000</u>	<u>230,000</u>	<u>(3,839,300)</u>	<u>(4,069,300)</u>
<b>Net change in fund balance</b>	<u>(2,053,765)</u>	<u>(2,053,765)</u>	<u>(2,399,343)</u>	<u>(345,578)</u>
Fund balance - beginning	3,983,157	3,983,157	3,679,827	303,330
Fund balance - ending	<u>\$ 1,929,392</u>	<u>\$ 1,929,392</u>	<u>\$ 1,280,484</u>	<u>\$ (42,248)</u>



**CITY OF SAFFORD, ARIZONA**  
**HIGHWAY USER REVENUE**  
**Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 683,031	\$ 683,031	\$ 690,409	\$ 7,378
Other revenues	254,000	254,000	169,008	(84,992)
Total revenues	<u>937,031</u>	<u>937,031</u>	<u>859,417</u>	<u>(77,614)</u>
<b>EXPENDITURES</b>				
Current:				
Public works/Streets	1,354,201	1,354,201	1,272,160	82,041
Capital outlay	<u>384,255</u>	<u>384,255</u>	<u>237,939</u>	<u>146,316</u>
Total expenditures	<u>1,738,456</u>	<u>1,738,456</u>	<u>1,510,099</u>	<u>228,357</u>
Excess of revenues				
Over (Under) expenditures	<u>(801,425)</u>	<u>(801,425)</u>	<u>(650,682)</u>	<u>150,743</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	(764,835)	(764,835)	-	764,835
Transfers in	<u>-</u>	<u>-</u>	<u>4,292,262</u>	<u>4,292,262</u>
Total other financing Sources (Uses)	<u>(764,835)</u>	<u>(764,835)</u>	<u>4,292,262</u>	<u>5,057,097</u>
Net change in fund balance	(1,566,260)	(1,566,260)	3,641,580	5,207,840
Fund balance, beginning of year	<u>(3,597,476)</u>	<u>(3,597,476)</u>	<u>(3,597,476)</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ (5,163,736)</u></u>	<u><u>\$ (5,163,736)</u></u>	<u><u>\$ 44,104</u></u>	<u><u>\$ 5,207,840</u></u>

**SUPPLEMENTARY INFORMATION**

**CITY OF SAFFORD, ARIZONA**  
**STREET RESERVE**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,041,742	\$ 1,041,742	\$ 1,177,589	\$ 135,847
Total revenues	<u>1,041,742</u>	<u>1,041,742</u>	<u>1,177,589</u>	<u>135,847</u>
<b>EXPENDITURES</b>				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues Over (Under) expenditures	1,041,742	1,041,742	1,177,589	135,847
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	-	(326,964)	(326,964)
Transfers in	-	-	469,003	469,003
Total other financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>142,039</u>	<u>142,039</u>
Net change in fund balances	1,041,742	1,041,742	1,319,628	277,886
Fund balance, beginning of year	<u>1,047,274</u>	<u>1,047,274</u>	<u>1,047,274</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 2,089,016</u></u>	<u><u>\$ 2,089,016</u></u>	<u><u>\$ 2,366,902</u></u>	<u><u>\$ 277,886</u></u>

**COMBINING STATEMENTS  
AND BUDGETARY COMPARISON STATEMENTS**

**NON-MAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- The **20<sup>th</sup> Avenue STP Grant** fund is used to account for funding received by the City for 20<sup>th</sup> Avenue related expenditures.
- The **Police Res-Magistrate** fund is used to account for the specific funding received from fines which are to be used for public safety.
- The **Main Street Improvements Grant** fund is used to account for the City's grant to make main street improvements.
- The **Library** fund is used to account for grants received for the operations of the joint City and County Library.
- The **Magistrate** fund is used to account for monies received to improve, maintain and enhance the ability to collect and manage monies assessed or received by the courts, to improve court automation and to improve case processing or the administration of justice.

**Debt Service**

- The **Debt Service** fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

**CITY OF SAFFORD, ARIZONA**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2014**

	Special Revenue			
	20th Avenue STP Grant	Police Res-Magistrate Collections	Main Street Improvements Grant	Library
<b>Assets</b>				
Cash	\$ -	\$ 7,084	\$ 624	\$ 2,157
Total assets	<u>\$ -</u>	<u>\$ 7,084</u>	<u>\$ 624</u>	<u>\$ 2,157</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 624	\$ 894
Unearned revenue	-	-	-	1,263
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>624</u>	<u>2,157</u>
<b>Fund Balances</b>				
Restricted for:				
Public safety	-	7,084	-	-
Total fund balances	<u>-</u>	<u>7,084</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 7,084</u>	<u>\$ 624</u>	<u>\$ 2,157</u>

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<u>Special Revenue</u>		Total Nonmajor Governmental Funds
<u>Magistrate</u>	<u>Debt Service</u>	
\$ 16,634	\$ -	\$ 26,499
<u>\$ 16,634</u>	<u>\$ -</u>	<u>\$ 26,499</u>
\$ -	\$ -	\$ 1,518
-	-	1,263
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>2,781</u>
16,634	-	23,718
<u>16,634</u>	<u>-</u>	<u>23,718</u>
<u>\$ 16,634</u>	<u>\$ -</u>	<u>\$ 26,499</u>

**CITY OF SAFFORD, ARIZONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2014**

	Special Revenue			
	20th Avenue STP Grant	Police Res-Magistrate Collections	Main Street Improvements Grant	Library
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ 2,541	\$ 28,861	\$ 21,737
Fines and forfeitures	-	-	-	-
Total revenues	-	2,541	28,861	21,737
<b>EXPENDITURES:</b>				
Current:				
Culture and recreation	-	-	-	21,737
Public safety	-	-	-	-
Capital outlay	1,356	-	73,668	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,356	-	73,668	21,737
Excess of revenues				
Over (under) expenditures	(1,356)	2,541	(44,807)	-
Other Financing Sources (Uses):				
Transfers in	1,356	-	44,807	-
Total other financing sources (uses):	1,356	-	44,807	-
Net change in fund balances	-	2,541	-	-
Fund balances - beginning	-	4,543	-	-
Fund balances - ending	\$ -	\$ 7,084	\$ -	\$ -

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<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
<u>Magistrate</u>	<u>Debt Service</u>	
\$ -	\$ -	\$ 53,139
4,302	-	4,302
<u>4,302</u>	<u>-</u>	<u>57,441</u>
-	-	21,737
7,039	-	7,039
-	-	75,024
-	448,769	448,769
<u>-</u>	<u>394,045</u>	<u>394,045</u>
<u>7,039</u>	<u>842,814</u>	<u>946,614</u>
<u>(2,737)</u>	<u>(842,814)</u>	<u>(889,173)</u>
<u>-</u>	<u>842,814</u>	<u>888,977</u>
<u>-</u>	<u>842,814</u>	<u>888,977</u>
(2,737)	-	(196)
<u>19,371</u>	<u>-</u>	<u>23,914</u>
<u>\$ 16,634</u>	<u>\$ -</u>	<u>\$ 23,718</u>



**CITY OF SAFFORD, ARIZONA**  
**20<sup>TH</sup> AVENUE STP GRANT**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental revenue	\$ 601,591	\$ 601,591	\$ -	\$ (601,591)
Total revenues	<u>601,591</u>	<u>601,591</u>	<u>-</u>	<u>(601,591)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>638,881</u>	<u>638,881</u>	<u>1,356</u>	<u>637,525</u>
Total expenditures	<u>638,881</u>	<u>638,881</u>	<u>1,356</u>	<u>637,525</u>
Excess of revenues				
Over (Under) expenditures	(37,290)	(37,290)	(1,356)	35,934
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>1,356</u>	<u>1,356</u>
Total other financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>1,356</u>	<u>1,356</u>
Net change in fund balance	(37,290)	(37,290)	-	37,290
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ (37,290)</u>	<u>\$ (37,290)</u>	<u>\$ -</u>	<u>\$ 37,290</u>

**CITY OF SAFFORD, ARIZONA**  
**POLICE RES-MAGISTRATE COLLECTIONS**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 4,000	\$ 4,000	\$ 2,541	\$ (1,459)
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>2,541</u>	<u>(1,459)</u>
<b>EXPENDITURES</b>				
Public safety	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues Over (Under) expenditures	4,000	4,000	2,541	(1,459)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>4,543</u>	<u>4,543</u>
Fund balance, end of year	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 7,084</u>	<u>\$ 3,084</u>

**CITY OF SAFFORD, ARIZONA  
MAIN STREET IMPROVEMENTS  
SPECIAL REVENUE FUND  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 659,807	\$ 659,807	\$ 28,861	\$ (630,946)
Total revenues	<u>659,807</u>	<u>659,807</u>	<u>28,861</u>	<u>(630,946)</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>1,059,690</u>	<u>1,059,690</u>	<u>73,668</u>	<u>986,022</u>
Total expenditures	<u>1,059,690</u>	<u>1,059,690</u>	<u>73,668</u>	<u>986,022</u>
Excess of revenues				
Over (Under) expenditures	(399,883)	(399,883)	(44,807)	355,076
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>-</u>	<u>-</u>	<u>44,807</u>	<u>44,807</u>
Total other financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>44,807</u>	<u>44,807</u>
Net change in fund balance	(399,883)	(399,883)	-	399,883
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ (399,883)</u>	<u>\$ (399,883)</u>	<u>\$ -</u>	<u>\$ 399,883</u>

**CITY OF SAFFORD, ARIZONA**  
**LIBRARY**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 25,000	\$ 25,000	\$ 21,737	\$ (3,263)
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>21,737</u>	<u>(3,263)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	<u>25,000</u>	<u>25,000</u>	<u>21,737</u>	<u>3,263</u>
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>21,737</u>	<u>3,263</u>
Excess of revenues				
Over (Under) expenditures	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF SAFFORD, ARIZONA  
MAGISTRATE  
SPECIAL REVENUE FUND  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fines and forfeitures	\$ 4,000	\$ 4,000	\$ 4,302	\$ 302
Total revenues	<u>4,000</u>	<u>4,000</u>	<u>4,302</u>	<u>302</u>
<b>EXPENDITURES</b>				
Public safety	<u>-</u>	<u>-</u>	<u>7,039</u>	<u>(7,039)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>7,039</u>	<u>(7,039)</u>
Excess of revenues Over (Under) expenditures	4,000	4,000	(2,737)	(6,737)
Fund balance, beginning of year	<u>19,371</u>	<u>19,371</u>	<u>19,371</u>	<u>-</u>
Fund balance, end of year	<u>\$ 23,371</u>	<u>\$ 23,371</u>	<u>\$ 16,634</u>	<u>\$ (6,737)</u>

**CITY OF SAFFORD, ARIZONA**  
**DEBT SERVICE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>EXPENDITURES</b>				
Debt service:				
Principal	-	-	448,769	(448,769)
Interest and fiscal charges	-	-	394,045	(394,045)
Total expenditures	-	-	842,814	(842,814)
Excess of revenues				
Over (Under) expenditures	-	-	(842,814)	(842,814)
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	842,814	842,814
Total other financing Sources (Uses)	-	-	842,814	842,814
Net change in fund balance				
	-	-	-	-
Fund balance, beginning of year				
	-	-	-	-
Fund balance, end of year				
	\$ -	\$ -	\$ -	\$ -

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## SUPPLEMENTARY INFORMATION

### COMBINING STATEMENTS

### INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for financing goods and services provided by one department or agency to other department or agencies of the City on a cost reimbursement basis.

- The **Interagency Motor Pool** fund is used to account for the City's motor pool charges and expenses.
- The **Warehousing** fund is used to account for the City's central warehouse charges and expenses.
- The **Administration Services** fund is used to account for the administrative services charges and expenses.
- The **Engineering Services** fund is used to account for engineering services charges and expenses.



**CITY OF SAFFORD, ARIZONA**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2014**

<b>Assets</b>	<u>Interagency Motor Pool</u>	<u>Warehousing</u>	<u>Administration Services</u>
<b>Current Assets:</b>			
Cash and investments	\$ 2,277,000	\$ -	\$ 498,311
Receivables (net of allowance)			
Intergovernmental	500	-	-
Inventories	140	1,551,118	-
Prepaid items	36,188	784	20,370
<b>Total current assets</b>	<u>2,313,828</u>	<u>1,551,902</u>	<u>518,681</u>
<b>Noncurrent Assets:</b>			
<b>Capital Assets:</b>			
Buildings and improvements	407,867	-	-
Improvements other than buildings	-	68,677	-
Machinery, equipment and vehicles	11,714,216	19,384	775,929
Accumulated depreciation	(7,318,608)	(30,661)	(619,385)
<b>Total capital assets</b>	<u>4,803,475</u>	<u>57,400</u>	<u>156,544</u>
<b>Total noncurrent assets</b>	<u>4,803,475</u>	<u>57,400</u>	<u>156,544</u>
<b>Total Assets</b>	<u>7,117,303</u>	<u>1,609,302</u>	<u>675,225</u>
 <b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	25,093	101,858	32,091
Accrued payroll and employee benefits	1,540	2,877	3,897
Compensated absences - current	8,562	-	37,300
Leases payable - current	128,109	-	-
<b>Total current liabilities</b>	<u>163,304</u>	<u>104,735</u>	<u>73,288</u>
<b>Noncurrent liabilities:</b>			
Compensated absences, net of current portion	10,464	-	15,985
Leases payable, net of current portion	83,462	-	-
<b>Total noncurrent liabilities</b>	<u>93,926</u>	<u>-</u>	<u>15,985</u>
<b>Total liabilities</b>	<u>257,230</u>	<u>104,735</u>	<u>89,273</u>
 <b>Net Position</b>			
Net investment in capital assets	4,591,904	57,400	156,544
Unrestricted	2,268,169	1,447,168	429,408
<b>Total net position</b>	<u>\$ 6,860,073</u>	<u>\$ 1,504,568</u>	<u>\$ 585,952</u>

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Engineering Services	Totals
\$ 88,362	\$ 2,863,673
-	500
-	1,551,258
-	57,342
<u>88,362</u>	<u>4,472,773</u>
-	407,867
-	68,677
-	12,509,529
-	(7,968,654)
<u>-</u>	<u>5,017,419</u>
-	5,017,419
<u>88,362</u>	<u>9,490,192</u>
3,822	162,864
19,429	27,743
45,578	91,440
-	128,109
<u>68,829</u>	<u>410,156</u>
19,533	45,982
-	83,462
<u>19,533</u>	<u>129,444</u>
<u>88,362</u>	<u>539,600</u>
-	4,805,848
-	4,144,745
<u>\$ -</u>	<u>\$ 8,950,593</u>

**CITY OF SAFFORD, ARIZONA**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Internal Service Funds**  
**For the Year Ended June 30, 2014**

<b>Operating Revenues</b>	Interagency Motor Pool	Warehousing	Administration Services
Charges for services	\$ 1,625,839	\$ 346,037	\$ 1,875,188
Other income	-	-	7,266
Total operating revenues	<u>1,625,839</u>	<u>346,037</u>	<u>1,882,454</u>
<b>Operating Expenses</b>			
Utilities	16,148	10,780	92,299
Professional fees	-	-	26,735
Contract services	24,911	-	-
Insurance	64,124	4,699	-
Miscellaneous	60,970	116,072	87,946
Depreciation	748,727	2,796	73,651
Outside services	-	22	178,070
Salaries, wages, and benefits	269,676	179,355	917,529
Rental	-	9,460	22,421
Supplies	243,543	19,683	178,053
Total operating expenses	<u>1,428,099</u>	<u>342,867</u>	<u>1,576,704</u>
Operating income (loss)	<u>197,740</u>	<u>3,170</u>	<u>305,750</u>
<b>Non-operating Revenues (Expenses)</b>			
Investment earnings	1,105	-	-
Interest and fiscal charges	(33,326)	-	-
Gain (loss) on sale of assets	60,412	-	-
Total non-operating revenue (expense)	<u>28,191</u>	<u>-</u>	<u>-</u>
Income before contributions and transfers	225,931	3,170	305,750
Transfers out	(107,641)	-	-
Transfers in	-	823,682	-
Change in net position	118,290	826,852	305,750
Net position, beginning of year	<u>6,741,783</u>	<u>677,716</u>	<u>280,202</u>
Net position, end of year	<u>\$ 6,860,073</u>	<u>\$ 1,504,568</u>	<u>\$ 585,952</u>

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Engineering Services	Totals
\$ 834,548	\$ 4,681,612
12	7,278
<u>834,560</u>	<u>4,688,890</u>
3,488	122,715
2,678	29,413
-	24,911
-	68,823
30,294	295,282
-	825,174
207,697	385,789
545,769	1,912,329
18,570	50,451
26,064	467,343
<u>834,560</u>	<u>4,182,230</u>
-	506,660
-	1,105
-	(33,326)
<u>-</u>	<u>60,412</u>
-	28,191
-	534,851
-	(107,641)
<u>-</u>	<u>823,682</u>
-	1,250,892
<u>-</u>	<u>7,699,701</u>
<u>\$ -</u>	<u>\$ 8,950,593</u>

**CITY OF SAFFORD, ARIZONA**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**For the Year Ended June 30, 2014**

	Interagency Motor Pool	Warehousing
<b>Cash Flows From Operating Activities:</b>		
Receipts from interfund charges	\$ 1,625,839	\$ 350,096
Cash paid to suppliers	(441,965)	(987,388)
Cash paid to employees	(268,136)	(186,490)
	915,738	(823,782)
<b>Cash Flows From Noncapital and Related Financing Activities:</b>		
Net interfund receipts/(payments)	107,502	-
Interfund transfers	(107,641)	823,682
	(139)	823,682
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Proceeds from the sale of assets	182,819	-
Purchase of capital assets	(613,704)	-
Principal paid on long term debt	(258,482)	-
Interest paid	(33,326)	-
	(722,693)	-
<b>Cash Flows From Investing Activities:</b>		
Interest on investments	1,105	-
Net change in cash and cash equivalents	194,011	(100)
Cash and cash equivalents, including temporarily restricted cash, beginning of year	2,082,989	100
<b>Cash and cash equivalents, including temporarily restricted cash, end of year</b>	<b>\$ 2,277,000</b>	<b>\$ -</b>
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</b>		
Net operating income/(loss)	\$ 197,740	\$ 3,170
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation/amortization	748,727	2,796
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	-	4,059
(Increase)/Decrease in inventory	-	(112,932)
(Increase)/Decrease in prepaid items	(36,188)	(784)
Increase/(Decrease) in accounts payable	3,919	4,219
Increase/(Decrease) in accrued payroll and employee benefits	1,540	(7,135)
Increase/(Decrease) in due to other funds	-	(717,175)
Net cash flows from operating activities	<b>\$ 915,738</b>	<b>\$ (823,782)</b>

Administrative Services	Engineering Services	Totals
\$ 1,882,454	\$ 834,560	\$ 4,692,949
(622,134)	(290,316)	(2,341,803)
(902,548)	(538,650)	(1,895,824)
<u>357,772</u>	<u>5,594</u>	<u>455,322</u>
-	-	107,502
-	-	<u>716,041</u>
-	-	<u>823,543</u>
-	-	182,819
(85,559)	-	(699,263)
-	-	(258,482)
-	-	<u>(33,326)</u>
<u>(85,559)</u>	<u>-</u>	<u>(808,252)</u>
-	-	1,105
<u>272,213</u>	<u>5,594</u>	<u>471,718</u>
<u>226,098</u>	<u>82,768</u>	<u>2,391,955</u>
<u>\$ 498,311</u>	<u>\$ 88,362</u>	<u>\$ 2,863,673</u>
\$ 305,750	\$ -	\$ 506,660
73,651	-	825,174
-	-	4,059
-	-	(112,932)
3,355	-	(33,617)
(39,965)	(1,525)	(33,352)
14,981	7,119	16,505
-	-	<u>(717,175)</u>
<u>\$ 357,772</u>	<u>\$ 5,594</u>	<u>\$ 455,322</u>

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## STATISTICAL SECTION

This part of the City of Safford’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends .....	90
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.</i>	
Revenue Capacity .....	95
<i>These schedules contain information to help the reader assess the government’s property taxes and the most significant local revenues source, the sales tax.</i>	
Debt Capacity .....	98
<i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information.....	101
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information .....	105
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	



**CITY OF SAFFORD, ARIZONA**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental Activities</b>										
Net Investment in Capital Assets:	\$ 8,143,112	\$ 16,732,994	\$ 22,348,262	\$ 21,518,201	\$ 21,561,708	\$ 20,917,716	\$ 20,653,034	\$ 20,978,424	\$ 27,349,488	\$ 29,268,578
Nonspendable	-	-	-	-	-	-	-	-	47,223	87,637
Restricted	331,913	1,519,166	(3,251,655)	(2,250,819)	(1,738,281)	(1,171,950)	827,631	1,035,403	1,071,188	2,390,620
Unrestricted	8,475,025	18,252,160	19,096,607	19,267,382	19,823,427	19,745,766	22,677,161	1,326,108	875,720	2,122,183
<b>Total Governmental Activities Net Position</b>	<b>\$ 32,548,190</b>	<b>\$ 32,671,943</b>	<b>\$ 33,444,453</b>	<b>\$ 40,689,932</b>	<b>\$ 36,953,200</b>	<b>\$ 41,779,346</b>	<b>\$ 45,649,326</b>	<b>\$ 48,405,227</b>	<b>\$ 45,199,095</b>	<b>\$ 48,623,415</b>
<b>Business-type activities</b>										
Net Investment in Capital Assets:	-	-	-	-	-	-	-	-	93,631	129,972
Nonspendable	-	-	-	-	-	2,275,122	1,183,026	1,137,612	279,169	279,169
Restricted	4,485,454	5,242,183	5,893,772	1,850,497	5,300,828	4,595,818	7,235,120	9,256,122	13,435,705	10,960,335
Unrestricted	37,033,644	37,914,126	39,338,225	42,540,429	42,254,028	48,650,286	54,067,472	58,798,961	59,007,600	59,992,891
<b>Total Business-Type Activities Net Position</b>	<b>\$ 40,691,302</b>	<b>\$ 49,404,937</b>	<b>\$ 55,792,715</b>	<b>\$ 62,208,133</b>	<b>\$ 58,514,908</b>	<b>\$ 62,697,062</b>	<b>\$ 66,302,360</b>	<b>\$ 69,383,651</b>	<b>\$ 72,548,583</b>	<b>\$ 77,891,993</b>
<b>Primary government</b>										
Net Investment in Capital Assets:	-	-	-	-	-	-	-	-	140,854	217,609
Nonspendable	-	-	-	-	-	2,275,122	2,010,657	2,173,015	1,350,357	2,669,789
Restricted	4,817,367	6,761,349	2,642,117	(400,322)	3,562,547	3,423,868	8,431,616	10,582,230	14,311,425	13,082,518
Unrestricted	45,508,669	56,166,286	58,434,832	61,807,811	62,077,455	68,396,052	76,744,633	82,138,896	88,351,219	93,861,909

**Source:** The source of this information is the City's financial records.

**Note:** The significant increase in governmental activities in fiscal year 2007 is due to the addition of retroactive infrastructure as required by GASB statement 34.

**CITY OF SAFFORD, ARIZONA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(Continued)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Expenses</b>										
Governmental activities:										
General Government	\$ 3,194,247	\$ 2,818,236	\$ 3,228,687	\$ 4,130,224	\$ 3,868,579	\$ 3,223,810	\$ 2,868,828	\$ 3,133,958	\$ 3,150,383	\$ 3,192,161
Public Safety	2,275,752	2,631,162	3,173,736	3,454,258	3,743,985	3,741,728	3,889,627	4,738,627	4,902,300	4,952,160
Highway and Streets	993,984	1,655,367	1,931,614	1,713,275	2,336,657	1,890,432	1,852,093	2,227,993	2,071,690	2,117,746
Sanitation	885,393	1,036,931	1,097,169	2,614,614	1,103,633	2,116,241	1,022,428	1,182,603	1,220,126	1,239,595
Culture and Recreation	1,899,101	2,475,440	2,634,002	3,260,001	3,172,267	2,898,554	2,106,533	2,054,730	2,107,606	2,220,900
Economic and Community Development	184,769	232,370	223,446	244,842	103,425	92,063	351,950	552,541	994,423	689,070
Interest on Long-Term Debt	46,420	227,430	555,603	587,147	580,055	569,051	528,397	480,279	474,406	439,867
Total Governmental Activities Expenses	9,479,666	11,076,936	12,844,257	16,004,361	14,908,601	13,631,879	12,619,856	14,370,731	14,920,934	14,851,499
Business-Type Activities:										
Water	3,683,260	4,089,699	3,965,916	4,404,177	4,977,296	4,483,293	3,704,349	3,835,273	3,988,802	3,771,822
Wastewater	2,093,082	2,139,182	2,219,660	2,560,238	2,673,111	2,555,329	2,292,795	2,585,043	2,635,860	2,574,004
Gas	2,294,378	2,993,202	2,974,869	3,142,225	3,330,255	3,012,346	2,854,849	2,520,994	2,569,018	2,315,875
Electric	5,265,291	5,894,631	6,335,792	6,962,279	7,688,965	7,186,117	6,178,881	6,662,124	7,012,872	7,837,997
Landfill	841,929	916,359	955,871	982,287	1,566,575	1,145,443	1,257,871	1,077,897	1,113,660	1,207,653
Airport	229,595	327,620	402,285	364,132	459,379	334,623	538,631	583,575	-	-
Total Business-Type Activities Expenses	14,407,535	16,360,693	16,854,393	18,415,338	20,695,581	18,717,151	16,827,376	17,264,906	17,320,212	17,707,351
Total Primary Government Expenses	\$ 23,887,201	\$ 27,437,629	\$ 29,698,650	\$ 34,419,699	\$ 35,604,182	\$ 32,349,030	\$ 29,447,232	\$ 31,635,637	\$ 32,241,146	\$ 32,558,850
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	1,580,712	1,810,784	2,046,431	2,669,982	3,758,516	3,052,621	2,280,070	2,985,679	2,996,915	2,925,974
Public Safety	205,450	152,985	89,701	274,793	469,269	309,000	322,948	409,080	416,808	422,780
Highway and Streets	-	-	-	-	-	-	-	-	-	-
Sanitation	675,557	695,977	811,388	961,359	994,369	955,725	972,117	991,754	1,004,375	1,058,977
Culture and Recreation	448,402	531,824	544,638	505,473	497,225	547,237	230,527	53,537	58,988	58,011
Economic and Community Development	-	-	27,508	172,836	139,563	74,691	92,656	-	124,759	125,697
Operating grants and contributions	1,685,282	4,461,195	1,112,277	1,152,093	929,977	1,209,462	1,135,839	1,031,997	897,058	960,254
Capital grants and contributions	-	-	-	439,795	-	42,045	342,986	493,283	334,183	2,029,410
Total Governmental Activities Program Revenues	4,595,403	7,652,765	4,631,943	6,176,331	6,788,919	6,190,781	5,377,143	5,965,330	5,833,086	7,581,103
Business-Type Activities:										
Charges for Services:										
Water	3,475,236	3,723,831	4,508,258	5,136,929	4,673,148	4,827,527	4,587,729	4,564,087	4,389,697	5,562,149
Wastewater	1,451,832	1,490,328	1,996,803	3,311,079	3,083,067	2,694,922	2,462,021	2,454,693	2,364,170	2,478,847
Gas	2,505,062	2,972,872	2,951,728	3,333,519	3,059,527	3,252,703	3,271,358	3,121,378	2,981,713	2,697,397
Electric	5,868,541	6,473,184	6,769,144	7,565,816	7,906,694	9,080,807	8,901,294	8,816,434	8,973,235	9,244,070
Landfill	1,028,748	978,217	1,295,860	1,346,923	1,255,546	1,048,132	1,105,663	1,036,977	1,173,911	1,342,304
Airport	74,921	108,924	119,839	181,874	163,554	178,974	161,411	133,780	-	-
Operating Grants and Contributions	964,570	1,027,586	503,326	-	362,972	4,008,059	4,425,483	1,922,205	2,756,504	1,718,482
Capital Grants and Contributions	-	-	-	722,273	362,972	4,008,059	4,425,483	1,922,205	2,756,504	1,718,482
Total Business-Type Activities Program Revenues	15,368,910	16,774,942	18,144,958	21,598,413	20,504,508	25,091,124	24,914,959	22,049,554	22,639,230	23,043,249
Total Primary Government Program Revenues	\$ 19,964,313	\$ 24,427,707	\$ 22,776,901	\$ 27,774,744	\$ 27,293,427	\$ 31,281,905	\$ 30,292,102	\$ 28,014,884	\$ 28,472,316	\$ 30,624,352

\* Beginning in fiscal year 2013 the airport operations were reported as a department of the general fund.

(continued)

**CITY OF SAFFORD, ARIZONA**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
**(accrual basis of accounting)**  
**(Continued)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Net (expense)/revenue</b>										
Governmental Activities	\$ (4,884,263)	\$ (3,424,171)	\$ (8,212,314)	\$ (9,828,030)	\$ (8,119,682)	\$ (7,441,098)	\$ (7,242,713)	\$ (8,405,401)	\$ (9,087,848)	\$ (7,270,396)
Business-Type Activities	961,375	414,249	1,290,565	3,183,075	(191,073)	6,373,973	8,087,583	4,784,648	5,319,018	5,335,898
Total Primary Government Net Expense	\$ (3,922,888)	\$ (3,009,922)	\$ (6,921,749)	\$ (6,644,955)	\$ (8,310,755)	\$ (1,067,125)	\$ 844,870	\$ (3,620,753)	\$ (3,768,830)	\$ (1,934,498)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property taxes, levied for general purposes	\$ 127,868	\$ 171,755	\$ 167,665	\$ 177,196	\$ 185,141	\$ 184,556	\$ 194,978	\$ 201,761	\$ 237,921	\$ 228,994
City sales tax	2,444,331	3,662,056	5,746,283	6,512,064	5,576,365	4,605,185	4,945,809	5,576,922	6,093,479	6,607,750
Franchise taxes	69,165	70,319	68,031	65,772	73,419	66,999	59,905	844,465	873,661	909,208
Unrestricted state shared sales tax	2,095,803	2,383,761	2,374,843	2,719,808	2,550,627	2,357,794	2,081,548	1,983,093	2,251,184	2,367,906
Grants, aid, and contributions - unrestricted	-	-	-	-	-	-	-	-	-	-
Development impact fees	-	-	-	-	-	-	-	-	-	-
Unrestricted Investment Earnings (loss)	110,481	261,923	615,421	356,249	39,012	13,223	10,092	9,027	16,442	11,830
Miscellaneous	443	81	707	21,749	152,808	135,680	195,643	438,374	366,725	293,770
Transfers	250,000	-	83,811	145,967	98,355	-	(26,076)	14,533	30,070	1,376,337
Total Governmental Activities	5,098,091	6,549,895	9,056,761	9,998,805	8,675,727	7,363,437	7,461,899	9,068,175	9,869,482	11,795,795
Business-Type Activities:										
Development impact fees	157,253	229,020	-	-	-	-	-	-	-	-
Unrestricted Investment Earnings (loss)	101,325	237,213	217,345	165,096	3,027	22,285	15,736	21,374	66,738	32,217
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Transfers	(250,000)	-	(83,811)	(145,967)	(98,355)	-	26,076	(14,533)	(30,070)	(1,376,337)
Total Business-Type Activities	8,578	466,233	133,534	19,129	(95,328)	22,285	41,812	6,841	36,668	(1,344,120)
Total Primary Government	\$ 5,106,669	\$ 7,016,128	\$ 9,190,295	\$ 10,017,934	\$ 8,580,399	\$ 7,385,722	\$ 7,503,711	\$ 9,075,016	\$ 9,906,150	\$ 10,451,675
<b>Changes in Net Position</b>										
Governmental Activities	\$ 213,828	\$ 3,125,724	\$ 844,447	\$ 170,775	\$ 556,045	\$ (77,661)	\$ 219,186	\$ 662,774	\$ 781,634	\$ 4,525,399
Business-Type Activities	969,953	880,482	1,424,099	3,202,204	(286,401)	6,396,258	8,129,395	4,791,489	5,355,686	3,991,778
Total Primary Government	\$ 1,183,781	\$ 4,006,206	\$ 2,268,546	\$ 3,372,979	\$ 269,644	\$ 6,318,597	\$ 8,348,581	\$ 5,454,263	\$ 6,137,320	\$ 8,517,177

**CITY OF SAFFORD, ARIZONA**  
**Fund Balance of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>General Fund</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,990	\$ 39,464	\$ 47,223	\$ 42,488
Unassigned	-	-	-	-	-	-	3,525,524	3,943,693	3,632,604	1,237,996
Reserved	-	-	-	25,774	28,468	35,921	-	-	-	-
Unreserved	3,910,365	2,486,405	1,571,767	1,860,998	2,632,606	3,071,044	-	-	-	-
<b>Total General Fund</b>	<b>\$ 3,910,365</b>	<b>\$ 2,486,405</b>	<b>\$ 1,571,767</b>	<b>\$ 1,886,772</b>	<b>\$ 2,661,074</b>	<b>\$ 3,106,965</b>	<b>\$ 3,555,514</b>	<b>\$ 3,983,157</b>	<b>\$ 3,679,827</b>	<b>\$ 1,280,484</b>
<b>All other Governmental Funds</b>										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,090	\$ 9,343	\$ -	\$ -
Restricted	-	-	-	-	-	-	827,631	1,035,403	1,071,188	2,390,620
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	(3,743,609)	(3,787,116)	(3,597,476)	35,143
Reserved	-	-	-	9,254	9,572	9,831	-	-	-	-
Unreserved, reported in:										
Special revenue funds	70,740	(46,789)	(1,161,865)	(2,327,758)	(3,330,126)	(3,780,719)	-	-	-	-
Capital projects funds	-	8,795,117	3,854,532	1,518,452	1,512,578	67,660	-	-	-	-
Debt service fund	-	-	440,998	776,703	980,675	1,068,380	-	-	-	-
<b>Total all other Governmental Funds</b>	<b>\$ 70,740</b>	<b>\$ 8,748,328</b>	<b>\$ 3,133,665</b>	<b>\$ (23,349)</b>	<b>\$ (827,301)</b>	<b>\$ (2,634,848)</b>	<b>\$ (2,905,888)</b>	<b>\$ (2,742,370)</b>	<b>\$ (2,526,288)</b>	<b>\$ 2,425,763</b>

**Source:** The source of this information is the City's financial records  
**Note:** The provisions of Governmental Accounting Standards Board (GASB) Statement No. 54 were adopted in fiscal year 2011. The standard replaces the previous reserved and unreserved fund balance categories with the following five fund balance classifications: nonspendable, restricted, committed, assigned, and unassigned fund balance.

**CITY OF SAFFORD, ARIZONA**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
**(modified accrual basis of accounting)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Taxes	\$ 2,641,365	\$ 3,904,130	\$ 5,981,979	\$ 6,755,032	\$ 5,834,925	\$ 4,856,740	\$ 5,200,692	\$ 6,623,147	\$ 7,192,817	\$ 7,745,952
Licenses and Permits	63,241	92,076	222,929	109,408	95,512	54,972	65,365	66,345	68,380	55,972
Intergovernmental	4,027,685	7,041,209	3,615,181	4,625,743	3,989,435	3,952,256	3,911,044	3,508,374	3,486,968	5,360,112
Charges for Services	2,492,423	2,724,244	2,972,369	3,779,379	4,964,249	4,348,600	3,233,026	2,458,392	2,606,646	2,837,209
Fines and Forfeitures	78,859	88,250	85,144	100,503	94,778	88,299	74,568	78,682	75,526	69,878
Miscellaneous	29,443	90,828	111,870	302,856	347,129	243,468	370,331	438,389	324,234	233,355
Investment income (loss)	98,884	240,063	598,163	334,942	39,891	14,446	9,557	8,050	13,796	10,725
Special Assessments	2,094	3,421	2,233	3,818	1,251	2,045	-	-	-	-
Total Revenues	\$ 9,433,994	\$ 14,184,221	\$ 13,589,868	\$ 16,011,681	\$ 15,367,170	\$ 13,560,826	\$ 12,864,583	\$ 13,181,379	\$ 13,768,367	\$ 16,313,203
<b>Expenditures</b>										
Current:										
General Government	\$ 3,019,672	\$ 2,784,056	\$ 3,196,607	\$ 3,751,838	\$ 3,862,006	\$ 3,150,035	\$ 2,731,894	\$ 2,590,895	\$ 2,655,398	\$ 2,800,833
Public Safety	2,158,138	2,645,929	3,322,508	3,769,817	4,007,841	3,855,546	3,769,031	4,049,278	4,170,614	4,457,666
Highways and streets	930,575	1,257,907	1,501,307	1,741,143	1,776,368	1,307,536	1,115,255	1,131,916	1,151,231	1,272,160
Sanitation	858,611	1,056,109	1,155,959	1,206,092	1,075,654	1,110,186	1,053,879	1,020,240	1,040,965	1,119,239
Culture and recreation	1,780,802	2,307,658	2,649,119	3,290,951	3,120,127	2,783,528	1,889,625	1,608,052	1,641,180	1,549,779
Economic and community development	191,331	169,778	243,273	187,648	151,196	67,724	316,557	442,268	527,065	598,661
Capital Outlay	1,098,103	6,358,143	6,024,572	3,939,257	300,730	1,609,952	734,302	778,102	615,437	2,475,438
Debt service:										
Interest and Fiscal Charges	46,420	227,430	543,794	641,618	511,742	520,753	464,999	439,751	433,005	418,276
Principal	90,000	540,000	1,482,030	538,035	489,471	488,942	552,757	451,605	582,477	543,460
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	-
Bond issuance costs	-	252,335	-	-	-	-	-	-	-	-
Total Expenditures	10,173,652	17,599,345	20,119,169	19,066,399	15,295,135	14,894,202	12,628,299	12,512,107	12,817,372	15,235,512
Revenues over (under) Expenditures	(739,658)	(3,415,124)	(6,529,301)	(3,054,718)	72,035	(1,333,376)	236,284	669,272	950,995	1,077,691
<b>Other Finance Sources (Uses)</b>										
Debt proceeds	-	10,170,000	-	318,750	-	-	-	-	-	-
Premium on issuance of loans	-	498,752	-	-	-	-	-	-	-	-
Capital lease agreements	-	-	-	-	-	-	-	-	-	-
Transfers in	441,871	4,092,708	1,856,090	503,741	297,947	300,847	1,540,927	2,180,006	2,427,140	5,650,242
Transfers out	(191,871)	(4,092,708)	(1,856,090)	(609,782)	(399,632)	(329,127)	(1,599,702)	(2,258,117)	(2,427,140)	(4,166,264)
Total other Finance Sources (uses)	250,000	10,668,752	-	212,709	(101,685)	(28,280)	(58,775)	(78,111)	-	1,483,978
<b>Net Change in Fund Balances</b>	\$ (489,658)	\$ 7,253,628	\$ (6,529,301)	\$ (2,842,009)	\$ (29,650)	\$ (1,361,656)	\$ 177,509	\$ 591,161	\$ 950,995	\$ 2,561,669
Debt Service as a Percentage of Non-capital Expenditures	1.50%	6.83%	14.37%	7.80%	6.68%	7.60%	8.56%	7.60%	8.32%	7.54%

**CITY OF SAFFORD, ARIZONA**  
**Taxable Sales by Category**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Construction	\$ 188,141	\$ 200,360	\$ 188,645	\$ 309,237	\$ 365,433	\$ 520,687	\$ 938,460	\$ 482,050	\$ 404,099	\$ 111,880
Manufacturing	133,878	126,073	88,794	111,222	88,236	109,510	138,870	135,385	105,181	99,859
Utilities	155,194	159,437	183,351	181,923	203,295	212,368	224,752	170,360	97,415	212,083
Wholesale	159,094	181,800	173,488	106,618	93,150	140,075	117,626	55,747	80,181	54,205
Retail	4,336,285	4,093,815	3,856,735	3,719,848	3,590,697	4,024,039	4,625,932	4,265,882	2,305,045	1,406,547
Restaurants	548,137	465,466	404,634	352,085	332,107	363,298	256,271	370,251	276,031	201,447
Property Rental	246,908	216,489	163,495	191,373	175,848	247,841	231,559	222,483	177,809	119,719
Hotels	643,810	454,109	322,155	303,173	240,840	451,707	568,064	404,466	314,374	178,932
Mining	3					31	493		55,467	
Services	146,699	130,894	129,440	108,267	111,071	135,859	148,065	134,936	105,517	79,977
Other	7,926	55,465	38,231	27,787	49,379	59,121	87,352	53,183	35,251	35,251
Transportation	18,982	5,717	5,343	8,938	7,332	1,423	13,597	13,936	11,166	17,481
Finance & Insurance	4,120	3,480	2,779	3,933	3,288	6,445	12,578	11,592	6,458	2,600
Public Administration	4,334					2,691	4,356	5,770	3,744	6,006
Arts & Entertainment	14,239		19,827	18,436		17,579	23,592	21,724	21,402	18,127
Audit Program						(2,726)	(6,535)	(5,273)	(19,339)	
Adjustment									(8,146)	(3,828)
Total	\$ 6,607,750	\$ 6,093,105	\$ 5,576,917	\$ 5,442,840	\$ 5,260,676	\$ 6,289,948	\$ 7,385,032	\$ 6,342,492	\$ 3,936,404	\$ 2,540,286

Safford's direct sales tax rate 2.5% 2.5% 2.5% 2.5% 2.5% 2.5% 2.5% 2.5% 2.5% 2.5% 2.0%

**CITY OF SAFFORD, ARIZONA**  
**Sales Tax Rates**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Safford Direct Rate</b>	<b>Arizona Rate</b>	<b>Graham County Rate</b>
2014	2.50%	5.60%	0.50%
2013	2.50%	5.60%	0.50%
2012	2.50%	6.60%	0.50%
2011	2.50%	6.60%	0.50%
2010	2.50%	5.60%	0.50%
2009	2.50%	5.60%	0.50%
2008	2.50%	5.60%	0.50%
2007	2.50%	5.60%	0.50%
2006	2.50%	5.60%	0.50%
2005	2.00%	5.60%	0.50%

**Source:** The source of this information is the City's records.

**CITY OF SAFFORD, ARIZONA**  
**Principal Sales Taxpayers**  
**Current Fiscal Year and Eight Years Ago**

Taxpayer	Business Type	Fiscal Year 2014		Fiscal Year 2005		Percentage of Total Sales Tax Payments	Percentage of Total Sales Tax Payments
		Sales Tax Payments	Rank	Sales Tax Payments	Rank		
Taxpayer A	Retail Trade	2,182,014	1	57.21%	187,849	2	7.39%
Taxpayer B	Utility	373,001	2	9.78%	263,481	1	10.37%
Taxpayer C	Retail Trade	242,249	3	6.35%	119,458	3	4.70%
Taxpayer D	Retail Trade	155,498	4	4.08%			
Taxpayer E	Retail Trade	131,123	5	3.44%	44,369	6	1.75%
Taxpayer F	Retail Trade	129,863	6	3.40%	109,573	4	4.31%
Taxpayer G	Restaurant	126,694	7	3.32%	35,836	10	1.41%
Taxpayer H	Hotel	115,554	8	3.03%	98,411	5	3.87%
Taxpayer I	Retail Trade	102,027	9	2.67%			
Taxpayer J	Hotel	97,456	10	2.56%	42,331	7	1.67%
Taxpayer K	Hotel	81,257		2.13%	37,947	8	1.49%
Taxpayer L	Retail Trade	77,543		2.03%	36,217	9	1.43%
Total Sales		\$ 3,814,279		100.00%	\$ 2,540,286		38.40%

Source: Arizona Department of Revenue

Note: 2005 is the first fiscal year of available data of sales tax payments by business type



**CITY OF SAFFORD, ARIZONA**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	Loans	Capital Leases	Loans	Capital Leases			
2014	\$ 7,447,766	\$ 763,827	\$ 9,773,354	\$ -	\$ 17,984,947	n/a	\$ 1,880
2013	7,908,270	1,117,000	10,574,761	-	19,600,031	n/a	2,049
2012	8,226,923	640,144	12,712,367	746,496	22,325,930	n/a	2,334
2011	8,678,528	869,720	14,738,754	857,331	25,144,333	n/a	2,629
2010	9,231,285	1,189,747	17,124,411	1,001,247	28,546,690	3.21%	2,903
2009	9,752,038	1,498,280	21,452,430	1,143,357	33,846,105	3.74%	3,391
2008	10,241,509	1,243,757	22,444,377	1,277,464	35,207,107	4.03%	3,722
2007	10,564,377	715,933	11,679,436	1,361,844	24,321,590	3.42%	2,576
2006	12,046,407	-	12,493,589	906,510	25,446,506	4.04%	2,696
2005	1,825,000	-	13,279,116	957,629	16,061,745	2.72%	1,740

**CITY OF SAFFORD, ARIZONA**  
**Direct and Overlapping Governmental Activities Debt**  
**June 30, 2014**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable to School District</u>	<u>Estimated Amount Applicable to School District</u>
Safford Unified School District No. 1	\$ 1,375,000	38.00 %	\$ 522,500
Subtotal, Overlapping Debt			<u>522,500</u>
Direct:			
City of Safford			<u>24,586,325</u>
Total Direct and Overlapping Debt			<u><u>\$ 25,108,825</u></u>

**Source:** The source of this information is the District's records and the State and County Abstract of the Assessment Roll, Arizona Department of Revenue and the applicable governmental unit.

**Notes:** 1) Estimated percentage of debt outstanding applicable to the District is calculated based on the District's secondary assessed valuation as a percentage of the secondary assessed valuation of the overlapping jurisdiction.

**CITY OF SAFFORD, ARIZONA**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

**Legal Debt Margin Calculations for Fiscal Year 2014:**

	20% Limitation					6% Limitation				
	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Secondary assessed valuation	\$ 6,892,105	\$ 6,902,479	\$ 7,663,462	\$ 8,297,914	\$ 9,831,547	\$ 12,584,925	\$ 13,741,392	\$ 10,199,044	\$ 10,334,269	\$ 9,200,914
Debt limit	-	-	-	-	-	-	-	-	-	-
Debt applicable to limit	\$ 6,892,105	\$ 6,902,479	\$ 7,663,462	\$ 8,297,914	\$ 9,831,547	\$ 12,584,925	\$ 13,741,392	\$ 10,199,044	\$ 10,334,269	\$ 9,200,914
Legal 20% debt margin	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>20% Limitation (a)</b>										
Debt Limit Equal to 20% of Assessed Valuation	\$ 6,892,105	\$ 6,902,479	\$ 7,663,462	\$ 8,297,914	\$ 9,831,547	\$ 12,584,925	\$ 13,741,392	\$ 10,199,044	\$ 10,334,269	\$ 9,200,914
Total Debt Applicable to 20% Limit	-	-	-	-	-	-	-	-	-	-
Legal 20% Debt Margin (Available Borrowing Capacity)	\$ 6,892,105	\$ 6,902,479	\$ 7,663,462	\$ 8,297,914	\$ 9,831,547	\$ 12,584,925	\$ 13,741,392	\$ 10,199,044	\$ 10,334,269	\$ 9,200,914
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>6% Limitation (b)</b>										
Debt Limit Equal to 6% of Assessed Valuation	\$ 2,067,631	\$ 2,070,744	\$ 2,299,039	\$ 2,489,374	\$ 2,949,464	\$ 3,775,478	\$ 3,669,943	\$ 2,347,790	\$ 2,481,287	\$ 2,175,049
Total Debt Applicable to 6% Limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (711,923)	\$ (618,994)	\$ (585,225)
Legal 6% Debt Margin (Available Borrowing Capacity)	\$ 2,067,631	\$ 2,070,744	\$ 2,299,039	\$ 2,489,374	\$ 2,949,464	\$ 3,775,478	\$ 3,669,943	\$ 1,635,867	\$ 1,862,293	\$ 1,589,824
Total Net Debt Applicable to the 6% Limit as a Percentage of 6% Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	23.27%	22.43%	21.20%

Source: Graham County Assessor's records

(a) 20% Debt Limitation can be used for Water, Sewer, Light, Parks, and Open Space Purposes.

(b) 6% Debt Limitation can be used for all other General Obligation Bonds.

**CITY OF SAFFORD, ARIZONA**  
**County-Wide Demographic and Economic Statistics**  
**Last Ten Calendar Years**

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands)</u>	<u>Per Capita Income</u>	<u>Unemployment Rate</u>	<u>Estimated City Population</u>
2013	37,482	1,032,567	27,548	7.6	9,602
2012	37,416	968,606	25,887	8.7	9,566
2011	37,147	936,660	25,515	10.4	9,566
2010	37,220	N/A	N/A	13.5	9,566
2009	39,792	888,053	23,972	14.0	9,832
2008	38,633	906,160	25,029	6.3	9,982
2007	37,338	874,558	23,423	2.8	9,460
2006	36,380	712,181	21,353	4.9	9,440
2005	35,455	629,832	19,034	6.6	9,440
2004	35,895	590,333	17,966	7.1	9,232
2003	34,180	542,698	16,444	7.3	9,232

**Sources:** The source of the "Personal Income" and "Per Capita" information is the Bureau of Economic Analysis.  
The source of the "Population" is the United States Census Bureau  
The source of the "Unemployment Rate" information is Federal Reserve Bank of St. Louis-Economic Data, aka FRED.

**Note:** N/A indicates that the information is not available.

**CITY OF SAFFORD, ARIZONA**  
**Principal Employers**  
**Current Year and Eight Years Ago**

<u>Employer</u>	<u>2014</u>		<u>2005</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Freeport McMoRan Copper and Gold Inc.	4,045	45.88 %	2,200	24.95 %
Mount Graham Regional Medical	532	6.03	440	4.99
Arizona State Prison Complex - Safford	378	4.29	480	5.44
Safford Unified School District	247	2.80	345	3.91
Wal-Mart	320	3.63		-
Graham County, Arizona	222	2.52	260	2.95
Eastern Arizona College	208	2.36	860	9.75
Federal Correctional Institution	207	2.35	200	2.27
City of Safford	149	1.69		
DRG Technologies	95	1.08		-
U.S. Bureau of Land Management	42	0.48	100	1.13
Arizona Department of Economic Security	41	0.47	130	1.47
Sun Pumps	19	0.22	155	1.76
Total	<u>6,505</u>	<u>73.80 %</u>	<u>5,170</u>	<u>58.62 %</u>
Total employment	<u>8,817</u>		<u>8,817</u>	

**Source:** 2005 numbers were taken from the Arizona Industrial Directory, publications of the Greater Phoenix Chamber of Commerce, the Graham County Chamber of Commerce, and an individual employer survey.

**CITY OF SAFFORD, ARIZONA**  
**Full-Time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>General Government</b>							
Management	2	2	2	2	2	2	2
Finance	5	5	5	5	5	5	5
Planning	4	3	3	4	4	4	4
Building	6	6	5	5	5	5	5
Other	50	48	48	48	48	48	48
<b>Public Safety</b>							
Police							
Officers	20	20	19	19	21	22	21
Civilians	2	3	4	4	4	4	4
Fire							
Firefighters and officers *	31	29	28	28	28	29	29
<b>Highways and Streets</b>							
Engineering	5	6	5	5	4	4	4
Other				7	15	15	15
<b>Sanitation</b>	6	5	5	5	6	3	5
<b>Culture and Recreation</b>							
Parks and recreation	5	5	5	6	11	11	16
Library	7	7	6	5	9	9	8
<b>Water</b>	13	11	10	11	20	20	20
<b>Wastewater</b>	7	7	6	4	5	5	5
<b>Gas</b>	6	6	6	6	6	8	8
<b>Electric</b>	7	6	6	6	6	8	8
<b>Landfill</b>	3	4	4	3	4	3	3
<b>Utility Admin and Support</b>	3	3	2	2	5	5	5
<b>Total</b>	182	176	169	175	208	210	215

\* Firefighters are volunteers and are paid a stipend on a per call basis.

(Continued)

**CITY OF SAFFORD, ARIZONA**  
**Full-Time Equivalent City Government Employees by Function/Program**  
**Last Ten Fiscal Years**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>General Government</b>			
Management	2	2	2
Finance	5	5	5
Planning	4	4	4
Building	5	5	5
Other	41	32	26
<b>Public Safety</b>			
Police			
Officers	21	19	20
Civilians	4	3	3
Fire			
Firefighters and officers	28	28	28
<b>Highways and Streets</b>			
Engineering	6	3	3
Other	15	16	13
<b>Sanitation</b>	6	11	8
<b>Culture and Recreation</b>			
Parks and recreation	16	37	27
Library	8	9	6
<b>Water</b>	20	21	16
<b>Wastewater</b>	5	5	6
<b>Gas</b>	6	7	8
<b>Electric</b>	8	9	11
<b>Landfill</b>	3	3	4
<b>Utility Admin and Support</b>	5	6	7
<b>Total</b>	<u>208</u>	<u>225</u>	<u>202</u>

**Source:** The source of this information is the City's payroll records. **(Concluded)**

**CITY OF SAFFORD, ARIZONA**  
**Capital Asset Information**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year Ended June 30</u>									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	14	14	14	14	9	22	22	22	22	20
<b>Fire Stations</b>	1	1	1	1	1	1	1	1	1	1
<b>Refuse collection</b>										
Collection trucks	11	10	9	6	8	6	6	6	6	6
<b>Other Public Works</b>										
Streets (miles)	44.4	44.4	43		43	43	43	45	43	42
Highways (miles)	5	5	5		5	5	5	5	5	5
Streetlights	861	861	860	853	848	848	848	840	840	812
Traffic signs	2,234	2,234	2,064	1,777	1,790	1,310	1,310	1,310	1,295	1,270
<b>Parks and recreation</b>										
Acreage	720	720	720	720	720	720	720	720	720	720
Playgrounds	4	4	4	4	4	4	4	7	7	7
Baseball/softball diamonds	1	1	1	1	1	1	1	1	1	1
Soccer/football fields	1	1	1	1	1	1	1	1	1	1
Community centers	0	0	2	2	2	2	2	2	2	2
<b>Water</b>										
Water mains (miles)	251	252	254	255	251	242	242	235	232	230
Fire hydrants	1,017	997	983	972	947	881	881	842	836	860
Storage capacity (thousands of gallons)		19,750	19,750	19,700	19,700	12,700	12,700	7,920	7,920	7,920
<b>Wastewater</b>										
Sanitary sewers (miles)	74	74	70	74	72	70	70	62	62	62
Storm sewers (miles)	20	20	20	20	20	20	20	6	6	6
Treatment capacity (thousands of gallons)	2,000	2,000	2,000	2,000	2,000	2,000	2,000	4,008	4,008	4,008

**Source:** The source of this information is the City's facilities records.



**CITY OF SAFFORD, ARIZONA**  
**Operating Indicators by Function**  
**Last Three Fiscal Years**

	<b>Fiscal Year Ended June 30</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<u>Function/Program</u>			
Police:			
Burglaries	149	152	219
Citations (traffic)	886	647	682
Total Arrests	505	446	380
Thefts	517	645	441
Public Works			
Street resurfacing (miles)			
Parks and Recreation:			
Recreation Programs Held Annually	13	12	12
Months of Public Pool Operations	3	3	3
Parks Maintenance Man-Hours Worked	9,341	9,228	5,113
Library:			
Collection volume	38,653	38,076	38,403
Water:			
New connections	63	102	66
Total connections	8571	8599	8,512

**Source:** City of Safford Finance Department

**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**

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**Independent Auditors' 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***

The Honorable Mayor and  
City Council  
Safford, Arizona

We 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 Safford, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Safford, Arizona's basic financial statements and have issued our report thereon dated January 24, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Safford, 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 our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Safford, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Safford, 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.

Our 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and recommendations dated January 24, 2015 that we consider to be significant deficiencies.

12-1 Accounting Adjustments not Initially Identified by the City's Internal Control

12-2 Bank Reconciliations

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC

Flagstaff, Arizona

January 24, 2015

**Independent Auditors' Report on  
State Legal Compliance**

The Honorable Mayor and  
City Council  
Safford, Arizona

We have audited the basic financial statements of the City of Safford, Arizona for the year ended June 30, 2014, and have issued our report thereon dated January 24, 2015. Our audit also included test work on the City of Safford's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the City of Safford is responsible for the City's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The City of Safford has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the City of Safford pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the City's compliance with annual expenditure limitations has been issued separately with the City's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, The City of Safford, Arizona complied, in all material respects, with the requirements identified above for the year ended June 30, 2014.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.



HintonBurdick, PLLC  
Flagstaff, Arizona  
January 24, 2015

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