

CITY OF WILLCOX, ARIZONA



FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2013
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WILLCOX, ARIZONA

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Independent Auditors' Report

The Honorable Mayor and
City Council
City of Willcox, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Willcox, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willcox, Arizona, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–11 and 51–53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Willcox, Arizona's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2013, on our consideration of the City of Willcox, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Willcox Arizona's internal control over financial reporting and compliance.


HintonBurdick, PLLC
St. George, Utah
September 25, 2013

CITY OF WILLCOX, ARIZONA
Management's Discussion and Analysis
June 30, 2013

As management of the City of Willcox (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets (all funds Governmental and Business type) increased by \$112,394. Total Liabilities decreased by \$208,177 which resulted in total assets in excess of total liabilities (net position) increasing by \$320,571 at the close of the fiscal year 2013. Total net position (equity) was \$16,133,129 at June 30, 2013.
- Depreciation expense for Governmental Activities exceeded Capital outlays in the current year by \$184,660. The City incurred capital expenses to complete the addition of a Solarium Room at the Library; continue energy-efficiency improvements at the historic Community Center constructed in 1936; complete the construction of a Skate Park; complete a walking path on Fort Grant Road; and remodel a donated building for use as a Community Food Pantry providing food, clothing and furniture at no cost to the recipients.
- Total business-type revenues exceeded total business-type expenses by \$20,169.
- Total Governmental Revenues exceeded Governmental Expenses by \$325,406.
- The General Fund reported income in excess of expenses (including transfers) of \$95,910 (increase in General Fund Balance).
- Actual General Fund resources received were \$1,546 (0%) less than the final Budget.
- Actual General Fund expenditures, including other financing sources, were \$673,163 (15%) less than the final Budget.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.85 million or 50% of total General Fund FY 13 expenditures, (approximately 6 months of reserves), excluding transfers.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities (Government-wide)

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall City's financial well-being. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes to net position. Net position, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the City's tax base or condition of the City's roads to accurately assess the overall health of the City.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, highways and streets, public works, culture and recreation, community development and interest on long-term debt. Property taxes, sales tax, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The City charges a fee to customers to cover all or most of the cost of the services provided.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, donations for a specific purpose and others. These fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The City is responsible for ensuring that the assets are used for their intended purposes. Therefore, fiduciary activities are excluded from the City's other financial statements because the assets cannot be used to finance operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$16.1 million as of June 30, 2013 as shown in the following condensed Statement of Net Position. The City has chosen to account for its water, sewer, gas, and refuse operations in enterprise funds which are shown as Business Activities.

City of Willcox, Arizona Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Current and other assets	\$ 2,858,125	\$ 2,718,383	\$ 3,946,948	\$ 3,891,748	\$ 6,805,073	6,610,131
Capital assets	9,962,254	10,169,483	4,899,612	4,774,931	14,861,866	14,944,414
Total assets	<u>12,820,379</u>	<u>12,887,866</u>	<u>8,846,560</u>	<u>8,666,679</u>	<u>21,666,939</u>	<u>21,554,545</u>
Long-term liabilities outstanding	2,697,528	2,981,030	1,790,747	1,745,507	4,488,275	4,726,537
Other liabilities	662,378	771,769	383,157	243,681	1,045,535	1,015,450
Total liabilities	<u>3,359,906</u>	<u>3,752,799</u>	<u>2,173,904</u>	<u>1,989,188</u>	<u>5,533,810</u>	<u>5,741,987</u>
Net assets:						
Invested in capital assets, net of related debt	6,917,595	6,877,149	3,036,935	2,962,533	9,954,530	9,839,682
Restricted	796,043	466,553	167,879	-	963,922	466,553
Unrestricted	1,746,835	1,791,365	3,467,842	3,714,958	5,214,677	5,506,323
Total net position	<u>\$ 9,460,473</u>	<u>\$ 9,135,067</u>	<u>\$ 6,672,656</u>	<u>\$ 6,677,491</u>	<u>\$ 16,133,129</u>	<u>\$ 15,812,558</u>

Governmental Activities

The cost of all Governmental activities this year was \$5.0 million. As shown on the statement of Changes in Net Position on the following page, \$316,963 of this cost was paid for by those who directly benefited from the programs and \$584,968 was subsidized by grants received from other governmental organizations for both capital and operating activities. General taxes and investment earnings totaled \$3.9 million.

The City's Governmental activities include General Government, Public Safety, Library, Highways and Streets, Culture & Recreation, Grants, Community Development and Public Works. The business-type activities include the Gas Utility, Water Utility, Sewer Utility and Refuse program. Each program's revenues and expenses are presented below.

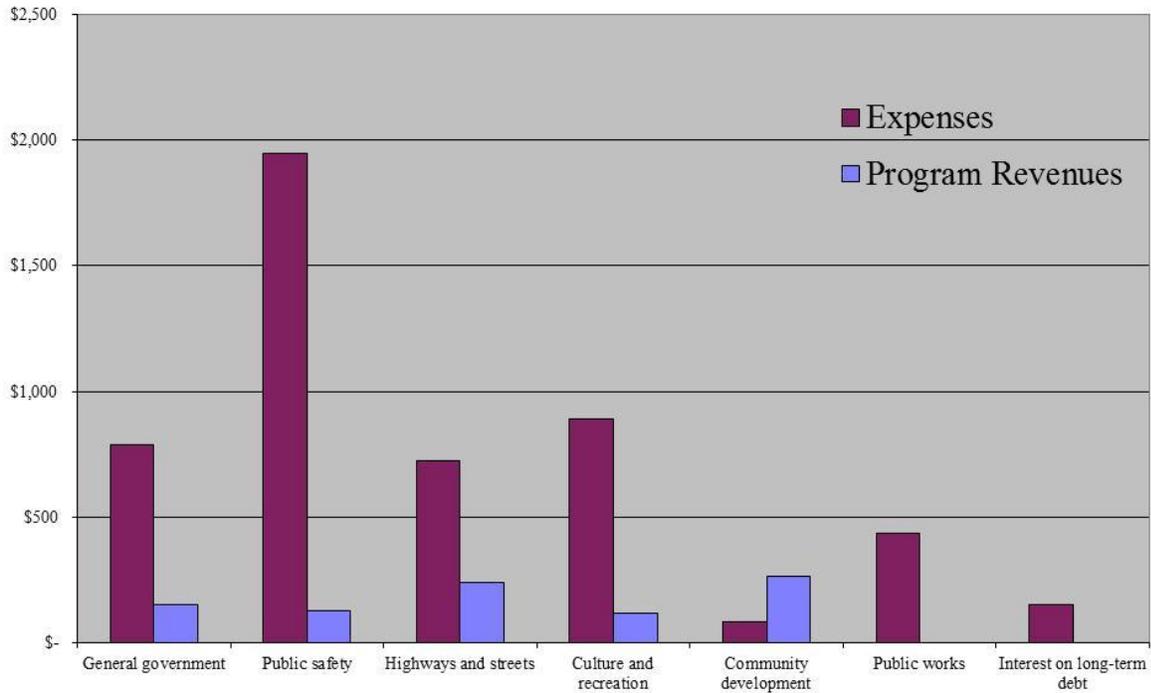
City of Willcox, Arizona
Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Revenues:						
Program revenues:						
Charges for services	\$ 316,963	\$ 224,219	\$ 2,839,818	\$ 2,963,076	\$ 3,156,781	\$ 3,187,295
Operating grants and contributions	366,920	399,920	-	-	366,920	399,920
Capital grants and contributions	218,048	721,639	9,300	10,155	227,348	731,794
General revenues:						
Sales taxes	2,522,467	2,439,087	-	-	2,522,467	2,439,087
Other taxes	727,335	668,553	-	-	727,335	668,553
State revenue sharing	383,769	317,094	-	-	383,769	317,094
Assessments	66,203	79,433	-	-	66,203	79,433
Other	159,945	32,250	(11,067)	44,907	148,878	77,157
Total revenues	<u>4,761,650</u>	<u>4,882,195</u>	<u>2,838,051</u>	<u>3,018,138</u>	<u>7,599,701</u>	<u>7,900,333</u>
Expenses:						
General government	785,377	782,916	-	-	785,377	782,916
Public safety	1,945,272	1,816,093	-	-	1,945,272	1,816,093
Highways and streets	722,092	727,818	-	-	722,092	727,818
Culture and recreation	891,842	865,971	-	-	891,842	865,971
Community development	82,536	131,778	-	-	82,536	131,778
Public works	434,039	407,917	-	-	434,039	407,917
Interest on long-term debt	149,775	156,536	-	-	149,775	156,536
Gas	-	-	571,747	507,543	571,747	507,543
Water	-	-	617,200	482,074	617,200	482,074
Sewer	-	-	558,473	467,105	558,473	467,105
Refuse	-	-	495,773	493,678	495,773	493,678
Total expenses	<u>5,010,933</u>	<u>4,889,029</u>	<u>2,243,193</u>	<u>1,950,400</u>	<u>7,254,126</u>	<u>6,839,429</u>
(Decrease)/Increase in net assets before transfers	(249,283)	(6,834)	594,858	1,067,738	345,575	1,060,904
Transfers	574,689	538,438	(574,689)	(538,438)	-	-
Net position, beginning	9,135,067	8,603,463	6,677,491	6,148,191	15,812,558	14,751,654
Prior period adjustment	-	-	(25,004)	-	(25,004)	-
Net position, ending	<u>\$ 9,460,473</u>	<u>\$ 9,135,067</u>	<u>\$ 6,672,656</u>	<u>\$ 6,677,491</u>	<u>\$ 16,133,129</u>	<u>\$ 15,812,558</u>

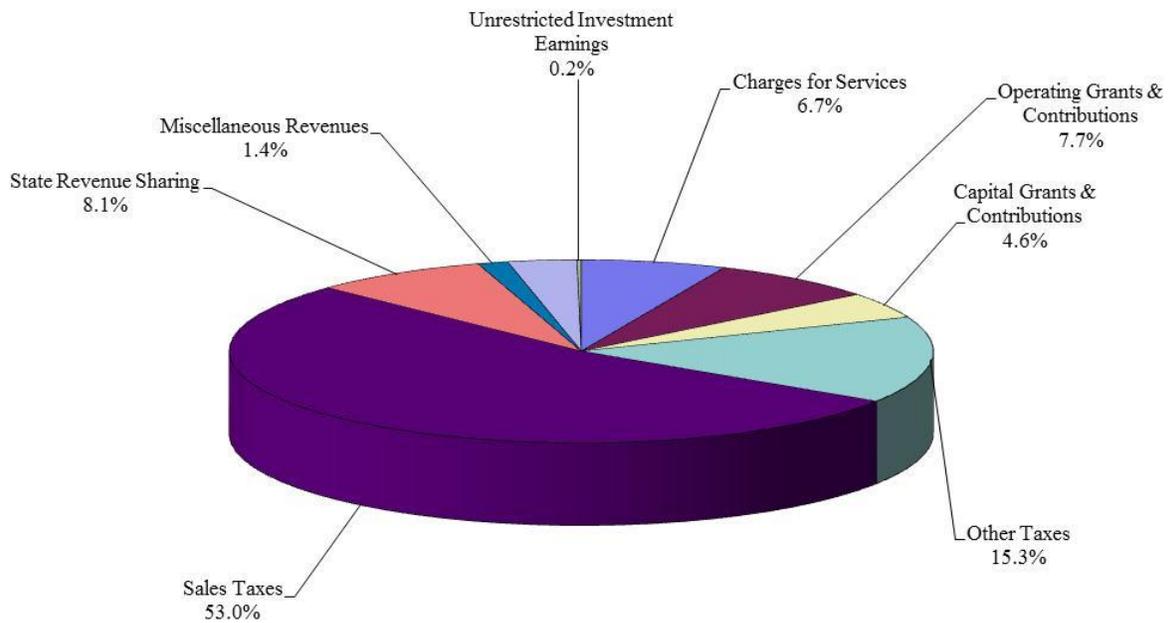
Total governmental resources available during the year to finance governmental operations were \$9.4 million, consisting of Net position at July 1, 2012 of \$9.1 million, Program revenues of \$901,931, Transfers of \$574,689, and General revenues of \$3.9 million, less total Governmental Activities expenses during the year of \$5 million; thus Governmental Net Position was increased by \$574,689 to \$9.4 million at June 30, 2013.

The following graphs compare program expenses to program revenues and provide a breakdown of revenues by source for all governmental activities:

Expenses and Program Revenues - Governmental Activities
(in Thousands)



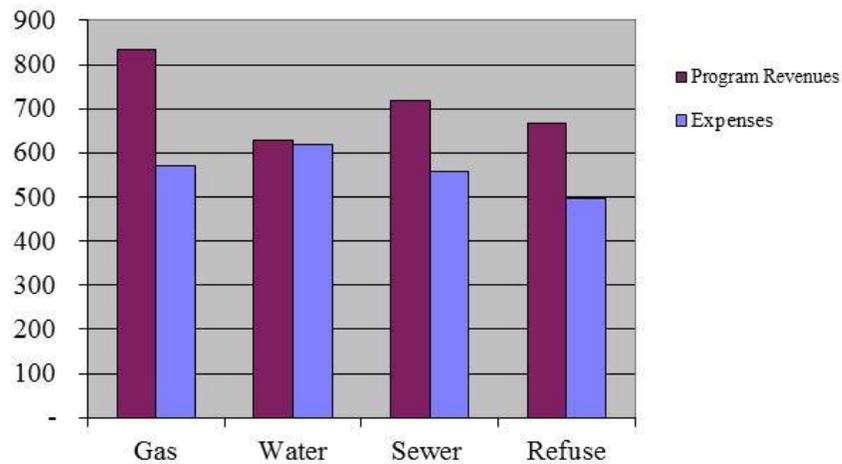
Revenue By Source - Governmental Activities



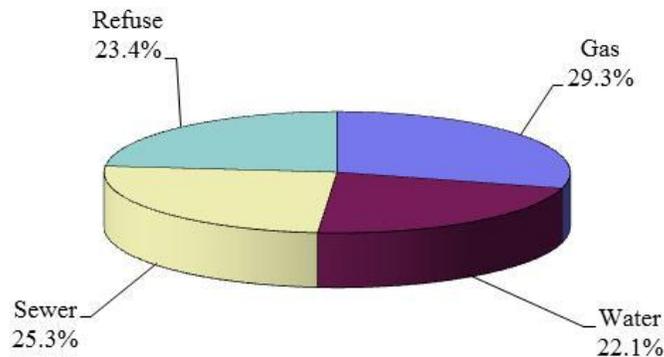
Business Type Activities

Net position of the Business Type activities at June 30, 2013, as reflected in the Statement of Net Position was \$6.7 million. As shown in the statement of Changes in Net Position, the total net position at July 1, 2012 was \$6.7 million. Amounts paid by users of the system were \$2.8 million, capital grants and contributions were \$9,300 and interest earnings totaled \$(11,067). The cost of providing all Proprietary (Business Type) activities this year was \$2.2 million. Transfers to governmental activities were \$574,689, interest expense and fiscal charges were \$65,334, and a \$25,004 prior period adjustment was made pursuant to GASB 65. Net position was unchanged.

Expenses and Program Revenues - Business-type Activities
(in Thousands)



Revenue By Source - Business-type Activities



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a brief discussion of financial highlights from the fund financial statements.

Governmental funds

The focus of the City's governmental fund financial statements (16-19) is to provide information on near-term inflows, outflows, and balances of spendable resources. All major governmental funds are discretely presented on these financial statements, while the non-major funds are combined into a single column. Combining statements for the non-major funds are reported on pages 55 and 56.

For fiscal year ended June 30, 2013, the governmental funds reflect a combined fund balance of \$2,649,368. Of this, \$3,141 is designated for prepaid expenses, and \$792,902 is reserved because it is not available for expenditure or is legally segregated for a specific future use. The remaining \$1,853,325 is classified as "Unassigned". This balance may serve as a useful indicator of a government's net resources available for spending.

The General Fund is the principal operating fund of the City and accounts for many functions of the government, including public safety, library, parks and recreation, community development and general administrative services. Fiscal year 2013 general fund revenues totaled \$3,079,155. Expenditures, before other financing sources and uses, totaled \$3,706,646. City sales tax revenues came in about 3% less than projections. State sales tax revenues came in about \$9,064 or about 3% greater than State estimates. Auto lieu taxes were \$13,730 or about 9% greater than state estimates. Overall intergovernmental income was about 3% greater than anticipated in the budget. Room occupancy tax revenues of \$145,235 were about 9% less than projections and revenues have remained steady. Franchise fee income was \$18,132 or about 7% more than the amount budgeted and about \$140,000 more than the prior year. Building permits exceeded budgeted revenues by \$40,796, and fines and forfeitures revenue came in at \$4,318 over budget. Miscellaneous revenues of \$49,837 were \$19,032 or about 18% less than the amount budgeted.

The Highway User Revenue Fund is required by state statute to track the state allocation of gasoline taxes and other state revenues shared with local governments; the funds are required to be used for transportation purposes. The City deposits 1%, 1/3 of the City enacted 3% Transaction Privilege Tax (Sales Tax), to this fund. FY13 City Sales Tax Revenues in this fund totaled \$738,428, about the same as the amount budgeted. HURF revenues from the State and interest income were also at projections, and overall fund revenue was \$979,023 or as budgeted. The Fund expenses totaled \$957,592 or about 8% less than projections. The fund transferred \$1,956 to the Grants Fund to be used for the City's match on the Fort Grant Improvement Project. Net revenues were \$21,431 greater than expenditures, and proceeds from the issuance of long-term debt generated \$124,506. The HURF fund balance at the close of FY 13 is \$478,121.

The Grants Special Revenue Fund accounts for the administration of federal and state grants. Grants Fund revenues totaled \$286,378, transfers in of \$1,956 were added for grant matching requirements. Expenses totaled \$273,612 for a net increase of \$14,722 and an ending fund balance of \$14,722.

Non-major governmental funds of the City include the Special Revenue Fund, Capital Projects Fund, Repair and Demolition Fund, and Debt Service Fund. The non-major funds are combined for presentation in the financial statements. The Special Revenues Fund consists of money donated to the City for specific purposes. Revenues totaled \$50,071, transfers in (matching amounts for grants) totaled \$18,500, and expenses totaled \$65,840 for a net source of funds of \$2,731 and an ending fund balance of \$91,378. The Repair and Demolition Fund transfers in totaled \$7,062 and expenses totaled \$7,062 for a net use of fund balance of \$-0- and an ending fund balance of \$-0-. Debt Service fund revenues totaled \$151,907,

transfers in totaled \$5,500, and expenses totaled \$160,079 for a net use of fund balance of \$2,672 and an ending fund balance of \$165,093.

Proprietary Funds

The proprietary fund financial statements are prepared on the same accounting basis and measurement focus as the government-wide financial statements, but provide additional detail since each major enterprise fund is shown directly on the fund statements.

Net position of the Proprietary Funds was \$6,672,656 as of June 30, 2013. Operating revenues totaled \$2,839,818, while operating expenses totaled \$2,177,861, for an operating income of \$661,957. This income is reflective of a surplus in revenue for all the proprietary funds, Gas, Water, Sewer and Refuse.

General Fund Budgetary Highlights

Actual revenues as shown on Page 51 were \$1,546 less than budgeted revenues. Revenues included City Sales Tax revenues of \$1,476,522 or \$40,323 less than those budgeted. Budgeted miscellaneous revenues included fund balance appropriations of \$832,188 of which \$1,546 was used. Expenditures, including transfers, were less than the General Fund appropriations at year-end by \$671,617. This difference was due to conservative spending. A budget amendment was made during the year to transfer budgeted amounts to different accounts or departments within the City to reflect the City's actual needs and to prevent budget overruns. Total expenditures were not increased as a result of the amendment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2013, net capital assets of the government activities totaled \$10 million, and the net capital assets of the business-type activities totaled \$4.9 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. See note 7 to the financial statements.

Debt

At year-end, the City had \$3.1 million in governmental type debt, and \$1.8 million in proprietary debt. The debt is a liability of the government and amounts to \$1,341 per capita. During the current fiscal year, the City's total debt decreased by \$203,118, which consisted of retirements of \$529,031, a net decrease of \$907 for the allowance for accrued compensated absences, and additions of \$326,820. See note 8 to the financial statements for detailed descriptions.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

For the 2013-2014 fiscal year city budget, the City has projected a 3% increase in general operating revenues and operating expenditures from the fiscal year 2012-2013 budgeted amounts. Due to rate adjustments and anticipated demand for utility services, the budgeted utility fund operating revenues are about 11% more than actual operations for fiscal year 2012-2013. Gas operating revenues are estimated to increase in fiscal year 2014 due to anticipated higher costs for the purchase of natural gas to meet customer demands. Water revenues are anticipated to decrease by about 2% in a planned use of fund balance. Sewer revenues are projected to increase by about 3%, and refuse revenues will remain static.

There is an emphasis on infrastructure improvements which continues into 2014. In fiscal year 2013-2014 new and/or improved facilities for community programs, library, parks, improvement programs and streets are proposed in the capital expenditure program for approximately \$537,848 to be financed by

grants and fund appropriations. Also, \$10 million is budgeted for capital improvements in the Sewer Fund for the construction of a wastewater treatment plant to be financed by grants and bonds.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ted Soltis, City Manager, tsoltis@willcoxcity.org, or Ruth Graham, Finance Director, rgraham@willcoxcity.org, City of Willcox, 101 South Railroad Avenue, Suite B, Willcox, AZ 85643. Phone: (520) 384-4271; website: www.cityofwillcox.org.

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BASIC FINANCIAL STATEMENTS

CITY OF WILLCOX, ARIZONA
Statement of Net Position
June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,709,948	\$ 3,334,389	\$ 6,044,337
Receivables (net of allowance)	145,036	259,677	404,713
Inventory	-	131,203	131,203
Prepays	3,141	825	3,966
Temporarily restricted assets:			
Cash and cash equivalents	-	220,854	220,854
Capital assets (net of accumulated depreciation):			
Land and improvements	1,215,532	184,425	1,399,957
Buildings and improvements	3,898,394	-	3,898,394
System and other improvements	-	4,074,802	4,074,802
Furniture, equipment and vehicles	684,689	171,838	856,527
Infrastructure	4,151,515	-	4,151,515
Construction in progress	12,124	468,547	480,671
Total Assets	<u>12,820,379</u>	<u>8,846,560</u>	<u>21,666,939</u>
Liabilities			
Accounts payable and other current liabilities	179,687	251,902	431,589
Customer deposits	-	53,800	53,800
Interest payable	522	-	522
Noncurrent liabilities:			
Due within one year	482,169	77,455	559,624
Due in more than one year	2,697,528	1,790,747	4,488,275
Total Liabilities	<u>3,359,906</u>	<u>2,173,904</u>	<u>5,533,810</u>
Net Position			
Net investment in capital assets	6,917,595	3,036,935	9,954,530
Nonspendable:			
Prepays	3,141	825	3,966
Restricted for:			
Debt service	165,093	167,054	332,147
Streets and other	584,221	-	584,221
Capital projects	43,588	-	43,588
Unrestricted	1,746,835	3,467,842	5,214,677
Total Net Position	<u>\$ 9,460,473</u>	<u>\$ 6,672,656</u>	<u>\$ 16,133,129</u>

The accompanying notes are an integral part of the financial statements.

CITY OF WILLCOX, ARIZONA
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 785,377	\$ 138,820	\$ 11,991	\$ -	\$ (634,566)	\$ -	\$ (634,566)
Public safety	1,945,272	104,206	25,283	-	(1,815,783)	-	(1,815,783)
Highways and streets	722,092	-	238,916	-	(483,176)	-	(483,176)
Culture and recreation	891,842	73,937	32,456	11,412	(774,037)	-	(774,037)
Community development	82,536	-	58,274	206,636	182,374	-	182,374
Public works	434,039	-	-	-	(434,039)	-	(434,039)
Interest on long-term debt	149,775	-	-	-	(149,775)	-	(149,775)
Total governmental activities	5,010,933	316,963	366,920	218,048	(4,109,002)	-	(4,109,002)
Business-type activities:							
Gas	571,747	828,980	-	4,930	-	262,163	262,163
Water	617,200	623,992	-	4,370	-	11,162	11,162
Sewer	558,473	719,876	-	-	-	161,403	161,403
Refuse	495,773	666,970	-	-	-	171,197	171,197
Total business-type activities	2,243,193	2,839,818	-	9,300	-	605,925	605,925
Total primary government	\$ 7,254,126	\$ 3,156,781	\$ 366,920	\$ 227,348	(4,109,002)	605,925	(3,503,077)
General Revenues:							
Property taxes levied for general purposes					250,962	-	250,962
Sales taxes					2,522,467	-	2,522,467
Other taxes					476,373	-	476,373
State revenue sharing					383,769	-	383,769
Miscellaneous revenues					66,203	-	66,203
Gain on sale of assets					150,505	-	150,505
Unrestricted investment earnings/(loss)					9,440	(11,067)	(1,627)
Transfers					574,689	(574,689)	-
Total general revenues & transfers					4,434,408	(585,756)	3,848,652
Change in net position					325,406	20,169	345,575
Net position - beginning					9,135,067	6,677,491	15,812,558
Restatement adjustment					-	(25,004)	(25,004)
Net position - ending					\$ 9,460,473	\$ 6,672,656	\$ 16,133,129

The accompanying notes are an integral part of the financial statements.

CITY OF WILLCOX, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2013

	General	Highway User Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,943,612	\$ 469,997	\$ 296,339	\$ 2,709,948
Receivables:				
Property taxes	11,387	-	22,333	33,720
Other	11,965	-	3,681	15,646
Intergovernmental	30,719	21,940	43,011	95,670
Due from other funds	18,173	-	-	18,173
Prepays	3,141	-	-	3,141
Total Assets	<u>\$ 2,018,997</u>	<u>\$ 491,937</u>	<u>\$ 365,364</u>	<u>\$ 2,876,298</u>
Liabilities				
Accounts payable	\$ 99,629	\$ 10,617	\$ 13,149	\$ 123,395
Accrued liabilities	52,986	3,199	105	56,290
Due to other funds	-	-	18,173	18,173
Total Liabilities	<u>152,615</u>	<u>13,816</u>	<u>31,427</u>	<u>197,858</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	9,916	-	19,156	29,072
Total deferred inflows of resources	<u>9,916</u>	<u>-</u>	<u>19,156</u>	<u>29,072</u>
Fund Balances				
Nonspendable:				
Prepays	3,141	-	-	3,141
Restricted for:				
Roads and highways	-	478,121	-	478,121
Debt service	-	-	165,093	165,093
Other purposes	-	-	106,100	106,100
Capital projects	-	-	43,588	43,588
Unassigned	1,853,325	-	-	1,853,325
Total Fund Balances	<u>1,856,466</u>	<u>478,121</u>	<u>314,781</u>	<u>2,649,368</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,018,997</u>	<u>\$ 491,937</u>	<u>\$ 365,364</u>	<u>\$ 2,876,298</u>

The accompanying notes are an integral part of the financial statements.

CITY OF WILLCOX, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2013

Total governmental fund balances		\$ 2,649,368
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.		
Governmental capital assets	\$ 15,410,355	
Accumulated Depreciation	<u>(5,448,101)</u>	9,962,254
Other assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
		29,072
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$ (2,886,000)	
Capital leases	(158,659)	
Compensated absences	(135,038)	
Accrued interest	<u>(524)</u>	<u>(3,180,221)</u>
Total net position of governmental activities		<u><u>\$ 9,460,473</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF WILLCOX, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

REVENUES	<u>General</u>	<u>Highway User Revenue</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes	\$ 1,957,009	\$ 738,428	\$ 151,907	\$ 2,847,344
Licenses, permits and fees	128,714	-	-	128,714
Intergovernmental revenue	856,648	238,916	298,792	1,394,356
Charges for services	67,720	-	-	67,720
Fines and forfeitures	11,518	-	-	11,518
Interest	7,709	1,679	52	9,440
Other revenues	49,837	-	56,644	106,481
Total Revenues	<u>3,079,155</u>	<u>979,023</u>	<u>507,395</u>	<u>4,565,573</u>
EXPENDITURES				
Current:				
General Government	645,376	-	-	645,376
Public Safety	1,818,643	-	-	1,818,643
Community Development	-	-	81,720	81,720
Culture and Recreation	813,972	-	-	813,972
Streets and Highways	-	468,045	-	468,045
Public Works	428,655	-	-	428,655
Capital Outlay	-	127,181	293,813	420,994
Debt Service:				
Principal	-	252,181	120,000	372,181
Interest	-	110,185	40,079	150,264
Total Expenditures	<u>3,706,646</u>	<u>957,592</u>	<u>535,612</u>	<u>5,199,850</u>
Excess of Revenues Over (Under) Expenditures	<u>(627,491)</u>	<u>21,431</u>	<u>(28,217)</u>	<u>(634,277)</u>
Other Financing Sources (Uses):				
Proceeds from debt	-	124,506	-	124,506
Sale of general capital assets	189,576	-	-	189,576
Transfers out	(35,364)	(1,956)	-	(37,320)
Transfers in	569,189	-	42,820	612,009
Total Other Financing Sources (Uses)	<u>723,401</u>	<u>122,550</u>	<u>42,820</u>	<u>888,771</u>
Net change in fund balances	95,910	143,981	14,603	254,494
Fund Balances, Beginning of Year	<u>1,760,556</u>	<u>334,140</u>	<u>300,178</u>	<u>2,394,874</u>
Fund Balances, End of Year	<u>\$ 1,856,466</u>	<u>\$ 478,121</u>	<u>\$ 314,781</u>	<u>\$ 2,649,368</u>

The accompanying notes are an integral part of the financial statements.

CITY OF WILLCOX, ARIZONA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$	254,494
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>		
Capital Outlay	\$	377,622
Depreciation Expense		<u>(562,282)</u>
		(184,660)
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		29,072
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(22,570)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds and is recorded as an expenditure, but the repayment reduces long-term liabilities in the statement of net position.		372,181
Issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net position.		(124,506)
Accrued interest for long-term debt is not reported as an expenditure for the current period in the funds while it is recorded in the statement of activities.		488
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>907</u>
Change in net position of governmental activities	\$	<u><u>325,406</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF WILLCOX, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2013

Assets	Gas Fund	Water Fund	Sewer Fund	Refuse Fund	Total
Current Assets:					
Cash	\$ 994,645	\$ 1,430,207	\$ 885,677	\$ 23,860	\$ 3,334,389
Receivables (net of allowance)	45,847	78,904	71,063	63,863	259,677
Prepays	825	-	-	-	825
Inventory	71,417	51,489	8,297	-	131,203
Restricted cash	33,240	53,460	119,556	14,598	220,854
Total Current Assets	<u>1,145,974</u>	<u>1,614,060</u>	<u>1,084,593</u>	<u>102,321</u>	<u>3,946,948</u>
Noncurrent Assets:					
Land and improvements	28,030	131,900	24,495	-	184,425
Buildings and improvements	16,000	-	5,800	-	21,800
System and other improvements	1,523,941	4,945,515	3,979,017	-	10,448,473
Machinery and equipment	131,941	111,548	134,321	-	377,810
Vehicles	93,667	112,106	59,848	-	265,621
Construction in progress	-	-	468,547	-	468,547
Accumulated depreciation	(999,019)	(3,035,731)	(2,832,314)	-	(6,867,064)
Total Noncurrent Assets	<u>794,560</u>	<u>2,265,338</u>	<u>1,839,714</u>	<u>-</u>	<u>4,899,612</u>
Total Assets	<u>1,940,534</u>	<u>3,879,398</u>	<u>2,924,307</u>	<u>102,321</u>	<u>8,846,560</u>
Liabilities					
Current Liabilities:					
Accounts payable	34,266	27,568	139,197	40,379	241,410
Accrued liabilities	1,887	2,110	6,495	-	10,492
Customer deposits	33,240	5,962	-	14,598	53,800
Current portion - compensated absences	2,380	3,145	2,975	-	8,500
Current portion - long-term debt	-	24,000	44,955	-	68,955
Total Current Liabilities	<u>71,773</u>	<u>62,785</u>	<u>193,622</u>	<u>54,977</u>	<u>383,157</u>
Long-Term Debt (net of current portion):					
Notes payable	-	-	339,185	-	339,185
Revenue bonds payable	-	815,000	630,687	-	1,445,687
Compensated absences	1,682	2,166	2,027	-	5,875
Total Long-Term Debt	<u>1,682</u>	<u>817,166</u>	<u>971,899</u>	<u>-</u>	<u>1,790,747</u>
Total Liabilities	<u>73,455</u>	<u>879,951</u>	<u>1,165,521</u>	<u>54,977</u>	<u>2,173,904</u>
Net Position					
Net investment in capital assets	792,878	1,424,172	819,885	-	3,036,935
Nonspendable	825	-	-	-	825
Restricted	-	47,498	119,556	-	167,054
Unrestricted	1,073,376	1,527,777	819,345	47,344	3,467,842
Total net position	<u>\$ 1,867,079</u>	<u>\$ 2,999,447</u>	<u>\$ 1,758,786</u>	<u>\$ 47,344</u>	<u>\$ 6,672,656</u>

The accompanying notes are an integral part of the financial statements.

CITY OF WILLCOX, ARIZONA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

Operating Revenues:	Gas Fund	Water Fund	Sewer Fund	Refuse Fund	Total
Charges for services	\$ 797,433	\$ 619,352	\$ 714,919	\$ 662,230	\$ 2,793,934
Other revenues	31,547	4,640	4,957	4,740	45,884
Total Operating Revenues	828,980	623,992	719,876	666,970	2,839,818
Operating Expenses:					
Salaries, wages and benefits	92,535	217,496	159,330	-	469,361
Office expenses and travel	1,538	1,197	-	-	2,735
Repairs and maintenance	7,349	9,616	30,350	-	47,315
Utilities	2,667	54,832	-	-	57,499
Contract services	11,232	7,129	-	495,773	514,134
Licenses and permits	39,964	30,940	35,957	-	106,861
Miscellaneous	4,355	2,824	2,083	-	9,262
Gas purchases	309,190	-	-	-	309,190
Service, supplies and other	57,228	94,285	204,426	-	355,939
Depreciation/amortization	45,689	162,904	96,972	-	305,565
Total Operating Expenses	571,747	581,223	529,118	495,773	2,177,861
Operating Income	257,233	42,769	190,758	171,197	661,957
Non-operating Revenues (Expenses):					
Investment income/(loss)	4,088	(8,607)	(6,548)	-	(11,067)
Interest expense and fiscal charges	-	(35,977)	(29,355)	-	(65,332)
Connection and impact fees	4,930	4,370	-	-	9,300
Total Non-Operating Revenue (Expense)	9,018	(40,214)	(35,903)	-	(67,099)
Net Income before contributions and transfers	266,251	2,555	154,855	171,197	594,858
Transfers out	(190,731)	(133,764)	(127,361)	(122,833)	(574,689)
Net Income/(loss)	75,520	(131,209)	27,494	48,364	20,169
Total net position (deficit), beginning of year	1,791,559	3,130,656	1,756,296	(1,020)	6,677,491
Restatement adjustment	-	-	(25,004)	-	(25,004)
Total net position, end of year	\$ 1,867,079	\$ 2,999,447	\$ 1,758,786	\$ 47,344	\$ 6,672,656

The accompanying notes are an integral part of the financial statements.

CITY OF WILLCOX, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

	Gas Fund	Water Fund	Sewer Fund	Refuse Fund	Total
Cash Flows From Operating Activities:					
Cash received from customers, service fees	\$ 795,915	\$ 629,328	\$ 717,223	\$ 659,527	\$ 2,801,993
Cash received from customers, other	31,547	4,640	4,957	4,740	45,884
Cash paid to suppliers	(447,334)	(208,992)	(151,169)	(490,352)	(1,297,847)
Cash paid to employees	(93,494)	(218,667)	(154,887)	-	(467,048)
Net cash flows from operating activities	<u>286,634</u>	<u>206,309</u>	<u>416,124</u>	<u>173,915</u>	<u>1,082,982</u>
Cash Flows From Noncapital Financing Activities:					
Proceeds/Payments from/(to) other funds	-	-	-	(23,480)	(23,480)
Transfers out	(190,731)	(133,764)	(127,361)	(122,833)	(574,689)
Net cash flows from noncapital financing activities	<u>(190,731)</u>	<u>(133,764)</u>	<u>(127,361)</u>	<u>(146,313)</u>	<u>(598,169)</u>
Cash Flows From Capital and Related Financing Activities:					
Purchase of capital assets	(95,226)	(59,189)	(275,832)	-	(430,247)
Principal paid on long-term debt	-	(23,000)	(43,233)	-	(66,233)
Debt issues	-	-	108,814	-	108,814
Interest paid	-	(35,979)	(29,355)	-	(65,334)
Connection & impact fees	4,930	4,370	-	-	9,300
Net cash flows from capital and related financing activities	<u>(90,296)</u>	<u>(113,798)</u>	<u>(239,606)</u>	<u>-</u>	<u>(443,700)</u>
Cash Flows From Investing Activities:					
Investment income/(loss)	4,088	(8,607)	(6,548)	-	(11,067)
Net cash flows from investing activities	<u>4,088</u>	<u>(8,607)</u>	<u>(6,548)</u>	<u>-</u>	<u>(11,067)</u>
Net change in Cash and Cash Equivalents	9,695	(49,860)	42,609	27,602	30,046
Cash and Cash Equivalents, Beginning of Year	<u>1,018,190</u>	<u>1,533,527</u>	<u>962,624</u>	<u>10,856</u>	<u>3,525,197</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,027,885</u></u>	<u><u>\$ 1,483,667</u></u>	<u><u>\$ 1,005,233</u></u>	<u><u>\$ 38,458</u></u>	<u><u>\$ 3,555,243</u></u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:					
Net Operating Income	\$ 257,233	\$ 42,769	\$ 190,758	\$ 171,197	\$ 661,957
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation/amortization	45,689	162,904	96,972	-	305,565
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables/deferred charges	(1,518)	9,976	2,304	(2,703)	8,059
(Increase)/Decrease in prepaids/inventory	(18,960)	(9,993)	(5,777)	-	(34,730)
Increase/(Decrease) in accounts payable	5,149	1,824	127,424	678	135,075
Increase/(Decrease) in accrued liabilities	(959)	(1,171)	4,443	4,743	7,056
Net cash flows from operating activities	<u><u>\$ 286,634</u></u>	<u><u>\$ 206,309</u></u>	<u><u>\$ 416,124</u></u>	<u><u>\$ 173,915</u></u>	<u><u>\$ 1,082,982</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF WILLCOX, ARIZONA
Statement of Fiduciary Net Position
Court Agency Fund and Pension Trust Fund
June 30, 2013

	<u>Court Agency Fund</u>	<u>Firefighters' Relief and Pension</u>
ASSETS		
Cash and cash equivalents	\$ 1,299	\$ 234,337
Accounts receivable	<u>-</u>	<u>-</u>
Total Assets and Other Debits	<u>1,299</u>	<u>234,337</u>
LIABILITIES		
Accrued liabilities	<u>1,299</u>	<u>-</u>
Total liabilities	<u>1,299</u>	<u>-</u>
NET POSITION		
Held in trust for pension benefits and other purposes	<u><u>\$ -</u></u>	<u><u>\$ 234,337</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF WILLCOX, ARIZONA
Statement of Changes in Fiduciary Net Position
Pension Trust Fund
For the Year Ended June 30, 2013

	Firefighters' Relief and Pension
Additions:	
Contributions:	
Employer	\$ 1,112
State fire tax	4,722
Plan members	1,112
Total Contributions	6,946
Investment Income:	
Interest earnings	949
Net Investment Income (Loss)	949
Total Additions	7,895
Deductions:	
Benefits	1,599
Total Deductions	1,599
Net Increase (Decrease)	6,296
Net Position Held in Trust for Pension Benefits	
Beginning of Year	228,041
End of Year	\$ 234,337

The accompanying notes are an integral part of the financial statements.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting entity

The City of Willcox, Arizona (the City) is a municipal corporation governed by an elected seven member council which appoints the mayor and vice-mayor. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The City has one blended component unit and no discretely presented component units.

Blended component unit

The Willcox Municipal Property Corporation (MPC), which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the City in obtaining financing for various projects for the City. The MPC has been included (blended) as part of the reporting entity within the Highway User Revenue fund in this financial report. All related receivables and payables between the City and the MPC have been eliminated. Separate financial statements for this blended component unit are not prepared and thus, are not available.

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (Continued)

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. 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. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The **General Fund** is the government'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 **Highway User Revenue Fund** is used to account for the City's share of motor fuel tax revenues and lottery proceeds which are restricted for the maintaining, repairing, and upgrading of streets.

The City reports the following major proprietary funds:

The **Gas Fund** accounts for the provision of natural gas to the residents of the City.

The **Water Fund** accounts for the provision of water services to the residents of the City.

The **Sewer Fund** accounts for the provision of sewer services to the residents of the City.

The **Refuse Fund** accounts for the provision of waste disposal services to the residents of the City.

Additionally, the City reports the following fund types:

The **Magistrate Court Agency Fund** accounts for assets held in a custodial or trustee capacity for the court.

The **Pension Trust Fund** accounts for the activities of the Public Safety Employees Retirement System, which accumulates resources for pension benefit payments to qualified public safety employees.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (Continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (Continued)

The proprietary and pension trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and cash equivalents

The City's cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition for purposes of this note and the statement of cash flows.

Investments

The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's investment pool, obligations of the U.S. Government and other investments as allowed by Arizona State Statutes. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The reported value of the state treasurer's pool is the same as the fair value of the pool shares.

Inventories and Prepaid Items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories of the business type activities consist principally of materials used in the repair of the distribution, collection and treatment systems and are valued at cost using the first-in/first out method. The cost of such inventories is recorded as expense when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditure/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (Continued)

Depreciation is computed using the straight-line method over estimated useful lives of the assets as follows:

Buildings and improvements	15-30 years
Vehicles	5-7 years
Furniture and Equipment	3-10 years
Water, sewer and gas systems	20-33 years
Infrastructure – Streets	20-30 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government currently has no items which qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from only one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (Continued)

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the city manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (Continued)

Property taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid.

The County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. The County also levies various personal property taxes during the year, which are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter. A lien against real and personal property assessed attaches on the first day of January preceding the assessment and levy thereof.

Compensated Absences

The government's policy permits employees to accumulate earned but unused vacation and sick benefits, which are eligible for payment upon separation from government service. For governmental funds, amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation leave in the proprietary funds are recorded as an expense and liability of those funds as the benefits accrue to employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the gas fund, water fund, sewer fund, and refuse fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (Continued)

New Pronouncements

In April 2012, the GASB issued statement No. 65, *Items Previously Reported as Assets and Liabilities*. Beginning with fiscal year 2013, the City implemented the provisions of this statement, which establishes accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of these new Statements resulted in a restatement of beginning net position in the City's government-wide and proprietary fund financial statements (see Note 14).

NOTE 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 17.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 19.

NOTE 3. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. Budgeted amounts are as originally adopted, or as amended by the City Council. There was an amendment made to the original appropriations during the current fiscal year.

Budgetary Process: State law requires that on or before the third Monday in July of each fiscal year, the City council must adopt a tentative budget. Once this tentative budget has been adopted, the expenditures may not be increased upon final adoption, however, they may be decreased.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 3. Stewardship, Compliance and Accountability (Continued)

Actually, with the adoption of the tentative budget, the council has set its maximum “limits” for expenditure, but these limits may be reduced upon final adoption.

The expenditure limitation for the City is legally enacted through passage of an ordinance. To ensure compliance with the State imposed expenditure limitation, a separate uniform expenditure report must be filed with the State each year. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. The City complied with this law during the current fiscal year.

For management purposes, the City adopts a budget by function and activity for each individual fund. The adopted budget can be amended as long as the total budgeted expenditures of all funds does not increase. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level in the General Fund and at the individual fund level for the Special Revenue, Debt Service and Capital Projects funds.

The City Manager, subject to City Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Council approval.

Final Budget Adoption: State law specifies that on or before fourteen days prior to the day the property tax levy is adopted, the City council must adopt the final budget for the fiscal year. The date in State law for adoption of the tax levy is on or before the third Monday in August. The adopted budget then becomes the amount proposed for expenditure in the upcoming fiscal year. The adoption of the final budget may take place through a simple motion approved by the council.

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2013, if any.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 4. Deposits and Investments

A reconciliation to the government-wide statement of net position as follows:

Cash and cash equivalents	\$ 6,044,337
Restricted cash and cash equivalents	220,854
Trust and agency fund cash	235,636
Total cash and equivalents	<u>\$ 6,500,827</u>

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2013, cash on hand was \$1,100 and the carrying amount of the City's deposits was \$1,021,893. As of June 30, 2013, \$0 of the City's bank balance of \$1,178,401 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

Investment Fund

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer. The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P1" by Moody's investors or "A1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 4. Deposits and Investments (Continued)

As of June 30, 2013 the government had the following investments and maturities:

	Fair Value	Quality Rating	Weighted Average Maturity (2)
Deposits:			
Cash on hand	\$ 1,100	N/A	N/A
Cash in bank	390,809	N/A	N/A
Investments:			
State Treasurer's Investment Pool	5,597,390	(1)	2.12 years
Money market funds	511,528	N/A	N/A
Total cash and investments	\$6,500,827		

- (1) Ratings are provided where applicable to indicate associated credit risk. The City's investment in the State Treasurer's Investment Pool #700 was rated AA+ from Standard and Poor's.
- (2) Interest rate risk is estimated using the weighted average days to maturity, when applicable.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35- 323) which requires that the City's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323) which limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services. A summary of the City's investments and investment ratings is provided in the schedule above.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 5. Restricted Assets

Restricted assets at June 30, 2013 consisted of the following cash reserves:

Restricted Cash

Gas Fund - Customer Deposits	33,240
Water Fund - Debt Reserves and Customer Deposits	53,460
Sewer Fund - Debt Reserves and Customer Deposits	119,556
Refuse Fund - Customer Deposits	<u>14,598</u>
Total Restricted Cash	<u><u>220,854</u></u>

NOTE 6. Property Taxes Receivable

Property taxes receivable in the amount of \$33,720 consist of collected and undistributed taxes and uncollected property taxes as determined from the records of the County Treasurer's office. Unavailable revenue of \$29,072 represents that portion of the property taxes receivable that have not been collected within 60 days after year end. Consequently, this amount has not been included in current year revenues.

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CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 7. Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2013 was as follows:

Governmental Activities:	<u>Balance 6/30/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Balance 6/30/2013</u>
Capital assets, not being depreciated:					
Land	\$ 1,238,102	\$ -	\$ (22,570)	\$ -	\$ 1,215,532
Construction in progress	729,127	12,124	-	(729,127)	12,124
Total capital assets not being depreciated	<u>1,967,229</u>	<u>12,124</u>	<u>(22,570)</u>	<u>(729,127)</u>	<u>1,227,656</u>
Capital assets, being depreciated:					
Buildings and Improvements	5,625,583	152,961	-	270,911	6,049,455
Infrastructure	4,864,005	34,311	-	458,216	5,356,532
Furniture, Equipment, Vehicles	2,607,196	178,226	(8,710)	-	2,776,712
Total capital assets being depreciated	<u>13,096,784</u>	<u>365,498</u>	<u>(8,710)</u>	<u>729,127</u>	<u>14,182,699</u>
Less accumulated depreciation for:					
Buildings and Improvements	(1,978,324)	(172,737)	-	-	(2,151,061)
Infrastructure	(1,005,195)	(199,822)	-	-	(1,205,017)
Furniture, Equipment, Vehicles	(1,911,010)	(189,723)	8,710	-	(2,092,023)
Total accumulated depreciation	<u>(4,894,529)</u>	<u>(562,282)</u>	<u>8,710</u>	<u>-</u>	<u>(5,448,101)</u>
Total capital assets being depreciated, net	<u>8,202,255</u>	<u>(196,784)</u>	<u>-</u>	<u>729,127</u>	<u>8,734,598</u>
Governmental activities capital assets, net	<u>\$ 10,169,484</u>	<u>\$ (184,660)</u>	<u>\$ (22,570)</u>	<u>\$ -</u>	<u>\$ 9,962,254</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental Activities:	
General government	\$ 133,563
Public safety	108,485
Highways and streets	249,378
Culture and recreation	69,749
Public works	1,107
Total depreciation expense - governmental activities	<u>\$ 562,282</u>

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 7. Capital Assets (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2013 was as follows:

Business Type Activities:	<u>Balance 6/30/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassification</u>	<u>Balance 6/30/2013</u>
Capital assets, not being depreciated:					
Land	\$ 184,425	\$ -	\$ -	\$ -	\$ 184,425
Construction in progress	257,302	225,192	-	(13,947)	468,547
Total capital assets not being depreciated	<u>441,727</u>	<u>225,192</u>	<u>-</u>	<u>(13,947)</u>	<u>652,972</u>
Capital assets, being depreciated:					
Buildings and Improvements	21,800	-	-	-	21,800
System and Other Improvements	10,303,468	185,005	(40,000)	-	10,448,473
Furniture, Equipment, Vehicles	618,367	20,050	(8,933)	13,947	643,431
Total capital assets being depreciated	<u>10,943,635</u>	<u>205,055</u>	<u>(48,933)</u>	<u>13,947</u>	<u>11,113,704</u>
Less accumulated depreciation for:					
Buildings and Improvements	(21,800)	-	-	-	(21,800)
System and Other Improvements	(6,152,105)	(261,566)	40,000	-	(6,373,671)
Furniture, Equipment, Vehicles	(436,526)	(44,000)	8,933	-	(471,593)
Total accumulated depreciation	<u>(6,610,431)</u>	<u>(305,566)</u>	<u>48,933</u>	<u>-</u>	<u>(6,867,064)</u>
Total capital assets being depreciated, net	<u>4,333,204</u>	<u>(100,511)</u>	<u>-</u>	<u>13,947</u>	<u>4,246,640</u>
Business type activities capital assets, net	<u>\$ 4,774,931</u>	<u>\$ 124,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,899,612</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Business-Type Activities:	
Gas	\$ 45,689
Water	162,904
Sewer	96,972
Total depreciation expense - business-type activities	<u>\$ 305,565</u>

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 8. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2013.

	<u>Balance 6/30/2012</u>	<u>Additions/ Adjustments</u>	<u>Retirements</u>	<u>Balance 6/30/2013</u>	<u>Current Portion</u>
Governmental activities:					
General Obligation:					
Capital Leases	\$ 76,334	\$ 124,506	\$ (42,181)	\$ 158,659	\$ 56,169
Water Improvement Bonds, Project of 1974	11,000	-	(5,000)	6,000	6,000
Total General Obligation	<u>87,334</u>	<u>124,506</u>	<u>(47,181)</u>	<u>164,659</u>	<u>62,169</u>
Revenue Obligation:					
Municipal Property Corporation Excise Tax Revenue Bonds, Series 2006	2,245,000	-	(210,000)	2,035,000	220,000
GADA Revenue Bonds, Series 2003A	685,000	-	(105,000)	580,000	110,000
Series 2007	275,000	-	(10,000)	265,000	15,000
Total Revenue Obligation	<u>3,205,000</u>	<u>-</u>	<u>(325,000)</u>	<u>2,880,000</u>	<u>345,000</u>
Accrued Compensated Absences	<u>135,945</u>	<u>85,000</u>	<u>(85,907)</u>	<u>135,038</u>	<u>75,000</u>
Total Governmental Activity Long-term Liabilities	<u>\$ 3,428,279</u>	<u>\$ 209,506</u>	<u>\$ (458,088)</u>	<u>\$ 3,179,697</u>	<u>\$ 482,169</u>
Business-type Activities:					
Revenue Obligation:					
Water Revenue Bonds, USDA/RD Series 2005	\$ 862,000	\$ -	(23,000)	\$ 839,000	\$ 24,000
Sewer Revenue Bonds, Rural Utilities 2001 A	438,023	-	(25,527)	412,496	26,675
Rural Utilities Bonds 2001 B	280,852	-	(17,706)	263,146	18,280
Water Infrastructure Finance Authority Series 2010	230,371	108,814	-	339,185	-
Total Revenue Obligation	<u>1,811,246</u>	<u>108,814</u>	<u>(66,233)</u>	<u>1,853,827</u>	<u>68,955</u>
Accrued Compensated Absences	<u>11,492</u>	<u>8,500</u>	<u>(5,617)</u>	<u>14,375</u>	<u>8,500</u>
Total Business-type Activity Long-term Liabilities	<u>\$ 1,822,738</u>	<u>\$ 117,314</u>	<u>\$ (71,850)</u>	<u>\$ 1,868,202</u>	<u>\$ 77,455</u>
Total Long-term Debt	<u>\$ 5,251,017</u>	<u>\$ 326,820</u>	<u>\$ (529,938)</u>	<u>\$ 5,047,899</u>	<u>\$ 559,624</u>

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 8. Long-Term Debt (Continued)

Bonds payable consist of the following at June 30, 2013:

General Obligation:

5% Water Improvement Bonds, Project of 1974, payable in semi-annual installments of principal and interest through 2014.	\$ 6,000
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Revenue Obligation - Governmental:

Municipal Property Corporation Excise Tax Revenue Bonds, Series 2006, due in semiannual principal and interest installments, bearing interest at 3.85% to 4.625%, maturing in July 1, 2021	2,035,000
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Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2003A, due in semiannual principal and interest installments, bearing interest at 4.0% to 4.375%, maturing in August 1, 2017	580,000
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Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2007 due in semiannual principal and interest installments, bearing interest at 4.0% to 5.0%, maturing in August 1, 2027	265,000
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Revenue Obligation - Business-type:

United States Department of Agriculture 4.125% Water Revenue Bonds, Series 2005, payable in semi-annual installments of principal and interest, maturing July 1, 2035.	839,000
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United States Department of Agriculture 4.5% Sewer Revenue Bonds, Rural Utilities 2001 A Bonds, payable in semi-annual installments of principal and interest, maturing July 1, 2025.	412,496
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United States Department of Agriculture 3.25% Rural Utilities 2001 A Bonds, payable in semi-annual installments of principal and interest, maturing July 1, 2025.	263,146
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Water Infrastructure Finance Authority of Arizona, 2010 Sewer Revenue Bonds, payable in semi-annual installments of interest and a balloon payment for principal at maturity, maturing July 1, 2015. The City anticipates rolling this loan into a USDA loan to build and/or improve the current wastewater facility	339,185
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Total Bonds Payable	<u>\$ 4,739,827</u>
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CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 8. Long-Term Debt (Continued)

Debt service requirements for bonds payable are as follows:

Fiscal Period Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 351,000	\$ 126,784	\$ 68,955	\$ 65,363
2015	350,000	111,805	71,750	62,578
2016	365,000	96,691	413,803	59,681
2017	380,000	79,376	77,562	53,024
2018	400,000	62,466	80,585	49,887
2019-2023	935,000	113,755	457,312	197,484
2024-2028	105,000	12,848	332,860	105,741
2029-2033	-	-	240,000	53,418
2034-2035	-	-	111,000	6,930
Total	\$ 2,886,000	\$ 603,725	\$ 1,853,827	\$ 654,106

The City has entered into lease agreements which are considered capital leases in accordance with Generally Accepted Accounting Principles. The following is an annual schedule of future minimum lease payments with the present value of the net minimum lease payments for the fiscal years ending June 30:

Fiscal Period Ending June 30	Governmental Leases
2014	\$ 62,009
2015	27,841
2016	27,840
2017	27,222
2018	27,026
Total remaining lease payments	171,938
Less amount representing interest	(13,279)
Present value of net remaining minimum lease payments	<u>\$ 158,659</u>

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 9. Interfund Transactions and Balances

The composition of interfund receivables and payables balances as of June 30, 2013 follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 18,173	\$ -
Grants Fund	-	18,173
Total	\$ 18,173	\$ 18,173

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Residual balances outstanding between the governmental activities and the business-type activities are netted and reported in the government-wide financial statement as Internal balances.

For the fiscal year ended June 30, 2013 interfund transfers are as follows:

	Transfers In:		
	General Fund	Non major Funds	Total
Transfers Out:			
General Fund	\$ -	\$ 35,364	\$ 35,364
Gas Fund	190,731	-	190,731
Water Fund	128,264	5,500	133,764
Sewer Fund	127,361	-	127,361
Refuse Fund	122,833	-	122,833
Highway User Fund	-	1,956	1,956
Total transfers out	\$ 569,189	\$ 42,820	\$ 612,009

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 10. Retirement and Pension Plans

Arizona State Retirement System (ASRS)

Plan Description – The City contributes to a cost-sharing multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System (ASRS). The plan covers employees of the State of Arizona and participating political subdivisions and school districts. The ASRS (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the ASRS, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the City was required to contribute 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The City's contributions for the current and two previous fiscal years were equal to the required contributions and were as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Retirement</u> <u>Fund</u>	<u>Health Benefit</u> <u>Supplement Fund</u>	<u>Long-Term</u> <u>Disability Fund</u>
2011	\$ 143,006	\$ 9,364	\$ 3,968
2012	141,244	9,016	3,435
2013	160,525	10,180	3,759

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 10. Retirement and Pension Plans (Continued)

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575.

Funding Policy - For the current fiscal year, active PSPRS member employees were required by statute to contribute 7.65 percent of their annual covered salary to the PSPRS and the City was required to contribute 29.17 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 1.73 percent of covered payroll

Actuarial Methods and Assumptions – The significant actuarial methods and assumptions used for the PSPRS plan and related benefits (unless noted), and the actuarial assumptions used to establish the contribution requirements are as follows:

The PSPRS contribution requirements for the year ended June 30, 2013 were established by the June 30, 2011 actuarial valuations using the projected unit credit method. The actuarial assumptions included (a) 8.25 percent investment rate of return and (b) projected salary increases ranging from 5.0 to 8.0 percent per year. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 25 years for unfunded actuarial accrued liability and 20 years for excess.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 10. Retirement and Pension Plans (Continued)

Annual Pension/OPEB Cost – During the year ended June 30, 2013, the City’s annual pension cost of \$142,760 and the annual OPEB cost of \$7,902 was equal to the City’s required and actual contributions.

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Pension	2011	\$ 117,953	100%	-
	2012	123,419	100%	-
	2013	142,760	100%	-
Health Insurance	2011	\$ 9,690	100%	-
	2012	10,502	100%	-
	2013	7,902	100%	-

Funded Status and Funding Progress – The funded status of the plan as of June 30, 2012 (latest actuarial date available) is as follows:

Actuarial accrued liability (AAL)	\$ 3,647,195
Actuarial value of plan assets	1,951,379
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,695,816</u>
Funded ratio (actuarial value of plan assets/AAL)	53.50%
Covered payroll (active plan members)	\$ 502,238
UAAL as a percentage of covered payroll	337.7%

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plans’ assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. This historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

Firefighters’ Relief and Pension Fund

The Firefighters’ Relief and Pension Fund is a defined contribution pension plan administered by the City and a board of trustees for the City’s volunteer firefighters. There are twenty current members of the plan. Financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 10. Retirement and Pension Plans (Continued)

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. According to state statute, a volunteer firefighter who has served for 25 years or more or has reached 60 years of age and has served 20 years or more shall be eligible to receive a monthly retirement not to exceed \$150 per month, as determined by the board of trustees. Such pension, if paid, may be increased or decreased in amount, or discontinued at the discretion of the board of trustees. Pension and relief benefits may only be paid from the income of the trust fund. However, a firefighter who leaves the service without being eligible for retirement benefits is entitled to all previous deductions from his salary plus interest at a rate determined by the board of trustees. As established by state statute, in lieu of another acceptable pension plan, all volunteer firefighters must participate in the pension plan from the date they enter service.

Under the plan provisions, the volunteer firefighters voluntarily make contributions to the plan which is equally matched by the City. In addition, the State of Arizona is required by statute to contribute a portion of the annual tax received on fire insurance premiums. During the fiscal year ended June 30, 2013, the City's contributions amounted to \$1,112, and the firefighters' contributions amounted to \$1,112; and the State's contributions totaled \$4,722.

No pension provision changes occurred during the year that affected the required contributions to be made by the City or its volunteer firefighters. The Firefighters' Relief and Pension Fund held no securities of the City or other related parties during the fiscal years or as of the close of the fiscal year.

NOTE 11. Risk Management

The City is exposed to various risks of loss to torts; theft of, and damage to and destruction of assets; errors and omissions; and natural disasters. The City's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the City is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on claims made basis. The agreement provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$600,000 for general liability claims and \$100,000 for property claims for each insured event. The Arizona Municipal Risk Retention Pool is structured such that members' premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has authority to assess its members' additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations. The City is insured by AMRRP for workers compensation insurance for potential job-related accidents. There were no significant reductions in insurance coverage from the previous year and the amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2013

NOTE 12. Closure and Postclosure Care Costs

The City contracts with Cochise County for landfill services at the County landfill site. The City's landfill site was closed in 1993 in accordance with required procedures. The City continues to monitor the site and performs annual inspections at a minimal cost; thus, there are no liabilities for landfill closure and postclosure care costs reported in the financial statements.

NOTE 13. Contingencies

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

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City does not anticipate any such amounts.

NOTE 14. Restatements and Reclassifications

As mentioned in Note 1 to the financial statements, the City implemented GASB statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this statement require that bond issuance costs be expensed in the year they are incurred. Previously bond issuance costs had been treated as an asset and amortized over the life of the related debt. In order to implement GASB statement No. 65, bond issuance costs previously reported as assets had to be removed from the financial statements. This resulted in a restatement of beginning equity in the City's Sewer Fund in the amount of \$25,004. Assets of the Sewer Fund were reduced by the same amount.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WILLCOX, ARIZONA
Schedule of Funding Progress
June 30, 2013

Public Safety Personnel Retirement System - Police

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2008 through June 30, 2012, based on actuarial valuations follows:

Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Liability (AAL)	(a)/(b) Percent Funded	(b)-(a) Unfunded AAL	[c] Annual Covered Payroll	[(b)-(a)/(c)] Unfunded AAL As a Percentage of Covered Payroll
2008	1,568,725	2,505,824	62.60%	937,099	545,678	171.7%
2009 *	1,755,045	2,779,782	63.14%	1,024,737	547,566	187.1%
2010 *	1,872,510	2,993,257	62.56%	1,120,747	545,431	205.5%
2011 *	1,948,263	3,373,450	57.75%	1,425,187	468,478	304.2%
2012 *	1,951,379	3,647,195	53.50%	1,695,816	502,238	337.7%
2013 *	**	**	**	**	**	**

Post-retirement health insurance subsidy measurements under GASB Statement No. 45

Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Actuarial Liability (AAL)	(b)-(a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	[(b)-(a)/(c)] Unfunded AAL As a Percentage of Covered Payroll
2008	-	48,594	48,594	0.0%	545,678	8.91%
2009 *	-	67,596	67,596	0.0%	547,566	12.34%
2010 *	-	78,946	78,946	0.0%	545,431	14.47%
2011 *	-	78,554	78,554	0.0%	468,478	16.77%
2012 *	-	99,500	99,500	0.0%	502,238	19.81%
2013 *	**	**	**	**	**	**

* For fiscal years prior to 2009 (which were prior to the implementation of GASB Statement Nos. 43 and 45), the pension and health insurance benefit amounts were aggregated. In fiscal year 2009, GASB Statements Nos. 43 and 45 measurements are made and reported; thus, these benefits are disaggregated and reported separately.

** Information for fiscal year 2013 is not yet available.

CITY OF WILLCOX, ARIZONA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING MAJOR FUNDS:

General Fund – Detail Budget and Actual

The **General Fund** is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds – Detail Budget and Actual

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

Highway User Revenue Fund (Streets) – This fund is used to account for the City’s share of motor fuel tax revenues and lottery proceeds which are restricted for the maintaining, repairing, and upgrading of streets.

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds.

CITY OF WILLCOX, ARIZONA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For Year Ended June 30, 2013

REVENUES:	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
Taxes:				
Property tax	\$ 72,444	\$ 72,444	\$ 69,983	\$ (2,461)
City sales tax	1,516,845	1,516,845	1,476,522	(40,323)
Room occupancy tax	160,000	160,000	145,235	(14,765)
Franchise taxes	247,137	247,137	265,269	18,132
Total Taxes	1,996,426	1,996,426	1,957,009	(39,417)
Licenses, Permits and Fees:				
Liquor licenses	3,000	3,000	1,950	(1,050)
Business licenses	5,000	5,000	6,816	1,816
Refuse hauler licenses	16,000	16,000	15,152	(848)
Dog licenses	100	100	420	320
Cemetery fees	18,000	18,000	23,580	5,580
Building permits	40,000	40,000	80,796	40,796
Total Licenses, Permits and Fees	82,100	82,100	128,714	46,614
Intergovernmental:				
State revenue sharing	384,035	384,035	385,401	1,366
Auto lieu taxes	150,000	150,000	163,730	13,730
State sales taxes	298,453	298,453	307,517	9,064
Total Intergovernmental	832,488	832,488	856,648	24,160
Charges for Services:				
Rents	23,600	23,600	7,901	(15,699)
Swimming pool fees	13,000	13,000	9,753	(3,247)
Recreation Programs	37,018	37,018	50,066	13,048
Total Charges for Services	73,618	73,618	67,720	(5,898)
Fines and Forfeitures:				
Fines & forfeitures	7,200	7,200	11,518	4,318
Total Fines and Forfeitures	7,200	7,200	11,518	4,318
Interest	20,000	20,000	7,709	(12,291)
Other Revenues:				
Miscellaneous	68,869	68,869	49,837	(19,032)
Total Other Revenues	68,869	68,869	49,837	(19,032)
TOTAL REVENUES	3,080,701	3,080,701	3,079,155	(1,546)

(continued)

CITY OF WILLCOX, ARIZONA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013 (Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
General Government:				
Mayor & Council	\$ 32,085	\$ 32,085	\$ 31,236	\$ 849
General & Administrative	361,533	361,533	310,072	51,461
Finance	334,229	334,229	304,068	30,161
Total General Government	<u>727,847</u>	<u>727,847</u>	<u>645,376</u>	<u>82,471</u>
Public Safety:				
Public Safety Administration	355,119	355,119	324,545	30,574
Communications	300,157	300,157	270,095	30,062
Police	886,237	886,237	777,352	108,885
Magistrate	198,436	198,436	185,908	12,528
Fire	82,921	82,921	62,344	20,577
Animal Control	97,356	97,356	78,028	19,328
Building Inspection	164,445	164,445	120,371	44,074
Total Public Safety	<u>2,084,671</u>	<u>2,084,671</u>	<u>1,818,643</u>	<u>266,028</u>
Culture and Recreation:				
Library	292,498	292,498	221,168	71,330
Parks & Recreation	421,734	421,734	352,550	69,184
Swimming Pool	146,005	146,005	122,543	23,462
Community Programs	187,000	202,000	117,711	84,289
Total Culture and Recreation	<u>1,047,237</u>	<u>1,062,237</u>	<u>813,972</u>	<u>248,265</u>
Public Works				
Public Works Administration	195,123	195,123	166,816	28,307
Cemetery	47,620	47,620	41,220	6,400
Central Garage	111,809	111,809	103,129	8,680
Buildings & Grounds	150,502	150,502	117,490	33,012
Total Public Works	<u>505,054</u>	<u>505,054</u>	<u>428,655</u>	<u>76,399</u>
TOTAL EXPENDITURES	<u>4,364,809</u>	<u>4,379,809</u>	<u>3,706,646</u>	<u>673,163</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,284,108)</u>	<u>(1,299,108)</u>	<u>(627,491)</u>	<u>671,617</u>
Other Financing Sources (Uses):				
Transfer from Gas fund	190,731	190,731	190,731	-
Transfer from Water fund	128,264	128,264	128,264	-
Transfer from Sewer fund	127,361	127,361	127,361	-
Transfer from Refuse fund	122,833	122,833	122,833	-
Transfer to capital project and grant funds	(258,400)	(243,400)	(35,364)	208,036
Sale of general capital assets	-	-	189,576	189,576
Total Other Financing Sources (Uses)	<u>310,789</u>	<u>325,789</u>	<u>723,401</u>	<u>397,612</u>
Net change in fund balance	(973,319)	(973,319)	95,910	1,069,229
Fund Balance, Beginning of Year	<u>1,760,556</u>	<u>1,760,556</u>	<u>1,760,556</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 787,237</u>	<u>\$ 787,237</u>	<u>\$ 1,856,466</u>	<u>\$ 1,069,229</u>

CITY OF WILLCOX, ARIZONA
Highway User Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
City sales tax	\$ 745,259	\$ 745,259	\$ 738,428	\$ (6,831)
Intergovernmental Revenue:				
Highway user revenues	239,091	239,091	238,916	(175)
Interest	1,000	1,000	1,679	679
Total Revenues	<u>985,350</u>	<u>985,350</u>	<u>979,023</u>	<u>(6,327)</u>
EXPENDITURES:				
Streets and Highways:				
Salaries & wages	217,340	217,340	157,010	60,330
Benefits	121,115	121,115	73,285	47,830
Service, supplies and other	294,535	294,535	237,750	56,785
Capital outlay	44,000	44,000	127,181	(83,181)
Debt Service:				
Principal	258,934	258,934	252,181	6,753
Interest	102,433	102,433	110,185	(7,752)
Total Expenditures	<u>1,038,357</u>	<u>1,038,357</u>	<u>957,592</u>	<u>80,765</u>
Excess of Revenues Over (Under) Expenditures	<u>(53,007)</u>	<u>(53,007)</u>	<u>21,431</u>	<u>74,438</u>
Other Financing sources / (Uses):				
Proceeds from the issuance of long-term debt	-	-	124,506	124,506
Transfers out	(10,321)	(10,321)	(1,956)	8,365
Total Other Financing Sources / (Uses)	<u>(10,321)</u>	<u>(10,321)</u>	<u>122,550</u>	<u>132,871</u>
Net change in fund balance	(63,328)	(63,328)	143,981	207,309
Fund Balance, Beginning of Year	<u>334,140</u>	<u>334,140</u>	<u>334,140</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 270,812</u>	<u>\$ 270,812</u>	<u>\$ 478,121</u>	<u>\$ 207,309</u>

**CITY OF WILLCOX, ARIZONA
NONMAJOR GOVERNMENTAL FUNDS**

COMBINING STATEMENTS AND BUDGET AND ACTUAL

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

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

The **Special Revenue Fund** is used to account for federal and state grants and other contributions that are not cost-reimbursement type grants but are restricted for specific use.

CAPITAL PROJECTS FUNDS

The **Capital Projects Fund** is used to account for various grants and other contributions and transfers that are restricted, committed or assigned for the acquisition and construction of major capital facilities and equipment other than those financed by proprietary funds and trust funds.

The **Repair and Demolition Fund** is used to account for activities related to the repairing or removing of old buildings within the City which are no longer suitable or safe for continued use.

DEBT SERVICE FUND

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for governmental debt principal and interest.

CITY OF WILLCOX, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds		Capital Project Funds			Total Non-major Funds
	Grants	Special Revenue	Capital Projects	Repair and Demolition	Debt Service	
Assets						
Cash and cash equivalents	\$ -	\$ 90,835	\$ 43,588	\$ -	\$ 161,916	\$ 296,339
Receivables:						
Property taxes	-	-	-	-	22,333	22,333
Intergovernmental	43,011	-	-	-	-	43,011
Other	-	3,681	-	-	-	3,681
Total Assets	\$ 43,011	\$ 94,516	\$ 43,588	\$ -	\$ 184,249	\$ 365,364
Liabilities						
Liabilities:						
Accounts payable	\$ 10,011	\$ 3,138	\$ -	\$ -	\$ -	\$ 13,149
Accrued Liabilities	105	-	-	-	-	105
Due to other funds	18,173	-	-	-	-	18,173
Total Liabilities	28,289	3,138	-	-	-	31,427
Deferred Inflows of Resources						
Unavailable revenue-property taxes	-	-	-	-	19,156	19,156
Total deferred inflows of resources	-	-	-	-	19,156	19,156
Fund Balances						
Restricted for:						
Debt service	-	-	-	-	165,093	165,093
Other purposes	14,722	91,378	-	-	-	106,100
Capital projects	-	-	43,588	-	-	43,588
Unreserved/Undesignated	-	-	-	-	-	-
Total Fund Balances	14,722	91,378	43,588	-	165,093	314,781
Total Liabilities, deferred inflows of resources, and fund balances	\$ 43,011	\$ 94,516	\$ 43,588	\$ -	\$ 184,249	\$ 365,364

CITY OF WILLCOX, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2013

	Special Revenue Funds		Capital Project Funds			Total Non-major Funds
	Grants	Special Revenue	Capital Projects	Repair and Demolition	Debt Service	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 151,907	\$ 151,907
Intergovernmental revenue	256,282	23,513	18,997	-	-	298,792
Interest	-	10	42	-	-	52
Other revenues	30,096	26,548	-	-	-	56,644
Total Revenues	286,378	50,071	19,039	-	151,907	507,395
EXPENDITURES						
Community Development	74,658	-	-	7,062	-	81,720
Capital Outlay	198,954	65,840	29,019	-	-	293,813
Debt Service:						
Principal	-	-	-	-	120,000	120,000
Interest	-	-	-	-	40,079	40,079
Total Expenditures	273,612	65,840	29,019	7,062	160,079	535,612
Excess of Revenues Over (Under) Expenditures	12,766	(15,769)	(9,980)	(7,062)	(8,172)	(28,217)
Other Financing Sources:						
Transfers in	1,956	18,500	9,802	7,062	5,500	42,820
Total Other Financing Sources	1,956	18,500	9,802	7,062	5,500	42,820
Net change in fund balances	14,722	2,731	(178)	-	(2,672)	14,603
Fund Balances, Beginning of Year	-	88,647	43,766	-	167,765	300,178
Fund Balances, End of Year	\$ 14,722	\$ 91,378	\$ 43,588	\$ -	\$ 165,093	\$ 314,781

CITY OF WILLCOX, ARIZONA
Grants Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 1,122,023	\$ 1,122,023	\$ 256,282	\$ (865,741)
Contributions and other	25,000	25,000	30,096	5,096
Total Revenues	<u>1,147,023</u>	<u>1,147,023</u>	<u>286,378</u>	<u>(860,645)</u>
EXPENDITURES:				
Public Safety	2,733	2,733	-	2,733
Community Development	176,000	176,000	74,658	101,342
Capital outlay	978,611	978,611	198,954	779,657
Total Expenditures	<u>1,157,344</u>	<u>1,157,344</u>	<u>273,612</u>	<u>883,732</u>
Excess of Revenues Over (Under) Expenditures	<u>(10,321)</u>	<u>(10,321)</u>	<u>12,766</u>	<u>23,087</u>
Other Financing Sources (Uses): Transfers in	<u>10,321</u>	<u>10,321</u>	<u>1,956</u>	<u>(8,365)</u>
Net change in fund balance	-	-	14,722	14,722
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,722</u>	<u>\$ 14,722</u>

CITY OF WILLCOX, ARIZONA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 33,600	\$ 33,600	\$ 23,513	\$ (10,087)
Interest	20	20	10	(10)
Contributions and other	25,950	25,950	26,548	598
Total Revenues	<u>59,570</u>	<u>59,570</u>	<u>50,071</u>	<u>(9,499)</u>
EXPENDITURES:				
Capital outlay	<u>170,730</u>	<u>185,730</u>	<u>65,840</u>	<u>119,890</u>
Total Expenditures	<u>170,730</u>	<u>185,730</u>	<u>65,840</u>	<u>119,890</u>
Excess of Revenues Over (Under) Expenditures	<u>(111,160)</u>	<u>(126,160)</u>	<u>(15,769)</u>	<u>110,391</u>
Other Financing Sources (Uses): Transfers in	<u>6,500</u>	<u>21,500</u>	<u>18,500</u>	<u>(3,000)</u>
Net change in fund balance	(104,660)	(104,660)	2,731	107,391
Fund Balance, Beginning of Year	<u>88,647</u>	<u>88,647</u>	<u>88,647</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (16,013)</u>	<u>\$ (16,013)</u>	<u>\$ 91,378</u>	<u>\$ 107,391</u>

CITY OF WILLCOX, ARIZONA
Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue	\$ -	\$ -	\$ 18,997	\$ 18,997
Interest	-	-	42	42
Total Revenues	<u>-</u>	<u>-</u>	<u>19,039</u>	<u>19,039</u>
EXPENDITURES:				
Capital outlay	<u>164,900</u>	<u>164,900</u>	<u>29,019</u>	<u>135,881</u>
Total Expenditures	<u>164,900</u>	<u>164,900</u>	<u>29,019</u>	<u>135,881</u>
Excess of Revenues Over (Under) Expenditures	<u>(164,900)</u>	<u>(164,900)</u>	<u>(9,980)</u>	<u>154,920</u>
Other Financing Sources: Transfers in	<u>121,900</u>	<u>121,900</u>	<u>9,802</u>	<u>(112,098)</u>
Net change in fund balance	(43,000)	(43,000)	(178)	42,822
Fund Balance, Beginning of Year	<u>43,766</u>	<u>43,766</u>	<u>43,766</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 766</u>	<u>\$ 766</u>	<u>\$ 43,588</u>	<u>\$ 42,822</u>

CITY OF WILLCOX, ARIZONA
Repair and Demolition Capital Projects Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES:				
Community Development	100,000	100,000	7,062	92,938
Total Expenditures	100,000	100,000	7,062	92,938
Excess of Revenues Over (Under) Expenditures	(100,000)	(100,000)	(7,062)	92,938
Other Financing Sources:				
Transfers from General Fund	100,000	100,000	7,062	(92,938)
Net change in fund balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	\$ -	\$ -	\$ -	\$ -

CITY OF WILLCOX, ARIZONA
Debt Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 157,300	\$ 157,300	\$ 151,907	\$ (5,393)
Total Revenues	<u>157,300</u>	<u>157,300</u>	<u>151,907</u>	<u>(5,393)</u>
EXPENDITURES:				
Debt Service:				
Principal	121,500	121,500	120,000	1,500
Interest	<u>41,500</u>	<u>41,500</u>	<u>40,079</u>	<u>1,421</u>
Total Expenditures	<u>163,000</u>	<u>163,000</u>	<u>160,079</u>	<u>2,921</u>
Excess of Revenues Over (Under) Expenditures	<u>(5,700)</u>	<u>(5,700)</u>	<u>(8,172)</u>	<u>(2,472)</u>
Other Financing Sources:				
Transfer in	<u>5,700</u>	<u>5,700</u>	<u>5,500</u>	<u>(200)</u>
Net change in fund balance	-	-	(2,672)	(2,672)
Fund Balance, Beginning of Year	<u>167,765</u>	<u>167,765</u>	<u>167,765</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 167,765</u></u>	<u><u>\$ 167,765</u></u>	<u><u>\$ 165,093</u></u>	<u><u>\$ (2,672)</u></u>

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

**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**

The Honorable Mayor and
City Council
City of Willcox, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Willcox, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise City of Willcox, Arizona's basic financial statements, and have issued our report thereon dated September 25, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



HintonBurdick, PLLC
St. George, Utah
September 25, 2013

MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
DEAN R. BURDICK, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA

KENNETH A. HINTON, CPA
MORRIS J. PEACOCK, CPA
PHILLIP S. PEINE, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
City Council
Willcox, Arizona

We have audited the basic financial statements of the City of Willcox, Arizona for the year ended June 30, 2013, and have issued our report thereon dated September 25, 2013. Our audit also included test work on the City of Willcox' compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the City of Willcox is responsible for the City's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The City of Willcox has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the City of Willcox pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are being administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the City's compliance with annual expenditure limitations has been issued separately with the City's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, The City of Willcox complied, in all material respects, with the requirements identified above for the year ended June 30, 2013.


HintonBurdick, PLLC
St. George, Utah
September 25, 2013

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