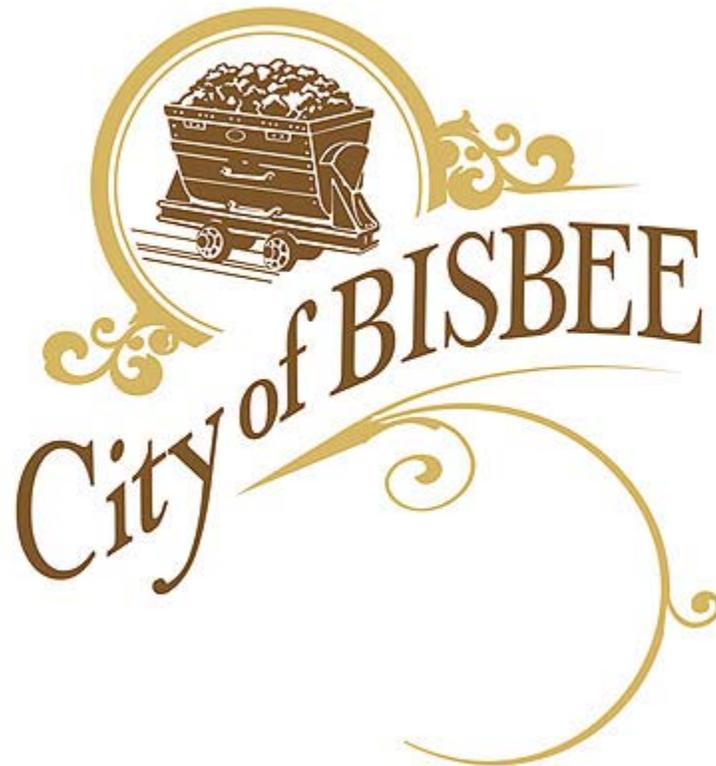


# **CITY OF BISBEE, ARIZONA**



**FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2018**

**WITH REPORT OF**

**CERTIFIED PUBLIC ACCOUNTANTS**

**CITY OF BISBEE, ARIZONA**

**Table of Contents**

**Financial Section:**

Independent Auditors' Report ..... 1  
Management's Discussion and Analysis ..... 5

Basic Financial Statements

    Government-wide Financial Statements

        Statement of Net Position..... 19  
        Statement of Activities ..... 20

    Fund Financial Statements:

        Balance Sheet – Governmental Funds..... 21  
        Reconciliation of Total Governmental Fund Balances  
            To Net Position of Governmental Activities..... 22  
        Statement of Revenues, Expenditures, and Changes in  
            Fund Balances – Governmental Funds..... 23  
        Reconciliation of the Statement of Revenues, Expenditures and Changes  
            in Fund Balances of Governmental Funds to the Statement of Activities..... 24  
        Statement of Net Position - Proprietary Funds..... 25  
        Statement of Revenues, Expenses and Changes  
            in Net Position - Proprietary Funds ..... 26  
        Statement of Cash Flows - Proprietary Funds ..... 27

    Notes to the Financial Statements..... 28

Required Supplemental Information:

    Schedule of the Proportionate Share of the Net Pension/OPEB Liability ..... 68  
    Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios ..... 70  
    Schedule of Pension/OPEB Contributions..... 74  
    Notes to Pension/OPEB Plan Schedules ..... 78

    Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget  
        and Actual – General Fund..... 80  
    Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget  
        and Actual – Streets Fund ..... 82

Supplementary Information:

Combining and Individual Fund Financial Statements and Schedules: Combining Balance Sheet – Non-major Governmental Funds.....	84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds .....	86
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Grants Fund .....	88
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Public Safety Fire Grants Fund.....	89
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Transportation Grants Fund .....	90
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Transient Room Tax Fund .....	91
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Rico Drug Enforcement Asset Fund .....	92
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Bisbee Arts Commission Fund .....	93
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Miscellaneous Donations Fund.....	94
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Airport fund .....	95
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Police Special Revenue Grants Fund.....	96
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Public Works Grants Fund.....	97
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Miscellaneous Grants Fund.....	98
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Youth Program Fund.....	99
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Bisbee Bus Fund .....	100
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Improvement Fund .....	101

**Other Communications From Independent Auditors:**

Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters .....	105
Report on Compliance with State Laws and Regulations .....	107

**FINANCIAL SECTION**

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**HINTONBURDICK**  
CPAs & ADVISORS

## **Independent Auditors' Report**

The Honorable Mayor and  
City Council  
Bisbee, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bisbee, Arizona, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bisbee, Arizona, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in note 16 to the financial statements, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the pension/OPEB schedules and notes as listed in the table of contents, and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bisbee, Arizona's basic financial statements. The combining nonmajor fund financial statements, and nonmajor fund budget and actual schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2019 on our consideration of the City of Bisbee, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Bisbee, Arizona's internal control over financial reporting and compliance.



HintonBurdick, PLLC  
Gilbert, Arizona  
February 12, 2019

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**(Required Supplementary Information)**

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**CITY OF BISBEE, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2018**

As management of the City of Bisbee, 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, 2018. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity (3) identify changes in the City's financial position (4) identify any material deviations from the financial plan (the approved budget) and (5) individual fund issues or concerns. Please read in conjunction with the accompanying financial statements.

**FINANCIAL HIGHLIGHTS**

- The City's total net position at the close of the fiscal year was \$9.03 million. This amount is comprised of \$23.29 million in net investment in capital assets, \$1.15 million of restricted net position and (\$15.42 million) in unrestricted net position.
- Governmental net position increased by \$660,111, before the prior period adjustment of (\$34,126) and Business-Type net position decreased by \$491,288.
- Total City Sales tax revenue decreased by 0.02 percent from last year and still is the single largest revenue in the budget.
- Improvements totaling \$553,173 were made to the City's capital assets.
- Total debt service payments, including interest expense were approximately \$10.26 million, new debt totaling \$7.64 million was issued, and increases in the net pension liability and compensated absences totaling approximately \$2.11 million leaving approximately \$31.9 million in total outstanding debt at the close of the year.
- The General Fund's unassigned fund balance increased by \$2,404,681 to \$3,978,076. The unassigned fund balance represents 61 percent of total General Fund expenditures for the fiscal year.
- Other governmental fund balances decreased by \$71,819, before prior period adjustments of \$2,550 to \$838,789, of which \$5,978 is nonspendable, \$997,086 is restricted and (\$164,275) is unrestricted.

**USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included on pages 22 and 24.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$9.03 million as of June 30, 2018 as shown in the following condensed statement of net position.

### City of Bisbee Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Current and other assets	\$ 6,066,990	\$ 3,070,899	\$ 858,698	\$ 3,268,396	\$ 6,925,688	6,339,295
Capital assets	8,929,813	9,437,148	23,280,002	24,350,896	32,209,815	33,788,044
Total assets	14,996,803	12,508,047	24,138,700	27,619,292	39,135,503	40,127,339
Deferred outflows of resources	3,257,734	3,233,565	428,732	226,652	3,686,466	3,460,217
Long-term liabilities outstanding	21,584,258	19,735,759	8,788,746	10,478,097	30,373,004	30,213,856
Other liabilities	1,136,871	786,260	1,558,434	2,532,614	2,695,305	3,318,874
Total liabilities	22,721,129	20,522,019	10,347,180	13,010,711	33,068,309	33,532,730
Deferred inflows of resources	587,353	899,523	141,035	264,858	728,388	1,164,381
Net position:						
Invested in capital assets, net of related debt	8,875,252	9,428,971	14,419,202	12,981,301	23,294,454	22,410,272
Restricted	1,082,924	984,770	64,606	1,163,484	1,147,530	2,148,254
Unrestricted	(15,012,121)	(16,093,671)	(404,591)	425,590	(15,416,712)	(15,668,081)
Total net position	\$ (5,053,945)	\$ (5,679,930)	\$ 14,079,217	\$ 14,570,375	\$ 9,025,272	\$ 8,890,445

The City has \$42,821,969 in total assets and deferred outflows, with \$32,209,815 in capital assets (net of depreciation). The City's Utility Funds, (Wastewater, Sanitation, and Queen Mine) operations are included in the Business-type activities column.

### Governmental Activities

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

**City of Bisbee**  
**Changes in Net Position**

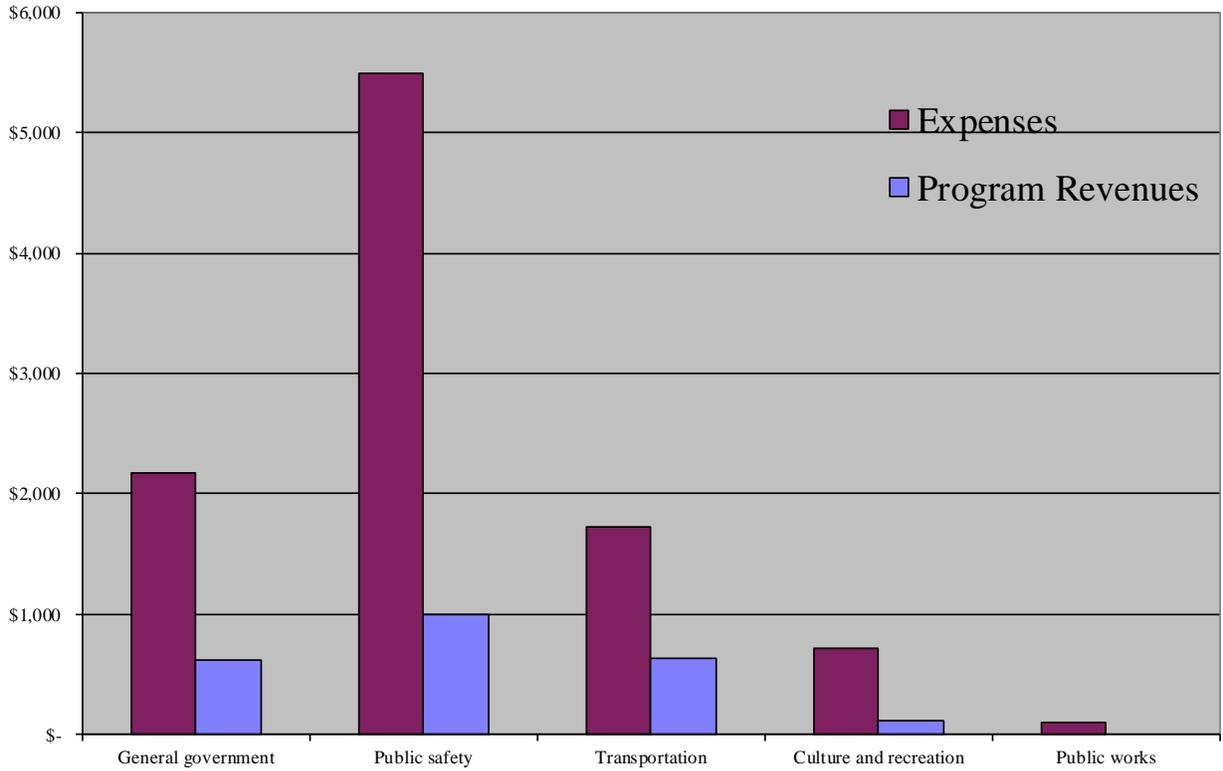
	Governmental activities		Business-type activities		Combined Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,326,033	\$ 1,728,711	\$ 4,471,253	\$ 4,065,254	\$ 5,797,286	\$ 5,793,965
Operating grants and contributions	733,745	897,050	-	15,632	733,745	912,682
Capital grants and contributions	297,759	172,505	-	-	297,759	172,505
<b>General revenues:</b>						
Sales taxes	2,862,804	2,907,378	-	-	2,862,804	2,907,378
Other taxes	1,429,387	1,386,918	-	-	1,429,387	1,386,918
State revenue sharing	646,671	637,161	-	-	646,671	637,161
Other	2,683,255	48,238	(60,872)	1,724	2,622,383	49,962
<b>Total revenues</b>	<b>9,979,654</b>	<b>7,777,961</b>	<b>4,410,381</b>	<b>4,082,610</b>	<b>14,390,035</b>	<b>11,860,571</b>
<b>Expenses:</b>						
General government	2,174,578	1,681,793	-	-	2,174,578	1,681,793
Public safety	5,489,051	4,876,985	-	-	5,489,051	4,876,985
Transportation	1,720,510	1,757,269	-	-	1,720,510	1,757,269
Culture and recreation	723,070	489,711	-	-	723,070	489,711
Public works	106,277	115,541	-	-	106,277	115,541
Interest on long-term debt	-	512	-	-	-	512
Wastewater	-	-	2,606,225	2,643,329	2,606,225	2,643,329
Sanitation	-	-	782,807	848,129	782,807	848,129
Queen Mine	-	-	618,694	635,862	618,694	635,862
<b>Total expenses</b>	<b>10,213,486</b>	<b>8,921,811</b>	<b>4,007,726</b>	<b>4,127,320</b>	<b>14,221,212</b>	<b>13,049,131</b>
(Decrease)/Increase in net assets before transfers	(233,832)	(1,143,850)	402,655	(60,342)	168,823	(1,204,192)
Transfers	893,943	54,832	(893,943)	(54,832)	-	-
Net position, beginning	(5,679,930)	(4,218,104)	14,570,375	14,685,549	8,890,445	10,467,445
Prior period adjustment	(34,126)	(372,808)	130	-	(33,996)	(372,808)
<b>Net position, ending</b>	<b>\$ (5,053,945)</b>	<b>\$ (5,679,930)</b>	<b>\$ 14,079,217</b>	<b>\$ 14,570,375</b>	<b>\$ 9,025,272</b>	<b>\$ 8,890,445</b>

The cost of all governmental activities this year was \$10,213,486 as shown in the schedule of Changes in Net Position above. \$1,326,033 of this cost was paid for by those who directly benefited from the programs. \$1,031,504 was subsidized by grants received from other governmental organizations for both capital and operating activities. General taxes, Urban Revenue Sharing and investment earnings totaled \$7,622,117

Total resources available during the year to finance governmental operations were \$4.27 million consisting of Net position at July 1, 2017 of (\$5.68 million) before a prior period adjustment of (\$34,126), program revenues of \$2.36 million and General Revenues of \$7.62 million. Total Governmental Activities during the year were \$10.21 million. Thus Governmental Net Position was increased by \$0.66 million to (\$5.05 million).

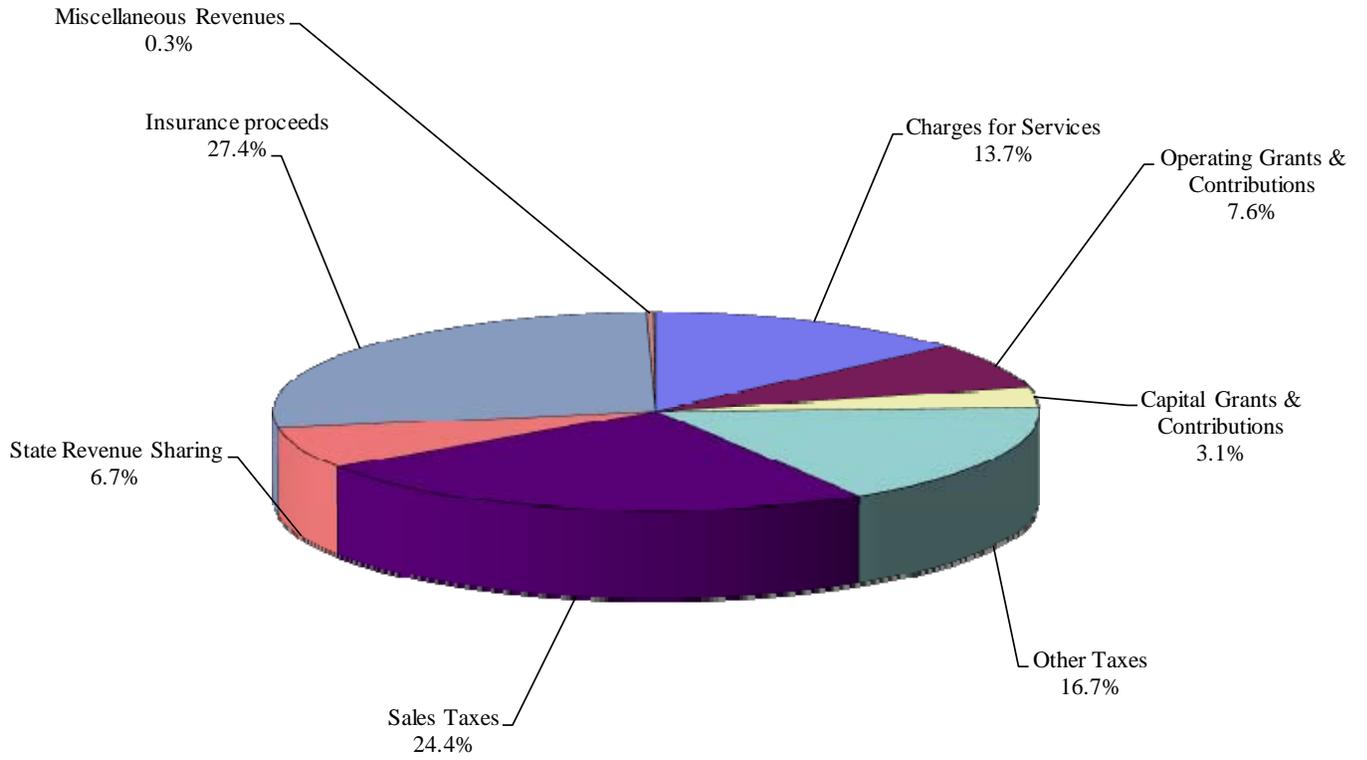
The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all government activities.

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



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**Revenue By Source - Governmental Activities**

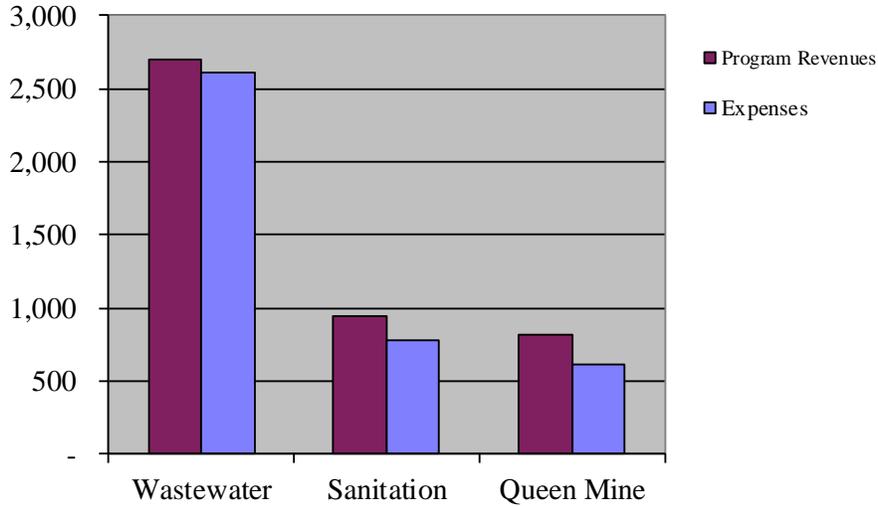


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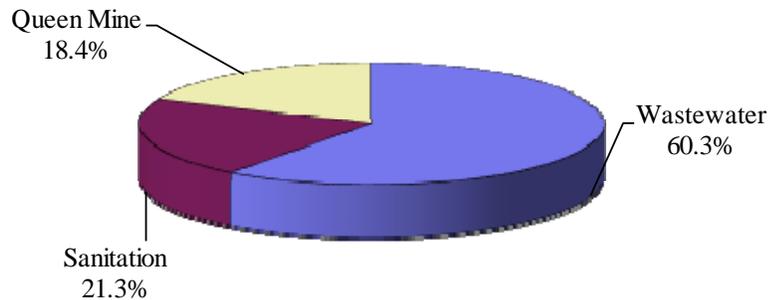
## Business Type Activities

Net position of the Business Type activities at June 30, 2018, as reflected in the Statement of Net Position was \$14.08 million. The cost of providing all Proprietary (Business Type) activities this year was \$4.01 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$4.47 million. Interest earnings and other revenues(losses) were (\$60,872). Net Position decreased by \$491,288.

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



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



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

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

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

As of the end of the current fiscal year, the City of Bisbee's governmental funds reported combined ending fund balances of \$4.95 million, an increase of \$2,350,888 in comparison with the prior year. Approximately, 77% of this total amount or \$3,813,801 constitutes unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted, committed or assigned because it has already been committed 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Bisbee. At the end of the current fiscal year, total fund balance in the general fund was \$4,106,436, of which \$3,978,076 is unassigned. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance and total fund balance represents 61% and 63% respectively of total general fund expenditures. During the year, the City of Bisbee's general fund balance increased by \$2,422,707.

Streets fund expenditures of \$1,184,493 were funded by Highway User revenues of \$445,564, City Sales Tax of \$753,021 which resulted in ending fund balance of (\$8,348).

The non-major fund balance of \$847,137 consists of grant funds and donations restricted for various purposes.

### **General Fund Budgetary Highlights**

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

General Fund revenues of \$7,975,523 were more than the budget of \$6,061,228 by \$1,914,295 mainly due to insurance proceeds related to the City Hall fire that were not budgeted for. Actual expenditures of \$6,516,399 were \$355,277 less than budgeted expenditures of \$6,871,676. The most significant variance was from various departments that were under budget. There was one department that exceeded the budget during the fiscal year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, vehicles, buildings, land, park facilities and roads. At the end of fiscal year 2018, net capital assets of the government activities totaled \$8.93 million and the net capital assets of the business-type activities totaled \$23.28 million. Combined capital assets additions were \$533,173 for fiscal year 2018 consisting of: assorted capital assets for various City departments. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 5 to the financial statements.)

### **Debt**

At year-end, the City had \$21.73 million in governmental type debt, and \$10.22 million in business-type debt. (See note 6 the financial statements.)

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

In considering the City budget for fiscal year 2018/2019, the City Council and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2017/2018.

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

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to: City of Bisbee, Finance Department, 915 S. Tovreaville Rd, Bisbee, AZ 85603. (520) 432-6008.

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**BASIC FINANCIAL STATEMENTS**

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**CITY OF BISBEE, ARIZONA**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:</b>			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 2,726,386	\$ 724,761	\$ 3,451,147
Investments	543,340	-	543,340
Accounts receivable (net of allowance)	2,197,068	419,449	2,616,517
Inventory	25,300	114,443	139,743
Prepays	34,338	23,818	58,156
Due from other governments	-	510	510
Total current assets	<u>6,019,662</u>	<u>789,751</u>	<u>6,809,413</u>
Non-current assets:			
Restricted cash and cash equivalents	-	64,606	64,606
Capital assets:			
Not being depreciated	712,887	458,828	1,171,715
Net of accumulated depreciation	8,216,926	22,821,174	31,038,100
Net pension/OPEB asset	47,328	4,341	51,669
Total non-current assets	<u>8,977,141</u>	<u>23,348,949</u>	<u>32,326,090</u>
Total Assets	14,996,803	24,138,700	39,135,503
Deferred outflows related to pensions/OPEB	3,257,734	240,219	3,497,953
Deferred outflows related to debt refunding	-	188,513	188,513
Total deferred outflows	<u>3,257,734</u>	<u>428,732</u>	<u>3,686,466</u>
<b>Total assets and deferred outflows of resources</b>	<u><u>18,254,537</u></u>	<u><u>24,567,432</u></u>	<u><u>42,821,969</u></u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>			
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	984,881	112,604	1,097,485
Customer deposits	-	231	231
Unearned revenue	3,724	-	3,724
Accrued interest payable	-	14,677	14,677
Compensated absences - current	148,266	36,105	184,371
Long-term liabilities due within one year	-	72,054	72,054
Total current liabilities	<u>1,136,871</u>	<u>235,671</u>	<u>1,372,542</u>
Noncurrent liabilities:			
Compensated absences	26,164	6,371	32,535
Long-term liabilities due after one year	-	8,788,746	8,788,746
Net pension/OPEB liability	21,558,094	1,316,392	22,874,486
Total non-current liabilities	<u>21,584,258</u>	<u>10,111,509</u>	<u>31,695,767</u>
Total Liabilities	22,721,129	10,347,180	33,068,309
Deferred inflows related to pensions/OPEB	587,353	141,035	728,388
<b>Total liabilities and deferred inflows of resources</b>	<u><u>23,308,482</u></u>	<u><u>10,488,215</u></u>	<u><u>33,796,697</u></u>
<b>NET POSITION:</b>			
Net investment in capital assets	8,875,252	14,419,202	23,294,454
Nonspendable:			
Prepays	34,338	-	34,338
Restricted for:			
Debt service	-	64,606	64,606
Public Safety	30,193	-	30,193
Culture and recreation	23,893	-	23,893
Capital projects	653,322	-	653,322
Other purposes	289,678	-	289,678
Unrestricted	<u>(15,012,121)</u>	<u>(404,591)</u>	<u>(15,416,712)</u>
<b>Total net (deficit) position</b>	<u><u>(5,053,945)</u></u>	<u><u>14,079,217</u></u>	<u><u>9,025,272</u></u>
<b>Total liabilities, deferred inflows of resources and net position</b>	<u><u>\$ 18,254,537</u></u>	<u><u>\$ 24,567,432</u></u>	<u><u>\$ 42,821,969</u></u>

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

**CITY OF BISBEE, ARIZONA**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 2,174,578	\$ 360,375	\$ 239,950	\$ 14,644	\$ (1,559,609)	\$ -	\$ (1,559,609)
Public safety	5,489,051	919,103	41,094	36,194	(4,492,660)	-	(4,492,660)
Transportation	1,720,510	24,955	445,564	167,956	(1,082,035)	-	(1,082,035)
Culture and recreation	723,070	21,600	7,137	78,965	(615,368)	-	(615,368)
Public works	106,277	-	-	-	(106,277)	-	(106,277)
Total governmental activities	10,213,486	1,326,033	733,745	297,759	(7,855,949)	-	(7,855,949)
Business-type activities:							
Wastewater	2,606,225	2,696,282	-	-	-	90,057	90,057
Sanitation	782,807	950,480	-	-	-	167,673	167,673
Queen Mine	618,694	824,491	-	-	-	205,797	205,797
Total business-type activities	4,007,726	4,471,253	-	-	-	463,527	463,527
Total primary government	\$ 14,221,212	\$ 5,797,286	\$ 733,745	\$ 297,759	(7,855,949)	463,527	(7,392,422)
General Revenues:							
Property taxes levied for general purposes					1,117,844	-	1,117,844
City sales tax					2,361,529	-	2,361,529
State sales tax					501,275	-	501,275
Urban revenue sharing					646,671	-	646,671
Vehicle license tax					269,616	-	269,616
Bed tax					41,927	-	41,927
Insurance proceeds					2,647,798	-	2,647,798
Miscellaneous revenues					28,011	-	28,011
Gain (loss) on disposal of assets					-	(62,712)	(62,712)
Unrestricted investment earnings/(loss)					7,446	1,840	9,286
Transfers					893,943	(893,943)	-
Total general revenues & transfers					8,516,060	(954,815)	7,561,245
Change in net position					660,111	(491,288)	168,823
Net position - beginning					(5,679,930)	14,570,375	8,890,445
Restatement adjustment					(34,126)	130	(33,996)
Net position - ending					\$ (5,053,945)	\$ 14,079,217	\$ 9,025,272

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

**CITY OF BISBEE, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General Fund	Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,418,233	\$ 416,697	\$ 891,456	\$ 2,726,386
Investments	418,360	586	124,394	543,340
Receivables:				
Accounts	1,577,969	-	9,011	1,586,980
Property taxes	145,761	-	-	145,761
Due from other governments	363,743	52,386	48,198	464,327
Due from other funds	671,432	-	-	671,432
Prepaid items	28,360	310	5,668	34,338
Inventory	6,839	-	18,461	25,300
Total assets	<u>\$ 4,630,697</u>	<u>\$ 469,979</u>	<u>\$ 1,097,188</u>	<u>\$ 6,197,864</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 166,457	\$ 439,558	\$ 102,952	\$ 708,967
Due to other funds	-	33,596	144,606	178,202
Accrued payroll	268,667	5,173	2,074	275,914
Unearned revenue	3,305	-	419	3,724
Total liabilities	<u>438,429</u>	<u>478,327</u>	<u>250,051</u>	<u>1,166,807</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - property taxes	85,832	-	-	85,832
Total deferred inflows of resources	<u>85,832</u>	<u>-</u>	<u>-</u>	<u>85,832</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Prepays	28,360	310	5,668	34,338
Restricted for:				
Public safety			30,193	30,193
Culture and recreation			23,893	23,893
Other purposes	-	-	289,678	289,678
Capital projects	-	-	653,322	653,322
Committed	100,000	-	-	100,000
Unassigned (deficits)	3,978,076	(8,658)	(155,617)	3,813,801
Total fund balances (deficits)	<u>4,106,436</u>	<u>(8,348)</u>	<u>847,137</u>	<u>4,945,225</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,630,697</u>	<u>\$ 469,979</u>	<u>\$ 1,097,188</u>	<u>\$ 6,197,864</u>

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

**CITY OF BISBEE, ARIZONA**  
**Reconciliation of Total Governmental Fund Balances**  
**to Net Position of Governmental Activities**  
**June 30, 2018**

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Total governmental fund balances		\$ 4,945,225
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Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental capital assets	\$ 17,383,262	
Accumulated Depreciation	(8,453,449)	
		8,929,813

Other assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

85,832

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

Net pension/OPEB liability	(21,558,094)	
Compensated absences	(174,430)	
		(21,732,524)

Other long term assets are not available to pay for current period expenditures and, therefore, not included in the funds.

Net OPEB asset		47,328
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Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.

Deferred outflows	\$ 3,257,734	
Deferred inflows	(587,353)	
		2,670,381

Total net position of governmental activities		\$ (5,053,945)
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The accompanying notes are an integral part of the financial statements.

**CITY OF BISBEE, ARIZONA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	General Fund	Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 2,542,877	\$ 753,021	\$ 146,753	\$ 3,442,651
Licenses, permits and fees	100,582	-	-	100,582
Intergovernmental revenue	1,423,023	445,564	491,481	2,360,068
Charges for services	1,166,028	24,955	30,966	1,221,949
Fines and forfeitures	9	-	-	9
Investment earnings	5,695	8	1,743	7,446
Rent	51,502	-	9,138	60,640
Contributions	19,092	-	4,781	23,873
Insurance proceeds	2,647,798	-	-	2,647,798
Miscellaneous	18,917	-	17,072	35,989
<b>Total revenues</b>	<u>7,975,523</u>	<u>1,223,548</u>	<u>701,934</u>	<u>9,901,005</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,085,050	-	5,246	2,090,296
Public safety	3,985,471	-	38,207	4,023,678
Culture and recreation	445,878	-	221,840	667,718
Transportation	-	1,162,330	338,603	1,500,933
Public works	-	-	-	-
Capital outlay	-	22,163	139,272	161,435
<b>Total expenditures</b>	<u>6,516,399</u>	<u>1,184,493</u>	<u>743,168</u>	<u>8,444,060</u>
<b>Excess of revenues over (under) expenditures</b>	<u>1,459,124</u>	<u>39,055</u>	<u>(41,234)</u>	<u>1,456,945</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(85,640)	(85,640)
Transfers in	963,583	-	16,000	979,583
<b>Total other financing sources (uses)</b>	<u>963,583</u>	<u>-</u>	<u>(69,640)</u>	<u>893,943</u>
<b>Net change in fund balances</b>	2,422,707	39,055	(110,874)	2,350,888
Fund balances, beginning of year	1,683,729	(47,403)	955,461	2,591,787
Prior period adjustment	-	-	2,550	2,550
<b>Fund balances (deficits), end of year</b>	<u>\$ 4,106,436</u>	<u>\$ (8,348)</u>	<u>\$ 847,137</u>	<u>\$ 4,945,225</u>

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

**CITY OF BISBEE, ARIZONA**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended June 30, 2018**

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

Net change in fund balances - total governmental funds	\$	2,350,888
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>		
Capital Outlay	\$	276,273
Depreciation Expense		<u>(567,339)</u>
		(291,066)
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		78,649
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(216,269)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds and is recorded as an expenditure, but the repayment reduces long-term liabilities in the statement of net position.		8,177
<p>Pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension/OPEB liability is measured a year before the City's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.</p>		
Pension/OPEB contributions	\$	1,338,683
Pension/OPEB expense		<u>(2,748,305)</u>
		(1,409,622)
Compensated absences and other 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 expense		(16,800)
PSPRS refund and interest expense		<u>156,154</u>
Change in net position of governmental activities	\$	<u><u>660,111</u></u>

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

**CITY OF BISBEE, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	Business-type Activities - Enterprise Funds			
	Wastewater	Sanitation	Queen Mine	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ -	\$ -	\$ 724,761	\$ 724,761
Receivables (net of allowance)	311,114	108,335	-	419,449
Inventory	-	-	114,443	114,443
Prepaid items	204	-	23,614	23,818
Due from other funds	500,473	-	-	500,473
Due from other governments	510	-	-	510
<b>Total Current Assets</b>	<b>812,301</b>	<b>108,335</b>	<b>862,818</b>	<b>1,783,454</b>
Prepaid items				
Restricted cash and cash equivalents, noncurrent	64,606	-	-	64,606
Capital assets				
Land	47,660	-	-	47,660
Construction in progress	411,168	-	-	411,168
Buildings	312,985	-	230,667	543,652
Improvements over than buildings	29,411	-	-	29,411
Machinery and equipment	2,121,778	755,062	53,718	2,930,558
Infrastructure	34,732,945	-	-	34,732,945
Accumulated depreciation	(14,564,035)	(655,416)	(195,941)	(15,415,392)
Net Pension/OPEB Asset	1,847	1,540	954	4,341
<b>Total Noncurrent Assets</b>	<b>23,158,365</b>	<b>101,186</b>	<b>89,398</b>	<b>23,348,949</b>
<b>Total Assets</b>	<b>23,970,666</b>	<b>209,521</b>	<b>952,216</b>	<b>25,132,403</b>
Deferred outflows				
Deferred outflows related to pensions/OPEB	102,212	85,207	52,800	240,219
Deferred outflows related to debt refunding	188,513	-	-	188,513
<b>Total Deferred outflows</b>	<b>290,725</b>	<b>85,207</b>	<b>52,800</b>	<b>428,732</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 24,261,391</b>	<b>\$ 294,728</b>	<b>\$ 1,005,016</b>	<b>\$ 25,561,135</b>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:</b>				
Liabilities				
Current liabilities:				
Accounts payable	\$ 43,301	\$ 22,363	\$ 12,531	\$ 78,195
Accrued wages and benefits	12,638	10,132	11,639	34,409
Accrued interest payable	14,677	-	-	14,677
Due to other funds	483,004	510,699	-	993,703
Customer deposits	-	-	231	231
Compensated absences - current	10,146	14,294	11,665	36,105
Current portion - long-term debt	72,054	-	-	72,054
<b>Total Current Liabilities</b>	<b>635,820</b>	<b>557,488</b>	<b>36,066</b>	<b>1,229,374</b>
Non-current liabilities:				
Compensated absences	1,790	2,522	2,059	6,371
Net pension/OPEB liability	560,125	466,924	289,343	1,316,392
Long-term debt, net of current portion	8,788,746	-	-	8,788,746
<b>Total non-current liabilities</b>	<b>9,350,661</b>	<b>469,446</b>	<b>291,402</b>	<b>10,111,509</b>
<b>Total Liabilities</b>	<b>9,986,481</b>	<b>1,026,934</b>	<b>327,468</b>	<b>11,340,883</b>
Deferred inflows related to pensions/OPEB	60,010	50,025	31,000	141,035
<b>Total liabilities and deferred inflows of resources</b>	<b>10,046,491</b>	<b>1,076,959</b>	<b>358,468</b>	<b>11,481,918</b>
<b>NET POSITION:</b>				
Net investment in capital assets	14,231,112	99,646	88,444	14,419,202
Restricted for debt service	64,606	-	-	64,606
Unrestricted (deficit)	(80,818)	(881,877)	558,104	(404,591)
<b>Total net position (deficit)</b>	<b>14,214,900</b>	<b>(782,231)</b>	<b>646,548</b>	<b>14,079,217</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 24,261,391</b>	<b>\$ 294,728</b>	<b>\$ 1,005,016</b>	<b>\$ 25,561,135</b>

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

**CITY OF BISBEE, ARIZONA**  
**Statement Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Business-type Activities - Enterprise Funds			
	Wastewater	Sanitation	Queen Mine	Total
<b>Operating revenues:</b>				
Taxes	\$ 376,511	\$ -	\$ -	\$ 376,511
Charges for services	2,115,640	950,480	824,491	3,890,611
Customer penalties and interest	138,754	-	-	138,754
Other revenues	64,269	-	-	64,269
<b>Total operating revenues</b>	<b>2,695,174</b>	<b>950,480</b>	<b>824,491</b>	<b>4,470,145</b>
<b>Operating expenses:</b>				
Salaries, wages and benefits	419,744	388,894	343,341	1,151,979
Administration	346,745	269,988	54,610	671,343
Supplies	96,446	7,225	175,307	278,978
Repairs and maintenance	226,015	62,748	14,133	302,896
Utilities	81,710	4,995	21,195	107,900
Bad debt	67,694	15,138	-	82,832
Depreciation	1,241,811	33,162	10,108	1,285,081
<b>Total operating expenses</b>	<b>2,480,165</b>	<b>782,150</b>	<b>618,694</b>	<b>3,881,009</b>
<b>Net operating income (loss)</b>	<b>215,009</b>	<b>168,330</b>	<b>205,797</b>	<b>589,136</b>
<b>Non-operating revenues (expenses):</b>				
Interest income	1,738	102	-	1,840
Interest expense and fiscal charges	(126,060)	(657)	-	(126,717)
Intergovernmental	1,108	-	-	1,108
<b>Total non-operating revenue (expense)</b>	<b>(123,214)</b>	<b>(555)</b>	<b>-</b>	<b>(123,769)</b>
<b>Income (loss) before contributions and transfers</b>	<b>91,795</b>	<b>167,775</b>	<b>205,797</b>	<b>465,367</b>
Gain/Loss on sale of asset	(62,712)	-	-	(62,712)
Transfers in	415	-	-	415
Transfers out	(659,906)	(158,988)	(75,464)	(894,358)
<b>Change in net position</b>	<b>(630,408)</b>	<b>8,787</b>	<b>130,333</b>	<b>(491,288)</b>
Total net position (deficit), beginning of year	14,845,253	(791,065)	516,187	14,570,375
Prior period adjustment	55	47	28	130
<b>Total net position (deficit), end of year</b>	<b>\$ 14,214,900</b>	<b>\$ (782,231)</b>	<b>\$ 646,548</b>	<b>\$ 14,079,217</b>

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

**CITY OF BISBEE, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	Business-type Activities - Enterprise Funds			
	Wastewater	Sanitation	Queen Mine	Total
<b>Cash flows from operating activities:</b>				
Cash received from customers, service fees	\$ 2,134,797	\$ 950,491	\$ 821,390	\$ 3,906,678
Cash received from customers, other	579,534	-	-	579,534
Cash paid to suppliers	(831,698)	(362,335)	(266,912)	(1,460,945)
Cash paid to employees	(464,166)	(417,209)	(332,740)	(1,214,115)
Net cash flows from operating activities	<u>1,418,467</u>	<u>170,947</u>	<u>221,738</u>	<u>1,811,152</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfers (to)/from other funds	(659,491)	(158,988)	(75,464)	(893,943)
Change in due to/due from	483,004	10,226	-	493,230
Net cash flows from noncapital financing activities	<u>(176,487)</u>	<u>(148,762)</u>	<u>(75,464)</u>	<u>(400,713)</u>
<b>Cash flows from capital and related financing activities:</b>				
Bond proceeds	7,640,000	-	-	7,640,000
Change in deferred outflows - debt refunding	(188,513)	-	-	(188,513)
Capital grants	12,335	-	-	12,335
Purchase of capital assets	(286,900)	-	-	(286,900)
Proceeds from the sale of capital assets	-	10,000	-	10,000
Principal paid on long-term debt	(10,127,688)	(21,107)	-	(10,148,795)
Interest paid	(327,628)	(11,180)	-	(338,808)
Net cash flows from capital and related financing activities	<u>(3,278,394)</u>	<u>(22,287)</u>	<u>-</u>	<u>(3,300,681)</u>
<b>Cash flows from investing activities:</b>				
Investment income/(loss)	1,738	102	-	1,840
Net cash flows from investing activities	<u>1,738</u>	<u>102</u>	<u>-</u>	<u>1,840</u>
Net change in cash and cash equivalents	(2,034,676)	-	146,274	(1,888,402)
Cash and cash equivalents, beginning of year	<u>2,099,282</u>	<u>-</u>	<u>578,487</u>	<u>2,677,769</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 64,606</u>	<u>\$ -</u>	<u>\$ 724,761</u>	<u>\$ 789,367</u>
Reconciliation of operating income to net cash flows from operating activities:				
Net operating income	\$ 215,009	\$ 168,330	\$ 205,797	\$ 589,136
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	1,241,811	33,162	10,108	1,285,081
Net pension/OPEB expense	(44,124)	(39,792)	8,922	(74,994)
Changes in operating assets and liabilities:				
(Increase)/Decrease in receivables	19,157	11	-	19,168
(Increase)/Decrease in inventory	-	-	2,025	2,025
(Increase)/Decrease in prepaid items	(204)	-	191	(13)
Increase/(Decrease) in accounts payable	(12,884)	(2,241)	(3,883)	(19,008)
Increase/(Decrease) in customer deposits			(3,101)	(3,101)
Increase/(Decrease) in accrued payroll and employee benefits	(2,340)	10,132	418	8,210
Increase/(Decrease) in compensated absences	2,042	1,345	1,261	4,648
Net cash flows from operating activities	<u>\$ 1,418,467</u>	<u>\$ 170,947</u>	<u>\$ 221,738</u>	<u>\$ 1,811,152</u>

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

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

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The financial statements of the City of Bisbee, Arizona 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.

**Description of government-wide financial statements**

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

**Reporting Entity**

The City is a municipal entity governed by an elected mayor and council and provides the following services as authorized by general law: public safety, highways and streets, parks and recreation, planning and zoning, and general administrative services. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and so data from these units are combined with data of the City, the primary government.

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, component units combined with the City for financial statement presentation purposes, and the City, are not included in any other governmental reporting entity. Consequently, the City's financial statements include the funds of those organizational entities for which its elected governing body is financially accountable.

The following is a brief review of the component units included in defining the City's reporting entity. There are no discretely presented component units and one blended component units.

Blended component units included within the reporting entity:

The **City of Bisbee Municipal Property Corporation (BMPC)** is governed by a three-member board appointed by the City Council. Although it is legally separate from the City, the BMPC is reported as if it were part of the primary government because its sole purpose is to finance and construct two of the City's public buildings projects. The BMPC's debt is reported as part of the City's long-term debt. Separate financial statements for the BMPC are not prepared.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**Basis of presentation – fund financial statements**

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

The City reports the following major governmental funds:

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

The **Streets Fund** accounts for the operation and maintenance of the City's streets, rights of way and street lighting throughout the City.

The City reports the following major enterprise funds:

The **Wastewater Fund** accounts for the operations, maintenance, and construction of the City-owned wastewater system.

The **Sanitation Fund** accounts for the operations, maintenance, and construction projects of the City-owned sanitation system.

The **Queen Mine Fund** accounts for the operations, maintenance, and construction projects of the City-owned Queen Mine.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

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

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

**Measurement focus and basis of accounting**

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

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

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

The proprietary funds are reported using the *economic resources measurement* focus and the *accrual basis of accounting*.

**Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

***Deposits and Investments***

For the purposes of the statement of cash flows, the City considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash and cash equivalents include amounts the City is contractually required to maintain in a separate bank account for purposes of debt service on the WIFA note payable (see footnote 7), and for repairs, maintenance, and capital improvements to the City's wastewater treatment plant.

All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The reported value of the state treasurer's pool is the same as the fair value of the pool shares. Investment earnings is composed of interest, dividends, and net changes in the estimated fair value of applicable investments.

Arizona Revised Statutes (A.R.S) authorize the City to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the City may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "Internal balances" in the Statement of Net Position and as "Due to" or "Due from" other funds in the fund financial statements. All trade accounts receivable in the General Fund and proprietary funds are shown net of an allowance for doubtful accounts.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

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The allowance for doubtful accounts in the proprietary funds is estimated at 56% of the current portion of the yearend accounts receivable balance, and 80% of the noncurrent accounts receivable balance. The noncurrent accounts receivable balance includes the accounts of customers on payment plans and accounts with liens placed on properties.

***Inventories and Prepaid Items***

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories for the proprietary funds consist principally of materials used in the repair of the distribution, collection and treatment systems and are valued at the lower of cost (first-in, first-out) or market.

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

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$3,000 and an estimated useful life in excess of one year. Capitalized assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. Depreciation for other property, plant, equipment, and infrastructure is computed using the straight-line method over the following estimated useful lives:

Building	5 to 50 years
Improvements other than buildings	5 to 30 years
Airport	5 to 40 years
Machinery and equipment	3 to 20 years
Infrastructure	5 to 40 years

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

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*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has one type of item that qualifies for reporting in this category. It is pension/OPEB related items reported on the government-wide and proprietary fund financial statements. See footnote 8 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Pension/OPEB related items reported on the government-wide and proprietary fund financial statements. See footnote 8 for more information. Another item, which arises only under a modified accrual basis of accounting, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

*Postemployment benefits*

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plan's fiduciary net position of the Arizona State Retirement System (ASRS) and the Arizona Public Safety Personnel Retirement System (PSPRS), and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Net position flow assumption*

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

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

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*Fund balance flow assumptions*

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund balance policies*

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balances classifications. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

Unassigned fund balance is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the City's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the City's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

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**Revenues and expenditures/expenses**

***Program revenues***

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

***Property taxes***

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. Property taxes not collected within 60 days subsequent to the fiscal-year end or collected in advance of the fiscal year for which they are levied are reported as deferred revenues. Cochise County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments on 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 County also levies various personal property taxes during the year. A lien against property assessed attaches on the first day of January preceding the assessment and levy.

***Compensated Absences***

Compensated absences consist of paid time off, which can be used as vacation or sick leave. Fire Department employees may accumulate up to 312 hours of paid time off depending on years of service. The City's non-exempt and other exempt employees may accumulate up to 208 and 247 hours of vacation, respectively, depending on years of service. Any paid time off in excess of the maximum amount this is unused at year-end is forfeited. An employee may be allowed to carry forward paid time off to the first six months of the following year if staffing shortages prevent the employee from utilizing their paid time off. An employee taking leave for a serious illness of a family member under the Family Medical Leave Act may use the paid time off as part of the unpaid 12 week period allowed by law.

All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. For governmental funds amounts of accumulated vacation and compensatory time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

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***Proprietary funds operating and nonoperating revenues and expenses***

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

**Tax Abatements**

The City has not entered into any tax abatement agreements and the City is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the City's tax revenues.

**Use of Estimates**

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

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

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 22.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 24.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

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

**Budgets and Budgetary Accounting**

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

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the first of September, the expenditure limitation for the City is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. State law requires that, prior to April 1, the Economic Estimates Commission provide the City with a final expenditure limit for the coming fiscal year.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Council has adopted a budget transfer policy and all amendments must be done in accordance with this policy.
6. The City has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Capital Projects, Debt Service, and Enterprise funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The City is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the City to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

Supplementary budgetary appropriations were made during the year ended June 30, 2018.

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

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

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**Expenditures over Appropriations**

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2018, if any.

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**Note 4. Deposits and Investments**

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

Cash and cash equivalents	\$ 3,451,147
Restricted cash and cash equivalents	64,606
Investments	<u>543,340</u>
Total cash and equivalents	<u><u>\$ 4,059,093</u></u>

For purposes of its statement of cash flows, the City considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Restricted cash and cash equivalents includes amounts the City is contractually required to maintain in a separate bank account for purposes of debt service on the WIFA note payable (see Note 7).

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the City's deposit may not be returned to it. Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover. At year end, the carrying amount of the City's deposits was \$3,515,753 and the bank balance was \$3,552,542. The bank balance was fully covered by FDIC coverage or collateral held by the pledging financial institution in the City's name.

**Investments**

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP) with no regulatory oversight. The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 4. Deposits and Investments, Continued**

The LGIP is not registered with the SEC as an investment company. The State Board of Investments provides oversight for the State Treasurer’s investment pools. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

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

As of June 30, 2018, the carrying amount of the City’s deposits and investments are as follows:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (Days) (2)
Deposits:			
Cash on hand	8,958	N/A	N/A
Cash in bank	3,506,795	N/A	N/A
Investments:			
Local government investment pool 5	543,340	AAA	36.5
	\$ 4,059,093		

\* The fair value of the City’s position in each pool is the same as the value of the pool shares.

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

**Credit risk**

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

**Interest rate risk**

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

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 4. Deposits and Investments, Continued**

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**Fair value measurements**

As noted above, the City holds investments that are measured at fair value on a recurring basis. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The state treasurer's investment pool, as listed above, are valued using quoted prices that are observable for the assets (Level 2 inputs).

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**Note 5. Restricted Assets**

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Restricted assets consisted of the following cash reserves at June 30, 2018:

Wastewater Fund:	
Reserve for debt service WIFA Solar	\$ 64,606
Total Business-Type Activities	<u>\$ 64,606</u>

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 5. Capital Assets**

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

	Balance June 30, 2017	Additions	Disposals	Transfers	Balance June 30, 2018
<b>Governmental Activities</b>					
Capital assets not being depreciated:					
Land	\$ 571,670	\$ -	\$ -	\$ (1,840)	\$ 569,830
Construction in progress	175,787	53,685	(86,415)	-	143,057
Total capital assets not being depreciated	<u>747,457</u>	<u>53,685</u>	<u>(86,415)</u>	<u>(1,840)</u>	<u>712,887</u>
Capital assets being depreciated:					
Buildings	3,778,687	-	(230,496)	(24,785)	3,523,406
Improvements other than buildings	1,145,996	-	-	(417,475)	728,521
Airport	4,383,864	-	-	-	4,383,864
Machinery and equipment	4,205,403	212,588	(705,687)	(15,079)	3,697,225
Infrastructure	3,917,759	-	-	419,600	4,337,359
Total capital assets being depreciated	<u>17,431,709</u>	<u>212,588</u>	<u>(936,183)</u>	<u>(37,739)</u>	<u>16,670,375</u>
Less: Accumulated depreciation					
Buildings	(2,028,135)	(84,290)	125,324	4,216	(1,982,885)
Improvements other than buildings	(813,662)	(23,406)	-	236,348	(600,720)
Airport	(2,336,987)	(115,566)	-	-	(2,452,553)
Machinery and equipment	(3,080,742)	(218,315)	696,505	25,079	(2,592,973)
Infrastructure	(482,492)	(125,762)	-	(216,064)	(824,318)
Total accumulated depreciation	<u>(8,742,018)</u>	<u>(567,339)</u>	<u>821,829</u>	<u>49,579</u>	<u>(8,453,449)</u>
Total assets being depreciated, net	<u>8,689,691</u>	<u>(354,751)</u>	<u>(114,354)</u>	<u>11,840</u>	<u>8,216,926</u>
Governmental capital assets, net	<u>\$ 9,437,148</u>	<u>\$ (301,066)</u>	<u>\$ (200,769)</u>	<u>\$ 10,000</u>	<u>\$ 8,929,813</u>

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

<b>Governmental activities</b>	
General government	\$ 9,928
Public safety	156,602
Public works	106,277
Transportation	233,145
Culture and recreation	61,387
Total governmental activities depreciation	<u>\$ 567,339</u>

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 5. Capital Assets, Continued**

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

	Balance June 30, 2017	Additions	Disposals	Transfers	Balance June 30, 2018
<b>Business-Type Activities</b>					
Capital assets not being depreciated:					
Land	\$ 47,660	\$ -	\$ -	\$ -	\$ 47,660
Construction in progress	407,849	13,319	-	(10,000)	411,168
Total capital assets not being depreciated	<u>455,509</u>	<u>13,319</u>	<u>-</u>	<u>(10,000)</u>	<u>458,828</u>
Capital assets being depreciated:					
Buildings	13,873,601	-	-	(13,329,949)	543,652
Improvements other than buildings	2,598,082	-	(83,111)	(2,485,560)	29,411
Machinery and equipment	2,845,506	273,581	(123,035)	(65,494)	2,930,558
Infrastructure	18,802,364	-	-	15,930,581	34,732,945
Total capital assets being depreciated	<u>38,119,553</u>	<u>273,581</u>	<u>(206,146)</u>	<u>49,578</u>	<u>38,236,566</u>
Less: Accumulated depreciation					
Buildings	(5,208,170)	(18,021)	-	5,018,150	(208,042)
Improvements other than buildings	(1,517,245)	(1,103)	30,482	1,478,175	(9,691)
Machinery and equipment	(1,208,211)	(145,518)	112,952	38,980	(1,201,797)
Infrastructure	(6,290,540)	(1,120,439)	-	(6,584,883)	(13,995,862)
Total accumulated depreciation	<u>(14,224,166)</u>	<u>(1,285,081)</u>	<u>143,434</u>	<u>(49,578)</u>	<u>(15,415,392)</u>
Total assets being depreciated, net	<u>23,895,387</u>	<u>(1,011,500)</u>	<u>(62,712)</u>	<u>-</u>	<u>22,821,174</u>
Business-type capital assets, net	<u>\$ 24,350,896</u>	<u>\$ (998,181)</u>	<u>\$ (62,712)</u>	<u>\$ (10,000)</u>	<u>\$ 23,280,002</u>

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

<b>Business-type activities</b>	
Wastewater	\$ 1,241,811
Sanitation	33,162
Queen Mine	10,108
Total business-type activities depreciation	<u>\$ 1,285,081</u>

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 6. Long-Term Liabilities**

The following is a summary of changes in long-term obligations for the current fiscal year:

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Current Portion</u>
<b>Governmental Activities:</b>					
Capital Leases	\$ 8,177	\$ -	\$ (8,177)	\$ -	\$ -
Net Pension/OPEB Liability	19,728,129	1,829,965	-	21,558,094	-
Accrued Compensated Absences	157,630	164,414	(147,614)	174,430	148,266
Total Governmental Activity Long-Term Liabilities	<u>\$ 19,893,936</u>	<u>\$ 1,994,379</u>	<u>\$ (155,791)</u>	<u>\$ 21,732,524</u>	<u>\$ 148,266</u>
<b>Business-Type Activities:</b>					
<b>Notes Payable:</b>					
WIFA Loan 910160-14 (Solar)	\$ 1,028,393	\$ -	\$ (47,289)	\$ 981,104	\$ 48,704
WIFA Loan 910074-5	6,596,879	-	(6,596,879)	-	-
USDA Loan 92-07	2,408,793	-	(2,408,793)	-	-
USDA Loan 92-06	1,051,969	-	(1,051,969)	-	-
Total Notes Payable	<u>11,086,034</u>	<u>-</u>	<u>(10,104,930)</u>	<u>981,104</u>	<u>48,704</u>
<b>Revenue Bonds:</b>					
Pledged Revenue Obligation, Series 2018	-	7,640,000	-	7,640,000	-
Total Revenue Bonds	<u>-</u>	<u>7,640,000</u>	<u>-</u>	<u>7,640,000</u>	<u>-</u>
<b>Other Business-Type Obligations</b>					
Capital Leases	283,561	-	(43,865)	239,696	23,350
Net Pension/OPEB Liability	1,249,655	66,737	-	1,316,392	-
Accrued Compensated Absences	37,828	44,727	(40,079)	42,476	36,105
<b>Total Other Business-Type Obligations</b>	<u>1,571,044</u>	<u>111,464</u>	<u>(83,944)</u>	<u>1,598,564</u>	<u>59,454</u>
Total Business-Type Activity Long-Term Liabilities	<u>\$ 12,657,078</u>	<u>\$ 7,751,464</u>	<u>\$ (10,188,874)</u>	<u>\$ 10,219,668</u>	<u>\$ 108,158</u>
<b>Total Long-Term Liabilities</b>	<u>\$ 32,551,014</u>	<u>\$ 9,745,843</u>	<u>\$ (10,344,665)</u>	<u>\$ 31,952,192</u>	<u>\$ 256,424</u>

Generally, resources from the General fund are used to liquidate pension liabilities and compensated absences for governmental activities.

**Notes Payable**

The City received loans from the Water Infrastructure Financing Authority (WIFA) and the United States Department of Agriculture (USDA) for the rehabilitation of wastewater collection lines and facilities. The debt is secured by, and to be repaid from, amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received. The USDA loans and WIFA loan 910074-5 were paid off using the proceeds from the Pledged Revenue Obligation, Series 2018 bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$188,513. This amount is being amortized over the previously remaining life of the extinguished debt. The transaction resulted in an economic loss of \$386,395.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 6. Long-Term Liabilities, Continued**

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Long-term debt activity for the primary government at June 30, 2018 is comprised of the following issues:

**Notes payable:**

**Business-type activities:**

Note payable to the Water Infrastructure Finance Authority of Arizona (WIFA), due in annual principal installments ranging from \$45,915 to \$75,791, bearing interest semi-annually at 1.492%, maturing July 1, 2033.	<u>\$ 981,104</u>
Total notes payable - business-type activities	<u>981,104</u>

**Revenue bonds:**

Pledged Revenue Refunding Obligation, Series 2018, due in semiannual principal and interest installments, bearing interest at 3.814%, maturing July 1, 2038. Used to refund Water Infrastructure Finance Authority and United States Department of Agriculture loans 92-06 and 92-07.	<u>7,640,000</u>
Total revenue bonds - business-type activities	<u>7,640,000</u>

**Leases payable:**

**Business-type activities:**

Lease payable in semi-annual installments of \$15,542 through February 1, 2027, at interest of 3.23%.	<u>239,696</u>
Total leases payable	<u>239,696</u>

**Accrued compensated absences**

216,906

**Net pension liability**

22,874,486

**Total long-term debt**

\$ 31,952,192

**Less current portion:**

Governmental activities	(148,266)
Business-type activities	<u>(108,158)</u>

**Net long-term debt**

\$ 31,695,768

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 6. Long-Term Liabilities, Continued**

Revenue bond debt service maturities are as follows:

Year Ending June 30,	Pledged Revenue Refunding Obligation, Series 2018	
	Principal	Interest
2019	\$ -	\$ 148,123
2020	259,000	286,450
2021	272,000	276,324
2022	282,000	265,760
2023	293,000	254,794
2024-2028	1,640,000	1,094,351
2029-2033	1,977,000	750,500
2034-2038	2,384,000	335,708
2039	533,000	10,164
Total	\$ 7,640,000	\$ 3,422,175

The annual requirements to amortize notes payable are as follows:

Year Ending June 30,	Water Infrastructure Finance Authority of Arizona (WIFA) Loans	
	Principal	Interest
2019	\$ 48,704	\$ 28,926
2020	50,161	27,147
2021	51,662	25,624
2022	53,208	24,055
2023	54,800	22,439
2024-2028	299,597	86,215
2029-2033	347,180	37,920
2034	75,791	1,134
Total	\$ 981,104	\$ 253,459

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 6. Long-Term Liabilities, Continued**

The city has entered into a capital lease agreement which is considered a capital lease in accordance with generally accepted account principles. The following is an annual schedule of future minimum lease payments with an interest rate of 3.23% together with the present value of the net minimum lease payments:

Year Ending June 30,	Vactor Truck	Total Bus. Activities
2019	\$ 30,905	\$ 30,905
2020	30,905	30,905
2021	30,905	30,905
2022	30,905	30,905
2023	30,905	30,905
2024-2028	123,626	123,626
Total remaining lease payments:	278,151	278,151
Less amount representing interest:	(38,455)	(38,455)
Present value of net remaining minimum lease payments:	\$ 239,696	\$ 239,696

A summary of the assets acquired through capital leases is as follows:

	Cost	Depreciation Expense	Accumulated Depreciation
Vehicles, machinery, and equipment	\$ 262,439	\$ 23,943	\$ 23,943

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 7. Interfund Receivables, Payables and Transfers**

As of June 30, 2018, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Due to</u>	<u>Due from</u>		<u>Total</u>
	<u>General Fund</u>	<u>Wastewater Fund</u>	
Highway User Revenue Fund	\$ 33,596	\$ -	\$ 33,596
Wastewater Fund	483,004	-	483,004
Sanitation Fund	10,226	500,473	510,699
Nonmajor Funds	144,606	-	144,606
Total	<u>\$ 671,432</u>	<u>\$ 500,473</u>	<u>\$ 1,171,905</u>

The interfund receivables and payables were recorded to eliminate short-term deficit pooled cash balances in the various funds.

Interfund transfers for the fiscal year ended June 30, 2018 are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>			<u>Total</u>
	<u>General</u>	<u>Wastewater</u>	<u>Non Major Funds</u>	
Wastewater	659,906	-	-	659,906
Sanitation	158,573	415	-	158,988
Queen Mine	59,464	-	16,000	75,464
Non Major Funds	85,640	-	-	85,640
Total	<u>\$ 963,583</u>	<u>\$ 415</u>	<u>\$ 16,000</u>	<u>\$ 979,997</u>

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

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits**

The City contributes to the plans described below. The plans are component units of the State of Arizona. At June 30, 2018, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

<b>Statement of Net Position and Statement of Activities</b>	<b>ASRS</b>	<b>PSPRS</b>	<b>Combined Total</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Net pension/OPEB asset	\$ 10,143	\$ 41,526	\$ 51,669	\$ 47,328	\$ 4,341
Net pension/OPEB liabilities	3,075,919	19,798,567	22,874,486	21,558,094	1,316,392
Deferred outflows of resources	561,304	2,936,649	3,497,953	3,257,734	240,219
Deferred inflows of resources	329,543	398,845	728,388	587,353	141,035

The City's accrued payroll and employee benefits includes \$133,073 of outstanding pension and OPEB contribution amounts payable to all pension plans for the year ended June 30, 2018. Also, the City reported \$1,339,198 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

**Arizona State Retirement System (ASRS)**

**Plan description** – The City participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

**Benefits provided** – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	<b>Initial Membership Date Before July 1, 2011</b>	<b>Initial Membership Date On or After July 1, 2011</b>
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\* With actuarially reduced benefits.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2018, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.5 percent (11.34 percent for retirement and 0.16 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 11.5 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 percent for retirement, 0.1 percent for health insurance premium benefit, and 0.13 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS. The City's contributions to the pension, health insurance premium benefit and long-term disability plans for the year ended June 30, 2018, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2018	209,168	8,443	3,070

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

**Liability** – At June 30, 2018, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	<b>Net pension/OPEB (asset) liability</b>
Pension	\$ 3,068,876
Health insurance premium benefit	(10,142)
Long-term disability	7,043

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The City's proportion of the net asset or net liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The City's proportion measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

	Proportion June 30, 2016	Proportion June 30, 2017	Increase (decrease) from June 30, 2016
Pension	0.018040%	0.019700%	0.001660%
Health insurance premium benefit	0.018630%	0.018630%	0.000000%
Long-term disability	0.019429%	0.019430%	0.000001%

The net asset and net liabilities measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the City's net asset and net liabilities as a result of these changes is not known.

**Expense** – For the year ended June 30, 2018, the City recognized the following pension and OPEB expense:

	<b>Pension/OPEB Expense</b>
Pension	\$ 56,689
Health insurance premium benefit	5,932
Long-term disability	3,757

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

**Deferred outflows/inflows of resources** – At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>		<u>Long-Term Disability</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 92,022	\$ -	\$ -	\$ -	\$ -
Changes of assumptions or other inputs	133,288	91,765	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	22,032	-	-	11,420	-	1,054
Changes in proportion and differences between contributions and proportionate share of contributions	185,303	133,269	-	13	-	-
Contributions subsequent to the measurement date	209,168	-	8,443	-	3,070	-
<b>Total</b>	<u>\$ 549,791</u>	<u>\$ 317,056</u>	<u>\$ 8,443</u>	<u>\$ 11,433</u>	<u>\$ 3,070</u>	<u>\$ 1,054</u>

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30	Pension	Health Insurance Premium Benefit	Long-term disability
2019	\$ (150,339)	\$ (2,858)	\$ (263)
2020	190,050	(2,858)	(263)
2021	54,450	(2,858)	(263)
2022	(70,594)	(2,858)	(265)
2023	-	(1)	-
Thereafter	-	-	-

**Actuarial Assumptions** – The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75% for pensions/not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rates	Not applicable

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

The long-term expected rate of return on ASRS plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Expected Return Arithmetic Basis</b>	
	<b>Target Asset Allocation</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity	58%	6.73%
Fixed income	25%	3.70%
Commodities	2%	3.84%
Real Estate	10%	4.25%
Multi-asset	5%	3.41%
Total	100%	

**Discount Rate** – The discount rate used to measure the ASRS total pension/OPEB liability was 8 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

**Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate** – The following table presents the City's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 8 percent, as well as what the City's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of			
Net pension liability	\$ 3,938,956	\$ 3,068,876	\$ 2,341,850
Net insurance premium benefit liability (asset)	16,843	(10,142)	(33,075)
Net long-term disability liability	8,422	7,043	5,874

**Pension plan fiduciary net position** – Detailed information about the plan's fiduciary net position is available in the separately issued ASRS financial report.

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

**Plan description** – The City employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**Benefits provided** – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

	<b>Initial Membership Date Before January 1, 2012</b>	<b>Initial Membership Date On or After January 1, 2012 and Before July 1, 2017</b>
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. The adjustments are based on inflation for PSPRS. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents

**Employees covered by benefit terms** – At June 30, 2018, the following employees were covered by the agent plans’ benefit terms:

<b>PSPRS - Police</b>	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	17	17
Inactive employees entitled to but not yet receiving benefits	3	0
Active employees	11	11
Total	31	28

<b>PSPRS - Fire</b>	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	22	22
Inactive employees entitled to but not yet receiving benefits	6	0
Active employees	17	17
Total	45	39

**Contributions and annual OPEB cost** – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members’ annual covered payroll.

<b>PSPRS - Police</b>	Active member - Pension	City - Pension	City-Health insurance premium
PSPRS Police	7.65-11.65%	133.05%	1.49%
PSPRS Tier 3 risk pool	9.94%	9.68%	0.26%

<b>PSPRS - Fire</b>	Active member - Pension	City - Pension	City-Health insurance premium
PSPRS Fire	7.65-11.65%	83.71%	0.00%
PSPRS Tier 3 risk pool	9.94%	9.68%	0.26%

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

For the agent plans, the City's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2018, were:

<b>PSPRS - Police</b>	Pension	Health insurance premium benefit
PSPRS	\$ 552,099	\$ 6,690
PSPRS Tier 3 risk pool	36,945	442

<b>PSPRS - Fire</b>	Pension	Health insurance premium benefit
PSPRS	\$ 536,381	\$ -
PSPRS Tier 3 risk pool	79,889	-

Also, statute required the City to contribute at the actuarially determined rate of 119.05 percent for police and 69.99 percent for fire of the annual covered payroll of City employees who were PSPRS Tier 3 Risk Pool members, in addition to the City's required contributions to the PSPRS Tier 3 Risk Pool for these employees.

**Liability** – At June 30, 2018, the City reported the following assets and liabilities:

	Net pension (asset) liability	Net OPEB (asset) liability
PSPRS Police	\$ 8,692,975	\$ 50,532
PSPRS Fire	11,055,060	(41,526)

The net assets and net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the City's PSPRS net pension liabilities as a result of the refunds is not known.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

**Actuarial assumptions** – The significant actuarial assumptions used to measure the total pension/OPEB liability are as follows:

<b>PSPRS</b>	
Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimate of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset class	Target allocation	Long-term expected geometric real rate of return
Short term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	<u>16%</u>	7.60%
Total	<u>100%</u>	

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 8. Pensions and Other Postemployment Benefits, Continued**

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**Discount Rate** –At June 30, 2017, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.40% which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

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**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

**Changes in the Net Pension/OPEB Liability**

<b>PSPRS-Police</b>	Pension Increase (decrease)			Health insurance premium benefit Increase (decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2017	\$ 9,016,052	\$ 1,111,538	\$ 7,904,514	\$ 228,367	\$ 151,413	\$ 76,954
Changes for the year:						
Service cost	132,510	-	132,510	2,926	-	2,926
Interest on total pension/OPEB liability	655,231	-	655,231	16,745	-	16,745
Changes of benefit terms	102,494	-	102,494	1,353	-	1,353
Difference between expected and actual experience in the measurement of the pension/OPEB liability	132,547	-	132,547	(28,928)	-	(28,928)
Changes of assumptions	474,406	-	474,406	2,267	-	2,267
Contributions - employer	-	519,068	(519,068)	-	3,598	(3,598)
Contributions - employee	-	63,718	(63,718)	-	-	-
Net investment income	-	127,457	(127,457)	-	17,341	(17,341)
Benefit payments, including refunds of employee contributions	(691,780)	(691,780)	-	(13,128)	(13,128)	-
Plan administrative expenses	-	(1,528)	1,528	-	(154)	154
Other changes*	-	12	(12)	-	-	-
Net changes	805,408	16,947	788,461	(18,765)	7,657	(26,422)
Balances at June 30, 2018	\$ 9,821,460	\$ 1,128,485	\$ 8,692,975	\$ 209,602	\$ 159,070	\$ 50,532

\* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

PSPRS-Fire	Pension			Health insurance premium benefit		
	Increase (decrease)			Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 10,699,210	\$ 537,776	\$ 10,161,434	\$ 181,472	\$ 217,980	\$ (36,508)
Changes for the year:						
Service cost	191,050	-	191,050	3,218	-	3,218
Interest on total pension/OPEB liability	780,756	-	780,756	13,291	-	13,291
Changes of benefit terms	201,369	-	201,369	388	-	388
Difference between expected and actual experience in the measurement of the pension/OPEB liability	3,699	-	3,699	830	-	830
Changes of assumptions	707,842	-	707,842	2,084	-	2,084
Contributions - employer	-	790,896	(790,896)	-	-	-
Contributions - employee	-	107,136	(107,136)	-	-	-
Net investment income	-	72,290	(72,290)	-	25,050	(25,050)
Benefit payments, including refunds of employee contributions	(769,316)	(769,316)	-	(11,728)	(11,728)	-
Plan administrative expenses	-	(1,040)	1,040	-	(221)	221
Other changes*	-	21,808	(21,808)	-	-	-
Net changes	1,115,400	221,774	893,626	8,083	13,101	(5,018)
Balances at June 30, 2018	\$ 11,814,610	\$ 759,550	\$ 11,055,060	\$ 189,555	\$ 231,081	\$ (41,526)

\* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

**Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate** – The following table presents the City's net pension/OPEB (asset) liability calculated using the discount rate of 7.4 percent, as well as what the City's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
<b>PSPRS-Police</b>			
Net pension (asset) / liability	\$ 9,850,180	\$ 8,692,975	\$ 7,741,669
Net OPEB (asset)/ liability	71,062	50,532	33,099
	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
<b>PSPRS-Fire</b>			
Net pension (asset) / liability	\$ 12,402,945	\$ 11,055,060	\$ 9,936,292
Net OPEB (asset)/ liability	(20,358)	(41,526)	(59,144)

**Plan fiduciary net position** – Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

**Expense** – For the year ended June 30, 2018, the City recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
PSPRS Police	\$ 1,253,106	\$ 359
PSPRS Fire	1,458,304	(171)

**Deferred outflows/inflows of resources** –At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 82,919	\$ 297,553	\$ -	\$ 19,644
Changes in assumptions	450,715	-	1,539	-
Net difference between projected and actual earnings on pension/OPEB plan investments	15,127	-	(5,078)	-
Contributions subsequent to the measurement date	589,044	-	7,132	-
Total	\$ 1,137,805	\$ 297,553	\$ 3,593	\$ 19,644

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

PSPRS - Fire	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,485	\$ 81,648	\$ 704	\$ -
Changes in assumptions	1,163,637	-	1,769	-
Net difference between projected and actual earnings on pension/OPEB plan investments	1,706	-	(7,320)	-
Contributions subsequent to the measurement date	616,270	-	-	-
Total	\$ 1,800,098	\$ 81,648	\$ (4,847)	\$ -

The amounts reported as deferred outflows of resources related to PSPRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions and OPEB will be recognized in pension expense as follows:

Year Ended June 30	PSPRS Police		PSPRS - Fire	
	Pension	Health Insurance Premium Benefit	Pension	Health Insurance Premium Benefit
2019	\$ 154,969	\$ (9,826)	\$ 458,971	\$ (1,389)
2020	105,329	(9,826)	238,310	(1,389)
2021	558	(2,263)	167,935	(1,389)
2022	(9,648)	(1,268)	144,728	(1,389)
2023	-	-	92,236	441
Thereafter	-	-	-	268

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**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 9. Risk Management**

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

The City is a member of the Arizona Municipal Risk Retention Pool (AMRRP), a public entity risk pool currently operating as a common risk management and insurance program for Arizona municipalities. The City pays an annual premium to AMRRP for its general insurance coverage. The Agreement for Formation of the AMRRP provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial companies for excess claims for each insured event.

The City is also a member of the Arizona Municipal Workers Compensation Pool (AMWCP), a public entity risk pool. The pool provides member cities with workers' compensation coverage, as required by law, and risk management services. The City is responsible for paying premiums based on an experience rating formula that allocates pool expenditures and liabilities among the members.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year nor the three prior years.

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**Note 10. Contingent Liabilities and Significant Commitments**

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Federal grants: In the normal course of operations, the City receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed by City officials to be material.

Litigation: Each year, the City receives notices of claims for damages occurring generally from negligence, bodily injury, breach of contract, and other legal matters. The filing of such claims commences a statutory period for initiating a lawsuit against the City arising therefrom. The City has comprehensive general liability insurance with Arizona Municipal Risk Retention Pool and separate liability insurance for its Queen Mine Tour. The City is not aware of any litigation that might result in a materially adverse outcome.

**CITY OF BISBEE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 11. Change in Accounting Principle and Restatement Adjustment**

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Sanitation Fund</u>	<u>Wastewater Fund</u>	<u>Queen Mine Fund</u>
Restatement adjustment - implementation of GASB 75:					
Net OPEB liability (measurement date as of June 30, 2016)	\$ (84,030)	\$ (5,293)	\$ (1,877)	\$ (2,252)	\$ (1,164)
Net OPEB asset (measurement date as of June 30, 2016)	36,508				
Deferred outflows - contributions made during fiscal year 2017	10,846	5,421	1,924	2,307	1,192
Total Restatement Adjustment	<u>\$ (36,676)</u>	<u>\$ 128</u>	<u>\$ 47</u>	<u>\$ 55</u>	<u>\$ 28</u>

During fiscal year 2018 it was determined that inventory had not been recorded for the airport. A restatement adjustment of \$2,550 was made which resulted in an increase in assets and fund balance.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF BISBEE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension/OPEB Liability**  
**June 30, 2018**

<b>ASRS - Pension</b>	<b>Reporting Fiscal Year (Measurement Date)</b>			
	<b>2018 (2017)</b>	<b>2017 (2016)</b>	<b>2016 (2015)</b>	<b>2015 (2014)</b>
Proportion of the net pension liability (asset)	0.019700%	0.018040%	0.020170%	0.020000%
Proportionate share of the net pension liability (asset)	\$ 3,068,876	\$ 2,911,837	\$ 3,141,111	\$ 3,011,861
Covered payroll	\$ 1,716,492	\$ 1,721,226	\$ 1,784,509	\$ 1,900,854
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	178.79%	169.64%	182.49%	158.45%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

<b>ASRS - Health insurance premium benefit</b>	<b>Reporting Fiscal Year (Measurement Date)</b>	
	<b>2018 (2017)</b>	<b>2017 (2016)</b>
Proportion of the net OPEB (asset)	0.018630%	0.018630%
Proportionate share of the net OPEB (asset)	\$ (10,142)	\$ 5,387
Covered payroll	\$ 1,716,492	\$ 1,721,226
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.59%	0.31%
Plan fiduciary net position as a percentage of the total OPEB liability	103.57%	98.02%

Note: The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

**CITY OF BISBEE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension/OPEB Liability**  
**June 30, 2018**

<b>ASRS - Long-term disability</b>	<b>Reporting Fiscal Year</b>	
	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ 3,070	\$ 2,642
Contributions in relation to the contractually required contribution	(3,070)	(2,642)
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 1,716,492	\$ 1,721,226
Contributions as a percentage of covered payroll	0.18%	0.15%

Note: The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

**CITY OF BISBEE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios**  
**June 30, 2018**

<b>PSPRS Police - Pension</b>	<b>Reporting Fiscal Year</b> <b>(Measurement Date)</b>			
	<b>2018</b> <b>(2017)</b>	<b>2017</b> <b>(2016)</b>	<b>2016</b> <b>(2015)</b>	<b>2015</b> <b>(2014)</b>
<b>Total pension liability</b>				
Service cost	\$ 132,510	\$ 81,788	\$ 113,055	\$ 121,391
Interest on total pension liability	655,231	706,659	713,065	588,428
Changes of benefit terms	102,494	(127,627)	-	294,989
Difference between expected and actual experience of the total net pension liability	132,547	(565,815)	(30,404)	172,427
Changes of assumptions	474,406	300,626	-	1,244,835
Benefit payments, including refunds of employee contributions	(691,780)	(681,429)	(1,041,927)	(618,413)
<b>Net change in total pension liability</b>	<b>805,408</b>	<b>(285,798)</b>	<b>(246,211)</b>	<b>1,803,657</b>
<b>Total pension liability - beginning</b>	<b>9,016,052</b>	<b>9,301,850</b>	<b>9,548,061</b>	<b>7,744,404</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 9,821,460</b>	<b>\$ 9,016,052</b>	<b>\$ 9,301,850</b>	<b>\$ 9,548,061</b>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 519,068	\$ 552,417	\$ 401,838	\$ 348,980
Contributions - employee	63,718	68,545	70,709	104,080
Net investment income	127,457	6,838	56,297	217,688
Benefit payments, including refunds of employee contributions	(691,780)	(681,429)	(1,041,927)	(618,413)
Pension Plan Administrative Expense	(1,528)	(1,383)	(1,737)	-
Other (net transfer)	12	(17,267)	(1,246)	(130,415)
<b>Net change in plan fiduciary net position</b>	<b>16,947</b>	<b>(72,279)</b>	<b>(516,066)</b>	<b>(78,080)</b>
<b>Plan fiduciary net position - beginning</b>	<b>1,111,538</b>	<b>1,183,817</b>	<b>1,699,883</b>	<b>1,777,963</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 1,128,485</b>	<b>\$ 1,111,538</b>	<b>\$ 1,183,817</b>	<b>\$ 1,699,883</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ 8,692,975</b>	<b>\$ 7,904,514</b>	<b>\$ 8,118,033</b>	<b>\$ 7,848,178</b>
Plan fiduciary net position as a percentage of the total pension liability	11.49%	12.33%	12.73%	17.80%
Covered payroll	\$ 585,292	\$ 442,576	\$ 648,977	\$ 605,942
Net pension liability as a percentage of covered payroll	1485.24%	1786.02%	1250.90%	1295.20%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

**CITY OF BISBEE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios**  
**June 30, 2018**

<b>PSPRS Police-Health Insurance Premium Benefit</b>	<b>Reporting Fiscal Year (Measurement Date)</b>
	<b>2018 (2017)</b>
<b>Total OPEB liability</b>	
Service cost	\$ 2,926
Interest on total OPEB liability	16,745
Changes of benefit terms*	1,353
Difference between expected and actual experience of the total net OPEB liability	(28,928)
Changes of assumptions or other inputs	2,267
Benefit payments	(13,128)
<b>Net change in total OPEB liability</b>	(18,765)
<b>Total OPEB liability - beginning</b>	228,367
<b>Total OPEB liability - ending (a)</b>	\$ 209,602
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 3,598
Net investment income	-
Benefit payments	17,341
Administrative expense	(13,128)
OPEB Plan Administrative Expense	(154)
Other changes	-
<b>Net change in plan fiduciary net position</b>	7,657
<b>Plan fiduciary net position - beginning</b>	151,413
<b>Plan fiduciary net position - ending (b)</b>	\$ 159,070
 <b>Net OPEB liability - ending (a) - (b)</b>	\$ 50,532
 Plan fiduciary net position as a percentage of the total OPEB liability	75.89%
 Covered payroll	\$ 585,292
 Net OPEB liability as a percentage of covered payroll	8.63%

Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

**CITY OF BISBEE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios**  
**June 30, 2018**

PSPRS Fire - Pension	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
<b>Total pension liability</b>				
Service cost	\$ 191,050	\$ 167,677	\$ 148,284	\$ 150,293
Interest on total pension liability	780,756	809,760	807,124	666,632
Changes of benefit terms	201,369	(322,800)	-	385,339
Difference between expected and actual experience of the total net pension liability	3,699	(126,570)	7,207	52,323
Changes of assumptions	707,842	358,543	-	1,490,617
Benefit payments, including refunds of employee contributions	(769,316)	(837,959)	(1,039,495)	(869,480)
<b>Net change in total pension liability</b>	<u>1,115,400</u>	<u>48,651</u>	<u>(76,880)</u>	<u>1,875,724</u>
<b>Total pension liability - beginning</b>	<u>10,699,210</u>	<u>10,650,559</u>	<u>10,727,439</u>	<u>8,851,715</u>
<b>Total pension liability - ending (a)</b>	<u><u>\$ 11,814,610</u></u>	<u><u>\$ 10,699,210</u></u>	<u><u>\$ 10,650,559</u></u>	<u><u>\$ 10,727,439</u></u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 790,896	\$ 816,618	\$ 566,273	\$ 488,842
Contributions - employee	107,136	107,983	95,678	83,553
Net investment income	72,290	3,065	26,028	132,336
Benefit payments, including refunds of employee contributions	(769,316)	(837,959)	(1,039,495)	(869,480)
Pension Plan Administrative Expense	(1,040)	(842)	(941)	-
Other (net transfer)	21,808	(64,002)	(2,876)	(212,994)
<b>Net change in plan fiduciary net position</b>	<u>221,774</u>	<u>24,863</u>	<u>(355,333)</u>	<u>(377,743)</u>
<b>Plan fiduciary net position - beginning</b>	<u>537,776</u>	<u>512,913</u>	<u>868,246</u>	<u>1,245,989</u>
<b>Plan fiduciary net position - ending (b)</b>	<u><u>\$ 759,550</u></u>	<u><u>\$ 537,776</u></u>	<u><u>\$ 512,913</u></u>	<u><u>\$ 868,246</u></u>
<b>Net pension liability - ending (a) - (b)</b>	<u><u>\$ 11,055,060</u></u>	<u><u>\$ 10,161,434</u></u>	<u><u>\$ 10,137,646</u></u>	<u><u>\$ 9,859,193</u></u>
Plan fiduciary net position as a percentage of the total pension liability	6.43%	5.03%	4.82%	8.09%
Covered payroll	\$ 894,008	\$ 944,130	\$ 882,311	\$ 809,095
Net pension liability as a percentage of covered payroll	1236.57%	1076.27%	1148.99%	1218.55%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

**CITY OF BISBEE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios**  
**June 30, 2018**

<b>PSPRS Fire - Health Insurance Premium Benefit</b>	<b>Reporting Fiscal Year (Measurement Date)</b>
	<b>2018 (2017)</b>
<b>Total OPEB liability</b>	
Service cost	\$ 3,218
Interest on total OPEB liability	13,291
Changes of benefit terms	388
Difference between expected and actual experience of the total net OPEB liability	830
Changes of assumptions or other inputs	2,084
Benefit payments	(11,728)
<b>Net change in total OPEB liability</b>	<b>8,083</b>
<b>Total OPEB liability - beginning</b>	<b>181,472</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 189,555</b>
<b>Plan fiduciary net position</b>	
Contributions - employer	\$ -
Net investment income	-
Benefit payments	25,050
Administrative expense	(11,728)
OPEB Plan Administrative Expense	(221)
Other changes	-
<b>Net change in plan fiduciary net position</b>	<b>13,101</b>
<b>Plan fiduciary net position - beginning</b>	<b>217,980</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 231,081</b>
<b>Net OPEB liability - ending (a) - (b)</b>	<b>\$ (41,526)</b>
Plan fiduciary net position as a percentage of the total OPEB liability	121.91%
Covered payroll	\$ 894,008
Net OPEB liability as a percentage of covered payroll	-4.64%

Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

**CITY OF BISBEE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Pension/OPEB Contributions**  
**June 30, 2018**

<b>ASRS - Pension</b>	<b>Reporting Fiscal Year</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually required contribution	\$ 209,168	\$ 207,125	\$ 176,660	\$ 194,333
Contributions in relation to the contractually required contribution	\$ (209,168)	\$ (207,125)	\$ (176,660)	\$ (194,333)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,716,492	\$ 1,721,226	\$ 1,784,509	\$ 1,900,854
Contributions as a percentage of covered payroll	12.19%	12.03%	9.90%	10.22%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

<b>ASRS - Health insurance premium benefit</b>	<b>Reporting Fiscal Year</b>	
	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ 8,443	\$ 10,028
Contributions in relation to the contractually required contribution	(8,443)	(10,028)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,716,492	\$ 1,721,226
Contributions as a percentage of covered payroll	0.49%	0.58%

Note: The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

**CITY OF BISBEE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Pension/OPEB Contributions**  
**June 30, 2018**

<b>ASRS - Long-term disability</b>	<b>Reporting Fiscal Year</b>	
	<b>2018</b>	<b>2017</b>
Contractually required contribution	\$ 3,070	\$ 2,642
Contributions in relation to the contractually required contribution	(3,070)	(2,642)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,716,492	\$ 1,721,226
Contributions as a percentage of covered payroll	0.18%	0.15%

Note: The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

**PSPRS Police - Pensions**

	<b>Reporting Fiscal Year</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially determined contribution	\$ 519,068	\$ 552,417	\$ 401,838	\$ 348,980
Contributions in relation to the actuarially determined contribution	\$ (519,068)	\$ (552,417)	\$ (401,838)	\$ (348,980)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 585,292	\$ 442,576	\$ 648,977	\$ 605,942
Contributions as a percentage of covered payroll	88.69%	124.82%	61.92%	57.59%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

**CITY OF BISBEE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Pension/OPEB Contributions**  
**June 30, 2018**

<b>PSPRS Police-Health Insurance Premium Benefit</b>	<b>Reporting Fiscal Year 2018 (2017)</b>
Actuarially determined contribution	\$ 3,598
Contributions in relation to the actuarially determined contribution	\$ (3,598)
Contribution deficiency (excess)	\$ -
Covered payroll	\$ 585,292
Contributions as a percentage of covered payroll	0.61%

Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

<b>PSPRS Fire -Pensions</b>	<b>Reporting Fiscal Year</b>			
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Actuarially determined contribution	\$ 790,896	\$ 816,618	\$ 566,273	\$ 488,842
Contributions in relation to the actuarially determined contribution	\$ (790,896)	\$ (816,618)	\$ (566,273)	\$ (488,842)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 894,008	\$ 944,130	\$ 882,311	\$ 809,095
Contributions as a percentage of covered payroll	88.47%	86.49%	64.18%	60.42%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

**CITY OF BISBEE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Pension/OPEB Contributions**  
**June 30, 2018**

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<b>PSPRS Fire - Health Insurance Premium Benefit</b>	<b>Reporting Fiscal Year</b>
	<b>2018</b>
Actuarially determined contribution	\$ -
Contributions in relation to the actuarially determined contribution	\$ -
Contribution deficiency (excess)	<u>\$ -</u>
Covered payroll	\$ 894,008
Contributions as a percentage of covered payroll	0.00%

Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

**CITY OF BISBEE, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension/OPEB Plan Schedules**  
**June 30, 2018**

**Note 1. Actuarially Determined Contribution Rates**

Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2016 actuarial valuation	— years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006–June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

**Note 2. Factors that Affect Trends**

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members’ employee contribution rates. These changes are reflected in the plans’ pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law’s effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law’s effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law’s effective date. These changes will increase the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law’s effective date. Also, the City refunded excess employee contributions to PSPRS members. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City’s pension contributions were less than the actuarially or statutorily determined contributions for 2018.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULES**

**FOR THE FOLLOWING MAJOR FUNDS:**

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except for those accounted for in another fund.
- The **Streets Fund** accounts for the operation and maintenance of the City's streets, rights of way and street lighting throughout the City.

**CITY OF BISBEE, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
<b>REVENUES:</b>				
Taxes:				
City sales tax	\$ 1,713,600	\$ 1,713,600	\$ 1,503,682	\$ (209,918)
Property taxes	1,035,792	1,035,792	1,039,195	3,403
Bed tax	140,000	140,000	-	(140,000)
Total taxes	<u>2,889,392</u>	<u>2,889,392</u>	<u>2,542,877</u>	<u>(346,515)</u>
Fines and forfeitures	-	-	9	9
Licenses and permits	111,000	111,000	100,582	(10,418)
Intergovernmental:				
State sales tax	495,013	495,013	501,275	6,262
Auto lieu tax	287,978	287,978	269,616	(18,362)
Urban revenue sharing	653,665	653,665	646,671	(6,994)
Other Intergovernmental revenues	2,000	2,000	5,461	3,461
Total intergovernmental	<u>1,438,656</u>	<u>1,438,656</u>	<u>1,423,023</u>	<u>(15,633)</u>
Charges for services	1,524,050	1,524,050	1,166,028	(358,022)
Investment earnings	2,000	2,000	5,695	3,695
Other revenues:				
Rent	57,130	57,130	51,502	(5,628)
Contributions	20,000	20,000	19,092	(908)
Insurance proceeds	-	-	2,647,798	2,647,798
Miscellaneous	19,000	19,000	18,917	(83)
Total other revenues	<u>96,130</u>	<u>96,130</u>	<u>2,737,309</u>	<u>2,641,179</u>
<b>Total revenues</b>	<u>6,061,228</u>	<u>6,061,228</u>	<u>7,975,523</u>	<u>1,914,295</u>
<b>EXPENDITURES:</b>				
General government				
Mayor and council	35,330	39,181	39,181	-
City manager	139,167	211,837	211,803	34
Finance	419,669	419,669	357,532	62,137
City clerk	149,965	149,965	132,042	17,923
Community development	142,083	142,083	96,259	45,824
Administration	209,750	209,750	221,135	(11,385)
Personnel	55,376	76,666	76,637	29
Legal services	60,000	60,200	60,197	3
Water systems	5,600	8,700	8,660	40
Information systems	109,770	109,770	76,709	33,061
Cemetery	6,568	8,668	8,635	33
Building maintenance	36,200	36,200	26,963	9,237
Public works administration	62,085	62,085	57,795	4,290
Garage	170,726	170,726	142,187	28,539
Building inspector	69,006	69,356	69,351	5
Contingency	280,000	500,000	499,964	36
Total general government	<u>1,951,295</u>	<u>2,274,856</u>	<u>2,085,050</u>	<u>189,806</u>

(Continued)

**CITY OF BISBEE, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Public safety				
Police department	1,854,114	1,854,114	1,837,256	16,858
Fire department	2,155,766	2,155,766	2,117,155	38,611
City magistrate	38,000	38,000	31,060	6,940
Total public safety	<u>4,047,880</u>	<u>4,047,880</u>	<u>3,985,471</u>	<u>62,409</u>
Culture and recreation				
Parks	192,560	234,060	233,787	273
Swimming pool	68,247	68,247	60,298	7,949
Library	146,252	146,252	130,528	15,724
Senior citizens' center	22,927	22,927	21,265	1,662
Total culture and recreation	<u>429,986</u>	<u>471,486</u>	<u>445,878</u>	<u>25,608</u>
Debt service:				
Principal	67,037	67,037	-	67,037
Interest	10,417	10,417	-	10,417
Total debt service	<u>77,454</u>	<u>77,454</u>	<u>-</u>	<u>77,454</u>
<b>Total expenditures</b>	<u>6,506,615</u>	<u>6,871,676</u>	<u>6,516,399</u>	<u>355,277</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(445,387)</u>	<u>(810,448)</u>	<u>1,459,124</u>	<u>2,269,572</u>
<b>Other financing sources (uses):</b>				
Transfer from other funds	949,897	949,897	963,583	13,686
Transfer to other funds	(504,510)	(76,449)	-	76,449
<b>Total other financing sources (uses)</b>	<u>445,387</u>	<u>873,448</u>	<u>963,583</u>	<u>90,135</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>63,000</u>	<u>2,422,707</u>	<u>2,359,707</u>
Fund balance, beginning of year	<u>1,683,729</u>	<u>1,683,729</u>	<u>1,683,729</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,683,729</u>	<u>\$ 1,746,729</u>	<u>\$ 4,106,436</u>	<u>\$ 2,359,707</u>

**CITY OF BISBEE, ARIZONA**  
**STREETS FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$ 686,400	\$ 686,400	\$ 753,021	\$ 66,621
Intergovernmental	414,173	414,173	445,564	31,391
Charges for services	11,000	11,000	24,955	13,955
Interest	-	-	8	8
<b>Total revenues</b>	<u>1,111,573</u>	<u>1,111,573</u>	<u>1,223,548</u>	<u>111,975</u>
<b>EXPENDITURES:</b>				
Transportation	1,101,573	1,164,573	1,162,330	2,243
Capital outlay	10,000	10,000	22,163	(12,163)
<b>Total expenditures</b>	<u>1,111,573</u>	<u>1,174,573</u>	<u>1,184,493</u>	<u>(9,920)</u>
<b>Excess of revenues over (under) expenditures</b>	<u>-</u>	<u>(63,000)</u>	<u>39,055</u>	<u>102,055</u>
<b>Net change in fund balance</b>	-	(63,000)	39,055	102,055
Fund balance, beginning of year	<u>(47,403)</u>	<u>(47,403)</u>	<u>(47,403)</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ (47,403)</u></u>	<u><u>\$ (110,403)</u></u>	<u><u>\$ (8,348)</u></u>	<u><u>\$ 102,055</u></u>

**SUPPLEMENTARY INFORMATION**  
**COMBINING STATEMENTS AND**  
**BUDGETARY COMPARISON SCHEDULES**  
**NON-MAJOR GOVERNMENTAL FUNDS**

**Special Revenue Funds**

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

- The **General Grants Fund** is used to account for federal and state grants and contributions that are restricted for specific use.
- The **Public Safety Fire Grants Fund** is used to account for federal and state grants and contributions that are restricted for fire.
- The **Transportation Grants Fund** is used to account for federal and state grants and contributions that are restricted for transportation projects.
- The **Transient Room Tax Fund** is used to account for bed tax receipts and expenditures.
- The **Rico Drug Enforcement Asset Fund** is used to account for RICO funds that are restricted for police.
- The **Bisbee Arts Commission Fund** is used to account for art project funds and related expenditures.
- The **Miscellaneous Donations Fund** is used to account for miscellaneous donations and related expenditures.
- The **Airport Fund** is used to account for airport operations and projects.
- The **Police Special Revenue Grants Fund** is used to account for federal and state grants and contributions that are restricted for police.
- The **Public Works Grants Fund** is used to account for federal and state grants and contributions that are restricted for public works.
- The **Miscellaneous Grants Fund** is used to account for federal and state grants and contributions that are restricted for specific use.
- The **Youth Program Fund** is used to account for funds restricted for the Youth Council.
- The **Bisbee Bus Fund** is used to account for the operations and projects of Bisbee busses.

**Capital Projects Funds**

- The **Capital Improvement Fund** is used to account for funds accumulated for capital projects and the related expenditures.

**CITY OF BISBEE, ARIZONA**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**June 30, 2018**

	Special Revenue Funds					
	General Grants Fund	Public Safety Fire Grants Fund	Transportation Grants Fund	Transient Room Tax Fund	Rico Drug Enforcement Asset fund	Bisbee Arts Commission Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ -	\$ 24,759	\$ -	\$ 74,426	\$ 3,508	\$ 21,855
Investments	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	1,000	4,158
Due from other governments	14,732	-	-	-	7,463	-
Prepays	-	-	-	2,182	-	-
Inventory	-	-	-	-	-	-
Total assets	<u>\$ 14,732</u>	<u>\$ 24,759</u>	<u>\$ -</u>	<u>\$ 76,608</u>	<u>\$ 11,971</u>	<u>\$ 26,013</u>
<b>LIABILITIES</b>						
Liabilities:						
Accounts payable	\$ 4,255	\$ 13,189	\$ -	\$ 8,027	\$ -	\$ 2,120
Due to other funds	2,158	-	-	-	-	-
Accrued payroll	-	-	-	2,074	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	<u>6,413</u>	<u>13,189</u>	<u>-</u>	<u>10,101</u>	<u>-</u>	<u>2,120</u>
<b>FUND BALANCES</b>						
Nonspendable:						
Prepays	-	-	-	2,182	-	-
Restricted for:						
Public safety	-	11,570	-	-	11,971	-
Culture and recreation	-	-	-	-	-	23,893
Other purposes	8,319	-	-	64,325	-	-
Capital projects	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances (deficit)	<u>8,319</u>	<u>11,570</u>	<u>-</u>	<u>66,507</u>	<u>11,971</u>	<u>23,893</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 14,732</u>	<u>\$ 24,759</u>	<u>\$ -</u>	<u>\$ 76,608</u>	<u>\$ 11,971</u>	<u>\$ 26,013</u>

Special Revenue Funds							Capital Projects Fund	Total Non-major Funds
Miscellaneous Donations Fund	Airport Fund	Police Special Revenue Grants Fund	Public Works Grants Fund	Miscellaneous Grants Fund	Youth Program Fund	Bisbee Bus Fund	Capital Improvement Fund	Total Non-major Funds
\$ 44,432	\$ -	\$ 6,652	\$ -	\$ 25,438	\$ 2,732	\$ 34,332	\$ 653,322	\$ 891,456
-	-	-	-	-	124,394	-	-	124,394
-	-	-	-	-	-	3,853	-	9,011
-	-	-	-	24,308	-	1,695	-	48,198
-	3,486	-	-	-	-	-	-	5,668
-	18,461	-	-	-	-	-	-	18,461
<u>\$ 44,432</u>	<u>\$ 21,947</u>	<u>\$ 6,652</u>	<u>\$ -</u>	<u>\$ 49,746</u>	<u>\$ 127,126</u>	<u>\$ 39,880</u>	<u>\$ 653,322</u>	<u>\$ 1,097,188</u>
\$ 505	\$ 406	\$ -	\$ -	\$ 9,674	\$ -	\$ 64,776	\$ -	\$ 102,952
-	11,727	-	31,532	-	-	99,189	-	144,606
-	-	-	-	-	-	-	-	2,074
-	419	-	-	-	-	-	-	419
<u>505</u>	<u>12,552</u>	<u>-</u>	<u>31,532</u>	<u>9,674</u>	<u>-</u>	<u>163,965</u>	<u>-</u>	<u>250,051</u>
-	3,486	-	-	-	-	-	-	5,668
-	-	6,652	-	-	-	-	-	30,193
-	-	-	-	-	-	-	-	23,893
43,927	5,909	-	-	40,072	127,126	-	-	289,678
-	-	-	-	-	-	-	653,322	653,322
-	-	-	(31,532)	-	-	(124,085)	-	(155,617)
<u>43,927</u>	<u>9,395</u>	<u>6,652</u>	<u>(31,532)</u>	<u>40,072</u>	<u>127,126</u>	<u>(124,085)</u>	<u>653,322</u>	<u>847,137</u>
<u>\$ 44,432</u>	<u>\$ 21,947</u>	<u>\$ 6,652</u>	<u>\$ -</u>	<u>\$ 49,746</u>	<u>\$ 127,126</u>	<u>\$ 39,880</u>	<u>\$ 653,322</u>	<u>\$ 1,097,188</u>

**CITY OF BISBEE, ARIZONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2018**

	Special Revenue Funds					
	General Grants Fund	Public Safety Fire Grants Fund	Transportation Grants Fund	Transient Room Tax Fund	Rico Drug Enforcement Asset fund	Bisbee Arts Commission Fund
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ 146,753	\$ -	\$ -
Intergovernmental revenue	43,572	24,759	-	-	19,067	-
Charges for services	-	-	-	-	2,000	-
Investment earnings	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	4,158
<b>Total revenues</b>	<u>43,572</u>	<u>24,759</u>	<u>-</u>	<u>146,753</u>	<u>21,067</u>	<u>4,158</u>
<b>EXPENDITURES</b>						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	11,019	-
Culture and recreation	-	-	-	167,392	-	9,092
Transportation	-	-	-	-	-	-
Capital outlay	43,572	13,189	-	-	-	-
<b>Total expenditures</b>	<u>43,572</u>	<u>13,189</u>	<u>-</u>	<u>167,392</u>	<u>11,019</u>	<u>9,092</u>
<b>Excess of revenues over (under) expenditures</b>	<u>-</u>	<u>11,570</u>	<u>-</u>	<u>(20,639)</u>	<u>10,048</u>	<u>(4,934)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers out	-	-	(84,341)	-	-	-
Transfers in	-	-	-	16,000	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(84,341)</u>	<u>16,000</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	-	11,570	(84,341)	(4,639)	10,048	(4,934)
Fund balances (deficits), beginning of year	8,319	-	84,341	71,146	1,923	28,827
Prior period adjustment	-	-	-	-	-	-
<b>Fund balances (deficits), end of year</b>	<u>\$ 8,319</u>	<u>\$ 11,570</u>	<u>\$ -</u>	<u>\$ 66,507</u>	<u>\$ 11,971</u>	<u>\$ 23,893</u>

Special Revenue Funds							Capital Projects Fund	Total Non-major Funds
Miscellaneous Donations Fund	Airport Fund	Police Special Revenue Grants Fund	Public Works Grants Fund	Miscellaneous Grants Fund	Youth Program Fund	Bisbee Bus Fund	Capital Improvement Fund	Total Non-major Funds
-	-	-	-	-	-	-	-	\$ 146,753
-	-	17,397	-	84,093	-	302,593	-	491,481
-	14,614	-	-	-	-	14,352	-	30,966
-	-	-	-	-	1,743	-	-	1,743
-	9,138	-	-	-	-	-	-	9,138
4,781	-	-	-	-	-	-	-	4,781
-	-	-	-	-	-	2,500	10,414	17,072
<u>4,781</u>	<u>23,752</u>	<u>17,397</u>	<u>-</u>	<u>84,093</u>	<u>1,743</u>	<u>319,445</u>	<u>10,414</u>	<u>701,934</u>
5,135	-	-	-	-	111	-	-	5,246
11,090	-	16,098	-	-	-	-	-	38,207
1,335	-	-	-	44,021	-	-	-	221,840
-	16,681	-	-	-	-	321,922	-	338,603
-	-	-	-	-	-	82,511	-	139,272
<u>17,560</u>	<u>16,681</u>	<u>16,098</u>	<u>-</u>	<u>44,021</u>	<u>111</u>	<u>404,433</u>	<u>-</u>	<u>743,168</u>
(12,779)	7,071	1,299	-	40,072	1,632	(84,988)	10,414	(41,234)
-	-	(1,299)	-	-	-	-	-	(85,640)
-	-	-	-	-	-	-	-	16,000
-	-	(1,299)	-	-	-	-	-	(69,640)
(12,779)	7,071	-	-	40,072	1,632	(84,988)	10,414	(110,874)
56,706	(226)	6,652	(31,532)	-	125,494	(39,097)	642,908	955,461
-	2,550	-	-	-	-	-	-	2,550
<u>\$ 43,927</u>	<u>\$ 9,395</u>	<u>\$ 6,652</u>	<u>\$ (31,532)</u>	<u>\$ 40,072</u>	<u>\$ 127,126</u>	<u>\$ (124,085)</u>	<u>\$ 653,322</u>	<u>\$ 847,137</u>

**CITY OF BISBEE, ARIZONA**  
**GENERAL GRANTS**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Intergovernmental revenue	\$ 214,600	\$ 214,600	\$ 43,572	\$ (171,028)
<b>Total revenues</b>	<u>214,600</u>	<u>214,600</u>	<u>43,572</u>	<u>(171,028)</u>
<b>EXPENDITURES</b>				
Capital outlay	214,600	214,600	43,572	171,028
<b>Total expenditures</b>	<u>214,600</u>	<u>214,600</u>	<u>43,572</u>	<u>171,028</u>
<b>Excess of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	-	-	-	-
Fund balance, beginning of year	<u>8,319</u>	<u>8,319</u>	<u>8,319</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 8,319</u>	<u>\$ 8,319</u>	<u>\$ 8,319</u>	<u>\$ -</u>

**CITY OF BISBEE, ARIZONA**  
**PUBLIC SAFETY FIRE GRANTS**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 285,000	\$ 285,000	\$ 24,759	\$ (260,241)
<b>Total revenues</b>	<u>285,000</u>	<u>285,000</u>	<u>24,759</u>	<u>(260,241)</u>
<b>EXPENDITURES</b>				
Capital outlay	300,000	300,000	13,189	286,811
<b>Total expenditures</b>	<u>300,000</u>	<u>300,000</u>	<u>13,189</u>	<u>286,811</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(15,000)</u>	<u>(15,000)</u>	<u>11,570</u>	<u>26,570</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	15,000	15,000	-	(15,000)
<b>Total other financing sources (uses)</b>	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
<b>Net change in fund balances</b>	-	-	11,570	11,570
Fund balance, beginning of year	-	-	-	-
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,570</u>	<u>\$ 11,570</u>

**CITY OF BISBEE, ARIZONA  
TRANSPORTATION GRANTS  
SPECIAL REVENUE FUND  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>				
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>-</u>	<u>-</u>	<u>(84,341)</u>	<u>84,341</u>
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(84,341)</u>	<u>84,341</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>(84,341)</u>	<u>84,341</u>
Fund balance, beginning of year	<u>84,341</u>	<u>84,341</u>	<u>84,341</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 84,341</u>	<u>\$ 84,341</u>	<u>\$ -</u>	<u>\$ 84,341</u>

**CITY OF BISBEE, ARIZONA**  
**TRANSIENT ROOM TAX**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 146,753	\$ 146,753
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>146,753</u>	<u>146,753</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	176,312	176,312	167,392	8,920
<b>Total expenditures</b>	<u>176,312</u>	<u>176,312</u>	<u>167,392</u>	<u>8,920</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(176,312)</u>	<u>(176,312)</u>	<u>(20,639)</u>	<u>155,673</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	156,000	156,000	16,000	(140,000)
<b>Total other financing sources (uses)</b>	<u>156,000</u>	<u>156,000</u>	<u>16,000</u>	<u>(140,000)</u>
<b>Net change in fund balances</b>	(20,312)	(20,312)	(4,639)	15,673
Fund balance, beginning of year	<u>71,146</u>	<u>71,146</u>	<u>71,146</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 50,834</u>	<u>\$ 50,834</u>	<u>\$ 66,507</u>	<u>\$ 15,673</u>

**CITY OF BISBEE, ARIZONA**  
**RICO DRUG ENFORCEMENT ASET**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 108,281	\$ 108,281	\$ 19,067	\$ (89,214)
Charges for services	1,000	1,000	2,000	1,000
<b>Total revenues</b>	<u>109,281</u>	<u>109,281</u>	<u>21,067</u>	<u>(88,214)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	100,000	100,000	11,019	88,981
Capital outlay	1,000	1,000	-	1,000
<b>Total expenditures</b>	<u>101,000</u>	<u>101,000</u>	<u>11,019</u>	<u>89,981</u>
<b>Excess of revenues over (under) expenditures</b>	<u>8,281</u>	<u>8,281</u>	<u>10,048</u>	<u>1,767</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(8,281)	(8,281)	-	(8,281)
<b>Total other financing sources (uses)</b>	<u>(8,281)</u>	<u>(8,281)</u>	<u>-</u>	<u>(8,281)</u>
<b>Net change in fund balances</b>	-	-	10,048	(6,514)
Fund balance, beginning of year	<u>1,923</u>	<u>1,923</u>	<u>1,923</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 1,923</u>	<u>\$ 1,923</u>	<u>\$ 11,971</u>	<u>\$ (6,514)</u>

**CITY OF BISBEE, ARIZONA  
 BISBEE ARTS COMMISSION  
 SPECIAL REVENUE FUND  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Miscellaneous	\$ 6,000	\$ 6,000	\$ 4,158	\$ (1,842)
<b>Total revenues</b>	<u>6,000</u>	<u>6,000</u>	<u>4,158</u>	<u>(1,842)</u>
<b>EXPENDITURES</b>				
Current:				
Culture and recreation	24,000	24,000	9,092	14,908
<b>Total expenditures</b>	<u>24,000</u>	<u>24,000</u>	<u>9,092</u>	<u>14,908</u>
<b>Excess of revenues     over (under) expenditures</b>	<u>(18,000)</u>	<u>(18,000)</u>	<u>(4,934)</u>	<u>13,066</u>
<b>Net change in fund balances</b>	(18,000)	(18,000)	(4,934)	13,066
Fund balance, beginning of year	<u>28,827</u>	<u>28,827</u>	<u>28,827</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u><u>\$ 10,827</u></u>	<u><u>\$ 10,827</u></u>	<u><u>\$ 23,893</u></u>	<u><u>\$ 13,066</u></u>

**CITY OF BISBEE, ARIZONA**  
**MISCELLANEOUS DONATIONS**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<b>REVENUES</b>				
Contributions	\$ 565,500	\$ 565,500	\$ 4,781	\$ (560,719)
<b>Total revenues</b>	<u>565,500</u>	<u>565,500</u>	<u>4,781</u>	<u>(560,719)</u>
<b>EXPENDITURES</b>				
Current:				
General government	548,000	548,000	5,135	542,865
Public safety	2,500	2,500	11,090	(8,590)
Culture and recreation	15,000	15,000	1,335	13,665
<b>Total expenditures</b>	<u>565,500</u>	<u>565,500</u>	<u>17,560</u>	<u>547,940</u>
<b>Excess of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>(12,779)</u>	<u>(12,779)</u>
<b>Net change in fund balances</b>	-	-	(12,779)	(12,779)
Fund balance, beginning of year	<u>56,706</u>	<u>56,706</u>	<u>56,706</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 56,706</u>	<u>\$ 56,706</u>	<u>\$ 43,927</u>	<u>\$ (12,779)</u>

**CITY OF BISBEE, ARIZONA**  
**AIRPORT**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>REVENUES</b>				
Charges for services	\$ 12,000	\$ 12,000	\$ 14,614	\$ 2,614
Rent	12,000	12,000	9,138	(2,862)
<b>Total revenues</b>	24,000	24,000	23,752	(248)
<b>EXPENDITURES</b>				
Current:				
Transportation	29,160	29,160	16,681	12,479
<b>Total expenditures</b>	29,160	29,160	16,681	12,479
<b>Excess of revenues over (under) expenditures</b>	(5,160)	(5,160)	7,071	12,231
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,160	5,160	-	(5,160)
<b>Total other financing sources (uses)</b>	5,160	5,160	-	(5,160)
<b>Net change in fund balances</b>	-	-	7,071	7,071
Fund balance (deficit), beginning of year	(226)	(226)	(226)	-
Prior period adjustment	-	-	2,550	-
<b>Fund balance (deficit), end of year</b>	\$ (226)	\$ (226)	\$ 9,395	\$ 7,071

**CITY OF BISBEE, ARIZONA**  
**POLICE SPECIAL REVENUE GRANTS**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 110,000	\$ 110,000	\$ 17,397	\$ (92,603)
<b>Total revenues</b>	<u>110,000</u>	<u>110,000</u>	<u>17,397</u>	<u>(92,603)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	99,000	99,000	16,098	82,902
<b>Total expenditures</b>	<u>99,000</u>	<u>99,000</u>	<u>16,098</u>	<u>82,902</u>
<b>Excess of revenues     over (under) expenditures</b>	<u>11,000</u>	<u>11,000</u>	<u>1,299</u>	<u>(9,701)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(11,000)	(11,000)	(1,299)	(9,701)
<b>Total other financing sources (uses)</b>	<u>(11,000)</u>	<u>(11,000)</u>	<u>(1,299)</u>	<u>(9,701)</u>
<b>Net change in fund balances</b>	-	-	-	(19,402)
Fund balance, beginning of year	6,652	6,652	6,652	-
<b>Fund balance, end of year</b>	<u>\$ 6,652</u>	<u>\$ 6,652</u>	<u>\$ 6,652</u>	<u>\$ (19,402)</u>

**CITY OF BISBEE, ARIZONA**  
**PUBLIC WORKS GRANTS**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<b>REVENUES</b>				
Intergovernmental revenue	\$ 3,703,960	\$ 3,703,960	\$ -	\$ (3,703,960)
<b>Total revenues</b>	<u>3,703,960</u>	<u>3,703,960</u>	<u>-</u>	<u>(3,703,960)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	2,563,960	2,563,960	-	2,563,960
Capital outlay	1,140,000	1,140,000	-	1,140,000
<b>Total expenditures</b>	<u>3,703,960</u>	<u>3,703,960</u>	<u>-</u>	<u>3,703,960</u>
<b>Excess of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(583,000)	(583,000)	-	583,000
Transfers in	583,000	583,000	-	(583,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	<u>(31,532)</u>	<u>(31,532)</u>	<u>(31,532)</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ (31,532)</u>	<u>\$ (31,532)</u>	<u>\$ (31,532)</u>	<u>\$ -</u>

**CITY OF BISBEE, ARIZONA  
 MISCELLANEOUS GRANTS  
 SPECIAL REVENUE FUND  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Intergovernmental revenue	\$ 188,200	\$ 188,200	\$ 84,093	\$ (104,107)
<b>Total revenues</b>	<u>188,200</u>	<u>188,200</u>	<u>84,093</u>	<u>(104,107)</u>
<b>EXPENDITURES</b>				
Current:				
General government	100,000	100,000	-	100,000
Culture and recreation	-	-	44,021	(44,021)
Transportation	98,000	98,000	-	98,000
<b>Total expenditures</b>	<u>198,000</u>	<u>198,000</u>	<u>44,021</u>	<u>153,979</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(9,800)</u>	<u>(9,800)</u>	<u>40,072</u>	<u>49,872</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	9,800	9,800	-	(9,800)
<b>Total other financing sources (uses)</b>	<u>9,800</u>	<u>9,800</u>	<u>-</u>	<u>(9,800)</u>
<b>Net change in fund balances</b>	-	-	40,072	40,072
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,072</u>	<u>\$ 40,072</u>

**CITY OF BISBEE, ARIZONA**  
**YOUTH PROGRAM**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<b>REVENUES</b>				
Investment earnings	\$ 5,600	\$ 5,600	\$ 1,743	\$ (3,857)
<b>Total revenues</b>	<u>5,600</u>	<u>5,600</u>	<u>1,743</u>	<u>(3,857)</u>
<b>EXPENDITURES</b>				
Current:				
General government	18,000	18,000	111	17,889
<b>Total expenditures</b>	<u>18,000</u>	<u>18,000</u>	<u>111</u>	<u>17,889</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(12,400)</u>	<u>(12,400)</u>	<u>1,632</u>	<u>14,032</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	(12,400)	(12,400)	1,632	14,032
Fund balance, beginning of year	<u>125,494</u>	<u>125,494</u>	<u>125,494</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 113,094</u>	<u>\$ 113,094</u>	<u>\$ 127,126</u>	<u>\$ 14,032</u>

**CITY OF BISBEE, ARIZONA**  
**BISBEE BUS**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES</b>				
Intergovernmental revenue	\$ 323,650	\$ 323,650	\$ 302,593	\$ (21,057)
Charges for services	13,500	13,500	14,352	852
Miscellaneous	-	-	2,500	2,500
<b>Total revenues</b>	<u>337,150</u>	<u>337,150</u>	<u>319,445</u>	<u>(17,705)</u>
<b>EXPENDITURES</b>				
Current:				
Transportation	328,500	328,500	321,922	6,578
Capital outlay	-	-	82,511	(82,511)
<b>Total expenditures</b>	<u>328,500</u>	<u>328,500</u>	<u>404,433</u>	<u>(75,933)</u>
<b>Excess of revenues over (under) expenditures</b>	<u>8,650</u>	<u>8,650</u>	<u>(84,988)</u>	<u>(93,638)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(9,800)	(9,800)	-	(9,800)
Transfers in	1,150	1,150	-	(1,150)
<b>Total other financing sources (uses)</b>	<u>(8,650)</u>	<u>(8,650)</u>	<u>-</u>	<u>(10,950)</u>
<b>Net change in fund balances</b>	-	-	(84,988)	(104,588)
Fund balance (deficit), beginning of year	<u>(39,097)</u>	<u>(39,097)</u>	<u>(39,097)</u>	<u>-</u>
<b>Fund balance (deficit), end of year</b>	<u>\$ (39,097)</u>	<u>\$ (39,097)</u>	<u>\$ (124,085)</u>	<u>\$ (104,588)</u>

**CITY OF BISBEE, ARIZONA  
CAPITAL IMPROVEMENT  
CAPITAL PROJECTS FUND  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 10,414	\$ 10,414
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>10,414</u>	<u>10,414</u>
<b>EXPENDITURES</b>				
Current:				
Public works	-	-	-	-
<b>Total expenditures</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess of revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>10,414</u>	<u>10,414</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	-	-	10,414	10,414
Fund balance, beginning of year	<u>642,908</u>	<u>642,908</u>	<u>642,908</u>	<u>-</u>
<b>Fund balance, end of year</b>	<u>\$ 642,908</u>	<u>\$ 642,908</u>	<u>\$ 653,322</u>	<u>\$ 10,414</u>

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**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**

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**HINTONBURDICK**  
CPAs & ADVISORS

**Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

The Honorable Mayor and  
City Council  
Bisbee, Arizona

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bisbee, Arizona as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Bisbee, Arizona's basic financial statements, and have issued our report thereon dated February 12, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Bisbee, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Bisbee, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City Bisbee, Arizona's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Bisbee, Arizona's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC  
Gilbert, Arizona  
February 12, 2019



**HINTONBURDICK**  
CPAs & ADVISORS

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

The Honorable Mayor and  
City Council  
Bisbee, Arizona

We have audited the basic financial statements of the City of Bisbee, Arizona for the year ended June 30, 2018, and have issued our report thereon dated February 12, 2019. Our audit also included test work on the City of Bisbee's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

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

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

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

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

In our opinion, The City of Bisbee complied, in all material respects, with the requirements identified above for the year ended June 30, 2018.

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

  
HintonBurdick, PLLC  
Gilbert, Arizona  
February 12, 2019

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