

CITY OF SAFFORD, ARIZONA
ANNUAL EXPENDITURE LIMITATION REPORT
JUNE 30, 2015
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SAFFORD, ARIZONA
Annual Expenditure Limitation Report
June 30, 2015

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Independent Accountants' Report on AELR

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

We have examined the accompanying Annual Expenditure Limitation Report of the City of Safford, Arizona, for the year ended June 30, 2015. This report is the responsibility of the City of Safford, Arizona's management. Our responsibility is to express an opinion on this report based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Annual Expenditure Limitation Report of the City of Page, Arizona, referred to above presents, in all material respects, the information prescribed by the uniform expenditure reporting system as described in Note 1.

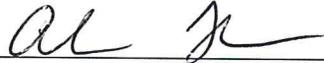
HintonBurdick, PLLC

HintonBurdick, PLLC
Flagstaff, Arizona
January 11, 2015

CITY OF SAFFORD, ARIZONA
Annual Expenditure Limitation Report – Part I
Year Ended June 30, 2015

| | | |
|---|---------------|-----------------------------|
| 1. Economic Estimates Commission expenditure limitation | \$ 91,521,433 | |
| 2. Voter-approved alternative expenditure limitation (approved _____) | <u>N/A</u> | |
| 3. Enter applicable amount from line 1 or line 2 | | 91,521,433 |
| 4. Amount subject to the expenditure limitation (total amount from Part II, Line C) | 27,057,699 | |
| 5. Board-authorized expenditures necessitated by a disaster declared by the Governor (Article IX, Sec. 20(2)(a), Arizona Constitution) | N/A | |
| 6. Board-authorized expenditures necessitated by a disaster not declared by the Governor (Article IX, Sec. 20(2)(b), Arizona Constitution) | N/A | |
| 7. Prior-year voter-approved expenditures to exceed the expenditure limitation for the reporting fiscal year (Article IX, Sec. 20(2)(c), Arizona Constitution) | N/A | |
| 8. Subtotal | 27,057,699 | |
| 9. Board-authorized excess expenditures for the previous fiscal year necessitated by a disaster not declared by the Governor and not approved by the voters (Article IX, Sec. 20(2)(b), Arizona Constitution) | N/A | |
| 10. Total adjusted amount subject to the expenditure limitation | | <u>27,057,699</u> |
| 11. Amount under (in excess of) the expenditure limitation (If excess expenditures are reported, provide an explanation) | | <u><u>\$ 64,463,734</u></u> |

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

Signature of Chief Fiscal Officer: 

Name and Title: Alma Flores - Finance Director

Telephone Number: (928) 435-4032 Date: 2/2/16

See accompanying notes to report

CITY OF SAFFORD, ARIZONA
Annual Expenditure Limitation Report – Part II
Year Ended June 30, 2015

| Description | Governmental Funds | Enterprise Funds | Internal Service Funds | Fiduciary Funds | Total |
|--|-----------------------|----------------------|---------------------------|--------------------|----------------------|
| A. Amounts reported on the Reconciliation Line D | \$ 22,452,446 | \$ 19,637,787 | \$ 4,560,121 | \$ 43,113 | \$ 46,693,467 |
| B. Less exclusions claimed: | | | | | |
| 1. Bond proceeds | 681,520 | - | - | - | 681,520 |
| Debt service requirements on bonded indebtedness | 5,949,440 | 243,369 | - | - | 6,192,809 |
| Proceeds from other long-term obligations | - | - | - | - | - |
| Debt service requirements on other long-term obligations | 1,691,331 | 909,992 | 187,460 | - | 2,788,783 |
| 2. Dividends, interest and gains on the sale or redemption of investment securities | - | - | - | - | - |
| 3. Trustee or custodian | - | - | - | 43,113 | 43,113 |
| 4. Grants and aid from the Federal government | 2,134,553 | - | - | - | 2,134,553 |
| 5. Grants, aid, contributions, or gifts from a private agency, organization, or individual except amounts received in lieu of taxes | - | - | - | - | - |
| 6. Amounts received from the State of Arizona | 58,941 | - | - | - | 58,941 |
| 7. Quasi-external interfund transactions | 2,007,918 | 821,694 | 4,372,661 | - | 7,202,273 |
| 8. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements | - | - | - | - | - |
| 9. Highway user revenues in excess of those received in fiscal year 1979-80 | 533,776 | - | - | - | 533,776 |
| 10. Contracts with other political subdivisions | - | - | - | - | - |
| 11. Refunds, reimbursements, and other recoveries | - | - | - | - | - |
| 12. Voter-approved exclusions not identified above (attach resolution) | - | - | - | - | - |
| 13. Prior years carryforward | - | - | - | - | - |
| 14. Total exclusions claimed | <u>13,057,479</u> | <u>1,975,055</u> | <u>4,560,121</u> | <u>43,113</u> | <u>19,635,768</u> |
| C. Amount subject to the expenditure limitation (If an individual fund type amount is negative, reduce exclusions claimed to net to zero.) | <u>\$ 9,394,967</u> | <u>\$ 17,662,732</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 27,057,699</u> |
| | <u>\$ 9,394,967</u> | <u>\$ 17,662,732</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$27,057,699</u> |

See accompanying notes to report

CITY OF SAFFORD, ARIZONA
Annual Expenditure Limitation Report - Reconciliation
Year Ended June 30, 2015

| Description | Governmental Funds | Enterprise Funds | Internal Service Funds | Fiduciary Funds | Total |
|---|-----------------------|---------------------|---------------------------|--------------------|---------------|
| A. Total expenditures/expenses/deductions and applicable other financing uses, special items, and extraordinary items reported within the fund financial statements | \$ 22,452,446 | \$ 17,662,836 | \$ 3,972,406 | \$ 43,113 | \$ 44,130,801 |
| B. Subtractions: | | | | | |
| 1. Items not requiring use of working capital: | | | | | |
| Depreciation | - | 2,166,713 | 697,726 | - | 2,864,439 |
| (Gain)/Loss on disposal of capital assets | - | - | 70,136 | - | 70,136 |
| Bad debt expense | - | - | - | - | - |
| Claims incurred but not reported | - | - | - | - | - |
| Pension expense | - | 275,169 | 162,338 | - | 437,507 |
| Landfill closure and postclosure care costs | - | - | - | - | - |
| 2. Expenditures of separate legal entities established under Arizona Revised Statutes | - | - | - | - | - |
| 3. Present value of net minimum capital lease and installment purchase contract payments recorded as expenditures at inception of the agreements | - | - | - | - | - |
| 4. Involuntary court judgments | - | - | - | - | - |
| 5. Total subtractions | \$ - | \$ 2,441,882 | \$ 930,200 | \$ - | \$ 3,372,082 |
| C. Additions: | | | | | |
| 1. Principal payments on long-term debt | - | 824,935 | 170,369 | - | 995,304 |
| 2. Acquisition of capital assets | - | 3,385,215 | 1,225,615 | - | 4,610,830 |
| 3. Claims paid in the current year but reported as expenses incurred but not reported in previous years | - | - | - | - | - |
| 4. Pension contributions paid in the current year | - | 206,683 | 121,931 | - | 328,614 |
| 5. Landfill closure and postclosure care costs recorded and expended in previous years | - | - | - | - | - |
| 6. Total additions | - | 4,416,833 | 1,517,915 | - | 5,934,748 |
| D. Amounts reported on Part II, Line A | \$ 22,452,446 | \$ 19,637,787 | \$ 4,560,121 | \$ 43,113 | \$ 46,693,467 |

See accompanying notes to report

CITY OF SAFFORD, ARIZONA
Notes to the Annual Expenditure Limitation Report
June 30, 2015

Note 1 Summary of Significant Accounting Policies

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

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

Note 2 Reconciliation Subtractions and Additions

The deductions for depreciation and the additions for principal payments and the acquisition of capital assets are all provided in the Statement of Cash Flows for the Proprietary Funds and the financial statement footnote 6 and 7.

The deduction for pension expense and addition for pension contributions paid in the current year are provided in the Statement of Cash Flows for the Proprietary Funds.

Note 3 Debt Service Requirements

The exclusion claimed in Part II for debt service requirements on bonded indebtedness consists of principal retirement and interest expense on the City's bonds as listed in the financial statement footnote 7. Exclusions that should be claimed in Part II for debt service requirements on other long-term obligations consist of principal retirement and interest expense on the City's loans and capital leases as reported in the financial statement footnote 7. The \$681,520 bond proceeds consist of the Series 2015D bond proceeds spent in the year ended June 30, 2015.

CITY OF SAFFORD, ARIZONA
Notes to the Annual Expenditure Limitation Report
June 30, 2015

Note 4 Grants and Aid from the Federal Government, State of Arizona, and Highway User Revenues

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

| | Governmental funds | Proprietary funds |
|--|-----------------------|----------------------|
| Intergovernmental revenues: | | |
| Grants and aid from the Federal government | \$ 2,134,553 | \$ - |
| Amounts received from the State of Arizona | 58,941 | - |
| Highway user revenues in excess of those received in fiscal year 1979-80 see note 5. | 533,776 | - |
| Contracts with other political subdivisions | - | - |
| Other revenues - non-excludable | 2,997,651 | - |
| Total intergovernmental revenues as reported in the fund financial statements | \$ 5,724,921 | \$ - |

Note 5 Highway User Revenues in Excess of Fiscal Year 1979-80

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

| | |
|--|--------------|
| HURF revenues received in FY15 | \$ 682,307 |
| HURF revenues received in FY80 | (148,531) |
| Revenues available for exclusion | \$ 533,776 |
| Actual FY15 HURF expenditures | \$ 1,616,605 |
| Less expenditure from other revenues | (934,298) |
| Net FY15 HURF expenditures | 682,307 |
| Amount equal to FY80 revenues expended in FY15 | (148,531) |
| Excludable HURF expenditures in FY15 | \$ 533,776 |
| Revenues available for exclusion | 533,776 |
| Revenues claimed as an exclusion | (533,776) |
| Unspent revenues available for carry forward | \$ - |

CITY OF SAFFORD, ARIZONA
Notes to the Annual Expenditure Limitation Report
June 30, 2015

Note 6 Quasi-External Interfund Transactions

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

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

| Quasi-external interfund transactions: | <u>Governmental funds</u> | <u>Proprietary funds</u> |
|---|-------------------------------|------------------------------|
| Administrative services | \$ 1,186,224 | \$ - |
| Franchise fees | 821,694 | - |
| Electric services | - | 443,087 |
| Gas services | - | 130,405 |
| Water services | - | 248,202 |
| Total quasi-external interfund transactions | <u>\$ 2,007,918</u> | <u>\$ 821,694</u> |

Note 7 Carry Forwards for Investment Income and State Revenues

The following schedule presents beginning carry forwards for investment income and state revenues reported in City's 2014 AELR, carry forwards used, carry forward earned and unused in the current fiscal year, and the remaining carry forward balances available for future years.

| | <u>Governmental Funds</u> | <u>Proprietary Funds</u> |
|--|-------------------------------|------------------------------|
| | <u>General Fund</u> | <u>Utility Funds</u> |
| Beginning amount of carry forward | \$ 66,626 | \$ 141,665 |
| Carry forward used | - | - |
| Carry forward earned and unused | 6,097 | 27,085 |
| Remaining carry forward available for future year | <u>\$ 72,723</u> | <u>\$ 168,750</u> |