

CITY OF GLOBE, ARIZONA

Annual Financial Statements
and
Independent Auditors' Report
June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Globe, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Globe, Arizona as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Globe, Arizona's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Globe, Arizona, as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2020, on our consideration of the City of Globe, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Globe, Arizona's internal control over financial reporting and compliance.

Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the authorized transportation purposes, insofar as they relate to accounting matters, for Highway User Revenue Fund monies it received pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues it received. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the authorized transportation purposes referred to above, insofar as they relate to accounting matters.

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Auditor General of the State of Arizona, the Board of Supervisors, management, and other responsible parties within the City and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Colby & Powell".

March 11, 2020

CITY OF GLOBE, ARIZONA
Management's Discussion and Analysis
June 30, 2019

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, 2019. 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 \$14,191,857 (net position) for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Capital assets net of related debt of \$14,224,284 includes property and equipment, net of accumulated depreciation and reduced by outstanding debt related to the purchase of capital assets.
 - (2) Net position of \$1,520,519 is restricted for various purposes.
 - (3) Unrestricted net position is a long-term measurement of the City as a whole, representing the portion available for the City's obligations to citizens and creditors and was negative (\$1,552,946) at fiscal year-end. This amount decreased by \$1,020,061 from the prior year, which is an improvement. The primary cause of the deficit net position is due to the \$15,380,887 in long-term net pension liabilities to be funded through future years' revenue.
- The City's governmental funds reported a total ending fund balance of \$4,908,348. This compares to the prior year total ending fund balance of \$5,916,504 reflecting a decrease of \$1,008,156 from fiscal year 2018.

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.

CITY OF GLOBE, ARIZONA
Management's Discussion and Analysis
June 30, 2019

The first of these government-wide statements is the Statement of Net Position. This is the citywide 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 works and streets, parks and recreation, sanitation and welfare. 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 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 provides a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Proprietary funds 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-

CITY OF GLOBE, ARIZONA
Management's Discussion and Analysis
June 30, 2019

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 and are reported 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.

CITY OF GLOBE, ARIZONA
Management's Discussion and Analysis
June 30, 2019

The following table provides a summary of the City's net position at June 30, 2019:

SUMMARY OF NET POSITION

	<u>Governmental Activities</u> 2019	<u>Business-type Activities</u> 2019	<u>Totals</u> 2019	<u>Totals</u> 2018	<u>Amount Change</u>
Current and other assets	\$ 6,348,756	\$ 8,094,075	\$ 14,442,831	\$ 14,319,402	\$ 123,429
Capital assets	<u>6,078,729</u>	<u>13,388,226</u>	<u>19,466,955</u>	<u>19,776,361</u>	<u>(309,406)</u>
Total assets	<u>12,427,485</u>	<u>21,482,301</u>	<u>33,909,786</u>	<u>34,095,763</u>	<u>(185,977)</u>
Deferred outflows of resources	385,617	226,654	612,271	3,812,404	(3,200,133)
Current liabilities	1,387,556	843,228	2,230,784	1,936,159	294,625
Noncurrent liabilities	<u>14,551,136</u>	<u>5,659,857</u>	<u>20,210,993</u>	<u>21,659,217</u>	<u>(1,448,224)</u>
Total liabilities	<u>15,938,692</u>	<u>6,503,085</u>	<u>22,441,777</u>	<u>23,595,376</u>	<u>(1,153,599)</u>
Deferred inflows of resources	1,233,997	124,916	1,358,913	1,322,689	36,224
Net investment in capital assets	5,976,682	8,247,602	14,224,284	13,920,915	303,369
Restricted	907,542	612,977	1,520,519	1,642,194	(121,675)
Unrestricted	<u>(7,773,321)</u>	<u>6,220,375</u>	<u>(1,552,946)</u>	<u>(2,573,007)</u>	<u>1,020,061</u>
Total net position	<u>\$ (889,097)</u>	<u>\$ 15,080,954</u>	<u>\$ 14,191,857</u>	<u>\$ 12,990,102</u>	<u>\$ 1,201,755</u>

The City reported a negative net position for governmental activities and a positive balance in net position for business-type activities. Net position decreased by \$263,756 for governmental activities and increased by \$1,465,511 for business-type activities.

CITY OF GLOBE, ARIZONA
Management's Discussion and Analysis
June 30, 2019

The following table provides a summary of the City's changes in net position for the year ended June 30, 2019.

SUMMARY OF CHANGES IN NET POSITION

	<u>Governmental Activities</u> 2019	<u>Business-type Activities</u> 2019	<u>Totals</u> 2019	<u>Totals</u> 2018	<u>Amount Change</u>
Revenues					
Program revenues:					
Charges for services	\$ 1,564,476	\$ 3,745,973	\$ 5,310,449	\$ 5,123,198	\$ 187,251
Operating grants and contributions	1,541,657	-	1,541,657	1,547,139	(5,482)
Capital grants and contributions	155,789	750,000	905,789	728,816	176,973
General revenues:					
City sales tax	4,876,064	-	4,876,064	5,377,122	(501,058)
State taxes and shared revenues	2,135,257	-	2,135,257	2,117,641	17,616
Property tax	520,451	-	520,451	491,204	29,247
Franchise tax	229,200	-	229,200	239,919	(10,719)
Gain on investments	109,686	-	109,686	59,555	50,131
Gain on sale of assets	10,400	-	10,400	310,000	(299,600)
Miscellaneous	70,588	-	70,588	116,935	(46,347)
Total revenues	<u>11,213,568</u>	<u>4,495,973</u>	<u>15,709,541</u>	<u>16,111,529</u>	<u>(401,988)</u>
Expenses					
General government	1,838,349	-	1,838,349	1,940,305	(101,956)
Public safety	5,778,159	-	5,778,159	5,456,489	321,670
Public works and streets	2,546,375	-	2,546,375	2,086,762	459,613
Parks and recreation	476,318	-	476,318	459,622	16,696
Sanitation	615,912	-	615,912	603,382	12,530
Welfare	218,068	-	218,068	224,983	(6,915)
Interest on long-term debt	4,143	-	4,143	18,780	(14,637)
Water utility	-	2,160,391	2,160,391	1,993,762	166,629
Sewer utility	-	870,071	870,071	972,464	(102,393)
Total expenses	<u>11,477,324</u>	<u>3,030,462</u>	<u>14,507,786</u>	<u>13,756,549</u>	<u>751,237</u>
Change in net position	(263,756)	1,465,511	1,201,755	2,354,980	(1,153,225)
Beginning net position	<u>(625,341)</u>	<u>13,615,443</u>	<u>12,990,102</u>	<u>10,635,122</u>	<u>2,354,980</u>
Ending net position	<u>\$ (889,097)</u>	<u>\$ 15,080,954</u>	<u>\$ 14,191,857</u>	<u>\$ 12,990,102</u>	<u>\$ 1,201,755</u>

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.

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Revenues of the governmental funds totaled \$11,260,926 in 2018-2019, an increase of .05% from 2017-2018. A comparative summary of principal revenues is as follows:

	2018-2019	Increase (Decrease) from 2017-18		2017-2018
		Amount	%	
Taxes	\$ 5,393,300	\$ (219,995)		\$ 5,613,295
Intergovernmental	3,689,428	96,139		3,593,289
Charges for services	994,984	31,072		963,912
Licences, permits and fees	584,418	2,148		582,270
Franchise fees	229,200	(10,719)		239,919
Other revenue	167,571	57,643		109,928
Fines and forfeitures	92,339	(606)		92,945
Interest	109,686	50,131		59,555
Total revenues	\$ 11,260,926	\$ 5,813	0.05%	\$ 11,255,113

Expenditures of the governmental funds totaled \$12,279,482 in 2018-2019, an increase of 17.48% from the prior year. The schedule that follows summarizes the expenditures.

	2018-2019	Increase (Decrease) from 2017-18		2017-2018
		Amount	%	
General government	\$ 1,801,969	\$ 108,607		\$ 1,693,362
Public safety	6,498,566	1,531,918		4,966,648
Public works and streets	2,325,867	396,034		1,929,833
Parks and recreation	437,127	17,464		419,663
Sanitation	615,657	15,280		600,377
Welfare	211,060	(5,206)		216,266
Debt service	26,478	(49,187)		75,665
Capital outlay	362,758	(188,090)		550,848
Total expenditures	\$ 12,279,482	\$ 1,826,820	17.48%	\$ 10,452,662

Revenues (\$11,260,926) were less than expenditures (\$12,279,482) by \$1,018,556 and with the sale of capital assets of \$10,400, decreased the City's overall governmental fund balance carryover from \$5,916,504 at June 30, 2018 to \$4,908,348 at June 30, 2019.

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 net position of these funds increased by \$1,465,511 for the year ended June 30, 2019.

CITY OF GLOBE, ARIZONA
Management's Discussion and Analysis
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City Payroll and Fringe Benefits

The City's gross payroll for 2018-2019 was \$4,721,733, an increase of 5.42% or \$242,644, from 2017- 2018. A summary by function follows:

	2018-2019	Increase (Decrease) from 2017-18		2017-2018
		Amount	%	
General government	\$ 588,434	\$ 48,792		\$ 539,642
Public safety	2,477,101	183,883		2,293,218
Public works and streets	707,637	25,785		681,852
Parks and recreation	200,733	20,112		180,621
Welfare	77,791	6,714		71,077
Water utility	517,525	63,748		453,777
Sewer utility	152,512	(106,390)		258,902
Total expenditures	\$ 4,721,733	\$ 242,644	5.42%	\$ 4,479,089

The following payroll fringe benefits amounted to \$4,340,499 an increase of \$1,247,516, or 40.33%. The increase was due to the City making optional contributions over the required minimum contributions for the pensions, as follows:

	2018-2019	Increase (Decrease) from 2017-18		2017-2018
		Amount	%	
Social security and Medicare taxes	\$ 279,348	\$ 12,525		\$ 266,823
State retirement contributions	305,753	16,347		289,406
Policemen's pension contributions	1,236,240	626,094		610,146
Regular firemen's pension contributions	952,638	455,961		496,677
Elected officials retirement contributions	17,064	10,561		6,503
Industrial insurance	139,733	15,208		124,525
Health and life insurance	1,409,723	110,820		1,298,903
Total expenditures	\$ 4,340,499	\$ 1,247,516	40.33%	\$ 3,092,983

Fringe benefits provided by the City (\$4,340,499) amounted to 91.93% of the total gross payroll (\$4,721,733).

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 fund balance \$4,908,348, a decrease of \$1,008,156 in comparison with the prior year. Approximately 87.57% of this total amount (\$4,298,312) constitutes the General Fund Balance, which is available for its ongoing obligations.

CITY OF GLOBE, ARIZONA
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At June 30, 2019 fund balances/net position were as follows:

	2018-2019	Increase (Decrease) from 2017-18		2017-2018
		Amount	%	
Governmental Funds:				
General Fund	\$ 4,298,312	\$ (1,075,634)		\$ 5,373,946
Highway Users Fund	99,428	(52,901)		152,329
Grants Fund	70,724	(19,362)		90,086
Capital Projects Fund	-	-		-
Active Adult Center Fund	-	-		-
Library Fund	-	-		-
Transportation Excise Tax Fund	439,884	139,741		300,143
Total	\$ 4,908,348	\$ (1,008,156)	-17.04%	\$ 5,916,504
Proprietary Funds:				
Water Utility Fund	10,255,244	1,072,937		9,182,307
Sewer Utility Fund	4,825,710	392,574		4,433,136
Total	\$ 15,080,954	\$ 1,465,511	10.76%	\$ 13,615,443

Budgetary Highlights

Schedules showing the budget amounts compared to the City's actual financial activity for the General Fund are provided in this report as required supplementary information. For the General Fund, revenues are \$130,715 under budget, expenses are \$544,984 under budget, and other financing uses are \$88,809 under budget creating a positive variance of \$503,078.

Note: Estimated fund balance used in budget preparation was \$5,149,409.

Budgetary highlights for the General Fund are as follows:

Revenues:

- Actual revenues for taxes fell short of budget by \$112,640, due to local sales tax collection decrease, licenses, permits, and fees fell short of budget by \$60,313 due to a decrease in business license fees in fiscal year 2019. Other categories that fell short of budget expectations worth mention were intergovernmental by \$10,815 which is primarily vehicle license taxes, other revenues by \$25,699 which is due to rebates not realized and \$18,784 in franchise fees. Interest income generated \$65,012 more revenue than was budgeted and Charges for Services and fines and forfeitures exceeded the budgeted amount by \$32,524. This resulted in a net under realization of revenue compared to budget for FY2019, in the amount of \$130,715.

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Expenses:

- In the General Fund, there was \$1,435,783 appropriated for contingency in the event the City had a revenue shortfall and/or unexpected emergency expenditures. Of this total, \$1,124,607 will be transferred to cover budget overages in Administration, Fire, Police, Public Works, Economic Development and Fleet Maintenance, of which \$292,323 was Contingency Requests previously approved by Council.
- The largest expenditure overage was for police and fire in the amount of \$844,232, of which the majority of the overage was result of the prepayment of the PSPRS .3% that was collected in Fiscal Year 2018 and not paid until Fiscal Year 2019 and overtime expenses due to vacancies in the police department.
- Overall, expenditures for the General Fund were \$544,984 under budget and was a result of not spending the entire appropriation for the Mayor & Council, Community Organizations, Magistrate, Sanitation, Museum and Contingency.

Capital Asset and Debt Administration

Capital Assets

The following is a comparison of capital assets net of depreciation for 2019 and 2018.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 1,323,644	\$ 1,323,644	\$ 287,893	\$ 287,893
Construction in progress	41,971	-	622,030	-
Buildings	1,115,360	1,149,843	1,328,145	1,526,380
Street infrastructure and other improvements	2,731,122	2,780,828	10,703,158	11,085,497
Machinery and equipment	866,632	1,009,086	447,000	613,190
	<u>\$ 6,078,729</u>	<u>\$ 6,263,401</u>	<u>\$ 13,388,226</u>	<u>\$ 13,512,960</u>

Long-Term Obligations

The City drew \$605,251 of the available funds of the 2017 WIFA loan to fund water and well system expenditures.

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FISCAL YEAR 2018-2019 ACCOMPLISHMENTS

The City has on credit, prepaid health insurance premiums, known as retention reserve, with Blue Cross Blue Shield (City's health insurance company) in the amount of \$441,069 as of June 30, 2019. This amount reflects a decrease of \$62,291 from last year which the City used to pay the increased premiums for the 2018-19 renewal period. Interest income on City investments with the Local Government Investment Pool (LGIP) increased \$43,611 from the prior year. State-shared revenues decreased \$17,616 from the prior year.

FYE 18-19 Globe has a \$15,380,887 debt in unfunded liability to PSPRS, EORP and ASRS. The PSPRS debt unfunded liability is \$11,652,862, the EORP debt unfunded liability is \$284,306, and the ASRS debt unfunded liability is \$3,443,719. Funds received from the .3% sales tax increase initiated by the City in November 2017 paid an additional \$846,439 to be paid toward the PSPRS unfunded liability. Additionally, the City pre-paid the budgeted employer's portion of the PSPRS costs to help reduce interest on the unfunded liability amount.

The City chose not to issue a water and sewer rate increase during the 2018-2019 fiscal year. Water and sewer revenues held stable, so it was determined not to implement an increase for this year.

In March 2005, the City entered into an agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) that provided \$5,000,000 in revenue bonds payable over twenty-five years at 3.405%. In June 2014, the City entered into an agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) that provides \$5,500,000 in financial assistance for drinking water capital improvement projects. \$3,000,000 is in grants and \$2,500,000 is in revenue bonds payable over twenty years at 2.333%. In June of 2017, the City entered into agreement with WIFA that provides \$3,000,000 for financial assistance for drinking water capital improvement projects. \$750,000 is in grants and \$2,250,000 in revenue bonds payable over twenty years at 2.016%. The total WIFA bonds payable as of June 30, 2019 was \$4,962,358, or a decrease of \$550,216 from the prior year.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact, City of Globe, 150 N. Pine St., Globe, Arizona 85501.



FINANCIAL SECTION

CITY OF GLOBE, ARIZONA
Statement of Net Position
June 30, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,243,948	\$ 6,968,870	\$ 11,212,818
Restricted cash	-	682,112	682,112
Accounts receivable - net	54,751	440,575	495,326
Due from other governments	962,338	-	962,338
Other receivables	58,470	-	58,470
Taxes receivable	28,967	-	28,967
Prepays	702,305	-	702,305
Inventory	30,513	-	30,513
Note receivable	190,623	-	190,623
Net other postemployment benefits asset	76,841	2,518	79,359
Capital assets, not being depreciated	1,365,615	909,923	2,275,538
Capital assets, being depreciated, net	4,713,114	12,478,303	17,191,417
Total assets	12,427,485	21,482,301	33,909,786
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	3,856,107	226,654	4,082,761
LIABILITIES			
Accounts payable	754,891	188,359	943,250
Accrued liabilities	398,022	41,810	439,832
Interest payable	-	71,838	71,838
Customer deposits	-	69,135	69,135
Noncurrent liabilities			
Due within 1 year	234,643	472,086	706,729
Due in more than 1 year	14,551,136	5,659,857	20,210,993
Total liabilities	15,938,692	6,503,085	22,441,777
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	1,233,997	124,916	1,358,913
NET POSITION			
Net investment in capital assets	5,976,682	8,247,602	14,224,284
Restricted for			
PSPRS unfunded liability	297,506	-	297,506
Highways and streets	610,036	-	610,036
Debt service	-	489,671	489,671
Repairs and replacements	-	123,306	123,306
Unrestricted	(7,773,321)	6,220,375	(1,552,946)
Total net position	\$ (889,097)	\$ 15,080,954	\$ 14,191,857

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Statement of Activities
Year Ended June 30, 2019

Functions / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 1,838,349	\$ 627,220	\$ 17,600	\$ -	\$ (1,193,529)	\$ -	\$ (1,193,529)
Public safety	5,778,159	92,339	188,588	-	(5,497,232)	-	(5,497,232)
Public works and streets	2,546,375	-	1,142,135	139,829	(1,264,411)	-	(1,264,411)
Parks and recreation	476,318	222,482	17,026	-	(236,810)	-	(236,810)
Sanitation	615,912	622,435	-	-	6,523	-	6,523
Welfare	218,068	-	176,308	15,960	(25,800)	-	(25,800)
Interest on long-term debt	4,143	-	-	-	(4,143)	-	(4,143)
Total governmental activities	11,477,324	1,564,476	1,541,657	155,789	(8,215,402)	-	(8,215,402)
Business-type activities							
Water	2,160,391	2,483,328	-	750,000	-	1,072,937	1,072,937
Sewer	870,071	1,262,645	-	-	-	392,574	392,574
Total business-type activities	3,030,462	3,745,973	-	750,000	-	1,465,511	1,465,511
Total primary government	\$ 14,507,786	\$ 5,310,449	\$ 1,541,657	\$ 905,789	(8,215,402)	1,465,511	(6,749,891)
General revenue:							
Taxes:							
Sales tax					4,876,064	-	4,876,064
Property tax					520,451	-	520,451
Franchise tax					229,200	-	229,200
State urban revenue sharing					890,811	-	890,811
Share of state sales taxes					739,816	-	739,816
Share of county auto lieu taxes					504,630	-	504,630
Investment income					109,686	-	109,686
Miscellaneous					70,588	-	70,588
Gain on sale of assets					10,400	-	10,400
Total general revenue					7,951,646	-	7,951,646
Change in net position					(263,756)	1,465,511	1,201,755
Net position, beginning of year					(625,341)	13,615,443	12,990,102
Net position, end of year					\$ (889,097)	\$ 15,080,954	\$ 14,191,857

See accompanying notes to financial statements.

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

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 3,282,009	\$ 961,939	\$ 4,243,948
Accounts receivable, net	54,751	-	54,751
Due from other governments	766,488	195,850	962,338
Other receivables	58,470	-	58,470
Taxes receivable	28,967	-	28,967
Due from other funds	56,778	-	56,778
Prepays	702,305	-	702,305
Inventory	30,513	-	30,513
Note receivable	190,623	-	190,623
	<u>5,170,904</u>	<u>1,157,789</u>	<u>6,328,693</u>
Total assets			
LIABILITIES			
Accounts payable	285,749	469,142	754,891
Accrued liabilities	376,189	21,833	398,022
Due to other funds	-	56,778	56,778
	<u>661,938</u>	<u>547,753</u>	<u>1,209,691</u>
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	210,654	-	210,654
	<u>210,654</u>	<u>-</u>	<u>210,654</u>
FUND BALANCES			
Unspendable	923,441	-	923,441
Restricted	297,506	610,036	907,542
Committed	112,754	-	112,754
Unassigned	2,964,611	-	2,964,611
	<u>4,298,312</u>	<u>610,036</u>	<u>4,908,348</u>
Total fund balances			
Total liabilities, deferred inflows of resources, and fund balances			
	<u>\$ 5,170,904</u>	<u>\$ 1,157,789</u>	<u>\$ 6,328,693</u>

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2019

Fund balances-total governmental funds		\$ 4,908,348
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		6,078,729
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.		210,654
Net pension/OPEB assets held in trust for future benefits are not available for City operations and, therefore, are not reported in the funds.		76,841
Liabilities, such as net pension/OPEB liabilities and notes payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.		
OPEB liability	(11,960)	
Capital leases payable	(102,047)	
Compensated absences	(252,371)	
Net pension/OPEB liability	<u>(14,419,401)</u>	(14,785,779)
Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.		<u>2,622,110</u>
Net position of governmental activities		<u><u>\$ (889,097)</u></u>

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	\$ 5,393,300	\$ -	\$ 5,393,300
Intergovernmental	2,135,257	1,554,171	3,689,428
Charges for services	994,984	-	994,984
Licenses, permits and fees	584,418	-	584,418
Franchise fees	229,200	-	229,200
Other revenue	113,940	53,631	167,571
Interest	109,686	-	109,686
Fines and forfeitures	92,339	-	92,339
Total revenues	<u>9,653,124</u>	<u>1,607,802</u>	<u>11,260,926</u>
Expenditures			
Current			
General government	1,801,969	-	1,801,969
Public safety	6,470,333	28,233	6,498,566
Public works and streets	1,281,572	1,044,295	2,325,867
Parks and recreation	196,480	240,647	437,127
Sanitation	615,657	-	615,657
Welfare	-	211,060	211,060
Debt Service			
Principal	22,335	-	22,335
Interest	4,143	-	4,143
Capital outlay	70,194	292,564	362,758
Total expenditures	<u>10,462,683</u>	<u>1,816,799</u>	<u>12,279,482</u>
Excess (deficiency) of revenues over (under) expenditures	(809,559)	(208,997)	(1,018,556)
Other financing sources (uses)			
Sale of capital assets	10,400	-	10,400
Transfers	(276,475)	276,475	-
Net change in fund balances	(1,075,634)	67,478	(1,008,156)
Fund balances, beginning of year	<u>5,373,946</u>	<u>542,558</u>	<u>5,916,504</u>
Fund balances, end of year	<u>\$ 4,298,312</u>	<u>\$ 610,036</u>	<u>\$ 4,908,348</u>

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2019

Net change in fund balances-total governmental funds \$ (1,008,156)

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.

Capital outlay	362,758	
Depreciation expense	(547,430)	
		(184,672)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Unavailable property taxes	3,215	
Unavailable sales tax	(74,823)	
		(71,608)

City pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the City's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

City pension/OPEB contributions	2,946,812	
Pension/OPEB expense	(1,923,599)	
		1,023,213

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Capital lease principal repaid		22,335
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

Decrease in OPEB liability	3,757	
Increase in compensated absences payable	(48,625)	
		(44,868)

Change in net position of governmental activities		\$ (263,756)
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See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 4,289,384	\$ 2,679,486	\$ 6,968,870
Cash and cash equivalents, restricted	682,112	-	682,112
Accounts receivable, net	263,904	176,671	440,575
Total current assets	<u>5,235,400</u>	<u>2,856,157</u>	<u>8,091,557</u>
Noncurrent assets			
Net other postemployment benefits asset	1,575	943	2,518
Capital assets, net of accumulated depreciation, where applicable	11,070,887	2,317,339	13,388,226
Total noncurrent assets	<u>11,072,462</u>	<u>2,318,282</u>	<u>13,390,744</u>
Total assets	<u>16,307,862</u>	<u>5,174,439</u>	<u>21,482,301</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	141,821	84,833	226,654
LIABILITIES			
Current liabilities			
Accounts payable	172,148	16,211	188,359
Accrued liabilities	34,306	7,504	41,810
Accrued interest payable	71,838	-	71,838
Current portion of compensated absences	19,956	2,419	22,375
Current portion of capital leases payable	41,889	-	41,889
Current portion of loans payable	407,822	-	407,822
Customer deposits	69,135	-	69,135
Total current liabilities	<u>817,094</u>	<u>26,134</u>	<u>843,228</u>
Noncurrent liabilities			
Compensated absences, net of current portion	6,652	806	7,458
Capital leases payable, net of current portion	136,377	-	136,377
Loans payable, net of current portion	4,554,536	-	4,554,536
Net pension and other postemployment benefits liability	601,618	359,868	961,486
Total noncurrent liabilities	<u>5,299,183</u>	<u>360,674</u>	<u>5,659,857</u>
Total liabilities	<u>6,116,277</u>	<u>386,808</u>	<u>6,503,085</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	78,162	46,754	124,916
NET POSITION			
Net investment in capital assets	5,930,263	2,317,339	8,247,602
Restricted	612,977	-	612,977
Unrestricted (deficit)	3,712,004	2,508,371	6,220,375
Total net position	<u>\$ 10,255,244</u>	<u>\$ 4,825,710</u>	<u>\$ 15,080,954</u>

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2019

	Business-type Activities--Enterprise Funds		
	Water Utility	Sewer Utility	Total
Operating revenues			
Charges for services	\$ 2,351,594	\$ 1,152,554	\$ 3,504,148
Miscellaneous	131,734	110,091	241,825
Total operating revenues	<u>2,483,328</u>	<u>1,262,645</u>	<u>3,745,973</u>
Operating expenses			
Depreciation	603,689	262,130	865,819
Salaries and wages	515,620	152,512	668,132
Employee benefits	257,029	80,637	337,666
Utilities	251,961	85,594	337,555
Repairs and maintenance	186,300	49,060	235,360
Professional services	50,817	141,119	191,936
Materials and supplies	53,708	35,317	89,025
Other	38,976	49,498	88,474
Insurance	48,581	14,204	62,785
Total operating expenses	<u>2,006,681</u>	<u>870,071</u>	<u>2,876,752</u>
Operating income (loss)	476,647	392,574	869,221
Nonoperating revenues (expenses)			
Interest expense	(153,710)	-	(153,710)
Income (loss) before contributions	322,937	392,574	715,511
Capital contribution	750,000	-	750,000
Increase (decrease) in net position	1,072,937	392,574	1,465,511
Total net position, beginning of year	9,182,307	4,433,136	13,615,443
Total net position, end of year	<u>\$ 10,255,244</u>	<u>\$ 4,825,710</u>	<u>\$ 15,080,954</u>

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019

	Business-type Activities--Enterprise Funds		
	Water Utility	Sewer Utility	Total
Cash flows from operating activities:			
Receipts from customers	\$ 2,498,773	\$ 1,205,099	\$ 3,703,872
Payments to suppliers and providers of goods and services	(885,315)	(469,203)	(1,354,518)
Payments to employees	(516,080)	(165,994)	(682,074)
Net cash provided by (used for) operating activities	<u>1,097,378</u>	<u>569,902</u>	<u>1,667,280</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(546,977)	(149,283)	(696,260)
Principal paid on loans payable	(405,467)	-	(405,467)
Interest paid	(181,150)	-	(181,150)
Principal paid on capital leases	(40,224)	-	(40,224)
Proceeds from loans payable	605,251	-	605,251
Net cash provided by (used for) capital and related financing activities	<u>(568,567)</u>	<u>(149,283)</u>	<u>(717,850)</u>
Net increase (decrease) in cash and cash equivalents	528,811	420,619	949,430
Cash and cash equivalents, beginning of year	<u>4,442,685</u>	<u>2,258,867</u>	<u>6,701,552</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,971,496</u></u>	<u><u>\$ 2,679,486</u></u>	<u><u>\$ 7,650,982</u></u>
Cash and cash equivalents	\$ 4,289,384	\$ 2,679,486	\$ 6,968,870
Cash and cash equivalents, restricted	<u>682,112</u>	<u>-</u>	<u>682,112</u>
Cash and cash equivalents, end of year	<u><u>\$ 4,971,496</u></u>	<u><u>\$ 2,679,486</u></u>	<u><u>\$ 7,650,982</u></u>

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2019
(Continued)

	Business-type Activities--Enterprise Funds		
	Water Utility	Sewer Utility	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 476,647	\$ 392,574	\$ 869,221
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	603,689	262,130	865,819
Bad debts	4,267	2,520	6,787
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	13,712	(60,066)	(46,354)
Net other postemployment benefits asset	603	360	963
Deferred outflows of resources related to pensions and other postemployment benefits	(33,925)	(20,293)	(54,218)
Accounts payable	27,805	1,629	29,434
Accrued expenses	17,407	(1,451)	15,956
Compensated absences	(17,867)	(12,031)	(29,898)
Customer deposits	(2,534)	-	(2,534)
Net pension and other postemployment benefits liability	(14,057)	(8,409)	(22,466)
Deferred inflows of resources related to pensions and other postemployment benefits	21,631	12,939	34,570
Net cash provided by (used for) operating activities	<u><u>\$ 1,097,378</u></u>	<u><u>\$ 569,902</u></u>	<u><u>\$ 1,667,280</u></u>
 Non-cash investing and financing activities:			
Capital contribution from forgiveness of WIFA debt	<u><u>\$ 750,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 750,000</u></u>
Acquisition of capital assets financed by: Accounts payable	<u><u>\$ 44,825</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 44,825</u></u>

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2019

	<u>Volunteer Firefighters' Relief and Pension</u>
ASSETS	
Cash and cash equivalents	\$ 20,517
Due from City	<u>39</u>
Total assets	<u>20,556</u>
LIABILITIES	
Total liabilities	<u>-</u>
NET POSITION	
Held in trust for investment trust participants	<u><u>\$ 20,556</u></u>

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2019

	Volunteer Firefighters' Relief and Pension
Additions	
Contributions from participants	\$ 144
Investment income	689
Total additions	833
Deductions	
Distributions to participants	6,135
Change in net position	(5,302)
Net position, beginning of year	25,858
Net position, end of year	\$ 20,556

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Globe, Arizona have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows.

A. Reporting Entity

The City is a general-purpose local government that is governed by a separately elected City Council. The accompanying financial statements present the activities of the City (the primary government).

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the City as a whole, while the fund statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

Government-wide statements—provide information about the primary government (the City). The statements include a statement of net position and a statement of activities. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the City's governmental and business-type activities. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided;
- operating grants and contributions; and
- capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes the City levies or imposes, are reported as general revenues.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements—Provide information about the City’s funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund’s principal activity. Accordingly, revenues, such as user charges and insurance premiums, in which each party receives and gives up essentially equal values are operating revenues. Other revenues, such as subsidies, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

The ***Water*** and ***Sewer Funds*** account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the City Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or for which the City Council has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The City reports the following fund types:

The ***Volunteer Firefighters’ Relief and Pension Fund*** accounts for the City’s Volunteer Firefighter’s Relief and Pension Fund, a defined contribution plan for which the assets are held by the City in a trustee capacity.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the City funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The City applies grant resources to such programs before using general revenues.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The City's major revenue sources that are susceptible to accrual are property taxes, special assessments, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, landfill closure and postclosure care costs, and pollution remediation obligations, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

D. Cash and Investments

For the statement of cash flows, the City's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of three months or less when purchased.

E. Inventories

The City accounts for its inventories in the governmental funds using the purchase method. Inventories of the governmental funds consist of expendable supplies held for sale and are recorded as expenditures at the time of purchase. Amounts on hand at year-end are shown on the balance sheet as an asset for informational purposes only and as nonspendable fund balance to indicate that they do not constitute "available spendable resources." These inventories are stated at cost using the first-in, first-out (FIFO) method.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

F. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the City. The amount recorded as uncollectible at June 30, 2019 in the Water and Sewer Funds, respectively, were \$12,242 and \$5,075.

G. Property Tax Calendar

Property taxes are recognized as revenue in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end are reported as unavailable revenue. Property taxes collected in advance of the fiscal year for which they are levied are reported as deferred revenue.

The City levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer’s Office, and at June 30, 2019, the uncollected property taxes and related allowances for uncollectible amounts (if any) were as follows:

Fiscal Year	General Fund
2018 - 2019	\$ 24,962
Prior	4,005
Net total	\$ 28,967

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Capital Assets

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 5,000	N/A	N/A
Buildings	5,000	Straight-line	10-40
Furniture, machinery and equipment	5,000	Straight-line	3-20
Infrastructure and improvements	5,000	Straight-line	5-20

I. Investment Income

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

J. Compensated Absences

Compensated absences consist of vacation leave earned by employees based on services already rendered.

Employees may accumulate up to 240 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate 120 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

K. Deferred Outflows/Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

L. Fund Balance Reporting

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the City Council has approved, which is the highest level of decision-making authority within the City. Only the City Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but that are neither restricted nor committed. The City Council has authorized the City manager to assign resources for a specific purpose.

The unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

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

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

M. Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the 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 refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS

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

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated “A” or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody’s investor’s service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk.

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

The City’s investment policy states that the City will conform with Arizona Revised Statutes. The City does not have a formal investment policy with respect to custodial credit risk, concentration of credit risk, or foreign currency risk.

Deposits—At June 30, 2019, the carrying amount of the City’s total cash in bank was \$8,276,440, and the bank balances were \$8,593,772. Of the bank balances, \$500,000 was covered by federal depository insurance or similar insurance. The remainder was covered by collateral held by the pledging financial institution in the City’s name.

Restricted cash – Restricted cash in the Water Fund consists of monies restricted for refundable customer deposits in the amount of \$69,135, monies restricted for debt service in the amount of \$489,671, and monies restricted for repairs and replacements in the amount of \$123,306.

Investments—The City reported investments in the State Treasurer’s Investment Pool 5 with a reported amount of \$3,636,767. The Standard and Poor’s credit quality rating of the pool is AAA.

The State Board of Investment provides oversight for the State Treasurer’s pools. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares and the participant’s shares are not identified with specific investments.

A reconciliation of cash, deposits, and investments to amounts shown on the statements of net position follows:

	Governmental activities	Business-type activities	Volunteer Firefighters' Relief and Pension	Total
Cash and cash equivalents:				
Cash on hand	\$ 2,240	\$ -	\$ -	\$ 2,240
Amount of deposits	624,696	7,650,982	762	8,276,440
State Treasurer's Investment Pool 5	3,617,012	-	19,755	3,636,767
Total	<u>\$ 4,243,948</u>	<u>\$ 7,650,982</u>	<u>\$ 20,517</u>	<u>\$ 11,915,447</u>

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 3 – DUE FROM OTHER GOVERNMENTS

Amounts due at June 30, 2019 from other governments in the Governmental Funds consisted of the following:

Description	General Fund	Other Governmental Funds	Total
<u>State of Arizona:</u>			
City sales tax	\$ 721,354	\$ -	\$ 721,354
Highway user revenue	-	79,728	79,728
Grants	-	77,288	77,288
State sales tax	24,610	-	24,610
Vehicle license tax	20,524	-	20,524
<u>Gila County:</u>			
Transportation Excise Tax	-	38,834	38,834
	<u>\$ 766,488</u>	<u>\$ 195,850</u>	<u>\$ 962,338</u>

NOTE 4 – NOTE RECEIVABLE

In late 2017, it was discovered that for approximately four years, the State of Arizona distributed transaction privilege taxes to the Town of Miami that were paid by three business entities located within the city limits of Globe. The total amount of distributions collected by the Town of Miami in error was \$268,789.

The Town of Miami has agreed to pay the City the distributions collected in error. Beginning April 2018, the Town of Miami began to reimburse the City in monthly installments of \$8,000, including interest of 4%, with a maturity date of July 2021. As of June 30, 2019, the unpaid balance due to the City is \$190,623.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Governmental activities</u>		
	Balance July 1, 2018	Increases	Balance June 30, 2019
Capital assets not being depreciated:			
Land	\$ 1,323,644	-	\$ 1,323,644
Construction in progress	-	41,971	41,971
Total capital assets not being depreciated	1,323,644	41,971	1,365,615
Capital assets being depreciated:			
Buildings	4,100,097	76,638	4,176,735
Furniture, machinery and equipment	6,352,538	69,456	6,421,994
Street infrastructure and improvements other than buildings	6,304,800	174,693	6,479,493
Total capital assets being depreciated	16,757,435	320,787	17,078,222
Less accumulated depreciation for:			
Buildings	(2,950,254)	(111,121)	(3,061,375)
Furniture, machinery and equipment	(5,343,452)	(211,910)	(5,555,362)
Street infrastructure and improvements other than buildings	(3,523,972)	(224,399)	(3,748,371)
Total accumulated depreciation	(11,817,678)	(547,430)	(12,365,108)
Total capital assets being depreciated, net	4,939,757	(226,643)	4,713,114
Governmental activities capital assets, net	\$ 6,263,401	\$ (184,672)	\$ 6,078,729
	<u>Business-type activities</u>		
	Balance July 1, 2018	Increases	Balance June 30, 2019
Capital assets not being depreciated:			
Land	\$ 287,893	-	\$ 287,893
Construction in progress	-	622,030	622,030
Total capital assets not being depreciated	287,893	622,030	909,923
Capital assets being depreciated:			
Buildings	6,909,452	-	6,909,452
Furniture, machinery and equipment	2,133,785	26,482	2,160,267
Street infrastructure and improvements other than buildings	18,599,197	92,573	18,691,770
Total capital assets being depreciated	27,642,434	119,055	27,761,489
Less accumulated depreciation for:			
Buildings	(5,383,072)	(198,235)	(5,581,307)
Furniture, machinery and equipment	(1,520,595)	(192,672)	(1,713,267)
Street infrastructure and improvements other than buildings	(7,513,700)	(474,912)	(7,988,612)
Total accumulated depreciation	(14,417,367)	(865,819)	(15,283,186)
Total capital assets being depreciated, net	13,225,067	(746,764)	12,478,303
Business-type activities capital assets, net	\$ 13,512,960	\$ (124,734)	\$ 13,388,226

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 5 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 121,228
Public safety	125,890
Public works and streets	243,531
Parks and recreation	46,022
Sanitation	255
Welfare	<u>10,504</u>
 Total governmental activities depreciation expense	 <u><u>\$ 547,430</u></u>
 Business-type activities:	
Water	\$ 603,689
Sewer	<u>262,130</u>
 Total business-type activities depreciation expense	 <u><u>\$ 865,819</u></u>

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the City’s long-term liability and obligation activity for the year ended June 30, 2019.

	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019	Due within 1 year
Governmental activities:					
Compensated absences	\$ 203,746	\$ 48,625	\$ -	\$ 252,371	\$ 189,278
OPEB liability	15,717	-	(3,757)	11,960	4,300
Capital leases	124,382	-	(22,335)	102,047	41,065
Net pension and other postemployment benefits liability	15,214,386	-	(794,985)	14,419,401	-
Governmental activities long-term liabilities	<u>\$ 15,558,231</u>	<u>\$ 48,625</u>	<u>\$ (821,077)</u>	<u>\$ 14,785,779</u>	<u>\$ 234,643</u>
Business-type activities:					
Compensated absences	\$ 59,731	\$ -	\$ (29,898)	\$ 29,833	\$ 22,375
Capital leases	218,490	-	(40,224)	178,266	41,889
Loans payable from direct borrowings and direct placements	5,512,574	605,251	(1,155,467)	4,962,358	407,822
Net pension and other postemployment benefits liability	983,952	-	(22,466)	961,486	-
Business-type activities long-term liabilities	<u>\$ 6,774,747</u>	<u>\$ 605,251</u>	<u>\$ (1,248,055)</u>	<u>\$ 6,131,943</u>	<u>\$ 472,086</u>

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 6 – LONG-TERM LIABILITIES – Continued

Loans payable from direct borrowings and direct placements— The City’s loans payable from direct borrowings and direct placements consisted of the following:

	Business-type Activities
	Water Fund
Note payable to Water Infrastructure Finance Authority of Arizona with interest at 2.333% and due January 1st and July 1st of each year beginning January 1, 2015, with final payment due July 1, 2034.	\$ 2,789,212
Note payable to Water Infrastructure Finance Authority of Arizona with interest at 3.405% and due January 1st and July 1st of each year beginning January 1, 2006, with final payment due July 1, 2029.	2,087,754
Note payable to Water Infrastructure Finance Authority of Arizona with interest at 2.016% and due January 1st and July 1st of each year beginning January 1, 2018, with final payment due July 1, 2037.	85,392
	\$ 4,962,358

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 6 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the City’s loans payable from direct borrowings and direct placements at June 30, 2019.

Year Ending June 30	Loans Payable	
	Principal	Interest
2020	\$ 407,822	\$ 135,597
2021	332,239	123,760
2022	342,355	113,328
2023	352,787	102,569
2024	363,545	91,474
2025-29	1,991,287	278,360
2030-34	1,018,073	52,367
2035	154,250	-
Total	\$ 4,962,358	\$ 897,455

Capital leases—The City has acquired vehicles and equipment under the provisions of a long-term lease agreement classified as a capital lease for accounting purposes because it provides for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Vehicles	\$ 162,572	\$ 113,624
Equipment	59,595	191,901
Less: accumulated depreciation	(110,572)	(130,193)
Carrying value	\$ 111,595	\$ 175,332

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 6 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the City’s capital leases payable at June 30, 2019:

Year Ending June 30	Governmental Activities	Business-type Activities
2020	\$ 44,971	\$ 48,407
2021	44,972	48,408
2022	18,545	23,435
2023	-	23,435
2024	-	52,800
Total minimum lease payments	108,488	196,485
Less amount representing interest	(6,441)	(18,219)
Present value of net minimum lease payments	<u>\$ 102,047</u>	<u>\$ 178,266</u>

NOTE 7 – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City carries commercial insurance for all such risks of loss, including workers’ compensation and employees’ health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 – CONTINGENCIES

The City is involved with various matters of litigation from year to year. It is the opinion of City officials that these cases will either be handled by the City’s insurance coverage or that they will not have a material effect on the City’s financial condition.

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund balances – During the course of normal operations, the City’s General Fund has loaned the Active Adult Center Fund (non-major fund) \$56,778 to fund ongoing operations. Balances are expected to be repaid within one year.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The City contributes to the pension plans described below. The plans are component units of the State of Arizona.

At June 30, 2019, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net pension/OPEB assets	\$ 76,841	\$ 2,518	\$ 79,359
Net pension/OPEB liabilities	14,419,401	961,486	15,380,887
Deferred outflows of resources related to pension and OPEB	3,856,107	226,654	4,082,761
Deferred inflows of resources related to pension and OPEB	1,233,998	124,916	1,358,914
Pension and OPEB expense	1,923,599	44,341	1,967,940

The City reported \$2,946,812 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

A. Arizona State Retirement System

Plan Description – City employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Benefits Provided – 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 credit as follows:

	Initial Membership Date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 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.

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2019, statute required active ASRS members to contribute at the actuarially determined rate of 11.80 percent (11.64 percent for retirement and 0.16 percent for long-term disability) of the members’ annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 11.80 percent (11.18 percent for retirement, 0.46 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members’ annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 10.53 percent (10.41 percent for retirement, 0.06 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City’s contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2019, were \$290,300, \$11,785, and \$4,115, respectively.

During fiscal year 2019, the City paid for ASRS pension and OPEB contributions as follows: 72.08 percent from the General Fund, 17.47 percent from the Water Utility Fund, and 10.45 percent from the Sewer Utility Fund.

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

	Net Pension/OPEB
	(Asset) Liability

Pension	\$ 3,430,834
Health insurance premium benefit	(9,017)
Long-term disability	12,885

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

The City’s proportion of the net asset or net liability was based on the City’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2018. The City’s proportions measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

	<u>Proportion June 30, 2018</u>	<u>Increase (decrease) from June 30, 2017</u>
Pension	0.02460%	0.00203%
Health insurance premium benefit	0.02504%	0.00214%
Long-term disability	0.02466%	0.00199%

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

	<u>Pension/OPEB Expense</u>
Pension	\$ 145,065
Health insurance premium benefit	8,993
Long-term disability	4,757

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 94,517	\$ 18,914	\$ -	\$ 8,322
Changes of assumptions or other inputs	90,786	304,191	17,389	-
Net difference between projected and actual earnings on pension plan investments	-	82,503	-	18,012
Changes in proportion and differences between City contributions and proportionate share of contributions	298,956	14,208	110	10
City contributions subsequent to the measurement date	<u>290,300</u>	<u>-</u>	<u>11,785</u>	<u>-</u>
Total	<u><u>\$ 774,559</u></u>	<u><u>\$ 419,816</u></u>	<u><u>\$ 29,284</u></u>	<u><u>\$ 26,344</u></u>
	<u>Long-Term Disability</u>			
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>		
Differences between expected and actual experience	\$ 330	\$ -		
Changes of assumptions or other inputs	2,791	-		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,248		
Changes in proportion and differences between City contributions and proportionate share of contributions	720	-		
City contributions subsequent to the measurement date	<u>4,115</u>	<u>-</u>		
Total	<u><u>\$ 7,956</u></u>	<u><u>\$ 1,248</u></u>		

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability</u>
2020	\$ 191,260	\$ (3,472)	139
2021	35,335	(3,471)	138
2022	(125,152)	(3,469)	138
2023	(37,000)	370	472
2024	-	1,197	533
Thereafter	-	-	1,173

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

ASRS

Actuarial valuation date	June 30, 2017
Actuarial roll forward date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

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

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The long-term expected rate of return on ASRS plan investments was determined to be 7.50 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

Discount Rate – At June 30, 2018, the discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent, which was a decrease of 0.5 from the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the City’s Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the City’s proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.5 percent, as well as what the City’s proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the			
Net pension liability	\$ 4,890,733	\$ 3,430,834	\$ 2,211,112
Net insurance premium benefit liability (asset)	31,948	(9,017)	(43,911)
Net long-term disability liability	14,602	12,885	11,219

Plan Fiduciary Net Position – Detailed information about the plans’ fiduciary net position is available in the separately issued ASRS financial report.

B. Elected Officials Retirement Plan

Plan Description – Elected officials participate in the Elected Officials Retirement Plan (EORP), or the Elected Officials Defined Contribution Retirement System (EODCRS). EORP administers a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan for elected officials who were members of the plan on December 31, 2013. The EORP pension and OPEB plans were 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 PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for the EORP plans. The report is available on PSPRS’s website at www.psprs.com.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	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 of service, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percentage		
Normal Retirement	4% per year of service, not to exceed 80%	3% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
Survivor Benefit		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and other inactive members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%.

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 8 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 7 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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 and designates a portion of certain court fees for the EORP. For the year ended June 30, 2019, statute required active EORP members to contribute 7 or 13 percent of the members’ annual covered payroll and the City to contribute at the actuarially determined rate of 61.5 percent of all active EORP members’ annual covered payroll. Also, statute required the City to contribute 49.86 percent to EORP of the annual covered payroll of elected officials who were ASRS members and 55.5 percent to EORP of the annual covered payroll of elected officials who were EODCRS members, in addition to the City’s required contributions to ASRS and EODCRS for these elected officials. In addition, statute required the City to contribute 30.16 percent of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the EORP would typically fill. The City’s contributions to the pension and health insurance premium benefit plans for the year ended June 30, 2019, were \$16,993 and \$0, respectively.

During fiscal year 2019, the City paid 100 percent of EORP pension contributions from the General Fund.

Liability – At June 30, 2019, the City reported a liability for its proportionate share of the EORP’s net pension liability that reflected a reduction for the City’s proportionate share of the State’s appropriation for EORP. The amount the City recognized as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the EORP net pension liability	\$	284,306
State's proportionate share of the EORP net pension liability associated with the City		48,714
Total	<u>\$</u>	<u>333,020</u>

The City also reported an asset of \$70,342 for its proportionate share of EORP’s net OPEB asset.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net asset and net liability were measured as of June 30, 2018, and the total liability used to calculate the net asset or net liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2018, reflect statutory changes in benefit terms for automatic cost-of-living adjustments. The basis for cost-of-living adjustments was changed from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.

The City’s proportion of the net pension liability was based on the City’s required contributions to the pension plan relative to the total of all participating employers’ required contributions for the year ended June 30, 2018. The City’s proportion of the net OPEB asset was based on the City’s present value of benefits relative to the total of all participating employers’ present value of benefits for the year ended June 30, 2018. The City’s proportion measured as of June 30, 2018, and the change from its proportions measured as of June 30, 2017, were:

	Proportion June 30, 2018	Increase (decrease) from June 30, 2017
Pension	0.04512%	0.01256%
Health insurance premium benefit	0.68069%	0.08646%

Expense – For the year ended June 30, 2019, the City recognized pension and OPEB expense for EORP of \$(62,890) and \$(7,137), respectively, and revenue of \$13,850 for the City’s proportionate share of the State’s appropriation to EORP and the designated court fees.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 4,434	\$ 846	\$ 3,286
Changes of assumptions or other inputs	2,467	118,359	239	3,807
Net difference between projected and actual earnings on pension plan investments	1,771	-	-	4,298
Changes in proportion and differences between City contributions and proportionate share of contributions	76,479	1,343	-	-
City contributions subsequent to the measurement date	16,993	-	-	-
Total	<u>\$ 97,710</u>	<u>\$ 124,136</u>	<u>\$ 1,085</u>	<u>\$ 11,391</u>

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to EORP pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
2020	\$ (40,051)	\$ (6,192)
2021	(2,361)	(2,867)
2022	(1,047)	(1,280)
2023	41	34

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

EORP

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The long-term expected rate of return on EORP plan investments was determined to be 7.40 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

EORP	Long-term Expected Geometric	
Asset Class	Target Allocation	Real Rate of Return
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

Discount rates – At June 30, 2018, the discount rate used to measure the EORP total pension liability and total OPEB liability was 7.4 percent which was an increase of 3.49 for pension and no change for OPEB from the discount rates used as of June 30, 2017. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the City’s proportionate share of the EORP net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the City’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.4 percent, as well as what the City’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Rate - pension	6.4%	7.4%	8.4%
City's proportionate share of the net pension liability	\$ 326,449	\$ 284,306	\$ 248,483
Rate - OPEB	6.4%	7.4%	8.4%
City's proportionate share of the net OPEB (asset)	\$ (62,527)	\$ (70,342)	\$ (77,097)

Plan fiduciary net position – Detailed information about the plans’ fiduciary net position is available in the separately issued EORP financial report.

EODCRS plan – Elected officials that are not members of EORP or ASRS participate in the EODCRS and the Elected Officials Defined Contribution Retirement System Disability Program (EODCDP). The EODCRS is a defined contribution pension plan. The EODCDP is a cost-sharing multiple-employer defined benefit disability (OPEB) plan for EODCRS members. The PSPRS Board of Trustees governs the EODCRS and EODCDP according to the provisions of A.R.S. Title 38, Chapter 5, Articles 3.1 and 3.2. Benefit terms, including contribution requirements, are established by state statute. The EODCDP is not further disclosed because of its relative insignificance to the City’s financial statements.

For the year ended June 30, 2019, active EODCRS members were required by statute to contribute 8 percent of the members’ annual covered payroll, and the City was required by statute to contribute 6 percent of active members’ annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the City’s contributions to the individual employee account and the earnings on those contributions. For the year ended June 30, 2019, the City recognized pension expense of \$1,215.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

C. Public Safety Personnel Retirement System

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

The PSPRS issues publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

Benefits Provided – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on inflation. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

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

	<u>PSPRS Police</u>		<u>PSPRS Fire</u>	
	<u>Pension</u>	<u>Health</u>	<u>Pension</u>	<u>Health</u>
Inactive employees or beneficiaries currently receiving benefits	18	18	15	15
Inactive employees entitled to but not yet receiving benefits	11	1	3	2
Active employees	15	15	12	12
Total	<u>44</u>	<u>34</u>	<u>30</u>	<u>29</u>

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2019, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	<u>Active Member- Pension</u>	<u>City-Pension</u>	<u>City-Health Insurance Premium Benefit</u>
PSPRS Police	7.65% - 11.65%	77.37%	0.58%
PSPRS Fire	7.65% - 11.65%	63.92%	0.74%

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
PSPRS Police	\$ 1,233,743	\$ 4,044
PSPRS Fire	934,510	5,752

During fiscal year 2019, the City paid for 100 percent of PSPRS-Police and PSPRS-Fire pension and OPEB contributions from the General Fund.

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

	<u>Net Pension (Asset) Liability</u>	<u>Net OPEB (Asset) Liability</u>
PSPRS Police	\$ 6,196,351	\$ 26,147
PSPRS Fire	5,397,156	33,208

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

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

PSPRS

Actuarial valuation date	June 30, 2018
Actuarial cost method	Entry age normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>
Short term investments	2%	0.25%
Risk parity	4%	5.00%
Fixed Income	5%	1.25%
Real assets	9%	4.52%
GTS	12%	3.96%
Private credit	16%	6.75%
Real estate	10%	3.75%
Private equity	12%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Discount Rates – At June 30, 2018, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was the same as the discount rate used as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the Net Pension/OPEB Liability (Asset)

PSPRS-Police

	Pension		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 11,259,094	\$ 4,798,424	\$ 6,460,670
Changes for the year			
Service Cost	182,188	-	182,188
Interest on the total liability	813,277	-	813,277
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the liability	(408,687)	-	(408,687)
Changes of assumptions or other inputs	-	-	-
Contributions-employer	-	815,705	(815,705)
Contributions-employee	-	89,808	(89,808)
Net investment income	-	342,460	(342,460)
Benefit payments, including refunds of employee contributions	(719,917)	(719,917)	-
Hall/Parker Settlement	-	(121,780)	121,780
Administrative expense	-	(5,912)	5,912
Other changes	-	(269,184)	269,184
Net changes	(133,139)	131,180	(264,319)
Balances at June 30, 2019	\$ 11,125,955	\$ 4,929,604	\$ 6,196,351

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

	Health Insurance Premium Benefit		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at June 30, 2018	\$ 298,117	\$ 275,060	\$ 23,057
Changes for the year			
Service Cost	4,259	-	4,259
Interest on the total liability	21,422	-	21,422
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the liability	(3,053)	-	(3,053)
Changes of assumptions or other inputs	-	-	-
Contributions-employer	-	1,277	(1,277)
Contributions-employee	-	-	-
Net investment income	-	18,543	(18,543)
Benefit payments, including refunds of employee contributions	(21,532)	(21,532)	-
Administrative expense	-	(282)	282
Other changes	-	-	-
Net changes	1,096	(1,994)	3,090
Balances at June 30, 2019	\$ 299,213	\$ 273,066	\$ 26,147

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

PSPRS-Fire

	Pension Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2018	\$ 9,964,279	\$ 4,221,512	\$ 5,742,767
Changes for the year			
Service Cost	154,335	-	154,335
Interest on the total liability	722,857	-	722,857
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the liability	(213,668)	-	(213,668)
Changes of assumptions or other inputs	-	-	-
Contributions-employer	-	757,577	(757,577)
Contributions-employee	-	81,039	(81,039)
Net investment income	-	310,839	(310,839)
Benefit payments, including refunds of employee contributions	(546,226)	(546,226)	-
Hall/Parker Settlement	-	(134,943)	134,943
Administrative expense	-	(5,431)	5,431
Other changes	-	54	(54)
Net changes	117,298	462,909	(345,611)
Balances at June 30, 2019	\$ 10,081,577	\$ 4,684,421	\$ 5,397,156

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

	Health Insurance Premium Benefit		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at June 30, 2018	\$ 236,557	\$ 185,636	\$ 50,921
Changes for the year			
Service Cost	2,618	-	2,618
Interest on the total liability	17,140	-	17,140
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the liability	(23,286)	-	(23,286)
Changes of assumptions or other inputs	-	-	-
Contributions-employer	-	1,791	(1,791)
Contributions-employee	-	-	-
Net investment income	-	12,586	(12,586)
Benefit payments, including refunds of employee contributions	(12,480)	(12,480)	-
Administrative expense	-	(192)	192
Other changes	-	-	-
Net changes	(16,008)	1,705	(17,713)
Balances at June 30, 2019	\$ 220,549	\$ 187,341	\$ 33,208

Sensitivity of the City’s Net Pension/OPEB Liability to Changes in the Discount Rate – The following table presents the City’s net pension/OPEB (assets) liabilities calculated using the discount rate of 7.4 percent, as well as what the City’s net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.4 percent) or 1 percentage point higher (8.4 percent) than the current rate:

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PSPRS Police			
Net pension (asset) liability	\$ 7,495,152	\$ 6,196,351	\$ 5,125,811
Net OPEB (asset) liability	55,632	26,147	1,225
PSPRS Fire			
Net pension (asset) liability	\$ 6,662,190	\$ 5,397,156	\$ 4,359,299
Net OPEB (asset) liability	57,647	33,208	12,657

Plan Fiduciary Net Position – Detailed information about the plans’ fiduciary net position is available in the separately issued PSPRS financial reports.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	Pension Expense		OPEB Expense (Income)
PSPRS Police	\$ 1,132,834	\$	2,784
PSPRS Fire	761,789		(4,405)

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

PSPRS-Police

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,816	\$ 454,983	\$ -	\$ 5,389
Changes of assumptions or other inputs	338,551	-	888	-
Net difference between projected and actual earnings on pension plan investments	15,776	-	-	5,738
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-	-	-
City contributions subsequent to the measurement date	1,233,743	-	4,044	-
Total	\$ 1,645,886	\$ 454,983	\$ 4,932	\$ 11,127

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 10 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

PSPRS-Fire

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 75,112	\$ 272,574	\$ -	\$ 32,834
Changes of assumptions or other inputs	472,376	-	-	725
Net difference between projected and actual earnings on pension plan investments	33,599	-	-	3,736
Changes in proportion and differences between City contributions and proportionate share of contributions	-	-	-	-
City contributions subsequent to the measurement date	934,510	-	5,752	-
Total	\$ 1,515,597	\$ 272,574	\$ 5,752	\$ 37,295

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	PSPRS Police		PSPRS Fire	
	Pension	Health	Pension	Health
2020	\$ 54,546	\$ (3,584)	\$ 172,972	\$ (11,021)
2021	(39,972)	(3,584)	130,523	(11,021)
2022	(58,376)	(3,283)	37,788	(11,023)
2023	962	212	(32,770)	(4,230)
2024	-	-	-	-
Thereafter	-	-	-	-

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 11 – OPEB LIABILITY

On April 21, 2008, the City adopted a healthcare reimbursement plan for all retired employees from the City of Globe. The City agreed to reimburse employees up to \$400 each month for healthcare until they reached the age of 65. In August 2011, the City closed the plan to new entrants and all participants must have retired prior to December 31, 2011 to be eligible for the benefit. As of June 30, 2019, only one participant remains in the plan. As of June 30, 2019, the estimated accrued liability is \$11,960.

NOTE 12 – COMMITTED FUND BALANCE/NET POSITION

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."

	<u>General Fund</u>
Allocation of revenue for 18-19	\$ 5,500
Expenditures	-
Increase in committed fund balance	5,500
Committed fund balance, July 1, 2018	84,237
Committed fund balance, June 30, 2019	\$ 89,737

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"

	<u>Water Fund</u>
Allocation of revenue for 18-19	\$ 65,543
Expenditures	-
Increase in committed fund balance	65,543
Committed fund balance, July 1, 2018	988,428
Committed fund balance, June 30, 2019	\$ 1,053,971

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2019

NOTE 13 – LEGAL AND CONTINGENCIES

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, 2019, no testing and engineering costs had been incurred.

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.

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, 2019. 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.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GLOBE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,505,940	\$ 5,505,940	\$ 5,393,300	\$ (112,640)
Intergovernmental	2,146,072	2,146,072	2,135,257	(10,815)
Charges for services	980,583	980,583	994,984	14,401
Licenses, permits and fees	644,731	644,731	584,418	(60,313)
Franchise fees	247,984	247,984	229,200	(18,784)
Other revenue	139,639	139,639	113,940	(25,699)
Interest	44,674	44,674	109,686	65,012
Fines and forfeitures	74,216	74,216	92,339	18,123
Total revenues	<u>9,783,839</u>	<u>9,783,839</u>	<u>9,653,124</u>	<u>(130,715)</u>
Expenditures				
Mayor and council	588,706	588,706	390,473	198,233
Community organizations	144,752	144,752	135,894	8,858
Administration	1,030,795	1,030,795	1,157,266	(126,471)
Fire	2,402,150	2,402,150	2,690,514	(288,364)
Police	3,100,437	3,100,437	3,656,305	(555,868)
Magistrate	171,096	171,096	168,709	2,387
Sanitation	636,000	636,000	615,657	20,343
Public works	804,498	804,498	890,419	(85,921)
Museum	200,467	200,467	196,480	3,987
Economic development	136,115	136,115	153,203	(17,088)
Fleet maintenance	356,868	356,868	407,763	(50,895)
Contingency	1,435,783	1,435,783	-	1,435,783
Total expenditures	<u>11,007,667</u>	<u>11,007,667</u>	<u>10,462,683</u>	<u>544,984</u>
Excess (deficiency) of revenues over (under) expenditures	(1,223,828)	(1,223,828)	(809,559)	414,269
Other financing sources (uses)				
Sale of capital assets	2,500	2,500	10,400	7,900
Transfers	(357,384)	(357,384)	(276,475)	80,909
Total other financing sources (uses)	<u>(354,884)</u>	<u>(354,884)</u>	<u>(266,075)</u>	<u>88,809</u>
Net change in fund balances	(1,578,712)	(1,578,712)	(1,075,634)	503,078
Fund balances, beginning of year	<u>5,373,946</u>	<u>5,373,946</u>	<u>5,373,946</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,795,234</u>	<u>\$ 3,795,234</u>	<u>\$ 4,298,312</u>	<u>\$ 503,078</u>

See accompanying notes to budgetary comparison schedule.

CITY OF GLOBE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2019

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

A.R.S. requires the City to prepare and adopt a balanced budget annually for each governmental fund. The City Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the City Council's approval. With the exception of the general fund, each fund includes only one department.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The City's budget is prepared on a basis consistent with generally accepted accounting principles.

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2019, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Administration, Fire, Police, Public Works, Economic Development, and Fleet Maintenance departments.

CITY OF GLOBE, ARIZONA
Required Supplementary Information
Schedule of the City's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Pension Plans
June 30, 2019

ASRS-Pension

	Reporting Fiscal Year					
	(Measurement Date)					
	2019	2018	2017	2016	2015	2014 through
	(2018)	(2017)	(2016)	(2015)	(2014)	2009
City's proportion of the net pension liability	0.024600%	0.022570%	0.021150%	0.022530%	0.022481%	Information
City's proportionate share of the net pension liability	\$ 3,430,834	\$ 3,515,966	\$ 3,413,822	\$ 3,509,498	\$ 3,511,274	not available
City's covered payroll	\$ 2,445,220	\$ 2,201,679	\$ 1,980,756	\$ 2,075,216	\$ 2,139,121	
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	140.31%	159.69%	172.35%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	73.40%	69.92%	67.06%	68.35%	69.49%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year		
	(Measurement Date)		
	2019	2018	2017 through
	(2018)	(2017)	2009
City's proportion of the net OPEB (asset)	0.025040%	0.022900%	Information
City's proportionate share of the net OPEB (asset)	\$ (9,017)	\$ (12,467)	not available
City's covered payroll	\$ 2,445,220	\$ 2,201,679	
City's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	-0.37%	-0.57%	
Plan fiduciary net position as a percentage of the total OPEB liability	102.20%	103.57%	

See accompanying notes to pension plan schedules.

CITY OF GLOBE, ARIZONA
Required Supplementary Information
Schedule of the City's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Pension Plans
June 30, 2019

ASRS-Long-Term Disability

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2009
City's proportion of the net OPEB (asset)	0.024660%	0.022670%	Information
City's proportionate share of the net OPEB (asset)	\$ 12,885	\$ 8,217	not available
City's covered payroll	\$ 2,445,220	\$ 2,201,679	
City's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	0.53%	0.37%	
Plan fiduciary net position as a percentage of the total OPEB liability	77.83%	84.44%	

See accompanying notes to pension plan schedules.

CITY OF GLOBE, ARIZONA
Required Supplementary Information
Schedule of the City's Proportionate
Share of the Net Pension Liability
Cost-Sharing Pension Plans
June 30, 2019

EORP-Pension

	Reporting Fiscal Year (Measurement Date)					
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
City's proportion of the net pension liability	0.045118%	0.032560%	0.034382%	0.030830%	0.038340%	Information not available
City's proportionate share of the net pension liability	\$ 284,306	\$ 396,740	\$ 324,824	\$ 240,920	\$ 257,089	
State's proportionate share of the net pension liability associated with the City	48,714	82,346	67,068	75,109	78,826	
Total	<u>\$ 333,020</u>	<u>\$ 479,086</u>	<u>\$ 391,892</u>	<u>\$ 316,029</u>	<u>\$ 335,915</u>	
City's covered payroll	<u>\$ 14,400</u>	<u>\$ 21,100</u>	<u>\$ 33,054</u>	<u>\$ 27,600</u>	<u>\$ 34,762</u>	
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	1974.35%	1880.28%	982.71%	872.90%	739.57%	
Plan fiduciary net position as a percentage of the total pension liability	30.36%	17.16%	23.42%	28.32%	31.91%	

EORP-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2009
City's proportion of the net OPEB (asset)	0.68069%	0.59423%	Information not available
City's proportionate share of the net OPEB (asset)	\$ (70,342)	\$ (54,112)	
City's covered payroll	\$ 14,400	\$ 21,100	
City's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	-488.49%	-256.45%	
Plan fiduciary net position as a percentage of the total OPEB liability	177.16%	164.84%	

See accompanying notes to pension plan schedules.

CITY OF GLOBE, ARIZONA
Required Supplementary Information
Schedule of Changes in the City's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2019

PSPRS - Police

	Reporting Fiscal Year (Measurement Date)					2014 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability						Information not available
Service cost	\$ 182,188	\$ 163,019	\$ 174,994	\$ 171,814	\$ 202,049	
Interest on the total pension liability	813,277	787,344	801,630	743,307	635,715	
Changes of benefit terms	-	94,012	(16,247)	-	264,241	
Differences between expected and actual experience in the measurement of the pension liability	(408,687)	(130,723)	(309,546)	387,628	(429,362)	
Changes of assumptions or other inputs	-	393,169	394,703	-	1,250,618	
Benefit payments, including refunds of employee contributions	(719,917)	(928,288)	(578,648)	(544,101)	(530,972)	
Net change in total pension liability	(133,139)	378,533	466,886	758,648	1,392,289	
Total pension liability - beginning	11,259,094	10,880,561	10,413,675	9,655,027	8,262,738	
Total pension liability - ending (a)	<u>\$ 11,125,955</u>	<u>\$ 11,259,094</u>	<u>\$ 10,880,561</u>	<u>\$ 10,413,675</u>	<u>\$ 9,655,027</u>	
Plan fiduciary net position						
Contributions - employer	\$ 815,705	\$ 1,260,786	\$ 533,254	\$ 349,032	\$ 282,220	
Contributions - employee	89,808	110,209	122,776	120,405	108,788	
Net investment income	342,460	509,719	21,771	132,063	445,624	
Benefit payments, including refunds of employee contributions	(719,917)	(928,288)	(578,648)	(544,101)	(530,972)	
Hall/Parker Settlement	(121,780)	-	-	-	-	
Administrative expense	(5,912)	(4,910)	(3,533)	(3,595)	-	
Other changes	(269,184)	118,574	(59,187)	55,462	(251,795)	
Net change in plan fiduciary net position	131,180	1,066,090	36,433	109,266	53,865	
Plan fiduciary net position - beginning	4,798,424	3,732,334	3,695,901	3,586,635	3,532,770	
Plan fiduciary net position - ending (b)	<u>\$ 4,929,604</u>	<u>\$ 4,798,424</u>	<u>\$ 3,732,334</u>	<u>\$ 3,695,901</u>	<u>\$ 3,586,635</u>	
City's net pension liability (asset) - ending (a) - (b)	<u>\$ 6,196,351</u>	<u>\$ 6,460,670</u>	<u>\$ 7,148,227</u>	<u>\$ 6,717,774</u>	<u>\$ 6,068,392</u>	
Plan fiduciary net position as a percentage of the total pension liability	44.31%	42.62%	34.30%	35.49%	37.15%	
Covered payroll	\$ 946,429	\$ 701,459	\$ 946,935	\$ 942,820	\$ 910,118	
City's net pension (asset) liability as a percentage of covered payroll	654.71%	921.03%	754.88%	712.52%	666.77%	

See accompanying notes to pension plan schedules.

CITY OF GLOBE, ARIZONA
Required Supplementary Information
Schedule of Changes in the City's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2019

PSPRS OPEB - Police

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
Total OPEB liability			
Service cost	\$ 4,259	\$ 3,788	Information not available
Interest on the total OPEB liability	21,422	21,452	
Changes of benefit terms	-	2,092	
Differences between expected and actual experience in the measurement of the OPEB liability	(3,053)	(5,432)	
Changes of assumptions or other inputs	-	1,554	
Benefit payments	<u>(21,532)</u>	<u>(18,950)</u>	
Net change in total OPEB liability	1,096	4,504	
Total OPEB liability - beginning	<u>298,117</u>	<u>293,613</u>	
Total OPEB liability - ending (a)	<u>\$ 299,213</u>	<u>\$ 298,117</u>	
Plan fiduciary net position			
Contributions - employer	\$ 1,277	\$ 5,662	
Contributions - employee	-	-	
Net investment income	18,543	29,866	
Benefit payments	(21,532)	(18,950)	
Administrative expense	(282)	(264)	
Other changes	<u>-</u>	<u>-</u>	
Net change in plan fiduciary net position	(1,994)	16,314	
Plan fiduciary net position - beginning	<u>275,060</u>	<u>258,746</u>	
Plan fiduciary net position - ending (b)	<u>\$ 273,066</u>	<u>\$ 275,060</u>	
City's net OPEB (asset) liability - ending (a) - (b)	<u>\$ 26,147</u>	<u>\$ 23,057</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	91.26%	92.27%	
Covered payroll	\$ 946,429	\$ 701,459	
City's net OPEB (asset) liability as a percentage of covered payroll	2.76%	3.29%	

See accompanying notes to pension plan schedules.

CITY OF GLOBE, ARIZONA
Required Supplementary Information
Schedule of Changes in the City's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2019

PSPRS - Fire

	Reporting Fiscal Year (Measurement Date)					2014 through 2010
	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability						Information not available
Service cost	\$ 154,335	\$ 183,783	\$ 150,264	\$ 156,604	\$ 170,156	
Interest on the total pension liability	722,857	672,411	633,583	614,602	568,739	
Changes of benefit terms	-	135,787	223,209	-	157,833	
Differences between expected and actual experience in the measurement of the pension liability	(213,668)	(36,300)	149,036	25,042	(673,178)	
Changes of assumptions or other inputs	-	386,905	320,233	-	770,143	
Benefit payments, including refunds of employee contributions	<u>(546,226)</u>	<u>(503,789)</u>	<u>(693,666)</u>	<u>(408,889)</u>	<u>(396,467)</u>	
Net change in total pension liability	117,298	838,797	782,659	387,359	597,226	
Total pension liability - beginning	<u>9,964,279</u>	<u>9,125,482</u>	<u>8,342,823</u>	<u>7,955,464</u>	<u>7,358,238</u>	
Total pension liability - ending (a)	<u>\$ 10,081,577</u>	<u>\$ 9,964,279</u>	<u>\$ 9,125,482</u>	<u>\$ 8,342,823</u>	<u>\$ 7,955,464</u>	
Plan fiduciary net position						
Contributions - employer	\$ 757,577	\$ 910,230	\$ 402,007	\$ 308,280	\$ 302,193	
Contributions - employee	81,039	103,643	109,165	94,304	90,601	
Net investment income	310,839	430,025	19,895	125,014	425,082	
Benefit payments, including refunds of employee contributions	(546,226)	(503,789)	(693,666)	(408,889)	(396,467)	
Hall/Parker Settlement	(134,943)	-	-	-	-	
Administrative expense	(5,431)	(4,205)	(3,263)	(3,433)	-	
Other changes	<u>54</u>	<u>43</u>	<u>(9,865)</u>	<u>(194,808)</u>	<u>(130,977)</u>	
Net change in plan fiduciary net position	462,909	935,947	(175,727)	(79,532)	290,432	
Plan fiduciary net position - beginning	<u>4,221,512</u>	<u>3,285,565</u>	<u>3,461,292</u>	<u>3,540,824</u>	<u>3,250,392</u>	
Plan fiduciary net position - ending (b)	<u>\$ 4,684,421</u>	<u>\$ 4,221,512</u>	<u>\$ 3,285,565</u>	<u>\$ 3,461,292</u>	<u>\$ 3,540,824</u>	
City's net pension liability (asset) - ending (a) - (b)	<u>\$ 5,397,156</u>	<u>\$ 5,742,767</u>	<u>\$ 5,839,917</u>	<u>\$ 4,881,531</u>	<u>\$ 4,414,640</u>	
Plan fiduciary net position as a percentage of the total pension liability	46.47%	42.37%	36.00%	41.49%	44.51%	
Covered payroll	\$ 707,632	\$ 811,764	\$ 810,047	\$ 803,920	\$ 823,923	
City's net pension (asset) liability as a percentage of covered payroll	762.71%	707.44%	720.94%	607.22%	535.81%	

See accompanying notes to pension plan schedules.

CITY OF GLOBE, ARIZONA
Required Supplementary Information
Schedule of Changes in the City's
Net Pension Liability (Asset) and Related Ratios
Agent Pension Plans – PSPRS Fire
June 30, 2019

PSPRS OPEB - Fire

	Reporting Fiscal Year (Measurement Date)		
	2019 (2018)	2018 (2017)	2017 through 2010
Total OPEB liability			
Service cost	\$ 2,618	\$ 3,247	Information not available
Interest on the total OPEB liability	17,140	18,597	
Changes of benefit terms	-	-	
Differences between expected and actual experience in the measurement of the OPEB liability	(23,286)	(23,735)	
Changes of assumptions or other inputs	-	(1,201)	
Benefit payments	(12,480)	(13,380)	
Net change in total OPEB liability	(16,008)	(16,472)	
Total OPEB liability - beginning	236,557	253,029	
Total OPEB liability - ending (a)	<u>\$ 220,549</u>	<u>\$ 236,557</u>	
Plan fiduciary net position			
Contributions - employer	\$ 1,791	\$ 9,839	
Contributions - employee	-	-	
Net investment income	12,586	19,799	
Benefit payments	(12,480)	(13,380)	
Administrative expense	(192)	(176)	
Other changes	-	-	
Net change in plan fiduciary net position	1,705	16,082	
Plan fiduciary net position - beginning	185,636	169,554	
Plan fiduciary net position - ending (b)	<u>\$ 187,341</u>	<u>\$ 185,636</u>	
City's net OPEB (asset) liability - ending (a) - (b)	<u>\$ 33,208</u>	<u>\$ 50,921</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	84.94%	78.47%	
Covered payroll	\$ 707,632	\$ 811,764	
City's net OPEB (asset) liability as a percentage of covered payroll	4.69%	6.27%	

See accompanying notes to pension plan schedules.

CITY OF GLOBE, ARIZONA
Required Supplementary Information
Schedule of City Pension/OPEB Contributions
June 30, 2019

ASRS-Pension

	Reporting Fiscal Year						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 290,300	\$ 266,529	\$ 237,341	\$ 214,912	\$ 225,991	\$ 228,886	Information not available
City's contributions in relation to the statutorily required contribution	<u>(290,300)</u>	<u>(266,529)</u>	<u>(237,341)</u>	<u>(214,912)</u>	<u>(225,991)</u>	<u>(228,886)</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	<u>\$ 2,506,841</u>	<u>\$ 2,445,220</u>	<u>\$ 2,201,679</u>	<u>\$ 1,980,756</u>	<u>\$ 2,075,216</u>	<u>\$ 2,139,121</u>	
City's contributions as a percentage of covered payroll	11.58%	10.90%	10.78%	10.85%	10.89%	10.70%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year			2016 through 2010
	2019	2018	2017	
Statutorily required contribution	\$ 11,785	\$ 10,749	\$ 12,329	Information not available
City's contributions in relation to the statutorily required contribution	<u>(11,785)</u>	<u>(10,749)</u>	<u>(12,329)</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	<u>\$ 2,506,841</u>	<u>\$ 2,445,220</u>	<u>\$ 2,201,679</u>	
City's contributions as a percentage of covered payroll	0.47%	0.44%	0.56%	

See accompanying notes to pension plan schedules.

CITY OF GLOBE, ARIZONA
Required Supplementary Information
Schedule of City Pension/OPEB Contributions
June 30, 2019

PSPRS - Police

	Reporting Fiscal Year						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 1,233,743	\$ 815,705	\$ 1,260,786	\$ 533,254	\$ 349,032	\$ 282,220	Information not available
City's contributions in relation to the actuarially determined contribution	<u>(1,233,743)</u>	<u>(815,705)</u>	<u>(1,260,786)</u>	<u>(533,254)</u>	<u>(349,032)</u>	<u>(282,220)</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered-employee payroll	<u>\$ 1,010,806</u>	<u>\$ 946,429</u>	<u>\$ 701,459</u>	<u>\$ 946,935</u>	<u>\$ 942,820</u>	<u>\$ 910,118</u>	
City's contributions as a percentage of covered payroll	122.06%	86.19%	179.74%	56.31%	37.02%	31.01%	

PSPRS OPEB - Police

	Reporting Fiscal Year			2016 through 2010
	2019	2018	2017	
Actuarially determined contribution	\$ 4,044	\$ 1,277	\$ 5,662	Information not available
City's contributions in relation to the actuarially determined contribution	<u>(4,044)</u>	<u>(1,277)</u>	<u>(5,662)</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	<u>\$ 1,010,806</u>	<u>\$ 946,429</u>	<u>\$ 701,459</u>	
City's contributions as a percentage of covered payroll	0.40%	0.13%	0.81%	

See accompanying notes to pension plan schedules.

CITY OF GLOBE, ARIZONA
Required Supplementary Information
Schedule of City Pension/OPEB Contributions
June 30, 2019

PSPRS - Fire

	Reporting Fiscal Year						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 934,510	\$ 757,577	\$ 910,230	\$ 402,007	\$ 308,280	\$ 302,193	Information not available
City's contributions in relation to the actuarially determined contribution	<u>(934,510)</u>	<u>(757,577)</u>	<u>(910,230)</u>	<u>(402,007)</u>	<u>(308,280)</u>	<u>(302,193)</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered-employee payroll	<u>\$ 892,341</u>	<u>\$ 707,632</u>	<u>\$ 811,764</u>	<u>\$ 810,047</u>	<u>\$ 803,920</u>	<u>\$ 823,923</u>	
City's contributions as a percentage of covered payroll	104.73%	107.06%	112.13%	49.63%	38.35%	36.68%	

PSPRS OPEB - Fire

	Reporting Fiscal Year			2016 through 2010
	2019	2018	2017	
Actuarially determined contribution	\$ 5,752	\$ 1,791	\$ 9,839	Information not available
City's contributions in relation to the actuarially determined contribution	<u>(5,752)</u>	<u>(1,791)</u>	<u>(9,839)</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	<u>\$ 892,341</u>	<u>\$ 707,632</u>	<u>\$ 811,764</u>	
City's contributions as a percentage of covered payroll	0.64%	0.25%	1.21%	

See accompanying notes to pension plan schedules.

CITY OF GLOBE, ARIZONA
Required Supplementary Information
Schedule of City Pension/OPEB Contributions
June 30, 2019

EORP-Pension

	Reporting Fiscal Year						2013 through 2010
	2019	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 16,993	\$ 15,422	\$ 5,229	\$ 6,486	\$ 6,486	\$ 8,169	Information not available
City's contributions in relation to the statutorily required contribution	<u>(16,993)</u>	<u>(15,422)</u>	<u>(5,229)</u>	<u>(6,486)</u>	<u>(6,486)</u>	<u>(8,169)</u>	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	<u>\$ 26,450</u>	<u>\$ 14,400</u>	<u>\$ 21,100</u>	<u>\$ 33,054</u>	<u>\$ 27,600</u>	<u>\$ 34,762</u>	
City's contributions as a percentage of covered payroll	64.25%	107.10%	24.78%	19.62%	23.50%	23.50%	

The City was not required and did not contribute to the EORP health insurance premium benefit plan for fiscal years 2018 or 2017. Information for fiscal years 2016 through 2009 is not available.

See accompanying notes to pension plan schedules.

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

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2017 actuarial valuation	19 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0%
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 – FACTORS THAT AFFECT TRENDS

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law’s effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members’ employee contribution rates.

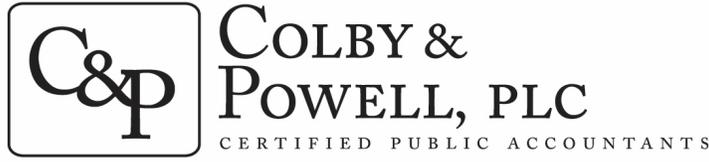
CITY OF GLOBE, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2019

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2019 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date.

These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the City refunded excess employee contributions to PSPRS members. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

REPORTS AND SCHEDULES REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the City Council
City of Globe, Arizona

We 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, 2019, and the related notes to the financial statements, which collectively comprise the City of Globe, Arizona's basic financial statements and have issued our report thereon dated March 11, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our 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, we do not express an opinion on the effectiveness of the City of Globe, Arizona's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a material weakness. The finding reference is **2019-001**.

Compliance and Other Matters

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

City of Globe, Arizona's Response to the Finding

The City of Globe, Arizona's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City of Globe, Arizona's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Colby & Powell".

March 11, 2020

CITY OF GLOBE, ARIZONA
Schedule of Findings and Responses
Year Ended June 30, 2019

2019-001 - General Ledger Maintenance and Reconciliation

Criteria: To help ensure that internal and external financial reports are accurate, timely, and in accordance with generally accepted accounting principles, general ledger accounts should be reconciled on a monthly basis and supporting schedules should be prepared and reconciled with these general ledger accounts.

Condition: During our audit we noted misstatements that were not identified by the City's finance department which required adjusting journal entries.

Cause and Effect: As a result of turnover in accounting personnel, and a reduced accounting staff, certain accounts had not been reconciled for year end.

Auditors' Recommendations: We recommend that management review all audit entries to help in identifying areas in the accounting system that required adjustment. The finance department should ensure that these areas are complete before each audit.

Management's Response: To improve the City's reconciliation processes, the City will:

- Evaluate and implement closing procedures that will establish clear timelines and deadlines for recording transactions and reconciliations to the general ledger and sub ledgers.
- Maintain monthly reconciliations in order to maintain accuracy and attention to detail.
- Review all audit entries to ensure that required adjustments are made before the next audit.