

**CITY OF SAFFORD, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**CITY OF SAFFORD, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

Prepared by:

Financial Services Department

Ann Waite
Financial Services Director

(This page intentionally left blank)

**CITY OF SAFFORD, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Letter of Transmittal	i
Organizational Chart	v
List of City Officials	vi
GFOA Certificate of Achievement	vii
<u>FINANCIAL SECTION</u>	
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (Required Supplementary Information)	5
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Assets	21
Statement of Activities	22
Fund Financial Statements:	
Balance Sheet – Governmental Funds	26
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets	29
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	33
Statement of Net Assets – Proprietary Funds	34

**CITY OF SAFFORD, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS (Cont'd)

<u>FINANCIAL SECTION</u> (Cont'd)	<u>Page</u>
BASIC FINANCIAL STATEMENTS (Concl'd)	
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	35
Reconciliation of Statement of Net Assets – Proprietary Funds to the Statement of Net Assets	36
Reconciliation of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds to the Statement of Activities	36
Statement of Cash Flows – Proprietary Funds	37
Statement of Fiduciary Fund Net Assets	38
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund	39
Notes to Financial Statements	40
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (Required Supplementary Information)	
General Fund	68
Highway User Fund	69
Note to Required Supplementary Information	70
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
Other Major Governmental Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual:	
Debt Service Fund	74
Street Renewal Program Fund	75

**CITY OF SAFFORD, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS (Cont'd)

<u>FINANCIAL SECTION</u> (Concl'd)	<u>Page</u>
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES (Concl'd)	
Non-Major Special Revenue Funds:	
Combining Balance Sheet	79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	80
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	82
Internal Service Funds:	
Combining Statement of Net Assets	86
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	88
Combining Statement of Cash Flows	90
 <u>STATISTICAL SECTION</u>	 <u>Page</u>
Financial Trends:	
Net Assets by Component	97
Governmental and Business-Type Activities Expenses	98
Program Revenues and Net (Expense)/Revenue	100
General Revenues, Transfers and Total Changes in Net Assets	102
Fund Balances – Governmental Funds	105
Governmental Funds Revenues, Expenditures and Debt Service Ratio	106
Other Financing Sources and Uses and Net Changes in Fund Balances – Governmental Funds	108

**CITY OF SAFFORD, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

TABLE OF CONTENTS (Concl'd)

Revenue Capacity:

Taxable Sales by Category	109
Sales Tax Rates	110
Principal Sales Taxpayers	111

Debt Capacity:

Ratios of Outstanding Debt by Type	112
Direct and Overlapping Governmental Activities Debt	113
Legal Debt Margin Information	114

Demographic and Economic Information:

County-Wide Demographic and Economic Statistics	116
Principal Employers	117

Operating Information:

Full-Time Equivalent City Employees by Function/Program	118
Capital Assets Information	119
Operating Indicators by Function	120

INTRODUCTORY SECTION

(This page intentionally left blank)



December 30, 2010

717 Main Street
P.O. Box 272
Safford, AZ 85548-0272
Phone: (928) 348-3100
Fax: (928) 348-3111
TDD: (928) 428-0778

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 (City) for the fiscal year ended June 30, 2010.

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 Heinfeld, Meech & Co., P.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, 2010, 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 unqualified opinion that the City's financial statements for the fiscal year ended June 30, 2010, 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, *Audits 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 the southeastern part of Arizona on the banks of the Gila River. To the southwest of the City lie the Pinaleno (Graham) Mountains. The City serves a trade center of approximately 55,000 to 60,000 people in a wide area of eastern Arizona and western New Mexico. Retail trade and services play a significant role in the economy of the area. Agriculture has also been a mainstay of the Safford and Graham County economy with cotton the principal commodity produced. Additionally Freeport-McMoRan Copper and Gold Inc's open-pit copper mine north of Safford began producing copper in 2008, significantly impacting the area's economy.

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.

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

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

The annual operating budget serves as the foundation for the City's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual operating budget approved by the City Council. The City's proposed operating budget is presented to the City Council for review throughout the budget cycle starting in January and tentatively approved in June or July. The City Council is required to hold a public hearing on the proposed budget and to adopt the final budget by no later than the second Monday in August. The City has adopted budgets in accordance with A.R.S. requirements for the General and Special Revenue Funds. Expenditures may not legally exceed appropriations at the individual fund level.

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 approximately 55,000 to 60,000 people. Graham County's economy is also dependent on mining and agriculture with cotton as its principal crop. The mining industry has taken a front seat over the past few 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.

This year's local and state sales tax revenue projections fell short due to Arizona's difficult economic situation. The City is also predicting future decreases in state shared revenues as the State of Arizona deals with its budget deficiency. Additionally the nation's weak market conditions affecting the demand for copper negatively impacted Freeport-McMoRan's production causing a reduction in force within the company in 2010 greatly impacting the businesses in Safford and surrounding communities. The City's budget for fiscal year 2009-10 was impacted by these events and 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 fiscal year 2010-11 budget.

Long-term financial planning. As previously stated fiscal year 2009-10 has been impacted by economic factors stemming from the nation's recession. Beginning with the new year the City is gearing up for a slow recovery from the recession and will continue with its five-year plan of projecting future financial needs for the City's operating expenses/expenditures and capital expenditure projects.

Significant improvements to City streets have been completed over the past three years with fiscal year 2009-10 being the final year of the 2006 GADA funded street renewal project. A one-half percent sales tax increase went into effect in November of 2005 in order to fund the debt service for the 2006 GADA loan.

The City's utility fund consists of water, wastewater, gas, electric and landfill divisions. The wastewater enterprise system serves 3,484 customers within the city limits with one treatment facility plant (capacity of 2.7 MGD). The water enterprise provides water to 7,647 customers both inside the city limits and in the surrounding area of Graham County. Electric and gas services are provided by the City to customers primarily residing in Safford with 3,918 electric

customers and 3,459 gas accounts. In order to maintain healthy financial operations, including sufficient debt service coverage, the City continues to monitor and analyze utility rate structures recommending rate studies when it is deemed necessary. As part of a utility rate analysis study, water and wastewater development impact fees were increased in July, 2007.

AWARDS AND ACKNOWLEDGMENTS

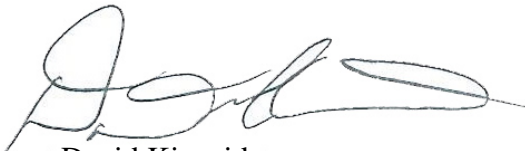
Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the year ended June 30, 2009. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements. This was the fifteenth 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 certificate.

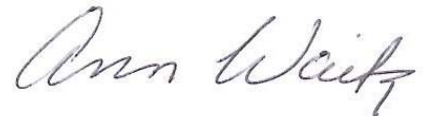
Acknowledgments. The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the efficient and dedicated services of the entire staff of the Financial Services Department who assisted and contributed in its preparation. We thank the Mayor and members of the 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,



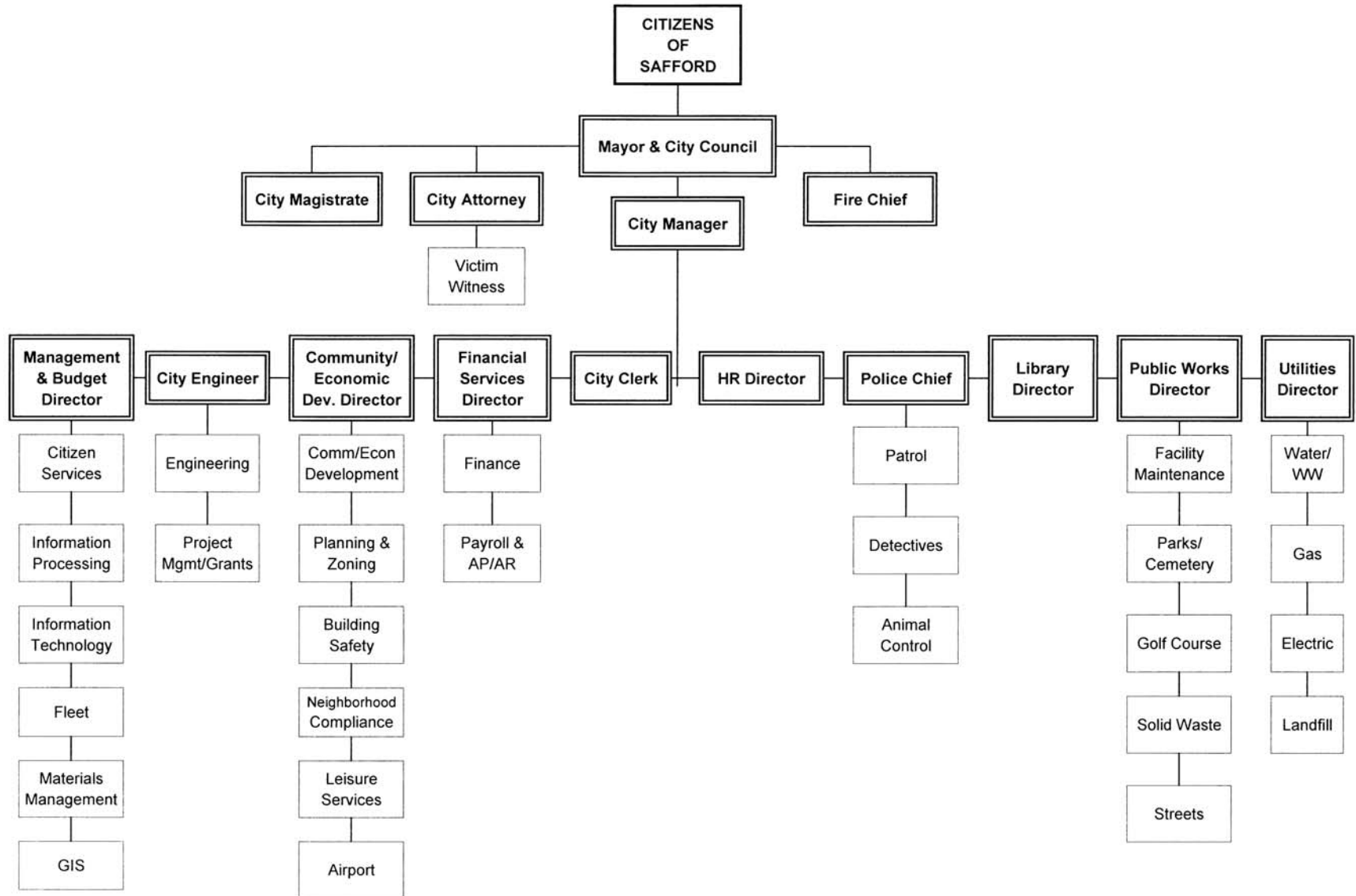
David Kincaid
City Manager



Ann Waite
Financial Services Director

ORGANIZATIONAL CHART

April 2010



△

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

Elected Officials

Mayor Wyn C. Gibbs
Vice Mayor Jason H. Kouts
Council member Jacque Attaway
Council member Mary Bingham
Council member Walter E. Seale
Council member Ken Malloque
Council member Danny Smith

Staff

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

Department Directors

Financial Services Director Ann Waite
Management and Budget Director Don Knight
Fire Chief Mike Rhodes
Police Chief John Griffin
Planning and Community Services Director Vacant position
Public Works and Utilities Director Jay Howe
Human Resources Director Chris Fisher
City Engineer Randy Petty
Library Director Jan Elliott

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Safford
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

(This page intentionally left blank)

FINANCIAL SECTION

(This page intentionally left blank)



HEINFELD, MEECH & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS

10120 N. Oracle Road
Tucson, Arizona 85704
Tel (520) 742-2611
Fax (520) 742-2718

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the City Council
City of Safford, Arizona

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 (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our 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, and the aggregate remaining fund information of the City of Safford, Arizona, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010, on our consideration of the City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15 and budgetary comparison information on pages 68 through 70 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City financial statements as a whole. The accompanying supplementary information such as the introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections 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.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
Certified Public Accountants

December 30, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
(Required Supplementary Information)

(This page intentionally left blank)

**CITY OF SAFFORD, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

As management of the City of Safford, Arizona (City), 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, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

FINANCIAL HIGHLIGHTS

The financial statements which follow the Management's Discussion and Analysis provide those significant key financial highlights for the current fiscal year as follows.

- The City's total net assets of governmental activities decreased \$77,661 to \$19.7 million and business-type activities increased \$6.4 million to \$48.7 million representing 29 percent and 71 percent respectively, of the total net assets of \$68.4 million.
- General revenues from governmental activities accounted for \$7.4 million in revenue, or 54 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6.2 million or 46 percent of total governmental activities revenues. The City had \$25.1 million of program revenues and \$22,285 in general revenues related to business-type activities.
- The City had \$13.6 million in expenses related to governmental activities, a decrease of 9 percent from the prior fiscal year due primarily to a decrease in budgeted spending for fiscal year 2010 in order to match the reduction in governmental revenues received in fiscal year 2010, primarily sales tax revenue. The City had \$18.7 million in expenses related to business-type activities, a decrease of 10 percent from the prior fiscal year due primarily to a decrease in budgeted expenses to match reductions in business-type revenues received in fiscal year 2010.
- The General Fund had \$11.8 million in revenues, which primarily consisted of taxes, charges for services and intergovernmental revenues. The total expenditures of the General Fund were \$11.0 million. The General Fund's fund balance increased from \$2.7 million to \$3.1 million, due primarily to fiscal year 2010 General Fund expenditures being less than General Fund revenues.
- The Utilities Fund net assets increased \$6.3 million. Operating expenses of \$18.0 million were exceeded by operating revenues of \$20.8 million. Nonoperating revenues of \$3.9 million primarily consisted of intergovernmental revenue for WIFA loan forgiveness.

**CITY OF SAFFORD, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The accrual basis of accounting is used for the government-wide financial statements.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

In the government-wide financial statements the City's activities are presented in the following categories:

- **Governmental activities** – Most of the City's basic services are included here, such as general government, public safety, highways and streets, sanitation, culture and recreation, and economic and community development. Sales taxes, intergovernmental, and charges for services finance most of these activities.
- **Business-type activities** – The services provided by the City included here are utilities and airport services. The services are primarily financed through user fees and charges.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**CITY OF SAFFORD, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

OVERVIEW OF FINANCIAL STATEMENTS (Cont'd)

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Highway User, Debt Service, and Street Renewal Program Funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements and schedules.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water, wastewater, gas, landfill, and electric services, and an enterprise fund to account for its airport operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its interagency motor pool, warehousing services, administrative services, and engineering services. Because the interagency and motor pool services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Because the warehouse, administrative, and engineering services predominately benefit business-type functions, they have been included within the business-type activities in the government-wide financial statements. Proprietary funds utilize the accrual basis of accounting and provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Utilities and Airport Funds, both of which are considered to be major funds of the City. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements.

**CITY OF SAFFORD, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

OVERVIEW OF FINANCIAL STATEMENTS (Concl'd)

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The fiduciary funds financial statements are reported on the accrual basis of accounting.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget process. The City adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and major Special Revenue Funds as required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$68.4 million at the current fiscal year end.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings and improvements, improvements other than buildings, infrastructure, vehicles, machinery and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF SAFFORD, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

The following table presents a summary of the City's net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

	2010	2009	2010	2009	2010	2009
	Governmental	Governmental	Business-type	Business-type	2010	2009
	Activities	Activities	Activities	Activities	Total	Total
Current and other assets	\$ 3,379,834	\$ 4,209,451	\$ 13,404,991	\$ 16,823,100	\$ 16,784,825	\$ 21,032,551
Capital assets, net	31,338,748	31,332,826	56,479,028	51,345,228	87,817,776	82,678,054
Total assets, net	<u>34,718,582</u>	<u>35,542,277</u>	<u>69,884,019</u>	<u>68,168,328</u>	<u>104,602,601</u>	<u>103,710,605</u>
Current and other liabilities	824,775	1,136,078	2,541,596	2,838,064	3,366,371	3,974,142
Long-term liabilities	14,148,041	14,582,772	18,692,137	23,076,236	32,840,178	37,659,008
Total liabilities	<u>14,972,816</u>	<u>15,718,850</u>	<u>21,233,733</u>	<u>25,914,300</u>	<u>36,206,549</u>	<u>41,633,150</u>
Invested in capital assets, net of related debt	20,917,716	21,561,708	41,779,346	36,953,200	62,697,062	58,514,908
Restricted			2,275,122		2,275,122	
Unrestricted	(1,171,950)	(1,738,281)	4,595,818	5,300,828	3,423,868	3,562,547
Total net assets	<u>\$ 19,745,766</u>	<u>\$ 19,823,427</u>	<u>\$ 48,650,286</u>	<u>\$ 42,254,028</u>	<u>\$ 68,396,052</u>	<u>\$ 62,077,455</u>

The City's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant current year transactions that had an impact on the Statement of Net Assets.

- The addition of \$1.8 million in governmental activities capital assets, including \$1.6 million for street infrastructure projects.
- The net addition of \$7.0 million in business-type activities capital assets through the continued construction of system infrastructure and improvements.
- The decrease of \$4.4 million in business-type activities long-term debt, including WIFA loan forgiveness of \$3.8 million.

**CITY OF SAFFORD, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Cont'd)

Changes in net assets. The City's total revenues for the current fiscal year were \$38.7 million. The total cost of all programs and services was \$32.3 million. The following table presents a summary of the changes in net assets for the fiscal years ended June 30, 2010 and June 30, 2009.

	2010 Governmental Activities	2009 Governmental Activities	2010 Business-type Activities	2009 Business-type Activities	2010 Total	2009 Total
Revenues:						
Program revenues:						
Charges for services	\$ 4,939,274	\$ 5,858,942	\$ 21,083,065	\$ 20,141,536	\$ 26,022,339	\$ 26,000,478
Operating grants and contributions	1,209,462	929,977			1,209,462	929,977
Capital grants and contributions	42,045		4,008,059	362,972	4,050,104	362,972
General revenues:						
Property taxes	184,556	185,141			184,556	185,141
City sales taxes	4,605,185	5,576,365			4,605,185	5,576,365
Franchise taxes	66,999	73,419			66,999	73,419
Unrestricted state shared sales taxes	2,357,794	2,550,627			2,357,794	2,550,627
Investment income	13,223	39,012	22,285	3,027	35,508	42,039
Miscellaneous	135,680	152,808			135,680	152,808
Total revenues	<u>13,554,218</u>	<u>15,366,291</u>	<u>25,113,409</u>	<u>20,507,535</u>	<u>38,667,627</u>	<u>35,873,826</u>
Expenses:						
General government	3,223,810	3,868,579			3,223,810	3,868,579
Public Safety	3,741,728	3,743,985			3,741,728	3,743,985
Highways and streets	1,890,432	2,336,657			1,890,432	2,336,657
Sanitation	1,216,241	1,103,633			1,216,241	1,103,633
Culture and recreation	2,898,554	3,172,267			2,898,554	3,172,267
Economic and community development	92,063	103,425			92,063	103,425
Interest on long-term debt	569,051	580,055			569,051	580,055
Water			4,483,293	4,977,296	4,483,293	4,977,296
Wastewater			2,555,329	2,673,111	2,555,329	2,673,111
Gas			3,012,346	3,330,255	3,012,346	3,330,255
Electric			7,186,117	7,688,965	7,186,117	7,688,965
Landfill			1,145,443	1,566,575	1,145,443	1,566,575
Airport			334,623	459,379	334,623	459,379
Total expenses	<u>13,631,879</u>	<u>14,908,601</u>	<u>18,717,151</u>	<u>20,695,581</u>	<u>32,349,030</u>	<u>35,604,182</u>
Change in net assets before transfers	<u>(77,661)</u>	<u>457,690</u>	<u>6,396,258</u>	<u>(188,046)</u>	<u>6,318,597</u>	<u>269,644</u>
Transfers		98,355		(98,355)		
Change in net assets	<u>\$ (77,661)</u>	<u>\$ 556,045</u>	<u>\$ 6,396,258</u>	<u>\$ (286,401)</u>	<u>\$ 6,318,597</u>	<u>\$ 269,644</u>

- Total revenues increased \$2.8 million or 8 percent.
- Capital grants and contributions increased \$3.7 million due primarily to the intergovernmental revenue for WIFA loan forgiveness.
- The decrease in City sales taxes was due to decreased revenues in the areas of retail, construction, accommodations, and restaurants.
- The decrease in general government expenses was due primarily to a reduction in spending to align with the reduction of incoming revenues in fiscal year 2010. Decreases in utilities expenses were due to a reduction in charges for General Fund services and internal service charges, specifically motor pool and warehousing fees,
- The decrease in charges for services was due to decreased support charges to the Utility Fund for General Fund functions.

**CITY OF SAFFORD, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Concl'd)

Governmental and Business-type activities. The following table presents the cost of the 13 major City functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and City's taxpayers by each of these functions.

	2010		2009	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
General government	\$ 3,223,810	\$ (145,469)	\$ 3,868,579	\$ (76,581)
Public safety	3,741,728	(3,137,412)	3,743,985	(3,135,230)
Highways and streets	1,890,432	(1,121,872)	2,336,657	(1,602,648)
Sanitation	1,216,241	(260,516)	1,103,633	(109,264)
Culture and recreation	2,898,554	(2,189,406)	3,172,267	(2,652,042)
Economic community and development	92,063	(17,372)	103,425	36,138
Interest on long-term debt	569,051	(569,051)	580,055	(580,055)
Total	<u>\$ 13,631,879</u>	<u>\$ (7,441,098)</u>	<u>\$ 14,908,601</u>	<u>\$ (8,119,682)</u>
Business-type Activities				
Water	\$ 4,483,293	\$ 344,234	\$ 4,977,296	\$ (304,148)
Wastewater	2,555,329	3,939,940	2,673,111	409,956
Gas	3,012,346	240,357	3,330,255	(270,728)
Electric	7,186,117	1,894,690	7,688,965	217,729
Landfill	1,145,443	(97,311)	1,566,575	(311,029)
Airport	334,623	52,063	459,379	67,147
Total	<u>\$ 18,717,151</u>	<u>\$ 6,373,973</u>	<u>\$ 20,695,581</u>	<u>\$ (191,073)</u>

- The cost of all governmental activities this year was \$13.6 million. The decrease of \$1.3 million from the prior year was due primarily to a reduction in budgeted expenditures to match reduced revenues received in fiscal year 2010 due to the economic environment.
- The cost of all business-type activities this year was \$18.7 million. The decrease of \$2.0 million from the prior year was primarily due to a reduction in expenses to match reduced revenues received in fiscal year 2010.
- Federal and State grants and charges for services subsidized certain governmental programs and business-type programs with revenues of \$31.3 million.
- Net cost of governmental activities of \$7.4 million was financed by general revenues, which were made up of primarily sales taxes and state shared revenues of \$7.0 million.

**CITY OF SAFFORD, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds. The focus of the City'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 the City's net resources available for spending at the end of the fiscal year.

The financial performance of the City as a whole is reflected in its governmental funds. As the City completed the year, its governmental funds reported a combined fund balance of \$472,117, a decrease of \$1.4 million, due primarily to increased capital expenditures for street infrastructure projects.

The General Fund is the principal operating fund of the City. The increase in fund balance of \$445,891 in the General Fund for the current fiscal year was due primarily to revenues exceeding expenditures. The fund balance of the Highway User Fund showed a decrease of \$450,398 due to expenditures exceeding revenues. The decrease in fund balance of \$1.4 million in the Street Renewal Program Fund for the current fiscal year was due primarily to increased expenditures for street infrastructure projects.

Proprietary funds. Net assets of the Enterprise Funds and the Internal Service Funds at the end of the year amounted to \$48.0 million and \$6.8 million, respectively. The increase of \$6.3 million from the prior year in the Enterprise Funds was primarily due to intergovernmental revenues for WIFA loan forgiveness. Operating expenses decreased in the current fiscal year by \$1.7 million primarily due to a reduction in budgeted expenses to match revenues received in fiscal year 2010.

Net assets increased in the Internal Service Funds from \$6.1 million in the prior fiscal year to \$6.8 million in the current fiscal year. The primary reason for this increase is due to a decrease in total liabilities for the funds, primarily accounts payable as of year-end and a reduction in long term lease payables.

**CITY OF SAFFORD, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

BUDGETARY HIGHLIGHTS

The City did not revise the annual operating budget during the year. A schedule showing the original and final budget amounts compared to the City's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant variances are summarized as follows:

- The unfavorable variance of \$2.3 million in tax revenues was a result of a reduction in anticipated local and state sales tax collections.
- The unfavorable variance of \$552,992 in intergovernmental revenue was a result of unrealized state and federal grants.
- The favorable variance of \$826,554 in general government expenditures was a result of reducing expenditures to match incoming revenues which were negatively impacted by the economic environment.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of year end, the City had invested \$135.5 million in capital assets, including buildings, facilities, vehicles, computers, equipment, and infrastructure assets. This amount represents a net increase prior to depreciation of \$8.6 million from the prior fiscal year, primarily due to infrastructure and improvements. Total depreciation expense for the year was \$3.7 million. Assets originally costing \$302,875 were disposed of during the current fiscal year.

The following schedule presents capital asset balances for the fiscal years ended June 30, 2010 and June 30, 2009.

	2010 Governmental Activities	2009 Governmental Activities	2010 Business-type Activities	2009 Business-type Activities
Land	\$ 1,962,181	\$ 1,962,181	\$ 754,175	\$ 754,175
Buildings and improvements	25,715,128	4,854,340	1,430,012	1,430,012
Vehicles, machinery and equipment	4,854,340	11,134,587	824,538	824,538
Improvements other than buildings	3,950,792	3,944,410	5,430,834	4,508,742
Infrastructure	11,125,645	24,112,312	69,066,622	68,049,712
Construction in progress	147,136	230,146	10,233,787	5,127,022
Less: Accumulated depreciation	(16,416,474)	(14,905,150)	(31,260,940)	(29,348,973)
Total	\$ 31,338,748	\$ 31,332,826	\$ 56,479,028	\$ 51,345,228

The estimated cost to complete current construction projects is \$4.9 million. Additional information on the City's capital assets can be found in Note 5.

**CITY OF SAFFORD, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Debt Administration. At year end, the City had \$28.5 million in long-term debt outstanding, \$2.3 million due within one year. The following table presents a summary of the City's outstanding long-term debt for the fiscal years ended June 30, 2010 and June 30, 2009.

	As of June 30, 2010	As of June 30, 2009
WIFA loans	\$ 14,209,411	\$ 18,427,430
GADA loans	11,145,000	11,580,000
Other loans payable	1,001,285	1,197,038
Capital leases	2,190,994	2,641,637
Total	<u>\$ 28,546,690</u>	<u>\$ 33,846,105</u>

State statutes currently limit the amount of general obligation debt a city may issue to 20 percent of its total assessed valuation for water, sewer, lights, open space preserves, parks, playgrounds and recreational facilities. The current debt limitation for the City is \$12.6 million. The City has no outstanding general obligation debt for these purposes. State statutes also currently limit the amount of general obligation debt a City may issue to 6 percent of its total assessed valuation for all other purposes. The current debt limitation for the City is \$3.8 million. The City has no outstanding general obligation debt for this purpose.

Additional information on the City's long-term debt can be found in Notes 6 through 9.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The adopted combined operating and capital expenditure budget for fiscal year 2010-11 totals \$52.0 million, a decrease of \$12.7 million or 20% less than fiscal year 2009-10.

The decrease in the fiscal year 2010-11 budget is primarily driven by the need to match expenses with projected revenue reductions to be realized in fiscal year 2010-11 due to local, state, and national economic drivers.

General Fund

The budget for the General Fund decreased from \$16.8 million in fiscal year 2009-10 to \$15.0 million in fiscal year 2010-11, a decrease of approximately 10%. A decrease in the General Fund's operating portion of the budget and curtailing capital expenditures in fiscal year 2010-11 was the primary reason for this fluctuation.

**CITY OF SAFFORD, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2010**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (Concl'd)

Enterprise Funds

The City's utility enterprise budget decreased by \$5.5 million, a decrease of 17% over the 2009-10 budgeted amount. The main reason for this decrease is due to the reduction of budgets for Water, Wastewater and Electric capital expenditure projects being funded by WIFA and GADA borrowing proceeds. The budgets for these projects have been reduced as these projects are nearing completion in fiscal year 2010-11. Additionally, Internal Service fees and General Fund support charges to the utility enterprise fund have been reduced in the budget for fiscal year 2010-11.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Financial Services Department, City of Safford, Arizona, 717 Main Street, Safford, Arizona 85548.

(This page intentionally left blank)

BASIC FINANCIAL STATEMENTS

(This page intentionally left blank)

GOVERNMENT-WIDE FINANCIAL STATEMENTS

(This page intentionally left blank)

**CITY OF SAFFORD, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Current assets:			
Cash and investments	\$ 2,646,981	\$ 5,088,513	\$ 7,735,494
Taxes receivable	466,415		466,415
Accounts receivable	295,934	2,497,419	2,793,353
Intergovernmental receivable	159,960	1,899,701	2,059,661
Internal balances	(243,806)	243,806	
Inventory, at cost		1,255,377	1,255,377
Prepaid items	54,350	145,053	199,403
Total current assets	<u>3,379,834</u>	<u>11,129,869</u>	<u>14,509,703</u>
Noncurrent assets:			
Restricted cash and investments		2,275,122	2,275,122
Land	686,217	754,175	1,440,392
Land - infrastructure	1,275,964		1,275,964
Infrastructure	25,715,128	69,066,622	94,781,750
Buildings and improvements	4,854,340	1,430,012	6,284,352
Improvements other than buildings	3,950,792	5,430,834	9,381,626
Vehicles, machinery and equipment	11,125,645	824,538	11,950,183
Construction in progress	147,136	10,233,787	10,380,923
Accumulated depreciation	(16,416,474)	(31,260,940)	(47,677,414)
Total noncurrent assets	<u>31,338,748</u>	<u>58,754,150</u>	<u>90,092,898</u>
Total assets	<u>34,718,582</u>	<u>69,884,019</u>	<u>104,602,601</u>
<u>LIABILITIES</u>			
Current liabilities:			
Accounts payable	382,400	1,020,190	1,402,590
Accrued payroll and employee benefits	242,894	244,926	487,820
Compensated absences payable	447,034	233,269	680,303
Deposits held for others		1,276,480	1,276,480
Capital leases payable	319,143	144,861	464,004
Loan payable	552,686	1,301,931	1,854,617
Total current liabilities	<u>1,944,157</u>	<u>4,221,657</u>	<u>6,165,814</u>
Noncurrent liabilities:			
Deferred premium	199,481		199,481
Long term liabilities	12,829,178	17,012,076	29,841,254
Total non-current liabilities	<u>13,028,659</u>	<u>17,012,076</u>	<u>30,040,735</u>
Total liabilities	<u>14,972,816</u>	<u>21,233,733</u>	<u>36,206,549</u>
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	20,917,716	41,779,346	62,697,062
Restricted for:			
Debt service		2,275,122	2,275,122
Unrestricted	(1,171,950)	4,595,818	3,423,868
Total net assets	<u>\$ 19,745,766</u>	<u>\$ 48,650,286</u>	<u>\$ 68,396,052</u>

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

**CITY OF SAFFORD, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government					
Governmental activities:					
General government	\$ 3,223,810	\$ 3,052,621	\$ 25,720	\$	\$ (145,469)
Public safety	3,741,728	309,000	255,316	40,000	(3,137,412)
Highways and streets	1,890,432		766,515	2,045	(1,121,872)
Sanitation	1,216,241	955,725			(260,516)
Culture and recreation	2,898,554	547,237	161,911		(2,189,406)
Economic and community development	92,063	74,691			(17,372)
Interest on long-term debt	569,051				(569,051)
Total governmental activities	13,631,879	4,939,274	1,209,462	42,045	(7,441,098)
Business-type activities:					
Water	4,483,293	4,827,527			
Wastewater	2,555,329	2,694,922		3,800,347	
Gas	3,012,346	3,252,703			
Electric	7,186,117	9,080,807			
Landfill	1,145,443	1,048,132			
Airport	334,623	178,974		207,712	
Total business-type activities	18,717,151	21,083,065		4,008,059	
Total primary government	\$ 32,349,030	\$ 26,022,339	\$ 1,209,462	\$ 4,050,104	(7,441,098)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					184,556
City sales taxes					4,605,185
Franchise taxes					66,999
Unrestricted state shared sales taxes					2,357,794
Investment income					13,223
Miscellaneous					135,680
Total general revenues					7,363,437
Changes in net assets					(77,661)
Net assets, beginning of year					19,823,427
Net assets, end of year					\$ 19,745,766

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

Net (Expense) Revenue
and Changes in Net Assets

<u>Business-type Activities</u>	<u>Totals</u>
\$	\$ (145,469)
	(3,137,412)
	(1,121,872)
	(260,516)
	(2,189,406)
	(17,372)
	(569,051)
	(7,441,098)
344,234	344,234
3,939,940	3,939,940
240,357	240,357
1,894,690	1,894,690
(97,311)	(97,311)
52,063	52,063
6,373,973	6,373,973
6,373,973	(1,067,125)
	184,556
	4,605,185
	66,999
	2,357,794
22,285	35,508
	135,680
22,285	7,385,722
6,396,258	6,318,597
42,254,028	62,077,455
\$ 48,650,286	\$ 68,396,052

(This page intentionally left blank)

FUND FINANCIAL STATEMENTS

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

	General	Highway User	Debt Service
<u>ASSETS</u>			
Cash and investments	\$ 1,700	\$ 2,213	\$ 992,537
Taxes receivable	390,572		75,843
Accounts receivable	228,274		
Intergovernmental receivable	97,663	61,797	
Due from other funds	5,393,634		
Prepaid items	35,921	9,831	
Total assets	\$ 6,147,764	\$ 73,841	\$ 1,068,380
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 345,745	\$ 20,309	\$
Accrued payroll and employee benefits	218,428	16,545	
Due to other funds	2,476,626	3,824,215	
Total liabilities	3,040,799	3,861,069	
Fund balances (deficits):			
Reserved for prepaid items	35,921	9,831	
Unreserved:			
Undesignated	3,071,044	(3,797,059)	1,068,380
Unreserved reported in:			
Special revenue funds			
Total fund balances	3,106,965	(3,787,228)	1,068,380
 Total liabilities and fund balances	 \$ 6,147,764	 \$ 73,841	 \$ 1,068,380

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

Street Renewal Program	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 16,572	\$ 1,013,022
		466,415
67,660		295,934
		159,460
		5,393,634
		45,752
<u>\$ 67,660</u>	<u>\$ 16,572</u>	<u>\$ 7,374,217</u>

\$	\$ 232	\$ 366,286
		234,973
		6,300,841
	<u>232</u>	<u>6,902,100</u>

		45,752
67,660		410,025
	16,340	16,340
<u>67,660</u>	<u>16,340</u>	<u>472,117</u>
<u>\$ 67,660</u>	<u>\$ 16,572</u>	<u>\$ 7,374,217</u>

(This page intentionally left blank)

CITY OF SAFFORD, ARIZONA
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total governmental fund balances **\$ 472,117**

Amounts reported for *governmental activities* in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental capital assets	\$ 37,089,944	
Less accumulated depreciation	<u>(10,834,842)</u>	26,255,102

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 Assets. 6,152,297

Deferred items related to the issuance of debt are amortized over the life of the associated debt in the government-wide statements. (199,481)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Loans payable	(9,231,285)	
Compensated absences payable	(629,348)	
OPEB obligations	(361,427)	
Landfill closure and post closure costs payable	<u>(2,712,209)</u>	<u>(12,934,269)</u>

Net assets of governmental activities **\$ 19,745,766**

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

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

	General	Highway User	Debt Service
Revenues:			
Taxes	\$ 3,967,153	\$	\$ 889,587
Licenses and permits	54,972		
Intergovernmental	3,162,741	742,411	
Charges for services	4,348,600		
Fines and forfeits	82,914		
Miscellaneous	150,363	93,105	
Investment income	12,305		
Special assessments		2,045	
Total revenues	<u>11,779,048</u>	<u>837,561</u>	<u>889,587</u>
Expenditures:			
Current -			
General government	3,150,035		
Public safety	3,850,225		
Highways and streets		1,307,536	
Sanitation	1,110,186		
Culture and recreation	2,760,528		
Economic and community development	67,724		
Capital outlay	89,436	4,527	
Debt service -			
Principal retirement			520,753
Interest and fiscal charges			488,942
Total expenditures	<u>11,028,134</u>	<u>1,312,063</u>	<u>1,009,695</u>
Excess (deficiency) of revenues over expenditures	<u>750,914</u>	<u>(474,502)</u>	<u>(120,108)</u>
Other financing sources (uses):			
Transfer in		24,104	207,813
Transfer out	(305,023)		
Total other financing sources (uses)	<u>(305,023)</u>	<u>24,104</u>	<u>207,813</u>
Changes in fund balances	<u>445,891</u>	<u>(450,398)</u>	<u>87,705</u>
Fund balances (deficits), beginning of year	2,661,074	(3,336,830)	980,675
Fund balances (deficits), end of year	<u>\$ 3,106,965</u>	<u>\$ (3,787,228)</u>	<u>\$ 1,068,380</u>

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

Street Renewal Program	Non-Major Governmental Funds	Total Governmental Funds
\$	\$	\$ 4,856,740
		54,972
	47,104	3,952,256
		4,348,600
	5,385	88,299
		243,468
2,141		14,446
		2,045
<u>2,141</u>	<u>52,489</u>	<u>13,560,826</u>
		3,150,035
	5,321	3,855,546
		1,307,536
		1,110,186
	23,000	2,783,528
		67,724
1,515,989		1,609,952
		520,753
		488,942
<u>1,515,989</u>	<u>28,321</u>	<u>14,894,202</u>
<u>(1,513,848)</u>	<u>24,168</u>	<u>(1,333,376)</u>
68,930		300,847
	(24,104)	(329,127)
<u>68,930</u>	<u>(24,104)</u>	<u>(28,280)</u>
<u>(1,444,918)</u>	<u>64</u>	<u>(1,361,656)</u>
1,512,578	16,276	1,833,773
<u>\$ 67,660</u>	<u>\$ 16,340</u>	<u>\$ 472,117</u>

(This page intentionally left blank)

**CITY OF SAFFORD, ARIZONA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Net changes in fund balances - total governmental funds **\$ (1,361,656)**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	\$ 1,526,188	
Less current year depreciation	<u>(964,076)</u>	562,112

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.

Compensated absences	(231)	
OPEB obligations	(181,462)	
Landfill closure costs	<u>(211,701)</u>	(393,394)

Revenues in the governmental funds that provide current financial resources are not included in the Statement of Activities because they were recognized in a prior period.

Special assessments	(2,121)	
Deferred bond premium	<u>11,734</u>	9,613

Repayment of loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 520,753

Internal service funds are used by management to charge the costs of certain activities to individual funds. The changes in net assets of the Interagency Motor Pool is reported with governmental activities. 584,911

Change in net assets in governmental activities **\$ (77,661)**

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

**CITY OF SAFFORD, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010**

	Enterprise Funds			Governmental Activities: Internal Service Funds
	Utilities	Airport	Total	
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 4,935,005	\$	\$ 4,935,005	\$ 1,787,467
Accounts receivable	2,332,688	163,043	2,495,731	1,688
Intergovernmental receivable	1,827,512	72,189	1,899,701	500
Due from other funds	1,920,866		1,920,866	663,401
Inventory, at cost				1,255,377
Prepaid items	128,816	4,393	133,209	20,442
Total current assets	11,144,887	239,625	11,384,512	3,728,875
Noncurrent assets:				
Restricted cash and investments	2,275,122		2,275,122	
Land		754,175	754,175	
Infrastructure	69,066,622		69,066,622	
Buildings and improvements		1,430,012	1,430,012	395,948
Improvements other than buildings		5,404,352	5,404,352	26,482
Vehicles, machinery and equipment		256,296	256,296	10,837,572
Construction in progress	9,946,585	287,202	10,233,787	
Accumulated depreciation	(27,691,232)	(3,340,458)	(31,031,690)	(5,810,882)
Total noncurrent assets	53,597,097	4,791,579	58,388,676	5,449,120
Total assets	64,741,984	5,031,204	69,773,188	9,177,995
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	949,372	11,484	960,856	75,448
Accrued payroll and employee benefits	199,859		199,859	52,988
Due to other funds		904,043	904,043	773,017
Compensated absences payable	158,843		158,843	97,197
Deposits held for others	1,276,480		1,276,480	
Capital leases payable		77,116	77,116	386,888
Loan payable	1,301,931		1,301,931	
Total current liabilities	3,886,485	992,643	4,879,128	1,385,538
Noncurrent liabilities:				
Long term liabilities	16,064,320	826,355	16,890,675	993,259
Total non-current liabilities	16,064,320	826,355	16,890,675	993,259
Total liabilities	19,950,805	1,818,998	21,769,803	2,378,797
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	37,623,540	3,888,108	41,511,648	4,161,597
Restricted for:				
Debt service	2,275,122		2,275,122	
Unrestricted	4,892,517	(675,902)	4,216,615	2,637,601
Total net assets	\$ 44,791,179	\$ 3,212,206	\$ 48,003,385	\$ 6,799,198

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

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

	Enterprise Funds			Governmental Activities: Internal Service Funds
	Utilities	Airport	Total	
Operating revenues:				
Charges for services	\$ 20,638,252	\$ 178,774	\$ 20,817,026	\$ 5,061,991
Miscellaneous	124,772	200	124,972	139,631
Total operating revenues	<u>20,763,024</u>	<u>178,974</u>	<u>20,941,998</u>	<u>5,201,622</u>
Operating expenses:				
Administration	9,894,484	67,719	9,962,203	3,209,375
Cost of sales and services	6,543,854	5,039	6,548,893	319,727
Depreciation	1,532,799	216,304	1,749,103	934,412
Total operating expenses	<u>17,971,137</u>	<u>289,062</u>	<u>18,260,199</u>	<u>4,463,514</u>
Operating income (loss)	<u>2,791,887</u>	<u>(110,088)</u>	<u>2,681,799</u>	<u>738,108</u>
Nonoperating revenues (expenses):				
Intergovernmental	3,800,347		3,800,347	
Investment income	22,155	130	22,285	898
Development impact fees	141,067		141,067	
Interest and fiscal charges	(491,771)	(45,561)	(537,332)	(101,995)
Total nonoperating revenues (expenses)	<u>3,471,798</u>	<u>(45,431)</u>	<u>3,426,367</u>	<u>(101,097)</u>
Income (loss) before capital contributions and transfers	<u>6,263,685</u>	<u>(155,519)</u>	<u>6,108,166</u>	<u>637,011</u>
Capital contributions		207,712	207,712	
Transfer in				28,280
Changes in net assets	<u>6,263,685</u>	<u>52,193</u>	<u>6,315,878</u>	<u>665,291</u>
Total net assets, beginning of year	38,527,494	3,160,013	41,687,507	6,133,907
Total net assets, end of year	<u>\$ 44,791,179</u>	<u>\$ 3,212,206</u>	<u>\$ 48,003,385</u>	<u>\$ 6,799,198</u>

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

**CITY OF SAFFORD, ARIZONA
RECONCILIATION OF THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010**

Total net assets of enterprise funds **\$ 48,003,385**

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 Assets.

Warehousing Fund	\$ 449,658	
Administration Services Fund	197,243	646,901

Total net assets of business-type activities **\$ 48,650,286**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010**

Changes in net assets of enterprise funds **\$ 6,315,878**

Internal service funds are used by management to charge the cost of certain activities to individual funds, therefore, the change in net assets are included in the business-type activities on the Statement of Activities.

Warehousing Fund	\$ 29,234	
Administration Services Fund	51,010	
Engineering Services Fund	136	80,380

Changes in net assets of business-type activities **\$ 6,396,258**

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

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

	<u>Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Utilities</u>	<u>Airport</u>	<u>Total</u>	<u>Internal Service Funds</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>				
Cash flows from operating activities:				
Cash received from customers	\$ 20,630,564	\$ 73,350	\$ 20,703,914	\$ 5,201,973
Cash payments to suppliers for goods and services	(14,584,190)	(63,850)	(14,648,040)	(1,795,052)
Cash payments to employees for services	(2,307,201)		(2,307,201)	(1,981,149)
Net cash provided by (used for) operating activities	<u>3,739,173</u>	<u>9,500</u>	<u>3,748,673</u>	<u>1,425,772</u>
Cash flows from noncapital and related financing activities:				
Interfund borrowing	74,235	60,896	135,131	(40,791)
Interfund transfers				28,280
Net cash provided by (used for) noncapital financing activities	<u>74,235</u>	<u>60,896</u>	<u>135,131</u>	<u>(12,511)</u>
Cash flows from capital and related financing activities:				
Capital grants received		135,523	135,523	
Development impact fees	141,067		141,067	
Acquisition of capital assets	(6,493,140)	(187,298)	(6,680,438)	(298,585)
Loan proceeds	3,591,857		3,591,857	
Principal paid on long-term debt	(717,153)	(73,361)	(790,514)	(377,283)
Interest on long-term debt	(491,771)	(45,561)	(537,332)	(101,995)
Net cash provided by (used) for capital and related financing activities	<u>(3,969,140)</u>	<u>(170,697)</u>	<u>(4,139,837)</u>	<u>(777,863)</u>
Cash flows from investing activities:				
Investment income	22,155	130	22,285	898
Net cash provided by investing activities	<u>22,155</u>	<u>130</u>	<u>22,285</u>	<u>898</u>
Net increase (decrease) in cash and cash equivalents	<u>(133,577)</u>	<u>(100,171)</u>	<u>(233,748)</u>	<u>636,296</u>
Cash and cash equivalents, beginning of year	<u>5,068,582</u>	<u>100,171</u>	<u>5,168,753</u>	<u>1,151,171</u>
Cash and cash equivalents, end of year	<u>\$ 4,935,005</u>	<u>\$ -</u>	<u>\$ 4,935,005</u>	<u>\$ 1,787,467</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (used for) Operating Activities</u>				
Operating income (loss)	\$ 2,791,887	\$ (110,088)	\$ 2,681,799	\$ 738,108
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,532,799	216,304	1,749,103	934,412
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	(279,708)	(105,624)	(385,332)	351
Decrease in inventory				50,454
(Increase) decrease in prepaid items	(32,870)	11	(32,859)	(11,103)
Increase (decrease) in accounts payable	(557,225)	8,897	(548,328)	(264,912)
Increase in accrued payroll and employee benefits	125,121		125,121	(4,084)
Increase (decrease) in compensated absences payable	11,921		11,921	(17,454)
Increase in deposits held for others	147,248		147,248	
Total adjustments	<u>947,286</u>	<u>119,588</u>	<u>1,066,874</u>	<u>687,664</u>
Net cash provided by (used for) operating activities	<u>\$ 3,739,173</u>	<u>\$ 9,500</u>	<u>\$ 3,748,673</u>	<u>\$ 1,425,772</u>

**CITY OF SAFFORD, ARIZONA
STATEMENT OF FIDUCIARY FUND NET ASSETS
JUNE 30, 2010**

	<u>Pension Trust</u>
<u>ASSETS</u>	
Cash and investments	\$ 627,698
Total assets	<u>627,698</u>
<u>NET ASSETS</u>	
Held in trust	<u>\$ 627,698</u>

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

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

	Pension Trust
Additions:	
Intergovernmental	\$ 10,345
Participant contributions	62,556
Investment income	2,825
Total additions	75,726
Deductions:	
Distributions	31,600
Total deductions	31,600
Changes in net assets	44,126
Net assets, beginning of year	583,572
Net assets, end of year	\$ 627,698

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

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Safford, Arizona (City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City is a municipal entity governed by an elected mayor and council. As required by accounting principles generally accepted in the United States of America. The City's financial statements include the funds of those organizational entities for which its elected governing body is financially accountable. The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The City is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the City for financial statement presentation purposes, and the City is not included in any other governmental reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about the City as a whole. The reported information includes all of the nonfiduciary activities of the City. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the City. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and other items not included among program revenues are reported instead as general revenues.

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

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

Government-wide 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 grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

Fund Financial Statements - 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 City 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.

Property taxes, sales taxes, franchise taxes, licenses and permits, charges for services, special assessments and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred revenue arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Delinquent property taxes have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

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

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The City reports the following major governmental funds.

General Fund – This fund accounts for all financial resources of the City, except those required to be accounted for in other funds.

Debt Service Fund – This fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

Highway User Fund – This fund is used to account for the City's share of motor fuel tax revenues.

Street Renewal Program Fund – This fund accounts for loan proceeds and related expenditures for street renewal projects.

The City reports the following major proprietary funds.

Utilities Fund – This fund is used to account for all operations of the water, wastewater, gas, landfill, and electric systems.

Airport Fund – This fund accounts for all operations of the municipal airport.

Additionally, the City reports the following fund types:

Proprietary Funds – The Proprietary Funds are 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 Proprietary Funds consist of the Interagency Motor Pool, Warehousing, Administration Services, and Engineering Services Funds.

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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. The Volunteer Firefighter's Relief and Pension Trust Fund accounts for the contributions to and earnings of the volunteer firefighter's pension trust.

The Proprietary Fund financial statements are reported using the economic resources measurement focus and are presented in a single column.

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 City's internal service funds are charges to user departments for motor pool, central warehouse, administrative services, and engineering services usage. The principal operating revenues of the City's enterprise fund are charges to customers. Operating expenses for these funds include the cost of sales and services, administrative expenses, depreciation, claims and premiums. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Agency Fund is reported by fund type and uses the accrual basis of accounting.

D. Cash and Investments

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 2010 were cash in bank, money market accounts, and investments held by State Treasurer.

Restricted cash and investments consist of U.S. Treasuries and investments held by the State Treasurer as reserve requirements to meet bond covenants.

Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost, which approximates fair value. All other investments are stated at fair value.

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

All trade and property tax receivables, are shown net of an allowance for uncollectibles.

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.

The City also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice, and become delinquent 30 days thereafter.

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.

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

G. Inventory

All inventories are valued at cost using the average cost method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed in the government-wide and proprietary fund financial statements.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in both the government-wide and fund financial statements.

I. Capital Assets

Capital assets, which include land, buildings; improvements other than buildings; vehicles, machinery, equipment; construction in progress; and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. General government infrastructure capital assets acquired prior to July 1, 2000, consist of road network assets that were acquired, donated or that received substantial improvements since July 1, 1981. These infrastructure assets are reported at actual project cost allocated to asset categories using an estimation methodology.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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 FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Certain capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Improvements other than buildings	20
Public domain infrastructure	35-50
System infrastructure	30
Vehicles	5
Machinery and equipment	5

J. 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.

K. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities and proprietary fund type statement of net assets.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally restricted by outside parties for use for a specific purpose.

**CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

M. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

N. Estimates

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Individual Deficit Fund Balance – At year end, the Highway User Fund reported a deficit in fund balance of \$3,787,228. The deficit arose because of operations during the year and prior years.

Excess Expenditures Over Budget – At year end, the City had expenditures in funds that exceeded the budgets, however this does not constitute a violation of any legal provisions.

NOTE 3 – CASH AND INVESTMENTS

A.R.S. authorize the City to invest public monies in the State Treasurer's local government investment pools, the County Treasurer's investment pool, in obligations of the U.S. Government and its agencies, obligations of the State and certain local government subdivisions, interest-bearing savings accounts and certificates of deposit, collateralized repurchase agreements, certain obligations of U.S. corporations, and certain other securities. The statutes do not include any requirements for credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk for the City's investments.

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 3 – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the City’s deposits may not be returned to the City. The City does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the City’s deposits was \$4,347,137 and the bank balance was \$5,660,557. At year end, \$363,300 of the City’s deposits were covered by Federal depository insurance and \$5,297,257 was collateralized with securities held by the pledging financial institution.

The State Treasurer’s pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools are not required to register (and are not registered) with the Securities and Exchange Commission. The fair value of each participant’s position in the State Treasurer investment pools approximates the value of the participant’s shares in the pool and the participants’ shares are not identified with specific investments. No regulatory oversight is provided for the County Treasurer’s investment pool and that pool’s structure does not provide for shares. The remaining balance is not required to be collateralized, as the bank exchanges securities for the cash on deposit through a repurchase agreement.

At year end, the City’s investments consisted of the following.

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>
Money Market – U.S. Treasuries	Less than 1 year	\$ 229,706
State Treasurer’s investment pool 5	22 days average	<u>6,056,971</u>
Total		<u>\$ 6,286,677</u>

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The City has no investment policy that would further limit its investment choices. As of year end, the City’s investment in the State Treasurer’s investment pool did not receive a credit quality rating from a national rating agency.

Custodial Credit Risk – Investments. The City’s investment in the State Treasurer’s investment pool represents a proportionate interest in the pool’s portfolio; however, the City’s portion is not identified with specific investments and is not subject to custodial credit risk.

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 4 – RECEIVABLES

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of intergovernmental receivables. Intergovernmental receivables, net of allowance for uncollectibles, as of year end for the City's individual major funds and internal service funds were as follows.

	General Fund	Highway User Fund		Utilities Fund	Airport Fund	Internal Service Funds
Due from Federal government	\$ 15,006	\$		\$	\$ 69,728	\$
Due from State government	82,657	61,797		1,827,512	2,461	500
Net intergovernmental receivables	\$ 97,663	\$ 61,797		\$1,827,512	\$72,189	\$ 500

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 – CAPITAL ASSETS

A summary of capital asset activity for the current fiscal year follows.

<u>Governmental Activities</u>	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 686,217	\$	\$	\$ 686,217
Land – Infrastructure	1,275,964			1,275,964
Construction in progress	230,146	1,562,707	1,645,717	147,136
Total capital assets, not being depreciated	<u>2,192,327</u>	<u>1,562,707</u>	<u>1,645,717</u>	<u>2,109,317</u>
Capital assets, being depreciated:				
Infrastructure	24,112,312	1,602,816		25,715,128
Buildings and improvements	4,854,340			4,854,340
Improvements other than buildings	3,944,410	6,382		3,950,792
Vehicles, machinery and equipment	11,134,587	293,933	302,875	11,125,645
Total capital assets being depreciated	<u>44,045,649</u>	<u>1,903,131</u>	<u>302,875</u>	<u>45,645,905</u>
Less accumulated depreciation for:				
Infrastructure	(6,273,014)	(687,621)		(6,960,635)
Buildings and improvements	(2,117,071)	(117,498)		(2,234,569)
Improvements other than buildings	(934,137)	(139,773)		(1,073,910)
Vehicles, machinery and equipment	(5,580,928)	(865,255)	(298,823)	(6,147,360)
Total accumulated depreciation	<u>(14,905,150)</u>	<u>(1,810,147)</u>	<u>(298,823)</u>	<u>(16,416,474)</u>
Total capital assets, being depreciated, net	<u>29,140,499</u>	<u>92,984</u>	<u>4,052</u>	<u>29,229,431</u>
Governmental activities capital assets, net	<u>\$ 31,332,826</u>	<u>\$1,655,691</u>	<u>\$ 1,649,769</u>	<u>\$31,338,748</u>

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 – CAPITAL ASSETS (Cont'd)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 754,175	\$	\$	\$ 754,175
Construction in progress	5,127,023	6,647,185	1,540,421	10,233,787
Total capital assets, not being depreciated	<u>5,881,198</u>	<u>6,647,185</u>	<u>1,540,421</u>	<u>10,987,962</u>
Capital assets, being depreciated:				
System infrastructure	68,049,712	1,016,910		69,066,622
Buildings and improvements	1,430,012			1,430,012
Improvements other than buildings	4,508,742	922,092		5,430,834
Vehicles, machinery and equipment	824,538			824,538
Total capital assets being depreciated	<u>74,813,004</u>	<u>1,939,002</u>		<u>76,752,006</u>
Less accumulated depreciation for:				
System infrastructure	(26,071,303)	(1,525,485)		(27,596,788)
Buildings and improvements	(160,346)	(28,828)		(189,174)
Improvements other than buildings	(2,822,057)	(176,757)		(2,998,814)
Vehicles, machinery and equipment	(295,267)	(180,897)		(476,164)
Total accumulated depreciation	<u>(29,348,973)</u>	<u>(1,911,967)</u>		<u>(31,260,940)</u>
Total capital assets, being depreciated, net	45,464,031	27,035		45,491,066
Business-type activities capital assets, net	<u>\$ 51,345,229</u>	<u>\$6,674,220</u>	<u>\$ 1,540,421</u>	<u>\$ 56,479,028</u>

**CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 5 – CAPITAL ASSETS (Concl'd)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 35,326
Public safety	30,640
Highways and streets	1,531,393
Culture and recreation	186,757
Economic and community development	<u>26,031</u>
Total depreciation expense – governmental activities	<u>\$1,810,147</u>
Business-type activities:	
Water	\$ 758,676
Wastewater	579,853
Gas	92,973
Electric	229,242
Landfill	34,919
Airport	<u>216,304</u>
Total depreciation expense – business-type activities	<u>\$1,911,967</u>

Construction Commitments – 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. At year end the City had spent \$10.4 million on the projects and had estimated remaining contractual commitments of \$4.9 million. These projects are being funded with loan proceeds from the Greater Arizona Development Authority (GADA) and the Water Infrastructure Finance Authority (WIFA). Airport renewal projects are being funded by state and federal grants.

NOTE 6 – LOANS PAYABLE

In prior years, the City received the following governmental activities loans. The City received \$9,420,000 in loans from the Greater Arizona Development Authority (GADA) for street renewal projects. The loan was financed from the proceeds of revenue bonds issued by GADA on behalf of the City. The City received a \$750,000 loan to build an industrial building which the City currently rents. The City received a \$318,750 loan to purchase a building which the City will use for future operations. Also in prior years, the City received infrastructure from a local retailer for \$591,407 to be paid back over five years.

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – LOANS PAYABLE (Cont'd)

In prior years, the City received the following business-type activities loans. The City received \$2,000,000 and \$12,500,000 in loans from the Water Infrastructure Financing Authority of Arizona (WIFA) for drinking water system and water infrastructure improvements, respectively. The loan was financed from the proceeds of revenue bonds issued by WIFA on behalf of the City. Also in prior years, the City received a \$2,400,000 loan from the United States Department of Agriculture Rural Development program for water infrastructure improvements. In the prior year, the City refunded the remaining debt on the \$2,000,000 WIFA loan and the \$2,400,000 Rural Development loan through a new WIFA loan, a portion of which was also for new water and wastewater system projects. In addition, the City received a \$3,095,000 loan from GADA to build a new electric substation. The loans payable at June 30, 2010 are presented below.

	Original Amount Issued	Interest Rate (Including Fees)	Maturity	Outstanding Principal June 30, 2010	Due Within One Year
Governmental activities:					
GADA Loan, 2006	\$ 9,420,000	3.40-4.32%	7/1/10-25	\$ 8,230,000	\$ 345,000
Industrial Building Loan, 2007	750,000	7.25%	7/1/10-26	689,006	23,133
Mortensen Building Loan, 2007	318,750	8.00%	7/1/10-13	182,183	54,457
Infrastructure Loan	591,407	5.00%	3/1/10-11	130,096	130,096
Total				<u>\$ 9,231,285</u>	<u>\$ 552,686</u>
Business-type activities:					
WIFA Loan, 1999	\$ 12,500,000	4.85%	7/1/10-19	\$ 4,281,673	\$ 568,167
WIFA Loan, 2008	10,805,000	2.39-3.16%	7/1/10-28	9,927,738	623,764
GADA Loan, 2008	3,095,000	3.00-5.00%	8/1/10-28	2,915,000	110,000
Total				<u>\$ 17,124,411</u>	<u>\$ 1,301,931</u>

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – LOANS PAYABLE (Cont'd)

Principal and interest payments on the governmental activities loans payable at year end are summarized as follows.

Year ending June 30:	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 552,686	\$ 464,070
2012	453,735	437,621
2013	480,647	415,908
2014	448,685	394,140
2015	471,001	374,279
2016-20	2,848,927	1,490,468
2021-25	3,894,939	648,956
2026-29	80,665	12,398
Total	<u>\$ 9,231,285</u>	<u>\$ 4,237,840</u>

Principal and interest payments on business-type activities loans payable at year end are summarized as follows.

Year ending June 30:	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,301,931	\$ 566,118
2012	1,343,604	525,045
2013	1,386,425	482,624
2014	1,430,432	438,817
2015	1,475,661	393,587
2016-20	4,540,497	1,353,530
2021-25	3,347,626	766,343
2026-27	2,298,235	166,162
Total	<u>\$ 17,124,411</u>	<u>\$ 4,692,226</u>

Pledged revenues –governmental activities. The City has pledged future state shared and City transaction privilege tax revenues to repay the GADA loan. Proceeds from the original loan issuances provided financing for street renewal projects. The loans are paid solely from the City’s sales taxes and are payable through 2025. The total principal and interest to be paid on the loan is \$11.9 million. The current total tax revenues were \$4.9 million and the total principal and interest paid on the loans was \$733,012, or 15% of total gross revenues.

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 6 – LOANS PAYABLE (Concl'd)

Pledged revenues – business-type activities. The City has pledged future utility revenues to repay the WIFA and GADA loans. Proceeds from the original loan issuances, including those subsequently refunded, provided financing for drinking and clean water systems, infrastructure improvements, and a new electric substation. The loans are paid solely from the City's utility revenues and are payable through 2029. The total principal and interest to be paid on the loans is \$21.8 million. The current total customer gross revenues were \$20.8 million and the total principal and interest paid on the loans was \$2.6 million, or 12% of total gross revenues.

NOTE 7 – 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 Assets in each period based on landfill capacity used as of fiscal year end. The \$2,712,209 reported as landfill closure and postclosure care liability at June 30, 2010, represents the cumulative amount reported to date based on the use of 84 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$529,647 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 2009-10. 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 General Fund will be used to liquidate the landfill closure and postclosure payable.

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 8 – OBLIGATIONS UNDER CAPITAL LEASES

The governmental activities of the City have acquired vehicles, machinery and equipment under the provisions of long-term lease agreements classified as governmental activities capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the Interagency Motor Pool Fund, an Internal Service Fund, are used to pay the capital lease obligations.

The assets acquired through capital leases that meet the City’s capitalization threshold are as follows.

	Governmental Activities
Asset	
Vehicles, machinery, and equipment	\$ 2,134,855
Less: Accumulated depreciation	401,228
Total	\$ 1,733,627

The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows.

	Governmental Activities
Year Ending June 30:	
2011	\$ 377,915
2012	287,818
2013	192,774
2014	273,553
2015	134,780
2016-19	79,803
Total minimum lease payments	1,346,643
Less: amount representing interest	156,896
Present value of minimum lease payments	\$ 1,189,747
Due within one year	\$ 319,143

**CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 – OBLIGATIONS UNDER CAPITAL LEASES (Concl'd)

The business-type activities of the City have acquired airplane hangars and a telephone system under the provisions of long-term lease agreements classified as business-type activities capital leases. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Revenues from the Airport Fund and Administrative Services Fund, an Internal Service Fund, are used to pay the capital lease obligations.

The assets acquired through capital leases that meet the City's capitalization threshold are as follows.

Asset	<u>Business-type Activities</u>
Buildings and improvements	\$ 1,359,681
Vehicles, machinery, and equipment	317,530
Less: Accumulated depreciation	272,215
Total	<u>\$ 1,404,996</u>

The future minimum lease obligations and the net present value of these minimum lease payments at year end were as follows.

Year Ending June 30:	<u>Business-type Activities</u>
2011	\$ 191,132
2012	149,931
2013	119,083
2014	119,084
2015	119,085
2016-20	497,245
2021-22	44,807
Total minimum lease payments	<u>1,240,367</u>
Less: amount representing interest	<u>239,120</u>
Present value of minimum lease payments	<u>\$ 1,001,247</u>
Due within one year	<u>\$ 144,861</u>

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the current fiscal year was as follows.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences payable	\$ 651,981	\$ 386,298	\$ 384,907	\$ 653,372	\$ 447,034
Landfill closure and post-closure costs payable	2,500,508	211,701		2,712,209	
Capital leases payable	1,498,280		308,533	1,189,747	319,143
OPEB obligations	179,965	181,463		361,428	
Loan payable	9,752,038		520,753	9,231,285	552,686
Governmental activities long-term liabilities	<u>\$ 14,582,772</u>	<u>\$ 779,462</u>	<u>\$ 1,214,193</u>	<u>\$ 14,148,041</u>	<u>\$ 1,318,863</u>
Business-type activities:					
Compensated absences payable	\$ 386,228	\$ 243,507	\$ 250,200	\$ 379,535	\$ 233,269
Capital leases payable	1,143,357		142,110	1,001,247	144,861
OPEB obligations	94,221	92,723		186,944	
Loans payable	21,452,430		4,328,019	17,124,411	1,301,931
Business-type activities long-term liabilities	<u>\$ 23,076,236</u>	<u>\$ 336,230</u>	<u>\$ 4,720,329</u>	<u>\$ 18,692,137</u>	<u>\$ 1,680,061</u>

NOTE 10 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, interfund balances were as follows.

Due to/from other funds:

	Due from				Total
	General Fund	Highway User Fund	Airport Fund	Internal Service Funds	
Due to					
General Fund	\$	\$3,824,215	\$ 904,043	\$ 665,376	\$ 5,393,634
Utilities Fund	1,920,866				1,920,866
Internal Service Funds	555,760			107,641	663,401
Total	<u>\$ 2,476,626</u>	<u>\$3,824,215</u>	<u>\$ 904,043</u>	<u>\$ 773,017</u>	<u>\$ 7,977,901</u>

At year end, several funds had negative cash balances in pooled cash accounts. Negative cash on deposit reduced by interfund borrowing with other funds.

**CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 10 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Concl'd)

Interfund transfers:

Transfers out	Transfers in				Total
	Highway User Fund	Street Renewal Program Fund	Debt Service Fund	Internal Service Funds	
General Fund	\$	\$ 68,930	\$ 207,813	\$ 28,280	\$ 305,023
Non-Major Governmental Funds	24,104				24,104
Total	\$ 24,104	\$ 68,930	\$ 207,813	\$ 28,280	\$ 329,127

Interfund transfers were made by the City during the fiscal year to ensure that sufficient resources were available to cover expenditures in the applicable funds. The transfer from the General Fund to the Debt Service Fund was made to fund loan payments. The transfers from the General Fund and Local Transportation Assistance Fund, a non-major governmental fund, to the Street Renewal and Highway User Funds were completed to transfer monies for streets projects during the fiscal year. Finally, the transfer between the General Fund and the Interagency Motor Pool Fund, an Internal Service Fund, was made to fund capital lease payments.

NOTE 11 – CONTINGENT LIABILITIES

Lawsuits – The City is a defendant in a number of lawsuits as of June 30, 2010. It is the opinion of management and City counsel that the amount of losses resulting from these litigations at June 30, 2010, would not be material to the financial position of the City.

NOTE 12 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City was unable to obtain general property and liability insurance at a cost it considered to be economically justifiable. Therefore, the City joined the Arizona Municipal Risk Retention Pool (AMRRP), together with other cities and towns in the State. AMRRP is a public entity risk pool currently operating as a common risk management and insurance program for member cities and towns. 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.

CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 12 – RISK MANAGEMENT (Concl'd)

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 three fiscal years.

NOTE 13 – RETIREMENT PLAN

Plan Descriptions – The City contributes to the three plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

The *Arizona State Retirement System (ASRS)* administers a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing multiple employer defined benefit health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The *Elected Officials Retirement System (EORP)* administers a multiple employer, cost-sharing defined benefit pension plan. The Fund Manager of the Public Safety Personnel Retirement System ("PSPRS") 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.

**CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 13 – RETIREMENT PLAN (Cont’d)

The *Public Safety Personnel Retirement System* (PSPRS) administers 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 as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 162 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

ASRS

P. O. Box 33910
Phoenix, AZ 85067-3910
(602) 240-2200 or (800) 621-3778

PSPRS/EORP

3010 E. Camelback Road Suite 200
Phoenix, AZ 85016
(602) 255-5575

Funding policy – The Arizona State Legislature establishes and may amend active plan members’ and the City’s contribution rates.

Cost-sharing plan – The Arizona State Legislature establishes and may amend active plan members’ and the City’s contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 9.40 percent (9.00 percent for retirement and 0.40 percent for long-term disability) of the members’ annual covered payroll and the City was required by statute to contribute at the actuarially determined rate of 9.40 percent (8.34 percent for retirement, 0.66 percent for health insurance premium, and 0.4 percent for long-term disability) of the members’ annual covered payroll.

The City’s contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows.

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ending June 30:			
2010	\$ 452,394	\$ 35,801	\$ 21,698
2009	551,094	66,223	34,480
2008	570,457	74,407	35,432

**CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 13 – RETIREMENT PLAN (Cont’d)

Agent plan – For the year ended June 30, 2010, active PSPRS police members were required by statute to contribute 7.65 percent of the members’ annual covered payroll, and the City was required to contribute at the actuarially determined rate of 23.49 percent.

Actuarial methods and assumptions – The contribution requirements for the year ended June 30, 2010 were established by the June 30, 2008 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The required schedule of funding programs which follows provides multi-year 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.

Actuarial valuation date	June 30, 2008
Actuarial cost method	Projected unit credit
Actuarial assumptions:	
Investment rate of return	8.5%
Projected salary increases	5.5-8.5%
Includes inflation at	5.0%
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization	28 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	Smoothed market value

**CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 13 – RETIREMENT PLAN (Cont'd)

Trend Information – Information for the agent plan as of most recent actuarial valuations follows.

Safford Police Plan (Retirement and Health Insurance):

Pension

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	<u>Contributions</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2009	\$379,968	\$379,968	100%	-0-
2008	291,877	291,877	100%	-0-
2007	241,605	241,605	100%	-0-

Health Insurance

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	<u>Contributions</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2009	\$24,633	\$24,633	100%	-0-
2008	20,090	20,090	100%	-0-
2007	23,276	23,276	100%	-0-

Funding Progress – An analysis of funding progress for each of the agent plans as of June 30, 2009 follows.

Safford Police Plan (Retirement and Health Insurance):

Pension

Valuation Date <u>June 30,</u>	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Accrued Liability <u>(b)</u>	Funded Liability <u>(a-b)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	Unfunded Liability as Percentage of Covered Payroll <u>((a-b)/c)</u>
2009	\$4,389,761	\$8,099,949	\$(3,710,188)	54.2%	\$1,170,968	(316.8)%
2008	4,001,216	7,383,671	(3,382,455)	54.2	1,385,504	(244.1)
2007	3,545,358	7,153,339	(3,607,981)	49.6	1,280,400	(281.8)

Health Insurance

Valuation Date <u>June 30,</u>	Actuarial Value of Plan Assets <u>(a)</u>	Actuarial Accrued Liability <u>(b)</u>	Funded Liability <u>(a-b)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <u>(c)</u>	Unfunded Liability as Percentage of Covered Payroll <u>((a-b)/c)</u>
2009	- 0 -	\$282,470	\$(282,470)	0.0%	\$1,170,968	(24.1)%
2008	- 0 -	261,258	(261,258)	0.0%	1,385,504	(18.9)%
2007	- 0 -	260,206	(260,206)	0.0%	1,280,400	(20.3)%

**CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 13 – RETIREMENT PLAN (Concl'd)

Defined Contribution Plan – The Volunteer Firefighters' Relief and Pension Fund (VFRPF) is 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. The payroll for employees covered by VFRPF for the year ended June 30, 2010, was \$83,837. Both the City and the employees made the required 7% contribution of \$5,661.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS

From an accrual accounting perspective, the cost of postemployment healthcare benefits generally should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* during the year ended June 30, 2009, the City recognizes the cost of postemployment benefits in the year when the employee services are received, reports the accumulated liability from prior years and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 liability.

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 \$201,506 for these benefits, which was net of \$61,020 of Arizona State Retirement contributions. The Plan does not issue a separate financial report.

The number of participants as of the effective date of the biannual OPEB valuation follows.

	<u>Participants</u>
Active employees	177
Retired employees	32
Total	<u>209</u>

**CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (Cont'd)

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	\$ 274,186
Interest on net OPEB obligation	
Adjustment to annual required contribution	
Annual OPEB cost (expense)	274,186
Contributions made	
Increase in net OPEB obligation	274,186
Net OPEB obligation – beginning of year	274,186
Net OPEB obligation – end of year	\$ 548,372

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, 2010 is as follows. The City implemented GASB Statement No. 45 in the prior fiscal year; therefore only two years are included in the schedule.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	- 0 -	0%	\$ 548,372
June 30, 2009	- 0 -	0%	274,186

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed 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.

**CITY OF SAFFORD, ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (Concl'd)

For the most recent actuarial valuation, the normal cost and the allocation of actuarial present values between service 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% healthcare cost trend increase for fiscal year 2009-10, reduced by decrements to a rate of 5% after 5 years. The amortization method is level percent of payroll over a 30 year period. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Schedule of Funding Progress – The following schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The City implemented GASB Statement No. 45 in the prior fiscal year; therefore only information from the most recent actuarial valuation is included in the schedule.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - [Entry Age] (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2009	- 0 -	\$3,076,380	\$3,076,380	0%	\$8,313,736	37%

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
(Required Supplementary Information)**

CITY OF SAFFORD, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Taxes	\$ 6,315,151	\$ 3,967,153	\$ (2,347,998)
Licenses and permits	92,000	54,972	(37,028)
Intergovernmental	3,715,733	3,162,741	(552,992)
Charges for services	4,453,360	4,348,600	(104,760)
Fines and forfeits	89,400	82,914	(6,486)
Miscellaneous	185,000	150,363	(34,637)
Investment income	33,800	12,305	(21,495)
Total revenues	<u>14,884,444</u>	<u>11,779,048</u>	<u>(3,105,396)</u>
Expenditures:			
Current -			
General government	3,976,589	3,150,035	826,554
Public safety	4,407,487	3,850,225	557,262
Sanitation	1,196,594	1,110,186	86,408
Culture and recreation	2,962,179	2,760,528	201,651
Economic and community development	189,725	67,724	122,001
Capital outlay	95,000	89,436	5,564
Total expenditures	<u>12,827,574</u>	<u>11,028,134</u>	<u>1,799,440</u>
Excess (deficiency) of revenues over expenditures	<u>2,056,870</u>	<u>750,914</u>	<u>(1,305,956)</u>
Other financing sources (uses):			
Transfer out	(1,992,126)	(305,023)	1,687,103
Total other financing sources (uses)	<u>(1,992,126)</u>	<u>(305,023)</u>	<u>1,687,103</u>
Change in fund balances	<u>64,744</u>	<u>445,891</u>	<u>381,147</u>
Fund balances, July 1, 2009	1,900,000	2,661,074	761,074
Fund balances, June 30, 2010	<u>\$ 1,964,744</u>	<u>\$ 3,106,965</u>	<u>\$ 1,142,221</u>

See accompanying notes to this schedule.

**CITY OF SAFFORD, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - HIGHWAY USER
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Intergovernmental	\$ 653,968	\$ 742,411	\$ 88,443
Miscellaneous		93,105	93,105
Special assessments		2,045	2,045
Total revenues	<u>653,968</u>	<u>837,561</u>	<u>183,593</u>
Expenditures:			
Current -			
Highways and streets	5,643,358	1,307,536	4,335,822
Capital outlay	19,539	4,527	15,012
Total expenditures	<u>5,662,897</u>	<u>1,312,063</u>	<u>4,350,834</u>
Excess (deficiency) of revenues over expenditures	<u>(5,008,929)</u>	<u>(474,502)</u>	<u>4,534,427</u>
Other financing sources (uses):			
Transfer in	60,000	24,104	(35,896)
Total other financing sources (uses)	<u>60,000</u>	<u>24,104</u>	<u>(35,896)</u>
Change in fund balances	<u>(4,948,929)</u>	<u>(450,398)</u>	<u>4,498,531</u>
Fund balances (deficits), July 1, 2009		(3,336,830)	(3,336,830)
Fund balances (deficits), June 30, 2010	<u>\$ (4,948,929)</u>	<u>\$ (3,787,228)</u>	<u>\$ 1,161,701</u>

See accompanying notes to this schedule.

CITY OF SAFFORD, ARIZONA
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2010

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The adopted budget of the City is prepared on the modified accrual basis of accounting.

**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS
AND SCHEDULES**

(This page intentionally left blank)

**OTHER MAJOR GOVERNMENTAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

CITY OF SAFFORD, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - DEBT SERVICE
YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Taxes	\$	\$ 889,587	\$ 889,587
Total revenues		<u>889,587</u>	<u>889,587</u>
Expenditures:			
Debt service -			
Principal retirement	378,053	520,753	(142,700)
Interest and fiscal charges	354,960	488,942	(133,982)
Total expenditures	<u>733,013</u>	<u>1,009,695</u>	<u>(276,682)</u>
Excess (deficiency) of revenues over expenditures	<u>(733,013)</u>	<u>(120,108)</u>	<u>612,905</u>
Other financing sources (uses):			
Transfer in	733,013	207,813	(525,200)
Total other financing sources (uses)	<u>733,013</u>	<u>207,813</u>	<u>(525,200)</u>
Change in fund balances		<u>87,705</u>	<u>87,705</u>
Fund balances, July 1, 2009		980,675	980,675
Fund balances, June 30, 2010	<u>\$</u>	<u>\$ 1,068,380</u>	<u>\$ 1,068,380</u>

**CITY OF SAFFORD, ARIZONA
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - STREET RENEWAL PROGRAM
YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Investment income	\$	\$ 2,141	\$ 2,141
Total revenues		<u>2,141</u>	<u>2,141</u>
Expenditures:			
Capital outlay		<u>1,500,000</u>	<u>(15,989)</u>
Total expenditures		<u>1,500,000</u>	<u>(15,989)</u>
Excess (deficiency) of revenues over expenditures		<u>(1,500,000)</u>	<u>(13,848)</u>
Other financing sources (uses):			
Transfer in		<u>322,821</u>	<u>(253,891)</u>
Total other financing sources (uses)		<u>322,821</u>	<u>(253,891)</u>
Change in fund balances		<u>(1,177,179)</u>	<u>(267,739)</u>
Fund balances, July 1, 2009		1,512,578	1,512,578
Fund balances (deficits), June 30, 2010	<u>\$</u>	<u>(1,177,179)</u>	<u>\$ 1,244,839</u>

(This page intentionally left blank)

NON-MAJOR SPECIAL REVENUE FUNDS

The Special Revenue Funds account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes.

Local Transportation Assistance – This fund is used to account for the City’s portion of the State lottery distribution.

Library – This fund is used to account for grants received for the operations of the joint City and County library.

Magistrate – This 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.

(This page intentionally left blank)

CITY OF SAFFORD, ARIZONA
COMBINING BALANCE SHEET - NON-MAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2010

	Library	Magistrate	Totals
<u>ASSETS</u>			
Cash and investments	\$ 232	\$ 16,340	\$ 16,572
Total assets	\$ 232	\$ 16,340	\$ 16,572
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 232	\$	\$ 232
Total liabilities	232		232
Fund balances:			
Unreserved:			
Undesignated		16,340	16,340
Total fund balances		16,340	16,340
Total liabilities and fund balances	\$ 232	\$ 16,340	\$ 16,572

CITY OF SAFFORD, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	Local Transportation Assistance	Library	Magistrate
Revenues:			
Intergovernmental	\$ 24,104	\$ 23,000	\$
Fines and forfeits			5,385
Total revenues	24,104	23,000	5,385
Expenditures:			
Current -			
Public safety			5,321
Culture and recreation		23,000	
Total expenditures		23,000	5,321
Excess (deficiency) of revenues over expenditures	24,104		64
Other financing sources (uses):			
Transfer out	(24,104)		
Total other financing sources (uses)	(24,104)		
Change in fund balances			64
Fund balances, beginning of year			16,276
Fund balances, end of year	\$	\$	\$ 16,340

Totals

\$ 47,104
5,385
52,489

5,321
23,000
28,321

24,168

(24,104)
(24,104)

64

16,276

\$ 16,340

CITY OF SAFFORD, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010

	Local Transportation Assistance		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$ 43,543	\$ 24,104	\$ (19,439)
Fines and forfeits			
Total revenues	43,543	24,104	(19,439)
Expenditures:			
Current -			
Public safety			
Culture and recreation			
Total expenditures			
Excess (deficiency) of revenues over expenditures	43,543	24,104	(19,439)
Other financing sources (uses):			
Transfer out		(24,104)	(24,104)
Total other financing sources (uses)		(24,104)	(24,104)
Change in fund balances	43,543		(43,543)
Fund balances, July 1, 2009			
Fund balances, June 30, 2010	\$ 43,543	\$	\$ (43,543)

*The Magistrate Fund was included in the City's budget, however, the budget was -0-.

Library		
Budget	Actual	Variance - Positive (Negative)
\$ 25,000	\$ 23,000	\$ (2,000)
<u>25,000</u>	<u>23,000</u>	<u>(2,000)</u>
<u>25,000</u>	<u>23,000</u>	<u>2,000</u>
<u>25,000</u>	<u>23,000</u>	<u>2,000</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>

Magistrate		
Budget*	Actual	Variance - Positive (Negative)
\$	\$	\$
	5,385	5,385
	<u>5,385</u>	<u>5,385</u>
	5,321	(5,321)
	<u>5,321</u>	<u>(5,321)</u>
	64	64
	64	64
	16,276	16,276
<u>\$</u>	<u>\$ 16,340</u>	<u>\$ 16,340</u>

(Continued)

CITY OF SAFFORD, ARIZONA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL - NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2010
(Concluded)

	Totals		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Intergovernmental	\$ 68,543	\$ 47,104	\$ (21,439)
Fines and forfeits		5,385	5,385
Total revenues	68,543	52,489	(16,054)
Expenditures:			
Current -			
Public safety		5,321	(5,321)
Culture and recreation	25,000	23,000	2,000
Total expenditures	25,000	28,321	(3,321)
Excess (deficiency) of revenues over expenditures	43,543	24,168	(19,375)
Other financing sources (uses):			
Transfer out		(24,104)	(24,104)
Total other financing sources (uses)		(24,104)	(24,104)
Change in fund balances	43,543	64	(43,479)
Fund balances, July 1, 2009		16,276	16,276
Fund balances, June 30, 2010	\$ 43,543	\$ 16,340	\$ (27,203)

INTERNAL SERVICE FUNDS

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

Interagency Motor Pool – This fund is used to account for the City’s motor pool charges and expenses.

Warehousing – This fund is used to account for the City’s central warehouse charges and expenses.

Administration Services – This fund is used to account for administrative services charges and expenses.

Engineering Services – This fund is used to account for engineering services charges and expenses.

CITY OF SAFFORD, ARIZONA
COMBINING STATEMENT OF NET ASSETS - ALL INTERNAL SERVICE FUNDS
JUNE 30, 2010

	Interagency Motor Pool	Warehousing	Administration Services	Engineering Services
<u>ASSETS</u>				
Current assets:				
Cash and investments	\$ 1,633,959	\$ 100	\$ 48,690	\$ 104,718
Accounts receivable		1,688		
Intergovernmental receivable	500			
Due from other funds	663,401			
Inventory, at cost		1,255,377		
Prepaid items	8,598	735	11,109	
Total current assets	2,306,458	1,257,900	59,799	104,718
Noncurrent assets:				
Buildings and improvements	395,948			
Improvements other than buildings		26,482		
Vehicles, machinery and equipment	10,269,330	30,013	538,229	
Accumulated depreciation	(5,581,632)	(31,791)	(197,459)	
Total noncurrent assets	5,083,646	24,704	340,770	
Total assets	7,390,104	1,282,604	400,569	104,718
<u>LIABILITIES</u>				
Current liabilities:				
Accounts payable	\$ 16,114	\$ 32,413	\$ 23,042	\$ 3,879
Accrued payroll and employee benefits	7,921	5,746	26,062	13,259
Due to other funds		773,017		
Compensated absences payable	22,771	15,107	43,000	16,319
Capital leases payable	319,143		67,745	
Total current liabilities	365,949	826,283	159,849	33,457
Noncurrent liabilities:				
Long term liabilities	871,858	6,663	43,477	71,261
Total non-current liabilities	871,858	6,663	43,477	71,261
Total liabilities	1,237,807	832,946	203,326	104,718
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	3,893,899	24,704	242,994	
Unrestricted	2,258,398	424,954	(45,751)	
Total net assets	\$ 6,152,297	\$ 449,658	\$ 197,243	\$

Totals

\$ 1,787,467
1,688
500
663,401
1,255,377
20,442
3,728,875

395,948
26,482
10,837,572
(5,810,882)
5,449,120
9,177,995

\$ 75,448
52,988
773,017
97,197
386,888
1,385,538

993,259
993,259
2,378,797

4,161,597
2,637,601
\$ 6,799,198

CITY OF SAFFORD, ARIZONA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
ALL INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Interagency Motor Pool	Warehousing	Administration Services	Engineering Services
Operating revenues:				
Charges for services	\$ 2,172,530	\$ 345,375	\$ 1,993,614	\$ 550,472
Miscellaneous	123,233	5,364	7,372	3,662
Total operating revenues	<u>2,295,763</u>	<u>350,739</u>	<u>2,000,986</u>	<u>554,134</u>
Operating expenses:				
Administration	802,116		1,853,261	553,998
Cost of sales and services		319,727		
Depreciation	846,071	1,778	86,563	
Total operating expenses	<u>1,648,187</u>	<u>321,505</u>	<u>1,939,824</u>	<u>553,998</u>
Operating income	<u>647,576</u>	<u>29,234</u>	<u>61,162</u>	<u>136</u>
Nonoperating revenues (expenses):				
Investment income	898			
Interest and fiscal charges	(91,843)		(10,152)	
Total nonoperating revenues (expenses)	<u>(90,945)</u>		<u>(10,152)</u>	
Income before capital contributions and transfers	<u>556,631</u>	<u>29,234</u>	<u>51,010</u>	<u>136</u>
Transfer in	<u>28,280</u>			
Change in net assets	<u>584,911</u>	<u>29,234</u>	<u>51,010</u>	<u>136</u>
Total net assets, beginning of year	5,567,386	420,424	146,233	(136)
Total net assets, end of year	<u>\$ 6,152,297</u>	<u>\$ 449,658</u>	<u>\$ 197,243</u>	<u>\$</u>

Totals

\$ 5,061,991
139,631
5,201,622

3,209,375
319,727
934,412
4,463,514

738,108

898
(101,995)

(101,097)

637,011

28,280

665,291

6,133,907

\$ 6,799,198

**CITY OF SAFFORD, ARIZONA
COMBINING STATEMENT OF CASH FLOWS -
ALL INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2010**

	<u>Interagency Motor Pool</u>	<u>Warehousing</u>	<u>Administration Services</u>
<u>Increase (Decrease) In Cash and Cash Equivalents</u>			
Cash flows from operating activities:			
Cash received from customers	\$ 2,295,763	\$ 351,090	\$ 2,000,986
Cash payments to suppliers for goods and services	(719,527)	(67,887)	(904,866)
Cash payments to employees for services	<u>(329,913)</u>	<u>(233,714)</u>	<u>(968,528)</u>
Net cash provided by operating activities	<u>1,246,323</u>	<u>49,489</u>	<u>127,592</u>
Cash flows from non-capital and related financing activities:			
Interfund borrowing		(40,791)	
Interfund transfers	<u>28,280</u>		
Net cash provided by (used for) non-capital and related financing activities	<u>28,280</u>	<u>(40,791)</u>	
Cash flows from capital and related financing activities:			
Acquisition of capital assets	(289,887)	(8,698)	
Principal paid on long-term debt	(308,533)		(68,750)
Interest on long-term debt	<u>(91,843)</u>		<u>(10,152)</u>
Net cash used for capital and related financing activities	<u>(690,263)</u>	<u>(8,698)</u>	<u>(78,902)</u>
Cash flows from investing activities:			
Investment income	<u>898</u>		
Net cash provided by investing activities	<u>898</u>		
Net increase (decrease) in cash and cash equivalents	<u>585,238</u>		<u>48,690</u>
Cash and cash equivalents, beginning of year	<u>1,048,721</u>	<u>100</u>	
Cash and cash equivalents, end of year	<u>\$ 1,633,959</u>	<u>\$ 100</u>	<u>\$ 48,690</u>

<u>Engineering Services</u>	<u>Total</u>
\$ 554,134	\$ 5,201,973
(102,772)	(1,795,052)
<u>(448,994)</u>	<u>(1,981,149)</u>
<u>2,368</u>	<u>1,425,772</u>
	(40,791)
	<u>28,280</u>
	(12,511)
	(298,585)
	(377,283)
	<u>(101,995)</u>
	(777,863)
	<u>898</u>
	<u>898</u>
<u>2,368</u>	<u>636,296</u>
<u>102,350</u>	<u>1,151,171</u>
<u>\$ 104,718</u>	<u>\$ 1,787,467</u>

(Continued)

**CITY OF SAFFORD, ARIZONA
COMBINING STATEMENT OF CASH FLOWS -
ALL INTERNAL SERVICE FUNDS
YEAR ENDED JUNE 30, 2010
(Concluded)**

	<u>Interagency Motor Pool</u>	<u>Warehousing</u>	<u>Administration Services</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>			
Operating income (loss)	\$ 647,576	\$ 29,234	\$ 61,162
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	846,071	1,778	86,563
Change in assets and liabilities:			
Decrease in accounts receivable		351	
Decrease in inventory		50,454	
(Increase) decrease in prepaid items	2	4	(11,109)
Increase (decrease) in accounts payable	(247,440)	(28,746)	11,055
Increase (decrease) in accrued payroll and employee benefits	(1,047)	(1,075)	(3,560)
Increase (decrease) in compensated absences payable	1,161	(2,511)	(16,519)
Total adjustments	<u>598,747</u>	<u>20,255</u>	<u>66,430</u>
Net cash provided by (used for) operating activities	<u>\$ 1,246,323</u>	<u>\$ 49,489</u>	<u>\$ 127,592</u>

Engineering Services	Total
\$ 136	\$ 738,108
	934,412
	351
	50,454
	(11,103)
219	(264,912)
1,598	(4,084)
<u>415</u>	<u>(17,454)</u>
<u>2,232</u>	<u>687,664</u>
\$ <u><u>2,368</u></u>	\$ <u><u>1,425,772</u></u>

(This page intentionally left blank)

STATISTICAL SECTION

The statistical section presents financial statement trends as well as detailed financial and operational information not available elsewhere in the report. The statistical section is intended to enhance the reader's understanding of the information presented in the financial statements, notes to the financial statements, and other supplementary information presented in this report. The statistical section is comprised of the five categories of statistical information presented below.

Financial Trends

These schedules contain information on financial trends to help the reader understand how the City's financial position and financial activities have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate revenue.

Debt Capacity

These schedules present information to help the reader evaluate the City's current levels of outstanding debt as well as assess the City's ability to make debt payments and/or issue additional debt in the future.

Demographic and Economic Information

These schedules present various demographic and economic indicators to help the reader understand the environment in which the City's financial activities take place and to help make comparisons with other school districts.

Operating Information

These schedules contain information about the City's operations and various resources to help the reader draw conclusions as to how the City's financial information relates to the services provided by the City.

Due to cost considerations for the accumulation of data, the City has elected to present less than ten years of data, or data from less than nine years prior, for certain statistical schedules. This information will be accumulated and reported each year until the complete ten years of data is presented.

(This page intentionally left blank)

CITY OF SAFFORD, ARIZONA
NET ASSETS BY COMPONENT
LAST 10 FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 20,917,716	\$ 21,561,708	\$ 21,518,201	\$ 22,348,262	\$ 16,732,994
Unrestricted	(1,171,950)	(1,738,281)	(2,250,819)	(3,251,655)	1,519,166
Total governmental activities	<u>\$ 19,745,766</u>	<u>\$ 19,823,427</u>	<u>\$ 19,267,382</u>	<u>\$ 19,096,607</u>	<u>\$ 18,252,160</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 41,779,346	\$ 36,953,200	\$ 40,689,932	\$ 33,444,453	\$ 32,671,943
Restricted	2,275,122				
Unrestricted	4,595,818	5,300,828	1,850,497	5,893,772	5,242,183
Total business-type activities net assets	<u>\$ 48,650,286</u>	<u>\$ 42,254,028</u>	<u>\$ 42,540,429</u>	<u>\$ 39,338,225</u>	<u>\$ 37,914,126</u>
Primary government					
Invested in capital assets, net of related debt	\$ 62,697,062	\$ 58,514,908	\$ 62,208,133	\$ 55,792,715	\$ 49,404,937
Restricted	2,275,122				
Unrestricted	3,423,868	3,562,547	(400,322)	2,642,117	6,761,349
Total primary government net assets	<u>\$ 68,396,052</u>	<u>\$ 62,077,455</u>	<u>\$ 61,807,811</u>	<u>\$ 58,434,832</u>	<u>\$ 56,166,286</u>
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 8,143,112	\$ 6,808,879	\$ 7,542,924	\$ 7,564,365	\$ 6,618,510
Unrestricted	331,913	4,452,318	4,410,129	3,956,446	683,307
Total governmental activities	<u>\$ 8,475,025</u>	<u>\$ 11,261,197</u>	<u>\$ 11,953,053</u>	<u>\$ 11,520,811</u>	<u>\$ 7,301,817</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 32,548,190	\$ 33,060,529	\$ 31,381,619	\$ 29,049,422	\$ 27,499,578
Unrestricted	4,485,454	3,003,162	3,022,454	2,610,460	3,724,918
Total business-type activities net assets	<u>\$ 37,033,644</u>	<u>\$ 36,063,691</u>	<u>\$ 34,404,073</u>	<u>\$ 31,659,882</u>	<u>\$ 31,224,496</u>
Primary government					
Invested in capital assets, net of related debt	\$ 40,691,302	\$ 39,869,408	\$ 38,924,543	\$ 36,613,787	\$ 34,118,088
Unrestricted	4,817,367	7,455,480	7,432,583	6,566,906	4,408,225
Total primary government net assets	<u>\$ 45,508,669</u>	<u>\$ 47,324,888</u>	<u>\$ 46,357,126</u>	<u>\$ 43,180,693</u>	<u>\$ 38,526,313</u>

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

Note: The significant increase in governmental activities assets in fiscal year 2007 is due to the addition of retroactive infrastructure as required by GASB Statement No. 34.

CITY OF SAFFORD, ARIZONA
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES EXPENSES
LAST 10 FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Expenses					
Governmental activities:					
General government	\$ 3,223,810	\$ 3,868,579	\$ 4,130,224	\$ 3,228,687	\$ 2,818,236
Public safety	3,741,728	3,743,985	3,454,258	3,173,736	2,631,162
Highways and streets	1,890,432	2,336,657	1,713,275	1,931,614	1,655,367
Sanitation	1,216,241	1,103,633	2,614,614	1,097,169	1,036,931
Culture and recreation	2,898,554	3,172,267	3,260,001	2,634,002	2,475,440
Economic and community development	92,063	103,425	244,842	223,446	232,370
Interest on long-term debt	569,051	580,055	587,147	555,603	227,430
Total governmental activities expenses	<u>13,631,879</u>	<u>14,908,601</u>	<u>16,004,361</u>	<u>12,844,257</u>	<u>11,076,936</u>
Business-type activities:					
Water	4,483,293	4,977,296	4,404,177	3,965,916	4,089,699
Wastewater	2,555,329	2,673,111	2,560,238	2,219,660	2,139,182
Gas	3,012,346	3,330,255	3,142,225	2,974,869	2,993,202
Electric	7,186,117	7,688,965	6,962,279	6,335,792	5,894,631
Landfill	1,145,443	1,566,575	982,287	955,871	916,359
Airport	334,623	459,379	364,132	402,285	327,620
Total business-type activities expenses	<u>18,717,151</u>	<u>20,695,581</u>	<u>18,415,338</u>	<u>16,854,393</u>	<u>16,360,693</u>
Total primary government expenses	<u><u>\$ 32,349,030</u></u>	<u><u>\$ 35,604,182</u></u>	<u><u>\$ 34,419,699</u></u>	<u><u>\$ 29,698,650</u></u>	<u><u>\$ 27,437,629</u></u>

(Continued)

CITY OF SAFFORD, ARIZONA
GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES EXPENSES
LAST 10 FISCAL YEARS
(Accrual basis of accounting)

Expenses	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Governmental activities:					
General government	\$ 3,194,247	\$ 2,994,532	\$ 2,707,106	\$ 2,182,079	\$ 3,162,175
Public safety	2,275,752	2,142,345	1,823,305	1,868,752	1,881,060
Highways and streets	993,984	969,793	493,649	914,720	951,884
Sanitation	885,393	940,804	744,509	718,671	708,905
Culture and recreation	1,899,101	1,514,149	1,402,729	1,432,287	1,393,385
Economic and community development	184,769	299,176	243,759	449,479	461,728
Interest on long-term debt	46,420	45,383			
Total governmental activities expenses	<u>9,479,666</u>	<u>8,906,182</u>	<u>7,415,057</u>	<u>7,565,988</u>	<u>8,559,137</u>
Business-type activities:					
Water	3,683,260	3,402,498	3,508,836	2,996,048	3,357,466
Wastewater	2,093,082	2,126,817	1,901,972	814,287	1,336,692
Gas	2,294,378	2,074,152	1,954,876	2,195,828	2,627,431
Electric	5,265,291	5,164,400	4,433,792	4,514,949	4,525,469
Landfill	841,929	833,288			
Airport	229,595	195,435	204,193		
Total business-type activities expenses	<u>14,407,535</u>	<u>13,796,590</u>	<u>12,003,669</u>	<u>10,521,112</u>	<u>11,847,058</u>
Total primary government expenses	<u>\$ 23,887,201</u>	<u>\$ 22,702,772</u>	<u>\$ 19,418,726</u>	<u>\$ 18,087,100</u>	<u>\$ 20,406,195</u>

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

(Concluded)

CITY OF SAFFORD, ARIZONA
PROGRAM REVENUES AND NET (EXPENSE)/REVENUE
LAST 10 FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 3,052,621	\$ 3,758,516	\$ 2,669,982	\$ 2,046,431	\$ 1,810,784
Public safety	309,000	469,269	274,793	89,701	152,985
Sanitation	955,725	994,369	961,359	811,388	695,977
Culture and recreation	547,237	497,225	505,473	544,638	531,824
Economic and community development	74,691	139,563	172,836	27,508	
Operating grants and contributions	1,209,462	929,977	1,152,093	1,112,277	4,461,195
Capital grants and contributions	42,045		439,795		
Total governmental activities program revenues	<u>6,190,781</u>	<u>6,788,919</u>	<u>6,176,331</u>	<u>4,631,943</u>	<u>7,652,765</u>
Business-type activities:					
Charges for services:					
Water	4,827,527	4,673,148	5,136,929	4,508,258	3,723,831
Wastewater	2,694,922	3,083,067	3,311,079	1,996,803	1,490,328
Gas	3,252,703	3,059,527	3,333,519	2,951,728	2,972,872
Electric	9,080,807	7,906,694	7,565,816	6,769,144	6,473,184
Landfill	1,048,132	1,255,546	1,346,923	1,295,860	978,217
Airport	178,974	163,554	181,874	119,839	108,924
Operating grants and contributions				503,326	1,027,586
Capital grants and contributions	4,008,059	362,972	722,273		
Total business-type activities program revenues	<u>25,091,124</u>	<u>20,504,508</u>	<u>21,598,413</u>	<u>18,144,958</u>	<u>16,774,942</u>
Total primary government revenues	<u>\$ 31,281,905</u>	<u>\$ 27,293,427</u>	<u>\$ 27,774,744</u>	<u>\$ 22,776,901</u>	<u>\$ 24,427,707</u>
Net (Expense)/Revenue					
Governmental activities	\$ (7,441,098)	\$ (8,119,682)	\$ (9,828,030)	\$ (8,212,314)	\$ (3,424,171)
Business-type activities	6,373,973	(191,073)	3,183,075	1,290,565	414,249
Total primary government net (expense)/revenues	<u>\$ (1,067,125)</u>	<u>\$ (8,310,755)</u>	<u>\$ (6,644,955)</u>	<u>\$ (6,921,749)</u>	<u>\$ (3,009,922)</u>

CITY OF SAFFORD, ARIZONA
PROGRAM REVENUES AND NET (EXPENSE)/REVENUE
LAST 10 FISCAL YEARS
(Accrual basis of accounting)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 1,580,712	\$ 1,542,913	\$ 1,336,525	\$ 1,573,359	\$ 1,578,095
Public safety	205,450	172,602	126,173	114,752	134,020
Sanitation	675,557	684,883	514,169	514,286	477,966
Culture and recreation	448,402	450,884	421,141	380,046	383,301
Economic and community development					
Operating grants and contributions	1,685,282	1,132,357	1,119,216	785,894	1,123,862
Capital grants and contributions			320,700	522,321	47,003
Total governmental activities program revenues	<u>4,595,403</u>	<u>3,983,639</u>	<u>3,837,924</u>	<u>3,890,658</u>	<u>3,744,247</u>
Business-type activities:					
Charges for services:					
Water	3,475,236	3,545,419	3,221,135	3,339,020	3,291,709
Wastewater	1,451,832	1,412,919	1,369,421	2,072,942	2,697,848
Gas	2,505,062	2,272,626	2,065,397	2,113,786	2,585,170
Electric	5,868,541	5,952,269	5,356,003	5,327,162	5,275,344
Landfill	1,028,748	966,078			
Airport	74,921	39,109	20,041		
Operating grants and contributions	964,570	1,479,879	1,620,689		
Capital grants and contributions		135,868		1,081,912	
Total business-type activities program revenues	<u>15,368,910</u>	<u>15,804,167</u>	<u>13,652,686</u>	<u>13,934,822</u>	<u>13,850,071</u>
Total primary government revenues	<u>\$ 19,964,313</u>	<u>\$ 19,787,806</u>	<u>\$ 17,490,610</u>	<u>\$ 17,825,480</u>	<u>\$ 17,594,318</u>
Net (Expense)/Revenue					
Governmental activities	\$ (4,884,263)	\$ (4,922,543)	\$ (3,577,133)	\$ (3,675,330)	\$ (4,814,890)
Business-type activities	961,375	2,007,577	1,649,017	3,413,710	2,003,013
Total primary government net (expense)/revenues	<u>\$ (3,922,888)</u>	<u>\$ (2,914,966)</u>	<u>\$ (1,928,116)</u>	<u>\$ (261,620)</u>	<u>\$ (2,811,877)</u>

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

(Concluded)

CITY OF SAFFORD, ARIZONA
GENERAL REVENUES, TRANSFERS AND TOTAL CHANGES IN NET ASSETS
LAST 10 FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Revenues and Transfers:					
Governmental activities:					
Taxes:					
Property taxes, levied for general purposes	\$ 184,556	\$ 185,141	\$ 177,196	\$ 167,665	\$ 171,755
City sales taxes	4,605,185	5,576,365	6,512,064	5,746,283	3,662,056
Franchise taxes	66,999	73,419	65,772	68,031	70,319
Unrestricted state shared sales taxes	2,357,794	2,550,627	2,719,808	2,374,843	2,383,761
Investment income (loss)	13,223	39,012	356,249	615,421	261,923
Miscellaneous	135,680	152,808	21,749	707	81
Transfers	98,355	145,967	83,811		
Total governmental activities	7,363,437	8,675,727	9,998,805	9,056,761	6,549,895
Business-type activities:					
Development impact fees					229,020
Investment income (loss)	22,285	3,027	165,096	217,345	237,213
Transfers		(98,355)	(145,967)	(83,811)	
Total business-type activities	\$ 22,285	\$ (95,328)	\$ 19,129	\$ 133,534	\$ 466,233
Changes in Net Assets					
Governmental activities	\$ (77,661)	\$ 556,045	\$ 170,775	\$ 844,447	\$ 3,125,724
Business-type activities	6,396,258	(286,401)	3,202,204	1,424,099	880,482
Total primary government	\$ 6,318,597	\$ 269,644	\$ 3,372,979	\$ 2,268,546	\$ 4,006,206

(Continued)

CITY OF SAFFORD, ARIZONA
GENERAL REVENUES, TRANSFERS AND TOTAL CHANGES IN NET ASSETS
LAST 10 FISCAL YEARS
(Accrual basis of accounting)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Revenues and Transfers:					
Governmental activities:					
Taxes:					
Property taxes, levied for general purposes	\$ 127,868	\$ 137,285	\$ 142,152	\$ 129,470	\$ 120,494
City sales taxes	2,444,331	2,336,217	2,303,309	2,545,379	2,558,855
Franchise taxes	69,165	77,391	64,775	71,634	67,073
Unrestricted state shared sales taxes	2,095,803	1,978,665	1,931,425	1,957,940	2,133,324
Investment income (loss)	110,481	113,692	(76,093)	66,124	78,758
Miscellaneous	443	39,297	79,252	24,593	
Transfers	250,000	500,000	871,356	2,639,873	1,000,000
Total governmental activities	<u>5,098,091</u>	<u>5,182,547</u>	<u>5,316,176</u>	<u>7,435,013</u>	<u>5,958,504</u>
Business-type activities:					
Development impact fees	157,253	66,720	83,378	77,041	28,800
Investment income (loss)	101,325	85,321	(24,643)	43,813	284,026
Transfers	(250,000)	(500,000)	(871,356)	(2,639,873)	(1,000,000)
Total business-type activities	<u>\$ 8,578</u>	<u>\$ (347,959)</u>	<u>\$ (812,621)</u>	<u>\$ (2,519,019)</u>	<u>\$ (687,174)</u>
Changes in Net Assets					
Governmental activities	\$ 213,828	\$ 260,004	\$ 1,739,043	\$ 3,759,683	\$ 1,143,614
Business-type activities	969,953	1,659,618	836,396	894,691	1,315,839
Total primary government	<u>\$ 1,183,781</u>	<u>\$ 1,919,622</u>	<u>\$ 2,575,439</u>	<u>\$ 4,654,374</u>	<u>\$ 2,459,453</u>

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

(Concluded)

(This page intentionally left blank)

CITY OF SAFFORD, ARIZONA
FUND BALANCES - GOVERNMENTAL FUNDS
LAST 10 FISCAL YEARS
(Modified accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General Fund:					
Reserved for prepaid items	\$ 35,921	\$ 28,468	\$ 25,774	\$	\$
Unreserved	3,071,044	2,632,606	1,860,998	1,571,767	2,486,405
Total General Fund	<u>\$ 3,106,965</u>	<u>\$ 2,661,074</u>	<u>\$ 1,886,772</u>	<u>\$ 1,571,767</u>	<u>\$ 2,486,405</u>
All Other Governmental Funds:					
Reserved for prepaid items	\$ 9,831	\$ 9,572	9,254.00	\$	\$
Unreserved, reported in:					
Special revenue funds	(3,780,719)	(3,330,126)	(2,327,758)	(1,161,865)	(46,789)
Capital projects funds	67,660	1,512,578	1,518,452	3,854,532	8,795,117
Debt service fund	1,068,380	980,675	776,703	440,998	
Total all other governmental funds	<u>\$ (2,634,848)</u>	<u>\$ (827,301)</u>	<u>\$ (23,349)</u>	<u>\$ 3,133,665</u>	<u>\$ 8,748,328</u>
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
General Fund:					
Unreserved	\$ 3,910,365	\$ 4,055,703	\$ 3,785,441	\$ 3,066,754	\$ 1,147,797
Total General Fund	<u>\$ 3,910,365</u>	<u>\$ 4,055,703</u>	<u>\$ 3,785,441</u>	<u>\$ 3,066,754</u>	<u>\$ 1,147,797</u>
All Other Governmental Funds:					
Unreserved, reported in:					
Special revenue funds	\$ 70,740	\$ 415,060	\$ 1,492,366	\$ 736,647	\$ 283,543
Capital projects funds				4,340	2,713
Debt service fund					
Total all other governmental funds	<u>\$ 70,740</u>	<u>\$ 415,060</u>	<u>\$ 1,492,366</u>	<u>\$ 740,987</u>	<u>\$ 286,256</u>

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

CITY OF SAFFORD, ARIZONA
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND DEBT SERVICE RATIO
LAST 10 FISCAL YEARS
(Modified accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues:					
Taxes	\$ 4,856,740	\$ 5,834,925	\$ 6,755,032	\$ 5,981,979	\$ 3,904,130
Licenses and permits	54,972	95,512	109,408	222,929	92,076
Intergovernmental	3,952,256	3,989,435	4,625,743	3,615,181	7,041,209
Charges for services	4,348,600	4,964,249	3,779,379	2,972,369	2,724,244
Fines and forfeits	88,299	94,778	100,503	85,144	88,250
Miscellaneous	243,468	347,129	302,856	111,870	90,828
Investment income (loss)	14,446	39,891	334,942	598,163	240,063
Special assessments	2,045	1,251	3,818	2,233	3,421
Total revenues	<u>13,560,826</u>	<u>15,367,170</u>	<u>16,011,681</u>	<u>13,589,868</u>	<u>14,184,221</u>
Expenditures:					
Current -					
General government	3,150,035	3,862,006	3,751,838	3,196,607	2,784,056
Public safety	3,855,546	4,007,841	3,769,817	3,322,508	2,645,929
Highways and streets	1,307,536	1,776,368	1,741,143	1,501,307	1,257,907
Sanitation	1,110,186	1,075,654	1,206,092	1,155,959	1,056,109
Culture and recreation	2,783,528	3,120,127	3,290,951	2,649,119	2,307,658
Economic and community development	67,724	151,196	187,648	243,273	169,778
Capital outlay	1,609,952	300,730	3,939,257	6,024,572	6,358,143
Debt service -					
Interest and fiscal charges	520,753	511,742	641,618	543,794	227,430
Principal retirement	488,942	489,471	538,035	1,482,030	540,000
Bond issuance costs					252,335
Total expenditures	<u>14,894,202</u>	<u>15,295,135</u>	<u>19,066,399</u>	<u>20,119,169</u>	<u>17,599,345</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,333,376)</u>	<u>\$ 72,035</u>	<u>\$ (3,054,718)</u>	<u>\$ (6,529,301)</u>	<u>\$ (3,415,124)</u>
Expenditures for capitalized assets	\$ 1,526,188	\$ 239,892	\$ 4,060,029	\$ 5,943,479	\$ 5,806,791
Debt service as a percentage of noncapital expenditures	8%	7%	8%	14%	7%

(Continued)

CITY OF SAFFORD, ARIZONA
GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND DEBT SERVICE RATIO
LAST 10 FISCAL YEARS
(Modified accrual basis of accounting)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Revenues:					
Taxes	\$ 2,641,365	\$ 2,550,893	\$ 2,510,236	\$ 2,746,483	\$ 2,746,421
Licenses and permits	63,241	41,041	42,931	36,699	68,909
Intergovernmental	4,027,685	3,318,095	3,214,764	3,418,908	3,240,343
Charges for services	2,492,423	2,502,095	2,103,461	2,284,492	2,242,503
Fines and forfeits	78,859	70,897	79,393	98,565	82,963
Miscellaneous	29,443	78,356	87,352	34,586	242,906
Investment income (loss)	98,884	93,915	(74,990)	57,000	57,182
Special assessments	2,094	20,369	8,609	13,406	9,314
Total revenues	<u>9,433,994</u>	<u>8,675,661</u>	<u>7,971,756</u>	<u>8,690,139</u>	<u>8,690,541</u>
Expenditures:					
Current -					
General government	3,019,672	2,824,176	2,827,234	2,757,949	3,052,371
Public safety	2,158,138	2,058,865	1,971,246	1,921,200	1,840,158
Highways and streets	930,575	895,084	870,835	917,305	925,821
Sanitation	858,611	899,210	719,620	707,790	675,416
Culture and recreation	1,780,802	1,412,307	1,393,463	1,377,877	1,317,278
Economic and community development	191,331	289,148	244,109	350,100	340,168
Capital outlay	1,098,103	1,473,532	1,241,199	1,025,103	1,275,044
Debt service -					
Interest and fiscal charges	46,420	45,383			
Principal retirement	90,000	85,000			
Bond issuance costs					
Total expenditures	<u>10,173,652</u>	<u>9,982,705</u>	<u>9,267,706</u>	<u>9,057,324</u>	<u>9,426,256</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (739,658)</u>	<u>\$ (1,307,044)</u>	<u>\$ (1,295,950)</u>	<u>\$ (367,185)</u>	<u>\$ (735,715)</u>
Expenditures for capitalized assets	\$ 1,119,837	\$ 1,410,972	\$ 1,605,663	\$ 1,708,817	\$ 1,275,044
Debt service as a percentage of noncapital expenditures	2%	2%	0%	0%	0%

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

(Concluded)

CITY OF SAFFORD, ARIZONA
OTHER FINANCING SOURCES AND USES AND NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST 10 FISCAL YEARS
(Modified accrual basis of accounting)

	Fiscal Year Ended June 30				
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Excess (deficiency) of revenues over expenditures	\$ (1,333,376)	\$ 72,035	\$ (3,054,718)	\$ (6,529,301)	\$ (3,415,124)
Other financing sources (uses):					
Loan proceeds			318,750		10,170,000
Premium on issuance of loans					498,752
Transfers in	300,847	297,947	503,741	1,856,090	4,092,708
Transfers out	<u>(329,127)</u>	<u>(399,632)</u>	<u>(609,782)</u>	<u>(1,856,090)</u>	<u>(4,092,708)</u>
Total other financing sources (uses)	<u>(28,280)</u>	<u>(101,685)</u>	<u>212,709</u>	<u>-</u>	<u>10,668,752</u>
Changes in fund balances	<u>\$ (1,361,656)</u>	<u>\$ (29,650)</u>	<u>\$ (2,842,009)</u>	<u>\$ (6,529,301)</u>	<u>\$ 7,253,628</u>
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Excess (deficiency) of revenues over expenditures	\$ (739,658)	\$ (1,307,044)	\$ (1,295,950)	\$ (367,185)	\$ (735,715)
Other financing sources (uses):					
Loan proceeds			2,000,000		
Premium on issuance of loans					
Transfers in	441,871	681,341	1,207,243	3,496,506	1,000,000
Transfers out	<u>(191,871)</u>	<u>(181,341)</u>	<u>(335,887)</u>	<u>(856,633)</u>	<u>(498,290)</u>
Total other financing sources (uses)	<u>250,000</u>	<u>500,000</u>	<u>2,871,356</u>	<u>2,639,873</u>	<u>501,710</u>
Changes in fund balances	<u>\$ (489,658)</u>	<u>\$ (807,044)</u>	<u>\$ 1,575,406</u>	<u>\$ 2,272,688</u>	<u>\$ (234,005)</u>

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

**CITY OF SAFFORD, ARIZONA
TAXABLE SALES BY CATEGORY
LAST 8 FISCAL YEARS**

	Fiscal Year							
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Construction	\$ 365,433	\$ 520,687	\$ 938,460	\$ 482,050	\$ 404,099	\$ 111,880	\$ 169,131	\$ 175,879
Manufacturing	88,236	109,510	138,870	135,385	105,181	99,859	81,510	69,229
Utilities	203,295	212,368	224,752	170,360	97,415	212,083	277,832	298,837
Wholesale	93,150	140,075	117,626	55,747	80,181	54,205	56,051	42,933
Retail	3,590,697	4,024,039	4,625,932	4,265,882	2,305,045	1,406,547	1,244,236	1,168,301
Restaurants	332,107	363,298	256,271	370,251	276,031	201,447	202,664	211,419
Property Rental	175,848	247,841	231,559	222,483	177,809	119,719	112,923	
Hotels	240,840	451,707	568,064	404,466	314,374	178,932	159,181	206,922
Mining		31	493		55,467			
Services	111,071	135,859	148,065	134,936	105,517	79,977	79,391	202,441
Other	49,379	59,121	87,352	53,183		35,251	77,105	48,616
Transportation	7,332	1,423	13,597	13,936	11,166	17,481	19,373	
Finance & Insurance	3,288	6,445	12,578	11,592	6,458	2,600	2,761	
Public Administration		2,691	4,356	5,770	3,744	6,006	6,050	2,888
Arts & Entertainment		17,579	23,592	21,724	21,402	18,127	17,192	
Audit Program		(2,726)	(6,535)	(5,273)	(19,339)			
Adjustment					(8,146)	(3,828)	(744)	
Total	\$ <u>5,260,676</u>	\$ <u>6,289,948</u>	\$ <u>7,385,032</u>	\$ <u>6,342,492</u>	\$ <u>3,936,404</u>	\$ <u>2,540,286</u>	\$ <u>2,504,656</u>	\$ <u>2,427,465</u>
Safford's direct sales tax rate	2.5%	2.5%	2.5%	2.5%	2.5%	2.0%	2.0%	2.0%

Source: Arizona Department of Revenue

- Notes:** 1) Beginning in January 2004, the Arizona Department of Revenue began using a new reporting software system for classifying business establishments called the North American Industry Classification System (NAICS). Under the new system, the category may be defined a little differently. In addition, more categories were established.
- 2) When NAICS reporting began, many businesses checked the "Other" category due to uncertainty. This problem is being remedied and therefore, the "Other" category will decrease as more businesses will be classified under their proper category.

**CITY OF SAFFORD, ARIZONA
SALES TAX RATES
LAST 9 FISCAL YEARS**

Fiscal Year	Safford Direct Rate	Arizona Rate	Graham County Rate
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%
2004	2.00%	5.60%	0.50%
2003	2.00%	5.60%	0.50%
2002	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 FIVE YEARS AGO**

<u>Taxpayer</u>	<u>Business Type</u>	<u>Fiscal Year 2010</u>			<u>Fiscal Year 2005</u>		
		<u>Sales Tax Payments</u>	<u>Rank</u>	<u>Percentage of Total Sales Tax Payments</u>	<u>Sales Tax Payments</u>	<u>Rank</u>	<u>Percentage of Total Sales Tax Payments</u>
Taxpayer A	Retail Trade	\$ 1,797,163	1	34.16%	\$		
Taxpayer B	Utility	357,307	2	6.79%	187,849	2	7.39%
Taxpayer C	Retail Trade	242,482	3	4.61%	263,481	1	10.37%
Taxpayer D	Retail Trade	107,652	4	2.05%	119,458	3	4.70%
Taxpayer E	Retail Trade	93,197	5	1.77%			
Taxpayer F	Retail Trade	86,411	6	1.64%	44,369	6	1.75%
Taxpayer G	Retail Trade	79,909	7	1.52%	109,573	4	4.31%
Taxpayer H	Restaurant	74,083	8	1.41%	35,836	10	1.41%
Taxpayer I	Retail Trade	49,503	9	0.94%	98,411	5	3.87%
Taxpayer J	Retail Trade	48,933	10	0.93%			
Taxpayer K	Retail Trade				42,331	7	1.67%
Taxpayer L	Retail Trade				37,947	8	1.49%
Taxpayer M	Retail Trade				36,217	9	1.43%
Total:		<u>\$ 2,936,639</u>		<u>55.82%</u>	<u>\$ 975,472</u>		<u>38.39%</u>

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 9 FISCAL YEARS**

Fiscal Year Ended June 30	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		Total Primary Government	Percentage of Personal Income	Per Capita
	<u>Loans</u>	<u>Capital Leases</u>	<u>Loans</u>	<u>Capital Leases</u>			
2010	\$ 9,231,285	\$ 1,189,747	\$ 17,124,411	\$ 1,001,247	\$ 28,546,690	N/A%	\$ 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
2004	1,915,000		14,036,767	539,727	16,491,494	3.04	1,786
2003	2,000,000		14,767,376	169,493	16,936,869	3.21	1,835
2002			15,471,642		15,471,642	3.01	1,676

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

CITY OF SAFFORD, ARIZONA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
JUNE 30, 2010

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Safford Unified School District No. 1	\$ 5,670,000	45.62 %	\$ 2,586,887
Subtotal, Overlapping Debt			<u>2,586,887</u>
Direct:			
City of Safford			<u>10,421,032</u>
Total Direct and Overlapping Debt			<u>\$ 13,007,919</u>

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

Note: Proportion applicable to the City of Safford, Arizona, is computed on the ratio of secondary assessed valuation for 2009-10.

**CITY OF SAFFORD, ARIZONA
LEGAL DEBT MARGIN INFORMATION
LAST 9 FISCAL YEARS**

Legal Debt Margin Calculations for Fiscal Year 2010:

20% Limitation		6% Limitation	
Secondary assessed valuation	\$ 62,924,626	Secondary assessed valuation	\$ 62,924,626
Debt limit	12,584,925	Debt limit	3,775,478
Debt applicable to limit		Debt applicable to limit	
Legal 20% debt margin	\$ 12,584,925	Legal 6% debt margin	\$ 3,775,478

	Fiscal Year Ended June 30				
	2010	2009	2008	2007	2006
20% Limitation:					
Debt limit	\$ 12,584,925	\$ 9,831,547	\$ 8,297,914	\$ 7,663,462	\$ 6,902,479
Total net debt applicable to limit					
Legal 20% debt margin	\$ 12,584,925	\$ 9,831,547	\$ 8,297,914	\$ 7,663,462	\$ 6,902,479
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	0%	0%	0%	0%	0%
6% Limitation:					
Debt limit	\$ 3,775,478	\$ 2,949,464	\$ 2,489,374	\$ 2,299,039	\$ 2,070,744
Total net debt applicable to limit					
Legal 6% debt margin	\$ 3,775,478	\$ 2,949,464	\$ 2,489,374	\$ 2,299,039	\$ 2,070,744
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	0%	0%	0%	0%	0%

**CITY OF SAFFORD, ARIZONA
LEGAL DEBT MARGIN INFORMATION
LAST 9 FISCAL YEARS**

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
20% Limitation:				
Debt limit	\$ 6,892,105	\$ 6,826,209	\$ 6,779,753	\$ 6,347,881
Total net debt applicable to limit	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Legal 20% debt margin	<u>\$ 6,892,105</u>	<u>\$ 6,826,209</u>	<u>\$ 6,779,753</u>	<u>\$ 6,347,881</u>
Total net debt applicable to the 20% limit as a percentage of 20% debt limit	0%	0%	0%	0%
 6% Limitation:				
Debt limit	\$ 2,067,631	\$ 2,047,863	\$ 2,033,926	\$ 1,904,364
Total net debt applicable to limit	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Legal 6% debt margin	<u>\$ 2,067,631</u>	<u>\$ 2,047,863</u>	<u>\$ 2,033,926</u>	<u>\$ 1,904,364</u>
Total net debt applicable to the 6% limit as a percentage of 6% debt limit	0%	0%	0%	0%

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

**CITY OF SAFFORD, ARIZONA
COUNTY-WIDE DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST 10 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>
2009	39,792	\$ N/A	\$ N/A	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
2002	34,040	528,309	15,903	7.9	9,232
2001	34,065	513,403	15,317	6.3	9,232
2000	33,489	474,192	14,158	5.5	9,635

Sources: The source of the "Personal Income" and "Per Capita" information is the Bureau of Economic Analysis. The source of the "Population" and "Unemployment Rate" information is the EBR Database Online, prepared by the Economic and Business Research Center.

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

**CITY OF SAFFORD, ARIZONA
PRINCIPAL EMPLOYERS
CURRENT FISCAL YEAR AND FIVE YEARS AGO**

<u>Employer</u>	<u>2010</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
Freeport McMoRan Copper and Gold Inc.	2,327	1	26 %	2,200	1	25 %
Mount Graham Regional Medical	550	2	6	440	4	5
Arizona State Prison Complex - Safford	480	3	5	480	3	5
Safford Unified School District	385	4	4	345	5	4
Wal-Mart	344	5	4			
Graham County, Arizona	256	6	3	260	6	3
Eastern Arizona College	202	7	2	860	2	10
Federal Correctional Institution	191	8	2	200	7	2
DRG Technologies	80	9	1			
U.S. Bureau of Land Management	50	10	1	100	10	1
Arizona Department of Economic Security				130	9	1
Impressive Labels Inc.				155	8	2
Total	<u>4,865</u>		<u>54 %</u>	<u>5,170</u>		<u>59 %</u>
Total employment	<u>9,085</u>			<u>8,817</u>		

Source: 2010 numbers were obtained from individual employers through a phone survey. 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 9 FISCAL YEARS

	Full-time Equivalent Employees as of June 30								
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Government									
Management	2	2	2	2	2	2	2	2	2
Finance	5	5	5	5	5	5	5	5	4
Planning	4	4	4	4	4	4	4	4	4
Building	5	5	5	5	5	5	5	4	4
Other	48	48	48	41	32	26	21	22	24
Public Safety									
Police									
Officers	21	22	21	21	19	20	18	18	18
Civilians	4	4	4	4	3	3	3	3	3
Fire									
Firefighters and officers	28	29	29	28	28	28	28	28	27
Highways and Streets									
Engineering	4	4	4	6	3	3	3	3	3
Other	15	15	15	15	16	13	15	14	22
Sanitation	6	3	5	6	11	8	9	7	8
Culture and Recreation									
Parks and recreation	11	11	16	16	37	27	17	24	24
Library	9	9	8	8	9	6	6	4	8
Water	20	20	20	20	21	16	14	16	11
Wastewater	5	5	5	5	5	6	7	6	9
Gas	6	8	8	6	7	8	6	8	7
Electric	6	8	8	8	9	11	8	11	9
Landfill	4	3	3	3	3	4	3	4	3
Utility Admin and Support	5	5	5	5	6	7	5	6	6
Total	<u>208</u>	<u>210</u>	<u>215</u>	<u>208</u>	<u>225</u>	<u>202</u>	<u>179</u>	<u>189</u>	<u>196</u>

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

**CITY OF SAFFORD, ARIZONA
CAPITAL ASSETS INFORMATION
LAST 9 FISCAL YEARS**

<u>Function/Program</u>	<u>Fiscal Year Ended June 30</u>								
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Police									
Stations	1	1	1	1	1	1	1	1	1
Patrol units	9	22	22	22	22	20	20	20	18
Fire Stations	1	1	1	1	1	1	1	1	1
Refuse collection									
Collection trucks	8	6	6	6	6	6	6	6	6
Other Public Works									
Streets (miles)	43	43	43	45	43	42	42	42	42
Highways (miles)	5	5	5	5	5	5	5	5	5
Streetlights	848	848	848	840	840	812	812	812	812
Traffic signs	1790	1310	1310	1,310	1,295	1,270	1,270	1,270	1,270
Parks and recreation									
Acreage	720	720	720	720	720	720	720	720	720
Playgrounds	4	4	4	7	7	7	7	7	7
Baseball/softball diamonds	1	1	1	1	1	1	1		
Soccer/football fields	1	1	1	1	1	1	1		
Community centers	2	2	2	2	2	2	2	2	2
Water									
Water mains (miles)	251	242	242	235	232	230	274	250	250
Fire hydrants	947	881	881	842	836	860	780	766	535
Storage capacity (thousands of gallons)	19,700	12,700	12,700	7,920	7,920	7,920	7,920	7,920	7,920
Wastewater									
Sanitary sewers (miles)	72	70	70	62	62	62	58	57	57
Storm sewers (miles)	20	20	20	6	6	6	6	6	6
Treatment capacity (thousands of gallons)	2,000	2,000	2,000	4,008	4,008	4,008	2,000	2,000	2,000

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

**CITY OF SAFFORD, ARIZONA
OPERATING INDICATORS BY FUNCTION
LAST TWO FISCAL YEARS**

<u>Function/Program</u>	<u>Fiscal Year Ended June 30</u>	
	<u>2010</u>	<u>2009</u>
Police:		
Burglaries	123	157
Citations (traffic)	840	847
Total Arrests	388	395
Thefts	459	486
Parks and Recreation:		
Recreation Programs Held Annually	29	34
Months of Public Pool Operations	3	3
Parks Maintenance Man-Hours Worked	7,580	9,883
Library:		
Collection volume	41,183	42,334
Water:		
New connections	45	80
Total connections	8,379	8,334

Source: City of Safford Finance Department