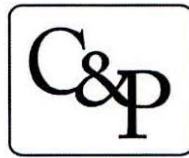


CITY OF TOMBSTONE, ARIZONA

Annual Financial Statements
and Independent Auditors' Report
June 30, 2024

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COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Tombstone

Report on the Audit of the Financial Statements

Opinions

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 Tombstone, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Tombstone's basic financial statements as listed in the table of contents.

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 Tombstone, as of June 30, 2024, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Tombstone and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of matter

As discussed in Note 11 to the financial statements, the City restated the beginning net position of its financial statements for the year ended June 30, 2024, to correct a misstatement in its previously issued financial statements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tombstone's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Tombstone's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tombstone's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

The City of Tombstone has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing 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.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of the City's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Plans, Schedule of Changes in the City's Net Pension/OPEB Liability and Related Ratios – Agent Plans, and the Schedule of City Pension/OPEB Contributions as noted in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2025, on our consideration of the City of Tombstone'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 solely 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 the effectiveness of the City of Tombstone's internal control over financial reporting or on compliance. That report is an integral

part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Tombstone's internal control over financial reporting and compliance.

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

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

The communication related to compliance over the use of Highway User Revenue Fund and other dedicated State transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, (the Auditor General of the State of Arizona,) the 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.

Colby + Powell

March 31, 2025

CITY OF TOMBSTONE, ARIZONA
Statement of Net Position
June 30, 2024

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 637,795	\$ 128,300	\$ 766,095
Cash and cash equivalents, restricted	-	122,167	122,167
Accounts receivable - net	24,498	88,165	112,663
Other receivables	93,894	-	93,894
Taxes receivable	184,614	-	184,614
Due from other governments	798,872	-	798,872
Prepaid expenses	8,395	-	8,395
Interactivity balances	1,051,889	(1,051,889)	-
Net pension and other postemployment benefits asset	1,179,800	11,611	1,191,411
Capital assets, not being depreciated/amortized	29,614	8,000	37,614
Capital assets, being depreciated/amortized, net	4,444,741	3,562,476	8,007,217
Total assets	8,454,112	2,868,830	11,322,942
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	383,352	85,869	469,221
LIABILITIES			
Accounts payable	378,320	46,586	424,906
Accrued expenses	79,710	6,773	86,483
Interest payable	4,042	-	4,042
Refundable deposits	-	122,167	122,167
Noncurrent liabilities			
Due within 1 year	191,794	93,921	285,715
Due in more than 1 year	1,245,784	456,654	1,702,438
Total liabilities	1,899,650	726,101	2,625,751
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	137,135	18,347	155,482
NET POSITION			
Net investment in capital assets	3,954,422	3,373,084	7,327,506
Restricted for:			
Public safety	54,922	-	54,922
Health and welfare	13,749	-	13,749
Highways and streets	1,942	-	1,942
Pension and OPEB	1,179,800	11,611	1,191,411
Unrestricted (deficit)	1,595,844	(1,174,444)	421,400
Total net position	\$ 6,800,679	\$ 2,210,251	\$ 9,010,930

See accompanying notes to financial statements.

CITY OF TOMBSTONE, ARIZONA
Statement of Activities
June 30, 2024

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities							
General government	\$ 1,357,451	\$ 845,120	\$ -	\$ -	\$ (512,331)	\$ -	\$ (512,331)
Public safety	1,629,907	44,538	494,608	-	(1,090,761)	-	(1,090,761)
Highways and streets	200,068	600	433,540	287,306	521,378	-	521,378
Health and welfare	178,237	55,773	139,416	-	16,952	-	16,952
Culture and recreation	777,862	11,178	-	-	(766,684)	-	(766,684)
Community development	343,134	1,659	43,255	-	(298,220)	-	(298,220)
Interest on long-term debt	20,094	-	-	-	(20,094)	-	(20,094)
Total governmental activities	4,506,753	958,868	1,110,819	287,306	(2,149,760)	-	(2,149,760)
Business-type activities							
Wastewater	307,209	252,551	-	-	-	(54,658)	(54,658)
Water	683,583	570,355	-	-	-	(113,228)	(113,228)
Sanitation	246,050	149,601	-	-	-	(96,449)	(96,449)
Total business-type activities	1,236,842	972,507	-	-	-	(264,335)	(264,335)
Total primary government	\$ 5,743,595	\$ 1,931,375	\$ 1,110,819	\$ 287,306	(2,149,760)	(264,335)	(2,414,095)
General revenues:							
Taxes:							
Sales Tax					1,626,891	-	1,626,891
Property tax					229,439	-	229,439
Franchise tax					73,791	-	73,791
State sales tax revenue sharing					196,912	-	196,912
Auto lieu tax revenue sharing					78,330	-	78,330
State revenue sharing					397,487	-	397,487
Interest income					60,655	-	60,655
Miscellaneous					41,177	-	41,177
Total general revenues					2,704,682	-	2,704,682
Change in net position					554,922	(264,335)	290,587
Net position, July 1, 2023, as restated					6,245,757	2,474,586	8,720,343
Net position, June 30, 2024					\$ 6,800,679	\$ 2,210,251	\$ 9,010,930

See accompanying notes to financial statements.

CITY OF TOMBSTONE, ARIZONA
Balance Sheet
Governmental Funds
Year Ended June 30, 2024

	General Fund	Grants Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 475,075	\$ 28,789	\$ 133,931	\$ 637,795
Accounts receivable	24,498	-	-	24,498
Taxes receivable	184,614	-	-	184,614
Due from other governments	266,452	518,648	13,772	798,872
Inventory	93,894	-	-	93,894
Prepaid expenses	8,395	-	-	8,395
Due from other funds	1,622,225	-	-	1,622,225
Total assets	<u>2,675,153</u>	<u>547,437</u>	<u>147,703</u>	<u>3,370,293</u>
LIABILITIES				
Accounts payable	335,394	-	42,926	378,320
Accrued liabilities	75,946	2,285	1,479	79,710
Due to other funds	-	513,280	57,056	570,336
Total liabilities	<u>411,340</u>	<u>515,565</u>	<u>101,461</u>	<u>1,028,366</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>24,548</u>	<u>370,491</u>	<u>-</u>	<u>395,039</u>
FUND BALANCES				
Nonspendable				
Inventory	8,395	-	-	8,395
Prepays	93,894	-	-	93,894
Due from other funds	1,622,225	-	-	1,622,225
Assigned				
Capital outlay	502,139	-	-	502,139
Debt service	-	-	27,428	27,428
Restricted for:				
Public safety	-	-	54,922	54,922
Health and welfare	-	-	13,749	13,749
Highways and streets	-	-	1,942	1,942
Unassigned	12,612	(338,619)	(51,799)	(377,806)
Total fund balances	<u>2,239,265</u>	<u>(338,619)</u>	<u>46,242</u>	<u>1,946,888</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,675,153</u>	<u>\$ 547,437</u>	<u>\$ 147,703</u>	<u>\$ 3,370,293</u>

See accompanying notes to financial statements.

CITY OF TOMBSTONE, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2024

Fund balances-total governmental funds	\$ 1,946,888
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,474,355
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Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.	395,039
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Net pension/OPEB assets held in trust for future benefits are not available for City operations and, therefore, are not reported in the funds.	1,179,800
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Liabilities, such as net pension/OPEB liabilities, financed purchases payable, and leases payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.

Interest payable	(4,042)	
Leases payable	(53,457)	
Compensated absences	(44,298)	
Net pension/OPEB liability	(873,347)	
Financed purchase payable	(466,476)	
		(1,441,620)

Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds.	246,217
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Net position of governmental activities	\$ 6,800,679
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See accompanying notes to financial statements.

CITY OF TOMBSTONE, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2024

	General Fund	Grants Fund	Other Governmental Funds	Total Governmental Fund
Revenues				
Taxes	\$ 1,824,752	\$ -	\$ 105,369	\$ 1,930,121
Intergovernmental	1,030,448	442,957	198,289	1,671,694
Charges for services	747,100	-	3,136	750,236
Donations and contributions	67,763	-	28,945	96,708
Licenses and permits	86,064	-	-	86,064
Interest	60,655	-	-	60,655
Other revenue	41,301	-	-	41,301
Fines and forfeitures	29,857	-	-	29,857
Total revenues	<u>3,887,940</u>	<u>442,957</u>	<u>335,739</u>	<u>4,666,636</u>
Expenditures				
Current				
General government	1,279,434	-	1,675	1,281,109
Public safety	1,286,183	106,358	16,458	1,408,999
Health and welfare	174,570	-	-	174,570
Culture and recreation	726,825	-	3,501	730,326
Community development	-	-	146,941	146,941
Highways and streets	25,199	16,238	301,697	343,134
Debt service				
Principal	108,420	-	132,524	240,944
Interest	17,705	-	2,389	20,094
Capital outlay	399,057	691,317	20,025	1,110,399
Total expenditures	<u>4,017,393</u>	<u>813,913</u>	<u>625,210</u>	<u>5,456,516</u>
Excess (deficiency) of revenues over expenditures	<u>(129,453)</u>	<u>(370,956)</u>	<u>(289,471)</u>	<u>(789,880)</u>
Other financing sources (uses)				
Financed purchase agreement	72,872	-	-	72,872
Transfers in (out)	<u>(195,258)</u>	<u>-</u>	<u>195,258</u>	<u>-</u>
Total other financing sources (uses)	<u>(122,386)</u>	<u>-</u>	<u>195,258</u>	<u>72,872</u>
Net change in fund balance	<u>(251,839)</u>	<u>(370,956)</u>	<u>(94,213)</u>	<u>(717,008)</u>
Fund balance, beginning of year	<u>2,491,104</u>	<u>32,337</u>	<u>140,455</u>	<u>2,663,896</u>
Fund balance, end of year	<u>\$ 2,239,265</u>	<u>\$ (338,619)</u>	<u>\$ 46,242</u>	<u>\$ 1,946,888</u>

See accompanying notes to financial statements.

CITY OF TOMBSTONE, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2024

Net change in fund balances-total governmental funds \$ (717,008)

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/amortization expense.

Capital outlay	1,110,399	
Depreciation/amortization expense	<u>(398,487)</u>	
		711,912

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

Unavailable revenue		395,039
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City pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension/OPEB liability is measured a year before the City's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

City pension/OPEB contributions	137,948	
Pension/OPEB expense	<u>(130,624)</u>	
		7,324

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

Financed purchases incurred	(72,872)	
Bonds payable principal repaid	95,329	
Leases payable principal repaid	27,805	
Financed purchases principal repaid	<u>117,810</u>	
		168,072

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

Increase in compensated absences payable	(6,375)	
Increase in interest payable	<u>(4,042)</u>	
		<u>(10,417)</u>

Change in net position of governmental activities		<u><u>\$ 554,922</u></u>
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See accompanying notes to financial statements.

CITY OF TOMBSTONE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2024

	Business-type Activities--Enterprise Funds			
	Wastewater Fund	Water Fund	Sanitation Fund	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ -	\$ 128,300	\$ -	\$ 128,300
Cash and cash equivalents, restricted	-	122,167	-	122,167
Accounts receivable - net	21,322	53,859	12,984	88,165
Total current assets	21,322	304,326	12,984	338,632
Noncurrent assets				
Net other postemployment benefits asset	1,808	9,222	581	11,611
Capital assets, net of accumulated depreciation/amortization, where applicable:				
Capital assets, not being depreciated/amortized	-	8,000	-	8,000
Capital assets, being depreciated/amortized	862,365	2,700,111	-	3,562,476
Total noncurrent assets	864,173	2,717,333	581	3,582,087
Total assets	885,495	3,021,659	13,565	3,920,719
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions and other postemployment benefits	13,371	68,205	4,293	85,869
LIABILITIES				
Current liabilities				
Accounts payable	24,931	20,480	1,175	46,586
Accrued expenses	1,128	5,296	349	6,773
Refundable deposits	-	122,167	-	122,167
Compensated absences, current	1,680	7,887	595	10,162
Financed purchases payable, current	13,274	32,313	-	45,587
Bonds payable, current	-	36,000	-	36,000
Leases payable, current	2,172	-	-	2,172
Total current liabilities	43,185	224,143	2,119	269,447
Noncurrent liabilities				
Compensated absences	559	2,629	198	3,386
Due to other funds	301,848	-	750,041	1,051,889
Financed purchases payable	19,862	53,488	-	73,350
Bonds payable	-	38,000	-	38,000
Leases payable	2,283	-	-	2,283
Net pension and other postemployment benefits liability	52,886	269,767	16,982	339,635
Total noncurrent liabilities	377,438	363,884	767,221	1,508,543
Total liabilities	420,623	588,027	769,340	1,777,990
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions and other postemployment benefits	2,857	14,573	917	18,347
NET POSITION				
Net investment in capital assets	824,774	2,548,310	-	3,373,084
Restricted for OPEB	1,808	9,222	581	11,611
Unrestricted (deficit)	(351,196)	(70,268)	(752,980)	(1,174,444)
Total net position	\$ 475,386	\$ 2,487,264	\$ (752,399)	\$ 2,210,251

See accompanying notes to financial statements.

CITY OF TOMBSTONE, ARIZONA
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2024

	Business-type Activities--Enterprise Funds			
	Wastewater Fund	Water Fund	Sanitation Fund	Total
Operating revenues				
Charges for services, net of bad debt (\$850, \$2,493, and \$659, respectively).	\$ 252,551	\$ 570,355	\$ 149,601	\$ 972,507
Operating expenses				
Professional services	52,410	142,492	216,167	411,069
Personnel	44,218	313,916	22,804	380,938
Depreciation/amortization	50,811	106,424	-	157,235
Materials and supplies	76,709	23,123	6,215	106,047
Utilities	35,971	56,712	-	92,683
Insurance	9,786	19,947	-	29,733
Other	23,469	3,734	714	27,917
Repairs and maintenance	12,809	6,340	150	19,299
Total operating expenses	<u>306,183</u>	<u>672,688</u>	<u>246,050</u>	<u>1,224,921</u>
Operating income (loss)	<u>(53,632)</u>	<u>(102,333)</u>	<u>(96,449)</u>	<u>(252,414)</u>
Nonoperating revenues (expenses)				
Interest expense	<u>(1,026)</u>	<u>(10,895)</u>	<u>-</u>	<u>(11,921)</u>
Increase (decrease) in net position	<u>(54,658)</u>	<u>(113,228)</u>	<u>(96,449)</u>	<u>(264,335)</u>
Total net position, beginning of year	<u>530,044</u>	<u>2,600,492</u>	<u>(655,950)</u>	<u>2,474,586</u>
Total net position, end of year	<u>\$ 475,386</u>	<u>\$ 2,487,264</u>	<u>\$ (752,399)</u>	<u>\$ 2,210,251</u>

See accompanying notes to financial statements.

CITY OF TOMBSTONE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2024

	Business-type Activities--Enterprise Funds			
	Wastewater Fund	Water Fund	Sanitation Waste Fund	Total
Cash flows from operating activities:				
Receipts from customers	\$ 253,933	\$ 641,798	\$ 149,624	\$ 1,045,355
Payments to suppliers and providers of goods and services	(210,808)	(282,358)	(240,864)	(734,030)
Payments to employees	(66,993)	(308,480)	(19,455)	(394,928)
Net cash provided (used) by operating activities	(23,868)	50,960	(110,695)	(83,603)
Cash flows from noncapital financing activities:				
Received from other funds	56,549	-	110,695	167,244
Cash flows from capital and related financing activities:				
Interest paid	(1,026)	(10,895)	-	(11,921)
Principal paid on financed purchases	(10,510)	(25,743)	-	(36,253)
Principal paid on leases payable	(2,175)	-	-	(2,175)
Principal paid on bonds payable	-	(35,000)	-	(35,000)
Purchase of capital assets	(18,970)	(21,650)	-	(40,620)
Net cash provided (used) by capital and related financing activities	(32,681)	(93,288)	-	(125,969)
Net increase (decrease) in cash and cash equivalents	-	(42,328)	-	(42,328)
Cash and cash equivalents, July 1, 2023	-	292,795	-	292,795
Cash and cash equivalents, June 30, 2024	-	250,467	-	250,467
Cash and cash equivalents	-	128,300	-	128,300
Cash and cash equivalents, restricted	-	122,167	-	122,167
Cash and cash equivalents, June 30, 2024	\$ -	\$ 250,467	\$ -	\$ 250,467

See accompanying notes to financial statements.

CITY OF TOMBSTONE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2024
(Continued)

	Business-type Activities--Enterprise Funds			
	Wastewater Fund	Water Fund	Sanitation Waste Fund	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (53,632)	\$ (102,333)	\$ (96,449)	\$ (252,414)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation/amortization	50,811	106,424	-	157,235
Bad debts	850	2,493	659	4,002
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:				
Accounts receivable	532	62,861	(636)	62,757
Net pension and other postemployment benefits asset	841	(550)	(159)	132
Deferred outflows of resources related to pensions and other	1,539	(19,398)	(1,916)	(19,775)
Accounts payable	346	(30,011)	(17,618)	(47,283)
Accrued expenses	418	2,982	16	3,416
Refundable deposits	-	6,090	-	6,090
Compensated absences payable	(429)	2,848	404	2,823
Net pension and other postemployment benefits liability	(22,711)	22,297	4,931	4,517
Deferred inflows of resources related to pensions and other postemployment benefits	(2,433)	(2,743)	73	(5,103)
Net cash provided (used) by operating activities	<u>\$ (23,868)</u>	<u>\$ 50,960</u>	<u>\$ (110,695)</u>	<u>\$ (83,603)</u>

See accompanying notes to financial statements.

CITY OF TOMBSTONE, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2024

	Pension Trust Fund
ASSETS	
Cash and cash equivalents	<u>\$ 104,028</u>
NET POSITION	
Held in trust for investment trust participants	<u><u>\$ 104,028</u></u>

See accompanying notes to financial statements.

CITY OF TOMBSTONE, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2024

	Pension Trust Fund
	<u> </u>
Additions:	
Contributions	<u>\$ 8,246</u>
Deductions:	
Pension payments	<u> 4,800</u>
Change in net position	3,446
Net position, beginning of year	<u> 100,582</u>
Net position, end of year	<u><u> \$ 104,028</u></u>

See accompanying notes to financial statements.

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Tombstone, Arizona have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The City is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the activities of the City (the primary government). As of June 30, 2024, the City had no blended or discretely presented component units, nor was the City a component unit of any other reporting entity.

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.

Government-wide statements—provide information about the primary government (the City). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, 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 goods, services, or privileges 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, are reported as general revenues.

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

Proprietary fund 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. Other revenues, such as subsidies, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation/amortization on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

The City reports the following major governmental funds:

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

The ***Grants Fund*** is used to account for federal and state grants and other contributions that are restricted for specific use.

The City reports the following major enterprise funds:

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

The City reports the following fiduciary fund types:

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

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Basis of Accounting

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

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 all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments 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. Issuances of general long-term debt and acquisitions under lease agreements are reported as other financing sources.

D. Cash and Investments

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

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the City.

F. Inventories

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

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

G. Property Tax Calendar

Property taxes are levied on or before the third Monday in August and are payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

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

Property taxes levied on residential property for current operations and maintenance expenses are limited to a percentage of the primary full cash value of such property. In addition, taxes levied for current operations and maintenance expenses on all types of property are limited to a maximum percentage increase over the prior year's levy adjusted for new construction and annexations. Property taxes levied to pay principle and interest on bonded indebtedness are unlimited.

H. Capital Assets

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

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

	Capitalization Threshold	Depreciation/ Amortization Method	Estimated Useful Life
Land	\$ 5,000	N/A	N/A
Construction in progress	5,000	N/A	N/A
Buildings	5,000	Straight-line	30
Infrastructure	5,000	Straight-line	25-40
Equipment	5,000	Straight-line	3-20
Right-to-use assets:			
Subscription-based technology	25,000	Straight-line	See below
Leases	10,000	Straight-line	See below

Right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the City is reasonably

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

certain of being exercised—then the lease asset is amortized over the useful life of the underlying asset.

Intangible right-to-use subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying IT assets.

I. Deferred Outflows/Inflows of Resources

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

J. Investment Income

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

K. Compensated Absences

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

Employees may accumulate vacation hours equal to 20 days their annual vacation hours earned. Accordingly, vacation benefits are accrued as a liability in the financial statements.

L. Fund Balance Reporting

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

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

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

M. Postemployment Benefits

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

N. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The City is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the City to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

Expenditures may not legally exceed budgeted appropriations at the department level. The individual budgetary comparison schedules as listed in the table of contents present all major governmental funds which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2024.

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

O. Leases and Subscription-Based Information Technology Arrangements

Leases - As lessee, the City recognizes lease liabilities with an initial, individual value of \$10,000 or more. The City uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The City's estimated incremental borrowing rate is based on the City's borrowing rate for unsecured debt for a comparable amount and time period, and then decreased the based on full collateral.

As lessor, the City recognizes lease receivables with an initial, individual value of \$10,000 or more. If there is no stated rate in the lease contract (or if the stated rate is not the rate the City charges the lessee) and the implicit rate cannot be determined, the City uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The City's estimated incremental borrowing rate is calculated as described above.

Subscription-based information technology arrangements - The City recognizes subscription liabilities with an initial, individual value of \$25,000 or more. The City uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The City's estimated incremental borrowing rate is calculated as described above.

P. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 2 – 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 investor’s service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

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

Concentration of credit risk

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

Interest rate risk

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

Foreign currency risk

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

The City currently has not formally adopted deposit and investment policies.

Deposits – At June 30, 2024, the carrying amount of the City’s total non-pooled cash in bank was \$46,688 and the bank balance was \$571,185. Of the bank balance, \$274,538 was covered by federal depository insurance and the remainder was collateralized by securities held by the financial institutions.

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

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

	Governmental Activities	Business-type Activities	Pension trust fund	Total
Cash and cash equivalents:				
Cash in bank	\$ 46,688	\$ -	\$ -	\$ 46,688
Cash on hand	3,553	-	-	3,553
State Treasurer's Investment Pool 5	587,554	250,467	104,028	942,049
Total	<u>\$ 637,795</u>	<u>\$ 250,467</u>	<u>\$ 104,028</u>	<u>\$ 992,290</u>

Investments – At June 30, 2024, the investments consisted of the following:

	Rating	Reported Amount	Fair Value
Investment in State Treasurer's Investment Pool 5			
Primary Government	AAA	\$ 838,021	\$ 838,021
Pension trust fund	AAA	104,028	104,028
		<u>\$ 942,049</u>	<u>\$ 942,049</u>

Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the City held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools. The shares are not identified with specific investments and are not subject to custodial credit risk.

Restricted cash – In the proprietary funds, \$122,167 is restricted for refundable customer deposits.

NOTE 3 – ACCOUNTS RECEIVABLE

The following table summarizes that City's receivables, net of allowance for uncollectible amounts, for the proprietary funds as of June 30, 2024:

	Wastewater Fund	Water Fund	Sanitation Fund	Total
Accounts receivable	\$ 22,654	\$ 57,224	\$ 13,795	\$ 93,673
Less allowance	(1,332)	(3,365)	(811)	(5,508)
Accounts receivable - net	<u>\$ 21,322</u>	<u>\$ 53,859</u>	<u>\$ 12,984</u>	<u>\$ 88,165</u>

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 4 – DUE FROM OTHER GOVERNMENTS

Amounts due from other governments at June 30, 2024, in the General Fund are \$4,922 in state-shared revenue from sales taxes, and \$2,884 from vehicle license tax. \$252,298 from Arizona Department of Transportation for airport grants, and \$6,348 due from the State of Arizona for a special resource officer grant, totaling \$266,452. In the Grants fund, \$262,513 from Arizona Department of Public Safety, \$164,074 from Arizona DEMA, \$43,441 from Arizona Department of Homeland Security, and \$48,620 from Arizona Governor's Office of Highway Safety, totaling \$518,648. In the HURF fund \$13,772 is owed from the State Treasurer for HURF monies.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, was as follows:

	Balance July 1, 2023 (As restated)	Increases	Decreases	Balance June 30, 2024
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 29,614	\$ -	\$ -	\$ 29,614
Construction in progress	623,009	-	(623,009)	-
Total capital assets not being depreciated/amortized	<u>652,623</u>	<u>-</u>	<u>(623,009)</u>	<u>29,614</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	3,927,793	360,874	-	4,288,667
Infrastructure	2,058,748	603,345	-	2,662,093
Machinery, equipment, and vehicles	2,677,112	769,189	-	3,446,301
Intangibles:				
Right-to-use SBITA asset	38,208	-	-	38,208
Right-to-use lease assets:				
Land	81,097	-	-	81,097
Total	<u>8,782,958</u>	<u>1,733,408</u>	<u>-</u>	<u>10,516,366</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(1,990,827)	(101,688)	-	(2,092,515)
Infrastructure	(2,027,642)	(23,909)	-	(2,051,551)
Machinery, equipment, and vehicles	(1,654,669)	(241,264)	-	(1,895,933)
Intangibles:				
Right-to-use SBITA asset	-	(3,821)	-	(3,821)
Right-to-use lease assets:				
Land	-	(27,805)	-	(27,805)
Total	<u>(5,673,138)</u>	<u>(398,487)</u>	<u>-</u>	<u>(6,071,625)</u>
Total capital assets being depreciated/amortized, net	<u>3,109,820</u>	<u>1,334,921</u>	<u>-</u>	<u>4,444,741</u>
Governmental activities capital assets, net	<u>\$ 3,762,443</u>	<u>\$ 1,334,921</u>	<u>\$ (623,009)</u>	<u>\$ 4,474,355</u>

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 5 – CAPITAL ASSETS – Continued

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Business-type activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 8,000	\$ -	\$ -	\$ 8,000
Construction in progress	43,129		(43,129)	-
Total capital assets not being depreciated/amortized	<u>51,129</u>	<u>-</u>	<u>(43,129)</u>	<u>8,000</u>
Capital assets being depreciated/amortized:				
Buildings and improvements	185,650	-	-	185,650
Infrastructure	6,589,188	68,760	-	6,657,948
Machinery, equipment, and vehicles	445,287	14,989	-	460,276
Intangibles:				
Right-to-use lease assets:				
Land	19,459	-	-	19,459
Total	<u>7,239,584</u>	<u>83,749</u>	<u>-</u>	<u>7,323,333</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(164,654)	(11,222)	-	(175,876)
Infrastructure	(3,205,018)	(106,592)	-	(3,311,610)
Machinery, equipment, and vehicles	(221,122)	(36,664)	-	(257,786)
Intangibles:				
Right-to-use lease assets:				
Land	(12,828)	(2,757)	-	(15,585)
Total	<u>(3,603,622)</u>	<u>(157,235)</u>	<u>-</u>	<u>(3,760,857)</u>
Total capital assets being depreciated/amortized, net	<u>3,635,962</u>	<u>(73,486)</u>	<u>-</u>	<u>3,562,476</u>
Business-type activities capital assets, net	<u>\$ 3,687,091</u>	<u>\$ (73,486)</u>	<u>\$ (43,129)</u>	<u>\$ 3,570,476</u>

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 5 – CAPITAL ASSETS – Continued

Depreciation/amortization expense was charged to functions as follows:

Governmental activities:	
General government	\$ 96,848
Public safety	214,184
Highways and streets	47,734
Culture and recreation	<u>39,721</u>
Total governmental activities depreciation/amortization expense	<u>\$ 398,487</u>
Business-type activities:	
Wastewater	\$ 50,811
Water	<u>106,424</u>
Total business-type activities depreciation/amortization expense	<u>\$ 157,235</u>

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 6 – LONG-TERM LIABILITIES

The following schedule details the City's long-term liability and obligation activity for the year ended June 30, 2024.

	Balance July 1, 2023 (As restated)	Additions	Reductions	Balance June 30, 2024	Due within 1 year
Governmental activities:					
Compensated absences	\$ 37,923	\$ 6,375	\$ -	\$ 44,298	\$ 37,923
Net pension and other postemployment benefits liability	754,198	119,149	-	873,347	-
Financed purchases payable	511,414	72,872	117,810	466,476	125,974
Leases payable	81,262	-	27,805	53,457	27,897
Bond payable	95,329	-	95,329	-	-
Governmental activities long-term liabilities	<u>\$ 1,480,126</u>	<u>\$ 198,396</u>	<u>\$ 240,944</u>	<u>\$ 1,437,578</u>	<u>\$ 191,794</u>
Business-type activities:					
Compensated absences	\$ 10,725	\$ 2,823	\$ -	\$ 13,548	\$ 10,162
Net pension and other postemployment benefits liability	335,118	4,517	-	339,635	-
Financed purchases payable	155,190	-	36,253	118,937	45,587
Bonds payable	109,000	-	35,000	74,000	36,000
Leases payable	6,630	-	2,175	4,455	2,172
Business-type activities long-term liabilities	<u>\$ 616,663</u>	<u>\$ 7,340</u>	<u>\$ 73,428</u>	<u>\$ 550,575</u>	<u>\$ 93,921</u>

Bonds Payable – The City's bonded debt consists of a 2014 Revenue Bond issuance of \$382,000. Payments will be payable from and secured by a lien on and pledge of revenues from transaction privilege and franchise taxes, business licenses, parks and recreational fees, fines and forfeitures, and State-shared revenues.

The 2014 Revenue Bonds require annual principal payments starting July 1, 2014, with semi-annual interest starting at that time. Bonds outstanding at June 30, 2024, were as follows:

Description	Original Amount	Maturity Range	Interest Rate	Outstanding Principal
Revenue Bonds	\$382,000	2026	4.50%	\$ 74,000

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 6 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the City's bonds payable at June 30, 2024.

Year Ending June 30	Bonds Payable		
	Business-type Activities		
	Principal	Interest	Total
2025	\$ 36,000	\$ 3,330	\$ 39,330
2026	38,000	1,710	39,710
Total	<u>\$ 74,000</u>	<u>\$ 5,040</u>	<u>\$ 79,040</u>

Financed purchases – The City has acquired equipment under the provisions of a long-term lease agreements classified as financed purchases for accounting purposes.

The following schedule details debt service requirements to maturity for the City's financed purchases payable at June 30, 2024.

Year Ending June 30	Financed purchases payable			
	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 125,974	\$ 21,596	\$ 45,587	\$ 4,700
2026	122,518	15,138	32,827	2,592
2027	120,365	9,027	21,614	1,407
2028	97,619	2,811	18,909	348
	<u>\$ 466,476</u>	<u>\$ 48,572</u>	<u>\$ 118,937</u>	<u>\$ 9,047</u>

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 6 – LONG-TERM LIABILITIES – Continued

Leases – The City has obtained the right to use equipment under the provisions of various lease agreements. All the lease agreements range in length from 48 to 60 months.

The total amount of lease assets and the related accumulated amortization are as follows:

	Governmental Activities	Business-type Activities	Total
Land	\$ 81,097	\$ 19,459	\$ 100,556
Accumulated amortization	(27,805)	(15,585)	(43,390)
Carrying value	<u>\$ 53,292</u>	<u>\$ 3,874</u>	<u>\$ 57,166</u>

The following schedule details minimum lease payments to maturity for the City's leases payable at June 30, 2024:

Year Ending June 30	Leases payable					
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2025	\$ 27,897	\$ 2,103	\$ 30,000	\$ 2,172	\$ 228	\$ 2,400
2026	25,560	675	26,235	2,283	117	2,400
Total	<u>\$ 53,457</u>	<u>\$ 2,778</u>	<u>\$ 56,235</u>	<u>\$ 4,455</u>	<u>\$ 345</u>	<u>\$ 4,800</u>

The City entered into a subscription-based information technology agreement (SBITA) in June 2023 for police camera license. The City paid the entire amount of the contract in June 2023 and does not have a liability. The total amount of SBITA and the related accumulated amortization is as follows:

	Governmental Activities
SBITA	\$ 38,208
Accumulated amortization	(3,821)
Carrying value	<u>\$ 34,387</u>

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 7 – RISK MANAGEMENT

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

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

At June 30, 2024, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net pension/OPEB assets	\$ 1,179,800	\$ 11,611	\$ 1,191,411
Net pension/OPEB liabilities	873,347	339,636	1,212,983
Deferred outflows of resources related to pension and OPEB	380,131	84,617	464,748
Deferred inflows of resources related to pension and OPEB	137,135	18,347	155,482
Pension and OPEB expense	130,624	59,496	190,120

The City reported \$134,727 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

A. Arizona State Retirement System

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

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

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

*With actuarially reduced benefits.

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

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

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

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2024, statute required active ASRS members to contribute at the actuarially determined rate of 12.29 percent (12.14 percent for retirement and 0.15 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 12.29 percent (12.03 percent for retirement, 0.11 percent for health insurance premium benefit, and 0.15 percent for long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.99 percent (9.94 percent for retirement and 0.05 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2024, were \$159,420, \$1,429, and \$1,964, respectively.

During fiscal year 2024, the City paid for ASRS pension and OPEB contributions as follows: 64.72 percent from the General Fund, 6.79 percent from the Highways and Streets Fund, 0.49 percent from the Grants Fund, 4.36 percent from the Wastewater Fund, 22.24 percent from the Water Fund, and 1.40 percent from the Sanitation Fund.

Liability - At June 30, 2024, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net Pension/OPEB
	(Asset) Liability
Pension	\$ 1,211,990
Health insurance premium benefit	(41,466)
Long-term disability	992

The net asset and net liabilities were measured as of June 30, 2023. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2022, to the measurement date of June 30, 2023.

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The City's proportion of the net asset or net liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2023. The City's proportions measured as of June 30, 2023, and the change from its proportions measured as of June 30, 2022, were:

	<u>Proportion June 30, 2023</u>	<u>Increase (decrease) from June 30, 2022</u>
Pension	0.00749%	0.00082%
Health insurance premium benefit	0.00768%	0.00084%
Long-term disability	0.00757%	0.00083%

Expense – For the year ended June 30, 2024, the City recognized the following pension and OPEB expense.

	<u>Pension/OPEB Expense</u>
Pension	216,973
Health insurance premium benefit	(5,500)
Long-term disability	1,014

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources—At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,386	\$ -	\$ 1,750	\$ 15,464
Changes of assumptions or other inputs	-	-	-	825
Net difference between projected and actual earnings on pension plan investments	-	42,881	-	1,821
Changes in proportion and differences between City contributions and proportionate share of contributions	112,901	-	74	2,279
City contributions subsequent to the measurement date	159,420	-	1,429	-
Total	<u>\$ 299,707</u>	<u>\$ 42,881</u>	<u>\$ 3,253</u>	<u>\$ 20,389</u>

	Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 896	\$ 558
Changes of assumptions or other inputs	262	1,444
Net difference between projected and actual earnings on pension plan investments	-	79
Changes in proportion and differences between City contributions and proportionate share of contributions	593	174
City contributions subsequent to the measurement date	1,964	-
Total	<u>\$ 3,715</u>	<u>\$ 2,255</u>

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	Pension	Health Insurance Premium Benefit	Long-Term Disability
2025	\$ 69,699	\$ (7,471)	(54)
2026	(13,177)	(8,148)	(217)
2027	46,213	(1,533)	98
2028	(5,329)	(1,418)	(203)
2029	-	5	(209)
Thereafter	-	-	81

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

ASRS	
Actuarial valuation date	June 30, 2022
Actuarial roll forward date	June 30, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9 - 8.4% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return
Public equity	44%	3.50%
Credit	23%	5.90%
Real estate	17%	5.90%
Private equity	10%	6.70%
Interest rate sensitive	6%	1.50%
Total	100%	

Discount Rate – At June 30, 2023, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the City's Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the City's proportionate share of the net pension/OPEB liability calculated using the discount rate of 7.0 percent, as well as what the City's proportionate share of the net pension/OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1 % Decrease (6.0%)	Current Discount Rate (7.0%)	1 % Increase (8.0%)
City's Proportionate share of the			
Net pension liability	\$ 1,815,383	\$ 1,211,990	\$ 708,867
Net insurance premium benefit liability (asset)	(28,983)	(41,466)	(52,074)
Net long-term disability liability	1,451	992	541

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

B. Public Safety Personnel Retirement System

Plan Descriptions – City police and fire employees participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the City's financial statements.

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

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

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

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

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

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

Employees Covered by Benefit Terms – At June 30, 2024, the following employees were covered by the agent plans' benefit terms:

	PSPRS Police	
	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	1	1
Inactive employees entitled to but not yet receiving benefits	4	-
Active employees	2	2
Total	7	3

Contributions – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2024, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active Member- Pension
PSPRS Police	7.65%

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The City's contributions to the plans for the year ended June 30, 2024 were \$0.

Liability – At June 30, 2024, the City reported the following asset and liabilities:

	Net Pension (Asset) Liability	Net OPEB (Asset) Liability
PSPRS Police	\$ (1,084,073)	\$ (65,871)

The net assets and net liabilities were measured as of June 30, 2023, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

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

PSPRS	
Actuarial valuation date	June 30, 2023
Actuarial cost method	Entry age normal
Investment rate of return	7.20%
Wage inflation	3.0 - 6.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The long-term expected rate of return on PSPRS plan investments was determined to be 7.2 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term expected geometric real rate of return</u>
U.S. public equity	24%	3.98%
International public equity	16%	4.49%
Global private equity	20%	7.28%
Other assets (capital appreciation)	7%	4.49%
Core bonds	6%	1.90%
Private credit	20%	6.19%
Diversifying strategies	5%	3.68%
Cash - Mellon	2%	0.69%
Total	<u>100%</u>	

Discount Rates – At June 30, 2024, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Changes in the Net Pension/OPEB Liability (Asset)

PSPRS-Police

	Pension Increase (Decrease)		Net Pension
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 583,732	\$ 1,536,938	\$ (953,206)
Changes for the year			
Service Cost	27,387	-	27,387
Interest on the total liability	42,811	-	42,811
Differences between expected and actual experience in the measurement of the liability	(107,761)	-	(107,761)
Contributions-employer	-	23,461	(23,461)
Contributions-employee	-	11,073	(11,073)
Net investment income	-	115,403	(115,403)
Benefit payments, including refunds of employee contributions	(33,053)	(33,053)	-
Administrative expense	-	(1,695)	1,695
Tiers 1 & 2 Adjustment	-	(54,938)	54,938
Net changes	(70,616)	60,251	(130,867)
Balances at June 30, 2024	\$ 513,116	\$ 1,597,189	\$ (1,084,073)

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

	Health Insurance Premium Benefit		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2023	\$ 17,796	\$ 79,913	\$ (62,117)
Changes for the year			
Service Cost	589	-	589
Interest on the total liability	1,280	-	1,280
Differences between expected and actual experience in the measurement of the liability	323	-	323
Net investment income	-	6,039	(6,039)
Benefit payments, including refunds of employee contributions	(1,212)	(1,212)	-
Administrative expense	-	(93)	93
Net changes	980	4,734	(3,754)
Balances at June 30, 2024	\$ 18,776	\$ 84,647	\$ (65,871)

Sensitivity of the City's Net Pension/OPEB Liability to Changes in the Discount Rate – The following table presents the City's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.2 percent, as well as what the City's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
PSPRS Police			
Net pension (asset) liability	\$ (1,000,866)	\$ (1,084,073)	\$ (1,148,029)
Net OPEB (asset) liability	(63,462)	(65,871)	(67,862)

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

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Expense – For the year ended June 30, 2024, the City recognized the following pension and OPEB expense:

	<u>Pension Expense</u>	<u>OPEB Expense</u>
PSPRS Police	\$ (19,561)	\$ (2,806)

Deferred Outflows/Inflows of Resources – At June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS-Police

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 102,689	\$ 84,292	\$ 15,465	\$ 5,490
Changes of assumptions or other inputs	3,961	-	108	175
Net difference between projected and actual earnings on plan investments	16,543	-	777	-
City contributions subsequent to the measurement date	23,003	-	-	-
Total	<u>\$ 146,196</u>	<u>\$ 84,292</u>	<u>\$ 16,350</u>	<u>\$ 5,665</u>

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	PSPRS Police	
	Pension	Health
2025	\$ (11,391)	\$ 691
2026	(13,882)	(105)
2027	65,124	2,606
2028	(950)	717
2029	-	783
Thereafter	-	5,993

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2024, were as follows:

Payable from	Payable to General Fund
Grants Fund	\$ 513,280
Marketing Fund (non-major)	53,686
Christmas Light Donation Fund (non-major)	3,370
Wastewater Fund	301,848
Sanitation Fund	750,041
	<u>\$ 1,622,225</u>

Each fund borrowed cash from the General Fund to cover the expenses of each fund. The Wastewater and Sanitation funds are not expected to repay their loans within one year.

CITY OF TOMBSTONE, ARIZONA
Notes to Financial Statements
June 30, 2024

NOTE 9 – INTERFUND BALANCES AND ACTIVITY – Continued

Interfund transfers—Interfund transfers for the fiscal year ended June 30, 2024, were as follows:

Transfer to	Transfer from		Total
	General Fund	Marketing Fund (nonmajor)	
General Fund	\$ -	\$ 34,586	\$ 34,586
HURF Fund (nonmajor)	220,000	-	220,000
	<u>\$ 220,000</u>	<u>\$ 34,586</u>	<u>\$ 254,586</u>

The purpose of the interfund transfer from the General Fund to the HURF Fund was to fund current operations of the HURF fund. The purpose of the transfers from the Marketing Fund to the General Fund were to reimburse those funds for expenditures incurred.

NOTE 10 – DEFICIT FUND BALANCES

The Marketing Fund and the Christmas light donation Fund currently have deficit fund balances of \$53,686 and \$3,370, respectively.

NOTE 11 – ERROR CORRECTION AND NET POSITION RESTATEMENT

During fiscal year 2024, error corrections from right-to-use leases and subscription-based information technology agreements that were not recognized in fiscal year 2023 resulted in restatement of beginning net position in the governmental activities as follows:

	Governmental Activities
Net position, June 30, 2023, as previously reported	<u>\$ 6,207,714</u>
Error correction	
Right-to-use lease assets	\$ 81,097
Subscription-based information technology agreement asset	38,208
Lease payable	<u>(81,262)</u>
Total error corrections	<u>38,043</u>
Net position, July 1, 2023, as restated	<u>\$ 6,245,757</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
General Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,754,316	\$ 1,754,316	\$ 1,824,752	\$ 70,436
Intergovernmental	9,931,048	9,931,048	1,030,448	(8,900,600)
Charges for services	985,700	985,700	747,100	(238,600)
Licenses and permits	79,500	79,500	86,064	6,564
Donations and contributions	118,200	118,200	67,763	(50,437)
Interest	3,250	382,250	60,655	(321,595)
Other revenue	13,499	13,499	41,301	27,802
Fines and forfeitures	30,500	30,500	29,857	(643)
Total revenues	<u>12,916,013</u>	<u>13,295,013</u>	<u>3,887,940</u>	<u>(9,407,073)</u>
Expenditures				
Governing body	11,499	11,499	11,169	330
City hall	448,828	448,828	451,797	(2,969)
Election board	2,000	2,000	97	1,903
Building inspector	91,476	91,476	89,728	1,748
Airport	948,100	948,100	326,762	621,338
Public buildings	339,312	339,312	339,344	(32)
Building renovations	62,000	62,000	64,174	(2,174)
Tourism	122,000	122,000	130,125	(8,125)
Boothill donations	178,000	178,000	148,353	29,647
Cemetery	24,500	24,500	2,893	21,607
Non-departmental	8,502,854	8,502,854	73,309	8,429,545
City-bus	28,441	28,441	24,116	4,325
Marshal's office	982,284	982,284	978,354	3,930
Fire department	368,520	368,520	423,053	(54,533)
City magistrate	80,942	80,942	81,284	(342)
Health and welfare	175,159	175,159	174,570	589
Senior center rehabilitation	351,610	351,610	-	351,610
Parks and recreation	186,369	186,369	198,912	(12,543)
Boothill sales	540,000	540,000	430,263	109,737
Library	76,220	76,220	69,090	7,130
Total expenditures	<u>13,520,114</u>	<u>13,520,114</u>	<u>4,017,393</u>	<u>9,502,721</u>
Excess (deficiency) of revenues over expenditures	<u>(604,101)</u>	<u>(225,101)</u>	<u>(129,453)</u>	<u>95,648</u>
Other financing sources (uses)				
Financed purchase agreement	-	-	72,872	72,872
Transfers in (out)	629,100	629,100	(195,258)	(824,358)
Total other financing sources (uses)	<u>629,100</u>	<u>629,100</u>	<u>(122,386)</u>	<u>(751,486)</u>
Net changes in fund balance	<u>24,999</u>	<u>403,999</u>	<u>(251,839)</u>	<u>(655,838)</u>
Fund balance, beginning of year	<u>2,491,104</u>	<u>2,491,104</u>	<u>2,491,104</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,516,103</u>	<u>\$ 2,895,103</u>	<u>\$ 2,239,265</u>	<u>\$ (655,838)</u>

See accompanying notes to budgetary comparison schedule.

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedules
Grants Fund
Year Ended June 30, 2024

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	\$ 442,957	\$ 442,957	\$ 442,957	\$ -
Expenditures				
Current				
Public safety	1,705,625	1,705,625	797,675	907,950
Highways and streets	133,930	133,930	16,238	117,692
Total expenditures	<u>1,839,555</u>	<u>1,839,555</u>	<u>813,913</u>	<u>1,025,642</u>
Net changes in fund balance	(1,396,598)	(1,396,598)	(370,956)	1,025,642
Fund balance, beginning of year	<u>32,337</u>	<u>32,337</u>	<u>32,337</u>	<u>-</u>
Fund balance, end of year	<u>(1,364,261)</u>	<u>\$ (1,364,261)</u>	<u>\$ (338,619)</u>	<u>\$ 1,025,642</u>

See accompanying notes to budgetary comparison schedule.

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2024

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

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

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the City Councils' approval.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2024, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the City hall, Public buildings, Buildings renovations, Tourism, Fire department, City magistrate, and Parks and recreation departments.

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Schedule of the City's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2024

ASRS-Pension

	Reporting Fiscal Year (Measurement Date)									
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
City's proportion of the net pension liability	0.007490%	0.006670%	0.006050%	0.006520%	0.006040%	0.005890%	0.006150%	0.006450%	0.006010%	0.005617%
City's proportionate share of the net pension liability	\$ 1,211,990	\$ 1,088,692	\$ 794,943	\$ 1,129,689	\$ 878,890	\$ 821,448	\$ 958,048	\$ 1,041,095	\$ 936,903	\$ 831,166
City's covered payroll	\$ 883,255	\$ 794,506	\$ 680,129	\$ 696,533	\$ 637,021	\$ 585,642	\$ 592,375	\$ 593,548	\$ 563,214	\$ 754,551
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	137.22%	137.03%	116.88%	162.19%	137.97%	140.26%	161.73%	175.40%	166.35%	110.15%
Plan fiduciary net position as a percentage of the total pension liability	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)							2017 through 2015
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
City's proportion of the net OPEB (asset)	0.007680%	0.006840%	0.006200%	0.006610%	0.006190%	0.006000%	0.006240%	Information
City's proportionate share of the net OPEB (asset)	\$ (41,466)	\$ (38,174)	\$ (30,207)	\$ (4,680)	\$ (1,711)	\$ (2,161)	\$ (3,397)	
City's covered payroll	\$ 883,255	\$ 794,506	\$ 680,129	\$ 696,533	\$ 637,021	\$ 585,642	\$ 592,375	
City's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	-4.69%	-4.80%	-4.44%	-0.67%	-0.27%	-0.37%	-0.57%	
Plan fiduciary net position as a percentage of the total OPEB liability	134.37%	137.79%	130.24%	104.33%	101.62%	102.20%	103.57%	

See accompanying notes to pension plan schedules.

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Schedule of the City's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Plans
June 30, 2024

ASRS-Long-Term Disability

	Reporting Fiscal Year (Measurement Date)							
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2015
City's proportion of the net OPEB (asset)	0.007570%	0.006740%	0.006130%	0.006540%	0.006130%	0.005910%	0.006170%	Information not available
City's proportionate share of the net OPEB (asset)	\$ 1,014	\$ 623	\$ 1,265	\$ 4,961	\$ 3,993	\$ 3,088	\$ 2,236	
City's covered payroll	\$ 883,255	\$ 794,506	\$ 680,129	\$ 696,533	\$ 637,021	\$ 585,642	\$ 592,375	
City's proportionate share of the net OPEB (asset) as a percentage of its covered-employee payroll	0.11%	0.08%	0.19%	0.71%	0.63%	0.53%	0.38%	
Plan fiduciary net position as a percentage of the total OPEB liability	93.70%	95.40%	90.38%	68.01%	72.85%	77.83%	84.44%	

See accompanying notes to pension plan schedules.

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Schedule of Changes in the City's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2024

PSPRS - Police

	Reporting Fiscal Year (Measurement Date)									
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability										
Service cost	\$ 27,387	\$ 35,651	\$ 46,714	\$ 32,196	\$ 36,716	\$ 28,068	\$ 49,315	\$ 37,106	\$ 19,439	\$ 30,962
Interest on the total pension liability	42,811	30,550	25,072	25,518	24,945	22,479	19,211	23,001	25,324	31,998
Changes of benefit terms	-	-	-	-	-	-	1,075	4,697	-	(367)
Differences between expected and actual experience in the measurement of the pension liability	(107,761)	145,456	38,542	(70,321)	(48,885)	(34,538)	5,194	(101,482)	(83,185)	(114,176)
Changes of assumptions or other inputs	-	5,429	-	-	4,235	-	(1,990)	2,913	-	3,736
Benefit payments, including refunds of employee contributions	(33,053)	(32,405)	(16,042)	-	-	(10,725)	(18,395)	-	-	(62,834)
Other changes	-	-	(20)	-	-	-	-	-	-	-
Net change in total pension liability	(70,616)	184,681	94,266	(12,607)	17,011	5,284	54,410	(33,765)	(38,422)	(110,681)
Total pension liability - beginning	583,732	399,051	304,785	317,392	300,381	295,097	240,687	274,452	312,874	423,555
Total pension liability - ending (a)	\$ 513,116	\$ 583,732	\$ 399,051	\$ 304,785	\$ 317,392	\$ 300,381	\$ 295,097	\$ 240,687	\$ 274,452	\$ 312,874
Plan fiduciary net position										
Contributions - employer	\$ 23,461	\$ 33,897	\$ 20,636	\$ 20,309	\$ 16,713	\$ 20,454	\$ 13,386	\$ 16,328	\$ 10,686	\$ 13,826
Contributions - employee	11,073	15,559	25,694	16,309	17,567	25,571	31,190	26,346	13,419	15,048
Net investment income	110,652	(63,254)	343,499	14,902	57,301	69,116	100,201	4,722	29,457	98,582
Difference between projected and actual earnings on Pension Plan investment	4,751	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(33,053)	(32,405)	(16,042)	-	-	(10,725)	(18,395)	-	-	(62,834)
Hall/Parker Settlement	-	-	-	-	-	-	-	-	-	-
Administrative expense	(1,695)	(1,141)	(1,608)	(1,215)	(1,974)	(1,752)	(1,287)	(1,079)	(1,095)	(794)
Tiers 1 & 2 Adjustment	(54,938)	-	-	-	-	-	-	-	-	-
Other changes	-	-	-	(1,857)	-	13	8,014	(52,074)	(662)	-
Net change in plan fiduciary net position	60,251	(47,344)	372,179	48,448	89,607	102,677	133,109	(5,757)	51,805	63,828
Plan fiduciary net position - beginning	1,536,938	1,584,282	1,212,103	1,163,655	1,074,048	971,371	838,262	844,019	792,214	728,386
Plan fiduciary net position - ending (b)	\$ 1,597,189	\$ 1,536,938	\$ 1,584,282	\$ 1,212,103	\$ 1,163,655	\$ 1,074,048	\$ 971,371	\$ 838,262	\$ 844,019	\$ 792,214
City's net pension liability (asset) - ending (a) - (b)	\$ (1,084,073)	\$ (953,206)	\$ (1,185,231)	\$ (907,318)	\$ (846,263)	\$ (773,667)	\$ (676,274)	\$ (597,575)	\$ (569,567)	\$ (479,340)
Plan fiduciary net position as a percentage of the total pension liability	311.27%	263.30%	397.01%	397.69%	366.63%	357.56%	329.17%	348.28%	307.53%	253.21%
Covered payroll	\$ 129,110	\$ 152,142	\$ 123,358	\$ 140,908	\$ 150,791	\$ 144,307	\$ 267,724	\$ 226,150	\$ 121,307	\$ 209,144
City's net pension (asset) liability as a percentage of covered payroll	-839.65%	-626.52%	-960.81%	-643.91%	-561.22%	-536.13%	-252.60%	-264.24%	-469.53%	-229.19%

See accompanying notes to pension plan schedules.

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Schedule of Changes in the City's
Net Pension/OPEB Liability (Asset) and Related Ratios
Agent Plans
June 30, 2024

PSPRS OPEB - Police

	Reporting Fiscal Year (Measurement Date)							
	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2015
Total OPEB liability								
Service cost	\$ 589	\$ 811	\$ 1,450	\$ 1,070	\$ 851	\$ 765	\$ 964	Information
Interest on the total OPEB liability	1,280	78	295	356	305	334	115	not available
Changes of benefit terms	-	-	-	-	-	-	1,088	
Differences between expected and actual experience in the measurement of the OPEB liability	323	17,176	(3,213)	(2,324)	(761)	(1,967)	1,241	
Changes of assumptions or other inputs	-	77	-	-	74	-	(329)	
Benefit payments	(1,212)	(1,212)	(505)	-	-	-	-	
Net change in total OPEB liability	980	16,930	(1,973)	(898)	469	(868)	3,079	
Total OPEB liability - beginning	17,796	866	2,839	3,737	3,268	4,136	1,057	
Total OPEB liability - ending (a)	\$ 18,776	\$ 17,796	\$ 866	\$ 2,839	\$ 3,737	\$ 3,268	\$ 4,136	
Plan fiduciary net position								
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (21)	\$ -	
Net investment income	5,707	(3,321)	18,404	832	3,376	4,092	6,178	
Difference between projected and actual earnings on OPEB Plan investment	332							
Benefit payments	(1,212)	(1,212)	(505)	-	-	-	-	
Administrative expense	(93)	(59)	(76)	(68)	(58)	(62)	(54)	
Other changes	-	-	-	-	-	-	-	
Net change in plan fiduciary net position	4,734	(4,592)	17,823	764	3,318	4,009	6,124	
Plan fiduciary net position - beginning	79,913	84,505	66,682	65,918	62,579	58,570	52,446	
Adjustment to beginning of year	-	-	-	-	21	-	-	
Plan fiduciary net position - ending (b)	\$ 84,647	\$ 79,913	\$ 84,505	\$ 66,682	\$ 65,918	\$ 62,579	\$ 58,570	
City's net OPEB (asset) liability - ending (a) - (b)	\$ (65,871)	\$ (62,117)	\$ (83,639)	\$ (63,843)	\$ (62,181)	\$ (59,311)	\$ (54,434)	
Plan fiduciary net position as a percentage of the total OPEB liability	450.83%	449.05%	9758.08%	2348.78%	1763.93%	1914.90%	1416.10%	
Covered payroll	\$ 129,110	\$ 152,142	\$ 123,358	\$ 140,908	\$ 150,791	\$ 144,307	\$ 267,724	
City's net OPEB (asset) liability as a percentage of covered payroll	-51.02%	-40.83%	-67.80%	-45.31%	-41.24%	-41.10%	-20.33%	

See accompanying notes to pension plan schedules.

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Schedule of City Pension/OPEB Contributions
June 30, 2024

ASRS-Pension

	Reporting Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 159,420	\$ 116,602	\$ 84,411	\$ 79,244	\$ 81,627	\$ 71,218	\$ 63,837	\$ 64,646	\$ 65,502	\$ 60,331
City's contributions in relation to the statutorily required contribution	(159,420)	(84,411)	(84,411)	(79,244)	(81,627)	(71,218)	(63,837)	(64,646)	(65,502)	(60,331)
City's contribution deficiency (excess)	\$ -	\$ 32,191	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,308,131	\$ 883,255	\$ 794,506	\$ 680,129	\$ 696,533	\$ 637,021	\$ 585,642	\$ 592,375	\$ 593,548	\$ 563,214
City's contributions as a percentage of covered payroll	12.19%	13.20%	10.62%	11.65%	11.72%	11.18%	10.90%	10.91%	11.04%	10.71%

ASRS-Health Insurance Premium Benefit

	Reporting Fiscal Year								
	2024	2023	2022	2021	2020	2019	2018	2017	2016 through 2015
Statutorily required contribution	\$ 1,429	\$ 1,076	\$ 1,476	\$ 2,653	\$ 3,454	\$ 2,930	\$ 2,577	\$ 3,358	Information not available
City's contributions in relation to the statutorily required contribution	(1,429)	(1,076)	(1,476)	(2,653)	(3,454)	(2,930)	(2,577)	(3,358)	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 1,308,131	\$ 883,255	\$ 794,506	\$ 680,129	\$ 696,533	\$ 637,021	\$ 585,642	\$ 592,375	
City's contributions as a percentage of covered payroll	0.11%	0.12%	0.19%	0.39%	0.50%	0.46%	0.44%	0.57%	

See accompanying notes to pension plan schedules.

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Schedule of City Pension/OPEB Contributions
June 30, 2024

ASRS-Long-Term Disability

	Reporting Fiscal Year								
	2024	2023	2022	2021	2020	2019	2018	2017	2016 through 2015 Information not available
Statutorily required contribution	\$ 1,964	\$ 1,369	\$ 1,335	\$ 1,224	\$ 1,198	\$ 1,019	\$ 937	\$ 839	
City's contributions in relation to the statutorily required contribution	(1,964)	(1,369)	(1,335)	(1,224)	(1,198)	(1,019)	(937)	(839)	
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 1,308,131	\$ 883,255	\$ 794,506	\$ 680,129	\$ 696,533	\$ 637,021	\$ 585,642	\$ 592,375	
City's contributions as a percentage of covered payroll	0.15%	0.15%	0.17%	0.18%	0.17%	0.16%	0.16%	0.14%	

PSPRS - Police

	Reporting Fiscal Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ -	\$ 23,433	\$ 338,997	\$ 20,636	\$ 20,309	\$ 16,713	\$ 20,454	\$ 13,386	\$ 16,328	\$ 10,686
City's contributions in relation to the actuarially determined contribution	-	(23,433)	(338,997)	(20,636)	(20,309)	(16,713)	(20,454)	(13,386)	(16,328)	(10,686)
City's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 88,695	\$ 129,110	\$ 152,142	\$ 123,358	\$ 140,908	\$ 150,791	\$ 144,307	\$ 267,724	\$ 226,150	\$ 121,307
City's contributions as a percentage of covered payroll	0.00%	18.15%	222.82%	16.73%	14.41%	11.08%	14.17%	5.00%	7.22%	8.81%

See accompanying notes to pension plan schedules.

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Schedule of City Pension/OPEB Contributions
June 30, 2024

PSPRS OPEB - Police

	Reporting Fiscal Year								
	2024	2023	2022	2021	2020	2019	2018	2017	2016 through 2015
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (21)	\$ -	Information not available
City's contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	21	-	
City's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
City's covered payroll	\$ 88,695	\$ 129,110	\$ 152,142	\$ 123,358	\$ 140,908	\$ 150,791	\$ 144,307	\$ 267,724	
City's contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	-0.01%	0.00%	

See accompanying notes to pension plan schedules.

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Notes to Schedule of Agent OPEB Plans' Funding Progress
June 30, 2024

NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES

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

Actuarial cost method	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2022 actuarial valuation	10 years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2022 actuarial valuation, the investment rate of return was decreased from 7.3% to 7.2%. In the 2019 actuarial valuation, the investment rate of return was decreased from 7.4% to 7.3%. In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2022 actuarial valuation, wage growth was changed from 3.5% to a range of 3.0 - 6.25% for PSPRS. In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2019 actuarial valuation, changed to PubS-2010 tables. In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).

NOTE 2 – FACTORS THAT AFFECT TRENDS

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

CITY OF TOMBSTONE, ARIZONA
Required Supplementary Information
Notes to Schedule of Agent OPEB Plans' Funding Progress
June 30, 2024

NOTE 2 – FACTORS THAT AFFECT TRENDS – Continued

the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or law's will retire after the law's effective date. These changes increased the PSPRS-required pension contributions beginning in fiscal year 2016 for members who were retired as of the effective date. These changes will increase the PSPRS-required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the City refunded excess employee contributions to PSPRS members. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.



COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

To the City Council
City of Tombstone

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 Tombstone, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Tombstone's basic financial statements and have issued our report thereon dated March 31, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Tombstone's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Tombstone's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Tombstone's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal

control, described in the accompanying schedule of findings and questioned costs as items 2024-001, 2024-002, and 2024-003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Tombstone'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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2024-004.

The City of Tombstone's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Tombstone's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The City of Tombstone's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Colby + Powell

March 31, 2025

CITY OF TOMBSTONE, ARIZONA
Schedule of Findings and Responses
June 30, 2024

Financial Statement Findings:

Item: 2024-001

Subject: Review of Billing Adjustments

Criteria: The accounting duties of receiving utility payments and authorizing an utility billing adjustment must be segregated duties by separate finance employees. Billing adjustments should be documented by the authorizing employee.

Condition: During our audit we discovered that the City does not have documentation for the authorized billing adjustments.

Recommendation: We recommend that all billing adjustments be evidenced by written documentation.

Response: Management agrees with this finding and will set up procedures to ensure that written authorization for billing adjustments occur and that a review takes place regularly, documenting the review.

Item: 2024-002

Subject: Inventory

Criteria: The City should have policy and procedures for ensuring the accuracy of their inventory and should reconcile the inventory on hand to the amounts recorded in the general ledger on a routine basis.

Condition: During our audit we discovered that the City has not performed an inventory count of the Boothill Museum for several years.

Recommendation: We recommend that the City implement a policy and procedure to reconcile inventory on a minimum annual basis.

Response: Boothill Gift Shop is currently in the process of conducting an inventory as of March 31, 2025. They will conduct inventory again at the end of the fiscal year on June 30, 2025. Going forward, inventory will be done bi-annually at the end of December and June each year. And we will also make this a matter of policy and procedure.

CITY OF TOMBSTONE, ARIZONA
Schedule of Findings and Responses
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Item: 2024-003

Subject: Preparation of the working trial balance.

Criteria: All transactions entered into during the period should be posted in the City's financial records in accordance with an acceptable basis of accounting. All such transactions should be recorded in their correct account according to the City's approved chart of accounts, the City's budget, and generally accepted accounting principles.

Condition: Audit adjustments were proposed and subsequently recorded by management to properly correct misstated account balances in the City's general ledger

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

Response: An implementation plan related to this matter has been addressed. The trial balance that was presented for audit did not contain all necessary adjustments prior to the audit. Management will perform monthly reviews of the trial balance and other reports within the accounting software to monitor for accuracy. Management will prepare year-end adjustments prior to the audit. This corrective action will be performed by the City's contract accountant and the finance staff beginning immediately.

Compliance Findings:

Item: 2024-004

Subject: Formal written policies and procedures

Criteria: The City should have written policies and procedures that formally outline the financial policies and procedures of the City.

Condition: During our audit, it was noted that there are no written accounting policies and procedures, other than a purchasing policy.

Recommendation: We recommend that the City institute a program to methodically identify and document its significant accounting processes. Accounting processes, in particular, are procedure to initiate, authorize, record, process, and report transactions. Processes include activities and procedures involving in repeatable accounting transactions or events, such as paying invoices, processing payroll, taking physical inventory, preparing journal entries, performing bank reconciliations, etc. Also create a written policy for minimum capitalizations of property and

CITY OF TOMBSTONE, ARIZONA
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June 30, 2024

equipment, long-term contracts of leases and software base information technology arrangements.

Response: Management agrees with this finding and will put into place to adopt fiscal policies.