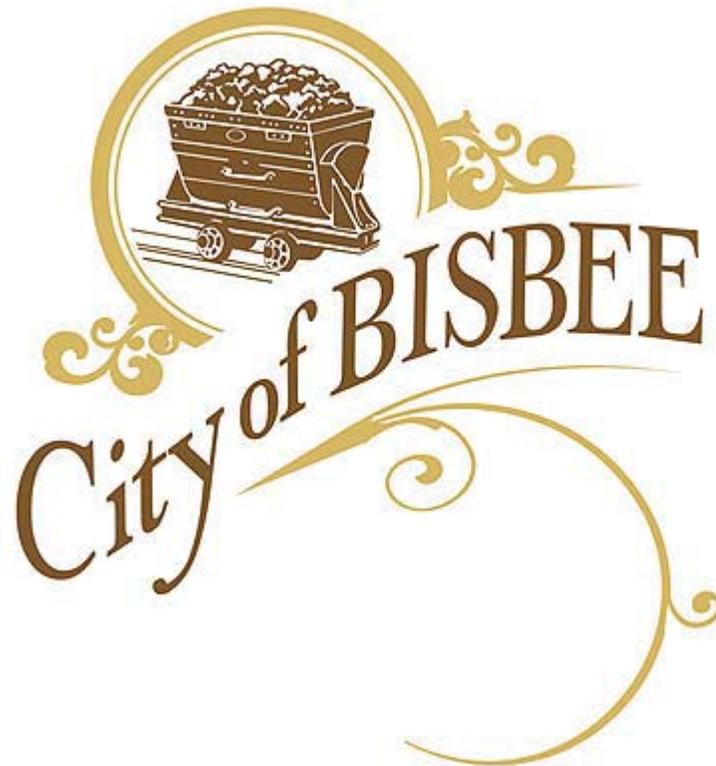


CITY OF BISBEE, ARIZONA



FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2019

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 67
 Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios 69
 Schedule of Pension/OPEB Contributions..... 73
 Notes to Pension/OPEB Plan Schedules 77

 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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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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the 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 November 27, 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
November 27, 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, 2019

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, 2019. 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 \$7.81 million. This amount is comprised of \$22.16 million in net investment in capital assets, \$1.30 million of restricted net position and (\$15.68 million) in unrestricted net position.
- Governmental net position decreased by \$756,341, and Business-Type net position decreased by \$458,735.
- Total City Sales tax revenue decreased by 0.01 percent from last year and still is the single largest revenue in the budget.
- Improvements totaling \$556,286 were made to the City's capital assets.
- Total debt service payments, including interest expense were approximately \$428,254, and net increases in the net pension liability and compensated absences totaling approximately \$57,538 leaving approximately \$31.82 million in total outstanding debt at the close of the year.
- The General Fund's unassigned fund balance decreased by \$2,238,620 to \$1,739,456. This decrease is mainly attributable to the City Council committing \$2,000,000 of fund balance for the construction of City Hall. The unassigned fund balance represents 24 percent of total General Fund expenditures for the fiscal year.
- Other governmental fund balances increased by \$194,100, to \$1,032,889, of which \$1,223,331 is restricted and (\$190,442) 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 \$7.81 million as of June 30, 2019 as shown in the following condensed statement of net position.

City of Bisbee Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Current and other assets	\$ 5,689,510	\$ 6,066,990	\$ 1,520,849	\$ 858,698	\$ 7,210,359	6,925,688
Capital assets	8,865,994	8,929,813	22,085,229	23,280,002	30,951,223	32,209,815
Total assets	<u>14,555,504</u>	<u>14,996,803</u>	<u>23,606,078</u>	<u>24,138,700</u>	<u>38,161,582</u>	<u>39,135,503</u>
Deferred outflows of resources	2,838,774	3,257,734	354,619	428,732	3,193,393	3,686,466
Long-term liabilities outstanding	21,724,003	21,584,258	8,455,475	8,788,746	30,179,478	30,373,004
Other liabilities	800,834	1,136,871	1,726,728	1,558,434	2,527,562	2,695,305
Total liabilities	<u>22,524,837</u>	<u>22,721,129</u>	<u>10,182,203</u>	<u>10,347,180</u>	<u>32,707,040</u>	<u>33,068,309</u>
Deferred inflows of resources	679,727	587,353	158,006	141,035	837,733	728,388
Net position:						
Invested in capital assets, net of related debt	8,865,994	8,875,252	13,296,483	14,419,202	22,162,477	23,294,454
Restricted	1,248,189	1,082,924	80,689	64,606	1,328,878	1,147,530
Unrestricted	<u>(15,924,469)</u>	<u>(15,012,121)</u>	<u>243,316</u>	<u>(404,591)</u>	<u>(15,681,153)</u>	<u>(15,416,712)</u>
Total net position	<u>\$ (5,810,286)</u>	<u>\$ (5,053,945)</u>	<u>\$ 13,620,488</u>	<u>\$ 14,079,217</u>	<u>\$ 7,810,202</u>	<u>\$ 9,025,272</u>

The City has \$41,354,975 in total assets and deferred outflows, with \$30,951,223 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

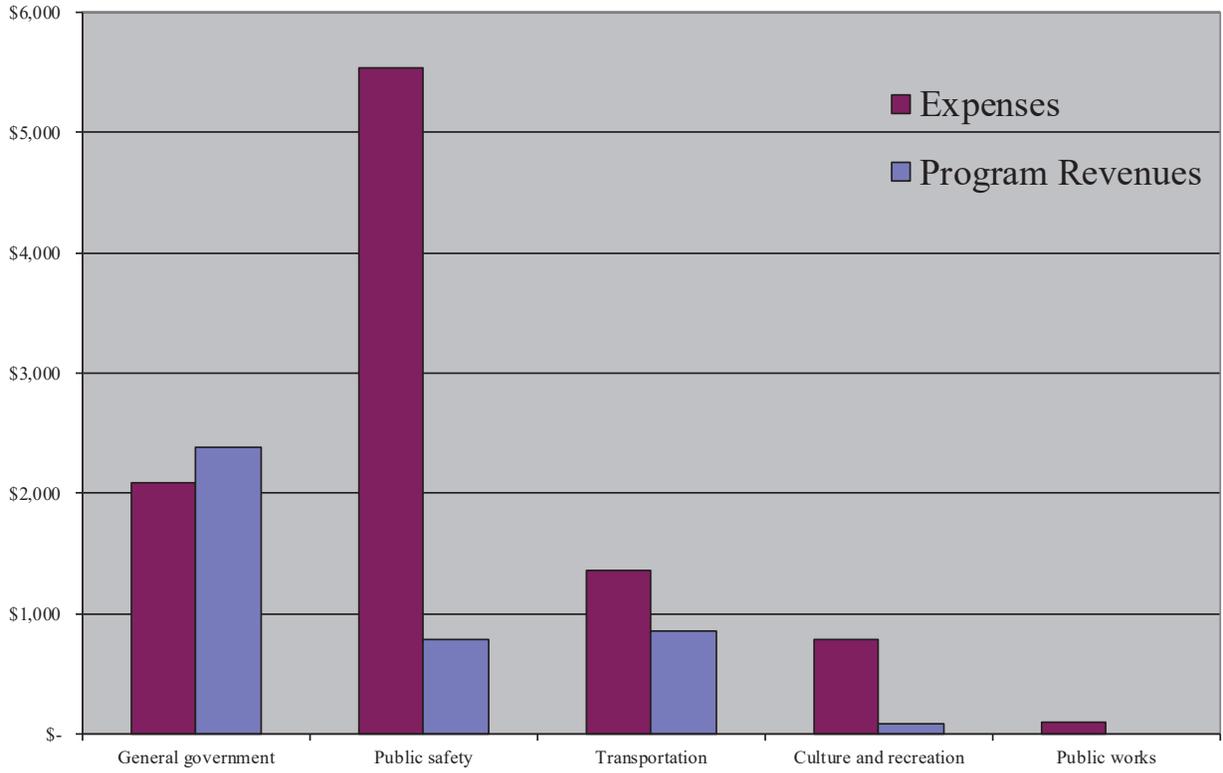
	Governmental activities		Business-type activities		Combined Total	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenues:						
Program revenues:						
Charges for services	\$ 2,829,126	\$ 1,326,033	\$ 4,255,065	\$ 4,471,253	\$ 7,084,191	\$ 5,797,286
Operating grants and contributions	827,372	733,745	-	-	827,372	733,745
Capital grants and contributions	456,046	297,759	-	-	456,046	297,759
General revenues:						
Sales taxes	2,871,904	2,862,804	-	-	2,871,904	2,862,804
Other taxes	1,371,402	1,429,387	-	-	1,371,402	1,429,387
State revenue sharing	628,751	646,671	-	-	628,751	646,671
Other	83,149	2,683,255	89	(60,872)	83,238	2,622,383
Total revenues	<u>9,067,750</u>	<u>9,979,654</u>	<u>4,255,154</u>	<u>4,410,381</u>	<u>13,322,904</u>	<u>14,390,035</u>
Expenses:						
General government	2,084,496	2,174,578	-	-	2,084,496	2,174,578
Public safety	5,535,733	5,489,051	-	-	5,535,733	5,489,051
Transportation	1,365,691	1,720,510	-	-	1,365,691	1,720,510
Culture and recreation	782,758	723,070	-	-	782,758	723,070
Public works	102,318	106,277	-	-	102,318	106,277
Interest on long-term debt	-	-	-	-	-	-
Wastewater	-	-	3,044,870	2,606,225	3,044,870	2,606,225
Sanitation	-	-	878,278	782,807	878,278	782,807
Queen Mine	-	-	743,830	618,694	743,830	618,694
Total expenses	<u>9,870,996</u>	<u>10,213,486</u>	<u>4,666,978</u>	<u>4,007,726</u>	<u>14,537,974</u>	<u>14,221,212</u>
(Decrease)/Increase in net assets before transfers	(803,246)	(233,832)	(411,824)	402,655	(1,215,070)	168,823
Transfers	46,905	893,943	(46,905)	(893,943)	-	-
Net position, beginning	(5,053,945)	(5,679,930)	14,079,217	14,570,375	9,025,272	8,890,445
Prior period adjustment	-	(34,126)	-	130	-	(33,996)
Net position, ending	<u>\$ (5,810,286)</u>	<u>\$ (5,053,945)</u>	<u>\$ 13,620,488</u>	<u>\$ 14,079,217</u>	<u>\$ 7,810,202</u>	<u>\$ 9,025,272</u>

The cost of all governmental activities this year was \$9,870,996 as shown in the schedule of Changes in Net Position above. \$2,829,126 of this cost was paid for by those who directly benefited from the programs. \$1,283,418 was subsidized by grants received from other governmental organizations for both capital and operating activities. General taxes, Urban Revenue Sharing and investment earnings totaled \$4,955,206.

Total resources available during the year to finance governmental operations were \$4.02 million consisting of Net position at July 1, 2018 of (\$5.05 million), program revenues of \$2.83 million, grant revenues of \$1.28 million and General Revenues of \$4.96 million. Total Governmental Activities during the year were \$9.87 million. Thus Governmental Net Position was decreased by \$0.76 million to (\$5.81 million).

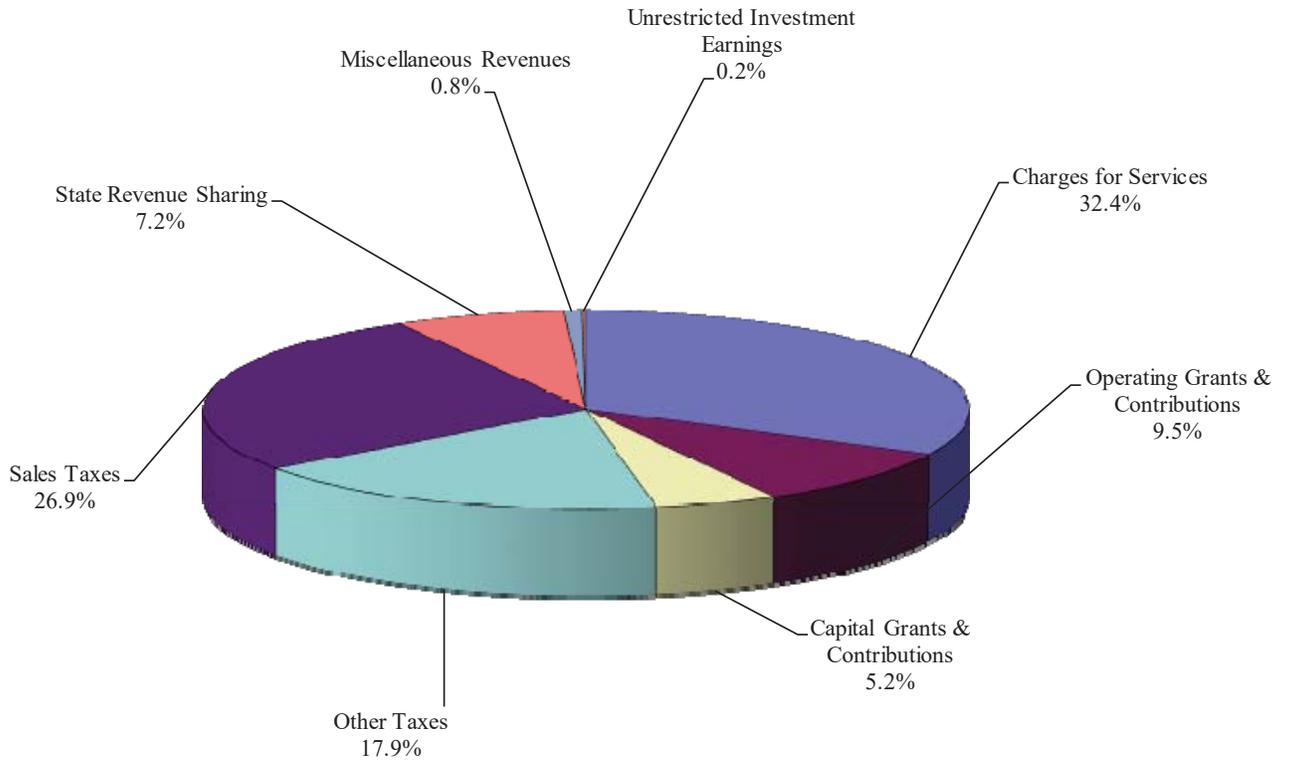
The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all government activities.

Expenses and Program Revenues - Governmental Activities
(in Thousands)



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Revenue By Source - Governmental Activities

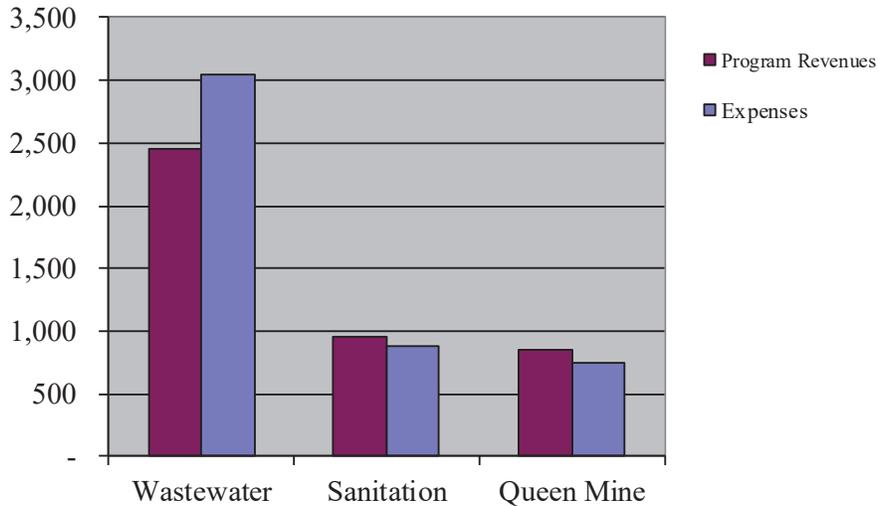


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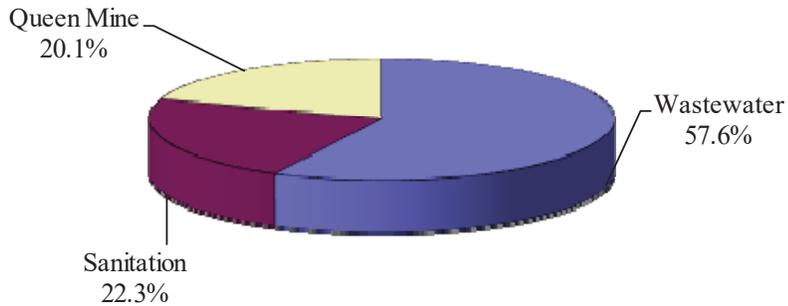
Business Type Activities

Net position of the Business Type activities at June 30, 2019, as reflected in the Statement of Net Position was \$13.62 million. The cost of providing all Proprietary (Business Type) activities this year was \$4.67 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$4.25 million. Interest earnings and other revenues(losses) were \$89. Net Position decreased by \$458,735.

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 \$4.90 million, a decrease of \$48,022 in comparison with the prior year. Approximately, 36% of this total amount or \$1,787,289 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 \$3,864,314, of which \$1,739,456 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 24% and 53% respectively of total general fund expenditures. During the year, the City of Bisbee's general fund balance decreased by \$242,122. This decrease is mainly attributable to the City Council committing \$2,000,000 of fund balance for the construction of City Hall.

Streets fund expenditures of \$917,998 were funded by Highway User revenues of \$457,993, City Sales Tax of \$680,651, charges for services and other revenues totaling \$25,977 which resulted in ending fund balance of \$238,275.

The non-major fund balance of \$794,614 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 \$7,014,094 were less than the budget of \$7,363,479 by \$349,385 mainly due to less than anticipated charges for services. Actual expenditures of \$7,287,121 were \$474,675 less than budgeted expenditures of \$7,761,796. The most significant variance was from various departments that were under budget.

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 2019, net capital assets of the government activities totaled \$8.86 million and the net capital assets of the business-type activities totaled \$22.09 million. Combined capital assets additions were \$556,286 for fiscal year 2019 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 \$21.86 million in governmental type debt, and \$9.96 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 2019/2020, 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 2018/2019.

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. #4601, 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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets:			
Current assets:			
Cash and cash equivalents	\$ 3,304,185	\$ 1,304,842	\$ 4,609,027
Investments	556,555	-	556,555
Accounts receivable (net of allowance)	1,251,106	393,902	1,645,008
Inventory	26,826	116,041	142,867
Internal balances	461,698	(461,698)	-
Prepays	24,858	85,545	110,403
Due from other governments	-	(1,338)	(1,338)
Total current assets	5,625,228	1,437,294	7,062,522
Non-current assets:			
Restricted cash and cash equivalents	-	80,689	80,689
Capital assets:			
Not being depreciated	1,044,229	458,828	1,503,057
Net of accumulated depreciation	7,821,765	21,626,401	29,448,166
Net pension/OPEB asset	64,282	2,866	67,148
Total non-current assets	8,930,276	22,168,784	31,099,060
Total Assets	14,555,504	23,606,078	38,161,582
Deferred outflows related to pensions/OPEB	2,838,774	193,036	3,031,810
Deferred outflows related to debt refunding	-	161,583	161,583
Total deferred outflows	2,838,774	354,619	3,193,393
Total assets and deferred outflows of resources	17,394,278	23,960,697	41,354,975
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Liabilities			
Current liabilities:			
Accounts payable and other current liabilities	661,134	63,664	724,798
Accrued interest payable	-	159,644	159,644
Compensated absences - current	-	32,700	32,700
Long-term liabilities due within one year	139,700	333,271	472,971
Total current liabilities	800,834	589,279	1,390,113
Noncurrent liabilities:			
Compensated absences	155,137	3,549	158,686
Long-term liabilities due after one year	(139,700)	8,455,475	8,315,775
Net pension/OPEB liability	21,708,566	1,133,900	22,842,466
Total non-current liabilities	21,724,003	9,592,924	31,316,927
Total Liabilities	22,524,837	10,182,203	32,707,040
Deferred inflows related to pensions/OPEB	679,727	158,006	837,733
Total liabilities and deferred inflows of resources	23,204,564	10,340,209	33,544,773
NET POSITION:			
Net investment in capital assets	8,865,994	13,296,483	22,162,477
Nonspendable:			
Prepays	24,858	-	24,858
Restricted for:			
Debt service	-	80,689	80,689
Public Safety	19,929	-	19,929
Transportation	238,275	-	238,275
Culture and recreation	19,495	-	19,495
Capital projects	661,803	-	661,803
Other purposes	283,829	-	283,829
Unrestricted	(15,924,469)	243,316	(15,681,153)
Total net (deficit) position	(5,810,286)	13,620,488	7,810,202
Total liabilities, deferred inflows of resources and net position	\$ 17,394,278	\$ 23,960,697	\$ 41,354,975

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

CITY OF BISBEE, ARIZONA
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 2,084,496	\$ 2,107,501	\$ 264,457	\$ 16,385	\$ 303,847	\$ -	\$ 303,847
Public safety	5,535,733	676,135	68,176	39,100	(4,752,322)	-	(4,752,322)
Transportation	1,365,691	25,963	457,993	372,994	(508,741)	-	(508,741)
Culture and recreation	782,758	19,527	36,746	27,567	(698,918)	-	(698,918)
Public works	102,318	-	-	-	(102,318)	-	(102,318)
Total governmental activities	9,870,996	2,829,126	827,372	456,046	(5,758,452)	-	(5,758,452)
Business-type activities:							
Wastewater	3,044,870	2,449,179	-	-	-	(595,691)	(595,691)
Sanitation	878,278	950,668	-	-	-	72,390	72,390
Queen Mine	743,830	855,218	-	-	-	111,388	111,388
Total business-type activities	4,666,978	4,255,065	-	-	-	(411,913)	(411,913)
Total primary government	14,537,974	7,084,191	827,372	456,046	(5,758,452)	(411,913)	(6,170,365)
General Revenues:							
Property taxes levied for general purposes					1,044,329	-	1,044,329
City sales tax					2,349,523	-	2,349,523
State sales tax					522,381	-	522,381
Urban revenue sharing					628,751	-	628,751
Vehicle license tax					272,909	-	272,909
Bed tax					54,164	-	54,164
Miscellaneous revenues					69,934	-	69,934
Unrestricted investment earnings/(loss)					13,215	89	13,304
Transfers					46,905	(46,905)	-
Total general revenues & transfers					5,002,111	(46,816)	4,955,295
Change in net position					(756,341)	(458,729)	(1,215,070)
Net position - beginning					(5,053,945)	14,079,217	9,025,272
Net position - ending					\$ (5,810,286)	\$ 13,620,488	\$ 7,810,202

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

CITY OF BISBEE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2019

	General Fund	Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,227,633	\$ 201,655	\$ 874,897	\$ 3,304,185
Investments	428,467	600	127,488	556,555
Receivables:				
Accounts	405,414	-	5,003	410,417
Property taxes	129,816	-	-	129,816
Due from other governments	455,151	47,506	208,216	710,873
Due from other funds	671,731	-	-	671,731
Prepaid items	24,858	-	-	24,858
Inventory	14,090	-	12,736	26,826
Total assets	<u>\$ 4,357,160</u>	<u>\$ 249,761</u>	<u>\$ 1,228,340</u>	<u>\$ 5,835,261</u>
LIABILITIES				
Accounts payable	\$ 132,116	\$ 7,179	\$ 222,843	\$ 362,138
Due to other funds	-	-	210,033	210,033
Accrued payroll	293,839	4,307	850	298,996
Unearned revenue	0	-	-	-
Total liabilities	<u>425,955</u>	<u>11,486</u>	<u>433,726</u>	<u>871,167</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	66,891	-	-	66,891
Total deferred inflows of resources	<u>66,891</u>	<u>-</u>	<u>-</u>	<u>66,891</u>
FUND BALANCES				
Nonspendable:				
Prepays	24,858	-	-	24,858
Restricted for:				
Public safety	-	-	19,929	19,929
Transportation	-	238,275	-	238,275
Culture and recreation	-	-	19,495	19,495
Other purposes	-	-	283,829	283,829
Capital projects	-	-	661,803	661,803
Committed	2,100,000	-	-	2,100,000
Unassigned (deficits)	1,739,456	-	(190,442)	1,549,014
Total fund balances (deficits)	<u>3,864,314</u>	<u>238,275</u>	<u>794,614</u>	<u>4,897,203</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,357,160</u>	<u>\$ 249,761</u>	<u>\$ 1,228,340</u>	<u>\$ 5,835,261</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, 2019

Total governmental fund balances	\$	4,897,203
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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	\$ 17,861,410	
Accumulated Depreciation	(8,995,416)	
		8,865,994

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

66,891

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

Net pension/OPEB liability	(21,708,566)	
Compensated absences	(155,137)	
		(21,863,703)

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

Net OPEB asset		64,282
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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	\$ 2,838,774	
Deferred inflows	(679,727)	
		2,159,047

Total net position of governmental activities	\$	<u><u>5,810,286</u></u>
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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, 2019

	General Fund	Streets Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 2,637,521	\$ 680,651	\$ 148,785	\$ 3,466,957
Licenses, permits and fees	104,734	-	-	104,734
Intergovernmental revenue	1,424,041	457,993	634,741	2,516,775
Charges for services	928,819	25,963	33,143	987,925
Administration	1,722,731	-	-	1,722,731
Fines and forfeitures	9	-	-	9
Investment earnings	10,107	14	3,094	13,215
Rent	66,577	-	9,585	76,162
Contributions	46,756	-	54,580	101,336
Insurance proceeds	49,971	-	-	49,971
Miscellaneous	22,828	-	24,048	46,876
Total revenues	<u>7,014,094</u>	<u>1,164,621</u>	<u>907,976</u>	<u>9,086,691</u>
EXPENDITURES				
Current:				
General government	1,973,919	-	58,323	2,032,242
Public safety	4,822,729	-	17,632	4,840,361
Culture and recreation	490,473	-	218,855	709,328
Transportation	-	902,018	325,109	1,227,127
Capital outlay	-	15,980	356,580	372,560
Total expenditures	<u>7,287,121</u>	<u>917,998</u>	<u>976,499</u>	<u>9,181,618</u>
Excess of revenues over (under) expenditures	<u>(273,027)</u>	<u>246,623</u>	<u>(68,523)</u>	<u>(94,927)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	30,905	-	16,000	46,905
Total other financing sources (uses)	<u>30,905</u>	<u>-</u>	<u>16,000</u>	<u>46,905</u>
Net change in fund balances	(242,122)	246,623	(52,523)	(48,022)
Fund balances, beginning of year	4,106,436	(8,348)	847,137	4,945,225
Fund balances (deficits), end of year	<u>\$ 3,864,314</u>	<u>\$ 238,275</u>	<u>\$ 794,614</u>	<u>\$ 4,897,203</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, 2019

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

Net change in fund balances - total governmental funds	\$	(48,022)
<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	\$	478,148
Depreciation Expense		<u>(545,803)</u>
		(67,655)
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		(18,941)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		3,836
<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	\$	1,975,699
Pension/OPEB expense		<u>(2,620,551)</u>
		(644,852)
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		<u>19,293</u>
Change in net position of governmental activities	\$	<u><u>(756,341)</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, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:	Business-type Activities - Enterprise Funds			
	Wastewater	Sanitation	Queen Mine	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 434,698	\$ 63,370	\$ 806,774	\$ 1,304,842
Receivables (net of allowance)	276,098	117,804	-	393,902
Inventory	-	-	116,041	116,041
Prepaid items	60,917	-	24,628	85,545
Due from other funds	500,473	-	-	500,473
Due from other governments	(1,338)	-	-	(1,338)
Total Current Assets	1,270,848	181,174	947,443	2,399,465
Prepaid items				
Restricted cash and cash equivalents, noncurrent	80,689	-	-	80,689
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	2,199,916	755,062	53,718	3,008,696
Infrastructure	34,732,945	-	-	34,732,945
Accumulated depreciation	(15,813,313)	(673,486)	(201,504)	(16,688,303)
Net Pension/OPEB Asset	1,099	1,099	668	2,866
Total Noncurrent Assets	22,002,560	82,675	83,549	22,168,784
Total Assets	23,273,408	263,849	1,030,992	24,568,249
Deferred outflows				
Deferred outflows related to pensions/OPEB	74,021	74,021	44,994	193,036
Deferred outflows related to debt refunding	161,583	-	-	161,583
Total Deferred outflows	235,604	74,021	44,994	354,619
Total assets and deferred outflows of resources	\$ 23,509,012	\$ 337,870	\$ 1,075,986	\$ 24,922,868
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:				
Liabilities				
Current liabilities:				
Accounts payable	\$ 13,379	\$ 17,372	\$ 11,048	\$ 41,799
Accrued wages and benefits	6,896	7,404	7,565	21,865
Accrued interest payable	159,644	-	-	159,644
Due to other funds	451,472	510,699	-	962,171
Compensated absences - current	4,596	15,198	12,906	32,700
Current portion - long-term debt	333,271	-	-	333,271
Total Current Liabilities	969,258	550,673	31,519	1,551,450
Non-current liabilities:				
Compensated absences	499	1,649	1,401	3,549
Net pension/OPEB liability	434,799	434,801	264,300	1,133,900
Long-term debt, net of current portion	8,455,475	-	-	8,455,475
Total non-current liabilities	8,890,773	436,450	265,701	9,592,924
Total Liabilities	9,860,031	987,123	297,220	11,144,374
Deferred inflows related to pensions/OPEB	60,588	60,588	36,830	158,006
Total liabilities and deferred inflows of resources	9,920,619	1,047,711	334,050	11,302,380
NET POSITION:				
Net investment in capital assets	13,132,026	81,576	82,881	13,296,483
Restricted for debt service	80,689	-	-	80,689
Unrestricted (deficit)	375,678	(791,417)	659,055	243,316
Total net position (deficit)	13,588,393	(709,841)	741,936	13,620,488
Total liabilities, deferred inflows of resources and net position	\$ 23,509,012	\$ 337,870	\$ 1,075,986	\$ 24,922,868

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, 2019

	Business-type Activities - Enterprise Funds			
	Wastewater	Sanitation	Queen Mine	Total
Operating revenues:				
Taxes	\$ 340,326	\$ -	\$ -	\$ 340,326
Charges for services	2,079,313	950,668	855,218	3,885,199
Other revenues	29,540	-	-	29,540
Total operating revenues	<u>2,449,179</u>	<u>950,668</u>	<u>855,218</u>	<u>4,255,065</u>
Operating expenses:				
Salaries, wages and benefits	260,909	412,190	338,138	1,011,237
Administration	932,682	360,014	180,078	1,472,774
Supplies	48,461	2,896	176,834	228,191
Repairs and maintenance	83,022	56,026	22,301	161,349
Utilities	83,488	5,005	20,916	109,409
Bad debt	30,829	24,078	-	54,907
Depreciation	1,249,278	18,069	5,563	1,272,910
Total operating expenses	<u>2,688,669</u>	<u>878,278</u>	<u>743,830</u>	<u>4,310,777</u>
Net operating income (loss)	<u>(239,490)</u>	<u>72,390</u>	<u>111,388</u>	<u>(55,712)</u>
Non-operating revenues (expenses):				
Interest income	89	-	-	89
Interest expense and fiscal charges	(356,201)	-	-	(356,201)
Total non-operating revenue (expense)	<u>(356,112)</u>	<u>-</u>	<u>-</u>	<u>(356,112)</u>
Income (loss) before contributions and transfers	(595,602)	72,390	111,388	(411,824)
Transfers out	<u>(30,905)</u>	<u>-</u>	<u>(16,000)</u>	<u>(46,905)</u>
Change in net position	(626,507)	72,390	95,388	(458,729)
Total net position (deficit), beginning of year	<u>14,214,900</u>	<u>(782,231)</u>	<u>646,548</u>	<u>14,079,217</u>
Total net position (deficit), end of year	<u>\$ 13,588,393</u>	<u>\$ (709,841)</u>	<u>\$ 741,936</u>	<u>\$ 13,620,488</u>

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, 2019

	Business-type Activities - Enterprise Funds			
	Wastewater	Sanitation	Queen Mine	Total
Cash flows from operating activities:				
Cash received from customers, service fees	\$ 2,114,329	\$ 941,199	\$ 854,987	\$ 3,910,515
Cash received from customers, other	369,866	-	-	369,866
Cash paid to suppliers	(1,269,116)	(453,009)	(404,224)	(2,126,349)
Cash paid to employees	(369,301)	(414,688)	(352,750)	(1,136,739)
Net cash flows from operating activities	<u>845,778</u>	<u>73,502</u>	<u>98,013</u>	<u>1,017,293</u>
Cash flows from noncapital financing activities:				
Transfers (to)/from other funds	(30,905)	-	(16,000)	(46,905)
Change in due to/due from	(31,532)	-	-	(31,532)
Net cash flows from noncapital financing activities	<u>(62,437)</u>	<u>-</u>	<u>(16,000)</u>	<u>(78,437)</u>
Cash flows from capital and related financing activities:				
Change in deferred outflows - debt refunding	26,930	-	-	26,930
Capital grants	1,848	-	-	1,848
Purchase of capital assets	(78,139)	-	-	(78,139)
Principal paid on long-term debt	(72,054)	-	-	(72,054)
Interest paid	(211,234)	(10,132)	-	(221,366)
Net cash flows from capital and related financing activities	<u>(332,649)</u>	<u>(10,132)</u>	<u>-</u>	<u>(342,781)</u>
Cash flows from investing activities:				
Investment income/(loss)	89	-	-	89
Net cash flows from investing activities	<u>89</u>	<u>-</u>	<u>-</u>	<u>89</u>
Net change in cash and cash equivalents	450,781	63,370	82,013	596,164
Cash and cash equivalents, beginning of year	64,606	-	724,761	789,367
Cash and cash equivalents, end of year	<u>\$ 515,387</u>	<u>\$ 63,370</u>	<u>\$ 806,774</u>	<u>\$ 1,385,531</u>
Reconciliation of operating income to net cash flows from operating activities:				
Net operating income	\$ (239,490)	\$ 72,390	\$ 111,388	\$ (55,712)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	1,249,278	18,069	5,563	1,272,910
Net pension/OPEB expense	(95,809)	(9,933)	(11,121)	(116,863)
Changes in operating assets and liabilities:				
(Increase)/Decrease in receivables	35,016	(9,469)	-	25,547
(Increase)/Decrease in inventory	-	-	(1,598)	(1,598)
(Increase)/Decrease in prepaid items	(60,713)	-	(1,014)	(61,727)
Increase/(Decrease) in accounts payable	(29,921)	(4,990)	(1,483)	(36,394)
Increase/(Decrease) in customer deposits	-	-	(231)	(231)
Increase/(Decrease) in accrued payroll and employee benefits	(5,742)	7,404	(4,074)	(2,412)
Increase/(Decrease) in compensated absences	(6,841)	31	583	(6,227)
Net cash flows from operating activities	<u>\$ 845,778</u>	<u>\$ 73,502</u>	<u>\$ 98,013</u>	<u>\$ 1,017,293</u>

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

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 1. Summary of Significant Accounting Policies

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, 2019

Note 1. Summary of Significant Accounting Policies, Continued

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, 2019

Note 1. Summary of Significant Accounting Policies, Continued

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, 2019

Note 1. Summary of Significant Accounting Policies, Continued

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, 2019

Note 1. Summary of Significant Accounting Policies, Continued

The allowance for doubtful accounts in the proprietary funds is estimated at 6% of the current portion of the yearend accounts receivable balance, and 89% 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, 2019

Note 1. Summary of Significant Accounting Policies, Continued

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, 2019

Note 1. Summary of Significant Accounting Policies, Continued

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, 2019

Note 1. Summary of Significant Accounting Policies, Continued

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, 2019

Note 1. Summary of Significant Accounting Policies, Continued

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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.

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

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, 2019

Note 3. Stewardship, Compliance, and Accountability

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, 2019.

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, 2019

Note 3. Stewardship, Compliance, and Accountability, Continued

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, 2019, if any.

Note 4. Deposits and Investments

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

Cash and cash equivalents	\$ 4,609,027
Restricted cash and cash equivalents	80,689
Investments	<u>556,555</u>
Total cash and equivalents	<u><u>\$ 5,246,271</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 \$4,689,716 and the bank balance was \$4,755,487. 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, 2019

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, 2019, 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	10,330	N/A	N/A
Cash in bank	4,679,386	N/A	N/A
Investments:			
Local government investment pool 5	556,555	AAA	36.5
	\$ 5,246,271		

* 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, 2019

Note 4. Deposits and Investments, Continued

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).

Note 5. Restricted Assets

Restricted assets consisted of the following cash reserves at June 30, 2019:

Business-Type Activities:

Wastewater Fund:

Reserve for debt service WIFA Solar	\$ 80,689
Total Business-Type Activities	<u>\$ 80,689</u>

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 5. Capital Assets

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

	Balance June 30, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 569,830	\$ -	\$ -	\$ -	\$ 569,830
Construction in progress	143,057	331,342	-	-	474,399
Total capital assets not being depreciated	<u>712,887</u>	<u>331,342</u>	<u>-</u>	<u>-</u>	<u>1,044,229</u>
Capital assets being depreciated:					
Buildings	3,523,406	4,891	-	(22,625)	3,505,672
Improvements other than buildings	728,521	55,450	-	22,625	806,596
Airport	4,383,864	-	-	(4,051,853)	332,011
Machinery and equipment	3,697,225	82,343	-	-	3,779,568
Infrastructure	4,337,359	4,122	-	4,051,853	8,393,334
Total capital assets being depreciated	<u>16,670,375</u>	<u>146,806</u>	<u>-</u>	<u>-</u>	<u>16,817,181</u>
Less: Accumulated depreciation					
Buildings	(1,982,885)	(72,925)	3,836	1,556	(2,050,418)
Improvements other than buildings	(600,720)	(21,834)	-	(1,556)	(624,110)
Airport	(2,452,553)	(18,414)	-	2,171,897	(299,070)
Machinery and equipment	(2,592,973)	(218,313)	-	-	(2,811,286)
Infrastructure	(824,318)	(214,317)	-	(2,171,897)	(3,210,532)
Total accumulated depreciation	<u>(8,453,449)</u>	<u>(545,803)</u>	<u>3,836</u>	<u>-</u>	<u>(8,995,416)</u>
Total assets being depreciated, net	<u>8,216,926</u>	<u>(398,997)</u>	<u>3,836</u>	<u>-</u>	<u>7,821,765</u>
Governmental capital assets, net	<u>\$ 8,929,813</u>	<u>\$ (67,655)</u>	<u>\$ 3,836</u>	<u>\$ -</u>	<u>\$ 8,865,994</u>

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

Governmental activities	
General government	\$ 10,576
Public safety	158,690
Public works	102,318
Transportation	216,671
Culture and recreation	57,548
Total governmental activities depreciation	<u>\$ 545,803</u>

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 5. Capital Assets, Continued

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

	Balance June 30, 2018	Additions	Disposals	Transfers	Balance June 30, 2019
Business-Type Activities					
Capital assets not being depreciated:					
Land	\$ 47,660	\$ -	\$ -	\$ -	\$ 47,660
Construction in progress	411,168	-	-	-	411,168
Total capital assets not being depreciated	<u>458,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>458,828</u>
Capital assets being depreciated:					
Buildings	543,652	-	-	-	543,652
Improvements other than buildings	29,411	-	-	-	29,411
Machinery and equipment	2,930,558	78,138	-	-	3,008,696
Infrastructure	34,732,945	-	-	-	34,732,945
Total capital assets being depreciated	<u>38,236,566</u>	<u>78,138</u>	<u>-</u>	<u>-</u>	<u>38,314,704</u>
Less: Accumulated depreciation					
Buildings	(208,042)	(13,477)	-	-	(221,519)
Improvements other than buildings	(9,691)	(1,096)	-	-	(10,787)
Machinery and equipment	(1,201,797)	(137,900)	-	-	(1,339,697)
Infrastructure	(13,995,862)	(1,120,438)	-	-	(15,116,300)
Total accumulated depreciation	<u>(15,415,392)</u>	<u>(1,272,911)</u>	<u>-</u>	<u>-</u>	<u>(16,688,303)</u>
Total assets being depreciated, net	<u>22,821,174</u>	<u>(1,194,773)</u>	<u>-</u>	<u>-</u>	<u>21,626,401</u>
Business-type capital assets, net	<u>\$ 23,280,002</u>	<u>\$ (1,194,773)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,085,229</u>

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

Business-type activities	
Wastewater	\$ 1,249,279
Sanitation	18,069
Queen Mine	5,563
Total business-type activities depreciation	<u>\$ 1,272,911</u>

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

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, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2019</u>	<u>Current Portion</u>
Governmental Activities:					
Net Pension/OPEB Liability	\$ 21,558,094	\$ 150,472	\$ -	\$ 21,708,566	\$ -
Accrued Compensated Absences	174,430	160,000	(179,293)	155,137	139,700
Total Governmental Activity Long-Term Liabilities	<u>\$ 21,732,524</u>	<u>\$ 310,472</u>	<u>\$ (179,293)</u>	<u>\$ 21,863,703</u>	<u>\$ 139,700</u>
Business-Type Activities:					
Notes Payable:					
Notes payable from direct borrowings: WIFA Loan 910160-14 (Solar)	\$ 981,104	\$ -	\$ (48,704)	\$ 932,400	\$ 50,161
Total Notes Payable	<u>981,104</u>	<u>-</u>	<u>(48,704)</u>	<u>932,400</u>	<u>50,161</u>
Revenue Bonds:					
Pledged Revenue Obligation, Series 2018	7,640,000	-	-	7,640,000	259,000
Total Revenue Bonds	<u>7,640,000</u>	<u>-</u>	<u>-</u>	<u>7,640,000</u>	<u>259,000</u>
Other Business-Type Obligations					
Capital Leases	239,696	-	(23,350)	216,346	24,110
Net Pension/OPEB Liability	1,316,392	-	(182,490)	1,133,902	-
Accrued Compensated Absences	42,476	33,300	(39,527)	36,249	32,700
Total Other Business-Type Obligations	<u>1,598,564</u>	<u>33,300</u>	<u>(245,367)</u>	<u>1,386,497</u>	<u>56,810</u>
Total Business-Type Activity Long-Term Liabilities	<u>\$ 10,219,668</u>	<u>\$ 33,300</u>	<u>\$ (294,071)</u>	<u>\$ 9,958,897</u>	<u>\$ 365,971</u>
Total Long-Term Liabilities	<u>\$ 31,952,192</u>	<u>\$ 343,772</u>	<u>\$ (473,364)</u>	<u>\$ 31,822,600</u>	<u>\$ 505,671</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.

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 6. Long-Term Liabilities, Continued

Long-term debt activity for the primary government at June 30, 2019 is comprised of the following issues:

Business-type activities:

Notes payable from direct borrowings:

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. Secured by revenues of the City's wastewater fund.	<u>\$ 932,400</u>
Total notes payable from direct borrowings - business-type activities	<u>932,400</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:

Lease payable in semi-annual installments of \$15,542 through February 1, 2027, at interest of 3.23%.	<u>216,346</u>
Total leases payable	<u>216,346</u>

Accrued compensated absences

191,386

Net pension/opeb liability

22,842,468

Total long-term debt

\$ 31,822,600

Less current portion:

Governmental activities	(139,700)
Business-type activities	<u>(365,971)</u>

Net long-term debt

\$ 31,316,929

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

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
2020	\$ 259,000	\$ 286,450
2021	272,000	276,324
2022	282,000	265,760
2023	293,000	254,794
2024	304,000	243,409
2025-2029	1,702,000	1,030,619
2030-2034	2,053,000	673,648
2035-2039	2,475,000	243,047
Total	\$ 7,640,000	\$ 3,274,052

The annual requirements to amortize notes payable are as follows:

Year Ending June 30,	Water Infrastructure Finance Authority of Arizona (WIFA) Loans	
	Principal	Interest
2020	\$ 50,161	\$ 27,147
2021	51,662	25,624
2022	53,208	24,055
2023	54,800	22,439
2024	56,440	20,775
2025-2029	308,561	77,117
2030-2034	357,568	27,377
Total	\$ 932,400	\$ 224,533

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

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
2020	\$ 30,905	\$ 30,905
2021	30,905	30,905
2022	30,905	30,905
2023	30,905	30,905
2024	30,905	30,905
2025-2029	92,721	92,721
Total remaining lease payments:	247,246	247,246
Less amount representing interest:	(30,900)	(30,900)
Present value of net remaining minimum lease payments:	\$ 216,346	\$ 216,346

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

	Cost	Depreciation Expense	Accumulated Depreciation
Vehicles, machinery, and equipment	\$ 262,439	\$ 26,244	\$ 50,187

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 7. Interfund Receivables, Payables and Transfers

As of June 30, 2019, interfund receivables and payables that resulted from various interfund transactions were as follows:

<u>Due from</u>	<u>Due to</u>		<u>Total</u>
	<u>General Fund</u>	<u>Wastewater Fund</u>	
Wastewater Fund	\$ 451,472	\$ -	\$ 451,472
Sanitation Fund	10,226	500,473	510,699
Nonmajor Funds	210,033	-	210,033
Total	<u>\$ 671,731</u>	<u>\$ 500,473</u>	<u>\$ 1,172,204</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, 2019 are as follows:

<u>Transfers Out</u>	<u>Transfers In</u>		
	<u>General</u>	<u>Non Major Funds</u>	<u>Total</u>
Wastewater	\$ 30,905	\$ -	\$ 30,905
Queen Mine	-	16,000	16,000
Total	<u>\$ 30,905</u>	<u>\$ 16,000</u>	<u>\$ 46,905</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, 2019

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, 2019, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

<u>Statement of Net Position and Statement of Activities</u>	<u>ASRS</u>	<u>PSPRS</u>	<u>Combined Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net pension/OPEB asset	\$ 6,917	\$ 41,526	\$ 48,443	\$ 45,577	\$ 2,866
Net pension/OPEB liabilities	2,736,747	20,105,721	22,842,468	21,708,566	1,133,902
Deferred outflows of resources	465,904	2,565,906	3,031,810	2,838,774	193,036
Deferred inflows of resources	381,357	456,376	837,733	679,727	158,006
Pension/OPEB (income) expense	(189,046)	716,723	527,677	644,782	(117,105)

The City's accrued payroll and employee benefits includes \$151,180 of outstanding pension and OPEB contribution amounts payable to all pension plans for the year ended June 30, 2019. Also, the City reported \$1,506,508 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.

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:

	<u>Initial Membership Date Before July 1, 2011</u>	<u>Initial Membership Date On or After July 1, 2011</u>
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, 2019

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 \$100 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, 2019, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.8 percent (11.64 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 11.8 percent (11.18 percent for retirement, 0.46 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 10.53 percent (10.41 percent for retirement, 0.06 percent for health insurance premium benefit, and 0.06 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, 2019, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2019	191,099	7,863	2,735

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

Liability – At June 30, 2019, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net pension/OPEB (asset) liability
Pension	\$ 2,726,537
Health insurance premium benefit	(6,917)
Long-term disability	10,210

The net asset and net liabilities were measured as of June 30, 2018. 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, 2017, to the measurement date of June 30, 2018. The total liabilities as of June 30, 2018, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the discount rate from 8 percent to 7.5 percent, changing the projected salary increases from 3–6.75 percent to 2.7–7.2 percent, decreasing the inflation rate from 3 percent to 2.3 percent, and changing the mortality rates.

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, 2018. The City's proportion measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

	Proportion June 30, 2017	Proportion June 30, 2018	Increase (decrease) from June 30, 2017
Pension	0.019700%	0.019550%	-0.000150%
Health insurance premium benefit	0.018630%	0.019210%	0.000580%
Long-term disability	0.019430%	0.019540%	0.000110%

Expense – For the year ended June 30, 2019, the City recognized the following pension and OPEB expense:

	Pension/OPEB Expense
Pension	\$ 4,853
Health insurance premium benefit	6,887
Long-term disability	3,696

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

Deferred outflows/inflows of resources – At June 30, 2019, 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		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 75,114	\$ 15,031	\$ -	\$ 6,384	\$ 261	\$ -
Changes of assumptions or other inputs	72,149	241,745	13,340	-	2,211	-
Net difference between projected and actual earnings on pension plan investments	-	65,567	-	13,818	-	989
Changes in proportion and differences between contributions and proportionate share of contributions	101,074	37,813	23	10	35	-
Contributions subsequent to the measurement date	191,099	-	7,863	-	2,735	-
Total	\$ 439,436	\$ 360,156	\$ 21,226	\$ 20,212	\$ 5,242	\$ 989

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

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, 2020. 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
2020	\$ 75,978	\$ (2,675)	\$ 35
2021	(58,933)	(2,675)	35
2022	(99,460)	(2,675)	35
2023	(29,404)	269	300
2024	-	907	348
Thereafter	-	-	765

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

Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Healthcare cost trend rates	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.

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	5.50%
Fixed income	30%	3.83%
Real Estate	20%	5.85%
Total	100%	

Discount Rate – At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. 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, 2019

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 7.5 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 (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of			
Net pension liability	\$ 3,886,741	\$ 2,726,537	\$ 1,757,205
Net insurance premium benefit liability (asset)	24,510	(6,917)	(33,687)
Net long-term disability liability	11,570	10,210	8,889

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) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). 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.

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, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

	Initial Membership Date Before January 1, 2012	Initial Membership Date On or After January 1, 2012 and Before July 1, 2017
Retirement and Disability		
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	
Survivor Benefit		
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 based on inflation. 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, 2019

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 \$100 per month to \$260 per month depending on the age of the member and dependents

Employees covered by benefit terms – At June 30, 2019, the following employees were covered by the agent plans’ benefit terms:

PSPRS - Police	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	17	17
Inactive employees entitled to but not yet receiving benefits	2	0
Active employees	11	11
Total	30	28

PSPRS - Fire	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	22	22
Inactive employees entitled to but not yet receiving benefits	10	0
Active employees	15	15
Total	47	37

Contributions – 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, 2019, are indicated below. Rates are a percentage of active members’ annual covered payroll.

PSPRS - Police	Active member - Pension	City - Pension	City-Health insurance premium
PSPRS Police	7.65-11.65%	91.57%	0.50%
PSPRS Tier 3 risk pool	9.94%	89.63%	0.52%

PSPRS - Fire	Active member - Pension	City - Pension	City-Health insurance premium
PSPRS Fire	7.65-11.65%	81.47%	0.38%
PSPRS Tier 3 risk pool	9.94%	77.23%	0.52%

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

In addition, statute required the City to contribute at the actuarially determined rate 76.69 percent for police and 67.81 percent for fire of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the PSPRS would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the City's required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP.

The City's contributions to the plans for the year ended June 30, 2019, were:

PSPRS - Police	<u>Pension</u>	<u>Health insurance premium benefit</u>
PSPRS	\$ 947,655	\$ 5,439
PSPRS Tier 3 risk pool	145,711	831
PSPRS - Fire	<u>Pension</u>	<u>Health insurance premium benefit</u>
PSPRS	\$ 575,968	\$ -
PSPRS Tier 3 risk pool	183,568	-

Liability – At June 30, 2019, the City reported the following assets and liabilities:

	<u>Net pension (asset) liability</u>	<u>Net OPEB (asset) liability</u>
PSPRS Police	\$ 8,902,033	\$ 126,245
PSPRS Fire	11,077,443	(60,231)

The net assets and net liabilities were measured as of June 30, 2018, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

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:

PSPRS	
Actuarial valuation date	June 30, 2018
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
Cost-of-living adjustment	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, 2018, 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%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	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, 2019

Note 8. Pensions and Other Postemployment Benefits, Continued

Discount Rate –At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.40% which was the same as the discount rate used as of June 30, 2017. 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, 2019

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%)
PSPRS-Police			
Net pension (asset) / liability	\$ 10,123,993	\$ 8,902,033	\$ 7,896,994
Net OPEB (asset)/ liability	154,814	126,245	102,198
	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
PSPRS-Fire			
Net pension (asset) / liability	\$ 12,377,970	\$ 11,077,443	\$ 9,996,451
Net OPEB (asset)/ liability	(40,896)	(60,231)	(76,384)

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, 2019, the City recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
PSPRS Police	\$ 867,816	\$ 17,840
PSPRS Fire	1,377,414	(4,355)

Deferred outflows/inflows of resources –At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Police	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	\$ 224,297	\$ 151,983	\$ 48,481	\$ 10,360
Changes in assumptions	199,743	-	811	-
Net difference between projected and actual earnings on pension/OPEB plan investments	26,580	-	-	3,343
Contributions subsequent to the measurement date	1,093,366	-	6,270	-
Total	\$ 1,543,986	\$ 151,983	\$ 55,562	\$ 13,703

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

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	\$ 6,484	\$ 269,248	\$ 578	\$ 16,663
Changes in assumptions	691,069	-	1,454	-
Net difference between projected and actual earnings on pension/OPEB plan investments	17,953	-	-	4,779
Contributions subsequent to the measurement date	759,536	-	-	-
Total	<u>\$ 1,475,042</u>	<u>\$ 269,248</u>	<u>\$ 2,032</u>	<u>\$ 21,442</u>

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, 2020. 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
2020	\$ 203,082	\$ 11,049	\$ 190,138	\$ (4,636)
2021	98,311	18,612	119,763	(4,636)
2022	(5,604)	5,811	96,556	(4,636)
2023	2,848	117	44,066	(2,807)
2024	-	-	(4,265)	(2,695)
Thereafter	-	-	-	-

:

CITY OF BISBEE, ARIZONA
Notes to the Financial Statements
June 30, 2019

Note 9. Risk Management

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

Note 10. Contingent Liabilities and Significant Commitments

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.

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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, 2019

ASRS - Pension	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.019550%	0.019700%	0.018040%	0.020170%	0.020000%
Proportionate share of the net pension liability (asset)	\$ 2,726,537	\$ 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	\$ 1,900,854
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	158.84%	169.64%	169.64%	182.49%	158.45%
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%

ASRS - Health insurance premium benefit	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.019210%	0.018630%	0.018630%
Proportionate share of the net OPEB (asset)	\$ (6,917)	\$ (10,142)	\$ 5,387
Covered payroll	\$ 1,716,492	\$ 1,721,226	\$ 1,784,509
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.40%	-0.59%	0.30%
Plan fiduciary net position as a percentage of the total OPEB liability	102.20%	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, 2019

ASRS - Long-term disability	Reporting Fiscal Year		
	(Measurement Date)		
	2019	2018	2017
	(2018)	(2017)	(2016)
Proportion of the net OPEB (asset)	0.019540%	0.019430%	0.019429%
Proportionate share of the net OPEB (asset)	\$ 10,210	\$ 7,043	\$ 6,982
Covered payroll	\$ 1,716,492	\$ 1,721,226	\$ 1,784,509
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.59%	0.41%	0.39%
Plan fiduciary net position as a percentage of the total OPEB liability	77.83%	85.17%	85.17%

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, 2019

PSPRS Police - Pension	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability					
Service cost	\$ 112,682	\$ 132,510	\$ 81,788	\$ 113,055	\$ 121,391
Interest on total pension liability	704,633	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	285,911	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	(711,468)	(691,780)	(681,429)	(1,041,927)	(618,413)
Net change in total pension liability	391,758	805,408	(285,798)	(246,211)	1,803,657
Total pension liability - beginning	9,821,460	9,016,052	9,301,850	9,548,061	7,744,404
Total pension liability - ending (a)	\$ 10,213,218	\$ 9,821,460	\$ 9,016,052	\$ 9,301,850	\$ 9,548,061
Plan fiduciary net position					
Contributions - employer	\$ 706,187	\$ 519,068	\$ 552,417	\$ 401,838	\$ 348,980
Contributions - employee	189,723	63,718	68,545	70,709	104,080
Net investment income	73,315	127,457	6,838	56,297	217,688
Benefit payments, including refunds of employee contributions	(711,468)	(691,780)	(681,429)	(1,041,927)	(618,413)
Hall/Parker settlement	(73,252)	-	-	-	-
Pension Plan Administrative Expense	(1,816)	(1,528)	(1,383)	(1,737)	-
Other (net transfer)	11	12	(17,267)	(1,246)	(130,415)
Net change in plan fiduciary net position	182,700	16,947	(72,279)	(516,066)	(78,080)
Plan fiduciary net position - beginning	1,128,485	1,111,538	1,183,817	1,699,883	1,777,963
Plan fiduciary net position - ending (b)	\$ 1,311,185	\$ 1,128,485	\$ 1,111,538	\$ 1,183,817	\$ 1,699,883
Net pension liability - ending (a) - (b)	\$ 8,902,033	\$ 8,692,975	\$ 7,904,514	\$ 8,118,033	\$ 7,848,178
Plan fiduciary net position as a percentage of the total pension liability	12.84%	11.49%	12.33%	12.73%	17.80%
Covered payroll	\$ 562,567	\$ 585,292	\$ 442,576	\$ 648,977	\$ 605,942
Net pension liability as a percentage of covered payroll	1582.40%	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, 2019

PSPRS Police-Health Insurance Premium Benefit	Reporting Fiscal Year	
	(Measurement Date)	
	2019	2018
	(2018)	(2017)
Total OPEB liability		
Service cost	\$ 2,813	\$ 2,926
Interest on total OPEB liability	15,103	16,745
Changes of benefit terms*	-	1,353
Difference between expected and actual experience of the total net OPEB liability	69,240	(28,928)
Changes of assumptions or other inputs	-	2,267
Benefit payments	(13,822)	(13,128)
Net change in total OPEB liability	73,334	(18,765)
Total OPEB liability - beginning	209,602	228,367
Total OPEB liability - ending (a)	\$ 282,936	\$ 209,602
Plan fiduciary net position		
Contributions - employer	\$ 899	\$ 3,598
Net investment income	-	-
Benefit payments	10,706	17,341
Administrative expense	(13,822)	(13,128)
OPEB Plan Administrative Expense	(163)	(154)
Other changes	1	-
Net change in plan fiduciary net position	(2,379)	7,657
Plan fiduciary net position - beginning	159,070	151,413
Plan fiduciary net position - ending (b)	\$ 156,691	\$ 159,070
Net OPEB liability - ending (a) - (b)	\$ 126,245	\$ 50,532
Plan fiduciary net position as a percentage of the total OPEB liability	55.38%	75.89%
Covered payroll	\$ 562,567	\$ 585,292
Net OPEB liability as a percentage of covered payroll	22.44%	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, 2019

PSPRS Fire - Pension	Reporting Fiscal Year (Measurement Date)				
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability					
Service cost	\$ 167,528	\$ 191,050	\$ 167,677	\$ 148,284	\$ 150,293
Interest on total pension liability	851,653	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	(261,510)	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	(779,090)	(769,316)	(837,959)	(1,039,495)	(869,480)
Net change in total pension liability	(21,419)	1,115,400	48,651	(76,880)	1,875,724
Total pension liability - beginning	11,814,610	10,699,210	10,650,559	10,727,439	8,851,715
Total pension liability - ending (a)	\$ 11,793,191	\$ 11,814,610	\$ 10,699,210	\$ 10,650,559	\$ 10,727,439
Plan fiduciary net position					
Contributions - employer	\$ 699,109	\$ 790,896	\$ 816,618	\$ 566,273	\$ 488,842
Contributions - employee	83,507	107,136	107,983	95,678	83,553
Net investment income	36,836	72,290	3,065	26,028	132,336
Benefit payments, including refunds of employee contributions	(779,090)	(769,316)	(837,959)	(1,039,495)	(869,480)
Hall/Parker settlement	(82,902)	-	-	-	-
Pension Plan Administrative Expense	(1,261)	(1,040)	(842)	(941)	-
Other (net transfer)	(1)	21,808	(64,002)	(2,876)	(212,994)
Net change in plan fiduciary net position	(43,802)	221,774	24,863	(355,333)	(377,743)
Plan fiduciary net position - beginning	759,550	537,776	512,913	868,246	1,245,989
Plan fiduciary net position - ending (b)	\$ 715,748	\$ 759,550	\$ 537,776	\$ 512,913	\$ 868,246
Net pension liability - ending (a) - (b)	\$ 11,077,443	\$ 11,055,060	\$ 10,161,434	\$ 10,137,646	\$ 9,859,193
Plan fiduciary net position as a percentage of the total pension liability	6.07%	6.43%	5.03%	4.82%	8.09%
Covered payroll	\$ 786,148	\$ 894,008	\$ 944,130	\$ 882,311	\$ 809,095
Net pension liability as a percentage of covered payroll	1409.08%	1236.57%	1076.27%	1148.99%	

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, 2019

PSPRS Fire - Health Insurance Premium Benefit	Reporting Fiscal Year	
	(Measurement Date)	
	2019	2018
	(2018)	(2017)
Total OPEB liability		
Service cost	\$ 2,987	\$ 3,218
Interest on total OPEB liability	13,736	13,291
Changes of benefit terms	-	388
Difference between expected and actual experience of the total net OPEB liability	(20,088)	830
Changes of assumptions or other inputs	-	2,084
Benefit payments	(10,841)	(11,728)
Net change in total OPEB liability	(14,206)	8,083
Total OPEB liability - beginning	189,555	181,472
Total OPEB liability - ending (a)	\$ 175,349	\$ 189,555
Plan fiduciary net position		
Contributions - employer	\$ (213)	\$ -
Net investment income	15,793	25,050
Benefit payments	(10,841)	(11,728)
Administrative expense	(240)	(221)
Net change in plan fiduciary net position	4,499	13,101
Plan fiduciary net position - beginning	231,081	217,980
Plan fiduciary net position - ending (b)	\$ 235,580	\$ 231,081
Net OPEB liability - ending (a) - (b)	\$ (60,231)	\$ (41,526)
Plan fiduciary net position as a percentage of the total OPEB liability	134.35%	121.91%
Covered payroll	\$ 786,148	\$ 894,008
Net OPEB liability as a percentage of covered payroll	-7.66%	-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, 2019

ASRS - Pension	Reporting Fiscal Year				
	2019	2018	2017	2016	2015
Contractually required contribution	\$ 191,099	\$ 211,806	\$ 207,125	\$ 176,660	\$ 194,333
Contributions in relation to the contractually required contribution	\$ (191,099)	\$ (211,806)	\$ (207,125)	\$ (176,660)	\$ (194,333)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,768,383	\$ 1,716,492	\$ 1,721,226	\$ 1,784,509	\$ 1,900,854
Contributions as a percentage of covered payroll	10.81%	12.34%	12.03%	9.90%	10.22%

ASRS - Health insurance premium benefit	Reporting Fiscal Year		
	2019	2018	2017
Contractually required contribution	\$ 7,863	\$ 8,443	\$ 10,028
Contributions in relation to the contractually required contribution	(7,863)	(8,443)	(10,028)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 1,768,383	\$ 1,716,492	\$ 1,721,226
Contributions as a percentage of covered payroll	0.44%	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, 2019

ASRS - Long-term disability	Reporting Fiscal Year		
	2019	2018	2017
Contractually required contribution	\$ 2,735	\$ 3,070	\$ 2,642
Contributions in relation to the contractually required contribution	(2,735)	(3,070)	(2,642)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 1,768,383	\$ 1,716,492	\$ 1,721,226
Contributions as a percentage of covered payroll	0.15%	0.18%	0.15%

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

PSPRS Police - Pensions	Reporting Fiscal Year					
	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,099,636	\$ 706,187	\$ 519,068	\$ 552,417	\$ 401,838	\$ 348,980
Contributions in relation to the actuarially determined contribution	\$ (1,099,636)	\$ (706,187)	\$ (519,068)	\$ (552,417)	\$ (401,838)	\$ (348,980)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 650,181	\$ 562,567	\$ 585,292	\$ 442,576	\$ 648,977	\$ 605,942
Contributions as a percentage of covered payroll	169.13%	125.53%	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, 2019

PSPRS Police-Health Insurance Premium Benefit	Reporting Fiscal Year		
	2019	2018	2017
Actuarially determined contribution	\$ 6,270	\$ 899	\$ 3,598
Contributions in relation to the actuarially determined contribution	\$ (6,270)	\$ (899)	\$ (3,598)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 650,181	\$ 562,567	\$ 585,292
Contributions as a percentage of covered payroll	0.96%	0.16%	0.61%

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

PSPRS Fire -Pensions	Reporting Fiscal Year					
	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 759,536	\$ 699,109	\$ 790,896	\$ 816,618	\$ 566,273	\$ 488,842
Contributions in relation to the actuarially determined contribution	\$ (759,536)	\$ (699,109)	\$ (790,896)	\$ (816,618)	\$ (566,273)	\$ (488,842)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 949,161	\$ 786,148	\$ 894,008	\$ 944,130	\$ 882,311	\$ 809,095
Contributions as a percentage of covered payroll	96.61%	78.20%	88.47%	86.49%	64.18%	

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, 2019

PSPRS Fire - Health Insurance Premium Benefit	Reporting Fiscal Year		
	2019	2018	2017
Actuarially determined contribution	\$ -	\$ (213)	\$ -
Contributions in relation to the actuarially determined contribution	\$ -	\$ 213	\$ -
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 949,161	\$ 786,148	\$ 894,008
Contributions as a percentage of covered payroll	0.00%	-0.02%	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, 2019

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 2017 actuarial valuation	__ years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. 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 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. 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 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. 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	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

CITY OF BISBEE, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2019

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 increased 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 and 2019.

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, 2019

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
City sales tax	\$ 1,375,600	\$ 1,375,600	\$ 1,574,251	\$ 198,651
Property taxes	1,052,330	1,052,330	1,063,270	10,940
Bed tax	1,788	1,788	-	(1,788)
Total taxes	<u>2,429,718</u>	<u>2,429,718</u>	<u>2,637,521</u>	<u>207,803</u>
Fines and forfeitures	-	-	9	9
Licenses and permits	99,000	99,000	104,734	5,734
Intergovernmental:				
State sales tax	518,180	518,180	522,381	4,201
Auto lieu tax	292,916	292,916	272,909	(20,007)
Urban revenue sharing	640,934	640,934	628,751	(12,183)
Total intergovernmental	<u>1,551,030</u>	<u>1,551,030</u>	<u>1,528,784</u>	<u>(22,246)</u>
Charges for services	1,560,600	1,560,600	928,819	(631,781)
Administration	1,722,731	1,722,731	1,722,731	-
Investment earnings	2,000	2,000	10,107	8,107
Other revenues:				
Rent	58,400	58,400	66,577	8,177
Contributions	19,000	19,000	46,756	27,756
Insurance proceeds	-	-	49,971	49,971
Miscellaneous	20,000	20,000	22,828	2,828
Total other revenues	<u>3,382,731</u>	<u>3,382,731</u>	<u>2,847,789</u>	<u>(534,942)</u>
Total revenues	<u>7,363,479</u>	<u>7,363,479</u>	<u>7,014,094</u>	<u>(349,385)</u>
EXPENDITURES:				
General government				
Mayor and council	35,627	35,627	34,003	1,624
City manager	198,807	207,807	207,417	390
Finance	492,316	492,316	419,832	72,484
City clerk	170,691	170,691	159,620	11,071
Community development	106,911	143,911	143,425	486
Administration	495,625	349,525	319,408	30,117
Personnel	89,789	89,789	68,470	21,319
Legal services	60,000	61,500	61,434	66
Water systems	18,000	18,000	5,093	12,907
Information systems	96,202	110,702	110,426	276
Cemetery	14,690	14,690	5,952	8,738
Building maintenance	28,670	85,770	85,755	15
Public works administration	107,138	107,138	82,985	24,153
Garage	208,701	208,701	175,031	33,670
Building inspector	111,883	111,883	95,056	16,827
Contingency	50,000	50,000	12	49,988
Total general government	<u>2,285,050</u>	<u>2,258,050</u>	<u>1,973,919</u>	<u>284,131</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, 2019

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
Public safety				
Police department	2,220,871	2,220,871	2,150,734	70,137
Fire department	2,570,223	2,638,223	2,635,771	2,452
City magistrate	47,000	47,000	36,224	10,776
Total public safety	<u>4,838,094</u>	<u>4,906,094</u>	<u>4,822,729</u>	<u>83,365</u>
Culture and recreation				
Parks	231,238	231,238	223,317	7,921
Swimming pool	92,140	92,140	71,006	21,134
Library	175,299	175,299	171,752	3,547
Senior citizens' center	29,270	29,270	24,398	4,872
Total culture and recreation	<u>527,947</u>	<u>527,947</u>	<u>490,473</u>	<u>37,474</u>
Debt service:				
Principal	52,860	52,860	-	52,860
Interest	16,845	16,845	-	16,845
Total debt service	<u>69,705</u>	<u>69,705</u>	<u>-</u>	<u>69,705</u>
Total expenditures	<u>7,720,796</u>	<u>7,761,796</u>	<u>7,287,121</u>	<u>474,675</u>
Excess of revenues over (under) expenditures	<u>(357,317)</u>	<u>(398,317)</u>	<u>(273,027)</u>	<u>125,290</u>
Other financing sources (uses):				
Transfer from other funds	124,884	124,884	30,905	(93,979)
Transfer to other funds	(194,734)	(194,734)	-	194,734
Total other financing sources (uses)	<u>(69,850)</u>	<u>(69,850)</u>	<u>30,905</u>	<u>100,755</u>
Net change in fund balance	(427,167)	(468,167)	(242,122)	226,045
Fund balance, beginning of year	<u>4,106,436</u>	<u>4,106,436</u>	<u>4,106,436</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,679,269</u>	<u>\$ 3,638,269</u>	<u>\$ 3,864,314</u>	<u>\$ 226,045</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, 2019

	<u>Budgeted Amounts</u>			Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Taxes	\$ 689,000	\$ 689,000	\$ 680,651	\$ (8,349)
Intergovernmental	405,602	405,602	457,993	52,391
Charges for services	17,000	17,000	25,963	8,963
Interest	-	-	14	14
Total revenues	<u>1,111,602</u>	<u>1,111,602</u>	<u>1,164,621</u>	<u>53,019</u>
EXPENDITURES:				
Transportation	1,111,602	1,111,602	902,018	209,584
Capital outlay	-	-	15,980	(15,980)
Total expenditures	<u>1,111,602</u>	<u>1,111,602</u>	<u>917,998</u>	<u>193,604</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>246,623</u>	<u>246,623</u>
Net change in fund balance	-	-	246,623	246,623
Fund balance, beginning of year	<u>(8,348)</u>	<u>(8,348)</u>	<u>(8,348)</u>	<u>-</u>
Fund balance, end of year	<u>\$ (8,348)</u>	<u>\$ (8,348)</u>	<u>\$ 238,275</u>	<u>\$ 246,623</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, 2019

	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
ASSETS						
Cash and cash equivalents	\$ 8,898	\$ 3,734	\$ -	\$ 90,986	\$ 2,128	\$ 19,495
Investments	-	-	-	-	-	-
Receivables:						
Accounts	-	-	-	-	-	-
Due from other governments	150,097	-	-	-	8,832	-
Prepays	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Total assets	<u>\$ 158,995</u>	<u>\$ 3,734</u>	<u>\$ -</u>	<u>\$ 90,986</u>	<u>\$ 10,960</u>	<u>\$ 19,495</u>
LIABILITIES						
Liabilities:						
Accounts payable	\$ 148,518	\$ -	\$ -	\$ 7,415	\$ -	\$ -
Due to other funds	2,158	-	-	-	-	-
Accrued payroll	-	-	-	850	-	-
Unearned revenue	-	-	-	-	-	-
Total liabilities	<u>150,676</u>	<u>-</u>	<u>-</u>	<u>8,265</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable:						
Prepays	-	-	-	-	-	-
Restricted for:						
Public safety	-	3,734	-	-	10,960	-
Culture and recreation	-	-	-	-	-	19,495
Other purposes	8,319	-	-	82,721	-	-
Capital projects	-	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	-	-
Total fund balances (deficit)	<u>8,319</u>	<u>3,734</u>	<u>-</u>	<u>82,721</u>	<u>10,960</u>	<u>19,495</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 158,995</u>	<u>\$ 3,734</u>	<u>\$ -</u>	<u>\$ 90,986</u>	<u>\$ 10,960</u>	<u>\$ 19,495</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
\$ 55,483	\$ 233	\$ 4,801	\$ -	\$ 24,927	\$ 2,409	\$ -	\$ 661,803	\$ 874,897
-	-	-	-	-	127,488	-	-	127,488
-	-	-	-	-	-	5,003	-	5,003
-	-	434	-	4,000	-	44,853	-	208,216
-	-	-	-	-	-	-	-	-
-	12,736	-	-	-	-	-	-	12,736
<u>\$ 55,483</u>	<u>\$ 12,969</u>	<u>\$ 5,235</u>	<u>\$ -</u>	<u>\$ 28,927</u>	<u>\$ 129,897</u>	<u>\$ 49,856</u>	<u>\$ 661,803</u>	<u>\$ 1,228,340</u>
\$ 24,490	\$ 43	\$ -	\$ -	\$ 1,578	\$ -	\$ 40,799	\$ -	\$ 222,843
-	8,376	-	31,532	-	-	167,967	-	210,033
-	-	-	-	-	-	-	-	850
-	-	-	-	-	-	-	-	-
<u>24,490</u>	<u>8,419</u>	<u>-</u>	<u>31,532</u>	<u>1,578</u>	<u>-</u>	<u>208,766</u>	<u>-</u>	<u>433,726</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	5,235	-	-	-	-	-	19,929
-	-	-	-	-	-	-	-	19,495
30,993	4,550	-	-	27,349	129,897	-	-	283,829
-	-	-	-	-	-	-	661,803	661,803
-	-	-	(31,532)	-	-	(158,910)	-	(190,442)
<u>30,993</u>	<u>4,550</u>	<u>5,235</u>	<u>(31,532)</u>	<u>27,349</u>	<u>129,897</u>	<u>(158,910)</u>	<u>661,803</u>	<u>794,614</u>
<u>\$ 55,483</u>	<u>\$ 12,969</u>	<u>\$ 5,235</u>	<u>\$ -</u>	<u>\$ 28,927</u>	<u>\$ 129,897</u>	<u>\$ 49,856</u>	<u>\$ 661,803</u>	<u>\$ 1,228,340</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, 2019

	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
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 148,785	\$ -	\$ -
Intergovernmental revenue	344,994	3,750	-	-	7,820	-
Charges for services	-	-	-	-	-	-
Investment earnings	-	-	-	-	-	-
Rent	-	-	-	-	-	-
Contributions	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	4,133
Total revenues	<u>344,994</u>	<u>3,750</u>	<u>-</u>	<u>148,785</u>	<u>7,820</u>	<u>4,133</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	-	8,831	-
Community development	-	-	-	-	-	-
Culture and recreation	-	-	-	148,571	-	8,531
Transportation	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Capital outlay	344,994	11,586	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>344,994</u>	<u>11,586</u>	<u>-</u>	<u>148,571</u>	<u>8,831</u>	<u>8,531</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(7,836)</u>	<u>-</u>	<u>214</u>	<u>(1,011)</u>	<u>(4,398)</u>
OTHER FINANCING SOURCES (USES)						
Transfers out	-	-	-	-	-	-
Transfers in	-	-	-	16,000	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>(7,836)</u>	<u>-</u>	<u>16,214</u>	<u>(1,011)</u>	<u>(4,398)</u>
Fund balances (deficits), beginning of year	8,319	11,570	-	66,507	11,971	23,893
Fund balances (deficits), end of year	<u>\$ 8,319</u>	<u>\$ 3,734</u>	<u>\$ -</u>	<u>\$ 82,721</u>	<u>\$ 10,960</u>	<u>\$ 19,495</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
-	-	-	-	-	-	-	-	\$ 148,785
-	-	1,300	-	61,162	-	215,715	-	634,741
-	19,004	-	-	-	-	14,139	-	33,143
-	-	-	-	-	3,094	-	-	3,094
-	9,585	-	-	-	-	-	-	9,585
54,580	-	-	-	-	-	-	-	54,580
-	-	-	-	-	-	11,434	8,481	24,048
<u>54,580</u>	<u>28,589</u>	<u>1,300</u>	<u>-</u>	<u>61,162</u>	<u>3,094</u>	<u>241,288</u>	<u>8,481</u>	<u>907,976</u>
58,000	-	-	-	-	323	-	-	58,323
6,084	-	2,717	-	-	-	-	-	17,632
-	-	-	-	-	-	-	-	-
3,430	-	-	-	58,323	-	-	-	218,855
-	33,434	-	-	15,562	-	276,113	-	325,109
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	356,580
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>67,514</u>	<u>33,434</u>	<u>2,717</u>	<u>-</u>	<u>73,885</u>	<u>323</u>	<u>276,113</u>	<u>-</u>	<u>976,499</u>
<u>(12,934)</u>	<u>(4,845)</u>	<u>(1,417)</u>	<u>-</u>	<u>(12,723)</u>	<u>2,771</u>	<u>(34,825)</u>	<u>8,481</u>	<u>(68,523)</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	16,000
-	-	-	-	-	-	-	-	16,000
<u>(12,934)</u>	<u>(4,845)</u>	<u>(1,417)</u>	<u>-</u>	<u>(12,723)</u>	<u>2,771</u>	<u>(34,825)</u>	<u>8,481</u>	<u>(52,523)</u>
<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>\$ 30,993</u>	<u>\$ 4,550</u>	<u>\$ 5,235</u>	<u>\$ (31,532)</u>	<u>\$ 27,349</u>	<u>\$ 129,897</u>	<u>\$ (158,910)</u>	<u>\$ 661,803</u>	<u>\$ 794,614</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, 2019

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental revenue	\$ 214,000	\$ 214,000	\$ 344,994	\$ 130,994
Total revenues	<u>214,000</u>	<u>214,000</u>	<u>344,994</u>	<u>130,994</u>
EXPENDITURES				
Capital outlay	214,000	332,000	344,994	(12,994)
Total expenditures	<u>214,000</u>	<u>332,000</u>	<u>344,994</u>	<u>(12,994)</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(118,000)</u>	<u>-</u>	<u>118,000</u>
Net change in fund balances	-	(118,000)	-	118,000
Fund balance, beginning of year	<u>8,319</u>	<u>8,319</u>	<u>8,319</u>	<u>-</u>
Fund balance, end of year	<u>\$ 8,319</u>	<u>\$ (109,681)</u>	<u>\$ 8,319</u>	<u>\$ 118,000</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, 2019

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ 3,750	\$ 3,750
Total revenues	<u>-</u>	<u>-</u>	<u>3,750</u>	<u>3,750</u>
EXPENDITURES				
Capital outlay	-	11,600	11,586	14
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>-</u>	<u>11,600</u>	<u>11,586</u>	<u>14</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>(11,600)</u>	<u>(7,836)</u>	<u>3,764</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	(11,600)	(7,836)	3,764
Fund balance, beginning of year	<u>11,570</u>	<u>11,570</u>	<u>11,570</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,570</u>	<u>\$ (30)</u>	<u>\$ 3,734</u>	<u>\$ 3,764</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Total revenues	-	-	-	-
EXPENDITURES				
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2019**

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 141,295	\$ 141,295	\$ 148,785	\$ 7,490
Total revenues	<u>141,295</u>	<u>141,295</u>	<u>148,785</u>	<u>7,490</u>
EXPENDITURES				
Current:				
Culture and recreation	189,604	189,604	148,571	41,033
Total expenditures	<u>189,604</u>	<u>189,604</u>	<u>148,571</u>	<u>41,033</u>
Excess of revenues over (under) expenditures	<u>(48,309)</u>	<u>(48,309)</u>	<u>214</u>	<u>48,523</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	16,000	16,000	16,000	-
Total other financing sources (uses)	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>-</u>
Net change in fund balances	(32,309)	(32,309)	16,214	48,523
Fund balance, beginning of year	<u>66,507</u>	<u>66,507</u>	<u>66,507</u>	<u>-</u>
Fund balance, end of year	<u>\$ 34,198</u>	<u>\$ 34,198</u>	<u>\$ 82,721</u>	<u>\$ 48,523</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue	\$ 115,000	\$ 115,000	\$ 7,820	\$ (107,180)
Charges for services	1,000	1,000	-	(1,000)
Total revenues	<u>116,000</u>	<u>116,000</u>	<u>7,820</u>	<u>(108,180)</u>
EXPENDITURES				
Current:				
Public safety	16,000	16,000	8,831	7,169
Capital outlay	100,000	100,000	-	100,000
Total expenditures	<u>116,000</u>	<u>116,000</u>	<u>8,831</u>	<u>107,169</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(1,011)</u>	<u>(1,011)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	(1,011)	(1,011)
Fund balance, beginning of year	<u>11,971</u>	<u>11,971</u>	<u>11,971</u>	<u>-</u>
Fund balance, end of year	<u>\$ 11,971</u>	<u>\$ 11,971</u>	<u>\$ 10,960</u>	<u>\$ (1,011)</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, 2019**

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Miscellaneous	\$ 11,200	\$ 11,200	\$ 4,133	\$ (7,067)
Total revenues	<u>11,200</u>	<u>11,200</u>	<u>4,133</u>	<u>(7,067)</u>
EXPENDITURES				
Current:				
Culture and recreation	10,955	10,955	8,531	2,424
Total expenditures	<u>10,955</u>	<u>10,955</u>	<u>8,531</u>	<u>2,424</u>
Excess of revenues over (under) expenditures	<u>245</u>	<u>245</u>	<u>(4,398)</u>	<u>(4,643)</u>
Net change in fund balances	245	245	(4,398)	(4,643)
Fund balance, beginning of year	<u>23,893</u>	<u>23,893</u>	<u>23,893</u>	<u>-</u>
Fund balance, end of year	<u>\$ 24,138</u>	<u>\$ 24,138</u>	<u>\$ 19,495</u>	<u>\$ (4,643)</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, 2019

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Contributions	\$ 441,300	\$ 441,300	\$ 54,580	\$ (386,720)
Total revenues	<u>441,300</u>	<u>441,300</u>	<u>54,580</u>	<u>(386,720)</u>
EXPENDITURES				
Current:				
General government	42,400	42,400	58,000	(15,600)
Public safety	-	-	6,084	(6,084)
Culture and recreation	398,900	269,300	3,430	265,870
Total expenditures	<u>441,300</u>	<u>311,700</u>	<u>67,514</u>	<u>244,186</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>129,600</u>	<u>(12,934)</u>	<u>(142,534)</u>
Net change in fund balances	-	129,600	(12,934)	(142,534)
Fund balance, beginning of year	<u>43,927</u>	<u>43,927</u>	<u>43,927</u>	<u>-</u>
Fund balance, end of year	<u>\$ 43,927</u>	<u>\$ 173,527</u>	<u>\$ 30,993</u>	<u>\$ (142,534)</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
REVENUES				
Charges for services	\$ 12,000	\$ 12,000	\$ 19,004	\$ 7,004
Rent	10,000	10,000	9,585	(415)
Total revenues	<u>22,000</u>	<u>22,000</u>	<u>28,589</u>	<u>6,589</u>
EXPENDITURES				
Current:				
Transportation	18,649	33,649	33,434	215
Total expenditures	<u>18,649</u>	<u>33,649</u>	<u>33,434</u>	<u>215</u>
Excess of revenues over (under) expenditures	<u>3,351</u>	<u>(11,649)</u>	<u>(4,845)</u>	<u>6,804</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,351)	(3,351)	-	(3,351)
Total other financing sources (uses)	<u>(3,351)</u>	<u>(3,351)</u>	<u>-</u>	<u>(3,351)</u>
Net change in fund balances	-	(15,000)	(4,845)	3,453
Fund balance (deficit), beginning of year	<u>9,395</u>	<u>9,395</u>	<u>9,395</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ 9,395</u>	<u>\$ (5,605)</u>	<u>\$ 4,550</u>	<u>\$ 3,453</u>

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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
REVENUES				
Intergovernmental revenue	\$ 110,000	\$ 110,000	\$ 1,300	\$ (108,700)
Total revenues	<u>110,000</u>	<u>110,000</u>	<u>1,300</u>	<u>(108,700)</u>
EXPENDITURES				
Current:				
Public safety	107,000	107,000	2,717	104,283
Total expenditures	<u>107,000</u>	<u>107,000</u>	<u>2,717</u>	<u>104,283</u>
Excess of revenues over (under) expenditures	<u>3,000</u>	<u>3,000</u>	<u>(1,417)</u>	<u>(4,417)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,000)	(3,000)	-	(3,000)
Total other financing sources (uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
Net change in fund balances	-	-	(1,417)	(7,417)
Fund balance, beginning of year	6,652	6,652	6,652	-
Fund balance, end of year	<u>\$ 6,652</u>	<u>\$ 6,652</u>	<u>\$ 5,235</u>	<u>\$ (7,417)</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, 2019

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	<u>(31,532)</u>	<u>(31,532)</u>	<u>(31,532)</u>	<u>-</u>
Fund balance, end of year	<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, 2019**

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental revenue	\$ 130,000	\$ 130,000	\$ 61,162	\$ (68,838)
Total revenues	<u>130,000</u>	<u>130,000</u>	<u>61,162</u>	<u>(68,838)</u>
EXPENDITURES				
Current:				
Culture and recreation	150,000	150,000	58,323	91,677
Transportation	-	-	15,562	(15,562)
Total expenditures	<u>150,000</u>	<u>150,000</u>	<u>73,885</u>	<u>76,115</u>
Excess of revenues over (under) expenditures	<u>(20,000)</u>	<u>(20,000)</u>	<u>(12,723)</u>	<u>7,277</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	20,000	20,000	-	(20,000)
Total other financing sources (uses)	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Net change in fund balances	-	-	(12,723)	(12,723)
Fund balance, beginning of year	40,072	40,072	40,072	-
Fund balance, end of year	<u>\$ 40,072</u>	<u>\$ 40,072</u>	<u>\$ 27,349</u>	<u>\$ (12,723)</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, 2019**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
REVENUES				
Investment earnings	\$ 900	\$ 900	\$ 3,094	\$ 2,194
Total revenues	<u>900</u>	<u>900</u>	<u>3,094</u>	<u>2,194</u>
EXPENDITURES				
Current:				
General government	2,000	2,000	323	1,677
Capital outlay	8,000	8,000	-	8,000
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>323</u>	<u>9,677</u>
Excess of revenues over (under) expenditures	<u>(9,100)</u>	<u>(9,100)</u>	<u>2,771</u>	<u>11,871</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(9,100)	(9,100)	2,771	11,871
Fund balance, beginning of year	<u>127,126</u>	<u>127,126</u>	<u>127,126</u>	<u>-</u>
Fund balance, end of year	<u>\$ 118,026</u>	<u>\$ 118,026</u>	<u>\$ 129,897</u>	<u>\$ 11,871</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, 2019

	<u>Budgeted Amounts</u>			Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Intergovernmental revenue	\$ 260,406	\$ 260,406	\$ 215,715	\$ (44,691)
Charges for services	16,000	16,000	14,139	(1,861)
Miscellaneous	-	-	11,434	11,434
Total revenues	<u>276,406</u>	<u>276,406</u>	<u>241,288</u>	<u>(35,118)</u>
EXPENDITURES				
Current:				
Transportation	<u>350,836</u>	<u>350,836</u>	<u>276,113</u>	<u>74,723</u>
Total expenditures	<u>350,836</u>	<u>350,836</u>	<u>276,113</u>	<u>74,723</u>
Excess of revenues over (under) expenditures	<u>(74,430)</u>	<u>(74,430)</u>	<u>(34,825)</u>	<u>39,605</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>74,430</u>	<u>74,430</u>	<u>-</u>	<u>(74,430)</u>
Total other financing sources (uses)	<u>74,430</u>	<u>74,430</u>	<u>-</u>	<u>(74,430)</u>
Net change in fund balances	-	-	(34,825)	(34,825)
Fund balance (deficit), beginning of year	<u>(124,085)</u>	<u>(124,085)</u>	<u>(124,085)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (124,085)</u>	<u>\$ (124,085)</u>	<u>\$ (158,910)</u>	<u>\$ (34,825)</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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 8,481	\$ 8,481
Total revenues	<u>-</u>	<u>-</u>	<u>8,481</u>	<u>8,481</u>
EXPENDITURES				
Current:				
Capital outlay	50,000	50,000	-	50,000
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Excess of revenues over (under) expenditures	<u>(50,000)</u>	<u>(50,000)</u>	<u>8,481</u>	<u>58,481</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	-
Transfers in	50,000	50,000	-	(50,000)
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>
Net change in fund balances	-	-	8,481	8,481
Fund balance, beginning of year	<u>653,322</u>	<u>653,322</u>	<u>653,322</u>	<u>-</u>
Fund balance, end of year	<u>\$ 653,322</u>	<u>\$ 653,322</u>	<u>\$ 661,803</u>	<u>\$ 8,481</u>

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OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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

The Honorable Mayor and
City Council
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, 2019, 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 November 27, 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
November 27, 2019



**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, 2019, and have issued our report thereon dated November 27, 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, 2019.

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
November 27, 2019

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