

CITY OF GLOBE, ARIZONA

Annual Financial Statements
and
Independent Auditors' Report
June 30, 2018

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
Required Supplementary Information – Management's Discussion and Analysis	4
Government-wide Statements	
Statement of Net Position	14
Statement of Activities.....	15
Fund Statements	
Governmental Funds	
Balance Sheet.....	16
Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position	17
Statement of Revenue, Expenditures, and Changes in Fund Balances	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-wide Statement of Activities.....	19
Proprietary Funds	
Statement of Net Position	20
Statement of Revenue, Expenses, and Changes in Fund Net Position	21
Statement of Cash Flows	22
Fiduciary Funds	
Statement of Fiduciary Net Position.....	24
Statement of Changes in Fiduciary Net Position	25
Notes to Financial Statements	26
Other Required Supplementary Information	
Budgetary Comparison Schedules	72
Notes to Budgetary Comparison Schedules.....	74
Schedule of the City's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Pension Plans	75
Schedule of Changes in the City's Net Pension/OPEB Liability (Asset) and Related Ratios – Agent Pension Plans	78
Schedule of City Pension/OPEB Contributions.....	80
Notes to Pension/OPEB plan schedules.....	86
Other Supplementary Information	
Budgetary Comparison Schedule – HURF Fund.....	90

TABLE OF CONTENTS – *continued*

Budgetary Comparison Schedule – Grants Fund.....	91
Budgetary Comparison Schedule – Active Adult Center Fund.....	92
Budgetary Comparison Schedule – Library Fund	93
Budgetary Comparison Schedule – Capital Projects Fund.....	94
Budgetary Comparison Schedule – Water Utility Fund	95
Budgetary Comparison Schedule – Sewer Utility Fund.....	96
Non-Major Governmental Funds	
Combining Balance Sheet.....	97
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	99
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 <i>Governmental Auditing Standards</i>	100
Schedule of Findings and Responses.....	102



1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison schedules on pages 72 through 74, schedule of the City's proportionate share of the net pension/OPEB liability – cost-sharing pension plans on pages 75 through 77, schedule of changes in the City's net pension/OPEB liability (asset) and related ratios – agent pension plans on pages 78 through 81, and schedule of City pension/OPEB contributions on pages 82 through 85 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Globe, Arizona's basic financial statements. The combining and individual nonmajor fund financial statements and nonmajor budgetary comparison

schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2019, 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.

Other Reporting Required by Arizona Revised Statutes

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



August 9, 2019

CITY OF GLOBE, ARIZONA
Management's Discussion and Analysis
June 30, 2018

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, 2018. 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 \$12,990,102 (net position) for the fiscal year reported.
- Total net position is comprised of the following:
 - (1) Capital assets net of related debt of \$13,920,915 includes property and equipment, net of accumulated depreciation and reduced by outstanding debt related to the purchase of capital assets.
 - (2) Net position of \$1,642,194 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 (\$2,573,007) at fiscal year-end. This amount increased by \$1,301,293 from the prior year. The primary cause of the deficit net position is due to the \$16,198,338 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 \$5,916,504. This compares to the prior year total ending fund balance of \$5,110,694 reflecting an increase of \$805,810 during the current year.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The first of these government-wide statements is the Statement of Net Position. This is the citywide statement of financial position presenting information that includes all of the City's assets and

CITY OF GLOBE, ARIZONA
Management's Discussion and Analysis
June 30, 2018

liabilities, with the difference reported as net position. Over time, increases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating.

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

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

Fund Financial Statements

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

The City has three kinds of funds:

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

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

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

CITY OF GLOBE, ARIZONA
Management's Discussion and Analysis
June 30, 2018

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.

The following table provides a summary of the City's net position at June 30, 2018:

SUMMARY OF NET POSITION

	<u>Governmental Activities</u> 2018	<u>Business-type Activities</u> 2018	<u>Totals</u> 2018	<u>Totals (as restated)</u> 2017	<u>Amount Change</u>
Current and other assets	\$ 7,213,361	\$ 7,106,041	\$ 14,319,402	\$ 12,315,503	\$ 2,003,899
Capital assets	6,263,401	13,512,960	19,776,361	19,108,212	668,149
Total assets	<u>13,476,762</u>	<u>20,619,001</u>	<u>34,095,763</u>	<u>31,423,715</u>	<u>2,672,048</u>
Deferred outflows of resources	3,639,968	172,436	3,812,404	5,210,524	(1,398,120)
Current liabilities	1,134,862	801,297	1,936,159	2,164,722	(228,563)
Noncurrent liabilities	15,374,866	6,284,351	21,659,217	22,303,501	(644,284)
Total liabilities	<u>16,509,728</u>	<u>7,085,648</u>	<u>23,595,376</u>	<u>24,468,223</u>	<u>(872,847)</u>
Deferred inflows of resources	1,232,343	90,346	1,322,689	1,530,894	(208,205)
Net investment in capital assets	6,139,019	7,781,896	13,920,915	13,761,202	159,713
Restricted	1,115,913	526,281	1,642,194	748,220	893,974
Unrestricted	<u>(7,880,273)</u>	<u>5,307,266</u>	<u>(2,573,007)</u>	<u>(3,874,300)</u>	<u>1,301,293</u>
Total 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>

CITY OF GLOBE, ARIZONA
Management's Discussion and Analysis
June 30, 2018

The City reported a negative net position for governmental activities and a positive balance in net position for business-type activities. Net position increased by \$1,327,931 for governmental activities and increased by \$1,027,049 for business-type activities.

The following table provides a summary of the City's changes in net position for the year ended June 30, 2018.

SUMMARY OF CHANGES IN NET POSITION

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>	<u>Totals (as restated)</u>	<u>Amount Change</u>
	2018	2018	2018	2017	
Revenues					
Program revenues:					
Charges for services	\$ 1,436,563	\$ 3,686,635	\$ 5,123,198	\$ 5,046,029	\$ 77,169
Operating grants and contributions	1,547,139	-	1,547,139	1,621,350	(74,211)
Capital grants and contributions	728,816	-	728,816	3,393,877	(2,665,061)
General revenues:					
City sales tax	5,377,122	-	5,377,122	4,321,259	1,055,863
State taxes and shared revenues	2,117,641	-	2,117,641	2,047,605	70,036
Property tax	491,204	-	491,204	504,704	(13,500)
Franchise tax	239,919	-	239,919	231,803	8,116
Gain on investments	59,555	-	59,555	32,561	26,994
Gain on sale of assets	-	310,000	310,000	3,500	306,500
Miscellaneous	116,935	-	116,935	146,288	(29,353)
Total revenues	<u>12,114,894</u>	<u>3,996,635</u>	<u>16,111,529</u>	<u>17,348,976</u>	<u>(1,237,447)</u>
Expenses					
General government	1,940,305	-	1,940,305	1,565,904	374,401
Public safety	5,456,489	-	5,456,489	5,718,155	(261,666)
Public works and streets	2,086,762	-	2,086,762	1,794,953	291,809
Parks and recreation	459,622	-	459,622	312,300	147,322
Sanitation	603,382	-	603,382	615,952	(12,570)
Welfare	224,983	-	224,983	177,065	47,918
Interest on long-term debt	18,780	-	18,780	1,367	17,413
Water utility	-	1,993,762	1,993,762	2,012,064	(18,302)
Sewer utility	-	972,464	972,464	1,055,734	(83,270)
Total expenses	<u>10,790,323</u>	<u>2,966,226</u>	<u>13,756,549</u>	<u>13,253,494</u>	<u>503,055</u>
Transfers	3,360	(3,360)	-	-	-
Change in net position	1,327,931	1,027,049	2,354,980	4,095,482	(1,740,502)
Beginning net position, as restated	<u>(1,953,272)</u>	<u>12,588,394</u>	<u>10,635,122</u>	<u>6,539,640</u>	<u>4,095,482</u>
Ending 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>

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.

CITY OF GLOBE, ARIZONA
Management's Discussion and Analysis
June 30, 2018

Revenues of the governmental funds totaled \$11,255,113 in 2017-2018, an increase of 3% from 2016-2017. A comparative summary of principal revenues is as follows:

	2017-2018	Increase (Decrease) from 2016-2017		2016-2017
		Amount	%	
Taxes	\$ 5,613,295	\$ 787,332		\$ 4,825,963
Intergovernmental	3,593,289	(399,589)		3,992,878
Charges for services	963,912	33,154		930,758
Licences, permits and fees	582,270	24,593		557,677
Franchise fees	239,919	8,116		231,803
Other revenue	109,928	(32,629)		142,557
Fines and forfeitures	92,945	(85,622)		178,567
Interest	59,555	26,994		32,561
Total revenues	\$ 11,255,113	\$ 362,349	3%	\$ 10,892,764

Expenditures of the governmental funds totaled \$10,452,662 in 2017-2018, a decrease of 11% from the prior year. The schedule that follows summarizes the expenditures.

	2017-2018	Increase (Decrease) from 2016-2017		2016-2017
		Amount	%	
General government	\$ 1,693,362	\$ 236,577		\$ 1,456,785
Public safety	4,966,648	(967,339)		5,933,987
Public works and streets	1,929,833	203,346		1,726,487
Parks and recreation	419,663	44,221		375,442
Sanitation	600,377	(1,335)		601,712
Welfare	216,266	33,920		182,346
Debt service	75,665	49,448		26,217
Capital outlay	550,848	(914,818)		1,465,666
Total expenditures	\$ 10,452,662	\$ (1,315,980)	-11%	\$ 11,768,642

Revenues (\$11,255,113) were greater than expenditures (\$10,452,662) by \$802,450 and transfers from other funds of \$3,360 increased the City's overall governmental fund balance carryover from \$5,110,694 at June 30, 2017 to \$5,916,504 at June 30, 2018.

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 \$1,027,049 for the year ended June 30, 2018.

CITY OF GLOBE, ARIZONA
Management's Discussion and Analysis
June 30, 2018

City Payroll and Fringe Benefits

The City's gross payroll for 2017-2018 was \$4,479,089, an increase 9% or \$356,390, from 2016- 2017. A summary by function follows:

	2017-2018	Increase (Decrease) from		2016-2017
		Amount	%	
General government	\$ 539,642	\$ 78,551		\$ 461,091
Public safety	2,293,218	112,221		2,180,997
Public works and streets	681,852	75,603		606,249
Parks and recreation	180,621	13,250		167,371
Welfare	71,077	6,999		64,078
Water utility	453,777	60,575		393,202
Sewer utility	258,902	9,191		249,711
Total expenditures	\$ 4,479,089	\$ 356,390	9%	\$ 4,122,699

The following payroll fringe benefits amounted to \$3,092,983, a decrease of \$1,056,217, or 25%. The decrease was due to the City not making optional contributions over the required minimum contributions for the pensions, as follows:

	2017-2018	Increase (Decrease) from		2016-2017
		Amount	%	
Social security and Medicare taxes	\$ 266,823	\$ 11,667		\$ 255,156
State retirement contributions	289,406	35,959		253,447
Policemen's pension contributions	610,146	(656,302)		1,266,448
Regular firemen's pension contributions	496,677	(411,469)		908,146
Elected officials retirement contributions	6,503	(4)		6,507
Industrial insurance	124,525	9,746		114,779
Health and life insurance	1,298,903	(45,814)		1,344,717
Total expenditures	\$ 3,092,983	\$ (1,056,217)	-25%	\$ 4,149,200

Fringe benefits provided by the City (\$3,092,983) amounted to 69% of the total gross payroll (\$4,479,089).

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 \$5,916,504, an increase of \$805,810 in comparison with the prior year. Approximately 91% of this total amount (\$5,373,946) constitutes the General Fund Balance, which is available for its ongoing obligations.

CITY OF GLOBE, ARIZONA
Management's Discussion and Analysis
June 30, 2018

At June 30, 2018 fund balances/net position were as follows:

	<u>2017-2018</u>	<u>Increase (Decrease) from</u> <u>2016-2017</u>		<u>2016-2017</u>
		<u>Amount</u>	<u>%</u>	
Governmental Funds:				
General Fund	\$ 5,373,946	\$ 491,773		\$ 4,882,173
Highway Users Fund	152,329	135,091		17,238
Grants Fund	90,086	9,190		80,896
Active Adult Center Fund	-	61,206		(61,206)
Library Fund	-	44,678		(44,678)
Transportation Excise Tax Fund	300,143	63,872		236,271
Total	<u>\$ 5,916,504</u>	<u>\$ 805,810</u>	<u>16%</u>	<u>\$ 5,110,694</u>
Proprietary Funds:				
Water Utility Fund	9,182,307	827,633		8,354,674
Sewer Utility Fund	4,433,136	199,416		4,233,720
Total	<u>\$ 13,615,443</u>	<u>\$ 1,027,049</u>	<u>8%</u>	<u>\$ 12,588,394</u>

Budgetary Highlights

Schedules showing the budget amounts compared to the City's actual financial activity for the General Fund and the Transportation Excise Tax Fund are provided in this report as required supplementary information. For the General Fund, revenues are \$648,318 over budget, expenses are \$1,171,076 under budget, and other financing sources are \$217,763 under budget creating a positive variance of \$2,037,156.

Budgetary highlights for the General Fund are as follows:

Revenues:

- Actual revenues for licenses, permits, and fees fell short of budget by \$151,130 due to anticipated development for building permit and review fees that did not materialize in fiscal year 2018, but, overall, revenues in the General Fund exceeded the budgeted amount by \$648,318. The majority of the increase was due to local sales tax and bed tax collections of \$699,075 over budget but was slightly offset by decreases in other revenue categories to get to the net increase of \$648,318 over budget.

Expenses:

- In General Government, there was \$439,938 appropriated for contingency in the event the City had a revenue shortfall and/or unexpected emergency expense.
- Expenditures for the General Government were \$652,544 under budget and was a result of not spending the entire appropriation of Blue Cross Blue Shield (BCBS) reserve for employee insurance premiums not expended and not spending the entire appropriation for the prepayment of the Public Safety Personnel Retirement System (PSPRS) Reserve Fund.

CITY OF GLOBE, ARIZONA
Management's Discussion and Analysis
June 30, 2018

- Expenditures for Public Safety were \$342,586 under budget and was due to the police officer vacancies resulting in less expenditures in salaries and benefits.
- Expenditures for Public Works/Streets were \$169,594 less than budget because some capital expenditures were not made.

Budgetary Highlights for the Transportation Excise Fund are as follows:

Revenues:

- Actual revenues were \$9,368 higher than what was budgeted in FY18. This is the transportation tax that is collected by Gila County and distributed to the Cities and Towns in Gila County and the increase is a result of an increase in the amount of sales tax sales.

Expenses:

- The expenses were \$41,624 less than what was appropriated for street projects in FY18. These funds can only be spent on street projects and will be carried forward to be used in FY19.

Capital Asset and Debt Administration

Capital Assets

The following is a comparison of capital assets net of depreciation for 2018 and 2017.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 1,323,644	\$ 1,323,644	\$ 287,893	\$ 287,893
Construction in progress	-	-	-	1,035,329
Buildings	1,149,843	1,235,413	1,526,380	1,699,015
Street infrastructure and other improvements	2,780,828	1,789,998	11,085,497	9,897,991
Machinery and equipment	1,009,086	1,144,334	613,190	640,483
	<u>\$ 6,263,401</u>	<u>\$ 5,493,389</u>	<u>\$ 13,512,960</u>	<u>\$ 13,560,711</u>

Long-Term Obligations

The City's Water Utility drew down the remaining balance of \$181,789 of the 2014 WIFA loans to fund additional water and well system expenditures. Additionally, the City drew \$322,689 of the available funds of the 2017 WIFA loan to fund water and well system expenditures.

CITY OF GLOBE, ARIZONA
Management's Discussion and Analysis
June 30, 2018

FISCAL YEAR 2017-2018 ACCOMPLISHMENTS

The City has on credit, prepaid health insurance premiums with Blue Cross Blue Shield (City's health insurance company) in the amount of \$503,360 as of June 30, 2018. This amount reflects a decrease of \$116,489 from last year which the City used to pay the increased premiums for the 2017-18 renewal period. Interest income on City investments with the Local Government Investment Pool (LGIP) increased \$19,241 from the prior year. State-shared revenues increased \$66,776 from the prior year.

FYE 17-18 Globe has a \$16,198,338 debt in unfunded liability to PSPRS, EORP and ASRS. The PSPRS debt unfunded liability is \$12,277,415, the EORP debt unfunded liability is \$396,740, and the ASRS debt unfunded liability is \$3,524,183. Funds received from the .3% sales tax increase initiated by the City in November 2017 brought in an additional \$560,475 to be paid toward the 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 2017-2018 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, 2018 was \$5,512,574, or an increase of \$200,783 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, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 4,993,966	\$ 6,103,602	\$ 11,097,568
Restricted cash	-	597,950	597,950
Accounts receivable - net	53,296	401,008	454,304
Due from other governments	744,938	-	744,938
Other receivables	70,485	-	70,485
Taxes receivable	25,540	-	25,540
Prepays	966,079	-	966,079
Inventory	30,513	-	30,513
Note receivable	265,446	-	265,446
Net other postemployment benefits asset	63,098	3,481	66,579
Capital assets, not being depreciated	1,323,644	287,893	1,611,537
Capital assets, being depreciated, net	4,939,757	13,225,067	18,164,824
Total assets	13,476,762	20,619,001	34,095,763
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	3,639,968	172,436	3,812,404
LIABILITIES			
Accounts payable	659,358	114,100	773,458
Accrued expenses	292,139	25,854	317,993
Interest payable	-	99,278	99,278
Customer deposits	-	71,669	71,669
Noncurrent liabilities			
Due within 1 year	183,365	490,396	673,761
Due in more than 1 year	15,374,866	6,284,351	21,659,217
Total liabilities	16,509,728	7,085,648	23,595,376
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	1,232,343	90,346	1,322,689
NET POSITION			
Net investment in capital assets	6,139,019	7,781,896	13,920,915
Restricted for			
PSPRS unfunded liability	560,475	-	560,475
Highways and streets	555,438	-	555,438
Debt service	-	402,975	402,975
Repairs and replacements	-	123,306	123,306
Unrestricted	(7,880,273)	5,307,266	(2,573,007)
Total net position	\$ (625,341)	\$ 13,615,443	\$ 12,990,102

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Statement of Activities
Year Ended June 30, 2018

Functions / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities							
General government	\$ 1,940,305	\$ 628,699	\$ 24,909	\$ -	\$ (1,286,697)	\$ -	\$ (1,286,697)
Public safety	5,456,489	(37,723)	147,377	14,963	(5,331,872)	-	(5,331,872)
Public works and streets	2,086,762	-	1,243,316	713,853	(129,593)	-	(129,593)
Parks and recreation	459,622	225,604	2,435	-	(231,583)	-	(231,583)
Sanitation	603,382	619,983	-	-	16,601	-	16,601
Welfare	224,983	-	129,102	-	(95,881)	-	(95,881)
Interest on long-term debt	18,780	-	-	-	(18,780)	-	(18,780)
Total governmental activities	10,790,323	1,436,563	1,547,139	728,816	(7,077,805)	-	(7,077,805)
Business-type activities							
Water	1,993,762	2,513,075	-	-	-	519,313	519,313
Sewer	972,464	1,173,560	-	-	-	201,096	201,096
Total business-type activities	2,966,226	3,686,635	-	-	-	720,409	720,409
Total primary government	\$ 13,756,549	\$ 5,123,198	\$ 1,547,139	\$ 728,816	(7,077,805)	720,409	(6,357,396)
General revenue:							
Taxes:							
Sales tax					5,377,122	-	5,377,122
Property tax					491,204	-	491,204
Franchise tax					239,919	-	239,919
State urban revenue sharing					913,588	-	913,588
Share of state sales taxes					708,352	-	708,352
Share of county auto lieu taxes					495,701	-	495,701
Investment income					59,555	-	59,555
Miscellaneous					116,935	-	116,935
Gain on sale of assets					-	310,000	310,000
Transfers					3,360	(3,360)	-
Total general revenue and transfers					8,405,736	306,640	8,712,376
Change in net position					1,327,931	1,027,049	2,354,980
Net position, beginning of year, restated					(1,953,272)	12,588,394	10,635,122
Net position, end of year					\$ (625,341)	\$ 13,615,443	\$ 12,990,102

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Transportation Excise Tax Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,140,093	\$ 646,003	\$ 207,870	\$ 4,993,966
Accounts receivable, net	53,296	-	-	53,296
Due from other governments	617,497	38,656	88,785	744,938
Other receivables	70,485	-	-	70,485
Taxes receivable	25,540	-	-	25,540
Due from other funds	1,292	-	-	1,292
Prepays	966,079	-	-	966,079
Inventory	30,513	-	-	30,513
Note receivable	265,446	-	-	265,446
	Total assets	6,170,241	684,659	296,655
	6,170,241	684,659	296,655	7,151,555
LIABILITIES				
Accounts payable	236,797	384,516	38,045	659,358
Accrued expenses	277,236	-	14,903	292,139
Due to other funds	-	-	1,292	1,292
	Total liabilities	514,033	384,516	952,789
	514,033	384,516	54,240	952,789
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	282,262	-	-	282,262
	Total fund balances	5,373,946	300,143	242,415
	5,373,946	300,143	242,415	5,916,504
Total liabilities, deferred inflows of resources, and fund balances				
	\$ 6,170,241	\$ 684,659	\$ 296,655	\$ 7,151,555
	\$ 6,170,241	\$ 684,659	\$ 296,655	\$ 7,151,555

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, 2018

Fund balances-total governmental funds		\$ 5,916,504
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		6,263,401
<p>Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue</p>		282,262
<p>Net pension/OPEB assets held in trust for future benefits are not available for City operations and, therefore, are not reported in the funds.</p>		63,098
<p>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.</p>		
<p style="padding-left: 20px;">OPEB liability</p>	(15,717)	
<p style="padding-left: 20px;">Capital leases payable</p>	(124,382)	
<p style="padding-left: 20px;">Compensated absences</p>	(203,746)	
<p style="padding-left: 20px;">Net pension/OPEB liability</p>	<u>(15,214,386)</u>	(15,558,231)
<p>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,</p>		<u>2,407,625</u>
Net position of governmental activities		<u><u>\$ (625,341)</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, 2018

	General Fund	Transportation Excise Tax Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 5,613,295	\$ -	\$ -	\$ 5,613,295
Intergovernmental	2,117,641	450,929	1,024,719	3,593,289
Charges for services	963,912	-	-	963,912
Licenses, permits and fees	582,270	-	-	582,270
Franchise fees	239,919	-	-	239,919
Other revenue	85,264	-	24,663	109,927
Fines and forfeitures	92,945	-	-	92,945
Interest	59,555	-	-	59,555
Total revenues	<u>9,754,801</u>	<u>450,929</u>	<u>1,049,382</u>	<u>11,255,112</u>
Expenditures				
Current				
General government	1,693,362	-	-	1,693,362
Public safety	4,953,656	-	12,992	4,966,648
Public works and streets	1,282,464	1,513	645,856	1,929,833
Parks and recreation	210,177	-	209,486	419,663
Sanitation	600,377	-	-	600,377
Welfare	-	-	216,266	216,266
Debt Service				
Principal	56,885	-	-	56,885
Interest	18,780	-	-	18,780
Capital outlay	27,695	398,424	124,729	550,848
Total expenditures	<u>8,843,396</u>	<u>399,937</u>	<u>1,209,329</u>	<u>10,452,662</u>
Excess (deficiency) of revenues over (under) expenditures	911,405	50,992	(159,947)	802,450
Other financing sources (uses)				
Transfers	(419,632)	12,880	410,112	3,360
Net change in fund balances	491,773	63,872	250,165	805,810
Fund balances, beginning of year	4,882,173	236,271	(7,750)	5,110,694
Fund balances, end of year	<u>\$ 5,373,946</u>	<u>\$ 300,143</u>	<u>\$ 242,415</u>	<u>\$ 5,916,504</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, 2018

Net change in fund balances-total governmental funds		\$ 805,810
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		
Capital outlay	550,848	
Depreciation expense	<u>(494,689)</u>	56,159
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable property taxes	(13,758)	
Unavailable fines and forfeitures	(130,668)	
Unavailable sales tax	265,446	
ADOT contribution	<u>713,853</u>	834,873
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		
City pension/OPEB contributions	1,137,269	
Pension/OPEB expense	<u>(1,827,411)</u>	(690,142)
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		
Capital lease principal repaid		56,885
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.		
PSPRS-Parker lawsuit liability	262,121	
Decrease in compensated absences payable	<u>2,225</u>	264,346
Change in net position of governmental activities		<u><u>\$ 1,327,931</u></u>

See accompanying notes to financial statements.

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

	Business-type Activities - Enterprise Funds		
	Water Utility	Sewer Utility	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 3,844,735	\$ 2,258,867	\$ 6,103,602
Cash and cash equivalents, restricted	597,950	-	597,950
Accounts receivable, net	281,883	119,125	401,008
Due from other governments	-	-	-
Total current assets	<u>4,724,568</u>	<u>2,377,992</u>	<u>7,102,560</u>
Noncurrent assets			
Net other postemployment benefits asset	2,178	1,303	3,481
Capital assets, net of accumulated depreciation, where applicable	11,082,774	2,430,186	13,512,960
Total noncurrent assets	<u>11,084,952</u>	<u>2,431,489</u>	<u>13,516,441</u>
Total assets	<u>15,809,520</u>	<u>4,809,481</u>	<u>20,619,001</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	107,896	64,540	172,436
LIABILITIES			
Current liabilities			
Accounts payable	99,518	14,582	114,100
Accrued expenses	16,899	8,955	25,854
Accrued interest payable	99,278	-	99,278
Current portion of compensated absences	33,356	11,442	44,798
Current portion of capital leases payable	40,224	-	40,224
Current portion of loans payable	405,374	-	405,374
Customer deposits	71,669	-	71,669
Total current liabilities	<u>766,318</u>	<u>34,979</u>	<u>801,297</u>
Noncurrent liabilities			
Compensated absences, net of current portion	11,119	3,814	14,933
Capital leases payable, net of current portion	178,266	-	178,266
Loans payable, net of current portion	5,107,200	-	5,107,200
Net pension and other postemployment benefits liability	615,675	368,277	983,952
Total noncurrent liabilities	<u>5,912,260</u>	<u>372,091</u>	<u>6,284,351</u>
Total liabilities	<u>6,678,578</u>	<u>407,070</u>	<u>7,085,648</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	56,531	33,815	90,346
NET POSITION			
Net investment in capital assets	5,351,710	2,430,186	7,781,896
Restricted	526,281	-	526,281
Unrestricted (deficit)	3,304,316	2,002,950	5,307,266
Total net position	<u>\$ 9,182,307</u>	<u>\$ 4,433,136</u>	<u>\$ 13,615,443</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, 2018

	<u>Business-type Activities--Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Operating revenues			
Charges for services	\$ 2,428,602	\$ 1,109,444	\$ 3,538,046
Miscellaneous	84,473	64,116	148,589
Total operating revenues	<u>2,513,075</u>	<u>1,173,560</u>	<u>3,686,635</u>
Operating expenses			
Depreciation	483,535	258,244	741,779
Salaries and wages	451,579	255,283	706,862
Utilities	355,705	98,035	453,740
Repairs and maintenance	247,425	75,421	322,846
Employee benefits	114,282	62,342	176,624
Professional services	40,330	105,867	146,197
Materials and supplies	53,502	46,852	100,354
Insurance	60,702	19,117	79,819
Other	2,152	51,303	53,455
Total operating expenses	<u>1,809,212</u>	<u>972,464</u>	<u>2,781,676</u>
Operating income (loss)	<u>703,863</u>	<u>201,096</u>	<u>904,959</u>
Nonoperating revenues (expenses)			
Gain on sale of assets	310,000	-	310,000
Interest expense	(184,550)	-	(184,550)
Total nonoperating revenues (expenses)	<u>125,450</u>	<u>-</u>	<u>125,450</u>
Income (loss) before contributions, gains, losses, and transfers	829,313	201,096	1,030,409
Transfers	(1,680)	(1,680)	(3,360)
Increase (decrease) in net position	827,633	199,416	1,027,049
Total net position, beginning of year, restated	<u>8,354,674</u>	<u>4,233,720</u>	<u>12,588,394</u>
Total net position, end of year	<u>\$ 9,182,307</u>	<u>\$ 4,433,136</u>	<u>\$ 13,615,443</u>

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

	<u>Business-type Activities--Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers	\$ 2,489,579	\$ 1,160,231	\$ 3,649,810
Payments to suppliers and providers of goods and services	(981,870)	(521,378)	(1,503,248)
Payments to employees	(439,395)	(261,523)	(700,918)
Net cash provided by (used for) operating activities	<u>1,068,314</u>	<u>377,330</u>	<u>1,445,644</u>
Cash flows from noncapital financing activities:			
Net transfers (to) from other funds	(1,680)	(1,680)	(3,360)
Cash flows from capital and related financing activities:			
Purchase of capital assets	(627,488)	(66,540)	(694,028)
Principal paid on loans payable	(303,695)	-	(303,695)
Interest paid	(156,956)	-	(156,956)
Principal paid on capital leases	(38,628)	-	(38,628)
Proceeds from sale of capital assets	310,000	-	310,000
Proceeds from loans payable	504,478	-	504,478
Net cash provided by (used for) capital and related financing activities	<u>(312,289)</u>	<u>(66,540)</u>	<u>(378,829)</u>
Net increase (decrease) in cash and cash equivalents	754,345	309,110	1,063,455
Cash and cash equivalents, beginning of year	<u>3,688,340</u>	<u>1,949,757</u>	<u>5,638,097</u>
Cash and cash equivalents, end of year	<u>\$ 4,442,685</u>	<u>\$ 2,258,867</u>	<u>\$ 6,701,552</u>
Cash and cash equivalents	\$ 3,844,735	\$ 2,258,867	\$ 6,103,602
Cash and cash equivalents, restricted	<u>597,950</u>	<u>-</u>	<u>597,950</u>
Cash and cash equivalents, end of year	<u>\$ 4,442,685</u>	<u>\$ 2,258,867</u>	<u>\$ 6,701,552</u>

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018
(Continued)

	<u>Business-type Activities--Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 703,863	\$ 201,096	\$ 904,959
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	483,535	258,244	741,779
Bad debts	2,721	2,833	5,554
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	(29,275)	(16,162)	(45,437)
Net other postemployment benefits asset	(2,178)	(1,303)	(3,481)
Deferred outflows of resources related to pensions and other postemployment benefits	18,958	10,865	29,823
Accounts payable	9,715	5,229	14,944
Accrued expenses	1,397	(57)	1,340
Compensated absences	10,787	(6,183)	4,604
Customer deposits	3,058	-	3,058
Net pension and other postemployment benefits liability	(61,818)	(34,390)	(96,208)
Deferred inflows of resources related to pensions and other postemployment benefits	(72,449)	(42,842)	(115,291)
Net cash provided by (used for) operating activities	<u>\$ 1,068,314</u>	<u>\$ 377,330</u>	<u>\$ 1,445,644</u>

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2018

	Volunteer Firefighters' Relief and Pension <hr style="border: 0.5px solid black;"/>
ASSETS	
Cash and cash equivalents	\$ 25,819
Due from City	<hr style="border: 0.5px solid black;"/> 39
Total assets	<hr style="border: 0.5px solid black;"/> 25,858
LIABILITIES	
Total liabilities	<hr style="border: 0.5px solid black;"/> -
NET POSITION	
Held in trust for investment trust participants	<hr style="border: 0.5px solid black;"/> <hr style="border: 0.5px solid black;"/> \$ 25,858

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2018

	<u>Volunteer Firefighters' Relief and Pension</u>
Additions	
Contributions from participants	\$ 138
Investment income	<u>452</u>
Total additions	<u>590</u>
Deductions	
Distributions to participants	<u>5,760</u>
Change in net position	(5,170)
Net position, beginning of year	<u>31,028</u>
Net position, end of year	<u><u>\$ 25,858</u></u>

See accompanying notes to financial statements.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

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.

For the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

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

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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 ***Transportation Excise Tax Fund*** accounts for specific revenue received from Gila County Transportation Excise Tax Fund that is legally restricted to expenditures for highway and street purpose.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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, 2018 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.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Property taxes receivable consist of uncollected property taxes as determined from the records of the County Treasurer’s Office, and at June 30, 2018, the uncollected property taxes and related allowances for uncollectible amounts (if any) were as follows:

Fiscal Year	General Fund
2017 - 2018	\$ 21,695
Prior	3,845
Net total	\$ 25,540

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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
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.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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, 2018

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net position as at June 30, 2017, as restated	\$ (1,905,006)	\$ 12,588,214	\$ 10,683,208
Prior period adjustments- implementation of GASB 75:			
Net OPEB asset (measurement date as of June 30, 2016)	54,112	-	54,112
Net OPEB liability (measurement date as of June Deferred outflows-Town contributions made during fiscal year 2017	(128,988)	(4,123)	(133,111)
	<u>26,610</u>	<u>4,303</u>	<u>30,913</u>
Total prior period adjustment	<u>(48,266)</u>	<u>180</u>	<u>(48,086)</u>
Net position, as restated, July 1, 2017	<u>\$ (1,953,272)</u>	<u>\$ 12,588,394</u>	<u>\$ 10,635,122</u>
	<u>Water Utility</u>	<u>Sewer Utility</u>	
Net position as previously reported at June 30, 2017	<u>\$ 8,354,562</u>	<u>\$ 4,233,652</u>	
Prior period adjustments- implementation of GASB 75:			
Net OPEB liability (measurement date as of June Deferred outflows-Town contributions made during fiscal year 2017	(2,580)	(1,543)	
	<u>2,692</u>	<u>1,611</u>	
Total prior period adjustment	<u>112</u>	<u>68</u>	
Net position, as restated, July 1, 2017	<u>\$ 8,354,674</u>	<u>\$ 4,233,720</u>	

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 3 – 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, 2018

NOTE 3 – 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, 2018, the carrying amount of the City’s total cash in bank was \$8,169,733, and the bank balances were \$8,407,367. Of the bank balances, \$750,000 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 \$71,669, monies restricted for debt service in the amount of \$402,975, 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 \$3,549,498. 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	\$ 2,105	\$ -	\$ -	\$ 2,105
Amount of deposits	1,468,181	6,701,552	-	8,169,733
State Treasurer's Investment Pool 5	<u>3,523,680</u>	<u>-</u>	<u>25,818</u>	<u>3,549,498</u>
Total	<u>\$ 4,993,966</u>	<u>\$ 6,701,552</u>	<u>\$ 25,818</u>	<u>\$ 11,721,336</u>

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts due at June 30, 2018 from other governments in the Governmental Funds consisted of the following:

Description	General Fund	Transportation Excise Tax Fund	Other Governmental Funds	Total
<u>State of Arizona:</u>				
City sales tax	\$ 574,008	\$ -	\$ -	\$ 574,008
Highway user revenue	-	-	73,551	73,551
Grants	-	-	15,234	15,234
State sales tax	25,018	-	-	25,018
Vehicle license tax	18,471	-	-	18,471
<u>Gila County:</u>				
Transportation Excise Tax	-	38,656	-	38,656
	<u>\$ 617,497</u>	<u>\$ 38,656</u>	<u>\$ 88,785</u>	<u>\$ 744,938</u>

NOTE 5 – 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 City will be reimbursed in monthly installments of \$8,000, including interest of 4%, with a maturity date of July 2021. As of June 30, 2018, the unpaid balance due to the City is \$265,446.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	<u>Governmental activities</u>				Balance June 30, 2018
	Balance July 1, 2017	Increases	Decreases	Transfers	
Capital assets not being depreciated:					
Land	\$ 1,323,644	-	-	-	\$ 1,323,644
Capital assets being depreciated:					
Buildings	4,068,444	31,653	-	-	4,100,097
Furniture, machinery and equipment	6,858,398	78,948	(584,808)	-	6,352,538
Street infrastructure and improvements other than buildings	5,150,700	1,154,100	-	-	6,304,800
Total capital assets being depreciated	16,077,542	1,264,701	(584,808)	-	16,757,435
Less accumulated depreciation for:					
Buildings	(2,833,031)	(117,223)	-	-	(2,950,254)
Furniture, machinery and equipment	(5,714,064)	(214,196)	584,808	-	(5,343,452)
Street infrastructure and improvements other than buildings	(3,360,702)	(163,270)	-	-	(3,523,972)
Total accumulated depreciation	(11,907,797)	(494,689)	584,808	-	(11,817,678)
Total capital assets being depreciated, net	4,169,745	770,012	-	-	4,939,757
Governmental activities capital assets, net	\$ 5,493,389	\$ 770,012	\$ -	\$ -	\$ 6,263,401
	<u>Business-type activities</u>				
	Balance July 1, 2017	Increases	Decreases	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 287,893	-	-	-	\$ 287,893
Construction in progress	1,035,329	-	-	(1,035,329)	-
Total capital assets not being depreciated	1,323,222	-	-	(1,035,329)	287,893
Capital assets being depreciated:					
Buildings	6,884,934	24,518	-	-	6,909,452
Furniture, machinery and equipment	2,112,247	55,608	(34,070)	-	2,133,785
Street infrastructure and improvements other than buildings	16,949,966	613,902	-	1,035,329	18,599,197
Total capital assets being depreciated	25,947,147	694,028	(34,070)	1,035,329	27,642,434
Less accumulated depreciation for:					
Buildings	(5,185,919)	(197,153)	-	-	(5,383,072)
Furniture, machinery and equipment	(1,471,764)	(82,901)	34,070	-	(1,520,595)
Street infrastructure and improvements other than buildings	(7,051,975)	(461,725)	-	-	(7,513,700)
Total accumulated depreciation	(13,709,658)	(741,779)	34,070	-	(14,417,367)
Total capital assets being depreciated, net	12,237,489	(47,751)	-	1,035,329	13,225,067
Business-type activities capital assets, net	\$ 13,560,711	\$ (47,751)	\$ -	\$ -	\$ 13,512,960

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 6 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 122,746
Public safety	137,280
Public works and streets	177,667
Parks and recreation	45,083
Sanitation	3,005
Welfare	<u>8,908</u>
 Total governmental activities depreciation expense	 <u><u>\$ 494,689</u></u>
 Business-type activities:	
Water	\$ 483,535
Sewer	<u>258,244</u>
 Total business-type activities depreciation expense	 <u><u>\$ 741,779</u></u>

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 7 – LONG-TERM LIABILITIES

The following schedule details the City’s long-term liability and obligation activity for the year ended June 30, 2018.

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within 1 year
Governmental activities:					
Compensated absences	\$ 205,971	\$ -	\$ (2,225)	\$ 203,746	\$ 152,810
OPEB liability	26,617	-	(10,900)	15,717	4,800
Capital leases	181,267	-	(56,885)	124,382	25,755
Net pension and other postemployment benefits liability	15,779,741	-	(565,355)	15,214,386	-
Governmental activities long-term liabilities	<u>\$ 16,193,596</u>	<u>\$ -</u>	<u>\$ (635,365)</u>	<u>\$ 15,558,231</u>	<u>\$ 183,365</u>
Business-type activities:					
Compensated absences	\$ 55,127	\$ 4,604	\$ -	\$ 59,731	\$ 44,798
Capital leases	257,118	-	(38,628)	218,490	40,224
Loans payable	5,311,791	504,478	(303,695)	5,512,574	405,374
Net pension and other postemployment benefits liability	1,080,160	-	(96,208)	983,952	-
Business-type activities long-term liabilities	<u>\$ 6,704,196</u>	<u>\$ 509,082</u>	<u>\$ (438,531)</u>	<u>\$ 6,774,747</u>	<u>\$ 490,396</u>

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 7 – LONG-TERM LIABILITIES – Continued

Loans payable— The City’s loans payable consisted of the following:

	<u>Business- type Activities</u> <u>Water Fund</u>
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.	\$ 2,995,477
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.	2,194,408
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.	<u>322,689</u>
	<u>\$ 5,512,574</u>

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 7 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the City’s loans payable at June 30, 2018.

Year Ending June 30	Loans Payable	
	Principal	Interest
2019	\$ 405,374	\$ 191,816
2020	416,749	177,371
2021	428,460	165,354
2022	382,049	113,328
203	352,787	102,569
2024-28	1,932,217	339,285
2029-33	1,289,955	79,317
2034-35	304,983	3,599
Total	<u>\$ 5,512,574</u>	<u>\$ 1,172,639</u>

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	<u>(66,138)</u>	<u>(80,054)</u>
Carrying value	<u>\$ 156,029</u>	<u>\$ 225,471</u>

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 7 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the City’s capital leases payable at June 30, 2018:

Year Ending June 30	Governmental Activities	Business-type Activities
2019	\$ 25,755	\$ 48,407
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	134,243	244,892
Less amount representing interest	(9,861)	(26,402)
Present value of net minimum lease payments	<u>\$ 124,382</u>	<u>\$ 218,490</u>

NOTE 8 – 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 9 – 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 10 – 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) \$1,292 to fund ongoing operations. Balances are expected to be repaid within one year.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – 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, 2018, 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	\$ 63,098	\$ 3,481	\$ 66,579
Net pension/OPEB liabilities	15,214,386	983,952	16,198,338
Deferred outflows of resources related to pension and OPEB	3,639,968	172,436	3,812,404
Deferred inflows of resources related to pension and OPEB	1,232,343	90,346	1,322,689
Pension and OPEB expense	1,838,311	17,125	1,855,436

The City reported \$1,137,269 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, 2018

NOTE 11 – 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	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 \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – 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, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.50 percent (11.34 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 11.50 percent (10.90 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members’ annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 percent for retirement, 0.01 percent for health insurance premium benefit, and 0.13 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that 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, 2018, were \$266,529, \$10,749, and \$3,912, respectively.

During fiscal year 2018, 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, 2018, 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	\$ 3,515,966
Health insurance premium benefit	(12,467)
Long-term disability	8,217

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2018, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

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

	Proportion June 30, 2017	Increase (decrease) from June 30, 2016
Pension	0.02257%	0.00142%
Health insurance premium benefit	0.02290%	0.00000%
Long-term disability	0.02267%	0.00000%

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

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

	Pension/OPEB Expense
Pension	\$ 49,662
Health insurance premium benefit	7,291
Long-term disability	4,383

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	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	\$ -	\$ 105,428	\$ -	\$ -
Changes of assumptions or other inputs	152,706	105,134	-	-
Net difference between projected and actual earnings on pension plan investments	25,242	-	-	14,037
Changes in proportion and differences between Town contributions and proportionate share of contributions	158,470	97,745	-	14
Town contributions subsequent to the measurement date	<u>266,529</u>	<u>-</u>	<u>10,749</u>	<u>-</u>
Total	<u>\$ 602,947</u>	<u>\$ 308,307</u>	<u>\$ 10,749</u>	<u>\$ 14,051</u>
	Long-Term Disability			
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 1,229		
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	1		
Town contributions subsequent to the measurement date	<u>3,912</u>	<u>-</u>		
Total	<u>\$ 3,912</u>	<u>\$ 1,230</u>		

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – 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, 2019. 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>
2019	\$ (152,628)	\$ (3,513)	(308)
2020	204,128	(3,513)	(307)
2021	57,489	(3,513)	(307)
2022	(80,878)	(3,511)	(307)
2023	-	-	-
Thereafter	-	-	-

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

ASRS

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

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

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The long-term expected rate of return on ASRS plan investments was determined to be 8.70 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 8 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the 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, 2018

NOTE 11 – 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 8 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 (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's Proportionate share of the			
Net pension liability	\$ 4,512,804	\$ 3,515,966	\$ 2,683,023
Net insurance premium benefit liability (asset)	20,704	(12,467)	(40,656)
Net long-term disability liability	9,826	8,217	6,854

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, 2018

NOTE 11 – 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 excess investment earning. 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, 2018

NOTE 11 – 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 \$150 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, 2018, statute required active EORP members to contribute 7 or 13 percent of the annual covered payroll and the City to contribute 12.16 percent to EORP of the annual covered payroll of elected officials who were ASRS members and 17.50 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 23.5 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, 2018, were \$3,384 and \$0, respectively.

During fiscal year 2018, the City paid 100 percent of EORP pension contributions from the General Fund.

Liability – At June 30, 2018, 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:

Town's proportionate share of the EORP net pension liability	\$ 396,740
State's proportionate share of the EORP net pension liability associated with the Town	82,346
Total	<u>\$ 479,086</u>

The net asset and net liability were measured as of June 30, 2017, 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, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return to from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

retirement assumptions. The total pension liability also reflects changes of benefit terms for a court decision that increased cost-of-living adjustments for retirees and decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the net pension liability measured as of June 30, 2018, because of refunds of excess member contributions. The change in the City’s net pension liability as a result of the refunds is not known.

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

	<u>Proportion</u> <u>June 30, 2017</u>	<u>Increase (decrease)</u> <u>from June 30, 2016</u>
Pension	0.03256%	-0.00182%
Health insurance premium benefit	0.59423%	0.00000%

Expense – For the year ended June 30, 2018, the City recognized pension and OPEB expense for EORP of \$139,673 and \$(528), respectively, and revenue of \$28,308 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, 2018

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	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	\$ -	\$ 3,439	\$ 2,632	\$ -
Changes of assumptions or other inputs	15,486	-	744	-
Net difference between projected and actual earnings on pension plan investments	2,432	-	-	4,587
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,603	8,282	-	-
Town contributions subsequent to the measurement date	3,384	-	-	-
Total	\$ 24,905	\$ 11,721	\$ 3,376	\$ 4,587

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – 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, 2019. 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>
2019	\$ 8,551	\$ 1,281
2020	1,391	(199)
2021	643	(1,147)
2022	(785)	(1,147)

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

EORP

Actuarial valuation date	June 30, 2017
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, 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, 2018

NOTE 11 – 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%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

Discount rates – At June 30, 2017, the discount rates used to measure the EORP total pension liability and total OPEB liability were 3.91 percent and 7.4 percent, respectively, which was an increase of 0.23 for pension and a decrease of 0.1 for OPEB from the discount rates used as of June 30, 2016. 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 statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan members. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.4 percent was applied to periods of projected benefit payments through the year ended June 30, 2026. A municipal bond rate of 3.56 percent obtained from the Fidelity 20-year Municipal GO AA Index as of June 30, 2017, was applied to periods of projected benefit payments after June 30, 2026. The OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – 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 rates noted above, 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 or 1 percentage point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Rate - pension	2.91%	3.91%	4.91%
Town's proportionate share of the net pension liability	\$ 468,655	\$ 396,740	\$ 338,089
Rate - OPEB	6.4%	7.4%	8.4%
Town's proportionate share of the net OPEB (asset)	\$ (46,901)	\$ (54,112)	\$ (60,333)

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, 2018, 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, 2018, the City recognized pension expense of \$3,119.

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – 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, 2018

NOTE 11 – 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. The adjustments are 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. 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, 2018

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

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

	PSPRS Police		PSPRS Fire	
	Pension	Health	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	18	18	14	14
Inactive employees entitled to but not yet receiving benefits	9	1	3	3
Active employees	13	13	13	13
Total	40	32	30	30

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

	Active Member- Pension	Town-Pension	Town-Health Insurance Premium Benefit
PSPRS Police	7.65% - 11.65%	63.48%	0.62%
PSPRS Fire	7.65% - 11.65%	60.88%	0.94%

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The City’s contributions to the plans for the year ended June 30, 2018, were:

	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>
PSPRS Police	\$ 546,930	\$ 5,342
PSPRS Fire	464,928	7,179

During fiscal year 2018, the City paid for 100 percent of PSPRS-Police and PSPRS-Fire pension and OPEB contributions from the General Fund.

Liability – At June 30, 2018, the City reported the following liability:

	<u>Net Pension (Asset) Liability</u>	<u>Net OPEB (Asset) Liability</u>
PSPRS Police	\$ 6,460,670	\$ 23,057
PSPRS Fire	5,742,767	50,921

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

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

PSPRS

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

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment 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%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed Income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Discount Rates – At June 30, 2017, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.4 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine 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)		Net Pension Liability (Asset) (a) · (b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Balances at June 30, 2017	\$ 10,880,561	\$ 3,732,334	\$ 7,148,227
Changes for the year			
Service Cost	163,019	-	163,019
Interest on the total liability	787,344	-	787,344
Changes of benefit terms	94,012	-	94,012
Differences between expected and actual experience in the measurement of the liability	(130,723)	-	(130,723)
Changes of assumptions or other inputs	393,169	-	393,169
Contributions-employer	-	1,260,786	(1,260,786)
Contributions-employee	-	110,209	(110,209)
Net investment income	-	509,719	(509,719)
Benefit payments, including refunds of employee	(928,288)	(928,288)	-
Administrative expense	-	(4,910)	4,910
Other changes	-	118,574	(118,574)
Net changes	378,533	1,066,090	(687,557)
Balances at June 30, 2018	\$ 11,259,094	\$ 4,798,424	\$ 6,460,670

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – 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, 2017	\$ 293,613	\$ 258,746	\$ 34,867
Changes for the year			
Service Cost	3,788	-	3,788
Interest on the total liability	21,452	-	21,452
Changes of benefit terms	2,092	-	2,092
Differences between expected and actual experience in the measurement of the liability	(5,432)	-	(5,432)
Changes of assumptions or other inputs	1,554	-	1,554
Contributions-employer	-	5,662	(5,662)
Contributions-employee	-	-	-
Net investment income	-	29,866	(29,866)
Benefit payments, including refunds of employee	(18,950)	(18,950)	-
Administrative expense	-	(264)	264
Other changes	-	-	-
Net changes	4,504	16,314	(11,810)
Balances at June 30, 2018	\$ 298,117	\$ 275,060	\$ 23,057

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

PSPRS-Fire

	Pension Increase (Decrease)		Net Pension Liability (Asset) (a) · (b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
Balances at June 30, 2017	\$ 9,125,482	\$ 3,285,565	\$ 5,839,917
Changes for the year			
Service Cost	183,783	-	183,783
Interest on the total liability	672,411	-	672,411
Changes of benefit terms	135,787	-	135,787
Differences between expected and actual experience in the measurement of the liability	(36,300)	-	(36,300)
Changes of assumptions or other inputs	386,905	-	386,905
Contributions-employer	-	910,230	(910,230)
Contributions-employee	-	103,643	(103,643)
Net investment income	-	430,025	(430,025)
Benefit payments, including refunds of employee	(503,789)	(503,789)	-
Administrative expense	-	(4,205)	4,205
Other changes	-	43	(43)
Net changes	838,797	935,947	(97,150)
Balances at June 30, 2018	\$ 9,964,279	\$ 4,221,512	\$ 5,742,767

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – 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, 2017	\$ 253,029	\$ 169,554	\$ 83,475
Changes for the year			
Service Cost	3,247	-	3,247
Interest on the total liability	18,597	-	18,597
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the liability	(23,735)	-	(23,735)
Changes of assumptions or other inputs	(1,201)	-	(1,201)
Contributions-employer	-	9,839	(9,839)
Contributions-employee	-	-	-
Net investment income	-	19,799	(19,799)
Benefit payments, including refunds of employee contributions	(13,380)	(13,380)	-
Administrative expense	-	(176)	176
Other changes	-	-	-
Net changes	(16,472)	16,082	(32,554)
Balances at June 30, 2018	\$ 236,557	\$ 185,636	\$ 50,921

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	\$ 7,804,498	\$ 6,460,670	\$ 5,355,922
Net OPEB (asset) liability	53,668	23,057	(2,748)
PSPRS Fire			
Net pension (asset) liability	\$ 7,034,968	\$ 5,742,767	\$ 4,683,001
Net OPEB (asset) liability	77,870	50,921	28,316

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, 2018

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

	Pension Expense		OPEB Expense
PSPRS Police	\$ 861,554	\$	5,674
PSPRS Fire	812,972		3,063

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

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	\$ 140,269	\$ 344,840	\$ -	\$ 4,269
Changes of assumptions or other inputs	726,262	-	1,221	-
Net difference between projected and actual earnings on pension plan investments	220,795	203,878	-	8,774
Town contributions subsequent to the measurement date	546,930	-	5,342	-
Total	\$ 1,634,256	\$ 548,718	\$ 6,563	\$ 13,043

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

PSPRS-Fire

	<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	\$ 106,609	\$ 228,501	\$ -	\$ 19,037
Changes of assumptions or other inputs	742,532	-	-	963
Net difference between projected and actual earnings on pension plan investments	204,448	166,752	-	5,779
Town contributions subsequent to the measurement date	<u>464,928</u>	<u>-</u>	<u>7,179</u>	<u>-</u>
Total	<u>\$ 1,518,517</u>	<u>\$ 395,253</u>	<u>\$ 7,179</u>	<u>\$ 25,779</u>

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, 2019. 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>PSPRS Police</u>		<u>PSPRS Fire</u>	
	<u>Pension</u>	<u>Health</u>	<u>Pension</u>	<u>Health</u>
2019	\$ 305,424	\$ (3,024)	\$ 185,860	\$ (6,380)
2020	182,403	(3,024)	215,498	(6,380)
2021	87,885	(3,024)	173,049	(6,380)
2022	(37,104)	(2,750)	80,314	(6,382)
2023	-	-	3,615	(256)
Thereafter	-	-	-	-

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 12 – 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, 2018, only one participant remains in the plan. As of June 30, 2018, the estimated accrued liability is \$15,717.

NOTE 13 – 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 17-18	\$ 5,250
Expenditures	-
Increase in committed fund balance	5,250
Committed fund balance, July 1, 2017	78,987
Committed fund balance, June 30, 2018	\$ 84,237

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 17-18	\$ 65,709
Expenditures	-
Increase in committed fund balance	65,709
Committed fund balance, July 1, 2017	922,719
Committed fund balance, June 30, 2018	\$ 988,428

CITY OF GLOBE, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 14 – 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, 2018, 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, 2018. 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, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,914,220	\$ 4,914,220	\$ 5,613,295	\$ 699,075
Intergovernmental	2,151,730	2,151,730	2,117,641	(34,089)
Charges for services	942,129	942,129	963,912	21,783
Licenses, permits and fees	733,400	733,400	582,270	(151,130)
Franchise fees	210,076	210,076	239,919	29,843
Other revenue	50,122	50,122	85,264	35,142
Fines and forfeitures	101,910	101,910	92,945	(8,965)
Interest	2,897	2,897	59,555	56,658
Total revenues	<u>9,106,484</u>	<u>9,106,484</u>	<u>9,754,801</u>	<u>648,317</u>
Expenditures				
Current				
General government	2,345,906	2,345,906	1,693,362	652,544
Public safety	5,296,242	5,296,242	4,953,656	342,586
Public works and streets	1,452,058	1,452,058	1,282,464	169,594
Parks and recreation	216,529	216,529	210,177	6,352
Sanitation	600,377	600,377	600,377	-
Debt Service				
Principal	56,885	56,885	56,885	-
Interest	18,780	18,780	18,780	-
Capital outlay	27,695	27,695	27,695	-
Total expenditures	<u>10,014,472</u>	<u>10,014,472</u>	<u>8,843,396</u>	<u>1,171,076</u>
Excess (deficiency) of revenues over (under) expenditures	(907,988)	(907,988)	911,405	1,819,393
Other financing sources (uses)				
Transfers	<u>(637,395)</u>	<u>(637,395)</u>	<u>(419,632)</u>	<u>217,763</u>
Net change in fund balances	(1,545,383)	(1,545,383)	491,773	2,037,156
Fund balances, beginning of year	<u>4,882,173</u>	<u>4,882,173</u>	<u>4,882,173</u>	<u>-</u>
Fund balances, end of year	<u>\$ 3,336,790</u>	<u>\$ 3,336,790</u>	<u>\$ 5,373,946</u>	<u>\$ 2,037,156</u>

See accompanying notes to budgetary comparison schedule.

CITY OF GLOBE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Transportation Excise Tax Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 441,561	\$ 441,561	\$ 450,929	\$ 9,368
Expenditures				
Current				
Public works and streets	43,137	43,137	1,513	41,624
Capital outlay	398,424	398,424	398,424	-
Total expenditures	<u>441,561</u>	<u>441,561</u>	<u>399,937</u>	<u>41,624</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>50,992</u>	<u>50,992</u>
Other financing sources (uses)				
Transfers	<u>-</u>	<u>-</u>	<u>12,880</u>	<u>12,880</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>63,872</u>	<u>63,872</u>
Fund balances, beginning of year	<u>236,271</u>	<u>236,271</u>	<u>236,271</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 236,271</u></u>	<u><u>\$ 236,271</u></u>	<u><u>\$ 300,143</u></u>	<u><u>\$ 63,872</u></u>

See accompanying notes to budgetary comparison schedule.

CITY OF GLOBE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2018

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, 2018, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Administration, Community Organizations, Library, and Active Adult Center 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, 2018

ASRS-Pension

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

ASRS-Health Insurance Premium Benefit

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

ASRS-Long-Term Disability

	Reporting Fiscal Year	
	(Measurement Date)	
	2018	2017
	(2017)	through
		2009
Town's proportion of the net OPEB (asset)	0.022670%	Information
Town's proportionate share of the net OPEB (asset)	\$ 3,083	not available
Town's covered payroll	\$ 2,201,679	
Town's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	0.14%	
Plan fiduciary net position as a percentage of the total OPEB liability	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, 2018

EORP-Pension

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

EORP-Health Insurance Premium Benefit

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

PSPRS - Police

	Reporting Fiscal Year (Measurement Date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability					Information not available
Service cost	\$ 163,019	\$ 174,994	\$ 171,814	\$ 202,049	
Interest on the total pension liability	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	(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	(928,288)	(578,648)	(544,101)	(530,972)	
Net change in total pension liability	378,533	466,886	758,648	1,392,289	
Total pension liability - beginning	10,880,561	10,413,675	9,655,027	8,262,738	
Total pension liability - ending (a)	<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	\$ 1,260,786	\$ 533,254	\$ 349,032	\$ 282,220	
Contributions - employee	110,209	122,776	120,405	108,788	
Net investment income	509,719	21,771	132,063	445,624	
Benefit payments, including refunds of employee contributions	(928,288)	(578,648)	(544,101)	(530,972)	
Administrative expense	(4,910)	(3,533)	(3,595)	-	
Other changes	118,574	(59,187)	55,462	(251,795)	
Net change in plan fiduciary net position	1,066,090	36,433	109,266	53,865	
Plan fiduciary net position - beginning	3,732,334	3,695,901	3,586,635	3,532,770	
Plan fiduciary net position - ending (b)	<u>\$ 4,798,424</u>	<u>\$ 3,732,334</u>	<u>\$ 3,695,901</u>	<u>\$ 3,586,635</u>	
Town's net pension liability (asset) - ending (a) - (b)	<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	42.62%	34.30%	35.49%	37.15%	
Covered payroll	\$ 701,459	\$ 946,935	\$ 942,820	\$ 910,118	
Town's net pension (asset) liability as a percentage of covered payroll	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, 2018

PSPRS OPEB - Police

	Reporting Fiscal Year	
	(Measurement Date)	
	2018	2017
	(2017)	through
		2009
Total OPEB liability		
Service cost	\$ 3,788	Information
Interest on the total OPEB liability	21,452	not available
Changes of benefit terms	2,092	
Differences between expected and actual experience in the measurement of the OPEB liability	(5,432)	
Changes of assumptions or other inputs	1,554	
Benefit payments	<u>(18,950)</u>	
Net change in total OPEB liability	4,504	
Total OPEB liability - beginning	<u>293,613</u>	
Total OPEB liability - ending (a)	<u><u>\$ 298,117</u></u>	
Plan fiduciary net position		
Contributions - employer	\$ 5,662	
Contributions - employee	-	
Net investment income	29,866	
Benefit payments	(18,950)	
Administrative expense	(264)	
Other changes	<u>-</u>	
Net change in plan fiduciary net position	16,314	
Plan fiduciary net position - beginning	<u>258,746</u>	
Plan fiduciary net position - ending (b)	<u><u>\$ 275,060</u></u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u><u>\$ 23,057</u></u>	
Plan fiduciary net position as a percentage of the total OPEB liability	92.27%	
Covered payroll	\$ 701,459	
Town's net OPEB (asset) liability as a percentage of covered payroll	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, 2018

PSPRS - Fire

	Reporting Fiscal Year (Measurement Date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability					Information not available
Service cost	\$ 183,783	\$ 150,264	\$ 156,604	\$ 170,156	
Interest on the total pension liability	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	(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	(503,789)	(693,666)	(408,889)	(396,467)	
Net change in total pension liability	838,797	782,659	387,359	597,226	
Total pension liability - beginning	9,125,482	8,342,823	7,955,464	7,358,238	
Total pension liability - ending (a)	<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	\$ 910,230	\$ 402,007	\$ 308,280	\$ 302,193	
Contributions - employee	103,643	109,165	94,304	90,601	
Net investment income	430,025	19,895	125,014	425,082	
Benefit payments, including refunds of employee contributions	(503,789)	(693,666)	(408,889)	(396,467)	
Administrative expense	(4,205)	(3,263)	(3,433)	-	
Other changes	43	(9,865)	(194,808)	(130,977)	
Net change in plan fiduciary net position	935,947	(175,727)	(79,532)	290,432	
Plan fiduciary net position - beginning	3,285,565	3,461,292	3,540,824	3,250,392	
Plan fiduciary net position - ending (b)	<u>\$ 4,221,512</u>	<u>\$ 3,285,565</u>	<u>\$ 3,461,292</u>	<u>\$ 3,540,824</u>	
Town's net pension liability (asset) - ending (a) - (b)	<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	42.37%	36.00%	41.49%	44.51%	
Covered payroll	\$ 811,764	\$ 810,047	\$ 803,920	\$ 823,923	
Town's net pension (asset) liability as a percentage of covered payroll	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, 2018

PSPRS OPEB - Fire

	Reporting Fiscal Year	
	(Measurement Date)	
	2018	2017
	(2017)	through
	2009	
Total OPEB liability		
Service cost	\$ 3,247	Information
Interest on the total OPEB liability	18,597	not available
Changes of benefit terms	-	
Differences between expected and actual experience in the measurement of the OPEB liability	(23,735)	
Changes of assumptions or other inputs	(1,201)	
Benefit payments	(13,380)	
Net change in total OPEB liability	(16,472)	
Total OPEB liability - beginning	253,029	
Total OPEB liability - ending (a)	<u>\$ 236,557</u>	
Plan fiduciary net position		
Contributions - employer	\$ 9,839	
Contributions - employee	-	
Net investment income	19,799	
Benefit payments	(13,380)	
Administrative expense	(176)	
Other changes	-	
Net change in plan fiduciary net position	16,082	
Plan fiduciary net position - beginning	169,554	
Plan fiduciary net position - ending (b)	<u>\$ 185,636</u>	
Town's net OPEB (asset) liability - ending (a) - (b)	<u>\$ 50,921</u>	
Plan fiduciary net position as a percentage of the total OPEB liability	78.47%	
Covered payroll	\$ 811,764	
Town's net OPEB (asset) liability as a percentage of covered payroll	6.27%	

See accompanying notes to pension plan schedules.

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

ASRS-Pension

	Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 266,529	\$ 237,341	\$ 214,912	\$ 225,991	\$ 228,886	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(266,529)</u>	<u>(237,341)</u>	<u>(214,912)</u>	<u>(225,991)</u>	<u>(228,886)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<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>	
Town's contributions as a percentage of covered payroll	10.90%	10.78%	10.85%	10.89%	10.70%	

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year		2016 through 2009
	2018	2017	
Statutorily required contribution	\$ 10,749	\$ 12,329	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(10,749)</u>	<u>(12,329)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 2,445,220</u>	<u>\$ 2,201,679</u>	
Town's contributions as a percentage of covered payroll	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, 2018

ASRS-Long-Term Disability

	<u>Reporting Fiscal Year</u>		
	2018	2017	2016 through 2009
Statutorily required contribution	\$ 3,912	\$ 3,083	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(3,912)</u>	<u>(3,083)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 2,445,220</u>	<u>\$ 2,201,679</u>	
Town's contributions as a percentage of covered payroll	0.16%	0.14%	

PSPRS - Police

	<u>Reporting Fiscal Year</u>					<u>2013 through 2009</u>
	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 546,930	\$ 515,490	\$ 533,254	\$ 349,032	\$ 282,220	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(546,930)</u>	<u>(1,260,786)</u>	<u>(533,254)</u>	<u>(349,032)</u>	<u>(282,220)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (745,296)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	<u>\$ 861,579</u>	<u>\$ 701,459</u>	<u>\$ 946,935</u>	<u>\$ 942,820</u>	<u>\$ 910,118</u>	
Town's contributions as a percentage of covered payroll	63.48%	73.49%	56.31%	37.02%	31.01%	

See accompanying notes to pension plan schedules.

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

PSPRS OPEB - Police

	745296		2016 through 2009
	Reporting Fiscal Year		
	2018	2017	
Actuarially determined contribution	\$ 5,342	\$ 5,662	Information not available
Town's contributions in relation to the actuarially determined contribution	(5,342)	(5,662)	
Town's contribution deficiency (excess)	\$ -	\$ -	
Town's covered payroll	\$ 861,579	\$ 701,459	
Town's contributions as a percentage of covered payroll	0.62%	0.81%	

PSPRS - Fire

	Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
Actuarially determined contribution	\$ 464,928	\$ 413,366	\$ 402,007	\$ 308,280	\$ 302,193	Information not available
Town's contributions in relation to the actuarially determined contribution	(464,928)	(910,230)	(402,007)	(308,280)	(302,193)	
Town's contribution deficiency (excess)	\$ -	\$ (496,864)	\$ -	\$ -	\$ -	
Town's covered-employee payroll	\$ 763,679	\$ 811,764	\$ 810,047	\$ 803,920	\$ 823,923	
Town's contributions as a percentage of covered payroll	60.88%	50.92%	49.63%	38.35%	36.68%	

See accompanying notes to pension plan schedules.

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

PSPRS OPEB - Fire

	<u>Reporting Fiscal Year</u>		
	2018	2017	2016 through 2009
Actuarially determined contribution	\$ 7,179	\$ 9,839	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(7,179)</u>	<u>(9,839)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 763,679</u>	<u>\$ 811,764</u>	
Town's contributions as a percentage of covered payroll	0.94%	1.21%	

EORP-Pension

	<u>Reporting Fiscal Year</u>					<u>2013 through 2009</u>
	2018	2017	2016	2015	2014	
Statutorily required contribution	\$ 3,384	\$ 5,229	\$ 6,486	\$ 6,486	\$ 8,169	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(3,384)</u>	<u>(5,229)</u>	<u>(6,486)</u>	<u>(6,486)</u>	<u>(8,169)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	<u>\$ 14,400</u>	<u>\$ 21,100</u>	<u>\$ 33,054</u>	<u>\$ 27,600</u>	<u>\$ 34,762</u>	
Town's contributions as a percentage of covered payroll	23.50%	24.78%	19.62%	23.50%	23.50%	

The Town 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, 2018

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 2016 actuarial	20 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0%. In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%.
Wage growth	In 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 – FACTORS THAT AFFECT TRENDS

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

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

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

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.

OTHER SUPPLEMENTARY INFORMATION

CITY OF GLOBE, ARIZONA
Other Supplementary Information
Budgetary Comparison Schedule
HURF Fund
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 785,925	\$ 785,925	\$ 780,947	\$ (4,978)
Expenditures				
Current				
Public works and streets	785,925	785,925	645,856	140,069
Net change in fund balances	-	-	135,091	135,091
Fund balances, beginning of year	17,238	17,238	17,238	-
Fund balances, end of year	<u>\$ 17,238</u>	<u>\$ 17,238</u>	<u>\$ 152,329</u>	<u>\$ 135,091</u>

CITY OF GLOBE, ARIZONA
Other Supplementary Information
Budgetary Comparison Schedule
Grants Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 2,000,000	\$ 2,000,000	\$ 39,466	\$ (1,960,534)
Expenditures				
Current				
Public safety	1,834,816	1,834,816	12,992	1,821,824
Parks and recreation	11,810	11,810	11,810	-
Capital outlay	3,374	3,374	3,374	-
Total expenditures	<u>1,850,000</u>	<u>1,850,000</u>	<u>28,176</u>	<u>1,821,824</u>
Excess (deficiency) of revenues over (under) expenditures	<u>150,000</u>	<u>150,000</u>	<u>11,290</u>	<u>(138,710)</u>
Other financing sources (uses)				
Transfers	-	-	(2,100)	(2,100)
Net change in fund balances	150,000	150,000	9,190	(140,810)
Fund balances, beginning of year	<u>80,896</u>	<u>80,896</u>	<u>80,896</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 230,896</u></u>	<u><u>\$ 230,896</u></u>	<u><u>\$ 90,086</u></u>	<u><u>\$ (140,810)</u></u>

CITY OF GLOBE, ARIZONA
Other Supplementary Information
Budgetary Comparison Schedule
Active Adult Center Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 198,491	\$ 198,491	\$ 90,706	\$ (107,785)
Other revenue	-	-	18,396	18,396
Total revenues	<u>198,491</u>	<u>198,491</u>	<u>109,102</u>	<u>(89,389)</u>
Expenditures				
Current				
Welfare	<u>198,491</u>	<u>198,491</u>	<u>216,266</u>	<u>(17,775)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(107,164)</u>	<u>(107,164)</u>
Other financing sources (uses)				
Transfers	<u>-</u>	<u>-</u>	<u>168,370</u>	<u>168,370</u>
Net change in fund balances	-	-	61,206	61,206
Fund balances, beginning of year	<u>(61,206)</u>	<u>(61,206)</u>	<u>(61,206)</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ (61,206)</u></u>	<u><u>\$ (61,206)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 61,206</u></u>

CITY OF GLOBE, ARIZONA
Other Supplementary Information
Budgetary Comparison Schedule
Library Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 122,011	\$ 122,011	\$ 113,600	\$ (8,411)
Other revenue	-	-	6,267	6,267
Total revenues	<u>122,011</u>	<u>122,011</u>	<u>119,867</u>	<u>(2,144)</u>
Expenditures				
Current				
Parks and recreation	<u>191,286</u>	<u>191,286</u>	<u>197,676</u>	<u>(6,390)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(69,275)</u>	<u>(69,275)</u>	<u>(77,809)</u>	<u>(8,534)</u>
Other financing sources (uses)				
Transfers	<u>69,275</u>	<u>69,275</u>	<u>122,487</u>	<u>53,212</u>
Net change in fund balances	-	-	44,678	44,678
Fund balances, beginning of year	<u>(44,678)</u>	<u>(44,678)</u>	<u>(44,678)</u>	<u>-</u>
Fund balances, end of year	<u>\$ (44,678)</u>	<u>\$ (44,678)</u>	<u>\$ -</u>	<u>\$ 44,678</u>

CITY OF GLOBE, ARIZONA
Other Supplementary Information
Budgetary Comparison Schedule
Capital Projects Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Expenditures				
Capital outlay	568,120	568,120	121,355	446,765
Excess (deficiency) of revenues over (under) expenditures	(568,120)	(568,120)	(121,355)	446,765
Other financing sources (uses)				
Transfers	568,120	568,120	121,355	(446,765)
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF GLOBE, ARIZONA
Other Supplementary Information
Budgetary Comparison Schedule
Water Utility Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Operating revenues				
Charges for services	\$ 4,486,719	\$ 4,486,719	\$ 2,428,602	\$ (2,058,117)
Miscellaneous	-	-	84,473	84,473
Total operating revenues	<u>4,486,719</u>	<u>4,486,719</u>	<u>2,513,075</u>	<u>(1,973,644)</u>
Operating expenses				
Depreciation	2,124,441	2,124,441	483,535	1,640,906
Salaries and wages	451,579	451,579	451,579	-
Utilities	355,705	355,705	355,705	-
Repairs and maintenance	247,425	247,425	247,425	-
Employee benefits	114,282	114,282	114,282	-
Professional services	40,330	40,330	40,330	-
Materials and supplies	53,502	53,502	53,502	-
Insurance	60,702	60,702	60,702	-
Other	2,152	2,152	2,152	-
Total operating expenses	<u>3,450,118</u>	<u>3,450,118</u>	<u>1,809,212</u>	<u>1,640,906</u>
Operating income (loss)	<u>1,036,601</u>	<u>1,036,601</u>	<u>703,863</u>	<u>(3,614,550)</u>
Nonoperating revenues (expenses)				
Gain on sale of assets	-	-	310,000	310,000
Interest expense	(184,550)	(184,550)	(184,550)	-
Total nonoperating revenues (expense)	<u>(184,550)</u>	<u>(184,550)</u>	<u>125,450</u>	<u>310,000</u>
Income (loss) before contributions, gains, losses, and transfers	852,051	852,051	829,313	(3,304,550)
Transfers	-	-	(1,680)	(1,680)
Increase (decrease) in net position	852,051	852,051	827,633	(3,306,230)
Total net position, beginning of year, restated	<u>8,354,674</u>	<u>8,354,674</u>	<u>8,354,674</u>	<u>-</u>
Total net position, end of year	<u>\$ 9,206,725</u>	<u>\$ 9,206,725</u>	<u>\$ 9,182,307</u>	<u>\$ (3,306,230)</u>

CITY OF GLOBE, ARIZONA
Other Supplementary Information
Budgetary Comparison Schedule
Sewer Utility Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Operating revenues				
Charges for services	\$ 1,004,194	\$ 1,004,194	\$ 1,109,444	\$ 105,250
Miscellaneous	-	-	64,116	64,116
Total operating revenues	<u>1,004,194</u>	<u>1,004,194</u>	<u>1,173,560</u>	<u>169,366</u>
Operating expenses				
Depreciation	814,955	814,955	258,244	556,711
Salaries and wages	255,283	255,283	255,283	-
Utilities	98,035	98,035	98,035	-
Repairs and maintenance	75,421	75,421	75,421	-
Employee benefits	62,342	62,342	62,342	-
Professional services	105,867	105,867	105,867	-
Materials and supplies	46,852	46,852	46,852	-
Insurance	19,117	19,117	19,117	-
Other	51,303	51,303	51,303	-
Total operating expenses	<u>1,529,175</u>	<u>1,529,175</u>	<u>972,464</u>	<u>556,711</u>
Operating income (loss)	<u>(524,981)</u>	<u>(524,981)</u>	<u>201,096</u>	<u>(387,345)</u>
Transfers	-	-	(1,680)	(1,680)
Increase (decrease) in net position	(524,981)	(524,981)	199,416	(389,025)
Total net position, beginning of year, restated	<u>4,233,720</u>	<u>4,233,720</u>	<u>4,233,720</u>	<u>-</u>
Total net position, end of year	<u>\$ 3,708,739</u>	<u>\$ 3,708,739</u>	<u>\$ 4,433,136</u>	<u>\$ (389,025)</u>

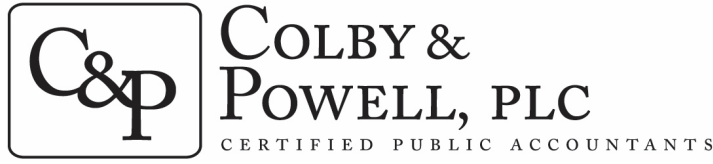
CITY OF GLOBE, ARIZONA
Other Supplementary Information
Non-Major Governmental Funds
Combining Balance Sheet
June 30, 2018

	HURF Fund	Grants Fund	Active Adult Center Fund	Library Fund	Capital Projects Fund	Other Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 110,106	\$ 90,086	\$ -	\$ 7,465	\$ 213	\$ 207,870
Due from other governments	73,551	-	15,234	-	-	88,785
Total assets	<u>183,657</u>	<u>90,086</u>	<u>15,234</u>	<u>7,465</u>	<u>213</u>	<u>296,655</u>
LIABILITIES						
Accounts payable	24,627	-	11,206	1,999	213	38,045
Accrued expenses	6,701	-	2,736	5,466	-	14,903
Due to other funds	-	-	1,292	-	-	1,292
Total liabilities	<u>31,328</u>	<u>-</u>	<u>15,234</u>	<u>7,465</u>	<u>213</u>	<u>54,240</u>
FUND BALANCES						
Restricted	<u>152,329</u>	<u>90,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,415</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 183,657</u>	<u>\$ 90,086</u>	<u>\$ 15,234</u>	<u>\$ 7,465</u>	<u>\$ 213</u>	<u>\$ 296,655</u>

CITY OF GLOBE, ARIZONA
Other Supplementary Information
Non-Major Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2018

	HURF Fund	Grants Fund	Active Adult Center Fund	Library Fund	Capital Projects Fund	Other Governmental Funds
Revenues						
Intergovernmental	\$ 780,947	\$ 39,466	\$ 90,706	\$ 113,600	\$ -	\$ 1,024,719
Other revenue	-	-	18,396	6,267	-	24,663
Total revenues	<u>780,947</u>	<u>39,466</u>	<u>109,102</u>	<u>119,867</u>	<u>-</u>	<u>1,049,382</u>
Expenditures						
Current						
Public safety	-	12,992	-	-	-	12,992
Public works and streets	645,856	-	-	-	-	645,856
Parks and recreation	-	11,810	-	197,676	-	209,486
Welfare	-	-	216,266	-	-	216,266
Capital outlay	-	3,374	-	-	121,355	124,729
Total expenditures	<u>645,856</u>	<u>28,176</u>	<u>216,266</u>	<u>197,676</u>	<u>121,355</u>	<u>1,209,329</u>
Excess (deficiency) of revenues over (under) expenditures	<u>135,091</u>	<u>11,290</u>	<u>(107,164)</u>	<u>(77,809)</u>	<u>(121,355)</u>	<u>(159,947)</u>
Other financing sources (uses)						
Transfers	-	(2,100)	168,370	122,487	121,355	410,112
Net change in fund balances	135,091	9,190	61,206	44,678	-	250,165
Fund balances, beginning of year	<u>17,238</u>	<u>80,896</u>	<u>(61,206)</u>	<u>(44,678)</u>	<u>-</u>	<u>(7,750)</u>
Fund balances, end of year	<u>\$ 152,329</u>	<u>\$ 90,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,415</u>

REPORTS AND SCHEDULES REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS



1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

**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, 2018, 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 August 9, 2019.

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 **2016-001**.

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".

August 9, 2019

CITY OF GLOBE, ARIZONA
Schedule of Findings and Responses
Year Ended June 30, 2018

2016-001 - General Ledger Maintenance and Reconciliation - (Material Weakness)

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.