

CITY OF GLOBE, ARIZONA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED
JUNE 30, 2015

CITY OF GLOBE, ARIZONA

TABLE OF CONTENTS

	EXHIBIT	PAGE
INDEPENDENT AUDITOR'S REPORT		2 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS		5 -13
STATEMENT OF NET POSITION	I	14
STATEMENT OF ACTIVITIES	II	15
BALANCE SHEET – GOVERNMENTAL FUNDS	III	16
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	IV	17-18
STATEMENT OF FUND NET POSITION – PROPRIETARY FUNDS.....	V	19
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS.....	VI	20
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	VII	21
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUND.....	VIII	22
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION–FIDUCIARY FUND	IX	23
NOTES TO THE FINANCIAL STATEMENTS	X	24-56
REQUIRED SUPPLEMENTARY INFORMATION:		
Budgetary Comparison Schedules:		
General Fund.....	1	57
Highway Users Fund	2	58
Transportation Excise Tax Fund.....	3	59
Grants Fund.....	4	60
Active Adult Center Fund.....	5	61
Library Fund.....	6	62
Water Utility Fund	7	63
Sewer Utility Fund.....	8	64
COMBINING NONMAJOR GOVERNMENTAL FUND FINANCIAL STATEMENTS		
Combining Balance Sheet	9	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	10	66
OTHER INFORMATION:		
Schedule of Expenditures of Federal Awards.....	A	67-69
Independent Auditor's Report on Compliance for Each Major Program And on Internal Control Over compliance Required by Circular A-133	B	70-71
Schedule of Findings and Questioned Costs	C	72-73
Summary Schedule of Prior Audit Findings.....	D	74
OTHER SCHEDULES AND REPORTS:		
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing</i> Standards	E	75-76

PHONE: (480) 830-7057
FAX: (480) 830-4923
EMAIL: jnaycpa@cox.net

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council
City of Globe, Arizona:

Report on the Financial Statements

I 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 Globe, Arizona, as of and for the year ended June 30, 2015, 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 of 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Globe, Arizona as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity 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 and budgetary comparison information on pages 5 through 13 and 57 through 64 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Globe, Arizona's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and 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 the auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

In connection with my audit, nothing came to my attention that caused me to believe that the City failed to use highway user revenue fund monies received by the City pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the City solely for the authorized

transportation purposes. However, my audit was not directed primarily toward obtaining knowledge of such noncompliance.

Other Reporting Required by Government Auditing Standard

In accordance with *Government Auditing Standards*, I have also issued my report dated February 19, 2016 on my consideration of the City of Globe, Arizona's internal control over financial reporting and on my 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 my 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 the City of Globe, Arizona's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to be "R. H. [unclear]", written over a horizontal line.

Mesa, Arizona
February 19, 2016

CITY OF GLOBE, ARIZONA MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Globe (City) annual financial report, the City's management provides narrative discussion and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The City's assets exceeded its liabilities by \$5,104,087 (net position) for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Capital assets of \$10,058,505 include property and equipment, net of accumulated depreciation and reduced by outstanding debt related to the purchase of capital assets.
 - (2) \$2,817,634 of capital contributed by the general fund to the Water and Sewer Enterprise Funds.
 - (3) Net position amounts of \$1,411,796 are restricted and committed for various purposes.
 - (4) Unrestricted net position amounts of a negative (\$9,183,840) represent the portion available to maintain the City's continuing obligations to citizens and creditors. This amount decreased \$326,247 from the prior year.
 - (5) Net position as of July 1, 2014 has been restated for implementation of GASB statement No. 68, Accounting and Financial Reporting for Pension. Net position for the City decreased \$12,968,242 due to these pension liabilities being added to the City's financial statements.
- The City's governmental funds reported a total ending fund balance of \$4,347,391 this year. This compares to the prior year total ending fund balance of \$4,113,942 showing an increase of \$233,449 during the current year.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The City also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these government-wide statements is the *Statement of Net Position*. This is the City-wide statement of financial position presenting information that includes all of the City's assets and liabilities, with the difference reported as *net position*. Over time, increases in net position may serve

as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating.

The second government-wide statement is the *Statement of Activities*, which reports how the City's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, and recreation. The business-type activities are the water and sewer utilities.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the City's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives. Budgetary comparison schedules can be found in a later section of this report.

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The Water and Sewer Utility funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization for water and sewer services.

Fiduciary funds such as the Volunteer Firemen's Relief and Pension Fund are reported in the fiduciary fund financial statements, but are excluded from the government-wide reporting. Fiduciary

fund financial statements report resources that are not available to fund city programs. Fiduciary fund financial statements report similarly to proprietary funds.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budgetary comparison schedules. These schedules demonstrate compliance with the City's adopted and final revised budget. Supplementary information follows the notes to the financial statements. Combining financial statements are provided for nonmajor governmental funds totaled in one column on the fund financial statements.

Financial Analysis of the City as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the City as a whole.

The following table provides a summary of the City's net position at June 30, 2015:

	Governmental	Business-type	SUMMARY OF NET POSITION		Amount Change
	Activities	Activities	Totals	Totals	
	2015	2015	2015	2014 As Restated	
Current and other assets	\$ 5,611,946	\$ 5,706,539	\$11,318,485	\$10,232,234	\$ 1,086,251
Non-current assets	0	0	0		0
Capital assets	4,995,514	9,492,184	14,487,698	13,921,245	566,453
Total Assets	10,607,460	15,198,723	25,806,183	24,153,479	1,652,704
Deferred Outflows of Resources.....	1,821,456	51,737	1,873,193	0	1,873,193
Non-current liabilities.....	13,465,489	5,486,184	18,951,673	16,929,228	2,022,445
Current liabilities	1,142,139	637,473	1,779,612	1,519,309	260,303
Total Liabilities	14,607,628	6,123,657	20,731,285	18,448,537	2,282,748
Deferred Inflows of Resources.....	1,653,351	190,653	1,844,004	0	1,844,004
Capital Contributed from General Fund....	0	2,817,634	2,817,634	2,817,634	0
Invested in capital assets	4,995,514	5,062,991	10,058,505	10,387,257	(328,752)
Restricted and Committed	102,431	1,309,365	1,411,796	1,357,652	54,144
Unrestricted	(8,930,008)	(253,840)	(9,183,848)	(8,857,601)	(326,247)
Total Net position	\$ (3,832,063)	\$ 8,936,150	\$ 5,104,087	\$ 5,704,942	\$ (600,855)

The City reported a negative net position for governmental activities and a positive balance in net position for business-type activities. Net position decreased \$1,129,816 for governmental activities and increased (\$528,961) for business-type activities.

The following table provides a summary of the City's changes in net position for the year ended June 30, 2015.

SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities	Business- type Activities	Totals	Totals	Amount Change
	2015	2015	2015	2014	
Revenues:					
Program revenues:					
Charges for services.....	\$ 824,354	\$3,233,016	\$ 4,057,370	\$ 3,871,652	\$ 185,718
Operating grants and contributions.....	1,322,869	0	1,322,869	1,186,329	136,540
Capital grants and contributions.....	314,803	300,524	615,327	96,605	518,722
General revenues:					
City Sales tax	3,734,001		3,734,001	3,677,803	56,198
State shared revenues.....	2,025,256		2,025,256	1,917,118	108,138
Property tax.....	499,113		499,113	495,060	4,053
Franchise fees and business licenses.....	709,670		709,670	630,199	79,471
Other	168,575	(105,025)	63,550	174,987	(111,437)
Total Revenues	9,598,641	3,428,515	13,027,156	12,049,753	977,403
Expenses:					
General Government	1,563,534		1,563,534	1,577,531	(13,997)
Police	3,568,084		3,568,084	2,558,568	1,009,516
Fire	2,198,543		2,198,543	1,848,207	350,336
Sanitation	629,067		629,067	668,591	(39,524)
Public Works.....	1,132,008		1,132,008	596,437	535,571
Streets	1,071,767		1,071,767	1,339,901	(268,134)
Library	187,536		187,536	200,735	(13,199)
Museum	157,142		157,142	184,390	(27,248)
Active Adult Center	196,347		196,347	205,297	(8,950)
Community Development	23,450		23,450	166,616	(143,166)
Interest on General Long-Term Debt	979		979	1,457	(478)
Water Utility		1,959,834	1,959,834	2,117,844	(158,010)
Sewer Utility		939,720	939,720	1,145,449	(205,729)
Total Expenses	10,728,457	2,899,554	13,628,011	12,611,023	1,016,988
Change in net position	(1,129,816)	528,961	(600,855)	(561,270)	(39,585)
Beginning net position.....	(2,702,247)	8,407,189	5,704,942	6,266,212	(561,270)
Ending net position	\$ (3,832,063)	\$ 8,936,150	\$ 5,104,087	\$ (5,704,942)	\$ (600,855)

Financial Analysis of the City's Funds

Governmental funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

Revenues (excluding grants) totaled \$9,143,060 in 2014-2015, an increase of 5.9% from 2013-2014. A comparative summary of principal revenues is as follows:

	2014-2015 Amount	Increase (Decrease) from 2013-2014		2013-2014 Amount
		Amount	%	
State Sales Tax	\$ 683,070	\$ 27,464		\$ 655,606
State Revenue Sharing	911,795	72,258		839,537
Highway Users Tax	715,455	40,819		674,636
Transportation Excise Tax.....	159,291	159,291		0
Property Tax	501,048	13,669		487,379
Vehicle Lieu Tax	430,391	8,416		421,975
City Sales Tax	3,734,001	56,198		3,677,803
Licenses, Permits and Miscellaneous	978,982	126,989		851,993
Magistrate Fines.....	71,950	(30,393)		102,343
County Library Property Tax	107,920	(5,680)		113,600
Sanitation Fees	606,562	(10,552)		617,114
Bed Tax	160,218	31,444		128,774
Interest Income and Gain on Investments...	5,529	(1,504)		7,033
Museum Fees and Product Sales	73,043	17,908		55,135
Donations	3,805	1,982		1,823
	<u>\$ 9,143,060</u>	<u>\$ 508,309</u>	<u>5.9%</u>	<u>\$ 8,634,751</u>

Expenditures and transfers (excluding grants) totaled \$8,909,611 in 2014-2015. This represents an increase of 5.2% from the prior year. The schedule that follows summarizes the expenditures and transfers.

	2014-2015 Amount	Increase (Decrease) from 2013-2014		2013-2014 Amount
		Amount	Amount	
Operating Expenditures and Transfers				
Mayor and Council	\$ 269,487	\$ (1,925)		\$ 271,412
Community Organizations	100,000	0		100,000
Administration.....	962,533	140,066		822,467
Police	2,659,358	168,175		2,491,183
Fire	1,770,887	(15,354)		1,786,241
Streets	865,455	(265,144)		1,130,599
Sanitation	612,715	(15,803)		628,518
Public Works.....	995,354	479,776		515,578
Museum	151,665	(35,170)		186,835
Magistrate.....	147,669	(8,108)		155,777
Library	152,004	(31,713)		183,717
Debt Service.....	66,227	32,867		33,360
Active Adult Center Operating Transfer....	84,388	19,731		64,657
Fund Transfer to Library Board.....	21,573	21,573		0
Capital Outlay	50,296	(48,393)		98,689
	<u>\$8,909,611</u>	<u>\$ 440,578</u>	<u>5.2%</u>	<u>\$8,469,033</u>

Revenues (\$9,143,060) exceeded expenditures (\$8,909,611) by \$233,449 and increased the City's overall governmental fund balance carryover from \$4,113,942 at June 30, 2014 to \$4,347,391 at June 30, 2015. The \$233,449 increase for 2014-2015 was \$67,731 more than the \$143,646 increase for 2013-2014. State shared revenues increased over the prior year and were the main reason for the increase.

Proprietary funds

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. The change in net position for these funds increased \$528,961 for the year ended June 30, 2015 compared to a decrease of \$190,658 for 2013-2014.

That is an increase in profitability of \$719,619. Due to an increase in utility rates effective September 1, 2014 water utility revenues increased \$125,865 and sewer utility revenues increased \$131,874 for a total revenue increase of \$257,739.

City Payroll and Fringe Benefits

The City's gross payroll for 2014-2015 was \$4,307,587 a decrease of 2.3% or \$98,088 from 2013-2014. A summary by department follows:

	2014-2015 Amount	INCREASE (DECREASE) FROM 2013-2014	2013-2014 Amount
Administration.....	\$ 543,562	\$ (53,683)	\$ 597,245
Police	1,380,349	(20,054)	1,400,403
Fire	957,517	(29,878)	987,395
Streets.....	294,512	(43,348)	337,860
Public Works & Museum.....	371,783	41,080	330,703
Library	91,568	(15,514)	107,082
Active Adult Center.....	62,244	626	61,618
Water Utility.....	394,646	(55,086)	449,732
Sewer Utility.....	211,406	77,769	133,637
	<u>\$4,307,587</u>	<u>\$ (98,088)</u>	<u>\$4,405,675</u>

The following payroll fringe benefits amounted to \$2,548,947, a decrease of (\$2,415), or .1% and are detailed as follows:

	2014-2015	INCREASE DECREASE	2013-2014
Social Security and Medicare Taxes	\$ 251,548	\$ (6,988)	\$ 258,536
State Retirement Contributions	241,581	(4,962)	246,543
Policemen's Pension Contributions	370,027	68,059	301,968
Regular Firemen's Pension Contributions	317,877	4,320	313,557
Elected Officials Retirement Contributions	6,486	(2,225)	8,711
Industrial Insurance.....	165,836	(6,161)	171,997
Health and Life Insurance	1,195,592	(54,458)	1,250,050
	<u>\$2,548,947</u>	<u>\$ (2,415)</u>	<u>\$2,551,362</u>

Fringe benefits provided by the City (\$2,548,947) amounted to 59% of the total gross payroll (\$4,307,587).

Analysis of Balances of City's Individual Funds

As of the end of the current fiscal year, the City's individual governmental funds reported a combined \$4,347,391, an increase of \$233,449 in comparison with the prior year. Approximately 46% of this total amount (\$4,335,027) constitutes the General Fund Balance, which is available for its ongoing obligations. At June 30, 2015 fund balances were as follows:

Fund	Balance	Increase (Decrease) From 2014
Governmental Funds:		
General Fund.....	\$4,335,027	\$245,674
Highway Users Fund.....		
Grants Fund.....		
Active Adult Center Fund.....		
Library Fund.....	3,073	(21,516)
Transportation Excise Tax Fund.....	9,291	9,291
Total.....	4,347,391	233,449
Proprietary Funds (Modified Accrual/Budgetary Basis):		
Water Utility Fund.....	3,085,309	417,102
Sewer Utility Fund.....	1,980,921	277,689
TOTAL	\$9,413,621	\$928,240

Budgetary Highlights

The City's budget for fiscal year 2015 was \$23,725,117. This was a decrease of \$934,883 from the previous year's budget of \$24,660,000.

The City Council is authorized to allocate its contingency budget to increase departmental budgets within any fund, as long as total budgeted expenditures as originally adopted are not exceeded. For the year ended June 30, 2015, the general fund contingency budget was transferred to the following departments or funds to provide for unexpected additional expenditures.

Administration	\$100,000
Police	40,000
Active Adult Fund	18,000
Transportation Excise Tax Fund	<u>160,000</u>
	<u>\$318,000</u>

The expenditure limit adopted by the City Council under its voter approved home-rule expenditure limitation option was \$23,725,117 for the year ended June 30, 2015. The City's expenditures complied with this expenditure limitation.

Capital Asset and Debt Administration

Capital Assets

The following is a comparison of capital assets net of depreciation for 2015 and 2014.

	Governmental Activities		Business-Type Activities	
	2015	2014	2015	2014
Land.....	\$1,298,822	\$1,298,822	\$ 287,893	\$ 287,893
Construction in Progress.....	0	0	0	130,275
Buildings.....	1,502,320	1,631,435	1,849,076	2,101,496
Street Infrastructure And Other Improvements.....	1,175,200	1,435,092	7,096,697	5,860,545
Machinery and Equipment.....	1,019,172	867,134	258,518	308,553
	<u>\$4,995,514</u>	<u>\$5,232,483</u>	<u>\$9,492,184</u>	<u>\$8,688,762</u>

Long-Term Obligations

The City did not incur any new long-term general government debt. The final payment on the accounting software debt was made for \$65,248. The City did borrow amounts on its 2014 Water Revenue Bonds to fund additional water and well system expenditures.

FISCAL YEAR 2014-2015 ACCOMPLISHMENTS

City sales tax collections increased \$56,198 compared to a decrease of \$46,628 in city sales tax collections for the prior year. The City’s sales tax rate was not increased and remained at 2%. State shared revenues increased \$148,957 to provide the major increase in governmental revenues.

In January 2015 the City began receiving a share of the Gila County Transportation Excise Tax. \$159,291 was received through June 30, 2015. \$150,000 of these funds were expended on street improvement and maintenance projects.

The City hired a consultant to examine the City’s utility rates and make recommendations. As a result of that rate study, beginning on September 1, 2013, the water and sewer rates were increased at that time and will be further increased over several years. For the year ended June 30, 2015, this rate increase provided an increase of \$86,300 and \$102,124 in water and sewer revenues, respectively.

In June 2015, the City entered into an agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) that will provide \$5,500,000 in financial assistance for drinking water capital improvement projects. \$3,000,000 will be grants and \$2,500,000 will be revenue bonds payable over twenty years at 2.333%. \$1,041,337 in expenditures were incurred for the year ended June 30, 2015.

The City was able to maintain the current formula of health insurance benefits where the City paid for employee coverage at 100% less \$20 per month, which was contributed by the employee, and 67% of

the dependent coverage. The cost of these programs actually decreased \$54,457 or 4.3% compared to the prior year.

The City retired its only remaining long-term general government debt. This was for a five-year capital lease on its new accounting software. The City has Water Revenue Bonds outstanding at June 30, 2015 of \$4,429,193.

The City expended \$286,275 of community development block grant funds from the Arizona Department of Housing to install an elevator at the Cobre Valley Center for the Arts to provide for the removal of barriers (ROB) in conjunction with the American Disabilities Act.

The City received and spent a state grant of \$265,524 from the Arizona commerce Authority for a wastewater line infrastructure project in northeast Globe.

The City received \$70,702 in police and fire grants from the Governor's Office of Highway Safety during the year ended June 30, 2015 for DUI enforcement, accident investigation, and emergency services.

CITY OF GLOBE, ARIZONA
STATEMENT OF NET POSITION
 JUNE 30, 2015

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
ASSETS			
Current Assets:			
Pooled Cash and Cash Equivalents	\$ 583,409	\$ 4,509,991	\$ 5,093,400
Non-Pooled Cash and Cash Equivalents	1,460		1,460
Investments.....	4,437,842		4,437,842
Property Taxes Receivable.....	38,584		38,584
Accounts Receivable	51,052	329,833	380,885
Other Receivables.....	162,179	366,715	528,894
Due from Other Governments.....	685,749		685,749
Internal Balances.....	(500,000)	500,000	0
Inventory.....	30,513		30,513
Prepaid Expenses.....	121,158		121,158
Total Current Assets	5,611,946	5,706,539	11,318,485
Capital Assets:			
Land and Construction in Progress.....	1,298,822	287,893	1,586,715
Other Capital Assets, net of Depreciation.....	3,696,692	9,204,291	12,900,983
TOTAL ASSETS	\$ 10,607,460	\$ 15,198,723	\$ 25,806,183
DEFERRED OUTFLOWS OF RESOURCES - PENSIONS	1,821,456	51,737	1,873,193
LIABILITIES:			
Current Liabilities:			
Accounts Payable.....	\$ 508,002	\$ 470,647	\$ 978,649
Accrued Expenses and Other Liabilities.....	129,318	13,262	142,580
Customer Deposits.....	0	60,300	60,300
Compensated Absences - Current.....	466,905	93,264	560,169
Deferred Revenues.....	37,914	0	37,914
Total Current Liabilities	1,142,139	637,473	1,779,612
Non-Current Liabilities:			
Compensated Absences.....	184,859	35,859	220,718
Water Revenue Bonds Payable.....	0	4,429,193	4,429,193
Post Employment Benefits Obligations Payable.....	47,221	3,146	50,367
Net Pension Liabilities.....	13,233,409	1,017,986	14,251,395
Total Non-Current Liabilities	13,465,489	5,486,184	18,951,673
TOTAL LIABILITIES	14,607,628	6,123,657	20,731,285
DEFERRED INFLOWS OF RESOURCES - PENSIONS	1,653,351	190,653	1,844,004
NET POSITION			
Capital Contributed from General Fund.....	0	2,817,634	2,817,634
Invested in Capital Assets, Net of Related Debt.....	4,995,514	5,062,991	10,058,505
Restricted for:			
Street Improvements.....	9,291		9,291
Library Improvements.....	3,073		3,073
Canyon Water District Reserves.....	0	13,924	13,924
Revenue Bond Debt Service Reserve.....	0	308,266	308,266
Revenue Bond Repair and Maintenance Reserve.....	0	123,306	123,306
Committed for:			
Recycling Program.....	23,017		23,017
Cemetery Improvements.....	67,050		67,050
Water Exploration.....	0	863,869	863,869
Unrestricted.....	(8,930,008)	(253,840)	(9,183,848)
TOTAL NET POSITION	(\$3,832,063)	\$ 8,936,150	\$ 5,104,087

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES:					
Mayor and Council.....	\$ 238,283				\$ (238,283)
Community Organizations.....	100,000		\$ 160,218		60,218
Administration.....	1,075,894				(1,075,894)
Police.....	3,568,084	\$ 17,151	31,932	\$ 9,670	(3,509,331)
Fire.....	2,198,543	34,320	12,103	19,321	(2,132,799)
Streets.....	1,071,767		884,943		(186,824)
Sanitation.....	629,067	606,562			(22,505)
Public Works.....	1,132,008	24,823			(1,107,185)
Magistrate.....	149,357	33,241			(116,116)
Library.....	187,536	9,447	132,336	27	(45,726)
Museum.....	157,142	73,043			(84,099)
Active Adult Center.....	196,347	25,767	77,887	22,960	(69,733)
Community Development.....	23,450		23,450	262,825	262,825
Interest on Long-Term Debt.....	979				(979)
TOTAL GOVERNMENTAL ACTIVITIES.....	10,728,457	824,354	1,322,869	314,803	(8,266,431)
BUSINESS-TYPE ACTIVITIES					
Water.....	1,959,834	2,234,047		35,000	309,213
Sewer.....	939,720	998,969		265,524	324,773
TOTAL BUSINESS TYPE ACTIVITIES.....	2,899,554	3,233,016	0	300,524	633,986
TOTAL.....	\$ 13,628,011	\$ 4,057,370	\$ 1,322,869	\$ 615,327	\$ (7,632,445)

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
CHANGE IN NET POSITION:			
Net (Expenses) Revenue from above.....	\$ (8,266,431)	\$ 633,986	\$ (7,632,445)
General Revenues:			
State Sales Tax.....	\$ 683,070		\$ 683,070
State Revenue Sharing.....	911,795		911,795
Property Tax.....	499,113		499,113
Vehicle Lieu Tax.....	430,391		430,391
City Sales Tax.....	3,734,001		3,734,001
Utility Franchise Fees.....	177,936		177,936
Business Licenses.....	531,734		531,734
Miscellaneous.....	184,646		184,646
Interest Income.....	3,444	3,805	7,249
Gain on Investments.....	2,068	2,273	4,331
Gain (Loss) on Disposal of Assets.....		(111,103)	(111,103)
Transfer to Library Board.....	(21,573)		(21,573)
Total General Revenues and Transfers	7,136,615	(105,025)	7,031,590
Change in Net Position.....	(1,129,816)	528,961	(600,855)
Net Position - Beginning.....	(2,702,247)	8,407,189	5,704,942
Net Position - Ending.....	\$ (3,832,063)	\$ 8,936,150	\$ 5,104,087

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	GENERAL FUND	HIGHWAY USERS FUND	GRANTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Pooled Cash and Cash Equivalents.....	\$ 413,309	\$ 38,381		\$131,719	\$ 583,409
Non-Pooled Cash and Cash Equivalents.....	1,425			35	1,460
Investments.....	4,437,842				4,437,842
Property Taxes Receivable.....	38,584				38,584
Accounts Receivable.....	51,052				51,052
Other Receivables.....	162,179				162,179
Due from Other Governments.....	264,314	68,431	\$304,300	48,704	685,749
Due from Other Funds.....	274,494				274,494
Inventory.....	30,513				30,513
Prepaid Expenses.....	121,158				121,158
TOTAL ASSETS.....	\$ 5,794,870	\$106,812	\$304,300	\$180,458	\$ 6,386,440
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable.....	\$ 243,047	\$106,812	\$ 1,631	\$ 156,512	\$ 508,002
Accrued Expenses and Other Liabilities...	129,318				129,318
Compensated Absences	465,062			1,843	466,905
Due to Other Funds.....	500,000		264,755	9,739	774,494
Deferred Revenues.....	0		37,914		37,914
Total Liabilities.....	1,337,427	106,812	304,300	168,094	1,916,633
Deferred Inflows of Resources.....	122,416				122,416
Fund Balances:					
Restricted:					
Street Improvements.....				9,291	9,291
Library Improvements.....				3,073	3,073
Committed:					
Recycling Program.....	23,017				23,017
Cemetery Improvements.....	67,050				67,050
Unassigned.....	4,244,960				4,244,960
Total Fund Balances.....	4,335,027	0	0	12,364	4,347,391
TOTAL LIABILITIES AND FUND BALANCE	\$ 5,794,870	\$ 106,812	\$ 304,300	\$180,458	\$ 6,386,440
TOTAL FUND BALANCE - Total Governmental Funds.....					\$4,347,391
Amounts reported for governmental activities in the statement of net assets are different because:					
- Capital assets of \$15,815,385, net of accumulated depreciation of (\$10,819,871), are not financial resources and therefore, are not reported in the funds.....					4,995,514
- Other long-term assets (receivables) are not available to pay for current period expenditures and therefore, are deferred inflows of resources in the funds. These include property taxes of \$27,982 and magistrate fines of \$94,434.....					122,416
- Compensated Absences for sick leave are payable only upon employee retirement and therefore are not payable from current resources.....					(184,859)
- Pension benefit obligations of \$13,233,409, deferred outflows of resources for pensions of (\$1,821,456) and deferred inflows of resources for pensions of \$1,653,351.....					(13,065,304)
- Long-term liabilities for post employment health benefits are not due and payable in the current period and therefore are not reported in the funds.....					(47,221)
NET POSITION OF GOVERNMENTAL ACTIVITIES.....					(\$3,832,063)

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	GENERAL FUND	HIGHWAY USERS FUND	GRANTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
State Sales Tax.....	\$ 683,070				\$ 683,070
State Revenue Sharing.....	911,795				911,795
Highway Users Tax.....	0	\$715,455			715,455
Transportation Excise Tax.....	0			\$ 159,291	159,291
Property Tax.....	501,048				501,048
Vehicle Lieu Tax.....	430,391				430,391
Grant Revenue.....	0		\$391,186	71,347	462,533
City Sales Tax.....	3,734,001				3,734,001
Bed Tax.....	160,218				160,218
Utility Franchise.....	177,936				177,936
Business Licenses.....	531,734				531,734
Licenses, Permits and Other.....	259,462			65,117	324,579
County Library Property Tax.....	0			107,920	107,920
Fines and Forfeitures.....	71,950				71,950
Sanitation Fees.....	606,562				606,562
Museum Fees and Product Sales.....	73,043				73,043
Interest Income.....	3,444			27	3,471
Gain on Investments.....	2,058				2,058
Donations.....	3,805				3,805
TOTAL REVENUES	8,150,517	715,455	391,186	403,702	9,660,860
EXPENDITURES:					
Current:					
Mayor and Council.....	269,487				269,487
Community Organizations.....	100,000				100,000
Administration.....	962,533				962,533
Fire.....	1,770,887		9,779		1,780,666
Police.....	2,659,358		31,932		2,691,290
Streets.....	0	715,455	10,197	150,000	875,652
Sanitation.....	612,715				612,715
Public Works.....	995,354				995,354
Magistrate.....	147,669				147,669
Museum.....	151,665				151,665
Library.....	0		24,012	152,004	176,016
Active Adult Center.....	0			188,042	188,042
Community Development.....	0		23,450		23,450
Capital Outlay.....	50,296		291,816	22,960	365,072
Debt Service:					
Principal.....	65,248				65,248
Interest.....	979				979
TOTAL EXPENDITURES	7,786,191	715,455	391,186	513,006	9,405,838
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	364,326	0	0	(109,304)	255,022
OTHER FINANCING SOURCES (USES):					
Transfer to Active Adult Center Fund.....	(84,388)			84,388	0
Transfer to Library Board.....	0			(21,573)	(21,573)
Transfer to Library Fund.....	(34,264)			34,264	0
Proceeds of Long Term Debt Obligations.....	0				0
NET OTHER FINANCING SOURCES (USES)	(118,652)	0	0	97,079	(21,573)
NET CHANGE IN FUND BALANCES	245,674	0	0	(12,225)	233,449
FUND BALANCES, Beginning	4,089,353	0	0	24,589	4,113,942
FUND BALANCES, Ending	\$ 4,335,027	\$ 0	\$ 0	\$ 12,364	\$ 4,347,391

CITY OF GLOBE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCE - Total Governmental Funds (from prior page)..... \$ 233,449

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

- Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$365,072) were less than depreciation (\$602,041) in the current period.....	(236,969)
- Compensated Absences for sick leave are payable only upon employee retirement and, therefore, not payable from current resources. This amount is a credit for 2014-2015	8,692
- Payment of principal amounts on capital leases is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.....	65,248
- Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include a decrease of (\$1,935) in the City's property taxes and an decrease of (\$38,710) in court fines.....	(40,645)
-On the statement of activities, the gain or loss on the disposal of assets is reported, whereas in the governmental funds the proceeds from the disposal increase financial resources. The change in net assets differs from the change in fund balance by the cost of the assets sold of (\$0) net of related accumulated depreciation of \$0.....	0
-On the statement of activities, the actual and projected long-term expenditures for post retirement health benefits are reported whereas on the governmental funds only the actual expenditures are recorded for post employment benefits. This amount is a credit for 2014-2015.....	99,238
- On the statement of activities, pension expense is \$1,258,829 more than pension contributions on the modified accrual basis.....	<u>(1,258,829)</u>

CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES..... \$ (1,129,816)

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

CITY OF GLOBE, ARIZONA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
ASSETS			
Current Assets:			
Pooled Cash and Cash Equivalents.....	\$ 2,583,306	\$ 1,926,685	\$ 4,509,991
Due from Other Funds.....	500,000	0	500,000
Accounts Receivable.....	239,518	90,315	329,833
Other Receivable.....	337,212	29,503	366,715
Total Current Assets.....	3,660,036	2,046,503	5,706,539
Capital Assets:			
Land and Construction in Progress.....	287,893	0	287,893
Other Capital Assets net of Accumulated Depreciation.....	6,360,238	2,844,053	9,204,291
TOTAL ASSETS.....	\$10,308,167	\$4,890,556	\$15,198,723
DEFERRED OUTFLOWS OF RESOURCES - PENSIONS.....	33,727	18,010	51,737
LIABILITIES			
Current Liabilities:			
Accounts Payable.....	\$ 431,552	\$ 39,095	\$ 470,647
Sales Tax Payable.....	13,262		13,262
Customer Deposits.....	60,300		60,300
Compensated Absences - Current.....	71,923	21,341	93,264
Total Current Liabilities.....	577,037	60,436	637,473
Non-current Liabilities:			
Compensated Absences - Non-Current.....	29,019	6,840	35,859
Water Revenue Bonds Payable.....	4,429,193		4,429,193
Post Employment Benefits Obligations Payable.....	3,146		3,146
Net Pension Liabilities.....	663,619	354,367	1,017,986
Total Non-Current Liabilities.....	5,124,977	361,207	5,486,184
TOTAL LIABILITIES.....	5,702,014	421,643	6,123,657
DEFERRED INFLOWS OF RESOURCES - PENSIONS.....	124,286	66,367	190,653
NET POSITION			
Capital Contributed from General Fund.....	1,635,291	1,182,343	2,817,634
Invested in Capital Assets, Net of Related Debt.....	2,218,938	2,844,053	5,062,991
Restricted for Canyon Water District Reserves.....	13,924		13,924
Restricted for Revenue Bond Debt Service.....	308,266		308,266
Restricted for Repair and Replacement.....	123,306		123,306
Committed for Water Exploration.....	863,869		863,869
Unrestricted.....	(648,000)	394,160	(253,840)
TOTAL NET POSITION.....	\$4,515,594	\$4,420,556	\$8,936,150

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
OPERATING REVENUES:			
Charges for Services.....	\$ 2,089,040	\$ 964,744	\$ 3,053,784
Taps, Extensions and Permits.....	81,280	4,722	86,002
Penalties.....	63,727	0	63,727
Miscellaneous.....		29,503	29,503
TOTAL OPERATING REVENUES.....	2,234,047	998,969	3,233,016
OPERATING EXPENSES:			
Personal Services.....	568,426	235,905	804,331
Telephone and Utilities.....	281,777	88,522	370,299
Repairs and Maintenance.....	86,987	261,768	348,755
Supplies.....	253,847	51,341	305,188
Miscellaneous.....	72,169	36,967	109,136
Depreciation.....	416,847	251,250	668,097
Bad Debt Expense.....	4,316	846	5,162
Insurance.....	40,196	13,121	53,317
TOTAL OPERATING EXPENSES.....	1,724,565	939,720	2,664,285
OPERATING INCOME (LOSS).....	509,482	59,249	568,731
NON-OPERATING REVENUES (EXPENSES):			
Gain on Investments.....	1,326	947	2,273
Interest Income.....	2,220	1,585	3,805
Net Activity from Water Revenue Bonds.....	(114,470)	0	(114,470)
Interest Expense.....	(120,799)		(120,799)
Grant Proceeds.....	35,000	265,524	300,524
Gain (Loss) on Disposal of Equipment.....	(52,487)	(58,616)	(111,103)
TOTAL NON-OPERATING REVENUES (EXPENSES).....	(249,210)	209,440	(39,770)
CHANGE IN NET POSITION.....	260,272	268,689	528,961
TOTAL NET POSITION - Beginning.....	4,255,322	4,151,867	8,407,189
TOTAL NET POSITION - Ending.....	\$4,515,594	\$4,420,556	\$8,936,150

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	WATER UTILITY	SEWER UTILITY	TOTAL PROPRIETARY FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers.....	\$ 2,227,303	\$ 955,752	\$ 3,183,055
Cash Payments to Suppliers for Goods and Services.....	(640,515)	(456,233)	(1,096,748)
Cash Payments for Employees, Payroll Taxes and Fringe Benefits.....	(600,815)	(319,681)	(920,496)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	985,973	179,838	1,165,811
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Pension Obligations.....	(3,171)	(1,693)	(4,864)
Temporary Loans From (to) Other Funds.....	0	0	0
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES.....	(3,171)	(1,693)	(4,864)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Water Revenue Bond Proceeds Net.....	797,503	0	797,503
Grant Proceeds.....	35,000	265,524	300,524
Interest Expense Payments.....	(120,799)	0	(120,799)
Principal Payments on Debt.....	(186,553)	0	(186,553)
Acquisition and Construction of Capital Assets.....	(1,281,758)	(300,866)	(1,582,624)
NET CASH PROVIDED BY (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	(756,607)	(35,342)	(791,949)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Income.....	2,220	1,585	3,805
Gain on Investments.....	1,326	947	2,273
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES.....	3,546	2,532	6,078
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	229,741	145,335	375,076
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	2,353,265	1,781,350	4,134,615
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	\$ 2,583,006	\$ 1,926,685	\$ 4,509,691
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating Income (Loss).....	\$ 509,482	\$ 59,249	\$ 568,731
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation.....	416,847	251,250	668,097
(Increase) Decrease in Accounts Receivable.....	(6,858)	(13,714)	(20,572)
(Increase) Decrease in Other Receivables.....	114	(29,503)	(29,389)
Increase (Decrease) in Accounts Payable.....	118,420	(3,668)	114,752
Increase (Decrease) in Sales Tax Payable and Deposits.....	(19,643)	0	(19,643)
Increase (Decrease) in Compensated Absences.....	(27,841)	(44,286)	(72,127)
Increase (Decrease) in Post Employment Benefits Obligations Payable.....	(4,548)	(39,490)	(44,038)
Total Adjustments.....	476,491	120,589	597,080
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	\$ 985,973	\$ 179,838	\$ 1,165,811

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	VOLUNTEER FIREMEN'S RELIEF AND PENSION FUND
ASSETS	
Non-pooled Cash and Cash Equivalents.....	\$ 4,713
Due from City of Globe.....	\$ 1,305
Investments.....	37,806
TOTAL ASSETS.....	43,824
LIABILITIES:	
Accrued Expenses and Other Liabilities.....	0
TOTAL LIABILITIES.....	0
NET POSITION HELD IN TRUST FOR PENSION BENEFITS.....	\$43,824

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	VOLUNTEER FIREMEN'S RELIEF AND PENSION FUND
ADDITIONS	
Contributions:	
Employer.....	\$ 103
Plan Members.....	103
Total Contributions.....	206
Investment income:	
Gain (Loss) on Investments.....	90
Interest.....	49
Total Investment Income.....	139
TOTAL ADDITIONS	345
DEDUCTIONS	
Benefits.....	6,300
Refunds of Contributions.....	0
Administrative Expenses.....	0
TOTAL DEDUCTIONS.....	6,300
CHANGE IN NET ASSETS.....	(5,955)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS BEGINNING OF YEAR...	49,779
NET POSITION HELD IN TRUST FOR PENSION BENEFITS END OF YEAR.....	\$43,824

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA**Notes to Financial Statements**

June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Globe, Arizona operates under a council-manager form of government and provides the following services as authorized by statute: police and fire protection, highways and streets maintenance, sanitation, water, sewer, parks and recreation, public improvements, planning and zoning and general administrative services.

The accounting and reporting framework and the more significant accounting principles and practices of the City of Globe (City) are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanation, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2015.

A. Reporting Entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The basic criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. Based upon the application of these criteria, the City does not have any component units.

B. Government-wide and Fund Financial Statements*Governmental-wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City as a whole, excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services, (2) operating grants and contributions which finance operating activities including the Bed tax, Highway Users tax, Transportation Excise Tax and the County Library Property tax; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental and utility funds are reported in separate columns with a composite column for non-major governmental funds.

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

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary and fiduciary fund financial statements also report using this same focus and 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. GASB No. 68 required pension liabilities to be accrued on the government-wide financial statements for the first time this year and the effect on the net position was very negative. Property tax revenues are recognized in the year for which they are levied while grant revenues are recognized when grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, charges to customers for services, property taxes, franchise fees, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

D. Fund Types and Major Funds

Governmental Funds

The City only reports the following major governmental funds.

General Fund - reports as the primary fund of the City. This fund is used to account for all financial resources not reported in other funds.

Highway Users Fund – the City receives a share of the State's gas tax, which is to be used solely for street and highway expenditures.

Grants Fund – established to account for the City's grant programs not reported in proprietary funds.

The City also has the Transportation Excise Tax Fund, the Active Adult Center Fund and Library Fund which are aggregated in the "Other Governmental Funds" column.

Proprietary Funds

The City has only two enterprise funds and reports them both as major funds.

Water Utility Fund – accounts for the operating activities of the City's water utility services.

Sewer Utility Fund – accounts for the operating activities of the City’s sewer utility services.

Fiduciary Fund

Volunteer Firemen’s Relief and Pension Fund – reports fiduciary resources held in trust and the receipt, investment, and distribution of retirement contributions.

E. Assets, Liabilities, and Net Position or Equity

1. Cash and Investments

The City maintains one checking account. Each fund’s portion of the checking account pool is displayed on its respective balance sheet as “pooled cash and cash equivalents.” In addition, non-pooled cash and investments are separately held and reflected in their respective funds as “non-pooled cash and cash equivalents” and “investments”.

None of the City’s investments are considered “cash equivalents” for reporting purposes.

Investments are reported at fair value.

2. Inventories and Prepaid Expenses

Inventories consist of books, postcards and other items available for sale to the public at the Besh Ba Gowah Museum (\$30,513).

Prepaid expenses record payments to vendors that benefit future reporting periods. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

3. Capital Assets and Depreciation

The City’s property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets beginning July 1, 2009. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City capitalizes assets with a cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the a cost and applicable accumulated

depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. The City has elected not to report general infrastructure assets retroactively.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	10 - 40
Improvements, other than buildings	5 - 40
Furniture, machinery, and equipment	3 - 10
Street and Highway Infrastructure	10

4. Capitalized Interest

The City capitalizes net interest costs and interest earned as part of the cost of constructing various water and sewer projects when material. There have been no such projects for several years.

5. Compensated Absences

The City allows employees to accumulate unused sick leave to a maximum of 120 days. To encourage employees to accrue sick leave for the full term of employment, the city will “buy-back” sick leave upon retirement at a ratio of one day’s pay for each four days of sick leave the employee has accrued at retirement. Sick leave is not compensated for any other means of separation other than retirement. It and related payroll taxes and other salary-related payments are accrued as a non-current liability on the conservative assumption that all employees will be with the City until retirement. It is recognized as an expense and liability on the government-wide financial statements and the proprietary fund financial statements, but is not recognized in the governmental fund financial statements.

City employees are granted vacation leave in varying amounts. In the event of termination or retirement, an employee is reimbursed for any unused accumulated vacation leave up to 240 hours. Unlike sick leave, it and related payroll taxes and other salary-related payments are accrued as a current liability on the assumption that employees may terminate their employment at any time and the City would use current resources to pay the accumulated leave amounts. It is recognized as an expense and current liability on all the City’s financial statements.

6. Net Position

Government-wide Statements

Net position is displayed in five components:

- a. Capital Contributed from General Fund – consists of funds contributed to the enterprise funds in prior years from the City’s General Fund.
- b. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- c. Restricted net amounts – Consists of net amounts with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- d. Committed net amounts – consist of net amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances adopted by the Mayor and Council.
- e. Unrestricted net amounts – All other net amounts that do not meet the definition of “contributed capital”, “restricted”, “committed” or “invested in capital assets, net of related debt”.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as restricted, committed and unassigned.

7. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources relative to pensions, and pension expense, information about the pension plans fiduciary net position and additions to /deductions from the plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refund of employee contributions) are

recognized when due and payable in acceptance of the benefit terms. Investments are reported at fair value.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Expenditure Limit

The City Manager submits an annual budget to the City Council in accordance with Arizona State Statutes. The budget is presented to the City Council for review, and public hearings are held to address priorities and the allocation of resources. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Revisions to the budget are made by Council approval at year end. For the year ended June 30, 2015, \$318,000 of the general fund contingency budget was transferred to the following departments or funds to provide for unexpected additional expenditures:

Administration	\$100,000
Police	40,000
Active Adult Fund	18,000
Transportation Excise Tax Fund	<u>160,000</u>
	\$318,000

For legal compliance budgetary purposes, the modified accrual basis is followed for the utility funds. For the Water Utility fund the changes in net position on the accrual basis of (\$260,272) plus depreciation (\$416,847), less debt principal retirement (\$186,553), less capital outlay (\$1,281,758) plus debt proceeds (\$1,155,807) plus loss on disposal of equipment (\$52,487) equals excess revenues over expenditures (\$417,102) on the modified accrual basis.

For the Sewer Utility fund the changes in net position on the accrual basis of (\$268,689) plus depreciation (\$251,250), less capital outlay (\$300,866) plus loss on disposal of equipment (\$58,616), equals excess expenditures over revenues (\$277,689) on the modified accrual basis.

The expenditure limit adopted by the City Council under its voter approved home-rule expenditure limitation option was \$23,725,117 for the year ended June 30, 2015. The City's expenditures complied with this expenditure limitation.

III. DETAILED NOTES ON FUNDS

A. Assets

1. Deposits and Investments

Deposits

The City's deposits are categorized to give an indication of the level of risk assumed by the City at year end. Category 1 includes amounts that are FDIC insured. Category 2 includes amounts not covered by FDIC insurance but are collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

Deposits categorized by level of risk are as follows:

	<u>BANK BALANCE</u>	<u>CATEGORY 1</u>	<u>CATEGORY 2</u>	<u>CARRYING AMOUNT</u>
DEPOSITS: Pooled Cash and Cash Equivalents.....	\$ 5,477,784	\$ 500,000	\$4,977,784	\$5,093,400

Investments

For fiscal year 2015, the City invested in the Arizona's Local Government Investment Pool (LGIP). Arizona's Local Government Investment Pool is duly chartered and administered by the State Treasurer's Office. It is an eligible investment according to Arizona Revised Statutes. The City records all interest revenue earned from investment activities in the respective funds. The \$4,437,842 carrying amount is substantially the same as market value at June 30, 2015. Gains on investments amounts represent recovery of prior year investment bankruptcy losses recognized by the LGIP. Therefore, there is a risk of loss in the LGIP investment.

2. Receivables, Prepaid Expenses and Deferred Revenues

The following is a description of significant receivables as of June 30, 2015:

PROPERTY TAXES RECEIVABLE - Property taxes due from County: revenue deferred for amounts assessed by County but uncollected (\$27,982) for governmental fund financial statements.....		\$ 38,584
ACCOUNTS RECEIVABLE: Sanitation (\$51,052), Water (\$239,518), Sewer (\$90,315).....		380,885
OTHER RECEIVABLES:		
Franchise Fees Receivable.....	\$ 42,595	
Magistrate Fines Receivable (Deferred for Uncollected Amounts)	94,434	
Donations Receivable	29,503	
Miscellaneous Receivables.....	25,421	
Water Revenue Bonds Reimbursement Receivable	<u>336,941</u>	528,894
DUE FROM OTHER GOVERNMENTS:		
City Sales Tax.....	190,876	
Highway Users Tax.....	68,430	
Transportation Excise Tax.....	34,255	
State Sales Tax.....	54,687	
Vehicle License Tax.....	18,752	
Active Adult Center Grants	14,449	
Other Grants.....	38,776	
REDG Sewer Grant	<u>265,524</u>	<u>685,749</u>
TOTAL		<u>\$1,634,112</u>

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on May 1 and payable in two installments on October 1 and April 1 of the subsequent year. The County bills and collects property taxes on behalf of the City. In the governmental fund financial statements, City property tax revenues are recognized when levied to the extent that they have been collected by the City within sixty days of year end. Assessed amounts that are uncollected are recorded as a receivable and deferred revenue. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the City regardless of when cash is received. Over time, substantially all property taxes are collected.

Prepaid Expense of \$121,158 include: prepaid July 2015 health insurance premiums (\$113,720) and various dues (\$7,438).

The City is subject to a maximum primary property tax levy by Arizona State Statutes. For 2014-2015 this levy limit was \$648,830, and the City levied \$492,294 in primary taxes a difference of \$155,906. The City has no secondary property tax levy for general obligation bonded debt.

Due from Other Government receivables are primarily comprised of amounts due from the federal and state governments. Revenue is recorded as earned when eligibility requirements are met. Revenues deferred in the governmental fund financial statements include unearned grant revenue (\$37,914). Other revenue is

accrued that is unavailable to pay liabilities of the current period. These amounts are property taxes (\$27,982) and magistrate fines (\$94,434) that have not been collected within sixty days of year end. These total \$122,416 and are recorded as Deferred Inflows of Resources in the governmental fund financial statements.

3. Capital Assets

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, NOT DEPRECIATED		CAPITAL ASSETS, DEPRECIATED			
	LAND	CONSTRUCTION IN PROGRESS	BUILDINGS	STREET INFRASTRUCTURE AND IMPROVEMENTS OTHER THAN BUILDINGS	FURNITURE, MACHINERY AND EQUIPMENT	TOTALS
PRIMARY GOVERNMENT						
<i>Governmental Activities</i>						
Balance, Beginning	\$1,298,822		\$4,056,820	\$4,183,633	\$5,911,038	\$15,450,313
Increases					365,072	365,072
Decreases				0	0	0
Balance, Ending	1,298,822	\$ 0	4,056,820	4,183,633	6,276,110	15,815,385
<i>Accumulated Depreciation</i>						
Balance, Beginning			2,425,385	2,748,541	5,043,904	10,217,830
Increases			129,115	259,892	213,034	602,041
Decreases			0	0	0	0
Balance, Ending	0	0	2,554,500	3,008,433	5,256,938	10,819,871
<i>Governmental Activities Capital Assets, Net</i>	\$1,298,822	\$ 0	\$1,502,320	\$ 1,175,200	\$1,019,172	\$ 4,995,514
<i>Business-type Activities</i>						
Balance, Beginning	\$287,893	\$ 130,275	\$6,618,103	\$ 12,259,333	\$1,560,888	\$20,856,492
Increases	0			1,707,059	5,840	1,712,899
Decreases	0	(130,275)	(87,109)	(526,313)	0	(743,697)
Balance, Ending	287,893	0	6,530,994	13,440,079	1,566,728	21,825,694
<i>Accumulated Depreciation</i>						
Balance, Beginning			4,516,607	6,398,788	1,252,335	12,167,730
Increases			193,803	418,420	55,875	668,098
Decreases			(28,492)	(473,826)	0	(502,318)
Balance, Ending	0	0	4,681,918	6,343,382	1,308,210	12,333,510
<i>Business-type Activities Capital Assets, Net</i>	\$287,893	\$ 0	\$1,849,076	\$7,096,697	\$ 258,518	\$ 9,492,184

None of the above equipment amounts are being acquired under capital leases or contracts as of June 30, 2015.

Depreciation Expense

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities

Administration	\$125,499
Police	49,070
Fire	55,350
Sanitation	16,352
Public Works	117,404
Museum	5,308
Streets	213,383
Active Adult Center	8,142
Library	<u>11,533</u>
Total	<u>\$602,041</u>

Business-type Activities

Water Utility	\$416,847
Sewer Utility	<u>251,251</u>
Total	<u>\$668,098</u>

B. Liabilities

1. Lease Commitments, Contracts Payable and Water Revenue Bonds

The following is a summary of changes in lease commitments and contracts payable for the year ended June 30, 2015:

	<u>BALANCE</u> July 1, 2014	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	<u>BALANCE</u> June 30, 2015
Governmental Activities				
Contract Payable:				
Accounting Software.....	\$ 65,248	\$0	\$65,248	\$ 0

The City changed its accounting software during 2014-2015 and retired its accounting software contract with the previous software vendor. Interest expense for 2014-2015 was \$979.

The City had no special assessment debt at June 30, 2015.

The City entered into long-term contracts with seven property owners for the purchase of utility easement rights for waterline construction in exchange for reduced monthly water bills over ten or twenty years. The asset was recorded in the water utility fund (\$46,297) and contracts payable credited for the present value of these future water bill reductions at a rate of 10% per annum. For the year ended June 30, 2015, these contracts were satisfied and the final balance of \$3,762 was cancelled.

The legal debt limit imposed by state statutes is 6% of the City's assessed valuation of \$37,342,709 or \$2,240,563. The remaining debt limit available to the City is this amount at June 30, 2015.

The following is a summary of changes in compensated absences debt for the year ended June 30, 2015:

	BALANCE July 1, 2014	ADDITIONS	RETIREMENTS	BALANCE June 30, 2015	DUE WITHIN ONE YEAR
Compensated Absences					
Vacation & Comp Time	\$720,103	\$560,169	\$(720,103)	\$560,169	\$560,169
Sick Leave.....	235,737	220,718	(235,737)	220,718	0
TOTAL.....	\$ 955,840	\$780,887	\$(955,840)	\$ 780,887	\$560,169

On May 24, 2004, the Mayor and council approved a resolution authorizing the sale and issuance of 3.405% Water Revenue bonds, Project 2005 in an amount not to exceed \$5 million. As of June 30, 2015, \$4,999,880 had been obtained from the water bonds and principal of \$186,553 and interest of \$120,799 had been incurred for the year then ended. The debt balance at June 30, 2015, was \$3,387,855. Five annual debt service reserve payments of \$61,653 had been reserved as of June 30, 2015, for a total of \$308,266. Also \$123,306 had been reserved for the Repair and Replacement Reserve requirement.

Remaining payments on the \$3,387,855 are as follows through July 1, 2029.

	Total	Interest	Principal
2015-2016	\$ 308,265	\$115,360	\$ 192,905
2016-2017	\$ 308,265	\$108,792	\$ 199,473
2017-2018	\$ 308,265	\$102,000	\$ 206,265
2018-2019	\$ 308,265	\$ 94,976	\$ 213,289
2019-2020	\$ 308,265	\$ 87,714	\$ 220,551
2020-2025	\$1,541,328	\$320,678	\$1,220,650
2025-2029	\$1,233,062	\$ 98,340	\$1,134,722
	\$4,315,715	\$927,860	\$3,387,855

On June 25, 2014 the City entered into an agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) whereby WIFA would provide \$5,500,000 in financial assistance for drinking water capital improvement projects. \$3,000,000 will be grants and \$2,500,000 will be revenue bonds payable over 20 years at 2.333%. The first payment of \$99,524 is due July 1, 2015. The debt balance at June 30, 2015 is \$1,041,338, which is the total loan draws as of that date.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described and “due to/from other funds” (current interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

The following is a reconciliation of the interfund receivables and payables at June 30, 2015:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE
	Interfund Receivables (Due From)	Interfund Payables (Due To)	ACTIVITIES Interfund Receivables (Due From)
Water Utility Fund.....			\$500,000
General Fund.....	\$274,494	\$500,000	
Grant Fund.....		264,755	
Active Adult Center Fund.....		9,739	
	<u>\$274,494</u>	<u>\$774,494</u>	<u>\$500,000</u>

3. Transfers

Transfers within the reporting entity are substantially for the purposes of subsidizing operating functions. The General Fund transferred \$84,388 to the Active Adult Center Fund, and \$34,264 to the Library Fund.

4. Post Employment Employee Health Care Benefits

a. PLAN DESCRIPTION

Due to the projected actuarial costs of the plan, the City terminated the plan for employees retiring from the City of Globe after December 31, 2012. The plan is still in effect for four retired employees participating in the plan as of June 30, 2015. Due to the significant expense of obtaining actuarial reports, the City is electing to use its own present value calculations for these benefits.

Eligibility for the fixed \$400/month single or family subsidy requires that an employee completes at least 10 years of continuous City service, participates in the City health plan until retirement, and commences a state pension/health benefit

b. FUNDED STATUS AND FUNDING PROGRESS

	Fiscal Year Ending <u>June 30, 2015</u>
<u>Annual OPEB Obligation Activity</u>	
Net OPEB contributions made during the fiscal year	\$(56,943)
Cumulative unfunded obligation at 6-30-14	193,641
Catch up Funding of OBEP Obligation	<u>(86,331)</u>
Cumulative obligation at 6-30-15	<u><u>\$ 50,367</u></u>

As of June 30, 2015, the accrued liability for benefits was \$50,367, of which \$50,367 was fully accrued on the government wide financial statements.

The City's allocation of their OPEB liability to the City's functions are as follows:

Government Activities:	
General Government	\$ 47,221
Water Utility	<u>3,146</u>
Total Liability	<u>\$ 50,367</u>

5. **Restricted/Committed Fund Balances**

In conjunction with an increase in its water fees during 1992-93, the City provided that \$1 per month per customer be reserved for expenditures necessary to "secure a future water supply" or "water exploration".

Allocation of Revenue for 2014-2015.....	\$ 68,669
Expenditures.....	<u>0</u>
	68,669
Committed Balance, July 1, 2014.....	<u>795,200</u>
Committed Balance, June 30, 2015.....	\$863,869

In conjunction with the City's billing assistance to the Canyon Water District (a water district in a neighboring unincorporated area), the City collects various revenues, some of which are allocated to various reserves for debt service and system maintenance. The restricted balance was \$13,924 at June 30, 2015.

In conjunction with an increase in its sanitation fees during 1991-92, the City provided that \$1 per month per customer be reserved for a recycling program for the City. This monthly allocation of sanitation fees was terminated in

May, 1994, but prior funds set aside for the program remain committed for recycling purposes (\$23,017).

In November 1995, the City increased its cemetery lot fees, and designated \$50 of each \$100 lot fee received be set apart "for improvements and maintenance of current cemetery facilities or the acquisition and/or development of other property for cemetery purposes."

Allocation of Revenue for 2014-2015.....	\$ 6,500
Expenditures.....	<u>0</u>
	6,500
Committed Balance, July 1, 2014.....	<u>60,550</u>
Committed Balance, June 30, 2015.....	\$67,050

The library board of directors donated \$40,000 to the City's library for future building improvements. Interest of \$27 and donations of \$0 was allocated to the reserve for the year ended June 30, 2015. The library board of directors requested the City to return \$21, 573 of these funds to the board. The restricted balance at year-end was \$3,073.

IV. RETIREMENT PLANS

At June 30, 2015 the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net pension liabilities:			
Arizona State Retirement System (ASRS).....	\$ 2,493,288	\$1,017,986	\$3,511,274
Elected Officials Retirement Plan (EORP).....	257,089		257,089
Public Safety Personnel Retirement System (PSPRS) Fire.....	4,414,640		4,414,640
Public Safety Personnel Retirement System (PSPRS) Police....	6,068,392		6,068,392
	<u>\$13,233,409</u>	<u>\$1,017,986</u>	<u>\$14,251,395</u>
Deferred outflows of resources:			
Arizona State Retirement System (ASRS).....	\$ 126,716	\$ 51,737	\$ 178,453
Elected Officials Retirement Plan (EORP).....	70,704		70,704
Public Safety Personnel Retirement System (PSPRS) Fire.....	989,403		989,403
Public Safety Personnel Retirement System (PSPRS) Police....	634,633		634,633
	<u>\$ 1,821,456</u>	<u>\$ 51,737</u>	<u>\$1,873,193</u>
Deferred inflows of resources:			
Arizona State Retirement System (ASRS).....	\$ (466,954)	\$(190,653)	\$(657,607)
Elected Officials Retirement Plan (EORP).....	(4,874)		(4,874)
Public Safety Personnel Retirement System (PSPRS) Fire.....	(694,899)		(694,899)
Public Safety Personnel Retirement System (PSPRS) Police....	(486,624)		(486,624)
	<u>\$(1,653,351)</u>	<u>\$(190,653)</u>	<u>\$(1,844,004)</u>
Pension expense:			
Arizona State Retirement System (ASRS).....	\$ 163,151	\$ 66,614	\$ 229,765
Elected Officials Retirement Plan (EORP).....	76,745		76,745
Public Safety Personnel Retirement System (PSPRS) Fire.....	680,620		680,620
Public Safety Personnel Retirement System (PSPRS) Police....	1,137,613		1,137,613
	<u>\$ 2,058,129</u>	<u>\$ 66,614</u>	<u>\$2,124,743</u>

A. AGENT MULTIPLE EMPLOYER PLANS

Plan Descriptions, Contribution Information and Funding Policies

1. Arizona Public Safety Personnel Retirement System (PSPRS)

The City participates in a statewide, agent, multiple employer defined benefit plan on behalf of its police officers and firefighters. The plan is administered by the Arizona Public Safety Personnel Retirement System and funded by contributions from participants and employers.

The following is a summary of eligibility factors, contribution methods, and benefit provisions.

PSPRS	INITIAL MEMBERSHIP DATE	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age or 15 years age 62	25 years and age 52.5
Final average salary based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Benefit Percent		
Normal Retirement	50% less 2% for each year of credited service less than 20 years OR plus 2% or 2.5% for each year of credited service over 20 years not to exceed 80%	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 of 20 years of credited service, which ever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% of retired member's pension benefits	
Active Members	80% of accidental disability retirement benefit or 100% of average monthly monthly compensation if death was the result of injuries received on the job	

GASB No. 68 requires state and local government employers that contribute to defined benefit pension plans to recognize the net pension liability and the pension expense on their financial statements, along with the related deferred outflows of resources and deferred inflows of resources. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. In

traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the certain changes in the liability and investment experience.

Due to the recession and poor rate of investment return over several years, the City's share of the net pension liability has accumulated to \$6,068,392 for the police and \$4,414,640 for the firefighters and must be shown as a liability on the city's government-wide financial statements. This is a significant detriment to the City.

I.	GLOBE POLICE	GLOBE FIREFIGHTER'S
Employee's Contribution Rate.....	11.05%	11.05%
City's Contribution Rate.....	36.43%	38.08%
Actuarial Valuation Date.....	June 30, 2014	June 30, 2014
Measurement Date of the Net Pension Liability Requirements.....	June 30, 2014	June 30, 2014
Employer's Fiscal Year Ending Date (Reporting Date).....	June 30, 2015	June 30, 2015
Membership		
Number of		
Retirees and Beneficiaries.....	13	11
Inactive, Non-Retired Members.	6	2
Active Members.....	<u>19</u>	<u>17</u>
Total	38	30
Covered Payroll	\$910,118	\$823,923
Net Pension Liability		
Total Pension Liability/(Asset).....	\$9,655,027	\$7,955,464
Plan Fiduciary Net Position.....	<u>3,586,635</u>	<u>3,540,824</u>
Net Pension Liability/(Asset).....	6,068,292	4,414,640
Plan Fiduciary Net Position as a Percentage of Total Pension Liability.....	37.15%	44.51%
Net Pension Liability as a Percentage of covered payroll.....	666.77%	535.81%

	GLOBE POLICE	GLOBE FIREFIGHTER'S
Development of the Single Discount Rate as of June 30, 2014		
Long-Term Expected Rate of Investment Return.....	7.85%	7.85%
Long-Term Municipal Bond Rate.....	4.29%	4.29%
Last Year ending June 30 in the 2015-2114 projection period for which projected benefit payments are fully funded.....	2114	2114
Resulting single discount rate based on the above development...	7.85%	7.85%
Single Discount Rate calculated Using June 30, 2013 measurement Data.....	7.85%	7.85%
Total Pension Expense/(Income)....	\$1,137,613	\$680,620

DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES BY SOURCE TO BE RECOGNIZED IN FUTURE PENSION EXPENSES

	POLICE		FIRE	
	DEFERRED OUTFLOWS	DEFERRED INFLOWS OF RESOURCES	DEFERRED OUTFLOWS	DEFERRED INFLOWS OF RESOURCES
Difference between expected and actual experience.....	\$ 0	\$339,682		\$554,730
Changes in assumptions.....	989,403		634,633	
Net difference between projected and actual earnings on pension plan investments.....		146,942		140,169
TOTAL.....	\$989,403	\$486,624	\$634,633	\$694,899

The amounts reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an inflow) of the net pension asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year end June 30	POLICE	FIRE
2016	\$134,799	\$(17,980)
2017	134,799	(17,980)
2018	134,799	(17,980)
2019	98,382	(17,980)
2020	0	11,654
Thereafter	0	0
	\$502,779	\$(60,266)

Components of total pension liability and plan fiduciary net position.

		POLICE	FIRE
A.	TOTAL PENSION LIABILITY		
1.	Service Cost	\$202,049	\$170,156
2.	Interest on the Total Pension Liability	635,715	568,739
3.	Changes of benefit terms*	264,241	157,833
4.	Difference between expected and actual experience of the Total Pension Liability	(429,362)	(673,178)
5.	Changes of assumptions**	1,250,618	770,143
6.	Benefit payments, including refunds of employee contributions	(530,972)	(396,467)
7.	Net change in total pension liability	1,392,289	597,226
8.	Total Pension liability – beginning	8,262,738	7,358,238
9.	Total pension liability – ending	\$9,655,027	\$7,955,464
B.	PLAN FIDUCIARY NET POSITION		
1.	Contributions – employer	\$ 282,220	\$ 302,193
2.	Contributions – employee	108,788	90,601
3.	Net investment Income	445,624	425,082
4.	Benefit payments, including refunds of employee contributions	(530,972)	(396,467)
5.	Other (Net Transfer)	(251,795)	(130,977)
6.	Net change in plan fiduciary net position	53,865	290,432
7.	Plan fiduciary net position – beginning	3,532,770	3,250,392
8.	Plan fiduciary net position – ending	3,586,635	3,540,824
C.	NET PENSION LIABILITY/(ASSET)	\$6,068,392	\$4,414,640

The above information is the required supplementary information for the multi-year schedule of changes in net pension liability/(asset) and related ratios that will be built prospectively from 2014.

SINGLE DISCOUNT RATE

Projected benefit payments are required to be discounted to their actuarial present values using a single discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the plans' projected fiduciary net position is not sufficient to pay benefits).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.85%; the municipal bond rate is 4.29% (based on the weekly rate closest to but not later than the measurement date of the “state and local bonds” rate from Federal reserve statistical release (H.15)): and the resulting single discount Rate if 7.85%.

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the plan’s net pension liability/(asset), calculated using a single Discount Rate of 7.85%, as well as what the plan’s net pension liability/(asset) would be if it were calculated using a single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 6.85%	Current Single Discount Rate Assumption 7.85%	1% Increase 8.85%
Police			
Total Pension Liability.....	\$10,786,858	\$9,655,027	\$8,710,982
Plan fiduciary Net Position.....	3,586,635	3,586,635	3,586,635
Net Pension Liability/(Asset).....	\$7,200,223	6,068,392	\$5,124,347
Fire			
Total Pension Liability.....	\$8,836,604	\$7,955,464	\$7,212,763
Plan fiduciary Net Position.....	3,540,824	3,540,824	3,540,824
Net Pension Liability/(Asset).....	\$5,295,780	\$4,414,640	\$3,671,939

Methods and Assumptions Used to Determine Total Pension Liability:

<p>Actuarial Cost Method Asset Valuation Method Inflation Price Inflation Salary Increases Investment Rate of Return Retirement Age</p>	<p>Individual Entry Age Normal Market Value of Assets 4% 3.0% - 4.0% - approximate; No explicit price inflation assumption is used in this valuation 4.00% - 8.00% including inflation 7.85%, net of investment and administrative expenses 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 RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).</p>
<p>Mortality</p>	
<p>Other Information: Assumed Future Permanent Benefit Increases</p>	<p>Members Retired on or before July 1, 2011: 2% compounded on average Members Retired on or after August 1, 2011: 0.5% compounded on average. Since all current retirees receive the same dollar increase amount, approximately techniques were used to develop the assumed PBI for each member.</p>

A detailed description of the actuarial assumptions and methods can be found in the June 30, 2014 Arizona Public Safety Personnel Retirement System annual actuarial valuation report.

GASB Statement 27 Disclosure

	(1)	(2)	(3)	(4)	(5)	(6)
VALUATION DATE JUNE 30	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE	PERCENT FUNDED (1) / (2)	UNFUNDED AAL (2)-(1)	ANNUAL COVERED PAYROLL	UNFUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL (4) / (5)
POLICE						
2003	\$2,854,480	\$3,310,030	86.2%	\$ 455,550	\$ 778,451	58.5%
2004	\$2,970,185	\$3,761,983	79.0%	\$ 791,798	\$ 880,732	89.9%
2005	\$3,088,728	\$4,214,390	73.3%	\$ 1,125,662	\$ 731,591	153.9%
2006	\$3,042,140	\$4,603,642	66.1%	\$ 1,561,502	\$ 936,652	166.7%
2007	\$3,017,686	\$5,484,100	55.0%	\$ 2,466,414	\$ 954,199	258.5%
2008	\$3,177,459	\$5,443,956	58.4%	\$ 2,266,497	\$1,012,299	223.9%
2009	\$3,478,690	\$5,959,813	58.4%	\$ 2,481,123	\$1,040,198	238.5%
2010	\$3,733,092	\$6,464,638	57.7%	\$ 2,731,546	\$1,158,285	235.8%
2011	\$3,871,913	\$7,167,220	54.0%	\$3,295,307	\$1,028,864	320.3%
2012	\$3,833,491	\$7,935,627	48.3%	\$4,102,136	\$1,245,174	329.4%
2013	\$3,951,965	\$8,262,738	47.8%	\$4,310,773	\$1,096,682	393.1%
2014	\$3,637,067	\$9,655,027	37.7%	\$6,017,960	\$ 910,117	661.2%

	(1)	(2)	(3)	(4)	(5)	(6)
VALUATION DATE JUNE 30	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE	PERCENT FUNDED (1) / (2)	UNFUNDED AAL (2)-(1)	ANNUAL COVERED PAYROLL	UNFUNDED AAL AS A PERCENTAGE OF COVERED PAYROLL (4) / (5)
FIRE						
2003	\$3,122,426	\$3,062,086	102.0%	\$ (60,340)	\$666,305	-%
2004	\$2,989,691	\$3,382,649	88.4%	\$ 392,958	\$689,309	57%
2005	\$3,147,732	\$3,856,940	81.6%	\$ 709,208	\$693,102	102.3%
2006	\$3,129,304	\$4,096,286	76.4%	\$ 966,982	\$622,372	155.4%
2007	\$3,010,467	\$4,861,263	61.9%	\$1,850,796	\$785,091	235.7%
2008	\$3,185,126	\$4,860,775	65.5%	\$1,675,649	\$887,571	188.8%
2009	\$3,305,527	\$5,525,306	62.9%	\$ 1,949,779	\$958,958	203.3%
2010	\$3,426,868	\$5,474,660	62.6%	\$ 2,047,792	\$912,635	224.4%
2011	\$3,658,089	\$6,132,109	59.7%	\$2,474,020	\$837,638	295.4%
2012	\$3,702,594	\$7,008,467	52.8%	\$3,305,873	\$834,811	396.0%
2013	\$3,636,717	\$7,358,238	49.4%	\$3,721,521	\$884,920	420.6%
2014	\$3,590,612	\$7,955,464	45.1%	\$4,364,852	\$823,922	529.8%

B. COST SHARING MULTIPLE EMPLOYER PLANS

1. Arizona State Retirement System

The City of Globe participates in two statewide cost-sharing, multiple employer defined benefit plans on behalf of substantially all full-time non-public safety employees. The systems are funded by contributions from participants and employers.

I.

**ARIZONA STATE
RETIREMENT SYSTEM**

Authority establishing contribution obligations and benefits	State statute
Plan members' contribution rate (percent of covered payroll)	11.54%
City's contribution rate (percent of covered payroll)	11.54%
Alternate Contribution Rate	9.2%

<u>ASRS</u>	<u>RETIREMENT INITIAL MEMBERSHIP DATE</u>	
	<u>Before July 1, 2011</u>	<u>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 based on	Highest 36 months of last 120 months	Highest 60 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.		

The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credits.

Contributions required by State statute:

	<u>REQUIRED CONTRIBUTION</u>
2003.....	\$52,673
2004.....	\$124,557
2005.....	\$131,313
2006.....	\$185,731
2007.....	\$258,350
2008.....	\$276,065
2009.....	\$282,961
2010.....	\$264,325
2011.....	\$238,169
2012.....	\$236,044
2013.....	\$236,601
2014.....	\$246,543

GASB Statement No. 68 requires state and local government employers that contribute to defined benefit pension plans to recognize the net pension liability and the pension expense on their financial statements, along with the related deferred outflows of resources and deferred inflows of resources. The net pension liability is

the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the certain changes in the liability and investment experience.

Due to the recession and poor rate of investment return over several years, the City's share of the net pension liability has accumulated to \$3,511,274 shown as a liability on the city's government-wide financial statements. This is a significant detriment to the City.

Actuarial Valuation Date.....				June 30, 2013
Measurement Date of the Net Pension Liability Requirements.....				June 30, 2014
Employer's Fiscal Year Reporting Date.....				June 30, 2015
Membership				
Number of Active Non-retired Members				57
Covered Payroll				\$ 2,077,062
Net Pension Liability		ASRS Total	Globe%	
Total Pension Liability/(Asset)	\$48,490,307	x	.023730%	\$ 11,506,750
Plan Fiduciary Net Position	(33,693,705)	x	.023730%	(7,995,476)
Net Pension Liability	14,796,602	x	.023730%	3,511,274
Plan Fiduciary Net Position as a Percentage of Total Pension Liability				69.49%
Net Pension Liability as a Percentage of Covered Payroll				169.05%
Development of the Single Discount Rate as of June 30, 2014				
Long-Term Expected Rate of Investment Return.....				8.79 %
Long-Term Municipal Bond Rate.....				3.20 %
Resulting single discount Rate based on the above development...				8.00%
Total Pension Expense.....				\$229,765

Deferred Outflows and Deferred Inflows of Resources by source to be recognized in Future Pension Expenses

	Deferred Outflows	Deferred Inflows of Resources
Difference between expected and actual experience.....	\$178,453	
Changes proportion and differences between Town Contributions and proportionate share of contributions.....	0	\$ 43,594
Net difference between projected and actual earnings on Pension plan investments.....	0	614,013
Total.....	\$ 178,453	\$ 657,607

The \$196,954 reported as deferred outflows of resources related to ASRS pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an inflow) of the net pension asset in the year ended June 30,

2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year end June 30</u>	
2016	\$ (94,869)
2017	(135,913)
2018	(153,503)
2019	0
2020	0
Thereafter	0
	<u>\$ (384,285)</u>

Components of total pension liability and plan fiduciary net position

A. TOTAL PENSION LIABILITY	
1. Service Cost	\$ 229,399
2. Interest on the Total Pension Liability	856,046
3. Changes of benefit terms	0
4. Difference between expected and actual experience of the Total Pension Liability	256,039
5. Changes of assumptions	0
6. Benefit payments, including refunds of employee contributions	(667,424)
7. Net change in total pension liability	<u>674,060</u>
8. Total pension liability – beginning	<u>10,832,690</u>
9. Total pension liability – ending	<u>\$11,506,750</u>
B. PLAN FIDUCIARY NET POSITION	
1. Contributions – employer	\$ 229,224
2. Contributions – employee	236,181
3. Net investment Income	1,308,531
4. Benefit payments, including refunds of employee contributions	(667,424)
5. Other (Net Transfer)	1,230
6. Net change in plan fiduciary net position	<u>1,107,742</u>
7. Plan fiduciary net position – beginning	<u>6,887,734</u>
8. Plan fiduciary net position – ending	<u>7,995,476</u>
C. NET PENSION LIABILITY/(ASSET)	<u>\$3,511,274</u>

The above information is the required supplementary information for the multi year schedule of changes in net pension liability/(asset) and related ratios that will be built prospectively from 2014.

The long-term expected rate of return on ASRS pension plan increments was determined to be 8.79 percent using a building-block method which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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 long-term expected real rates of return for each major asset class are summarized in the following table:

ASRS

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	63%	4.43%
Fixed Income	25%	.80%
Real Estate	8%	.38%
Commodities	4%	.18%
Total	<u>100%</u>	5.79%
Inflation		3.00%
Total Long-term expected real rate of return		<u>8.79%</u>

Discount Rate - the discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions the pension plan 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the plan's net pension liability calculated using a single Discount Rate of 8.00%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 7.00%	Current Single Discount Rate Assumption 8.00%	1% Increase 9.00%
Net Pension Liability/(Asset)..	\$4,438,071	\$3,511,274	\$3,008,441

Methods and Assumption Used to Determine Total Pension Liability:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value
Inflation	3.0%
Salary Increases	3.00% - 6.75%
Projected Discount Rate	8.00%
Mortality Rates	1994 GAM Scale BB
Benefit Increases	Included

A detailed description of the actuarial assumptions and methods can be found in the June 30, 2014 Arizona State Retirement System annual actuarial valuation report.

2. *Elected Officials Retirement Program*

Plan Description – the City’s mayor and council members participate in the Elected Officials Retirement Program (EORP) administers a cost-sharing multiple-employer defined benefit pension plan and cost sharing multi-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials and judges who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A. R. S. title 38, Chapter 5, Article 3. The EORP issues a publicly available financial report that includes its financial statements and required supplementary information. This report is available on PSPRS’s Web site at www.psprs.com.

The EORP provides retirement, health insurance premium supplement, disability, survivor benefits, state statute establishes benefits terms. Retirement, disability and survivor benefits are calculated on the basis of age, average yearly compensation, and service credit as follows:

OERP	INITIAL MEMBERSHIP DATE	
	Before January 1, 2012	On or after January 1, 2012

Retirement and Disability

Years of service and age required to receive benefit

20 years any age	10 years age 62	10 years age 62
10 years age 62	5 years and age 65 years any age*5	5 years and age 65
5 years and age 65 years any age*5	Any years and age if disabled	Any years and age if disabled
Any years and age if disabled		

Final average salary based on

Highest 36 months of last 10 years	Highest 60 months of last 10 years
------------------------------------	------------------------------------

Benefit Percent

Normal Retirement

4% per year of service	3% per year of service
Not to exceed 80%	Not to exceed 75%
2.5% for ear year of credited service over 20 years not to exceed 80%	

Disability Retirement

80% with 10 or more years of service	75% with 10 or more years of service
40% with 5 to 10 years of service	37.5% with 5 to 10 years of years of service
20% with less than 5 years of service	18.75% with less than 5 years of service

Survivor Benefit

Retired Members

75% of retired member's benefits	50% of retired member's benefits
----------------------------------	----------------------------------

Active Members
And other Inactive Members

75% disability retirement benefit	50% disability retirement benefit
-----------------------------------	-----------------------------------

- With reduced benefits for each month early retirement precedes the member's normal retirement benefits, with a reduction of 30%

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings.

Contributions – State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability. For the year ended June 30, 2015, active EORP members were required by statute to contribute 13 percent of the members' annual covered payroll, and the City was required to contribute 23.5 percent of active EORP members' annual covered payroll.

Contributions required by State statute:

	REQUIRED CONTRIBUTION
2003.....	\$ 1,506
2004.....	\$ 2,894
2005.....	\$ 2,894
2006.....	\$ 4,622
2007.....	\$ 4,008
2008.....	\$ 4,467
2009.....	\$ 7,686
2010.....	\$ 7,246
2011.....	\$ 8,223
2012.....	\$ 8,727
2013.....	\$10,058
2014.....	\$ 8,710

GASB Statement No. 68 requires state and local government employers that contribute to defined benefit pension plans to recognize the net pension liability and the pension expense on their financial statements, along with the related deferred outflows of resources and deferred inflows of resources. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the certain changes in the liability and investment experience.

Due to the recession and poor rate of investment return over several years, the City's share of the net pension liability has accumulated to 257,089 shown as a liability on the City's government-wide financial statements. This is a significant detriment to the City.

Actuarial Valuation Date.....			June 30, 2014
Measurement Date of the Net Pension Liability Requirements.....			June 30, 2014
Employer's Fiscal Year Reporting Date.....			June 30, 2014
Membership			
Number of Active Non-retired Members			7
Covered Payroll			\$ 27,600
Net Pension Liability	EORP Total	Globe%	
Total Pension Liability/(Asset)	\$984,876,274	x .0383388%	\$ 377,590
Plan Fiduciary Net Position	(314,304,310)	x .0383388%	(120,501)
Net Pension Liability	670,571,964	x .0383388%	257,089
Plan Fiduciary Net Position as a Percentage of Total Pension Liability			31.91%
Net Pension Liability as a Percentage of Covered Payroll			931.48%
Development of the Single Discount Rate as of June 30, 2014			
Long-Term Expected Rate of Investment Return.....			7.85%
Long-Term Municipal Bond Rate.....			4.29 %
Resulting single discount Rate based on the above development...			5.67%
Total Pension Expense.....			\$ 76,745

Deferred Outflows and Deferred Inflows of Resources by source to be recognized in Future Pension Expenses

	Deferred Outflows	Deferred Inflows of Resources
Difference between expected and actual experience.....	\$ 1,130	
Changes of Assumptions.....	69,574	
Net difference between projected and actual earnings on Pension plan investments.....	0	\$4,874
Total.....	\$ 70,704	\$ 4,874

The \$70,704 reported as deferred outflows of resources related to EORP pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (or an inflow) of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year end June 30

2016	\$ 39,500
2017	28,767
2018	(1,219)
2019	(1,219)
2020	0
Thereafter	0
	<u>\$65,829</u>

Components of total pension liability and plan fiduciary net position

A. TOTAL PENSION LIABILITY	
10. Service Cost	\$ 9,010
11. Interest on the Total Pension Liability	18,226
12. Changes of benefit terms	131,288
13. Difference between expected and actual experience of the Total Pension Liability	1,780
14. Changes of assumptions	0
15. Benefit payments, including refunds of employee contributions	(20,756)
16. Net change in total pension liability	139,548
17. Total pension liability – beginning	238,042
18. Total pension liability – ending	<u>\$ 377,590</u>
B. PLAN FIDUCIARY NET POSITION	
9. Contributions – employer	\$ 11,443
10. Contributions – employee	3,446
11. Net investment Income	13,061
12. Benefit payments, including refunds of employee contributions	(20,756)
13. Other (Net Transfer)	1,155
14. Net change in plan fiduciary net position	8,349
15. Plan fiduciary net position – beginning	112,152
16. Plan fiduciary net position – ending	<u>120,501</u>
C. NET PENSION LIABILITY/(ASSET)	<u>\$ 257,089</u>

The above information is the required supplementary information for the multi year schedule of changes in net pension liability/(asset) and related ratios that will be built prospectively from 2014.

The long-term expected rate of return on EORP pension plan increments was determined to be 7.85 percent using a building-block method which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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 long-term expected real rates of return for each major asset class are summarized in the following table:

EORP

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equity	64%	5.09%
Fixed Income	25%	1.39%
Real Estate	8%	.72%
Total	100%	7.20%
Inflation		<u>0.65%</u>
Total Long-term expected real rate of Return		<u>7.85%</u>

Discount Rate - the discount rate used to measure the EORP total pension liability was 5.67 percent, which is less than the long-term expected rate of return of 7.85 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the EORP Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions the pension plan 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability/(asset) to changes in the Single Discount Rate, the following presents the plan's net pension liability calculated using a single Discount Rate of 5.67%, as well as what the plan's net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

	1% Decrease 4.67%	Current Single Discount Rate Assumption 5.67%	1% Increase 6.67%
Net Pension Liability/(Asset)..	\$300,130	\$257,089	\$220,748

Methods and Assumption Used to Determine Total Pension Liability:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Fair Value
Projected Salary Increases	4.25%
Discount Rate	5.67%
Mortality Rates	RP-2000 Mortality Table Scale AA
Benefit Increases	Included

A detailed description of the actuarial assumptions and methods can be found in the June 30, 2014 Arizona Elected Officials Retirement Plan consolidated report.

C. Volunteer Firemen's Relief and Pension Fund

The City has established the Volunteer Firemen's Relief and Pension Fund (a defined contribution plan) to provide pensions for its qualified volunteer firemen. The Fund covers only the volunteer firemen and is established solely upon the provisions for such pension and relief funds in the Arizona Revised Statutes. Sections therein give discretionary powers to the Board of Trustees in administering payment and/or non-payment of benefits to qualified retired or disabled volunteer firemen. No vested interests exist in any of the revenues of the fund other than the employee's right to his own contributions. Reserves for pensions, therefore, have not been established based on actuarial tables as the amounts are not vested. The City contributed \$103 to the pension fund during the year ended June 30, 2015, which was 5% of the covered and total payroll of \$2,060. The volunteer firemen's required and actual contributions amounted to \$103, which was 5% of covered payroll. These contributions met the funding requirements established by state statutes

V. LEGAL AND CONTINGENCIES

A. Pollution Remediation

The City is party to an environmental pollution remediation project involving land where underground gasoline storage tanks caused groundwater pollution. For the year ended June 30, 2015 \$4,394 in testing and engineering costs had been incurred.

B. Federal and State Grants

In the normal course of operations, the City receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for a reimbursement which may arise as the result of these audits, is not believed to be material.

C. Participation In Public Entity Risk Pool

The City is a member of the Arizona Municipal Risk Retention Pool ("Pool"). The Pool was created to formulate, develop and administer a program of self-funding for the Pool's membership, obtain lower costs for property and liability insurance coverage and develop a comprehensive loss control program. The City pays an annual premium to the Pool for its coverage. The City's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member local governments. Insurance settlements for the City did not exceed insurance coverage for each of the past three years.

The Pool is financially solvent as of June 30, 2015. However, if the Pool should become insolvent, the City may be assessed an "additional premium" not to exceed the City's annual premium for the year i.e. \$223,471. As long as the City maintains its insurance coverage through the Pool it will have this contingent liability.

D. Litigation

The City is in receipt of two Notices of Claim submitted by Arizona Water Company concerning currently unsubstantiated claims regarding the City's provision of water service to City customers that Arizona Water Company claims violates the CC&N issued by the Arizona Corporation Commission to Arizona Water Company. No law suit has been filed, but a proceeding has commenced before the Arizona Corporation Commission (ACC). The City and Arizona Water Company have entered into a tolling agreement to allow the parties to attempt to negotiate a settlement of this dispute. The parties have agreed upon the terms of a settlement and anticipate submitting the settlement to the ACC.

E. Subsequent Events

Management of the City has evaluated subsequent events through February 19, 2016. No events, including instances of non-compliance, have occurred subsequent to the balance sheet date and through February 19, 2016 that would require adjustment to or disclosure in the financial statements.

VI. CHANGE IN ACCOUNTING PRINCIPLE AND PRIOR PERIOD ADJUSTMENT

Net position as of July 1, 2014 has been restated as follows for the implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71 *Pension Transition for Contributions Made subsequent to the Measurement*. Also, a prior period adjustment was made for a liability adjustment in consideration of the Arizona statute of limitations on such matters.

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Net Position on previously Reported at June 30, 2014.....	\$8,840,228	\$9,568,956	\$18,409,184
Prior period adjustment - implementation of GASB 68:			
Net pension liability - PSPRS (measurement date as of June 30, 2013).....	(8,837,811)		(8,837,811)
Net pension liability - ASRS (measurement date as of June 30, 2013).....	(2,845,440)	(1,161,767)	(4,007,207)
Net pension liability - EORP (measurement date as of June 30, 2013).....	(123,224)		(123,224)
Prior period adjustment - liability adjustment due to statute of limitations	264,000		264,000
NET POSITION AS RESTATED JULY 1, 2014.....	(\$2,702,247)	\$8,407,189	\$5,704,942

CITY OF GLOBE, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
State Sales Tax.....	\$ 650,825	\$ 650,825	\$ 683,070	\$ 32,245
State Revenue Sharing.....	840,300	840,300	911,795	71,495
Property Tax.....	475,589	475,589	501,048	25,459
Vehicle Lieu Tax.....	428,000	428,000	430,391	2,391
City Sales Tax.....	3,500,000	3,500,000	3,734,001	234,001
Bed Tax.....	100,000	100,000	160,218	60,218
Utility Franchise Fees.....	170,000	170,000	177,936	7,936
Business Licenses.....	500,000	500,000	531,734	31,734
Licenses and Permits and Other.....	362,000	362,000	259,462	(102,538)
Fines and Forfeitures.....	140,250	140,250	71,950	(68,300)
Sanitation Fees.....	650,000	650,000	606,562	(43,438)
Museum Fees and Product Sales.....	75,000	75,000	73,043	(1,957)
Interest Income.....	10,000	10,000	3,444	(6,556)
Gain on Investments.....	0	0	2,058	2,058
Donations.....	10,000	10,000	3,805	(6,195)
TOTAL REVENUES.....	7,911,964	7,911,964	8,150,517	238,553
EXPENDITURES:				
Current:				
Mayor and Council.....	574,552	574,552	269,487	305,065
Contingency.....	4,311,460	3,993,460	0	3,993,460
Community Organizations.....	100,000	100,000	100,000	0
Administration.....	867,490	967,490	962,533	4,957
Fire.....	1,791,698	1,791,698	1,770,887	20,811
Police.....	2,631,820	2,671,820	2,659,358	12,462
Sanitation.....	656,500	656,500	612,715	43,785
Public Works.....	1,238,590	1,238,590	995,354	243,236
Magistrate.....	152,740	152,740	147,669	5,071
Museum.....	167,220	167,220	151,665	15,555
Capital Outlay.....	95,700	95,700	50,296	45,404
Debt Service:				
Principal.....	41,850	41,850	65,248	(23,398)
Interest.....	1,000	1,000	979	21
TOTAL EXPENDITURES.....	12,630,620	12,452,620	7,786,191	4,666,429
EXCESS OF REVENUES OVER (UNDER) EXPENDITURE:	(4,718,656)	(4,540,656)	364,326	4,904,982
OTHER FINANCING SOURCES (USES):				
Transfer to Active Adult Center Fund.....	(93,480)	(93,480)	(84,388)	9,092
Transfer to Library Fund.....	(57,900)	(57,900)	(34,264)	23,636
Proceeds of Long Term Debt Obligations.....	488,036	488,036	0	(488,036)
TOTAL OTHER FINANCING SOURCES (USES).....	336,656	336,656	(118,652)	(455,308)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES.....	(4,382,000)	(4,204,000)	245,674	4,449,674
FUND BALANCE, BEGINNING.....	4,382,000	4,204,000	4,089,353	(114,647)
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 4,335,027	\$ 4,335,027

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
HIGHWAY USERS FUND
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Highway Users Tax	\$738,767	\$738,767	\$715,455	(23,312)
TOTAL REVENUES.....	738,767	738,767	715,455	(23,312)
EXPENDITURES:				
Personal Services.....	0	0	267,675	(267,675)
Supplies, Repairs, and Other.....	10,000	10,000	7,981	2,019
Street Lighting.....	288,370	288,370	257,363	31,007
Street Repairs.....	440,397	440,397	182,436	257,961
Capital Outlay.....	0	0	0	0
TOTAL EXPENDITURES.....	738,767	738,767	715,455	23,312
FUND BALANCE, BEGINNING.....	0	0	0	0
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
TRANSPORTATION EXCISE TAX FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS (Budgetary Basis)</u>	<u>VARIANCE WITH FINAL BUDGET Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Transportation Excise Tax	\$0	\$160,000	\$159,291	(709)
TOTAL REVENUES.....	0	160,000	159,291	(709)
EXPENDITURES:				
Street Repairs.....	0	160,000	150,000	10,000
Capital Outlay.....	0	0	0	0
TOTAL EXPENDITURES.....	0	160,000	150,000	10,000
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	0	0	9,291	9,291
FUND BALANCE, BEGINNING.....	0	0	0	0
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 9291	\$ 9291

CITY OF GLOBE, ARIZONA
BUDGETARY COMPARISON SCHEDULE
GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary</u> <u>Basis)</u>	<u>FINAL BUDGET</u> <u>Positive (Negative)</u>
REVENUES:				
Grants - Federal.....	\$ 2,500,000	\$ 2,500,000	\$ 388,986	\$ (2,111,014)
Grants - Non -Federal.....	0	0	2,200	2,200
TOTAL REVENUES.....	2,500,000	2,500,000	391,186	(2,108,814)
EXPENDITURES:				
Library Grants				
2015 Take the Lead and Read - Federal.....	0	0	19,463	(19,463)
2014 SGIA State Grant - Non-Federal.....	0	0	1,000	(1,000)
2013 LSTA Media Bank Grant - Federal.....	0	0	3,549	(3,549)
U. S. Department of Transportation-Federal				
Highway Planning and Construction				
Arizona Department of Transportation - Streets				
Stop Sign Grant GLB-O(203)A.....	0	0	8,997	(8,997)
State and Community Highway Safety				
Governor's Office of Highway Safety -				
Accident Investigation Equipment - Police.....	0	0	9,670	(9,670)
Accident Investigation Training - Police.....	0	0	3,600	(3,600)
DUI Alcohol Education and Enforcement-Police.....	0	0	10,256	(10,256)
DUI Overtime Grant - Police.....	0	0	1,512	(1,512)
Selective Traffic Enforcement (STEP)				
and Equipment - Police.....	0	0	7,151	(7,151)
RMS Software Package and Extrication Equipment-Fire	0	0	29,100	(29,100)
National Priority Safety Programs				
Governor's Office of Highway Safety				
DUI Impaired Driving Enforcement				
and Equipment - Police.....	0	0	9,413	(9,413)
Arizona Game and Fish Sign Grant - Non-Federal.....	0	0	1,200	(1,200)
Arizona Department of Housing - Federal				
Community Development Block Grant #138-13				
Removal of Architectural Barriers - Elevator at Cobre				
Valley Center for the Arts.....	0	0	286,275	(286,275)
Other Grants - Federal	2,500,000	2,500,000	0	2,500,000
TOTAL EXPENDITURES.....	2,500,000	2,500,000	391,186	2,108,814
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	0	0	0	0
FUND BALANCE, BEGINNING.....	0	0	0	0
FUND BALANCE, ENDING	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
ACTIVE ADULT CENTER FUND
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Older American Act				
Title IIIB and C - Federal.....	\$70,185	\$70,185	\$64,847	(\$5,338)
ALTCS - State.....	250	250	0	(250)
Gila County Contribution.....	3,000	3,000	6,500	3,500
Total Grant Revenues.....	73,435	73,435	71,347	(2,088)
Donations.....	0	0	29,500	29,500
Program Income.....	18,615	18,615	17,817	(798)
City Contribution In-Kind.....	7,950	7,950	7,950	0
TOTAL REVENUES.....	100,000	100,000	126,614	26,614
EXPENDITURES:				
Personal Services.....	97,400	97,400	108,728	(11,328)
Transportation Costs.....	8,470	8,470	5,707	2,763
Space Costs.....	27,150	27,150	25,644	1,506
Food Supplies.....	47,735	47,735	39,138	8,597
Other Operating Costs.....	7,725	7,725	8,825	(1,100)
Capital Outlay.....	5,000	23,000	22,960	40
TOTAL EXPENDITURES.....	193,480	211,480	211,002	478
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(93,480)	(111,480)	(84,388)	27,092
OTHER FINANCING SOURCES:				
Transfer from General Fund.....	93,480	111,480	84,388	(27,092)
TOTAL OTHER FINANCING SOURCES..	93,480	111,480	84,388	(27,092)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	0	0	0	0
FUND BALANCE, BEGINNING.....	0	0	0	0
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
LIBRARY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Property Tax	\$106,920	\$106,920	\$107,920	\$ 1,000
Fines and Donations	23,080	23,080	9,877	(13,203)
Interest Income.....	0	0	0	0
TOTAL REVENUES.....	130,000	130,000	117,797	(12,203)
EXPENDITURES:				
Personal Services.....	150,400	150,400	118,464	31,936
Supplies, Repairs, and Other.....	24,400	24,400	22,843	1,557
Books and Periodicals.....	13,100	13,100	10,697	2,403
Capital Outlay.....	0	0	0	0
TOTAL EXPENDITURES.....	187,900	187,900	152,004	35,896
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(57,900)	(57,900)	(34,207)	23,693
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund.....	57,900	57,900	34,264	(23,636)
Transfer to Library Board.....	(24,000)	(24,000)	(21,573)	2,427
TOTAL OTHER FINANCING SOURCES (USES).....	33,900	33,900	12,691	(21,209)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES.....	(24,000)	(24,000)	(21,516)	2,484
FUND BALANCE, BEGINNING.....	24,000	24,000	24,589	589
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 3,073	\$ 3,073

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
WATER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Water Revenues.....	\$ 1,650,500	\$ 1,650,500	\$ 2,089,040	\$ 438,540
Taps, Extensions and Permits.....	95,000	95,000	81,280	(13,720)
Penalties.....	66,000	66,000	63,727	(2,273)
Interest Income.....	0	0	2,220	2,220
Gain on Investments.....	0	0	1,326	1,326
TOTAL REVENUES.....	1,811,500	1,811,500	2,237,593	426,093
EXPENDITURES:				
Personal Services.....	667,505	667,505	568,426	99,079
Supplies, Repairs and Other.....	998,470	998,470	739,292	259,178
Capital Outlay.....	2,728,615	2,728,615	1,281,758	1,446,857
Debt Service.....	305,410	305,410	307,352	(1,942)
TOTAL EXPENDITURES.....	4,700,000	4,700,000	2,896,828	1,803,172
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(2,888,500)	(2,888,500)	(659,235)	2,229,265
OTHER FINANCING SOURCES (USES):				
Grant Proceeds.....	0	0	35,000	35,000
Proceeds from Water Revenue Bonds	188,500	188,500	1,041,337	852,837
Proceeds from Disposal of Equipment.....	0	0	0	0
TOTAL OTHER FINANCING SOURCES (USES).....	188,500	188,500	1,076,337	887,837
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES.....	(2,700,000)	(2,700,000)	417,102	3,117,102
FUND BALANCE, BEGINNING.....	2,700,000	2,700,000	2,668,207	(31,793)
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 3,085,309	\$ 3,085,309

CITY OF GLOBE, ARIZONA
BUDGETARY COMPLIANCE SCHEDULE
SEWER UTILITY FUND
FOR THE YEAR ENDED JUNE 30, 2015

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Sewer Revenues.....	\$ 757,250	\$ 757,250	\$ 964,744	\$ 207,494
Taps, Extensions and Permits.....	10,000	10,000	4,722	(5,278)
Interest Income.....	0	0	1,585	1,585
Gain on Investments.....	0	0	947	947
Miscellaneous.....	132,750	132,750	29,503	(103,247)
TOTAL REVENUES.....	900,000	900,000	1,001,501	101,501
EXPENDITURES:				
Personal Services.....	298,020	298,020	235,905	62,115
Supplies, Repairs and Other.....	469,475	469,475	452,565	16,910
Capital Outlay.....	1,932,505	1,932,505	300,866	1,631,639
TOTAL EXPENDITURES.....	2,700,000	2,700,000	989,336	1,710,664
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(1,800,000)	(1,800,000)	12,165	1,812,165
OTHER FINANCING SOURCES (USES):				
Grant Proceeds.....	0	0	265,524	265,524
TOTAL OTHER FINANCING SOURCES (USES).....	0	0	265,524	265,524
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES.....	(1,800,000)	(1,800,000)	277,689	2,077,689
FUND BALANCE, BEGINNING.....	1,800,000	1,800,000	1,703,232	(96,768)
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 1,980,921	\$ 1,980,921

CITY OF GLOBE, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2015

	ACTIVE ADULT CENTER	TRANSPORTATION EXCISE TAX	LIBRARY	TOTAL
- ASSETS -				
Pooled Cash and Cash Equivalents.....		\$125,036	\$ 6,683	\$ 131,719
Non-Pooled Cash and Cash Equivalents.....			35	35
Due from Other Governments.....	\$14,449	34,255		48,704
TOTAL ASSETS.....	\$14,449	\$159,291	\$ 6,718	\$ 180,458
 - LIABILITIES AND FUND BALANCES -				
LIABILITIES:				
Accounts Payable.....	\$ 4,070	\$ 150,000	\$ 2,442	\$ 156,512
Due to Other Funds.....	9,739		0	9,739
Compensated Absences.....	640		1,203	1,843
TOTAL LIABILITIES.....	14,449	150,000	3,645	168,094
FUND BALANCES:				
Restricted for Street Improvements.....		9,291		9,291
Restricted for Library Improvements.....			3,073	3,073
TOTAL FUND BALANCES.....	0	9,291	3,073	12,364
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 14,449	\$ 159,291	\$ 6,718	\$ 180,458

CITY OF GLOBE, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	ACTIVE ADULT CENTER	TRANSPORTATION EXCISE TAX	LIBRARY	TOTAL
REVENUES:				
Interest Income.....			\$ 27	27
Transportation Excise Tax.....	\$71,347	\$159,291		230,638
Grant Revenue.....	0			0
Fines and Donations.....	29,500		9,850	39,350
Active Adult Program Income.....	25,767			25,767
County Library Property Tax.....			107,920	107,920
TOTAL REVENUES.....	126,614	159,291	117,797	403,702
EXPENDITURES:				
Current:				
Library.....			152,004	152,004
Active Adult Center.....	188,042			188,042
Street Improvements.....		150,000		150,000
Capital Outlay.....	22,960		0	22,960
TOTAL EXPENDITURES.....	211,002	150,000	152,004	513,006
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(84,388)	9,291	(34,207)	(109,304)
OTHER FINANCING SOURCES (USES):				
Transfer to Library Board.....			(21,573)	(21,573)
Transfer from General Fund.....	84,388	0	34,264	118,652
NET OTHER FINANCING SOURCES (USES).....	84,388	0	12,691	97,079
NET CHANGE IN FUND BALANCES.....	0	9,291	(21,516)	(12,225)
FUND BALANCES, Beginning.....	0	0	24,589	24,589
FUND BALANCES, Ending.....	\$ 0	\$ 9,291	\$ 3,073	\$ 12,364

CITY OF GLOBE, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
U.S. Department of Health and Human Services			
Administration of Aging			
Pinal-Gila Council for Senior Citizens			
Special Programs for the Aging Title III Part C			
Nutrition Services.....	93.045	014-0248	\$ 64,847
U.S. Department of Housing and Urban Development			
Office of Community Planning and Development			
Arizona Department of Housing			
Community Development Block Grant:			
Removal of Barriers at the Cobre Valley Center for			
The Arts-Elevator Grant.....	14.228	138-14	\$286,275
Environmental Protection Agency			
Water Infrastructure Finance Authority of Arizona			
Capitalization Grants for Clean Water State			
Revolving Funds.....	66.458	920249-14	\$1,041,337
Planning and Design Assistance Grant			
TADW-013-2014.....	66.458	820093-14	<u>\$35,000</u>
Subtotal Environmental Protection Agency.....			<u>\$1,076,337</u>
Institute of Museum and Library Services			
Library Services and Technology Act (LSTA)			
Arizona State Library, Archives and Public Records			
Take the Lead and Read Grant	45.310	N/A	\$19,463
Media Bank (Red Box) Grant	45.310	N/A	<u>\$3,549</u>
Subtotal Institute of Museum and Library Services			<u>\$23,012</u>
U.S Department of Transportation			
Highway Planning and Construction			
Arizona Department of Transportation			
Stop Sign Grant GLB-0(203)A.....	20.205	SH 49301C	\$8,997

**EXHIBIT A
(CONTINUED)**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	FEDERAL EXPENDITURES
State and Community Highway Safety			
Governor's Office of Highway Safety			
Accident Investigation Equipment.....	20.600	2015-AI-003	\$9,670
Accident Investigation Training.....	20.600	2015-AI-008	\$3,600
DUI Alcohol Education and Enforcement.....	20.600	2014-AL-024	\$10,256
DUI Overtime Grant.....	20.600	2014-PT-031	\$1,512
Selective Traffic Enforcement (STEP) and Equipment.....	20.600	2015-PT-016	\$7,151
Fire RMS Software Package and Extrication Equipment.....	20.600	2015-EM-002	\$29,100
National Priority Safety Programs			
Governor's Office of Highway Safety			
DUI Impaired Driving Enforcement and Equipment.....	20.616	2015-405d-003	<u>\$9,413</u>
Subtotal U.S. Department of Transportation			\$79,699
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$1,530,170</u>

See accompanying notes to schedule of expenditures of federal awards.

**CITY OF GLOBE, ARIZONA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Globe, Arizona under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the City of Globe, Arizona, it is not intended to and does not present the financial position changes in net position or cash flows of the City of Globe, Arizona.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.

PHONE: (480) 830-7057
FAX: (480) 830-4923
EMAIL: jnaycpa@cox.net

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and Members of the City Council
City of Globe, Arizona

Report on Compliance for Each Major Federal Program

I have audited the City of Globe, Arizona's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Globe, Arizona's major federal programs for the year ended June 30, 2015. The City of Globe, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants, applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the City of Globe, Arizona's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. OMB Circular A-133 requires that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Globe, Arizona's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the City of Globe, Arizona's compliance.

Opinion on Each Major Federal Program

In my opinion, the City of Globe, Arizona, complied in all material respects with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of the City of Globe, Arizona, is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing my audit, I considered the City of Globe, Arizona's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City of Globe, Arizona's internal control over compliance.

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

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Mesa, Arizona
February 19, 2016

**CITY OF GLOBE, ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015**

A. SUMMARY OF AUDITOR RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Globe, Arizona.
2. There were deficiencies in internal control disclosed during the audit engagement of the financial statements performed in accordance with *Government Auditing Standards* reported in Part B of this Schedule
3. No instances of noncompliance which could have a direct and material effect on the financial statements of the City of Globe, Arizona were disclosed during the audit engagement performed in accordance with *Government Auditing Standards*.
4. There were no deficiencies in internal control over compliance disclosed during the audit of the major federal award programs reported in the Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance required by *OMB Circular A-133*.
5. The auditor's report expresses an unqualified opinion on the Schedule of Expenditures of Federal Awards for the City of Globe, Arizona.
6. There were no compliance findings relative to the major federal award programs the City of Globe Arizona reported in Part C of this Schedule.
7. The program tested as a major program included: United States Environmental Protection Agency, Capitalization Grants for Clean Water state Revolving Funds CFDA NO. 66.458
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The City of Globe, Arizona was not a low-risk auditee.
10. This is the first OMB Circular A-133 report in several years. There is no Summary Schedule of Prior Audit findings required.

B. FINDINGS –FINANCIAL STAEMENTS AUDIT

2015-001 Internal Control

Condition, Cause and Effect

During the year ended June 30, 2014, the City's long-time finance director retired and another finance director was hired. The City was in the midst of a conversion to new accounting software. The conversion was not successful and the City is converting back to its previous accounting software. Due to these problems, bank reconciliations were not prepared on a timely basis. No bank reconciliations were prepared from July 2014 through June 2015 until December 2015. The preliminary trial balances for June 30, 2015 were not delivered to the independent auditor until early

December 2015. No bank reconciliations have been prepared by City finance personnel since June 30, 2015.

For management and the City council to make informed decisions, they must have timely and accurate financial information. Monthly financial statements cannot be accurate without the preparation of timely bank reconciliations. Also, a detail ledger of all accounts needs to be reviewed by the finance director for proper postings and clearing of debits and credits where applicable. Journal entries need to be prepared to correct mis-postings and errors. This process needs to be performed before financial statements are presented to the City Council.

Recommendation

I recommend the City correct these deficiencies in accounting procedures as soon as possible.

Views of Responsible Official and Planned Corrective Action

The City is considering adding another accounting position which requires significant experience in governmental accounting. The city expects all the deficiencies noted in this letter will be corrected as soon as the city can convert back to its previous accounting software and fill the additional accounting position.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
Capitalization Grants for Clean Water State Revolving Funds
CFDA NO. 66.458 Grant – Assigned Pass Through Number 920249-14**

**QUESTIONED
COSTS**

NONE

**CITY OF GLOBE, ARIZONA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED, JUNE 30, 2015**

SCHEDULE NOT REQUIRED

PHONE: (480) 830-7057
FAX: (480) 830-4923
EMAIL: jnaycpa@cox.net

**INDEPENDENT AUDITOR'S 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**

To the Honorable Mayor and Members of the City Council
City of Globe, Arizona

I have audited, in accordance with the 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 Globe, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City of Globe, Arizona's basic financial statements and have issued my report thereon dated February 19, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Globe, 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Globe, Arizona's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Globe, Arizona's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies, or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

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. I consider the deficiencies described below to be significant material weaknesses.

DEFICIENCIES IN ACCOUNTING PROCEDURES

Finding

During the year ended June 30, 2014, the City's long-time finance director retired and another finance director was hired. The City was in the midst of a conversion to new accounting software. The conversion was not successful and the City is converting back to its previous accounting software.

Due to these problems, bank reconciliations were not prepared on a timely basis. No bank reconciliations were prepared from July 2014 through June 2015 until December 2015.

The preliminary trial balances for June 30, 2015 were not delivered to the independent auditor until early-December 2015. No bank reconciliations have been prepared by City finance personnel since June 30, 2015.

For management and the City council to make informed decisions, they must have timely and accurate financial information. Monthly financial statements cannot be accurate without the preparation of timely bank reconciliations. Also, a detail ledger of all accounts needs to be reviewed by the finance director for proper postings and clearing of debits and credits where applicable. Journal entries need to be prepared to correct miss-postings and errors. This process needs to be performed before financial statements are presented to the City Council.

Recommendation

I recommend the City correct these deficiencies in accounting procedures as soon as possible.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Globe, Arizona's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Globe, Arizona's Response to Findings

The City is considering adding another accounting position which requires significant experience in governmental accounting. The City expects all the deficiencies noted in this letter will be corrected as soon as the City can convert back to its previous accounting software and fill the additional accounting position.

Purpose of This Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mesa, Arizona
February 19, 2016