AMBULANCE REVENUE and COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

Arizona Department of Health Services
Annual Ambulance Financial Report

CITY OF BISBEE FIRE DEPARTMENT
Reporting Ambulance Service

Address: **118 Arizona Street**

City: **Bisbee, AZ** Zip: **85603**

Report Fiscal Year

From: **July 1, 2014** (Mo. Day Year) To: **June 30, 2015** (Mo. Day Year)

I hereby verify that I have directed the preparation of the enclosed annual report in accordance with the reporting requirements of the State of Arizona.

I have read this report and hereby verify that the information provided is true and correct to the best of my knowledge.

This report has been prepared using the accrual basis of accounting.

Authorized Signature: Marc Burnelelt Date: 2-9-16

Print Name and Title: **Marc Burneleit, Fire Chief**

Phone: **520-432-4110**

Mail to:

Department of Health Services
Bureau of Emergency Medical Services
Certificate of Necessity and Rates Section
150 North 18th Avenue, Suite 540
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AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: City of Bisbee Fire Department

FOR THE PERIOD **FROM:** July 1, 2014 **TO:** June 30, 2015

STATISTICAL SUPPORT DATA

Line No.	DESCRIPTION	(1) SUBSCRIPTION SERVICE TRANSPORTS	*(2) TRANSPORTS UNDER CONTRACT	(3) TRANSPORTS NOT UNDER CONTRACT	(4) TOTALS
1	Number of ALS Billable Transports:				247
2	Number of BLS Billable Transports:				891
3	Number of Loaded Billable Miles:				258,936
4	Waiting Time (Hr. & Min.):				
5	Canceled (Non-Billable) Runs:				

AMBULANCE SERVICE ROUTINE OPERATING REVENUE

6	ALS Base Rate Revenue		$ 842,656
7	BLS Base Rate Revenue		234,124
8	Mileage Charge Revenue		483,994
9	Waiting Charge Revenue		237
10	Medical Supplies Charge Revenue		26,455
11	Nurses Charge Revenue		
12	Standby Charge Revenue (Attach Schedule)		
13	TOTAL AMBULANCE SERVICE ROUTINE OPERATING REVENUE	(Post to Page 3, Line 1)	$ 1,587,467

SALARY AND WAGE EXPENSE DETAIL

	GROSS WAGES:		** No. of FTE's
14	Management	$ 46,121	1.0
15	Paramedics and IEMTs	$ 371,600	4.0
16	Emergency Medical Technician (EMT)	$ 1,300,600	14.0
17	Other Personnel	$	
18	Payroll Taxes and Fringe Benefits - All Personnel	$	
19	Total Wages, Taxes & Benefits (Sum Lines 14 through 18; Post to Page 3, Line 10)	$ 1,718,324	19

* This column reports only those runs where a contracted discount rate was applied.
** Full-time equivalents (F.T.E.) is the sum of all hours for which employees wages were paid during the year divided by 2080.

AMBULANCE REVENUE AND COST REPORT

FIRE DISTRICT and SMALL RURAL COMPANY

AMBULANCE SERVICE ENTITY: City Of Bisbee Fire Department

FOR THE PERIOD **FROM:** July 1, 2014 **TO:** June 30, 2015

SCHEDULE OF REVENUES AND EXPENSES

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Line No.	DESCRIPTION			
	Operating Revenues:			
1	Total Ambulance Service Operating Revenue	(From: Page 2, Line 13)	$	1,587,467
	Settlement Amounts:			
2	AHCCCS			302,551
3	Medicare			384,050
4	Subscription Service			
5	Contractual			
6	Other			40,695
7	Total	(Sum of Lines 2 through 6)		727,296
8	Total Operating Revenue	(Line 1 minus Line 7)	$	860,171
	Operating Expenses:			
9	Bad Debt		$	195,410
10	Total Salaries, Wages, and Employee-Related Expenses	(From: Page 2, Line 19)		1,718,324
11	Professional Services			19,295
12	Travel and Entertainment			
13	Other General Administrative			8,901
14	Depreciation			
15	Rent / Leasing			
16	Building / Station			22,951
17	Vehicle Expense			87,632
18	Other Operating Expense			5,508
19	Cost of Medical Supplies Charged to Patients			26,455
20	Interest			
21	Subscription Service Sales Expense			
22	Total Operating Expense	(Sum of Lines 9 through 21)		2,084,476
23	Total Operating Income or (Loss)	(Line 8 minus Line 22)	$	(1,224,305)
24	Subscription Contract Sales			
25	Other Operating Revenue			
26	Local Supportive Funding			
27	Other Non-Operating Income (Attach Schedule)			
28	Other Non-Operating Expense (Attach Schedule)			
29	NET INCOME or (LOSS) Before Income Taxes	(Sum of Lines 23 through 27, minus Line 28)	$	(1,224,305)
	Provision for Income Taxes:			
30	Federal Income Tax			
31	State Income Tax			
32	Total Income Tax	(Line 30, plus Line 31)		
33	**Ambulance Service Net Income (Loss)**	(Line 29, minus Line 32)		(1,224,305)

CITY OF BISBEE, ARIZONA

Financial Statements,
Supplementary Information
and
Single Audit Reports

Year Ended June 30, 2015

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Independent Auditors' Report

To the City Council of
City of Bisbee, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bisbee, Arizona, (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bisbee, Arizona, as of June 30, 2015, 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, 2015, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, as amended by GASB Statement No. 71. 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 Management's Discussion and Analysis on pages 4-9, Budgetary Comparison Schedule on page 44, Schedule of the City's Proportionate Share of the Net Pension Liability - Cost Sharing Plan on page 45, Schedule of Changes in the City's Net Pension Liability and Related Ratios - Agent Pension Plans on pages 46-47, Schedule of City Pension Contributions on page 48, and Schedule of Agent OPEB Plans' Funding Progress on page 50 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.

Supplementary Information - Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to 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. Accordingly, 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 and other dedicated state transportation revenues, insofar as they related to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the City Council, management and other responsible parties within the City and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the City'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's internal control over financial reporting and compliance.

Fester & Chapman P.C.

December 7, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

This discussion and analysis of the City of Bisbee, Arizona's financial performance is offered by management to provide an easily readable overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read this Management's Discussion and Analysis in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The City implemented Governmental Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions for the fiscal year ended June 30, 2015. The implementation resulted in a decrease of $16.4 million to beginning net position.
- The City's total net position as restated, increased by $7 thousand to $10.346 million.
- The City's revenues from governmental activities decreased $1.9 million (22.1%). Revenues from business-type activities increased $1.8 million (43.9%).
- Expenditures from governmental activities increased $1.6 million (22.7%). Expenses from business-type activities decreased $598 thousand (13.3%).
- The total outstanding non-current liabilities (as restated) increased from $28.3 million to $33.9 million, an increase of $5.6 million (19.8%).
- The General Fund reported a fund balance decrease from $2.02 million to $1.71 million. The $308 thousand reduction in fund balance is due primarily to lower than anticipated ambulance fees and public safety pension expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

NET POSITION

In 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The objective of this Statement is to improve accounting and financial reporting for pensions. The City does not offer its own pension plan, but instead participates in the Arizona State Retirement System (ASRS) which administers a cost-sharing, multiple-employer, defined benefit pension plan, and the Public Safety Personnel Retirement System (PSPRS), which administers an agent, multiple-employer, defined benefit pension plan. Thus, the majority of the information required to implement GASB Statement No. 68 was provided by the ASRS and PSPRS in their audited Schedules of Employer Allocations and Schedule of Pension Amounts by Employer.

As part of the implementation, the City recorded an adjustment to fiscal year ended June 30, 2014 to reflect a net pension liability of $16,352,109 and a corresponding decrease in unrestricted net position. This liability will be adjusted each fiscal year from 2014 forward.

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GASB Statement No. 68 also mandates that the following amounts related to pensions be recognized and classified as either deferred outflows of resources or deferred inflows of resources accordingly:

a. Differences between expected and actual experience in the measurement of the total pension liability;
b. Changes of assumptions or other inputs;
c. Net difference between projected and actual earnings on pension plan investments;
d. Changes in the employer's proportion and differences between the employer's contributions (other than those to separately finance specific liabilities of the individual employer to the pension plan) and the employer's proportionate share of contributions; and
e. Contributions to the pension plan from the employer subsequent to the measurement date of the collective net pension liability and before the end of the employer's reporting period should be reported as a deferred outflow of resources related to pensions.

Thus, effective with fiscal year 2015, the City's Statement of Net Position reflects deferred outflows and deferred inflows of resources related to pensions. Note 12 to the financial statements provides additional information about the City's pension obligation.

Government-Wide Financial Statements

The analysis of the City begins with the Government-Wide Financial Statements, designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in actual cash flow in future fiscal periods (e.g. uncollected taxes earned and accrued but unused vacation time).

Both of the government-wide financial statements (the Statement of Net Position and the Statement of Activities) distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include the City's basic services such as public safety, public works, culture and recreation, community development, and general government and administration. Taxes, charges for services, and intergovernmental revenues such as state and federal grants finance most of these activities. Business-type activities include the Queen Mine, Sewer and Sanitation services.

Fund Financial Statements

The fund financial statements are next and provide detailed information about the most significant funds. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's funds are divided into two categories: governmental and proprietary.

- *Governmental funds*– Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more, or fewer financial resources that can be spent in the near future to finance the City's programs. The relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds is described in a reconciliation presented after the governmental funds' financial statements.

- *Proprietary funds* – When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 19-43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position (as restated) increased from the prior fiscal year from $10.339 million to $10.346 million. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the City's combined activities.

Table 1
Condensed Statements of Net Position
(Thousands)
Years ended June 30,

	Primary Government	
	2015	2014 (Restated)
Current and other assets	$ 6,087	$ 5,785
Capital assets	36,217	34,397
Total assets	42,304	40,182
Deferred outflows of resources	3,620	
Current and other liabilities	1,101	762
Long-term debt outstanding	33,757	29,081
Total liabilities	34,858	29,844
Deferred inflows of resources	720	
Net position (deficit):		
Net investment in capital assets	23,376	21,868
Restricted	1,468	1,236
Unrestricted (deficit)	(14,498)	(12,765)
Total net position	$ 10,346	$ 10,339

Net position of the City represents the difference between the City's resources and its obligations. As of June 30, 2015, the largest portion of the City's net position reflects the investment in capital assets, less related debt outstanding used to acquire capital assets. These capital assets are used by the City to provide services to its citizens. A small portion of the City's net position, approximately 14%, is restricted for use in accordance with agreements with lenders and grantors. The remainder of the City's net position reflects a deficit due to the implementation of GASB 68.

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Table 2
Condensed Statements of Activities
(thousands)
Years ended June 30

	Primary Government	
	2015	2014 (Restated)
Revenues:		
Program revenues:		
Charges for services	$ 5,006	$ 5,216
Operating grants and contributions	2,708	897
Capital grants and contributions	336	2,242
General revenues:		
Property taxes	945	933
Sales taxes	2,007	1,931
State shared taxes	675	486
Urban revenue sharing	512	626
Vehicle license taxes	236	232
Bed taxes	116	80
Other general revenues and transfers	53	73
Total revenues	12,594	12,716
Expenses:		
Governmental activities:		
General government	2,031	1,846
Public safety	5,530	4,043
Transportation	639	727
Culture and recreation	478	451
Interest on long-term debt	3	8
Business type activities:		
Wastewater	2,494	2,955
Sanitation	824	985
Queen Mine	588	564
Total expenses	12,587	11,579
Increase in net position	7	1,137
Net position - beginning	10,339	25,691
Restatement for GASB 68		(16,352)
Net position - ending	$ 10,346	$ 10,339

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Due to GASB No 68 implementation, the beginning net position as of July 1, 2014 was restated, resulting in a decrease of $16.4 million. The City's total revenues were $12.594 million. The total cost of all programs and services was $12.587 million.

Our analysis below separately considers the operations of governmental activities.

Governmental Activities
On the revenue side, operating and grants and contributions were up $15 thousand to $723 thousand, or 2.1%. Charges for services were down from $1.47 million to $1.18 million, or 19.5%. This was due in large part to the reduction in ambulance charges for services from the preceding year.

On the expenditure side, governmental activities expenses increased from $7.1 million to $8.7 million, or 22.7%. This was due in large to increased pension costs/liabilities as the City implemented GASB No. 68.

Table 3 presents the cost of each of the City's four largest programs – as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

Table 3
Governmental Activities
(thousands)

	Total Cost of Services 2015	Net Cost of Services 2015
General government and administration	$ 2,031	$ 1,202
Public safety	5,530	4,544
Transportation	639	218
Culture and recreation	479	473
All others	3	3
Totals	$ 8,682	$ 6,440

CITY FUNDS FINANCIAL ANALYSIS

Governmental Funds

The City uses fund accounting to ensure compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide statements.

The City's governmental funds reported a combined fund balance of $2.67 million, which is a decrease from last fiscal year's total of $2.9 million.

Proprietary Funds

The City accounts for three funds in its Proprietary Funds – Wastewater, Sanitation, and the Queen Mine. Net position for the proprietary funds increased from $12.6 million to $14.6 million, or 15.5%. This increase is attributable largely to an increase in the Wastewater funds' intergovernmental revenue related to capital grants.

General Fund Budgetary Highlights

Over the course of the year, the City was faced with several budget issues. On the revenue side, we did see an increase of sales taxes collected due to the voter approved sales tax increase that went into effect on March 1, 2015. However, total revenues still fell short by $366 thousand, excluding the budgeted use of reserves, due to a reduction in ambulance revenues. However, expenditures were monitored closely throughout the year and kept within budget. The General Fund's fund balance decrease of $308 thousand was primarily a result of lower than anticipated ambulance fees and public safety pension expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, the City had $36.2 million invested in a broad range of capital assets, including land, buildings, vehicles, equipment, and the new wastewater treatment facility. This amount represents a $1.8 million increase (including additions and deductions) over last fiscal year. This is mostly due to the capitalization of a solar project at the waste water treatment plant and the Tin Town sewer project.

Table 4
Capital Assets at Year-end
(thousands)

	Total Assets	
	2015	**2014**
Land	$ 619	$ 619
Buildings and improvements	17,464	17,298
Airport	4,388	4,388
Improvements other than buildings	3,745	3,664
Machinery and equipment	6,309	4,710
Infrastructure	20,865	20,781
Construction in progress	2,115	508
Less: accumulated depreciation	(19,288)	(17,571)
Totals	$ 36,217	$ 34,397

Long-term debt

At June 30, 2015, the City had $33.8 million in long-term debt outstanding, which increased $4.8 million due to the implementation of GASB 68 and the WIFA loan for the solar project. Other obligations include accrued vacation pay and sick leave. More detailed information about the City's total long-term liabilities is presented in Note 7 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City continues to face major financial challenges in the years ahead. Some important issues that will influence the preparation of future budgets include:

- Develop a plan to increase revenues and decrease expenses to limit the use of reserves to cover operating expenses.
- Maintain a reasonable level of services for the citizens of the City of Bisbee in these continually challenging economic times.
- Increased personnel costs due to escalating costs of fringe benefits, the Affordable Healthcare Act and PSPRS retirement costs.
- Secure additional funding for the City's deferred maintenance costs.
- Acquire funding for capital equipment and vehicles.

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CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide 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 the Finance Department, City of Bisbee, 118 Arizona Street, Bisbee, Arizona 85603.

City of Bisbee, Arizona
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 1,461,166	$ 865,358	$ 2,326,524
Investments	530,789		530,789
Receivables (net of allowance for uncollectibles):			
Accounts	173,274	560,046	733,320
Property taxes	50,710		50,710
Restricted cash and cash equivalents		1,129,170	1,129,170
Inventory		97,371	97,371
Due from other governments	756,791	385,334	1,142,125
Prepaid items	51,683	25,497	77,180
Capital assets, not being depreciated	587,437	2,146,828	2,734,265
Capital assets, being depreciated, net	9,089,881	24,392,480	33,482,361
Total assets	12,701,731	29,602,084	42,303,815
Deferred Outflows of Resources			
Deferred outflows related to pensions	3,466,753	153,279	3,620,032
Liabilities			
Accrued payroll and employee benefits	128,573	28,107	156,680
Accounts payable	225,692	476,718	702,410
Accrued interest payable		239,374	239,374
Deposits held for others		2,161	2,161
Noncurrent liabilities:			
Due within one year	30,277	828,254	858,531
Due in more than one year	19,568,925	13,329,388	32,898,313
Total liabilities	19,953,467	14,904,002	34,857,469
Deferred Inflows of Resources			
Deferred inflows related to pensions	453,259	266,752	720,011
Total deferred inflows of resources	453,259	266,752	720,011
Net Position			
Net investment in capital assets	9,623,261	13,752,886	23,376,147
Restricted for:			
Public safety	9,400		9,400
Highways and streets	218,458		218,458
Transportation	41,188		41,188
Culture and recreation	19,100		19,100
Debt service		1,129,170	1,129,170
Other purposes	50,701		50,701
Unrestricted	(14,200,350)	(297,447)	(14,497,797)
Total net (deficit) position	$ (4,238,242)	$ 14,584,609	$ 10,346,367

The accompanying notes are an integral part of these statements.

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City of Bisbee, Arizona
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Primary Government: Total
Governmental activities:							
General government	$ 2,030,692	$ 388,835	$ 178,935	$ 261,024	$ (1,201,898)		$ (1,201,898)
Public safety	5,530,172	779,907	149,628	56,566	(4,544,071)		(4,544,071)
Transportation	638,652	7,650	394,196	18,649	(218,157)		(218,157)
Culture and recreation	478,539	5,161			(473,378)		(473,378)
Interest on long-term debt	2,529				(2,529)		(2,529)
Total governmental activities	8,680,584	1,181,553	722,759	336,239	(6,440,033)		(6,440,033)
Business-type activities:							
Wastewater	2,493,967	2,291,292	1,985,584			$ 1,782,909	1,782,909
Sanitation	823,725	865,805				42,080	42,080
Queen Mine	588,114	667,612				79,498	79,498
Total business-type activities	3,905,806	3,824,709	1,985,584			1,904,487	1,904,487
Total	$ 12,586,390	$ 5,006,262	$ 2,708,343	$ 336,239	(6,440,033)	1,904,487	(4,535,546)
General revenues:							
Taxes:							
Property taxes					944,791		944,791
Sales taxes					2,006,911		2,006,911
State shared taxes					674,583		674,583
Urban revenue sharing					511,639		511,639
Vehicle license taxes					236,460		236,460
Bed taxes					115,910		115,910
Investment earnings					3,239	217	3,456
Miscellaneous					25,625	23,658	49,283
Transfers					(26,187)	26,187	
Total general revenues and transfers					4,492,971	50,062	4,543,033
Change in net assets					(1,947,062)	1,954,549	7,487
Net position (deficit) as restated, July 1, 2014					(2,291,180)	12,630,060	10,338,880
Net position (deficit), June 30, 2015					$ (4,238,242)	$ 14,584,609	$ 10,346,367

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City of Bisbee, Arizona
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 718,176	$ 742,990	$ 1,461,166
Investments	408,760	122,029	530,789
Receivables (net of allowance for uncollectibles):			
Accounts	166,171	7,103	173,274
Property taxes	50,710		50,710
Due from other governments	554,801	201,990	756,791
Prepaid items	42,368	9,315	51,683
Total assets	$ 1,940,986	$ 1,083,427	$ 3,024,413
Liabilities and Fund Balances			
Liabilities:			
Accrued payroll and employee benefits	$ 124,810	$ 3,763	$ 128,573
Accounts payable	107,044	118,650	225,694
Total liabilities	231,854	122,413	354,267
Fund balances:			
Nonspendable	42,368	9,315	51,683
Restricted		338,847	338,847
Committed	11,374	655,771	667,145
Assigned	599,488		599,488
Unassigned (deficit)	1,055,902	(42,919)	1,012,983
Total fund balances	1,709,132	961,014	2,670,146
Total liabilities and fund balances	$ 1,940,986	$ 1,083,427	$ 3,024,413

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City of Bisbee, Arizona
RECONCILIATION OF GOVERNMENTAL FUNDS' BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
June 30, 2015

Fund balances - total governmental funds		$ 2,670,146
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		9,677,318
Some liabilities, such as net pension liabilities, capital leases payable and compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Capital leases payable	(54,501)	
Net pension liabilities	(19,390,366)	
Compensated absences	(154,335)	
		(19,599,202)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		3,013,496
Net position (deficit) of governmental activities		$ (4,238,242)

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City of Bisbee, Arizona
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 3,815,711		$ 3,815,711
Fines and forfeitures	8,433		8,433
Licenses and permits	84,279		84,279
Intergovernmental	742,017	$ 917,490	1,659,507
Charges for services	935,632	39,317	974,949
Investment earnings	2,768	471	3,239
Rent	46,500	11,553	58,053
Contributions	112,869	27,044	139,913
Miscellaneous	13,648	12,327	25,975
Total revenues	5,761,857	1,008,202	6,770,059
Expenditures:			
Current:			
General government	1,468,755	370,315	1,839,070
Public safety	3,713,511	135,982	3,849,493
Transportation		408,394	408,394
Culture and recreation	382,064	28,260	410,324
Capital outlay		420,861	420,861
Debt service:			
Principal	43,784		43,784
Interest	2,529		2,529
Total expenditures	5,610,643	1,363,812	6,974,455
Excess (deficiency) of revenues over expenditures	151,214	(355,610)	(204,396)
Other financing (uses) sources:			
Transfers in	331,808	459,379	791,187
Transfers out	(790,731)	(26,643)	(817,374)
Total other financing (uses) sources	(458,923)	432,736	(26,187)
Net change in fund balances	(307,709)	77,126	(230,583)
Fund balances, July 1, 2014	2,016,841	883,888	2,900,729
Fund balances, June 30, 2015	$ 1,709,132	$ 961,014	$ 2,670,146

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City of Bisbee, Arizona
RECONCILIATION OF THE GOVERNMENTAL FUNDS' STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Net changes in fund balances - total governmental funds		$ (230,583)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	$ 326,960	
Depreciation expense	(610,198)	
		(283,238)
Repayment of principal of long-term debt consumes the current financial resources of governmental funds. However, these payments have no effect on net position. This amount is the effect of difference in the treatment of repayments of long-term debt and related items.		43,784
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 and liabilities are reported regardless of when the financial resources are available.		
Decrease in compensated absences		3,316
Pension 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 liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		(1,480,341)
Change in net position of governmental activities		$ (1,947,062)

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City of Bisbee, Arizona
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Business-Type Activities - Enterprise Funds			
	Wastewater	Sanitation	Queen Mine	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 426,617		$ 438,741	$ 865,358
Accounts receivable, net of allowance for uncollectibles, current	279,800	$ 102,437		382,237
Restricted cash and cash equivalents, current	808,815			808,815
Inventory			97,371	97,371
Prepaid items			25,497	25,497
Due from other funds	426,094			426,094
Due from other governments	385,334			385,334
Total current assets	2,326,660	102,437	561,609	2,990,706
Noncurrent assets:				
Restricted cash and cash equivalents, noncurrent	320,355			320,355
Accounts receivable, net of allowance for uncollectibles, noncurrent	138,892	38,917		177,809
Capital assets (net of accumulated depreciation):				
Land	47,660			47,660
Construction in progress	2,099,168			2,099,168
Buildings, net	9,345,788		81,269	9,427,057
Improvements other than buildings, net	1,218,013			1,218,013
Machinery and equipment, net	1,585,867	239,440	3,094	1,828,401
Infrastructure, net	11,919,009			11,919,009
Total capital assets, net	26,215,505	239,440	84,363	26,539,308
Total noncurrent assets	26,674,752	278,357	84,363	27,037,472
Total assets	29,001,412	380,794	645,972	30,028,178
Deferred Outflows of Resources				
Deferred outflows related to pensions	70,674	53,602	29,003	153,279
Total deferred outflows of resources	70,674	53,602	29,003	153,279
Liabilities				
Current liabilities:				
Accrued payroll and employee benefits	11,282	8,227	8,598	28,107
Accounts payable	427,140	38,597	10,981	476,718
Accrued interest payable	239,374			239,374
Due to other funds		426,094		426,094
Deposits held for others			2,161	2,161
Current portion of long-term debt	808,815	19,439	9,710	837,964
Total current liabilities	1,486,611	492,357	31,450	2,010,418
Noncurrent liabilities:				
Long-term debt, net of current portion	12,540,339	527,889	251,450	13,319,678
Total noncurrent liabilities	12,540,339	527,889	251,450	13,319,678
Total liabilities	14,026,950	1,020,246	282,900	15,330,096
Deferred Inflows of Resources				
Deferred inflows related to pensions	122,993	93,284	50,475	266,752
Total deferred inflows of resources	122,993	93,284	50,475	266,752
Net Position				
Net investment in capital assets	13,489,885	178,638	84,363	13,752,886
Restricted for debt service	1,129,170			1,129,170
Unrestricted (deficit)	303,088	(857,772)	257,237	(297,447)
Total net position (deficit)	$ 14,922,143	$ (679,134)	$ 341,600	$ 14,584,609

The accompanying notes are an integral part of these statements.

City of Bisbee, Arizona
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds			
	Wastewater	Sanitation	Queen Mine	Total
Operating revenues:				
Charges for sales and services	$ 2,143,218	$ 865,805	$ 667,612	$ 3,676,635
Customer penalties and interest	148,074			148,074
Miscellaneous	23,298		10	23,308
Total operating revenues	2,314,590	865,805	667,622	3,848,017
Operating expenses:				
Cost of sales and services	1,016,540	768,534	569,828	2,354,902
Depreciation	1,108,321	54,841	18,286	1,181,448
Total operating expenses	2,124,861	823,375	588,114	3,536,350
Operating income	189,729	42,430	79,508	311,667
Nonoperating revenues (expenses):				
Intergovernmental	1,985,584			1,985,584
Interest income	217			217
Interest expense	(369,106)			(369,106)
Total nonoperating revenues (expenses)	1,616,695			1,616,695
Income before transfers	1,806,424	42,430	79,508	1,928,362
Transfers in	347,408			347,408
Transfers out	(173,745)	(84,311)	(63,165)	(321,221)
Increase (decrease) in net position	1,980,087	(41,881)	16,343	1,954,549
Total net position (deficit) as restated, July 1, 2014	12,942,056	(637,253)	325,257	12,630,060
Total net position (deficit), June 30, 2015	$ 14,922,143	$ (679,134)	$ 341,600	$ 14,584,609

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City of Bisbee, Arizona
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business Type Activities - Enterprise Funds			
	Wastewater	Sanitation	Queen Mine	Total
Cash flows from operating activities:				
Cash received from customers	$ 2,186,663	$ 840,912	$ 666,944	$ 3,694,519
Other operating receipts	23,298		10	23,308
Cash payments to employees	(510,595)	(409,544)	(327,950)	(1,248,089)
Cash payments to suppliers for goods and services	(526,937)	(364,269)	(239,428)	(1,130,634)
Net cash provided by operating activities	1,172,429	67,099	99,576	1,339,104
Cash flows from noncapital financing activities:				
Proceeds from grants	1,985,584			1,985,584
(Payments to) advances from other funds	(99,944)	99,944		
Payments to other governments	(311,103)			(311,103)
Cash transfers from other funds	347,408			347,408
Cash transfers to other funds	(173,745)	(84,311)	(63,165)	(321,221)
Net cash provided (used) by noncapital financing activities	1,748,200	15,633	(63,165)	1,700,668
Cash flows from capital and related financing activities:				
Principal paid on long-term debt	(789,573)	(18,655)		(808,228)
Interest paid on long-term debt	(356,257)			(356,257)
Purchases of capital assets	(1,705,581)	(64,077)		(1,769,658)
Net cash used by capital and related financing activities	(2,851,411)	(82,732)		(2,934,143)
Cash flows from investing activities:				
Interest income	217			217
Net cash provided by investing activities	217			217
Net increase in cash and cash equivalents	69,435		36,411	105,846
Cash and cash equivalents, June 30, 2014	1,486,352		402,330	1,888,682
Cash and cash equivalents, June 30, 2015	$ 1,555,787	$	$ 438,741	$ 1,994,528
Cash and cash equivalents consisted of the following at June 30, 2015:				
Unrestricted cash and cash equivalents	$ 426,617		$ 438,741	$ 865,358
Restricted cash and cash equivalents, current	808,815			808,815
Restricted cash and cash equivalents, noncurrent	320,355			320,355
	$ 1,555,787	$	$ 438,741	$ 1,994,528
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 189,729	$ 42,430	$ 79,508	$ 311,667
Adjustments to reconcile operating (loss) income to net cash provided by operating activities:				
Depreciation	1,108,321	54,841	18,286	1,181,448
Pension expense	33,428	25,354	13,719	72,501
Employer pension contributions	(39,256)	(29,984)	(16,224)	(85,464)
Changes in assets and liabilities:				
Accounts receivable	(104,629)	(24,893)		(129,522)
Inventory			10,207	10,207
Prepaid items			(91)	(91)
Accrued payroll and employee benefits	1,797	306	954	3,057
Accounts payable	(15,087)	(5,666)	(3,482)	(24,235)
Compensated absences payable	(1,874)	4,711	(2,633)	204
Deposits held for others			(668)	(668)
Net cash provided by operating activities	$ 1,172,429	$ 67,099	$ 99,576	$ 1,339,104
Supplemental disclosure of noncash financing activities:				
Capital assets financed with note payable	$ 1,163,863			

The accompanying notes are an integral part of these statements.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Bisbee, Arizona (the City) conform to 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.

The City was incorporated under the laws of the State of Arizona. The City operates under a council-manager form of government and provides the following services as authorized by general law: public safety, highways and streets, parks and recreation, planning and zoning, and general administrative services. As required by generally accepted accounting principles, these financial statements present the City of Bisbee, Arizona (the primary government) and its component unit.

For the year ended June 30, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos 68 and 71 establish standards for measuring and recognizing net pension (assets and) liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits.

A. Financial Reporting Entity

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

Component units are legally separate entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance part of the City's operations. Therefore, data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statement to emphasize they are legally separate from the City. The City's blended component unit discussed below has a June 30 year-end. The City has no discretely presented component units.

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

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 financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

- charges to customers or applicants for services provided,
- operating grants and contributions, and
- capital grants and contributions.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes levied or imposed by the City, 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.

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

Proprietary fund operating revenues, such as charges for services, result from transactions associated with the fund's principal activity in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment earnings, result from transactions in which the parties do not exchange equal values.

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus/Basis of Accounting

The government-wide and proprietary funds 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. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

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 measurable and available. The City considers city sales tax, state sales tax, vehicle license tax, and property tax revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Those revenues susceptible to accrual prior to receipt are franchise taxes; licenses and permits; intergovernmental aid, grants, and reimbursements; interest revenue; charges for services; and sales taxes collected and held by the State at year-end on the City's behalf. Fines and forfeits and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

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 net position resources available to finance the program. The City applies grant resources to such programs before using general revenues.

D. Budgeting and Budgetary Control

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the third Monday in July, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted at City Hall to obtain taxpayer comments.

3. Prior to September 1, the budget is legally enacted through passage of a resolution.

4. Any revisions that alter the total expenditures of any fund or department must be approved by the City Council.

5. The budget is used as a management control device during the year for the general fund, special revenue funds and capital project fund.

6. Budgets for the general fund, special revenue funds, and capital project fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The level of budgetary control is at the department level for all governmental fund types, as reported in the Official Budget Forms prepared pursuant to guidelines established by the State of Arizona, Office of the Auditor General, and included as an attachment to the resolution adopting the annual City budget. The City Council may transfer appropriations between funds and departments.

Encumbrances - Encumbrance accounting is used for budgetary and control purposes; however, encumbrances outstanding at year-end do not constitute expenditures or liabilities, and are reversed before financial statements are prepared.

For the year ended June 30, 2015, expenditures exceeded appropriations in the General Fund in the following departments:

General government:	
Mayor and council	$ 43
City manager	1,362
Legal services	15,067
Information systems	4,740
Public works administration	404
Public Safety:	
Fire department	385
Culture and recreation:	
Swimming pool	9,837
Senior citizens' center	208

The excesses were primarily due to unexpected expenditures and lower than expected revenues.

E. Cash and Cash Equivalents

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

F. Allowance for Doubtful Accounts

The allowance for doubtful accounts in the proprietary funds is estimated at approximately 60% of the current portion of the year-end accounts receivable balance, and 80% of the noncurrent accounts receivable balance. The noncurrent accounts receivable balance includes the accounts of customers on payment plans and accounts with liens placed on properties.

G. Inventories

The City records Queen Mine inventory as an asset when purchased and as expense when consumed. These inventories are stated at cost using the first-in, first-out method.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Capital Assets

Capital assets, which include property, plant, and equipment, are recorded at cost. Donated assets are recorded at the estimated fair value at the time received. Capital assets are reported on the government-wide financial statements for both governmental activities and business-type activities and on the proprietary fund financial statements for business-type activities. No long-term assets or depreciation are shown in the governmental fund financial statements. The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is $3,000 for all assets. Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

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

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I. Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures (or expenses) during the reporting period. Actual results could differ from those estimates.

J. Compensated Absences

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

The amounts of compensated absences expected to be paid by available financial resources in the governmental funds is immaterial, and therefore no amounts are recorded as an expenditure and a current liability at June 30, 2015 in those funds. Amounts of compensated absences that are not expected to be liquidated with expendable available financial resources of the governmental funds are recorded in the governmental activities column of the government-wide statements. Vested compensated absences of the enterprise funds are recorded as expenses and liabilities of those funds as the benefits accrue to employees.

K. Intergovernmental Grants and Aid

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. Reimbursement grants are recorded as intergovernmental receivables and revenues when the related expenditures are incurred.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

L. Property Tax Revenues

Property tax revenues are recognized as revenue in the 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 or collected in advance of the fiscal year for which they are levied are reported as deferred revenues. However, these amounts were not material to the financial statements and therefore, were not deferred.

M. Investment Earnings

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

N. Fund Balance Classifications

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

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as prepaid items, 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, grantors, contributors, or laws and regulations.

The unrestricted fund balance category is comprised of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations approved by the City Council, which is the highest level of decision-making authority within the City. The constraints placed on committed fund balances can only be removed or changed by the City Council.

Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has authorized the Finance Director and City Manager to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not reported in the other classifications.

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

O. Deferred Outflows and 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 revenue in future periods.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

P. Pensions

For purposes of measuring the net pension (asset and) liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

	Governmental Activities	Business-type Activities	Wastewater Fund	Sanitation Fund	Queen Mine Fund
Net Position as previously reported at June 30, 2014	$ 12,605,349	$ 14,085,640	$13,613,189	$ (128,234)	$ 600,685
Prior period adjustment-implementation of GASB 68:					
Net pension liability (measurement date as of June 30, 2013)	(15,844,058)	(1,542,203)	(711,073)	(539,311)	(291,819)
Deferred outflows - City contributions made during fiscal year 2014	947,529	86,623	39,940	30,292	16,391
Total prior period adjustment	(14,896,529)	(1,455,580)	(671,133)	(509,019)	(275,428)
Net position as restated, July 1, 2014	$ (2,291,180)	$ 12,630,060	$12,942,056	$ (637,253)	$ 325,257

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 may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

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NOTE 3 - DEPOSITS AND INVESTMENTS - CONTINUED

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 investors 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.

Deposits:
At June 30, 2015, the carrying amount of deposits was $3,455,694, and the bank balance was $3,516,747. At June 30, 2015, the City's deposits were fully insured by the Federal Deposit Insurance Corporation or covered by collateral held by the pledging financial institution's trust department in the City's name. Certain proceeds of the City's revenue bonds, as well as certain resources set aside for bond repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The City does not have a formal policy with respect to custodial credit risk.

The City has few investments and chooses to disclose its investments by specifically identifying each. The City has adopted a formal investment policy that is aligned with Arizona Revised Statutes; however, it does not allow investments in bonds, debentures, and notes issued by corporations organized and doing business in the United States. At June 30, 2015, the City's investments were as follows:

	Amount	Maturities
State Treasurer's investment pool 5	$ 530,789	n/a

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.

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NOTE 4 - DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2015, included the following:

	General Fund	Other Governmental Funds	Wastewater Fund	Total
Arizona State Treasurer:				
State sales tax	$ 86,359			$ 86,359
City sales tax	375,643			375,643
Highway user revenue fund		$ 68,945		68,945
Vehicle license tax	22,518			22,518
Urban revenue sharing	55,936			55,936
Arizona Department of Transportation		27,030		27,030
Arizona Department of Homeland Security		32,175		32,175
Arizona Department of Housing		50,370		50,370
Water Infrastructure Financing Authority			$ 385,334	385,334
Other	14,345	23,470		37,815
Total	$ 554,801	$ 201,990	$ 385,334	$ 1,142,125

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 571,670			$ 571,670
Construction in progress	15,767			15,767
Total capital assets not being depreciated	587,437			587,437
Capital assets being depreciated:				
Buildings	3,740,701			3,740,701
Improvements other than buildings	1,065,674	$ 80,322		1,145,996
Airport	4,387,993			4,387,993
Machinery and equipment	3,446,113	162,428	$ (67,160)	3,541,381
Infrastructure	3,753,597	84,210		3,837,807
	16,394,078	326,960	(67,160)	16,653,878
Less: accumulated depreciation	7,020,959	610,198	(67,160)	7,563,997
Total capital assets being depreciated, net	9,373,119	(283,238)		9,089,881
Total capital assets, net	$ 9,960,556	$ (283,238)	$	$ 9,677,318

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NOTE 5 - CAPITAL ASSETS - CONTINUED

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Business-type activities:				
Land	$ 47,660			$ 47,660
Construction in progress	492,761	$ 3,175,970	$ (1,569,563)	2,099,168
Buildings	13,557,466	165,700		13,723,166
Improvements other than buildings	2,598,082			2,598,082
Machinery and equipment	1,263,722	1,512,056	(7,850)	2,767,928
Infrastructure	17,027,156			17,027,156
	34,986,847	4,853,726	(1,577,413)	38,263,160
Less: accumulated depreciation	10,550,254	1,181,448	(7,850)	11,723,852
Net business-type assets	$24,436,593	$ 3,672,278	$ (1,569,563)	$ 26,539,308

Depreciation was charged to functions as follows:

Governmental activities:	
General government	$ 33,650
Public safety	186,057
Public works	85,814
Transportation	233,473
Culture and recreation	71,204
Total governmental activities depreciation	$ 610,198
Business-type activities:	
Wastewater	$ 1,108,321
Sanitation	54,841
Queen Mine	18,286
Total business-type activities depreciation	$ 1,181,448

NOTE 6 - COMMITMENTS

The City had contractual commitments related to the TinTown sewer improvements at June 30, 2015. At June 30, 2015 the City had spent approximately $1.7 million on this project and had remaining contractual commitments with contractors of approximately $350,000.

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NOTE 7 - LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Governmental activities:					
Capital leases payable	$ 98,285		$ (43,784)	$ 54,501	$ 30,277
Net pension liabilities	14,896,529	$ 4,947,094	(453,257)	19,390,366	
Compensated absences payable	157,651	4,884	(8,200)	154,335	
Total governmental activities	$ 15,152,465	$ 4,951,978	$ (505,241)	$ 19,599,202	$ 30,277
Business-type activities:					
WIFA note payable	$ 8,547,204		$ (637,278)	$ 7,909,926	$ 650,023
WIFA note payable (Solar)		$ 1,163,863	(44,973)	1,118,890	44,582
USDA note payable	2,647,477		(74,699)	2,572,778	79,493
USDA note payable	1,156,651		(32,623)	1,124,028	34,717
Total notes payable	12,351,332	1,163,863	(789,573)	12,725,622	808,815
Capital leases payable	79,457		(18,655)	60,802	19,439
Net pension liabilities	1,455,580	140,038	(266,752)	1,328,866	
Compensated absences payable	42,148	5,619	(5,415)	42,352	
Total business-type activities	$ 13,928,517	$ 1,309,520	$ (1,080,395)	$ 14,157,642	$ 828,254
Total	$ 29,080,982	$ 6,261,498	$ (1,585,636)	$ 33,756,844	$ 858,531

A. Notes Payable

The City received loans from the Water Infrastructure Financing Authority (WIFA) and the United States Department of Agriculture (USDA) for the rehabilitation of wastewater collection lines and facilities. The debt is secured by, and to be repaid from, amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received. Notes payable at June 30, 2015, are as follows:

	Original Amount	Interest Rates	Year of Maturity	Outstanding Principal
Business-type activities:				
WIFA	$ 12,671,685	2.000% to 2.721%	2025	$ 7,909,926
WIFA (Solar)	1,163,863	2.99%	2033	1,118,890
USDA, 2006	3,050,000	4.25%	2035	2,572,778
USDA, 2006	1,332,000	4.25%	2035	1,124,028
	$ 18,217,548			$ 12,725,622

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NOTE 7 - LONG-TERM DEBT - CONTINUED

Annual debt service requirements to maturity for the notes payable are as follows:

	Business-Type Activities	
Year ending June 30,	Principal	Interest
2016	$ 808,815	$ 421,861
2017	827,861	400,865
2018	847,400	379,349
2019	867,449	357,298
2020	888,021	340,136
2021-2025	4,768,112	1,052,867
2026-2030	2,039,204	483,571
2031-2035	1,427,360	214,638
2036	251,400	172,058
Total	$ 12,725,622	$ 3,822,643

B. Capital leases

The City acquired equipment under the provisions of long-term lease agreements classified as capital leases. The assets acquired through capital leases are as follows:

	Governmental Activities	Business-Type Activities	Total
Assets:			
Machinery and equipment	$ 303,131	$ 176,424	$ 479,555
Less accumulated depreciation	(165,583)	(130,848)	(296,431)
Total	$ 137,548	$ 45,576	$ 183,124

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

	Governmental Activities	Business-Type Activities
Year ending June 30,		
2016	$ 31,437	$ 21,768
2017	16,561	21,768
2018	8,280	21,768
Total minimum lease payments	56,278	65,304
Less amount representing interest	(1,777)	(4,502)
Present value of future minimum payments	$ 54,501	$ 60,802

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NOTE 8 - INTERFUND BALANCES AND ACTIVITY

Interfund Receivables and Payables:

Interfund balances at June 30, 2015, were as follows:

	Payable to
Payable from	Wastewater Fund
Sanitation Fund	$ 426,094

The Sanitation Fund maintained a negative cash balance at June 30, 2015. The negative cash balance was reduced by interfund borrowing from the Wastewater Fund.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2015, were as follows:

	Transfers Out					
Transfers In	General Fund	Other Governmental Funds	Wastewater Fund	Sanitation Fund	Queen Mine Fund	Total
Governmental Funds:						
General Fund		$ 26,643	$ 173,689	$ 84,311	$ 47,165	$ 331,808
Other Governmental Funds	$ 443,323		56		16,000	459,379
Business-type Funds:						
Wastewater Fund	347,408					347,408
Total	$ 790,731	$ 26,643	$ 173,745	$ 84,311	$ 63,165	$ 1,138,595

The principal purpose of transfers was to move resources from one fund to the other in order to properly report resources in appropriate funds.

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NOTE 9 - GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

Details of governmental fund balance classifications at June 30, 2015, are as follows:

	General Fund	Other Governmental Funds	Total
Fund balances:			
Nonspendable - prepaid items	$ 42,368	$ 9,315	$ 51,683
Restricted for:			
Public safety		9,400	9,400
Highways and streets		218,458	218,458
Transportation		41,188	41,188
Culture and recreation		19,100	19,100
Other		50,701	50,701
Total restricted		338,847	338,847
Committed to:			
Cemetery maintenance	11,374		11,374
Bisbee Arts		24,103	24,103
Airport maintenance		3,581	3,581
Youth programs		125,335	125,335
Donor designated contributions		3,049	3,049
Capital improvements		499,703	499,703
Total committed	11,374	655,771	667,145
Assigned - contingency reserves	599,488		599,488
Unassigned	1,055,902	(42,919)	1,012,983
Total fund balances	$ 1,709,132	$ 961,014	$ 2,670,146

NOTE 10 - 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 is a member of the Arizona Municipal Risk Retention Pool (AMRRP), a public entity risk pool currently operating as a common risk management and insurance program for Arizona municipalities. The City pays an annual premium to AMRRP for its general insurance coverage. The Agreement for Formation of the AMRRP provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial companies for excess claims for each insured event.

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

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NOTE 10 - RISK MANAGEMENT - CONTINUED

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 11 - CONTINGENT LIABILITIES

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

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

NOTE 12 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The City contributes to the retirement plans described below. The plans are component units of the State of Arizona. At June 30, 2015, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net pension liabilities	$ 19,390,366	$ 1,328,866	$ 20,719,232
Deferred outflows of resources	3,466,753	153,279	3,620,032
Deferred inflows of resources	(453,259)	(266,752)	(720,011)
Pension expense	1,072,747	72,501	1,145,248

The City reported accrued payroll and employee benefits of $52,219 for outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2015.

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 Web site at www.azasrs.gov.

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NOTE 12 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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:

	Retirement Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* Any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* Any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

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

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, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. The City's contributions to the pension plan for the year ended June 30, 2015 and the preceding 2 years were as follows:

Year ended June 30:	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2015	$ 194,333	$ 10,529	$ 2,141
2014	199,109	10,572	4,229
2013	194,748	11,613	4,288

During fiscal year 2015, the City paid for ASRS pension and OPEB contributions as follows: 27 percent from the General Fund, 43 percent from enterprise funds, and 30 percent from other governmental funds.

NOTE 12 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Pension Liability - At June 30, 2015, the City reported a liability of $3,011,861 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014.

The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The City's proportion measured as of June 30, 2014, was 0.020 percent, which was an decrease of less than 0.001 percent from its proportion measured as of June 30, 2013.

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2015, the City recognized pension expense for ASRS of $164,322. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 153,072	
Net difference between projected and actual earnings on pension plan investments		$ 526,681
Changes in proportion and differences between City contributions and proportionate share of contributions		77,909
City contributions subsequent to the measurement date	194,333	
Total	$ 347,405	$ 604,590

The $194,333 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2016	$ (98,991)
2017	(98,991)
2018	(121,867)
2019	(131,669)

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NOTE 12 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

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

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 20, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 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 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 Real Rate of Return
Equity	63%	7.03%
Fixed income	25%	3.20%
Real estate	8%	4.75%
Commodities	4%	4.50%
Total	100%	

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

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NOTE 12 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Sensitivity of the City's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the City's proportionate share of the net pension 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%)
City's proportionate share of the net pension liability	$ 3,806,838	$ 3,011,861	$ 2,580,546

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System (PSPRS)

Plan Description - The Public Safety Personnel Retirement System (PSPRS) administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at www.psprs.com.

Benefits Provided - The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. 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
Retirement and Disability:		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Benefit percent:		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	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	

NOTE 12 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

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% of retired member's pension benefit
Active Members	80% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job

Employees Covered by Benefit Terms - At June 30, 2015, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS - Police	PSPRS - Fire
Inactive employees or beneficiaries currently receiving benefits	16	21
Inactive employees entitled to but not yet receiving benefits	3	9
Active employees	13	17
Total	32	47

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, 2015, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS - Police	PSPRS - Fire
Active members - Pension	11.05%	11.05%
City:		
Pension	62.35	64.80
Health insurance premium benefit	2.35	1.35

For the agent plans, the City's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

	PSPRS - Police	PSPRS - Fire
Pension:		
Contributions made	$ 407,946	$ 556,212
Health Insurance Premium Benefit:		
Annual OPEB cost	15,376	11,588
Contributions made	15,376	11,588

During fiscal year 2015, the City paid for PSPRS pension and OPEB contributions from the General Fund.

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NOTE 12 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Pension Liability - At June 30, 2015, the City reported the following net pension liabilities:

PSPRS - Police	$ 7,848,178
PSPRS - Fire	9,859,193

The net pension liabilities (and asset) were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the changes of benefit terms and actuarial assumptions for a court ruling for permanent benefit increases and a decrease in the wage growth assumption.

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

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0%–8.0%
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	100%	

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Pension Discount Rates - The discount rate of 7.85 percent was used to measure the total pension liabilities.

The projection of cash flows used to determine the PSPRS and CORP discount rates 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.

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NOTE 12 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Based on those assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Changes in the PSPRS net pension liabilities are as follows for the year ended June 30, 2015:

	Increase (Decrease)		
PSPRS - Police	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at June 30, 2014	$ 7,744,404	$ 1,647,548	$ 6,096,856
Changes for the year:			
Service cost	121,391		121,391
Interest on the total pension liability	588,428		588,428
Changes of benefit terms	294,989		294,989
Differences between expected and actual experience in the measurement of the pension liability	172,427		172,427
Changes of assumptions or other inputs	1,244,835		1,244,835
Contributions—employer		348,980	(348,980)
Contributions—employee		104,080	(104,080)
Net investment income		219,456	(219,456)
Benefit payments, including refunds of employee contributions	(618,413)	(618,413)	
Administrative expense		(1,768)	1,768
Other changes			
Net changes	1,803,657	52,335	1,751,322
Balances at June 30, 2015	$ 9,548,061	$ 1,699,883	$ 7,848,178
PSPRS - Fire			
Balances at June 30, 2014	$ 8,851,715	$ 1,057,697	$ 7,794,018
Changes for the year:			
Service cost	150,293		150,293
Interest on the total pension liability	666,632		666,632
Changes of benefit terms	385,339		385,339
Differences between expected and actual experience in the measurement of the pension liability	52,323		52,323
Changes of assumptions or other inputs	1,490,617		1,490,617
Contributions—employer		488,842	(488,842)
Contributions—employee		83,553	(83,553)
Net investment income		133,411	(133,411)
Benefit payments, including refunds of employee contributions	(869,480)	(869,480)	
Administrative expense		(1,075)	1,075
Other changes		(24,702)	24,702
Net changes	1,875,724	(189,451)	2,065,175
Balances at June 30, 2015	$ 10,727,439	$ 868,246	$ 9,859,193

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NOTE 12 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate - The following table presents the City's net pension liabilities calculated using the discount rates noted above, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS - Police			
Rate	6.85%	7.85%	8.85%
Net pension liability	$ 8,877,083	$ 7,848,178	$ 6,986,781
PSPRS - Fire			
Rate	6.85%	7.85%	8.85%
Net pension liability	$ 10,936,198	$ 9,859,193	$ 8,948,170

Pension Plan Fiduciary Net Position - Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Pension Expense - For the year ended June 30, 2015, the City recognized the following pension expense:

PSPRS - Police	$ 1,110,801
PSPRS - Fire	1,350,466

Pension Deferred Outflows/Inflows of Resources - At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 129,118	
Changes of assumptions or other inputs	932,165	
Net difference between projected and actual earnings on pension plan investments		$ 71,782
City contributions subsequent to the measurement date	407,946	
Total	$ 1,469,229	$ 71,782

PSPRS - Fire	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 42,294	
Changes of assumptions or other inputs	1,204,894	
Net difference between projected and actual earnings on pension plan investments		$ 43,639
City contributions subsequent to the measurement date	556,212	
Total	$ 1,803,400	$ 43,639

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NOTE 12 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

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

	PSPRS- Police	PSPRS- Fire
Year ending June 30:		
2016	$ 338,034	$ 284,843
2017	338,034	284,843
2018	331,378	284,843
2019	(17,945)	284,843
2020		64,177

Agent Plan OPEB Trend Information - The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed
PSPRS - Police		
2015	$ 15,376	100%
2014	13,844	100%
2013	14,006	100%
PSPRS - Fire		
2015	$ 11,588	100%
2014	9,916	100%
2013	11,329	100%

Agent Plan OPEB Actuarial Assumptions - Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on (1) the plans as understood by the City and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

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NOTE 12 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS - CONTINUED

The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements, are as follows:

PSPRS—OPEB Contribution Requirements	
Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%–8.5%
Wage growth	4.5%

The funded status of the all the PSPRS health insurance premium benefit plans in the June 30, 2014, actuarial valuation was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

PSPRS—OPEB Funded Status	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%–8%
Wage growth	4%

Agent Plan OPEB Funded Status - The following table presents the funded status of the health insurance premium benefit plans as of the most recent valuation date, June 30, 2015.

	PSPRS - Police	PSPRS - Fire
Actuarial value of assets (a)	$ 164,025	$ 232,942
Actuarial accrued liability (b)	181,377	173,593
Unfunded actuarial accrued liability (funding excess) (b) – (a)	17,352	(59,349)
Funded ratio (a)/(b)	90.43 %	134.19 %
Annual covered payroll (c)	648,977	882,311
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) – (a) / (c)	2.67 %	(6.73)%

REQUIRED SUPPLEMENTARY INFORMATION

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City of Bisbee, Arizona
REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues:				
Taxes	$ 3,844,752	$ 3,844,752	$ 3,815,711	$ (29,041)
Fines and forfeitures			8,433	8,433
Licenses and permits	116,900	116,900	84,279	(32,621)
Intergovernmental	674,849	674,849	742,017	67,168
Charges for services	1,273,650	1,273,650	935,632	(338,018)
Investment earnings			2,768	2,768
Rent			46,500	46,500
Contributions			112,869	112,869
Miscellaneous	189,050	189,050	13,648	(175,402)
Total revenues	6,099,201	6,099,201	5,761,857	(337,344)
Expenditures:				
General government:				
Mayor and council	37,411	37,411	37,454	(43)
City manager	121,102	121,102	122,464	(1,362)
Finance department	426,205	426,205	351,645	74,560
City clerk	147,468	147,468	123,081	24,387
Community development	115,830	115,830	114,117	1,713
Administrative and general government	783,331	783,331	154,248	629,083
Personnel	74,250	74,250	72,345	1,905
Legal services	51,175	51,175	66,242	(15,067)
Water systems	6,600	6,600	2,792	3,808
Information systems	73,204	73,204	77,944	(4,740)
Cemetery	9,318	9,318	3,948	5,370
Building maintenance	45,450	45,450	37,283	8,167
Public works administration	141,158	141,158	141,562	(404)
Garage	106,013	106,013	86,429	19,584
Building inspector	59,119	59,119	55,946	3,173
Contingency	100,000	100,000	21,255	78,745
Total general government	2,297,634	2,297,634	1,468,755	828,879
Public safety:				
Police department	1,934,223	1,934,223	1,712,301	221,922
Fire department	1,954,078	1,954,078	1,954,463	(385)
City magistrate	48,000	48,000	46,747	1,253
Total public safety	3,936,301	3,936,301	3,713,511	222,790
Culture and recreation:				
Parks	171,247	171,247	161,396	9,851
Swimming pool	18,700	18,700	28,537	(9,837)
Library	202,263	202,263	167,666	34,597
Senior citizens' center	24,257	24,257	24,465	(208)
Total culture and recreation	416,467	416,467	382,064	34,403
Total expenditures	6,650,402	6,650,402	5,564,330	1,086,072
Excess of revenues (under) over expenditures	(551,201)	(551,201)	197,527	(1,423,416)
Other financing (uses) sources:				
Principal payments on leases	(75,993)	(75,993)	(43,784)	32,209
Interest payments on leases	(8,649)	(8,649)	(2,529)	6,120
Transfers in	551,201	551,201	331,808	(219,393)
Transfers out	(567,374)	(567,374)	(790,731)	223,357
Total other financing (uses) sources	(100,815)	(100,815)	(505,236)	(404,421)
Net change in fund balances	(652,016)	(652,016)	(307,709)	344,307
Fund balance, July 1, 2014	100,615	100,615	2,016,841	1,916,226
Fund balance, June 30, 2015	$ (551,401)	$ (551,401)	$ 1,709,132	$ 2,260,533

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City of Bisbee, Arizona
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
COST-SHARING PLAN
June 30, 2015

Arizona State Retirement System:	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
City's proportion of the net pension liability	0.02 %	Information
City's proportionate share of the net pension liability	$ 3,011,861	not available
City's covered-employee payroll	$ 1,900,854	
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	63.11 %	
Plan fiduciary net position as a percentage of the total pension liability	69.49 %	

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City of Bisbee, Arizona
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
AGENT PENSION PLANS
June 30, 2015

PSPRS - Police:	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Total pension liability:		
Service cost	$ 121,391	Information
Interest on the total pension liability	588,428	not available
Changes of benefit terms	294,989	
Differences between expected and actual experience in the measurement of the pension liability	172,427	
Changes of assumptions or other inputs	1,244,835	
Benefit payments, including refunds of employee contributions	(618,413)	
Net change in total pension liability	1,803,657	
Total pension liability—beginning	7,744,404	
Total pension liability—ending (a)	$ 9,548,061	
Plan fiduciary net position:		
Contributions—employer	$ 348,980	
Contributions—employee	104,080	
Net investment income	217,688	
Benefit payments, including refunds of employee contributions	(618,413)	
Other changes	(130,415)	
Net change in plan fiduciary net position	(78,080)	
Plan fiduciary net position—beginning	1,777,963	
Plan fiduciary net position—ending (b)	$ 1,699,883	
City's net pension liability (asset)—ending (a) – (b)	$ 7,848,178	
Plan fiduciary net position as a percentage of the total pension liability	17.80 %	
Covered-employee payroll	$ 605,942	
City's net pension liability as a percentage of covered-employee payroll	1,295 %	

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City of Bisbee, Arizona
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
AGENT PENSION PLANS - CONTINUED
June 30, 2015

PSPRS - Fire:	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Total pension liability:		
Service cost	$ 150,293	Information
Interest on the total pension liability	666,632	not available
Changes of benefit terms	385,339	
Differences between expected and actual experience in the measurement of the pension liability	52,323	
Changes of assumptions or other inputs	1,490,617	
Benefit payments, including refunds of employee contributions	(869,480)	
Net change in total pension liability	1,875,724	
Total pension liability—beginning	8,851,715	
Total pension liability—ending (a)	$ 10,727,439	
Plan fiduciary net position:		
Contributions—employer	$ 488,842	
Contributions—employee	83,553	
Net investment income	132,336	
Benefit payments, including refunds of employee contributions	(869,480)	
Other changes	(212,994)	
Net change in plan fiduciary net position	(377,743)	
Plan fiduciary net position—beginning	1,245,989	
Plan fiduciary net position—ending (b)	$ 868,246	
City's net pension liability (asset)—ending (a) – (b)	$ 9,859,193	
Plan fiduciary net position as a percentage of the total pension liability	8.09 %	
Covered-employee payroll	$ 809,095	
City's net pension liability (asset) as a percentage of covered-employee payroll	1,219 %	

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City of Bisbee, Arizona
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY PENSION CONTRIBUTIONS
June 30, 2015

ASRS:

	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Statutorily required contribution	$ 194,333	$ 199,109	Information not available
City's contributions in relation to the statutorily required contribution	194,333	199,109	
City's contribution deficiency (excess)	$	$	
City's covered-employee payroll	$ 1,784,509	$ 1,762,027	
City's contributions as a percentage of covered-employee payroll	10.89 %	11.30 %	

PSPRS - Police:

	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Actuarially determined contribution	$ 407,946	$ 348,980	Information not available
City's contributions in relation to the actuarially determined contribution	407,946	348,980	
City's contribution deficiency (excess)	$	$	
City's covered-employee payroll	$ 648,977	$ 605,942	
City's contributions as a percentage of covered-employee payroll	62.86 %	57.59 %	

PSPRS - Fire:

	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Actuarially determined contribution	$ 556,212	$ 488,842	Information not available
City's contributions in relation to the actuarially determined contribution	556,212	488,842	
City's contribution deficiency (excess)	$	$	
City's covered-employee payroll	$ 882,311	$ 809,095	
City's contributions as a percentage of covered-employee payroll	63.04 %	60.42 %	

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See accompanying notes to pension plan schedules.

City of Bisbee, Arizona
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO PENSION PLAN SCHEDULES
June 30, 2015

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 closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2013 actuarial valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5%
Wage growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

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City of Bisbee, Arizona
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
June 30, 2015

Health Insurance Premium Benefit - PSPRS Police:

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (b) – (a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL as a percentage of covered payroll (b) – (a)/(c)
6/30/15	$ 164,025	$ 181,377	$ 17,352	90.43 %	$ 648,977	2.67 %
6/30/14	140,167	118,884	(21,283)	117.90 %	784,311	(2.71)%
6/30/13	0	214,857	214,857	0 %	649,299	33.09 %

Health Insurance Premium Benefit - PSPRS Fire:

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (b) – (a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL as a percentage of covered payroll (b) – (a)/(c)
6/30/15	$ 232,942	$ 173,593	$ (59,349)	134.19 %	$ 882,311	(6.73)%
6/30/14	219,718	162,285	(57,433)	135.39 %	809,095	(7.10)%
6/30/13	0	130,265	130,265	0 %	798,782	16.31 %

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See accompanying notes to schedule of agent OPEB plans' funding progress.

City of Bisbee, Arizona
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
June 30, 2015

NOTE 1 - FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

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SUPPLEMENTARY INFORMATION

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City of Bisbee, Arizona
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor Program Title	CFDA Number	Pass-Through Grantor's Numbers	Expenditures
U.S. Department of Agriculture			
Passed through:			
USDA Rural Development			
Water and Waste Disposal Systems for Rural Communities	10.760	BEIF No. AZ2100	$ 667,897
U.S. Department of Housing and Urban Development			
Passed through:			
Arizona Department of Housing:			
Community Development Block Grants	14.228	124-14	125,495
U.S. Department of Transportation			
Passed through:			
Arizona Department of Transportation:			
Formula Grants for Rural Areas	20.509	JPA 12-004 G45	175,716
Environmental Protection Agency			
Passed through:			
North American Development Bank and Border Environment Cooperation Commission			
Congressionally Mandated Projects	66.202	TAA # TAA14-001 / BEIF No. AZ2100	1,107,031
Passed through:			
Water Infrastructure Finance Authority:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	Loan # 910160-14	1,035,581
U.S. Department of Homeland Security			
Passed through:			
Arizona Department of Homeland Security:			
Homeland Security Grant Program	97.067	999421-01, 130415-01	145,437
Total Expenditures of Federal Awards			$ 3,257,157

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The accompanying notes are an integral part of this schedule.

City of Bisbee, Arizona
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Bisbee, Arizona, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2015 *Catalog of Federal Domestic Assistance Update.*

NOTE 3 - SUBRECIPIENTS

The City did not award any federal funds to subrecipients during the year ended June 30, 2015.

NOTE 4 - U.S. DEPARTMENT OF AGRICULTURE LOAN AGREEMENT

The City of Bisbee Municipal Property Corporation received two loans from the U.S. Department of Agriculture (USDA) to assist in the funding of the rehabilitation of the City's wastewater infrastructure. The outstanding balance of the loans as of June 30, 2015 was $3,696,806; however, there were no significant ongoing compliance requirements. (See Financial Statement Note 7).

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SINGLE AUDIT REPORTS

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Fester & Chapman P.C.
Certified
Public
Accountants

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Phoenix, AZ 85012-2086

Tel: (602) 264-3077
Fax: (602) 265-6241

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 of the
City of Bisbee, 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 Bisbee, Arizona, (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 7, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 City's basic financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

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Independent Auditors' Report on Compliance for Each Major Federal Program
and on Internal Control Over Compliance Required by OMB Circular A-133

To the City Council of
City of Bisbee, Arizona

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-101. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-101 to be a material weakness.

City of Bisbee's Response to the Finding

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Fessler & Chapman P.C.

December 7, 2015

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City of Bisbee, Arizona
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

A. Summary of Audit Results

	Yes	No
Financial Statements:		
Type of auditors' report issued:		Unmodified
Internal control over financial reporting:		
Material weakness(es) identified?	X	
Significant deficiency(ies) identified?		X (None reported)
Noncompliance material to the financial statements noted?		X
Federal Awards:		
Internal control over major programs:		
Material weakness(es) identified?	X	
Significant deficiency(ies) identified?		X (None reported)
Type of auditors' report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510[a])?	X	

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities
66.202	Congressionally Mandated Projects
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000	
Auditee qualified as low-risk auditee?		X
Other Matters:		
Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?		X

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City of Bisbee, Arizona
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

B. Findings - Financial Statement Audit

2015-001 - Internal Controls Over Financial Reporting

Criteria:	OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, Section.500(b) requires the auditor to give an opinion on financial statements that are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).
Condition and context:	It was necessary for management to post journal entries to correct errors detected as a result of audit procedures to fairly state expenses, capital assets, and accounts payable in accordance with GAAP.
Cause:	The City's finance department did not receive complete accounting records for a construction project administered by a third party in order to timely and accurately record the transactions in accordance with GAAP.
Effect:	Expenses in the City's wastewater fund were understated by approximately $195,000, capital assets were overstated by approximately $774,000, and accounts payable was overstated by approximately $969,000, prior to management posting correcting journal entries.
Recommendation:	Accounting policies and procedures should be developed and implemented to help ensure that the City's financial statements are prepared in accordance with GAAP. These procedures should include providing the finance department with timely and complete accounting records for capital projects when disbursements to vendors are administered by a third party on behalf of the City.

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City of Bisbee, Arizona
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

C. Findings and Questioned Costs - Major Federal Award Programs Audit

2015-101 - Internal Controls Over Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Criteria:	The City is required to accurately report expenditures of federal awards in its SEFA in accordance with OMB Circular A-133.
Condition and context:	The City did not properly identify federal awards in its records so that it could prepare an accurate and complete SEFA. Specifically, auditors noted that the City omitted CFDA numbers and incorrectly reported expenditures for four of its federal programs, errors of which totaled $381,087. The City's SEFA was adjusted for all significant errors noted. This finding was not a result of internal control deficiencies of individual federal programs and accordingly, did not have a direct and material effect on the reporting requirements over the City's major federal programs.
Effect:	The City's SEFA was not complete and accurate, and accordingly, did not comply with OMB Circular A-133 requirements for reporting federal expenditures.
Cause:	The City did not have effective policies and procedures in place to ensure that all federal awards were identifiable in its accounting system and properly reported on the SEFA. Specifically, the Finance Director was not provided with a complete accounting for capital projects financed with federal funding, as a third party was contracted to pay invoices approved by the Mayor and the City's Engineer on behalf of the City.
Recommendation:	To help ensure that the City prepares its SEFA in compliance with OMB Circular A-133, the City should develop and implement policies and procedures to identify in its accounting system all federal awards the City receives and disburses and establish a review process to help ensure that the SEFA is complete and accurate.

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CORRECTIVE ACTION PLAN

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City of Bisbee, Arizona

CORRECTIVE ACTION PLAN

Year Ended June 30, 2015

The City of Bisbee, Arizona respectfully submits the following Corrective Action Plan for the year ended June 30, 2015.

Name and address of the independent public accounting firm:
Fester & Chapman P.C.
4001 N. 3rd Street, Suite 275
Phoenix, Arizona 85012

Audit Period: July 1, 2014 to June 30, 2015

The findings from the June 30, 2015 schedule of findings and questioned costs are discussed below.

2015-001 – Internal Controls Over Financial Reporting

Recommendation: Accounting policies and procedures should be developed and implemented to help ensure that the City's financial statements are prepared in accordance with GAAP. These procedures should include providing the finance department with timely and complete accounting records for capital projects when disbursements to vendors are administered by a third party on behalf of the City.

Action Taken: All disbursements that are administered by a third party on behalf of the City will be submitted to the finance department for approval prior to requesting disbursement to vendors. The finance department is the authorized agent to submit disbursement requests to the third party

Anticipated Completion Date: June 30, 2016

2015-101 – Internal Controls over Preparation of the Schedule of Expenditures of Federal Awards (SEFA)

Recommendation: To help ensure that the City prepares its SEFA in compliance with OMB Circular A-133, the City should develop and implement policies and procedures to identify in its accounting system all federal awards the City receives and disburses and establish a review process to help ensure that the SEFA is complete and accurate.

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Action Taken: The City will develop and implement policies and procedures to identify in its accounting system all federal awards the City receives and disburses. A review process will be established to ensure that the SEFA is complete and accurate.

Anticipated Completion Date: June 30, 2016

Respectfully submitted,

Jestin Johnson, City Manager
City of Bisbee, Arizona

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