

CITY OF SAFFORD, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2012
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report on AELR

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

We have audited the financial statements of the City of Safford, Arizona, as of and for the year ended June 30, 2012, and have issued our separate report thereon dated December 31, 2012. We have also audited the accompanying Annual Expenditure Limitation Report of the City of Safford, Arizona, for the year ended June 30, 2012. This report is the responsibility of the City of Safford, Arizona's management. Our responsibility is to express an opinion on this report based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual expenditure limitation report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the report. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall report presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Annual Expenditure Limitation Report was prepared for the purpose of complying with the uniform expenditure reporting system as discussed in Note 1, and is not intended to be a presentation in conformity with U.S. generally accepted accounting principles.

In our opinion, the Annual Expenditure Limitation Report of the City of Safford, Arizona, for the year ended June 30, 2012, referred to above presents fairly, in all material respects, the information required by the uniform expenditure reporting system on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the City and filing with the Auditor General of the State of Arizona and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

HintonBurdick, PLLC

HintonBurdick, PLLC
February 28, 2013

CITY OF SAFFORD, ARIZONA
Annual Expenditure Limitation Report – Part I
Year Ended June 30, 2012

1. Economic Estimates Commission expenditure limitation	\$ 86,699,860	
2. Voter-approved alternative expenditure limitation (approved _____)	<u>N/A</u>	
3. Enter applicable amount from line 1 or line 2		86,699,860
4. Amount subject to the expenditure limitation (total amount from Part II, Line C)	21,148,851	
5. Board-authorized expenditures necessitated by a disaster declared by the Governor (Article IX, Sec. 20(2)(a), Arizona Constitution)	N/A	
6. Board-authorized expenditures necessitated by a disaster not declared by the Governor (Article IX, Sec. 20(2)(b), Arizona Constitution)	N/A	
7. Prior-year voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year (Article IX, Sec. 20(2)(c), Arizona Constitution)	N/A	
8. Subtotal	21,148,851	
9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters (Article IX, Sec. 20(2)(b), Arizona Constitution)	N/A	
10. Total adjusted amount subject to the expenditure limitation		<u>21,148,851</u>
11. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation)		<u><u>\$ 65,551,009</u></u>

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

Signature of Chief Fiscal Officer: _____

Name and Title: Ann Waite - Financial Services Director

Telephone Number: (928) 348-3100 Date: February 28, 2013

See accompanying notes to report.

CITY OF SAFFORD, ARIZONA
Annual Expenditure Limitation Report – Part II
Year Ended June 30, 2012

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Amounts reported on the Reconciliation Line D	\$ 12,512,107	\$ 20,305,659	\$ 5,151,795	\$ 34,699	\$ 38,004,260
B. Less exclusions claimed:					
1. Bond proceeds	-	-	-	-	-
Debt service requirements on bonded indebtedness	-	-	-	-	-
Proceeds from other long-term obligations	-	-	-	-	-
Debt service requirements on other long-term obligations	891,356	2,659,966	329,414	-	3,880,736
2. Dividends, interest and gains on the sale or redemption of investment securities	-	-	977	-	977
3. Trustee or custodian	-	-	-	34,699	34,699
4. Grants and aid from the Federal government	652,972	1,620,473	-	-	2,273,445
5. Grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes	-	-	-	-	-
6. Amounts received from the State of Arizona	23,000	35,537	-	-	58,537
7. Quasi-external interfund transactions	1,761,211	573,868	4,821,404	-	7,156,483
8. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	-	-	-	-	-
9. Highway user revenues in excess of those received in fiscal year 1979-80	449,016	-	-	-	449,016
10. Contracts with other political subdivisions	54,590	1,308,607	-	-	1,363,197
11. Refunds, reimbursements, and other recoveries	-	-	-	-	-
12. Voter-approved exclusions not identified above (attach resolution)	-	-	-	-	-
13. Prior years carryforward	734,803	903,516	-	-	1,638,319
14. Total exclusions claimed	4,566,948	7,101,967	5,151,795	34,699	16,855,409
C. Amount subject to the expenditure limitation (If an individual fund type amount is negative, reduce exclusions claimed to net to zero.)	\$ 7,945,159	\$ 13,203,692	\$ -	\$ -	\$ 21,148,851
	\$ 7,945,159	\$ 13,203,692	\$ -	\$ -	\$21,148,851

See accompanying notes to report.

CITY OF SAFFORD, ARIZONA
Annual Expenditure Limitation Report – Reconciliation
Year Ended June 30, 2012

Description	Governmental Funds	Enterprise Funds	Internal Service Funds	Fiduciary Funds	Total
A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements	\$ 12,512,107	\$ 17,423,034	\$ 4,594,186	\$ 34,699	\$ 34,564,026
B. Subtractions:					
1. Items not requiring use of working capital:					
Depreciation	-	2,256,856	900,068	-	3,156,924
Loss on disposal of capital assets	-	-	67,186	-	67,186
Bad debt expense	-	213,962	-	-	213,962
Claims incurred but not reported					
Landfill closure and postclosure care costs	-	-	-	-	-
2. Expenditures of separate legal entities established under Arizona Revised Statutes	-	-	-	-	-
3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements	-	-	-	-	-
4. Involuntary court judgments	-	-	-	-	-
6. Total subtractions	\$ -	\$ 2,470,818	\$ 967,254	\$ -	\$ 3,438,072
C. Additions:					
1. Principal payments on long-term debt	-	2,167,191	277,151	-	2,444,342
2. Acquisition of capital assets	-	3,186,252	1,247,712	-	4,433,964
3. Claims paid in the current year but reported as expenses incurred but not reported in previous years	-	-	-	-	-
4. Landfill closure and postclosure care costs recorded and expended in previous years	-	-	-	-	-
5. Total additions	-	5,353,443	1,524,863	-	6,878,306
D. Amounts reported on Part II, Line A	\$ 12,512,107	\$ 20,305,659	\$ 5,151,795	\$ 34,699	\$ 38,004,260

See accompanying notes to report.

CITY OF SAFFORD, ARIZONA
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012

Note 1. The Annual Expenditure Limitation Report (AELR) is presented on the basis of accounting prescribed by the *Uniform Expenditure Reporting System* (UERS), as required by Arizona Revised Statutes §41-1279.07, which excludes expenditures, expenses, or deductions of certain revenues specified in the Arizona Constitution, Article IX, §20 from the total expenditures, expenses, or deductions reported in the fund financial statements.

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

Note 2. The Governmental Funds exclusion for debt service requirements on other long-term obligations is comprised of \$451,605 of debt service principal and \$439,751 of debt service interest reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. The Enterprise and Internal Service Fund exclusions are comprised of \$492,776 and \$52,263 of interest and fiscal charges reported on the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds, and \$2,167,191 and \$277,151 of principal paid on long-term debt reported on the Statement of Cash Flows – Proprietary Funds.

Note 3. The exclusion claimed for dividends, interest, and gains on the sale or redemption of investment securities of \$977 in the Internal Service Funds includes interest on investments of \$977. Remaining interest revenues of \$8,050 and \$20,680 in the governmental and proprietary funds respectively, has been carried forward to future years, see note 8.

Note 4. The following schedule presents revenues for which exclusions have been claimed for federal grants and aid, amounts received from the State of Arizona, and highway user revenues in the Governmental and Proprietary Funds. The amounts excluded do not exceed expenditures for such revenues:

	Governmental funds	Proprietary funds
Intergovernmental revenues:		
Grants and aid from the Federal government	\$ 652,972	\$ 1,620,473
Amounts received from the State of Arizona	23,000	35,537
Highway user revenues in excess of those received in fiscal year 1979-80 see note 5.	449,016	-
Contracts with other political subdivisions, see note 6.	54,590	
Other revenues - non-excludable	2,328,796	-
Total intergovernmental revenues as reported in the fund financial statements	\$ 3,508,374	\$ 1,656,010

CITY OF SAFFORD, ARIZONA
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012

Note 5. The following schedule presents HURF revenues for which exclusions have been reported.

HURF revenues received in FY12	\$ 597,547
HURF revenues received in FY80	(148,531)
Revenues available for exclusion	<u>\$ 449,016</u>
Actual FY12 HURF expenditures	\$ 1,333,344
Less expenditure from other revenues	(200,891)
Net FY12 HURF expenditures	<u>1,132,453</u>
Amount equal to FY80 revenues expended in FY12	(148,531)
Excludable HURF expenditures in FY12	<u>\$ 983,922</u>
Revenues available for exclusion	449,016
Revenues claimed as an exclusion	(449,016)
Unspent revenues available for carry forward	<u>\$ -</u>

Note 6. The following schedule presents a summary of the exclusions claimed for contracts with other political subdivisions of \$54,590 in the Governmental Funds and \$1,308,607 in the Proprietary Funds. The exclusions claimed are from revenues included in the intergovernmental and charges for services revenues, respectively.

	Governmental funds	Proprietary funds
Contracts with other political subdivisions		
Arizona Department of Economic Security	\$ 1,657	\$ 34,500
Arizona Department of Transportation	3,498	4,574
Eastern Arizona College	-	122,833
Graham County	11,687	322,452
Safford Unified School District	36,644	536,522
Solomon Elementary School District	-	5,206
State of Arizona correctional facility	-	150,458
Thatcher Unified School District	-	17,761
Town of Thatcher	-	95,341
Other	1,104	18,960
	<u>\$ 54,590</u>	<u>\$ 1,308,607</u>
Total contracts with other political subdivisions	<u>\$ 54,590</u>	<u>\$ 1,308,607</u>

CITY OF SAFFORD, ARIZONA
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012

Note 7. The exclusion reported for the Internal Service Funds as quasi-external interfund transactions are motor pool, central warehouse, administrative and engineering services charged to the City's departments. The transactions are recorded as charges for services.

This schedule presents a summary of the exclusions for quasi-external interfund transactions for interfund accounting and administrative services, internal charges related to utilities expenses and enterprise franchise fees expenses. The transactions are recorded as charges for services in the Governmental and Proprietary Funds.

Quasi-external interfund transactions:	<u>Governmental funds</u>	<u>Proprietary funds</u>
Administrative services	\$ 974,880	\$ -
Franchise fees	786,331	-
Electric services	-	253,372
Gas services	-	26,641
Landfill charges	-	249,770
Wastewater services	-	11,834
Water services	-	32,251
	<u> </u>	<u> </u>
Total quasi-external interfund transactions	<u>\$ 1,761,211</u>	<u>\$ 573,868</u>

CITY OF SAFFORD, ARIZONA
Notes to Annual Expenditure Limitation Report
Year Ended June 30, 2012

Note 8. The following schedule presents beginning carry forwards for investment income and state revenues reported in Note 9 of the City's 2011 AELR, carry forwards used, carry forward earned and unused in the current fiscal year, and the remaining carry forward balances available for future years.

	Governmental Funds			
	General Fund	Debt Service Fund	Street Renewal Fund	Local Transportation Assistance Fund
Beginning amount of carry forward	\$ 34,105	\$ 453	\$ 698,027	\$ 36,323
Carry forward used	-	(453)	(698,027)	(36,323)
Carry forward earned and unused	8,050	-	-	-
Remaining carry forward available for future year	\$ 42,155	\$ -	\$ -	\$ -
	Proprietary Funds			
	Utilities Funds	Airport Fund	Internal Service Fund	
Beginning amount of carry forward	\$ 820,782	\$ 41,500	\$ 66,546	
Carry forward used	(795,470)	(41,500)	(66,546)	
Carry forward earned and unused	20,680	-	-	
Remaining carry forward available for future year	\$ 45,992	\$ -	\$ -	