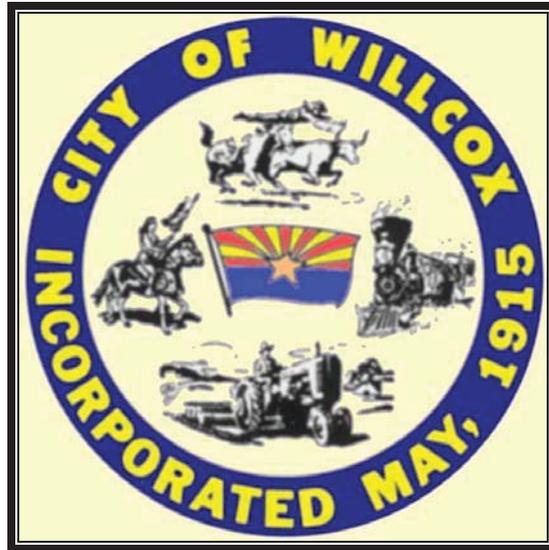


CITY OF WILLCOX, ARIZONA



FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2015
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WILLCOX, ARIZONA

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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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in footnote 13 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. 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, schedule of the proportionate share of the net pension liability, and the schedule of contributions, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 February 3, 2016, 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
February 3, 2016

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CITY OF WILLCOX, ARIZONA
Management's Discussion and Analysis
June 30, 2015

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, 2015. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- Total assets plus deferred outflows (all activities Governmental and Business type) increased by \$119,618. Total liabilities plus deferred inflows increased by \$5,281,846 which resulted in total assets plus deferred outflows in excess of total liabilities and deferred inflows (net position) decreasing by \$5,162,228 at the close of the fiscal year 2015. Total net position (equity) was \$11,217,965 at June 30, 2015.
- Depreciation expense for Governmental Activities exceeded capital outlays in the current year by \$228,254. The City incurred capital expenses to continue energy-efficiency improvements at the historic Community Center constructed in 1936; began engineering for the newly proposed sewer plant; and complete renovations and expansions at the community library.
- Total business-type revenues exceeded total business-type expenses by \$627,403 (before transfers out of \$566,831).
- Total Governmental Expenses exceeded Governmental Revenues by \$878,683 (before net transfers of \$566,831).
- The General Fund reported expenditures in excess of revenues (including transfers) of \$123,979 (decrease in General Fund Balance).
- Actual General Fund resources received were \$12,059 (.3%) less than the final Budget.
- Actual General Fund expenditures, excluding other financing uses, were \$297,369 (7%) less than the final budget.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.39 million or 35% of total General Fund fiscal year 2015 expenditures, 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 \$11.22 million as of June 30, 2015 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-type activities.

City of Willcox, Arizona Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Current and other assets	\$ 2,302,098	\$ 2,637,117	\$ 3,632,699	\$ 3,998,423	\$ 5,934,797	6,635,540
Capital assets	9,512,800	9,760,453	5,165,712	5,237,875	14,678,512	14,998,328
Total assets	11,814,898	12,397,570	8,798,411	9,236,298	20,613,309	21,633,868
Deferred outflows of resources	1,049,103	-	91,074	-	1,140,177	-
Long-term liabilities outstanding	7,083,011	2,275,525	1,863,723	1,722,200	8,946,734	3,997,725
Other liabilities	709,110	844,045	316,422	411,905	1,025,532	1,255,950
Total liabilities	7,792,121	3,119,570	2,180,145	2,134,105	9,972,266	5,253,675
Deferred inflows of resources	465,786	-	97,469	-	563,255	-
Net position:						
Invested in capital assets, net of related debt	7,326,885	7,099,412	3,791,778	3,453,005	11,118,663	10,552,417
Restricted	613,845	771,619	173,016	173,016	786,861	944,635
Unrestricted	(3,334,636)	1,406,969	2,647,077	3,476,172	(687,559)	4,883,141
Total net position	\$ 4,606,094	\$ 9,278,000	\$ 6,611,871	\$ 7,102,193	\$ 11,217,965	\$ 16,380,193

Governmental Activities

The cost of all Governmental activities this year was \$5.45 million. As shown on the statement of Changes in Net Position on the following page, \$454,063 of this cost was paid for by those who directly benefited from the programs and \$377,623 was subsidized by grants received from other governmental organizations for both capital and operating activities. General taxes and investment earnings totaled \$3.67 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.

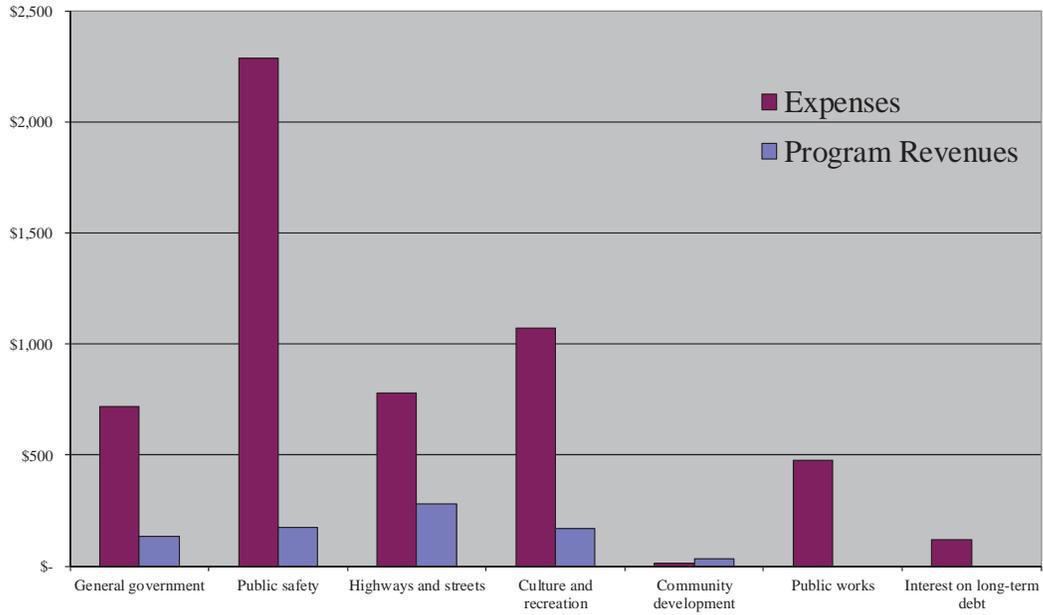
City of Willcox, Arizona
Changes in Net Position

	Governmental activities		Business-type activities		Combined Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Revenues:						
Program revenues:						
Charges for services	\$ 410,788	\$ 326,677	\$ 2,798,762	\$ 2,928,610	\$ 3,209,550	\$ 3,255,287
Operating grants and contributions	321,207	323,197	-	-	321,207	323,197
Capital grants and contributions	56,416	180,334	62,058	368,957	118,474	549,291
General revenues:						
Sales taxes	2,379,618	2,345,501	-	-	2,379,618	2,345,501
Other taxes	671,905	676,491	-	-	671,905	676,491
State revenue sharing	454,808	418,765	-	-	454,808	418,765
Assessments	139,552	75,804	-	-	139,552	75,804
Other	28,294	118,592	24,871	44,770	53,165	163,362
Total revenues	<u>4,462,588</u>	<u>4,465,361</u>	<u>2,885,691</u>	<u>3,342,337</u>	<u>7,348,279</u>	<u>7,807,698</u>
Expenses:						
General government	717,594	797,214	-	-	717,594	797,214
Public safety	2,284,516	1,882,778	-	-	2,284,516	1,882,778
Highways and streets	778,794	842,924	-	-	778,794	842,924
Culture and recreation	1,071,234	1,038,393	-	-	1,071,234	1,038,393
Community development	11,006	101,892	-	-	11,006	101,892
Public works	477,446	428,157	-	-	477,446	428,157
Interest on long-term debt	116,250	131,500	-	-	116,250	131,500
Gas	-	-	590,912	700,357	590,912	700,357
Water	-	-	595,811	599,580	595,811	599,580
Sewer	-	-	588,077	537,478	588,077	537,478
Refuse	-	-	483,488	500,361	483,488	500,361
Total expenses	<u>5,456,840</u>	<u>5,222,858</u>	<u>2,258,288</u>	<u>2,337,776</u>	<u>7,715,128</u>	<u>7,560,634</u>
(Decrease)/Increase in net assets before transfers	(994,252)	(757,497)	627,403	1,004,561	(366,849)	247,064
Transfers	566,831	575,024	(566,831)	(575,024)	-	-
Net position, beginning	9,278,000	9,460,473	7,102,193	6,672,656	16,380,193	16,133,129
Restatement adjustment	(4,244,485)	-	(550,894)	-	(4,795,379)	-
Net position, ending	<u>\$ 4,606,094</u>	<u>\$ 9,278,000</u>	<u>\$ 6,611,871</u>	<u>\$ 7,102,193</u>	<u>\$ 11,217,965</u>	<u>\$ 16,380,193</u>

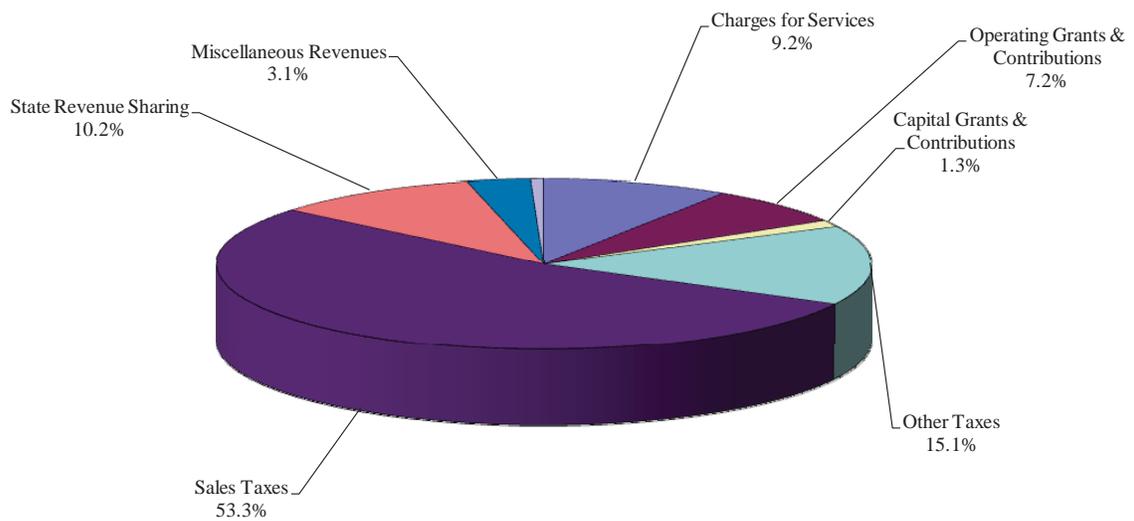
Total governmental resources available during the year to finance governmental operations were \$10.01 million, consisting of net position at July 1, 2014 of \$5.03 million (as restated), Program revenues of \$788,411, transfers of \$566,831, and general revenues of \$3.67 million. Total governmental activities expenses during the year of \$5.46 million; thus governmental net position was decreased by \$427,421 to \$4.61 million at June 30, 2015.

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)



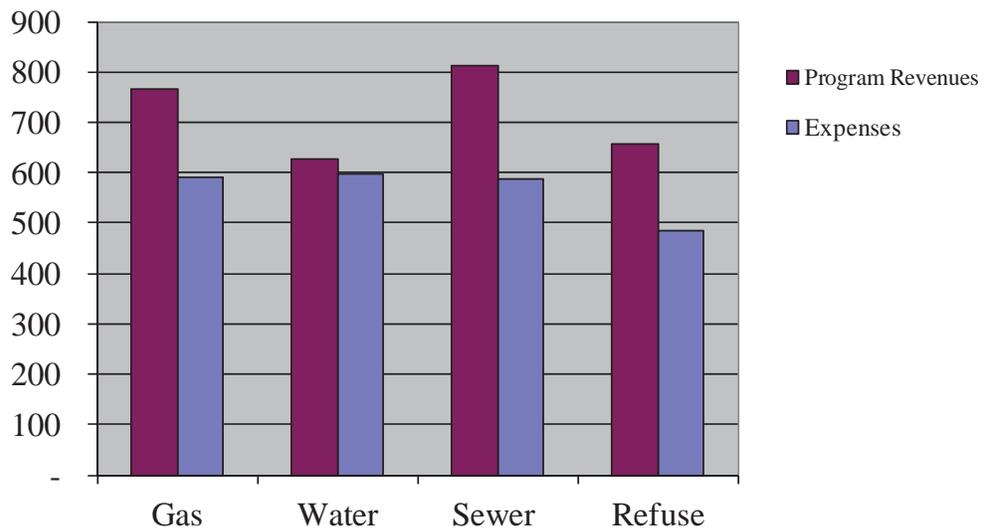
Revenue By Source - Governmental Activities



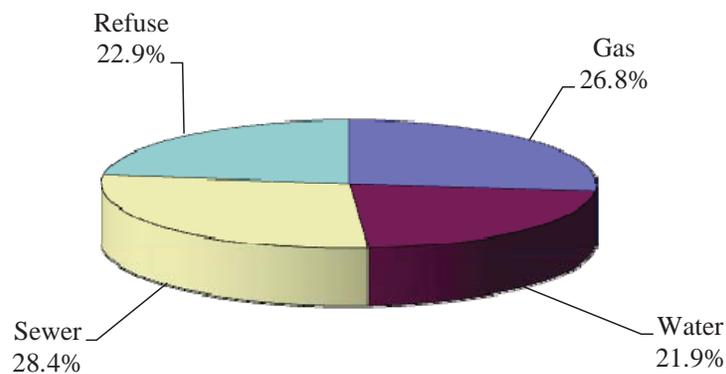
Business Type Activities

Net position of the business-type activities at June 30, 2015, as reflected in the Statement of Net Position was \$6.6 million. As shown in the statement of Changes in Net Position, the total net position at July 1, 2014 was \$6.55 million (as restated). Amounts paid by users of the system were \$2.8 million, capital grants and contributions were \$62,058 and interest earnings totaled \$24,871. The cost of providing all proprietary (business-type) activities this year was \$2.2 million. Transfers to governmental activities were \$566,831, interest expense and fiscal charges were \$59,980.

**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 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 74 and 75.

For fiscal year ended June 30, 2015, the governmental funds reflect a combined fund balance of \$2,320,270. Of this, \$583,746 is reserved because it is not available for expenditure or is legally segregated for a specific future use. The remaining \$1,387,122 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 2015 general fund revenues totaled \$3,226,111. Expenditures, before other financing sources and uses, totaled \$3,921,243. City sales tax revenues came in about 2.9% less than projections. State sales tax revenues came in \$2,043 less than State estimates. Auto lieu taxes were \$13,408 or about 8.75% more than state estimates. Overall intergovernmental income was \$369 more than anticipated in the budget. Room occupancy tax revenues of \$146,921 were about 7.5% more than projections and revenues have remained steady. Franchise fee income was \$34,914 or about 14% less than the amount budgeted.

The Highway User Revenue Fund (HURF) 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. Fiscal year 2015 city sales tax revenues in this fund totaled \$678,413, about \$8,000 less than amount budgeted. HURF revenues from the State and interest income were near projections, and overall fund revenue was \$959,106. The fund expenses totaled \$1,142,268 or about 5% more than projections. Net change in fund balance was (\$183,162). The HURF fund balance at the close of fiscal year 2015 was \$299,101.

Non-major governmental funds of the City include the Special Revenue Fund, Grants 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 Grants Special Revenue Fund accounts for the administration of federal and state grants. Grants Fund revenues totaled \$50,764, expenses totaled \$50,764 for a net change of zero and an ending fund balance of zero. The Special Revenues Fund consists of money donated to the City for specific purposes. Revenues totaled \$63,977, transfers in (matching amounts for grants) totaled \$3,300, and expenses totaled \$78,450 for a net use of funds of \$11,173 and an ending fund balance of \$70,272. The Repair and Demolition Fund had no activity for a net use of fund balance of \$-0- and an ending fund balance of \$-0-. Debt Service fund revenues totaled \$160,254, Transfers in totaled zero, and expenses totaled \$153,806 for a net source of fund balance of \$6,448 and an ending fund balance of \$170,893.

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 \$6,611,871 as of June 30, 2015. Operating revenues totaled \$2,764,474, while operating expenses totaled \$2,197,860, for operating income of \$566,614.

General Fund Budgetary Highlights

Actual revenues as shown on Page 70 were \$12,059 less than budgeted revenues. Revenues included City Sales Tax revenues of \$1,357,858 or \$40,318 less than those budgeted. Expenditures, including transfers, were less than the General Fund appropriations at year-end by \$287,791. This difference was due mainly to \$100,000 budgeted as contingency that was not needed to be spent. The budget was not amended during the year.

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 2015, net capital assets of the government activities totaled \$9.51 million, and the net capital assets of the business-type activities totaled \$5.16 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. See note 7 to the financial statements.

Obligations

At year-end, the City had \$7.5 million in governmental type obligations, and \$1.9 million in proprietary obligations. During the current fiscal year, the City's total obligations increased by \$4.8 million, mainly due to the implementation of GASB statement no. 68. See note 8 to the financial statements for detailed descriptions.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

For the 2015-2016 fiscal year city budget, the City has projected an 25.78% increase in general operating revenues and operating expenditures from the fiscal year 2014-2015 budgeted amounts. The budgeted utility fund operating revenues are about 9.3% less than actual operations for fiscal year 2014-2015. Gas operating revenues are estimated to decrease in fiscal year 2016 due to an increase of vacant homes within city limits. Water revenues are anticipated to decrease by about 1.9% in a planned use of fund balance. Sewer revenues are projected to decrease by about 2.6%, and refuse revenues are projected to decrease by about 6.8%.

There is an emphasis on infrastructure improvements which continues into 2015-2016. In fiscal year 2015-2016 new and/or improved facilities for community programs, library, parks, improvement programs, the construction of a new sewer plant and other capital grant projects are proposed in the capital expenditure program for approximately \$6,920,557 to be financed by grants and fund appropriations.

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 Crystal Hadfield, Finance Director, chadfield@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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 2,027,496	\$ 3,027,604	\$ 5,055,100
Receivables (net of allowance)	244,502	262,511	507,013
Inventory	-	169,568	169,568
Temporarily restricted assets:			
Cash and cash equivalents	-	173,016	173,016
Capital assets (net of accumulated depreciation):			
Land and improvements	1,230,981	151,578	1,382,559
Buildings and improvements	3,709,173	-	3,709,173
System and other improvements	-	3,711,072	3,711,072
Furniture, equipment and vehicles	698,672	187,607	886,279
Infrastructure	3,873,974	-	3,873,974
Construction in progress	-	1,115,455	1,115,455
Total Assets	<u>11,814,898</u>	<u>8,798,411</u>	<u>20,613,309</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	<u>1,049,103</u>	<u>91,074</u>	<u>1,140,177</u>
Liabilities			
Accounts payable and other current liabilities	268,392	173,121	441,513
Customer deposits	-	60,183	60,183
Noncurrent liabilities:			
Due within one year	440,718	83,118	523,836
Due in more than one year	<u>7,083,011</u>	<u>1,863,723</u>	<u>8,946,734</u>
Total Liabilities	<u>7,792,121</u>	<u>2,180,145</u>	<u>9,972,266</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	<u>465,786</u>	<u>97,469</u>	<u>563,255</u>
Total deferred inflows of resources	<u>465,786</u>	<u>97,469</u>	<u>563,255</u>
Net Position			
Net investment in capital assets	7,326,885	3,791,778	11,118,663
Restricted for:			
Debt service	170,893	173,016	343,909
Streets and other	369,373	-	369,373
Capital projects	43,480	-	43,480
Unrestricted	<u>(3,334,636)</u>	<u>2,647,077</u>	<u>(687,559)</u>
Total Net Position	<u>\$ 4,606,094</u>	<u>\$ 6,611,871</u>	<u>\$ 11,217,965</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, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 717,594	\$ 125,976	\$ 7,175	\$ 2	\$ (584,441)	\$ -	\$ (584,441)
Public safety	2,284,516	132,507	40,287	-	(2,111,722)	-	(2,111,722)
Highways and streets	778,794	-	266,726	12,711	(499,357)	-	(499,357)
Culture and recreation	1,071,234	152,305	7,019	8,516	(903,394)	-	(903,394)
Community development	11,006	-	-	35,187	24,181	-	24,181
Public works	477,446	-	-	-	(477,446)	-	(477,446)
Interest on long-term debt	116,250	-	-	-	(116,250)	-	(116,250)
Total governmental activities	5,456,840	410,788	321,207	56,416	(4,668,429)	-	(4,668,429)
Business-type activities:							
Gas	590,912	767,058	-	-	-	176,146	176,146
Water	595,811	627,040	-	-	-	31,229	31,229
Sewer	588,077	749,305	-	62,058	-	223,286	223,286
Refuse	483,488	655,359	-	-	-	171,871	171,871
Total business-type activities	2,258,288	2,798,762	-	62,058	-	602,532	602,532
Total primary government	\$ 7,715,128	\$ 3,209,550	\$ 321,207	\$ 118,474	(4,668,429)	602,532	(4,065,897)
General Revenues:							
Property taxes levied for general purposes					235,718	-	235,718
Sales taxes					2,379,618	-	2,379,618
Other taxes					436,187	-	436,187
State revenue sharing					454,808	-	454,808
Miscellaneous revenues					139,552	-	139,552
Unrestricted investment earnings/(loss)					28,294	24,871	53,165
Transfers					566,831	(566,831)	-
Total general revenues & transfers					4,241,008	(541,960)	3,699,048
Change in net position					(427,421)	60,572	(366,849)
Net position - beginning					9,278,000	7,102,193	16,380,193
Restatement adjustment					(4,244,485)	(550,894)	(4,795,379)
Net position - ending					\$ 4,606,094	\$ 6,611,871	\$ 11,217,965

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

CITY OF WILLCOX, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2015

	General	Highway User Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,453,777	\$ 295,234	\$ 278,485	\$ 2,027,496
Receivables:				
Property taxes	13,374	-	29,139	42,513
Other	529	-	19,327	19,856
Intergovernmental	117,329	58,704	6,100	182,133
Due from other funds	18,173	-	-	18,173
Prepays	30,099	-	-	30,099
Total Assets	<u>\$ 1,633,281</u>	<u>\$ 353,938</u>	<u>\$ 333,051</u>	<u>\$ 2,320,270</u>
Liabilities				
Accounts payable	\$ 149,009	\$ 50,996	\$ 8,526	\$ 208,531
Accrued liabilities	56,019	3,841	-	59,860
Due to other funds	-	-	18,173	18,173
Total Liabilities	<u>205,028</u>	<u>54,837</u>	<u>26,699</u>	<u>286,564</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	11,032	-	21,707	32,739
Total deferred inflows of resources	<u>11,032</u>	<u>-</u>	<u>21,707</u>	<u>32,739</u>
Fund Balances				
Nonspendable:				
Prepays	30,099	-	-	30,099
Restricted for:				
Roads and highways	-	299,101	-	299,101
Debt service	-	-	170,893	170,893
Other purposes	-	-	70,272	70,272
Capital projects	-	-	43,480	43,480
Unassigned	1,387,122	-	-	1,387,122
Total Fund Balances	<u>1,417,221</u>	<u>299,101</u>	<u>284,645</u>	<u>2,000,967</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,633,281</u>	<u>\$ 353,938</u>	<u>\$ 333,051</u>	<u>\$ 2,320,270</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, 2015

Total governmental fund balances		\$ 2,000,967
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	\$ 15,902,395	
Accumulated Depreciation	<u>(6,389,595)</u>	9,512,800
Other assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
		32,739
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$ (2,185,000)	
Capital leases	(915)	
Net pension liability	(5,208,255)	
Compensated absences	<u>(129,559)</u>	<u>(7,523,729)</u>
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows	\$ 1,049,103	
Deferred inflows	<u>(465,786)</u>	583,317
Total net position of governmental activities		<u><u>\$ 4,606,094</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, 2015

REVENUES	<u>General</u>	<u>Highway User Revenue</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Taxes	\$ 1,794,235	\$ 678,413	\$ 160,254	\$ 2,632,902
Licenses, permits and fees	157,722	-	-	157,722
Intergovernmental revenue	966,556	265,726	91,953	1,324,235
Charges for services	232,650	-	-	232,650
Fines and forfeitures	11,483	-	-	11,483
Interest	24,312	3,967	14	28,293
Other revenues	39,153	11,000	22,788	72,941
Total Revenues	<u>3,226,111</u>	<u>959,106</u>	<u>275,009</u>	<u>4,460,226</u>
EXPENDITURES				
Current:				
General Government	614,510	-	-	614,510
Public Safety	1,880,596	-	28,479	1,909,075
Community Development	-	-	8,858	8,858
Culture and Recreation	965,147	-	12,361	977,508
Streets and Highways	-	525,507	-	525,507
Public Works	460,990	-	-	460,990
Capital Outlay	-	179,191	79,516	258,707
Debt Service:				
Principal	-	349,506	125,000	474,506
Interest	-	88,064	28,806	116,870
Total Expenditures	<u>3,921,243</u>	<u>1,142,268</u>	<u>283,020</u>	<u>5,346,531</u>
Excess of Revenues Over (Under) Expenditures	<u>(695,132)</u>	<u>(183,162)</u>	<u>(8,011)</u>	<u>(886,305)</u>
Other Financing Sources (Uses):				
Sale of general capital assets	7,622	-	-	7,622
Transfers out	(3,300)	-	-	(3,300)
Transfers in	566,831	-	3,300	570,131
Total Other Financing Sources (Uses)	<u>571,153</u>	<u>-</u>	<u>3,300</u>	<u>574,453</u>
Net change in fund balances	<u>(123,979)</u>	<u>(183,162)</u>	<u>(4,711)</u>	<u>(311,852)</u>
Fund Balances, Beginning of Year	<u>1,541,200</u>	<u>482,263</u>	<u>289,356</u>	<u>2,312,819</u>
Fund Balances, End of Year	<u>\$ 1,417,221</u>	<u>\$ 299,101</u>	<u>\$ 284,645</u>	<u>\$ 2,000,967</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, 2015

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

Net change in fund balances - total governmental funds		\$ (311,852)
<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		\$ 345,390
Depreciation Expense		<u>(573,644)</u>
		(228,254)
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		2,360
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		(19,397)
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.		475,126
<p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
Pension contributions		\$ 337,702
Pension expense		<u>(718,157)</u>
		(380,455)
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>35,051</u>
Change in net position of governmental activities		<u><u>\$ (427,421)</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, 2015

Assets	Gas Fund	Water Fund	Sewer Fund	Refuse Fund	Total
Current Assets:					
Cash	\$ 944,215	\$ 1,437,628	\$ 460,942	\$ 184,819	\$ 3,027,604
Receivables (net of allowance)	54,414	79,296	73,781	55,020	262,511
Inventory	74,801	85,857	8,910	-	169,568
Restricted cash	-	53,460	119,556	-	173,016
Total Current Assets	<u>1,073,430</u>	<u>1,656,241</u>	<u>663,189</u>	<u>239,839</u>	<u>3,632,699</u>
Noncurrent Assets:					
Land and improvements	-	131,900	19,678	-	151,578
Buildings and improvements	16,000	-	5,800	-	21,800
System and other improvements	1,639,094	4,969,306	3,979,017	-	10,587,417
Machinery and equipment	131,713	155,193	152,426	-	439,332
Vehicles	86,277	121,345	91,305	-	298,927
Construction in progress	19,826	-	1,095,629	-	1,115,455
Accumulated depreciation	(1,078,446)	(3,327,070)	(3,043,281)	-	(7,448,797)
Total Noncurrent Assets	<u>814,464</u>	<u>2,050,674</u>	<u>2,300,574</u>	<u>-</u>	<u>5,165,712</u>
Total Assets	<u>1,887,894</u>	<u>3,706,915</u>	<u>2,963,763</u>	<u>239,839</u>	<u>8,798,411</u>
Deferred Outflows of Resources					
Deferred outflows related to pensions	<u>27,322</u>	<u>31,876</u>	<u>31,876</u>	<u>-</u>	<u>91,074</u>
Liabilities					
Current Liabilities:					
Accounts payable	33,006	44,269	39,216	40,786	157,277
Accrued liabilities	3,403	2,829	9,612	-	15,844
Customer deposits	34,172	5,637	-	20,374	60,183
Current portion - compensated absences	1,743	3,596	3,161	-	8,500
Current portion - long-term debt	-	26,000	48,618	-	74,618
Total Current Liabilities	<u>72,324</u>	<u>82,331</u>	<u>100,607</u>	<u>61,160</u>	<u>316,422</u>
Long-Term Debt (net of current portion):					
Revenue bonds payable	-	764,000	535,316	-	1,299,316
Net pension liability	167,214	195,083	195,083	-	557,380
Compensated absences	1,439	2,969	2,619	-	7,027
Total Long-Term Debt	<u>168,653</u>	<u>962,052</u>	<u>733,018</u>	<u>-</u>	<u>1,863,723</u>
Total Liabilities	<u>240,977</u>	<u>1,044,383</u>	<u>833,625</u>	<u>61,160</u>	<u>2,180,145</u>
Deferred Inflows of Resources					
Deferred inflows related to pensions	<u>29,241</u>	<u>34,114</u>	<u>34,114</u>	<u>-</u>	<u>97,469</u>
Net Position					
Net investment in capital assets	814,464	1,260,674	1,716,640	-	3,791,778
Restricted	-	53,460	119,556	-	173,016
Unrestricted	830,534	1,346,160	291,704	178,679	2,647,077
Total net position	<u>\$ 1,644,998</u>	<u>\$ 2,660,294</u>	<u>\$ 2,127,900</u>	<u>\$ 178,679</u>	<u>\$ 6,611,871</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, 2015

Operating Revenues:	Gas Fund	Water Fund	Sewer Fund	Refuse Fund	Total
Charges for services	\$ 714,551	\$ 610,175	\$ 738,114	\$ 650,436	\$ 2,713,276
Other revenues	30,582	10,074	5,619	4,923	51,198
Total Operating Revenues	745,133	620,249	743,733	655,359	2,764,474
Operating Expenses:					
Salaries, wages and benefits	135,015	172,925	172,452	-	480,392
Office expenses and travel	2,009	2,777	-	-	4,786
Repairs and maintenance	5,452	4,879	30,213	-	40,544
Utilities	2,269	44,587	-	-	46,856
Contract services	2,564	7,112	-	483,488	493,164
Licenses and permits	33,853	26,053	33,873	-	93,779
Miscellaneous	2,807	1,672	-	-	4,479
Gas purchases	247,836	-	-	-	247,836
Service, supplies and other	106,869	131,524	225,241	-	463,634
Depreciation/amortization	52,238	170,213	99,939	-	322,390
Total Operating Expenses	590,912	561,742	561,718	483,488	2,197,860
Operating Income	154,221	58,507	182,015	171,871	566,614
Non-operating Revenues (Expenses):					
Investment income/(loss)	6,587	11,119	7,165	-	24,871
Loss on disposal of capital assets	-	(450)	-	-	(450)
Interest expense and fiscal charges	-	(33,619)	(26,359)	-	(59,978)
Connection fees	21,925	6,791	5,572	-	34,288
Total Non-Operating Revenue (Expense)	28,512	(16,159)	(13,622)	-	(1,269)
Net Income before contributions and transfers	182,733	42,348	168,393	171,871	565,345
Capital grants	-	-	62,058	-	62,058
Transfers out	(219,456)	(117,909)	(123,432)	(106,034)	(566,831)
Net Income/(loss)	(36,723)	(75,561)	107,019	65,837	60,572
Total net position (deficit), beginning of year	1,846,989	2,928,668	2,213,694	112,842	7,102,193
Restatement adjustment	(165,268)	(192,813)	(192,813)	-	(550,894)
Total net position, end of year	\$ 1,644,998	\$ 2,660,294	\$ 2,127,900	\$ 178,679	\$ 6,611,871

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, 2015

	Gas Fund	Water Fund	Sewer Fund	Refuse Fund	Total
Cash Flows From Operating Activities:					
Cash received from customers, service fees	\$ 713,259	\$ 612,126	\$ 738,592	\$ 656,600	\$ 2,720,577
Cash received from customers, other	30,582	10,074	5,619	4,923	51,198
Cash paid to suppliers	(408,531)	(229,001)	(408,605)	(480,307)	(1,526,444)
Cash paid to employees	(132,785)	(175,822)	(166,310)	-	(474,917)
Net cash flows from operating activities	<u>202,525</u>	<u>217,377</u>	<u>169,296</u>	<u>181,216</u>	<u>770,414</u>
Cash Flows From Noncapital Financing Activities:					
Proceeds/Payments from/(to) other funds	1,601	-	66,470	-	68,071
Transfers out	(219,456)	(117,909)	(123,432)	(106,034)	(566,831)
Net cash flows from noncapital financing activities	<u>(217,855)</u>	<u>(117,909)</u>	<u>(56,962)</u>	<u>(106,034)</u>	<u>(498,760)</u>
Cash Flows From Capital and Related Financing Activities:					
Purchase of capital assets	(59,549)	(54,838)	(136,285)	-	(250,672)
Principal paid on long-term debt	-	(25,000)	(385,936)	-	(410,936)
Interest paid	-	(33,621)	(26,359)	-	(59,980)
Capital grants	-	-	62,058	-	62,058
Connection & impact fees	21,925	6,791	5,572	-	34,288
Net cash flows from capital and related financing activities	<u>(37,624)</u>	<u>(106,668)</u>	<u>(480,950)</u>	<u>-</u>	<u>(625,242)</u>
Cash Flows From Investing Activities:					
Investment income/(loss)	6,587	11,119	7,165	-	24,871
Net cash flows from investing activities	<u>6,587</u>	<u>11,119</u>	<u>7,165</u>	<u>-</u>	<u>24,871</u>
Net change in Cash and Cash Equivalents	(46,367)	3,919	(361,451)	75,182	(328,717)
Cash and Cash Equivalents, Beginning of Year	990,582	1,487,169	941,949	109,637	3,529,337
Cash and Cash Equivalents, End of Year	<u>\$ 944,215</u>	<u>\$ 1,491,088</u>	<u>\$ 580,498</u>	<u>\$ 184,819</u>	<u>\$ 3,200,620</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:					
Net Operating Income	\$ 154,221	\$ 58,507	\$ 182,015	\$ 171,871	\$ 566,614
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation/amortization	52,238	170,213	99,939	-	322,390
Pension expense	14,544	16,969	16,969	-	48,482
Employer pension contributions	(10,680)	(12,460)	(12,460)	-	(35,600)
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables/deferred charges	(1,292)	1,951	478	6,164	7,301
(Increase)/Decrease in prepaids/inventory	(3,383)	(34,368)	(613)	-	(38,364)
Increase/(Decrease) in accounts payable	(1,489)	23,971	(118,665)	(397)	(96,580)
Increase/(Decrease) in accrued liabilities	(1,634)	(7,406)	1,633	3,578	(3,829)
Net cash flows from operating activities	<u>\$ 202,525</u>	<u>\$ 217,377</u>	<u>\$ 169,296</u>	<u>\$ 181,216</u>	<u>\$ 770,414</u>
Supplemental Schedule of Non-cash Financing and Investing Activities:					
Capital asset contributions	\$ -	\$ -	\$ 62,058	\$ -	\$ 62,058

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, 2015

	Magistrate Court Agency Fund	Volunteer Firefighters' Relief and Pension
ASSETS		
Cash and cash equivalents	\$ 1,739	\$ 251,026
Accounts receivable	-	2,872
Total assets and other debits	1,739	253,898
LIABILITIES		
Accrued liabilities	1,739	-
Total liabilities	1,739	-
NET POSITION		
Held in trust for pension benefits and other purposes	\$ -	\$ 253,898

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, 2015

	<u>Volunteer Firefighters' Relief and Pension</u>
Additions:	
Contributions:	
Employer	\$ 1,381
State fire tax	4,689
Plan members	1,381
Total Contributions	<u>7,451</u>
Investment Income:	
Interest earnings	<u>2,432</u>
Net Investment Income (Loss)	<u>2,432</u>
Total Additions	<u>9,883</u>
Deductions:	
Total Deductions	<u>1,876</u>
Net Increase (Decrease)	8,007
Net Position Held in Trust for Pension Benefits	
Beginning of Year	<u>245,891</u>
End of Year	<u>\$ 253,898</u>

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

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

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, 2015

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 Volunteer Firefighters’ Pension Fund, which accumulates resources for pension benefit payments to qualified volunteer firefighters.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

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.

Further, certain activity occur 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.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

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.

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 City has one type of item that qualifies for reporting in this category. It is pension related items reported on the government-wide and proprietary fund financial statements. See footnote 10 for more information.

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 City has two types of items that qualify for reporting in this category. Pension related items reported on the government-wide and proprietary fund financial statements. See footnote 10 for more information. Another 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.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

Pensions

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

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.

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.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

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.

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.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (Continued)

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.

New pronouncements

For the year ended June 30, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. 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 13).

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

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 19.

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 21.

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.

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.

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.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 3. Stewardship, Compliance and Accountability (Continued)

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, 2015, if any.

NOTE 4. Deposits and Investments

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

Cash and cash equivalents	\$ 5,055,100
Restricted cash and cash equivalents	173,016
Trust and agency fund cash	252,765
Total cash and equivalents	<u>\$ 5,480,881</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, 2015, cash on hand was \$1,500 and the carrying amount of the City's bank deposits was \$999,465. As of June 30, 2015, \$88,490 of the City's bank balance of \$958,560 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 4. Deposits and Investments (Continued)

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.

As of June 30, 2015 the government had the following investments and maturities:

	Fair Value	Quality Rating	Weighted Average Maturity (2)
Deposits:			
Cash on hand	\$ 1,500	N/A	N/A
Cash in bank	380,067	N/A	N/A
Investments:			
State Treasurer's Investment Pool	4,598,574	(1)	2.18 years
Money market funds	500,740	N/A	N/A
Total cash and investments	\$ 5,480,881		

- (1) Ratings are provided where applicable to indicate associated credit risk. The City's investment in the State Treasurer's Investment Pool #700 and #5 was rated AA+ from Standard and Poor's.
(2) Interest rate risk is estimated using the weighted average days to maturity, when applicable.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 4. Deposits and Investments (Continued)

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.

NOTE 5. Restricted Assets

Restricted assets at June 30, 2015 consisted of the following cash reserves:

Restricted Cash

Water Fund - Debt Reserves and Customer Deposits	\$ 53,460
Sewer Fund - Debt Reserves and Customer Deposits	<u>119,556</u>
Total Restricted Cash	<u><u>\$ 173,016</u></u>

NOTE 6. Property Taxes Receivable

Property taxes receivable in the amount of \$42,513 consist of collected and undistributed taxes and uncollected property taxes as determined from the records of the County Treasurer's office. Unavailable revenue of \$32,739 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.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 7. Capital Assets

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

Governmental Activities:	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Capital assets, not being depreciated:				
Land	\$ 1,230,979	\$ 2	\$ -	\$ 1,230,981
Construction in progress	135,276	34,887	(170,163)	-
Total capital assets not being depreciated	<u>1,366,255</u>	<u>34,889</u>	<u>(170,163)</u>	<u>1,230,981</u>
Capital assets, being depreciated:				
Buildings and Improvements	6,049,455	174,363	-	6,223,818
Infrastructure	5,412,244	70,375	-	5,482,619
Furniture, Equipment, Vehicles	2,819,988	235,928	(90,939)	2,964,977
Total capital assets being depreciated	<u>14,281,687</u>	<u>480,666</u>	<u>(90,939)</u>	<u>14,671,414</u>
Less accumulated depreciation for:				
Buildings and Improvements	(2,331,400)	(183,245)	-	(2,514,645)
Infrastructure	(1,407,445)	(201,200)	-	(1,608,645)
Furniture, Equipment, Vehicles	(2,148,644)	(189,199)	71,538	(2,266,305)
Total accumulated depreciation	<u>(5,887,489)</u>	<u>(573,644)</u>	<u>71,538</u>	<u>(6,389,595)</u>
Total capital assets being depreciated, net	<u>8,394,198</u>	<u>(92,978)</u>	<u>(19,401)</u>	<u>8,281,819</u>
Governmental activities capital assets, net	<u>\$ 9,760,453</u>	<u>\$ (58,089)</u>	<u>\$ (189,564)</u>	<u>\$ 9,512,800</u>

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

Governmental Activities:	
General government	\$ 135,584
Public safety	90,266
Highways and streets	252,279
Culture and recreation	93,563
Public works	1,952
Total depreciation expense - governmental activities	<u>\$ 573,644</u>

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 7. Capital Assets (Continued)

Capital asset activity for business-type activities for the year ended June 30, 2015 was as follows:

Business Type Activities:	<u>Balance 6/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2015</u>
Capital assets, not being depreciated:				
Land	\$ 151,578	\$ -	\$ -	\$ 151,578
Construction in progress	986,526	128,929	-	1,115,455
Total capital assets not being depreciated	<u>1,138,104</u>	<u>128,929</u>	<u>-</u>	<u>1,267,033</u>
Capital assets, being depreciated:				
Buildings and Improvements	21,800	-	-	21,800
System and Other Improvements	10,543,726	73,191	(29,500)	10,587,417
Furniture, Equipment, Vehicles	719,867	48,553	(30,161)	738,259
Total capital assets being depreciated	<u>11,285,393</u>	<u>121,744</u>	<u>(59,661)</u>	<u>11,347,476</u>
Less accumulated depreciation for:				
Buildings and Improvements	(21,800)	-	-	(21,800)
System and Other Improvements	(6,638,393)	(267,004)	29,051	(6,876,346)
Furniture, Equipment, Vehicles	(525,428)	(55,386)	30,162	(550,652)
Total accumulated depreciation	<u>(7,185,621)</u>	<u>(322,390)</u>	<u>59,213</u>	<u>(7,448,797)</u>
Total capital assets being depreciated, net	<u>4,099,772</u>	<u>(200,646)</u>	<u>(448)</u>	<u>3,898,679</u>
Business type activities capital assets, net	<u>\$ 5,237,876</u>	<u>\$ (71,717)</u>	<u>\$ (448)</u>	<u>\$ 5,165,712</u>

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

Business-Type Activities:	
Gas	\$ 52,238
Water	170,213
Sewer	<u>99,939</u>
Total depreciation expense - business-type activities	<u>\$ 322,390</u>

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 8. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2015.

Governmental activities:	Balance 6/30/2014	Additions	Retirements	Balance 6/30/2015	Current Portion
General Obligation:					
Capital Leases	\$ 126,041	\$ -	\$ (125,126)	\$ 915	\$ 718
Total General Obligation	<u>126,041</u>	<u>-</u>	<u>(125,126)</u>	<u>915</u>	<u>718</u>
Revenue Obligation:					
Municipal Property Corporation Excise Tax Revenue Bonds, Series 2006	1,815,000	-	(225,000)	1,590,000	235,000
GADA Revenue Bonds, Series 2003A	455,000	-	(95,000)	360,000	115,000
Series 2007	265,000	-	(30,000)	235,000	15,000
Total Revenue Obligation	<u>2,535,000</u>	<u>-</u>	<u>(350,000)</u>	<u>2,185,000</u>	<u>365,000</u>
Other Obligations					
Net Pension Liability	4,538,435	669,820	-	5,208,255	-
Accrued Compensated Absences	164,610	85,000	(120,051)	129,559	75,000
Total Other Obligations	<u>4,703,045</u>	<u>754,820</u>	<u>(120,051)</u>	<u>5,337,814</u>	<u>75,000</u>
Total Governmental Activity Long-term Liabilities	<u>\$ 7,364,086</u>	<u>\$ 754,820</u>	<u>\$ (595,177)</u>	<u>\$ 7,523,729</u>	<u>\$ 440,718</u>
Business-type Activities:					
Revenue Obligation:					
Water Revenue Bonds, USDA/RD Series 2005	\$ 815,000	\$ -	(25,000)	\$ 790,000	\$ 26,000
Sewer Revenue Bonds, Rural Utilities 2001 A	385,820	-	(27,876)	357,944	29,130
Rural Utilities Bonds 2001 B	244,865	-	(18,875)	225,990	19,488
Water Infrastructure Finance Authority Series 2010	339,185	-	(339,185)	-	-
Total Revenue Obligation	<u>1,784,870</u>	<u>-</u>	<u>(410,936)</u>	<u>1,373,934</u>	<u>74,618</u>
Other Obligations					
Net Pension Liability	587,226	-	(29,847)	557,379	-
Accrued Compensated Absences	17,581	8,500	(10,554)	15,527	8,500
Total Other Obligations	<u>604,807</u>	<u>8,500</u>	<u>(40,401)</u>	<u>572,906</u>	<u>8,500</u>
Total Business-type Activity Long-term Liabilities	<u>\$ 2,389,677</u>	<u>\$ 8,500</u>	<u>\$ (451,337)</u>	<u>\$ 1,946,840</u>	<u>\$ 83,118</u>
Total Long-term Debt	<u>\$ 9,753,763</u>	<u>\$ 763,320</u>	<u>\$ (1,046,514)</u>	<u>\$ 9,470,569</u>	<u>\$ 523,836</u>

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 8. Long-Term Obligations (Continued)

Bonds payable consist of the following at June 30, 2015:

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	\$ 1,590,000
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	360,000
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	235,000

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.	790,000
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.	357,944
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.	<u>225,990</u>

Total Bonds Payable	<u><u>\$ 3,558,934</u></u>
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CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 8. Long-Term Obligations (Continued)

Debt service requirements for bonds payable are as follows:

Fiscal Period Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 365,000	\$ 96,691	\$ 74,618	\$ 59,681
2017	380,000	79,376	77,562	53,024
2018	400,000	62,466	80,585	49,887
2019	285,000	47,357	84,693	46,624
2020	300,000	34,323	87,886	43,193
2021-2025	390,000	40,188	494,590	159,660
2026-2030	65,000	4,735	213,000	80,890
2031-2035	-	-	261,000	33,206
Total	\$ 2,185,000	\$ 365,136	\$ 1,373,934	\$ 526,165

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
2016	\$ 816
2017	197
2018	-
Total remaining lease payments	1,013
Less amount representing interest	(98)
Present value of net remaining minimum lease payments	<u>\$ 915</u>

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 8. Long-Term Obligations (Continued)

The City is obligated under a capital lease purchase obligation to a leasing company for the purchase of road machinery with interest accruing at 2.79%. The lease term expires in June 2018.

As of June 30, 2015 depreciation of assets under capital lease obligations are included with the highways and streets expenses in the statement of activities, and the assets are included in the statement of net position as follows:

	Cost	Depreciation Expense	Accumulated Depreciation
Machinery & Equipment	\$ 363,269	\$ 51,896	\$ 259,480

NOTE 9. Interfund Transactions and Balances

The composition of interfund receivables and payables balances as of June 30, 2015 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.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 9. Interfund Transactions and Balances (Continued)

For the fiscal year ended June 30, 2015 interfund transfers are as follows:

Transfers Out:	Transfers In:	
	General Fund	Non major Funds
General Fund	\$ -	\$ 3,300
Gas Fund	219,456	-
Water Fund	117,909	-
Sewer Fund	123,432	-
Refuse Fund	106,034	-
Total transfers	\$ 566,831	\$ 3,300

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.

NOTE 10. Retirement and Pension Plans

The City contributes to the Arizona State Retirement System and Public Safety Personnel Retirement System plans described below. The plans are component units of the State of Arizona. At June 30, 2015, the City reported the following aggregate amounts related to pensions for plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Governmental Activities Total
Net pension liability	\$ 2,786,895	\$ 2,978,739	\$ 5,765,634
Deferred outflows of resources	467,468	675,129	\$ 1,142,597
Deferred inflows of resources	487,342	75,912	\$ 563,254
Pension expense	242,404	524,231	\$ 766,635

The City reported \$342,857 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Retirement and Pension Plans (Continued)

Arizona State Retirement System (ASRS)

Plan description – The City participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

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

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

* With actuarially reduced benefits.

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

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Retirement and Pension Plans (Continued)

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

The City's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2013	\$ 160,525	\$ 10,180	\$ 3,759
2014	181,666	9,981	3,992
2015	190,101	10,299	2,095

Pension liability – At June 30, 2015, the City reported a liability of \$2,786,895 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The City's proportion measured as of June 30, 2014, was 0.018835 percent, which was an increase of 0.001173 percent from its proportion measured as of June 30, 2013.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Retirement and Pension Plans (Continued)

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2015, the City recognized pension expense for ASRS of \$242,404. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 141,638	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	487,342
Changes in proportion and differences between contributions and proportional share of contributions	135,729	-
Contributions subsequent to the measurement date	190,101	-
Total	\$ 467,468	\$ 487,342

The \$190,101 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2016	\$ (1,241)
2017	(1,241)
2018	(85,657)
2019	(121,836)
2020	-
Thereafter	-

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Retirement and Pension Plans (Continued)

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

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

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

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

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	63%	7.03%	4.43%
Fixed income	25%	3.20%	0.80%
Commodities	4%	4.50%	0.18%
Real Estate	8%	4.75%	0.38%
Totals	100%		5.79%
	Inflation		3.00%
	Expected arithmetic nominal return		8.79%

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Retirement and Pension Plans (Continued)

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

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of Net pension (asset) / liability	\$ 3,522,493	\$ 2,786,895	\$ 2,387,797

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan description – The Town 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. The reports are available on the PSPRS website at www.psprs.com.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Retirement and Pension Plans (Continued)

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

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

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

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Retirement and Pension Plans (Continued)

Employees covered by benefit terms – At June 30, 2015, the following employees were covered by the agent pension plans’ benefit terms:

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	1
Active employees	8
Total	16

Contributions and annual OPEB cost – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active PSPRS members were required by statute to contribute 11.05 percent of their annual covered salary to the PSPRS and the Town was required to contribute 38.09 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 1.68 percent.

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

Pension

Contributions made	\$	185,621
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Health Insurance Premium Benefit

Annual OPEB cost	8,453
Contributions made	8,453

Pension liability – At June 30, 2015, the Town reported a net pension liability of \$2,978,739. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Retirement and Pension Plans (Continued)

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

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

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

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometrical real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	16.00%	7.60%
Non-U.S. Equity	14.00%	8.63%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	4.75%
Credit Opportunities	13.00%	8.00%
Absolute Return	4.00%	6.75%
GTAA	10.00%	5.73%
Real Assets	8.00%	5.96%
Real Estate	11.00%	6.50%
Risk Parity	4.00%	6.04%
Short Term Inv	2.00%	3.25%
Total	<u>100.00%</u>	

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Retirement and Pension Plans (Continued)

Discount Rate –A Single Discount Rate of 7.85% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 3,894,538	\$ 1,705,009	\$ 2,189,529
Changes for the year:			
Service cost	89,382	-	89,382
Interest on total pension liability	299,250	-	299,250
Changes of benefit terms*	141,884	-	141,884
Difference between expected and actual experience in the measurement of the pension liability	23,608	-	23,608
Changes of assumptions**	663,809	-	663,809
Contributions - employer	-	148,617	(148,617)
Contributions - employee	-	49,893	(49,893)
Net investment income	-	232,082	(232,082)
Benefit payments, including refunds of employee contributions	(254,246)	(254,246)	-
Other changes	-	(1,869)	1,869
Net changes	963,687	174,477	789,210
Balances at June 30, 2015	\$ 4,858,225	\$ 1,879,486	\$ 2,978,739

* Changes of benefit terms include the payout of Retro PBI and a change in the employee contribution rate

** Changes of assumptions include a decrease in the wage assumption from 4.5% to 4.0% as well as the inclusion of an assumption to explicitly value future PBI

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Retirement and Pension Plans (Continued)

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the Town's net pension liability calculated using the discount rate noted above, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.85%)	Discount Rate (7.85%)	1% Increase (8.85%)
Proportionate share of Net pension (asset) / liability	\$ 3,557,731	\$ 2,978,739	\$ 2,496,227

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2015, the Town recognized pension expense for PSPRS of \$524,231. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,811	\$ -
Changes in assumptions	472,697	-
Net difference between projected and actual earnings on pension plan investments	-	75,912
Contributions subsequent to the measurement date	185,621	-
Total	\$ 675,129	\$ 75,912

The \$185,621 reported as deferred outflows of resources related to PSPRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Retirement and Pension Plans (Continued)

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2016	\$ 178,931
2017	178,931
2018	74,712
2019	(18,978)
2020	-
Thereafter	-

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plan as the Town and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	23 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.50%

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 10. Retirement and Pension Plans (Continued)

Agent plan OPEB trend information – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years follows for each of the agent plans:

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Health Insurance	2013	\$ 7,902	100%	-
	2014	8,859	100%	-
	2015	8,453	100%	-

Agent plan OPEB funded status – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

	<u>Insurance Subsidy</u>
Actuarial accrued liability (AAL)	\$ 92,000
Actuarial value of plan assets	<u>113,525</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ (21,525)</u></u>
Funded ratio (actuarial value of plan assets/AAL)	123.40%
Covered payroll (active plan members)	\$ 439,667
UAAL as a percentage of covered payroll	0.00%

The actuarial methods and assumptions used for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	22 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

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.

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.

CITY OF WILLCOX, ARIZONA
Notes to the Financial Statements
June 30, 2015

NOTE 13. Restatement Adjustment

As mentioned in Note 1 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. This resulted in a restatement of beginning net position as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Gas Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Restatement adjustment - implementation of GASB 68:					
Net pension liability	\$ (4,538,435)	\$ (381,697)	\$ (176,168)	\$ (205,529)	\$ (205,529)
Deferred outflows - contributions made during fiscal year 2014	293,950	23,617	10,900	12,717	12,717
Total Restatement Adjustment	<u>\$ (4,244,485)</u>	<u>\$ (358,081)</u>	<u>\$ (165,268)</u>	<u>\$ (192,813)</u>	<u>\$ (192,813)</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WILLCOX, ARIZONA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2015

Arizona State Retirement System

		Reporting Fiscal Year (Measurement Date) 2015 (2014)
Proportion of the net pension liability (asset)		0.018835%
Proportionate share of the net pension liability (asset)	\$	2,786,895
Covered employee payroll	\$	1,720,605
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		161.97%
Plan fiduciary net position as a percentage of the total pension liability		69.49%

Note: The Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

CITY OF WILLCOX, ARIZONA
Schedule of changes in the Net Pension Liability and Related Ratios
June 30, 2015

Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Total pension liability	
Service cost	\$ 89,382
Interest on total pension liability	299,250
Changes of benefit terms	141,884
Difference between expected and actual experience of the total net pension liability	23,608
Changes of assumptions	663,809
Benefit payments, including refunds of employee contributions	(254,246)
Net change in total pension liability	963,687
Total pension liability - beginning	3,894,538
Total pension liability - ending (a)	\$ 4,858,225
 Plan fiduciary net position	
Contributions - employer	\$ 148,617
Contributions - employee	49,893
Net investment income	232,082
Benefit payments, including refunds of employee contributions	(254,246)
Other (net transfer)	(1,869)
Net change in plan fiduciary net position	174,477
Plan fiduciary net position - beginning	1,705,009
Plan fiduciary net position - ending (b)	\$ 1,879,486
 Net pension liability - ending (a) - (b)	\$ 2,978,739
 Plan fiduciary net position as a percentage of the total pension liability	38.69%
 Covered employee payroll	\$ 439,667
 Net pension liability as a percentage of covered- employee payroll	677.50%

Note: The Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

CITY OF WILLCOX, ARIZONA
Schedule of contributions
June 30, 2015

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date) 2015 (2014)		
Contractually required contribution	\$ 181,666		
Contributions in relation to the contractually required contribution	\$ (181,666)		
Contribution deficiency (excess)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black;">\$</td> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">-</td> </tr> </table>	\$	-
\$	-		
Covered employee payroll	\$ 1,720,605		
Contributions as a percentage of covered-employee payroll	10.56%		

Note: The Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

CITY OF WILLCOX, ARIZONA
Schedule of contributions, Continued
June 30, 2015

Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
	<hr/>
Actuarially determined contribution	\$ 148,617
Contributions in relation to the actuarially determined contribution	\$ (148,617)
Contribution deficiency (excess)	<hr/> <u>\$ -</u>
Covered-employee payroll	\$ 439,667
Contributions as a percentage of covered-employee payroll	33.80%

Note: The Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

See accompanying notes to pension plan schedules.

CITY OF WILLCOX, ARIZONA
Required Supplementary Information
Notes to the Pension Plan Schedules
June 30, 2015

NOTE 13. Actuarially Determined Contribution Rates

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

Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2013 actuarial valuation, the projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%
Wage growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females)

CITY OF WILLCOX, ARIZONA
Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

Public Safety Personnel Retirement System
Health Insurance Premium Benefit

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll
Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	[(b)-(a)] / (c)
2012	-	99,500	99,500	0.0%	502,238	19.81%
2013	-	90,193	90,193	0.0%	460,761	19.57%
2014	113,525	92,000	(21,525)	123.40%	439,667	0.00%
2015	**	**	**	**	**	**

** The June 30, 2015 information was not yet available at the time the financial statements were issued.

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

CITY OF WILLCOX, ARIZONA
Required Supplementary Information
Notes to Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

NOTE 1. Factors that Affect the Identification of Trends

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

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, 2015

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES:				
Taxes:				
Property tax	\$ 74,208	\$ 74,208	\$ 73,103	\$ (1,105)
City sales tax	1,398,176	1,398,176	1,357,858	(40,318)
Room occupancy tax	136,684	136,684	146,921	10,237
Franchise taxes	251,267	251,267	216,353	(34,914)
Total Taxes	<u>1,860,335</u>	<u>1,860,335</u>	<u>1,794,235</u>	<u>(66,100)</u>
Licenses, Permits and Fees:				
Liquor licenses	2,350	2,350	2,450	100
Business licenses	7,600	7,600	7,436	(164)
Refuse hauler licenses	15,201	15,201	17,561	2,360
Dog licenses	275	275	245	(30)
Cemetery fees	20,750	20,750	23,473	2,723
Building permits	35,000	35,000	106,557	71,557
Total Licenses, Permits and Fees	<u>81,176</u>	<u>81,176</u>	<u>157,722</u>	<u>76,546</u>
Intergovernmental:				
State revenue sharing	458,559	458,559	456,516	(2,043)
Auto lieu taxes	153,285	153,285	166,693	13,408
State sales taxes	354,343	354,343	343,347	(10,996)
Total Intergovernmental	<u>966,187</u>	<u>966,187</u>	<u>966,556</u>	<u>369</u>
Charges for Services:				
Rents	10,000	10,000	7,495	(2,505)
Swimming pool fees	11,246	11,246	11,752	506
Golf course	130,996	130,996	144,663	13,667
School resource officer	107,628	107,628	68,740	(38,888)
Total Charges for Services	<u>259,870</u>	<u>259,870</u>	<u>232,650</u>	<u>(27,220)</u>
Fines and Forfeitures:				
Fines & forfeitures	12,402	12,402	11,483	(919)
Total Fines and Forfeitures	<u>12,402</u>	<u>12,402</u>	<u>11,483</u>	<u>(919)</u>
Interest	<u>12,000</u>	<u>12,000</u>	<u>24,312</u>	<u>12,312</u>
Other Revenues:				
Miscellaneous	46,200	46,200	39,153	(7,047)
Total Other Revenues	<u>46,200</u>	<u>46,200</u>	<u>39,153</u>	<u>(7,047)</u>
TOTAL REVENUES	<u>3,238,170</u>	<u>3,238,170</u>	<u>3,226,111</u>	<u>(12,059)</u>

(continued)

CITY OF WILLCOX, ARIZONA
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For Year Ended June 30, 2015 (Continued)

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
EXPENDITURES:				
General Government:				
Mayor & Council	\$ 31,908	\$ 31,908	\$ 30,268	\$ 1,640
General & Administrative	324,881	324,881	280,258	44,623
Finance	318,868	318,868	303,984	14,884
Total General Government	<u>675,657</u>	<u>675,657</u>	<u>614,510</u>	<u>61,147</u>
Public Safety:				
Public Safety Administration	298,542	298,542	257,117	41,425
Communications	281,265	281,265	264,661	16,604
Police	850,558	850,558	860,517	(9,959)
Magistrate	190,916	190,916	190,771	145
Fire	79,092	79,092	69,380	9,712
Animal Control	95,340	95,340	94,731	609
Building Inspection	128,973	128,973	143,419	(14,446)
Total Public Safety	<u>1,924,686</u>	<u>1,924,686</u>	<u>1,880,596</u>	<u>44,090</u>
Culture and Recreation:				
Golf Course	176,755	176,755	218,586	(41,831)
Library	229,329	229,329	220,964	8,365
Parks & Recreation	370,171	370,171	310,871	59,300
Swimming Pool	134,889	134,889	110,521	24,368
Community Programs	121,342	121,342	104,205	17,137
Total Culture and Recreation	<u>1,032,486</u>	<u>1,032,486</u>	<u>965,147</u>	<u>67,339</u>
Public Works				
Public Works Administration	162,233	162,233	165,311	(3,078)
Cemetery	92,353	92,353	78,234	14,119
Central Garage	112,869	112,869	113,140	(271)
Buildings & Grounds	118,328	118,328	104,305	14,023
Total Public Works	<u>485,783</u>	<u>485,783</u>	<u>460,990</u>	<u>24,793</u>
Contingency				
Contingency	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
TOTAL EXPENDITURES	<u>4,218,612</u>	<u>4,218,612</u>	<u>3,921,243</u>	<u>297,369</u>
Excess of Revenues Over (Under) Expenditures	<u>(980,442)</u>	<u>(980,442)</u>	<u>(695,132)</u>	<u>285,310</u>
Other Financing Sources (Uses):				
Transfer from Gas fund	219,456	219,456	219,456	-
Transfer from Water fund	117,909	117,909	117,909	-
Transfer from Sewer fund	123,432	123,432	123,432	-
Transfer from Refuse fund	106,034	106,034	106,034	-
Transfer to capital project and grant funds	(4,100)	(4,100)	(3,300)	800
Sale of general capital assets	18,000	18,000	7,622	(10,378)
Total Other Financing Sources (Uses)	<u>580,731</u>	<u>580,731</u>	<u>571,153</u>	<u>(9,578)</u>
Net change in fund balance	(399,711)	(399,711)	(123,979)	275,732
Fund Balance, Beginning of Year	<u>1,541,200</u>	<u>1,541,200</u>	<u>1,541,200</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,141,489</u>	<u>\$ 1,141,489</u>	<u>\$ 1,417,221</u>	<u>\$ 275,732</u>

CITY OF WILLCOX, ARIZONA
Highway User Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
For Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
City sales tax	\$ 686,628	\$ 686,628	\$ 678,413	\$ (8,215)
Intergovernmental Revenue:				
Highway user revenues	252,422	252,422	265,726	13,304
Interest	3,500	3,500	3,967	467
Other revenues	255,686	255,686	11,000	(244,686)
Total Revenues	<u>1,198,236</u>	<u>1,198,236</u>	<u>959,106</u>	<u>(239,130)</u>
EXPENDITURES:				
Streets and Highways:				
Salaries & wages	165,799	165,799	163,708	2,091
Benefits	112,667	112,667	105,053	7,614
Service, supplies and other	319,300	319,300	256,746	62,554
Capital outlay	164,000	164,000	179,191	(15,191)
Debt Service:				
Principal	349,506	349,506	349,506	-
Interest	86,964	86,964	88,064	(1,100)
Total Expenditures	<u>1,198,236</u>	<u>1,198,236</u>	<u>1,142,268</u>	<u>55,968</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(183,162)</u>	<u>(183,162)</u>
Other Financing sources / (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources / (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	(183,162)	(183,162)
Fund Balance, Beginning of Year	<u>482,263</u>	<u>482,263</u>	<u>482,263</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 482,263</u>	<u>\$ 482,263</u>	<u>\$ 299,101</u>	<u>\$ (183,162)</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, 2015

	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	\$ 17,966	\$ 53,578	\$ 43,480	\$ -	\$ 163,461	\$ 278,485
Receivables:						
Property taxes	-	-	-	-	29,139	29,139
Intergovernmental	6,100	-	-	-	-	6,100
Other	-	19,327	-	-	-	19,327
Total Assets	<u>\$ 24,066</u>	<u>\$ 72,905</u>	<u>\$ 43,480</u>	<u>\$ -</u>	<u>\$ 192,600</u>	<u>\$ 333,051</u>
Liabilities						
Liabilities:						
Accounts payable	\$ 5,893	\$ 2,633	\$ -	\$ -	\$ -	\$ 8,526
Due to other funds	18,173	-	-	-	-	18,173
Total Liabilities	<u>24,066</u>	<u>2,633</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,699</u>
Deferred Inflows of Resources						
Unavailable revenue-property taxes	-	-	-	-	21,707	21,707
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,707</u>	<u>21,707</u>
Fund Balances						
Restricted for:						
Debt service	-	-	-	-	170,893	170,893
Other purposes	-	70,272	-	-	-	70,272
Capital projects	-	-	43,480	-	-	43,480
Unreserved/Undesignated	-	-	-	-	-	-
Total Fund Balances (deficits)	<u>-</u>	<u>70,272</u>	<u>43,480</u>	<u>-</u>	<u>170,893</u>	<u>284,645</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 24,066</u>	<u>\$ 72,905</u>	<u>\$ 43,480</u>	<u>\$ -</u>	<u>\$ 192,600</u>	<u>\$ 333,051</u>

CITY OF WILLCOX, ARIZONA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

REVENUES	Special Revenue Funds		Capital Project Funds			Total Non-major Funds
	Grants	Special Revenue	Capital Projects	Repair and Demolition	Debt Service	
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 160,254	\$ 160,254
Intergovernmental revenue	50,764	41,189	-	-	-	91,953
Interest	-	-	14	-	-	14
Other revenues	-	22,788	-	-	-	22,788
Total Revenues	50,764	63,977	14	-	160,254	275,009
EXPENDITURES						
Current:						
Public Safety	-	28,479	-	-	-	28,479
Community Development	8,858	-	-	-	-	8,858
Culture and Recreation	-	12,361	-	-	-	12,361
Capital Outlay	41,906	37,610	-	-	-	79,516
Debt Service:						
Principal	-	-	-	-	125,000	125,000
Interest	-	-	-	-	28,806	28,806
Total Expenditures	50,764	78,450	-	-	153,806	283,020
Excess of Revenues Over (Under) Expenditures	-	(14,473)	14	-	6,448	(8,011)
Other Financing Sources:						
Transfers in	-	3,300	-	-	-	3,300
Total Other Financing Sources	-	3,300	-	-	-	3,300
Net change in fund balances	-	(11,173)	14	-	6,448	(4,711)
Fund Balances, Beginning of Year	-	81,445	43,466	-	164,445	289,356
Fund Balances, End of Year	\$ -	\$ 70,272	\$ 43,480	\$ -	\$ 170,893	\$ 284,645

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 805,110	\$ 805,110	\$ 50,764	\$ (754,346)
Total Revenues	<u>805,110</u>	<u>805,110</u>	<u>50,764</u>	<u>(754,346)</u>
EXPENDITURES:				
Public Safety	-	-	-	-
Community Development	7,196	7,196	8,858	(1,662)
Capital outlay	<u>813,613</u>	<u>813,613</u>	<u>41,906</u>	<u>771,707</u>
Total Expenditures	<u>820,809</u>	<u>820,809</u>	<u>50,764</u>	<u>770,045</u>
Excess of Revenues Over (Under) Expenditures	<u>(15,699)</u>	<u>(15,699)</u>	<u>-</u>	<u>15,699</u>
Other Financing Sources (Uses): Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(15,699)	(15,699)	-	15,699
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (deficit), End of Year	<u><u>\$ (15,699)</u></u>	<u><u>\$ (15,699)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 15,699</u></u>

CITY OF WILLCOX, ARIZONA
Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
For Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental	\$ 44,580	\$ 44,580	\$ 41,189	\$ (3,391)
Contributions and other	26,085	26,085	22,788	(3,297)
Total Revenues	<u>70,665</u>	<u>70,665</u>	<u>63,977</u>	<u>(6,688)</u>
EXPENDITURES:				
Culture and recreation	9,668	9,668	12,361	(2,693)
Public safety	44,580	44,580	28,479	16,101
Capital outlay	104,160	104,160	37,610	66,550
Total Expenditures	<u>158,408</u>	<u>158,408</u>	<u>78,450</u>	<u>82,651</u>
Excess of Revenues Over (Under) Expenditures	<u>(87,743)</u>	<u>(87,743)</u>	<u>(14,473)</u>	<u>75,963</u>
Other Financing Sources (Uses):				
Transfers in	<u>4,100</u>	<u>4,100</u>	<u>3,300</u>	<u>(800)</u>
Net change in fund balance	(83,643)	(83,643)	(11,173)	75,163
Fund Balance, Beginning of Year	<u>81,445</u>	<u>81,445</u>	<u>81,445</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (2,198)</u>	<u>\$ (2,198)</u>	<u>\$ 70,272</u>	<u>\$ 75,163</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest	\$ -	\$ -	\$ 14	\$ 14
Total Revenues	<u>-</u>	<u>-</u>	<u>14</u>	<u>14</u>
EXPENDITURES:				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>14</u>	<u>14</u>
Other Financing Sources: Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	14	14
Fund Balance, Beginning of Year	<u>43,466</u>	<u>43,466</u>	<u>43,466</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 43,466</u>	<u>\$ 43,466</u>	<u>\$ 43,480</u>	<u>\$ 14</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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
EXPENDITURES:				
Community Development	10,000	10,000	-	10,000
Total Expenditures	10,000	10,000	-	10,000
Excess of Revenues Over (Under) Expenditures	(10,000)	(10,000)	-	10,000
Other Financing Sources:				
Transfers from General Fund	10,000	10,000	-	(10,000)
Net change in fund balance	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property taxes	\$ 159,915	\$ 159,915	\$ 160,254	\$ 339
Total Revenues	<u>159,915</u>	<u>159,915</u>	<u>160,254</u>	<u>339</u>
EXPENDITURES:				
Debt Service:				
Principal	129,658	129,658	125,000	4,658
Interest	<u>30,257</u>	<u>30,257</u>	<u>28,806</u>	<u>1,451</u>
Total Expenditures	<u>159,915</u>	<u>159,915</u>	<u>153,806</u>	<u>6,109</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>6,448</u>	<u>6,448</u>
Other Financing Sources:				
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	6,448	6,448
Fund Balance, Beginning of Year	<u>164,445</u>	<u>164,445</u>	<u>164,445</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 164,445</u>	<u>\$ 164,445</u>	<u>\$ 170,893</u>	<u>\$ 6,448</u>

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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**Independent Auditors' Report on Internal Control
Over Financial Reporting and on Compliance and other
Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

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, 2015, 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 February 3, 2016.

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. We did identify certain deficiencies in internal control, described in the schedule of findings and recommendations that we consider to be significant deficiencies.

2014-001. Year-end Accounting
2014-002. Inventory

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
February 3, 2016

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, 2015, and have issued our report thereon dated February 3, 2016. 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, 2015.



HintonBurdick, PLLC
St. George, Utah
February 3, 2016

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