

**CITY OF WILLCOX, ARIZONA**



**FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2014**  
**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**

# CITY OF WILLCOX, ARIZONA

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## Independent Auditors' Report

The Honorable Mayor and  
City Council  
City of Willcox, Arizona

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Willcox, Arizona, as of and for the year ended June 30, 2014, 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, 2014, 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.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 December 5, 2014, 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  
December 5, 2014

**CITY OF WILLCOX, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2014**

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, 2014. Please read it in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- Total assets (all funds Governmental and Business type) decreased by \$33,071. Total liabilities decreased by \$280,135 which resulted in total assets in excess of total liabilities (net position) increasing by \$247,065 at the close of the fiscal year 2014. Total net position (equity) was \$16,380,193 at June 30, 2014.
- Depreciation expense for Governmental Activities exceeded capital outlays in the current year by \$206,740. The City incurred capital expenses to continue energy-efficiency improvements at the historic Community Center constructed in 1936; begin 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 \$429,537.
- Total Governmental Expenses exceeded Governmental Revenues by \$182,473.
- The General Fund reported expenditures in excess of revenues (including transfers) of \$315,266 (decrease in General Fund Balance).
- Actual General Fund resources received were \$194,529 (6%) less than the final Budget.
- Actual General Fund expenditures, excluding other financing uses, were \$446,205 (10%) less than the final budget.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.54 million or 29% of total General Fund fiscal year 2014 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 \$16.38 million as of June 30, 2014 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	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Current and other assets	\$ 2,637,117	\$ 2,858,125	\$ 3,998,423	\$ 3,946,948	\$ 6,635,540	6,805,073
Capital assets	9,760,453	9,962,254	5,237,875	4,899,612	14,998,328	14,861,866
Total assets	<u>12,397,570</u>	<u>12,820,379</u>	<u>9,236,298</u>	<u>8,846,560</u>	<u>21,633,868</u>	<u>21,666,939</u>
Long-term liabilities outstanding	2,275,525	2,697,528	1,722,200	1,790,747	3,997,725	4,488,275
Other liabilities	844,045	662,378	411,905	383,157	1,255,950	1,045,535
Total liabilities	<u>3,119,570</u>	<u>3,359,906</u>	<u>2,134,105</u>	<u>2,173,904</u>	<u>5,253,675</u>	<u>5,533,810</u>
Net assets:						
Invested in capital assets, net of related debt	7,099,412	6,917,595	3,453,005	3,036,935	10,552,417	9,954,530
Restricted	771,619	796,043	173,016	167,879	944,635	963,922
Unrestricted	1,406,969	1,746,835	3,476,172	3,467,842	4,883,141	5,214,677
Total net position	<u>\$ 9,278,000</u>	<u>\$ 9,460,473</u>	<u>\$ 7,102,193</u>	<u>\$ 6,672,656</u>	<u>\$ 16,380,193</u>	<u>\$ 16,133,129</u>

### Governmental Activities

The cost of all Governmental activities this year was \$5.2 million. As shown on the statement of Changes in Net Position on the following page, \$326,677 of this cost was paid for by those who directly benefited from the programs and \$503,531 was subsidized by grants received from other governmental organizations for both capital and operating activities. General taxes and investment earnings totaled \$3.48 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.



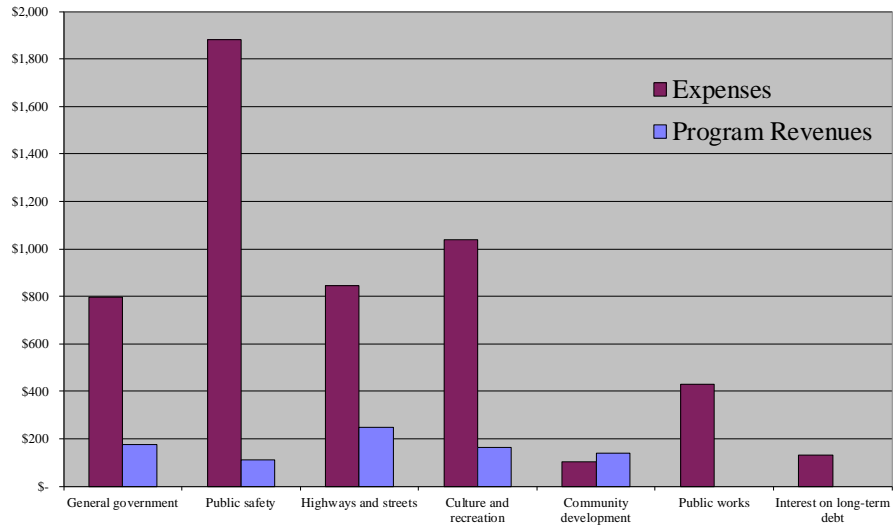
**City of Willcox, Arizona**  
**Changes in Net Position**

	Governmental activities		Business-type activities		Combined Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Revenues:						
Program revenues:						
Charges for services	\$ 326,677	\$ 316,963	\$ 2,928,610	\$ 2,839,818	\$ 3,255,287	\$ 3,156,781
Operating grants and contributions	323,197	366,920	-	-	323,197	366,920
Capital grants and contributions	180,334	218,048	368,957	9,300	549,291	227,348
General revenues:						
Sales taxes	2,345,501	2,522,467	-	-	2,345,501	2,522,467
Other taxes	676,491	727,335	-	-	676,491	727,335
State revenue sharing	418,765	383,769	-	-	418,765	383,769
Assessments	75,804	66,203	-	-	75,804	66,203
Other	118,592	159,945	44,770	(11,067)	163,362	148,878
Total revenues	<u>4,465,361</u>	<u>4,761,650</u>	<u>3,342,337</u>	<u>2,838,051</u>	<u>7,807,698</u>	<u>7,599,701</u>
Expenses:						
General government	797,214	785,377	-	-	797,214	785,377
Public safety	1,882,778	1,945,272	-	-	1,882,778	1,945,272
Highways and streets	842,924	722,092	-	-	842,924	722,092
Culture and recreation	1,038,393	891,842	-	-	1,038,393	891,842
Community development	101,892	82,536	-	-	101,892	82,536
Public works	428,157	434,039	-	-	428,157	434,039
Interest on long-term debt	131,500	149,775	-	-	131,500	149,775
Gas	-	-	700,357	571,747	700,357	571,747
Water	-	-	599,580	617,200	599,580	617,200
Sewer	-	-	537,478	558,473	537,478	558,473
Refuse	-	-	500,361	495,773	500,361	495,773
Total expenses	<u>5,222,858</u>	<u>5,010,933</u>	<u>2,337,776</u>	<u>2,243,193</u>	<u>7,560,634</u>	<u>7,254,126</u>
(Decrease)/Increase in net assets before transfers	(757,497)	(249,283)	1,004,561	594,858	247,064	345,575
Transfers	575,024	574,689	(575,024)	(574,689)	-	-
Net position, beginning	9,460,473	9,135,067	6,672,656	6,677,491	16,133,129	15,812,558
Prior period adjustment	-	-	-	(25,004)	-	(25,004)
Net position, ending	<u>\$ 9,278,000</u>	<u>\$ 9,460,473</u>	<u>\$ 7,102,193</u>	<u>\$ 6,672,656</u>	<u>\$ 16,380,193</u>	<u>\$ 16,133,129</u>

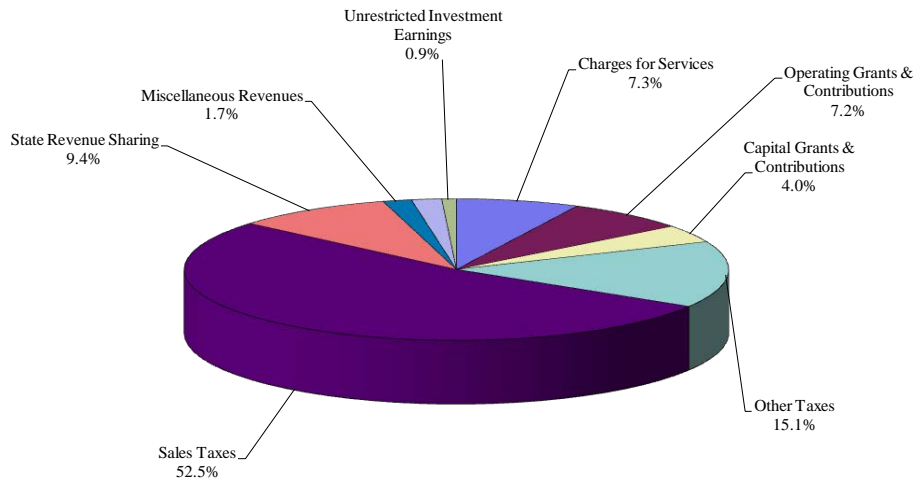
Total governmental resources available during the year to finance governmental operations were \$9.3 million, consisting of net position at July 1, 2014 of \$9.46 million, Program revenues of \$830,208, Transfers of \$575,024, and general revenues of \$3.64 million, less total governmental activities expenses during the year of \$5.2 million; thus governmental net position was decreased by \$182,473 to \$9.28 million at June 30, 2014.

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)



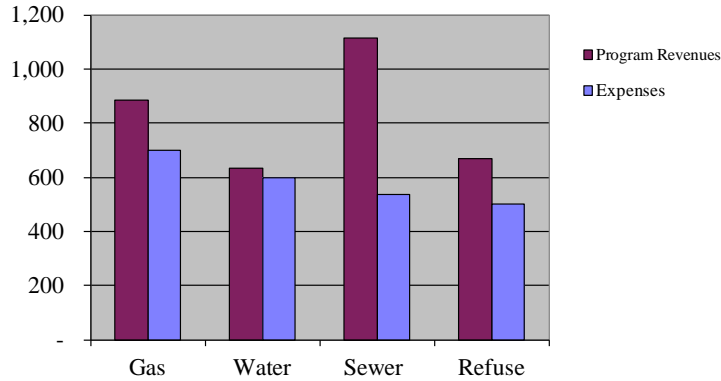
**Revenue By Source - Governmental Activities**



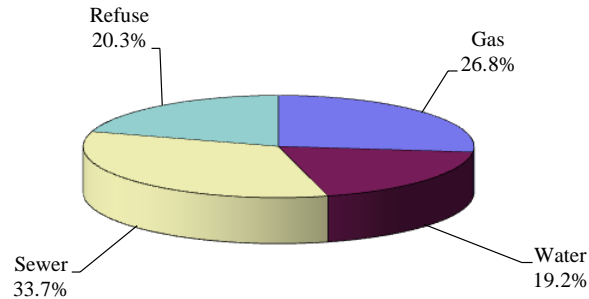
## Business Type Activities

Net position of the business-type activities at June 30, 2014, as reflected in the Statement of Net Position was \$7.1 million. As shown in the statement of Changes in Net Position, the total net position at July 1, 2014 was \$6.7 million. Amounts paid by users of the system were \$2.9 million, capital grants and contributions were \$368,957 and interest earnings totaled \$44,770. The cost of providing all proprietary (business-type) activities this year was \$2.3 million. Transfers to governmental activities were \$575,024, interest expense and fiscal charges were \$63,108.

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



**Revenue By Source - Business-type Activities**



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

### Governmental funds

The focus of the City's governmental fund financial statements (16-19) is to provide information on near-term inflows, outflows, and balances of spendable resources. All major governmental funds are discretely presented on these financial statements, while the non-major funds are combined into a single column. Combining statements for the non-major funds are reported on pages 56 and 57.

For fiscal year ended June 30, 2014, the governmental funds reflect a combined fund balance of \$2,312,819. Of this, \$771,619 is reserved because it is not available for expenditure or is legally segregated for a specific future use. The remaining \$1,541,200 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 2014 general fund revenues totaled \$3,036,763. Expenditures, before other financing sources and uses, totaled \$3,923,232. City sales tax revenues came in about 1.4% less than projections. State sales tax revenues came in \$293 greater than State estimates. Auto lieu taxes were \$9,660 or about 1% less than state estimates. Overall intergovernmental income was \$6,981 less than anticipated in the budget. Room occupancy tax revenues of \$146,470 were about 8% less than projections and revenues have remained steady. Franchise fee income was \$35,121 or about 13% 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 2014 city sales tax revenues in this fund totaled \$672,834, about \$100,002 less than amount budgeted. HURF revenues from the State and interest income were near projections, and overall fund revenue was \$927,505. The fund expenses totaled \$932,611 or about 5% less than projections. The fund transferred \$1,672 to the Grants Fund to be used for the City's match on the Fort Grant Improvement Project. Net revenues were \$4,142. The HURF fund balance at the close of fiscal year 2014 was \$482,263.

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 \$155,996, transfers in of \$1,672 were added for grant matching requirements. Expenses totaled \$172,390 for a net decrease of \$14,722 and an ending fund balance of zero. The Special Revenues Fund consists of money donated to the City for specific purposes. Revenues totaled \$59,239, transfers in (matching amounts for grants) totaled \$1,876, and expenses totaled \$71,048 for a net source of funds of \$1,876 and an ending fund balance of \$81,445. The Repair and Demolition Fund transfers in totaled \$73,725 and expenses totaled \$73,725 for a net use of fund balance of \$-0- and an ending fund balance of \$-0-. Debt Service fund revenues totaled \$158,631, transfers in totaled \$6,200, and expenses totaled \$165,479 for a net use of fund balance of \$648 and an ending fund balance of \$164,445.

### *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 \$7,102,193 as of June 30, 2014. Operating revenues totaled \$2,916,812, while operating expenses totaled \$2,241,821, for operating income of \$674,991.

### **General Fund Budgetary Highlights**

Actual revenues as shown on Page 52 were \$194,529 less than budgeted revenues. Revenues included City Sales Tax revenues of \$1,345,648 or \$216,702 less than those budgeted. Expenditures, including transfers, were less than the General Fund appropriations at year-end by \$734,979. This difference was due to conservative spending. 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 2014, net capital assets of the government activities totaled \$9.76 million, and the net capital assets of the business-type activities totaled \$5.24 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. See note 7 to the financial statements.

#### **Debt**

At year-end, the City had \$2.8 million in governmental type debt, and \$1.8 million in proprietary debt. During the current fiscal year, the City's total debt decreased by \$419,797. See note 8 to the financial statements for detailed descriptions.

### **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

For the 2014-2015 fiscal year city budget, the City has projected an 8.7% decrease in general operating revenues and operating expenditures from the fiscal year 2013-2014 budgeted amounts. The budgeted utility fund operating revenues are about 6.6% less than actual operations for fiscal year 2013-2014. Gas operating revenues are estimated to decrease in fiscal year 2015 due to an increase of vacant homes within city limits. Water revenues are anticipated to decrease by about 7.3% in a planned use of fund balance. Sewer revenues are projected to decrease by about 6.2%, and refuse revenues will remain static.

There is an emphasis on infrastructure improvements which continues into 2014-2015. In fiscal year 2014-2015 new and/or improved facilities for community programs, library, parks, improvement programs, the construction of a new sewer plant and streets are proposed in the capital expenditure program for approximately \$6,820,809 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](mailto:tsoltis@willcoxcity.org), or Crystal Hadfield, Finance Director, [chadfield@willcoxcity.org](mailto:chadfield@willcoxcity.org), City of Willcox, 101 South Railroad Avenue, Suite B, Willcox, AZ 85643. Phone: (520) 384-4271; website: [www.cityofwillcox.org](http://www.cityofwillcox.org).

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## **BASIC FINANCIAL STATEMENTS**



**CITY OF WILLCOX, ARIZONA**  
**Statement of Net Position**  
**June 30, 2014**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,470,230	\$ 3,356,321	\$ 5,826,551
Receivables (net of allowance)	166,886	337,882	504,768
Inventory	-	131,204	131,204
Temporarily restricted assets:			
Cash and cash equivalents	-	173,016	173,016
Capital assets (net of accumulated depreciation):			
Land and improvements	1,230,979	151,578	1,382,557
Buildings and improvements	3,718,055	-	3,718,055
System and other improvements	-	3,905,332	3,905,332
Furniture, equipment and vehicles	671,344	194,439	865,783
Infrastructure	4,004,799	-	4,004,799
Construction in progress	135,276	986,526	1,121,802
Total Assets	<u>12,397,570</u>	<u>9,236,298</u>	<u>21,633,868</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	293,919	275,084	569,003
Customer deposits	-	56,571	56,571
Noncurrent liabilities:			
Due within one year	550,126	80,250	630,376
Due in more than one year	2,275,525	1,722,200	3,997,725
Total Liabilities	<u>3,119,570</u>	<u>2,134,105</u>	<u>5,253,675</u>
<b>Net Position</b>			
Net investment in capital assets	7,099,412	3,453,005	10,552,417
Restricted for:			
Debt service	164,445	173,016	337,461
Streets and other	563,708	-	563,708
Capital projects	43,466	-	43,466
Unrestricted	1,406,969	3,476,172	4,883,141
Total Net Position	<u>\$ 9,278,000</u>	<u>\$ 7,102,193</u>	<u>\$ 16,380,193</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, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 797,214	\$ 139,099	\$ 1,504	\$ 32,847	\$ (623,764)	\$ -	\$ (623,764)
Public safety	1,882,778	51,122	57,833	-	(1,773,823)	-	(1,773,823)
Highways and streets	842,924	-	246,950	-	(595,974)	-	(595,974)
Culture and recreation	1,038,393	136,456	16,910	9,607	(875,420)	-	(875,420)
Community development	101,892	-	-	137,880	35,988	-	35,988
Public works	428,157	-	-	-	(428,157)	-	(428,157)
Interest on long-term debt	131,500	-	-	-	(131,500)	-	(131,500)
Total governmental activities	5,222,858	326,677	323,197	180,334	(4,392,650)	-	(4,392,650)
Business-type activities:							
Gas	700,357	883,123	-	-	-	182,766	182,766
Water	599,580	631,606	-	-	-	32,026	32,026
Sewer	537,478	743,658	-	368,957	-	575,137	575,137
Refuse	500,361	670,223	-	-	-	169,862	169,862
Total business-type activities	2,337,776	2,928,610	-	368,957	-	959,791	959,791
Total primary government	\$ 7,560,634	\$ 3,255,287	\$ 323,197	\$ 549,291	(4,392,650)	959,791	(3,432,859)
General Revenues:							
Property taxes levied for general purposes					232,127	-	232,127
Sales taxes					2,345,501	-	2,345,501
Other taxes					444,364	-	444,364
State revenue sharing					418,765	-	418,765
Miscellaneous revenues					75,804	-	75,804
Gain on sale of assets					79,880	-	79,880
Unrestricted investment earnings/(loss)					38,712	44,770	83,482
Transfers					575,024	(575,024)	-
Total general revenues & transfers					4,210,177	(530,254)	3,679,923
Change in net position					(182,473)	429,537	247,064
Net position - beginning					9,460,473	6,672,656	16,133,129
Net position - ending					\$ 9,278,000	\$ 7,102,193	\$ 16,380,193

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

**CITY OF WILLCOX, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

	General	Highway User Revenue	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,701,873	\$ 478,057	\$ 290,300	\$ 2,470,230
Receivables:				
Property taxes	13,969	-	28,392	42,361
Other	24,831	-	1,702	26,533
Intergovernmental	57,185	23,397	17,410	97,992
Due from other funds	18,173	-	-	18,173
Total Assets	<u>\$ 1,816,031</u>	<u>\$ 501,454</u>	<u>\$ 337,804</u>	<u>\$ 2,655,289</u>
<b>Liabilities</b>				
Accounts payable	\$ 191,488	\$ 15,309	\$ 10,098	\$ 216,895
Accrued liabilities	73,141	3,882	-	77,023
Due to other funds	-	-	18,173	18,173
Total Liabilities	<u>264,629</u>	<u>19,191</u>	<u>28,271</u>	<u>312,091</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	10,202	-	20,177	30,379
Total deferred inflows of resources	<u>10,202</u>	<u>-</u>	<u>20,177</u>	<u>30,379</u>
<b>Fund Balances</b>				
Restricted for:				
Roads and highways	-	482,263	-	482,263
Debt service	-	-	164,445	164,445
Other purposes	-	-	81,445	81,445
Capital projects	-	-	43,466	43,466
Unassigned	1,541,200	-	-	1,541,200
Total Fund Balances	<u>1,541,200</u>	<u>482,263</u>	<u>289,356</u>	<u>2,312,819</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,816,031</u>	<u>\$ 501,454</u>	<u>\$ 337,804</u>	<u>\$ 2,655,289</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, 2014**

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Total governmental fund balances	\$	2,312,819
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Governmental capital assets	\$	15,647,942
Accumulated Depreciation		<u>(5,887,489)</u>
		9,760,453
<p>Other assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.</p>		
		30,379
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable	\$	(2,535,000)
Capital leases		(126,041)
Compensated absences		<u>(164,610)</u>
		<u>(2,825,651)</u>
Total net position of governmental activities	\$	<u><u>9,278,000</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, 2014**

<b>REVENUES</b>	General	Highway User Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Taxes	\$ 1,797,186	\$ 672,834	\$ 158,631	\$ 2,628,651
Licenses, permits and fees	78,584	-	-	78,584
Intergovernmental revenue	910,283	246,950	207,880	1,365,113
Charges for services	168,892	-	-	168,892
Fines and forfeitures	14,238	-	-	14,238
Interest	30,964	7,721	28	38,713
Other revenues	36,616	-	19,383	55,999
Total Revenues	<u>3,036,763</u>	<u>927,505</u>	<u>385,922</u>	<u>4,350,190</u>
<b>EXPENDITURES</b>				
Current:				
General Government	667,036	-	-	667,036
Public Safety	1,791,883	-	39,857	1,831,740
Community Development	-	-	101,248	101,248
Culture and Recreation	1,040,034	-	7,764	1,047,798
Streets and Highways	-	579,391	-	579,391
Public Works	424,279	-	-	424,279
Capital Outlay	-	3,059	200,497	203,556
Debt Service:				
Principal	-	252,618	131,000	383,618
Interest	-	97,543	34,479	132,022
Total Expenditures	<u>3,923,232</u>	<u>932,611</u>	<u>514,845</u>	<u>5,370,688</u>
Excess of Revenues Over (Under) Expenditures	<u>(886,469)</u>	<u>(5,106)</u>	<u>(128,923)</u>	<u>(1,020,498)</u>
Other Financing Sources (Uses):				
Sale of general capital assets	108,925	-	-	108,925
Transfers out	(95,626)	(1,672)	-	(97,298)
Transfers in	557,904	10,920	103,498	672,322
Total Other Financing Sources (Uses)	<u>571,203</u>	<u>9,248</u>	<u>103,498</u>	<u>683,949</u>
Net change in fund balances	(315,266)	4,142	(25,425)	(336,549)
Fund Balances, Beginning of Year	<u>1,856,466</u>	<u>478,121</u>	<u>314,781</u>	<u>2,649,368</u>
Fund Balances, End of Year	<u>\$ 1,541,200</u>	<u>\$ 482,263</u>	<u>\$ 289,356</u>	<u>\$ 2,312,819</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, 2014**

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

Net change in fund balances - total governmental funds		\$ (336,549)
<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	\$ 358,060	
Depreciation Expense	<u>(564,800)</u>	(206,740)
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		1,307
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		4,941
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.		383,618
Accrued interest for long-term debt is not reported as an expenditure for the current period in the funds while it is recorded in the statement of activities.		522
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>(29,572)</u>
Change in net position of governmental activities		<u><u>\$ (182,473)</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, 2014**

<b>Assets</b>	Gas Fund	Water Fund	Sewer Fund	Refuse Fund	Total
<b>Current Assets:</b>					
Cash	\$ 990,582	\$ 1,433,709	\$ 822,393	\$ 109,637	\$ 3,356,321
Receivables (net of allowance)	53,123	81,247	74,259	61,182	269,811
Due from other governments	1,601	-	66,470	-	68,071
Inventory	71,418	51,489	8,297	-	131,204
Restricted cash	-	53,460	119,556	-	173,016
Total Current Assets	<u>1,116,724</u>	<u>1,619,905</u>	<u>1,090,975</u>	<u>170,819</u>	<u>3,998,423</u>
<b>Noncurrent Assets:</b>					
Land and improvements	-	131,900	19,678	-	151,578
Buildings and improvements	16,000	-	5,800	-	21,800
System and other improvements	1,604,560	4,960,149	3,979,017	-	10,543,726
Machinery and equipment	131,941	154,678	134,321	-	420,940
Vehicles	86,277	121,345	91,305	-	298,927
Construction in progress	-	-	986,526	-	986,526
Accumulated depreciation	(1,031,628)	(3,201,575)	(2,952,419)	-	(7,185,622)
Total Noncurrent Assets	<u>807,150</u>	<u>2,166,497</u>	<u>2,264,228</u>	<u>-</u>	<u>5,237,875</u>
<b>Total Assets</b>	<u>1,923,874</u>	<u>3,786,402</u>	<u>3,355,203</u>	<u>170,819</u>	<u>9,236,298</u>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable	34,495	20,297	157,880	41,181	253,853
Accrued liabilities	6,804	6,744	7,683	-	21,231
Customer deposits	33,750	6,025	-	16,796	56,571
Current portion - compensated absences	850	4,675	2,975	-	8,500
Current portion - long-term debt	-	25,000	46,750	-	71,750
Total Current Liabilities	<u>75,899</u>	<u>62,741</u>	<u>215,288</u>	<u>57,977</u>	<u>411,905</u>
<b>Long-Term Debt (net of current portion):</b>					
Notes payable	-	-	339,185	-	339,185
Revenue bonds payable	-	790,000	583,935	-	1,373,935
Compensated absences	986	4,993	3,101	-	9,080
Total Long-Term Debt	<u>986</u>	<u>794,993</u>	<u>926,221</u>	<u>-</u>	<u>1,722,200</u>
<b>Total Liabilities</b>	<u>76,885</u>	<u>857,734</u>	<u>1,141,509</u>	<u>57,977</u>	<u>2,134,105</u>
<b>Net Position</b>					
Net investment in capital assets	807,150	1,351,497	1,294,358	-	3,453,005
Restricted	-	53,460	119,556	-	173,016
Unrestricted	1,039,839	1,523,711	799,780	112,842	3,476,172
<b>Total net position</b>	<u>\$ 1,846,989</u>	<u>\$ 2,928,668</u>	<u>\$ 2,213,694</u>	<u>\$ 112,842</u>	<u>\$ 7,102,193</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, 2014**

<b>Operating Revenues:</b>	Gas Fund	Water Fund	Sewer Fund	Refuse Fund	Total
Charges for services	\$ 842,997	\$ 616,978	\$ 735,432	\$ 664,144	\$ 2,859,551
Other revenues	33,812	9,144	8,226	6,079	57,261
<b>Total Operating Revenues</b>	<b>876,809</b>	<b>626,122</b>	<b>743,658</b>	<b>670,223</b>	<b>2,916,812</b>
<b>Operating Expenses:</b>					
Salaries, wages and benefits	108,536	186,941	165,748	-	461,225
Office expenses and travel	2,527	1,651	-	-	4,178
Repairs and maintenance	13,622	7,108	13,675	-	34,405
Utilities	2,816	51,221	-	-	54,037
Contract services	9,263	2,471	-	500,361	512,095
Licenses and permits	40,089	27,632	33,942	-	101,663
Miscellaneous	3,562	3,091	-	-	6,653
Gas purchases	388,108	-	-	-	388,108
Service, supplies and other	54,567	118,861	193,060	-	366,488
Depreciation/amortization	49,237	165,845	97,887	-	312,969
<b>Total Operating Expenses</b>	<b>672,327</b>	<b>564,821</b>	<b>504,312</b>	<b>500,361</b>	<b>2,241,821</b>
Operating Income	204,482	61,301	239,346	169,862	674,991
<b>Non-operating Revenues (Expenses):</b>					
Investment income/(loss)	13,144	19,447	12,179	-	44,770
Loss on disposal of capital assets	(28,030)	-	(4,817)	-	(32,847)
Interest expense and fiscal charges	-	(34,759)	(28,349)	-	(63,108)
Connection and impact fees	6,314	5,484	-	-	11,798
<b>Total Non-Operating Revenue (Expense)</b>	<b>(8,572)</b>	<b>(9,828)</b>	<b>(20,987)</b>	<b>-</b>	<b>(39,387)</b>
<b>Net Income before contributions and transfers</b>	<b>195,910</b>	<b>51,473</b>	<b>218,359</b>	<b>169,862</b>	<b>635,604</b>
Capital grants	-	-	368,957	-	368,957
Transfers in	-	-	-	-	-
Transfers out	(216,000)	(122,252)	(132,408)	(104,364)	(575,024)
<b>Net Income/(loss)</b>	<b>(20,090)</b>	<b>(70,779)</b>	<b>454,908</b>	<b>65,498</b>	<b>429,537</b>
Total net position (deficit), beginning of year	1,867,079	2,999,447	1,758,786	47,344	6,672,656
<b>Total net position, end of year</b>	<b>\$ 1,846,989</b>	<b>\$ 2,928,668</b>	<b>\$ 2,213,694</b>	<b>\$ 112,842</b>	<b>\$ 7,102,193</b>

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, 2014**

	Gas Fund	Water Fund	Sewer Fund	Refuse Fund	Total
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers, service fees	\$ 835,722	\$ 614,635	\$ 732,236	\$ 666,826	\$ 2,849,419
Cash received from customers, other	33,812	9,144	8,226	6,079	57,261
Cash paid to suppliers	(513,501)	(219,306)	(221,994)	(497,363)	(1,452,164)
Cash paid to employees	(105,336)	(177,887)	(163,486)	-	(446,709)
Net cash flows from operating activities	<u>250,697</u>	<u>226,586</u>	<u>354,982</u>	<u>175,542</u>	<u>1,007,807</u>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Proceeds/Payments from/(to) other funds	(1,600)	-	(66,470)	-	(68,070)
Transfers out	(216,000)	(122,252)	(132,408)	(104,364)	(575,024)
Net cash flows from noncapital financing activities	<u>(217,600)</u>	<u>(122,252)</u>	<u>(198,878)</u>	<u>(104,364)</u>	<u>(643,094)</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Purchase of capital assets	(89,858)	(67,002)	(527,218)	-	(684,078)
Principal paid on long-term debt	-	(24,000)	(44,957)	-	(68,957)
Interest paid	-	(34,761)	(28,349)	-	(63,110)
Capital grants	-	-	368,957	-	368,957
Connection & impact fees	6,314	5,485	-	-	11,799
Net cash flows from capital and related financing activities	<u>(83,544)</u>	<u>(120,278)</u>	<u>(231,567)</u>	<u>-</u>	<u>(435,389)</u>
<b>Cash Flows From Investing Activities:</b>					
Investment income/(loss)	13,144	19,447	12,179	-	44,770
Net cash flows from investing activities	<u>13,144</u>	<u>19,447</u>	<u>12,179</u>	<u>-</u>	<u>44,770</u>
Net change in Cash and Cash Equivalents	(37,303)	3,503	(63,284)	71,178	(25,906)
Cash and Cash Equivalents, Beginning of Year	1,027,885	1,483,666	1,005,233	38,459	3,555,243
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 990,582</u>	<u>\$ 1,487,169</u>	<u>\$ 941,949</u>	<u>\$ 109,637</u>	<u>\$ 3,529,337</u>
<b>Reconciliation of Operating Income to Net Cash Flows from Operating Activities:</b>					
Net Operating Income	\$ 204,482	\$ 61,301	\$ 239,346	\$ 169,862	\$ 674,991
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation/amortization	49,237	165,845	97,887	-	312,969
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables/deferred charges	(7,275)	(2,343)	(3,196)	2,682	(10,132)
(Increase)/Decrease in prepaids/inventory	824	-	-	-	824
Increase/(Decrease) in accounts payable	229	(7,271)	18,683	800	12,441
Increase/(Decrease) in accrued liabilities	3,200	9,054	2,262	2,198	16,714
Net cash flows from operating activities	<u>\$ 250,697</u>	<u>\$ 226,586</u>	<u>\$ 354,982</u>	<u>\$ 175,542</u>	<u>\$ 1,007,807</u>
<b>Supplemental Schedule of Non-cash Financing and Investing Activities:</b>					
Capital asset contributions	\$ -	\$ -	\$ 368,957	\$ -	\$ 368,957

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, 2014**

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	<u>Magistrate Court Agency Fund</u>	<u>Volunteer Firefighters' Relief and Pension</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 945	\$ 240,521
Accounts receivable	<u>-</u>	<u>5,370</u>
Total assets and other debits	<u>945</u>	<u>245,891</u>
<b>LIABILITIES</b>		
Accrued liabilities	<u>945</u>	<u>-</u>
Total liabilities	<u>945</u>	<u>-</u>
<b>NET POSITION</b>		
Held in trust for pension benefits and other purposes	<u><u>\$ -</u></u>	<u><u>\$ 245,891</u></u>

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

**CITY OF WILLCOX, ARIZONA**  
**Statement of Changes in Fiduciary Net Position**  
**Pension Trust Fund**  
**For the Year Ended June 30, 2014**

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	<u>Volunteer Firefighters' Relief and Pension</u>
<b>Additions:</b>	
Contributions:	
Employer	\$ 1,300
State fire tax	5,370
Plan members	1,300
Total Contributions	<u>7,970</u>
Investment Income:	
Interest earnings	<u>3,584</u>
Net Investment Income (Loss)	<u>3,584</u>
Total Additions	<u>11,554</u>
<b>Deductions:</b>	
Total Deductions	<u>-</u>
Net Increase (Decrease)	11,554
Net Position Held in Trust for Pension Benefits	
Beginning of Year	<u>234,337</u>
End of Year	<u>\$ 245,891</u>

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

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies**

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**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, 2014**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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**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.

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

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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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.

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

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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

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

***Cash and cash equivalents***

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

***Investments***

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

***Inventories and Prepaid Items***

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

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

***Capital Assets***

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

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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

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

***Deferred outflows/inflows of resources***

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

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

***Net position flow assumption***

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

***Fund balance flow assumptions***

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



**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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*Fund balance policies*

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

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

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

**Revenues and expenditures/expenses**

*Program revenues*

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

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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***Property taxes***

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

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

***Compensated Absences***

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

***Proprietary funds operating and nonoperating revenues and expenses***

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

***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

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

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

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**NOTE 3. Stewardship, Compliance and Accountability**

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**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, 2014**

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**NOTE 3. Stewardship, Compliance and Accountability (Continued)**

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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, 2014, if any.

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**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 4. Deposits and Investments**

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

Cash and cash equivalents	\$ 5,826,551
Restricted cash and cash equivalents	173,016
Trust and agency fund cash	241,466
Total cash and equivalents	<u>\$ 6,241,033</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, 2014, cash on hand was \$1,430 and the carrying amount of the City's deposits was \$1,475,799. As of June 30, 2014, \$261,438 of the City's bank balance of \$1,546,438 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**

Investment Fund

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

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

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 4. Deposits and Investments (Continued)**

As of June 30, 2014 the government had the following investments and maturities:

	Fair Value	Quality Rating	Weighted Average Maturity (2)
Deposits:			
Cash on hand	\$ 1,430	N/A	N/A
Cash in bank	856,116	N/A	N/A
Investments:			
State Treasurer's Investment Pool	4,883,361	(1)	2.18 years
Money market funds	500,126	N/A	N/A
Total cash and investments	\$6,241,033		

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

**Interest rate risk**

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

**Credit risk**

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

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 5.      Restricted Assets**

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Restricted assets at June 30, 2014 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>

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**NOTE 6.      Property Taxes Receivable**

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Property taxes receivable in the amount of \$42,361 consist of collected and undistributed taxes and uncollected property taxes as determined from the records of the County Treasurer's office. Unavailable revenue of \$30,379 represents that portion of the property taxes receivable that have not been collected within 60 days after year end. Consequently, this amount has not been included in current year revenues.

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**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 7. Capital Assets**

Capital asset activity for governmental activities for the year ended June 30, 2014 was as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Interfund Transfers</b>	<b>Balance 6/30/2014</b>
Capital assets, not being depreciated:					
Land	\$ 1,215,532	\$ -	\$ (17,400)	\$ 32,847	\$ 1,230,979
Construction in progress	12,124	123,152	-	-	135,276
Total capital assets not being depreciated	<u>1,227,656</u>	<u>123,152</u>	<u>(17,400)</u>	<u>32,847</u>	<u>1,366,255</u>
Capital assets, being depreciated:					
Buildings and Improvements	6,049,455	-	-	-	6,049,455
Infrastructure	5,356,532	55,712	-	-	5,412,244
Furniture, Equipment, Vehicles	2,776,712	179,196	(125,831)	(10,089)	2,819,988
Total capital assets being depreciated	<u>14,182,699</u>	<u>234,908</u>	<u>(125,831)</u>	<u>(10,089)</u>	<u>14,281,687</u>
Less accumulated depreciation for:					
Buildings and Improvements	(2,151,061)	(180,339)	-	-	(2,331,400)
Infrastructure	(1,205,017)	(202,428)	-	-	(1,407,445)
Furniture, Equipment, Vehicles	(2,092,023)	(182,033)	115,323	10,089	(2,148,644)
Total accumulated depreciation	<u>(5,448,101)</u>	<u>(564,800)</u>	<u>115,323</u>	<u>10,089</u>	<u>(5,887,489)</u>
Total capital assets being depreciated, net	<u>8,734,598</u>	<u>(329,892)</u>	<u>(10,508)</u>	<u>-</u>	<u>8,394,198</u>
Governmental activities capital assets, net	<u>\$ 9,962,254</u>	<u>\$ (206,740)</u>	<u>\$ (27,908)</u>	<u>\$ 32,847</u>	<u>\$ 9,760,453</u>

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

<b>Governmental Activities:</b>	
General government	\$ 125,939
Public safety	97,183
Highways and streets	259,850
Culture and recreation	80,648
Public works	1,180
Total depreciation expense - governmental activities	<u>\$ 564,800</u>



**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 7. Capital Assets (Continued)**

Capital asset activity for business-type activities for the year ended June 30, 2014 was as follows:

<b>Business Type Activities:</b>	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Interfund Transfers</b>	<b>Balance 6/30/2014</b>
Capital assets, not being depreciated:					
Land	\$ 184,425	\$ -	\$ -	\$ (32,847)	\$ 151,578
Construction in progress	468,547	517,979	-	-	986,526
Total capital assets not being depreciated	<u>652,972</u>	<u>517,979</u>	<u>-</u>	<u>(32,847)</u>	<u>1,138,104</u>
Capital assets, being depreciated:					
Buildings and Improvements	21,800	-	-	-	21,800
System and Other Improvements	10,448,473	95,253	-	-	10,543,726
Furniture, Equipment, Vehicles	643,431	70,847	(4,500)	10,089	719,867
Total capital assets being depreciated	<u>11,113,704</u>	<u>166,100</u>	<u>(4,500)</u>	<u>10,089</u>	<u>11,285,393</u>
Less accumulated depreciation for:					
Buildings and Improvements	(21,800)	-	-	-	(21,800)
System and Other Improvements	(6,373,671)	(264,723)	-	-	(6,638,394)
Furniture, Equipment, Vehicles	(471,593)	(48,246)	4,500	(10,089)	(525,428)
Total accumulated depreciation	<u>(6,867,064)</u>	<u>(312,969)</u>	<u>4,500</u>	<u>(10,089)</u>	<u>(7,185,621)</u>
Total capital assets being depreciated, net	<u>4,246,640</u>	<u>(146,869)</u>	<u>-</u>	<u>-</u>	<u>4,099,772</u>
Business type activities capital assets, net	<u>\$ 4,899,612</u>	<u>\$ 371,110</u>	<u>\$ -</u>	<u>\$ (32,847)</u>	<u>\$ 5,237,876</u>

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

<b>Business-Type Activities:</b>	
Gas	\$ 49,237
Water	165,845
Sewer	97,887
Total depreciation expense - business-type activities	<u>\$ 312,969</u>

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 8. Long-Term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2014.

<b>Governmental activities:</b>	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 6/30/2014</b>	<b>Current Portion</b>
<b>General Obligation:</b>					
Capital Leases	\$ 158,659	\$ -	\$ (32,618)	\$ 126,041	\$ 125,126
Water Improvement Bonds, Project of 1974	6,000	-	(6,000)	-	-
Total General Obligation	164,659	-	(38,618)	126,041	125,126
<b>Revenue Obligation:</b>					
Municipal Property Corporation Excise Tax Revenue Bonds, Series 2006	2,035,000	-	(220,000)	1,815,000	225,000
GADA Revenue Bonds, Series 2003A	580,000	-	(110,000)	470,000	110,000
Series 2007	265,000	-	(15,000)	250,000	15,000
Total Revenue Obligation	2,880,000	-	(345,000)	2,535,000	350,000
<b>Accrued Compensated Absences</b>	135,038	85,000	(55,428)	164,610	75,000
Total Governmental Activity Long-term Liabilities	<u>\$ 3,179,697</u>	<u>\$ 85,000</u>	<u>\$ (439,046)</u>	<u>\$ 2,825,651</u>	<u>\$ 550,126</u>
<b>Business-type Activities:</b>					
<b>Revenue Obligation:</b>					
Water Revenue Bonds, USDA/RD Series 2005	\$ 839,000	\$ -	(24,000)	\$ 815,000	\$ 25,000
Sewer Revenue Bonds, Rural Utilities 2001 A	412,496	-	(26,676)	385,820	27,875
Rural Utilities Bonds 2001 B	263,146	-	(18,281)	244,865	18,875
Water Infrastructure Finance Authority Series 2010	339,185	-	-	339,185	-
Total Revenue Obligation	1,853,827	-	(68,957)	1,784,870	71,750
<b>Accrued Compensated Absences</b>	14,375	8,500	(5,294)	17,581	8,500
Total Business-type Activity Long-term Liabilities	<u>\$ 1,868,202</u>	<u>\$ 8,500</u>	<u>\$ (74,251)</u>	<u>\$ 1,802,451</u>	<u>\$ 80,250</u>
<b>Total Long-term Debt</b>	<u>\$ 5,047,899</u>	<u>\$ 93,500</u>	<u>\$ (513,297)</u>	<u>\$ 4,628,102</u>	<u>\$ 630,376</u>

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 8. Long-Term Debt (Continued)**

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Bonds payable consist of the following at June 30, 2014:

**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	\$ 1,815,000
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	470,000
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	250,000

**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.	815,000
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.	385,820
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.	244,865
Water Infrastructure Finance Authority of Arizona, 2010 Sewer Revenue Bonds, payable in semi-annual installments of interest and a balloon payment for principal at maturity, maturing July 1, 2015. The City anticipates rolling this loan into a USDA loan to build and/or improve the current wastewater facility	<u>339,185</u>
Total Bonds Payable	<u>\$ 4,319,870</u>

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 8. Long-Term Debt (Continued)**

Debt service requirements for bonds payable are as follows:

Fiscal Period Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2015	\$ 350,000	\$ 111,805	\$ 71,750	\$ 62,578
2016	365,000	96,691	413,803	59,681
2017	380,000	79,376	77,562	53,024
2018	400,000	62,466	80,585	49,887
2019	285,000	47,357	84,693	46,624
2020-2024	670,000	70,917	475,214	178,940
2025-2029	85,000	8,329	274,263	92,139
2030-2034	-	-	250,000	43,518
2035	-	-	57,000	2,352
<b>Total</b>	<b>\$ 2,535,000</b>	<b>\$ 476,941</b>	<b>\$ 1,784,870</b>	<b>\$ 588,743</b>

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
2015	\$ 128,139
2016	816
2017	197
Total remaining lease payments	129,152
Less amount representing interest	(3,111)
Present value of net remaining minimum lease payments	<u>\$ 126,041</u>

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 8. Long-Term Debt (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, 2014 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	\$ 207,584

**NOTE 9. Interfund Transactions and Balances**

The composition of interfund receivables and payables balances as of June 30, 2014 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, 2014**

**NOTE 9. Interfund Transactions and Balances (Continued)**

For the fiscal year ended June 30, 2014 interfund transfers are as follows:

Transfers Out:	Transfers In:			Total
	General Fund	Highway User Special Revenue Fund	Non major Funds	
General Fund	\$ -	\$ -	\$ 95,626	\$ 95,626
Gas Fund	216,000	-	-	216,000
Water Fund	116,052	-	6,200	122,252
Sewer Fund	121,488	10,920	-	132,408
Refuse Fund	104,364	-	-	104,364
Highway User Fund	-	-	1,672	1,672
Total transfers out	<u>\$ 557,904</u>	<u>\$ 10,920</u>	<u>\$ 103,498</u>	<u>\$ 672,322</u>

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.

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**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 10. Retirement and Pension Plans**

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**Arizona State Retirement System (ASRS)**

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

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

**Funding Policy** - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the City was required to contribute 11.54 percent (10.70 percent for retirement, 0.60 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

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

<u>Year Ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2012	\$ 141,244	\$ 9,016	\$ 3,435
2013	160,525	10,180	3,759
2014	177,990	9,981	3,992

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 10. Retirement and Pension Plans (Continued)**

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**Public Safety Personnel Retirement System (PSPRS)**

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

**Funding Policy** - For the current fiscal year, active PSPRS member employees were required by statute to contribute 7.65 percent of their annual covered salary to the PSPRS and the City was required to contribute 24.78 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 1.60 percent of covered payroll

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

The PSPRS contribution requirements for the year ended June 30, 2014 were established by the June 30, 2012 actuarial valuations using the projected unit credit method. The actuarial assumptions included (a) 8.00 percent investment rate of return and (b) projected salary increases ranging from 5.0 to 9.0 percent per year. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 23 years for unfunded actuarial accrued liability and 20 years for excess.

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



**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 10. Retirement and Pension Plans (Continued)**

**Annual Pension/OPEB Cost** – During the year ended June 30, 2014, the City’s annual pension cost of \$161,852 and the annual OPEB cost of \$8,859 was equal to the City’s required and actual contributions.

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Pension	2012	\$ 123,419	100%	-
	2013	142,760	100%	-
	2014	161,852	100%	-
Health Insurance	2012	\$ 10,502	100%	-
	2013	7,902	100%	-
	2014	8,859	100%	-

**Funded Status and Funding Progress** – The funded status of the plan as of June 30, 2014 is as follows:

Actuarial accrued liability (AAL)	\$ 4,858,225
Actuarial value of plan assets	<u>1,905,914</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,952,311</u>
Funded ratio (actuarial value of plan assets/AAL)	39.23%
Covered payroll (active plan members)	\$ 439,667
UAAL as a percentage of covered payroll	671.5%

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

**Firefighters’ Relief and Pension Fund**

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

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 10. Retirement and Pension Plans (Continued)**

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

Under the plan provisions, the volunteer firefighters voluntarily make contributions to the plan which is equally matched by the City. In addition, the State of Arizona is required by statute to contribute a portion of the annual tax received on fire insurance premiums. During the fiscal year ended June 30, 2014, the City's contributions amounted to \$1,300, and the firefighters' contributions amounted to \$1,300; and the State's contributions totaled \$5,370.

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

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**NOTE 11. Risk Management**

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

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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**NOTE 12. Closure and Postclosure Care Costs**

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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.

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**NOTE 13. Contingencies**

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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.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WILLCOX, ARIZONA**  
**Schedule of Funding Progress**  
**June 30, 2014**

**Public Safety Personnel Retirement System - Police**

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2009 through June 30, 2014, based on actuarial valuations follows:

Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(a)/(b) Percent Funded	(b)-(a) Unfunded AAL	[c] Annual Covered Payroll	[(b)-(a)/(c)] Unfunded AAL As a Percentage of Covered Payroll
2009	1,755,045	2,779,782	63.14%	1,024,737	547,566	187.1%
2010	1,872,510	2,993,257	62.56%	1,120,747	545,431	205.5%
2011	1,948,263	3,373,450	57.75%	1,425,187	468,478	304.2%
2012	1,951,379	3,647,195	53.50%	1,695,816	502,238	337.7%
2013	2,011,815	3,894,538	51.66%	1,882,723	460,761	408.6%
2014	1,905,914	4,858,225	39.23%	2,952,311	439,667	671.5%

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

Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b)-(a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	[(b)-(a)/(c)] Unfunded AAL As a Percentage of Covered Payroll
2009	-	67,596	67,596	0.0%	547,566	12.34%
2010	-	78,946	78,946	0.0%	545,431	14.47%
2011	-	78,554	78,554	0.0%	468,478	16.77%
2012	-	99,500	99,500	0.0%	502,238	19.81%
2013	-	90,193	90,193	0.0%	460,761	19.57%
2014	113,525	92,000	(21,525)	123.4%	439,667	0.00%

In fiscal year 2009, GASB Statements Nos. 43 and 45 measurements are made and reported; thus, pension and health insurance benefit are disaggregated and reported separately.

**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, 2014**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property tax	\$ 72,404	\$ 72,404	\$ 72,189	\$ (215)
City sales tax	1,562,350	1,562,350	1,345,648	(216,702)
Room occupancy tax	160,000	160,000	146,470	(13,530)
Franchise taxes	268,000	268,000	232,879	(35,121)
Total Taxes	2,062,754	2,062,754	1,797,186	(265,568)
<b>Licenses, Permits and Fees:</b>				
Liquor licenses	2,000	2,000	2,462	462
Business licenses	9,000	9,000	6,807	(2,193)
Refuse hauler licenses	16,000	16,000	15,266	(734)
Dog licenses	150	150	220	70
Cemetery fees	18,000	18,000	21,015	3,015
Right away license	-	-	8,674	8,674
Building permits	50,000	50,000	24,140	(25,860)
Total Licenses, Permits and Fees	95,150	95,150	78,584	(16,566)
<b>Intergovernmental:</b>				
State revenue sharing	419,874	419,874	420,167	293
Auto lieu taxes	172,757	172,757	163,097	(9,660)
State sales taxes	324,633	324,633	327,019	2,386
Total Intergovernmental	917,264	917,264	910,283	(6,981)
<b>Charges for Services:</b>				
Rents	10,630	10,630	8,975	(1,655)
Swimming pool fees	13,000	13,000	12,387	(613)
Golf course	-	-	65,070	65,070
School resource officer	37,018	37,018	82,460	45,442
Total Charges for Services	60,648	60,648	168,892	108,244
<b>Fines and Forfeitures:</b>				
Fines & forfeitures	7,700	7,700	14,238	6,538
Total Fines and Forfeitures	7,700	7,700	14,238	6,538
<b>Interest</b>	16,607	16,607	30,964	14,357
<b>Other Revenues:</b>				
Miscellaneous	71,169	71,169	36,616	(34,553)
Total Other Revenues	71,169	71,169	36,616	(34,553)
<b>TOTAL REVENUES</b>	3,231,292	3,231,292	3,036,763	(194,529)

(continued)

**CITY OF WILLCOX, ARIZONA**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**For Year Ended June 30, 2014 (Continued)**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>EXPENDITURES:</b>				
<b>General Government:</b>				
Mayor & Council	\$ 32,936	\$ 32,936	\$ 31,578	\$ 1,358
General & Administrative	357,443	357,443	314,409	43,034
Finance	334,229	334,229	321,049	13,180
Total General Government	<u>724,608</u>	<u>724,608</u>	<u>667,036</u>	<u>57,572</u>
<b>Public Safety:</b>				
Public Safety Administration	330,504	330,504	311,113	19,391
Communications	300,157	300,157	278,609	21,548
Police	950,477	950,477	764,178	186,299
Magistrate	199,328	199,328	189,476	9,852
Fire	82,488	82,488	55,025	27,463
Animal Control	94,729	94,729	76,618	18,111
Building Inspection	180,000	180,000	116,864	63,136
Total Public Safety	<u>2,137,683</u>	<u>2,137,683</u>	<u>1,791,883</u>	<u>345,800</u>
<b>Culture and Recreation:</b>				
Golf Course	18,656	18,656	209,644	(190,988)
Library	292,498	292,498	232,694	59,804
Parks & Recreation	403,078	403,078	360,353	42,725
Swimming Pool	146,539	146,539	123,674	22,865
Community Programs	160,000	160,000	113,669	46,331
Total Culture and Recreation	<u>1,020,771</u>	<u>1,020,771</u>	<u>1,040,034</u>	<u>(19,263)</u>
<b>Public Works</b>				
Public Works Administration	193,444	193,444	155,672	37,772
Cemetery	47,620	47,620	42,767	4,853
Central Garage	111,809	111,809	109,815	1,994
Buildings & Grounds	133,502	133,502	116,025	17,477
Total Public Works	<u>486,375</u>	<u>486,375</u>	<u>424,279</u>	<u>62,096</u>
<b>TOTAL EXPENDITURES</b>	<u>4,369,437</u>	<u>4,369,437</u>	<u>3,923,232</u>	<u>446,205</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,138,145)</u>	<u>(1,138,145)</u>	<u>(886,469)</u>	<u>251,676</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from Gas fund	215,995	215,995	216,000	5
Transfer from Water fund	116,053	116,053	116,052	(1)
Transfer from Sewer fund	121,485	121,485	121,488	3
Transfer from Refuse fund	140,166	140,166	104,364	(35,802)
Transfer to capital project and grant funds	(384,400)	(384,400)	(95,626)	288,774
Sale of general capital assets	-	-	108,925	108,925
Total Other Financing Sources (Uses)	<u>209,299</u>	<u>209,299</u>	<u>571,203</u>	<u>361,904</u>
Net change in fund balance	(928,846)	(928,846)	(315,266)	613,580
Fund Balance, Beginning of Year	1,856,466	1,856,466	1,856,466	-
Fund Balance, End of Year	<u>\$ 927,620</u>	<u>\$ 927,620</u>	<u>\$ 1,541,200</u>	<u>\$ 613,580</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
City sales tax	\$ 772,836	\$ 772,836	\$ 672,834	\$ (100,002)
Intergovernmental Revenue:				
Highway user revenues	251,065	251,065	246,950	(4,115)
Interest	4,186	4,186	7,721	3,535
Total Revenues	<u>1,028,087</u>	<u>1,028,087</u>	<u>927,505</u>	<u>(100,582)</u>
<b>EXPENDITURES:</b>				
Streets and Highways:				
Salaries & wages	221,401	221,401	184,480	36,921
Benefits	122,215	122,215	113,152	9,063
Service, supplies and other	314,182	314,182	281,759	32,423
Capital outlay	4,000	4,000	3,059	941
Debt Service:				
Principal	220,000	220,000	252,618	(32,618)
Interest	96,983	96,983	97,543	(560)
Total Expenditures	<u>978,781</u>	<u>978,781</u>	<u>932,611</u>	<u>46,170</u>
Excess of Revenues Over (Under) Expenditures	<u>49,306</u>	<u>49,306</u>	<u>(5,106)</u>	<u>(54,412)</u>
Other Financing sources / (Uses):				
Transfers in	-	-	10,920	10,920
Transfers out	(65,836)	(65,836)	(1,672)	64,164
Total Other Financing Sources / (Uses)	<u>(65,836)</u>	<u>(65,836)</u>	<u>9,248</u>	<u>75,084</u>
Net change in fund balance	(16,530)	(16,530)	4,142	20,672
Fund Balance, Beginning of Year	<u>478,121</u>	<u>478,121</u>	<u>478,121</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 461,591</u>	<u>\$ 461,591</u>	<u>\$ 482,263</u>	<u>\$ 20,672</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, 2014**

	Special Revenue Funds		Capital Project Funds			Total Non-major Funds
	Grants	Special Revenue	Capital Projects	Repair and Demolition	Debt Service	
<b>Assets</b>						
Cash and cash equivalents	\$ 3,318	\$ 82,770	\$ 47,982	\$ -	\$ 156,230	\$ 290,300
Receivables:						
Property taxes	-	-	-	-	28,392	28,392
Intergovernmental	17,410	-	-	-	-	17,410
Other	-	1,702	-	-	-	1,702
Total Assets	<u>\$ 20,728</u>	<u>\$ 84,472</u>	<u>\$ 47,982</u>	<u>\$ -</u>	<u>\$ 184,622</u>	<u>\$ 337,804</u>
<b>Liabilities</b>						
Liabilities:						
Accounts payable	\$ 2,555	\$ 3,027	\$ 4,516	\$ -	\$ -	\$ 10,098
Due to other funds	18,173	-	-	-	-	18,173
Total Liabilities	<u>20,728</u>	<u>3,027</u>	<u>4,516</u>	<u>-</u>	<u>-</u>	<u>28,271</u>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue-property taxes	-	-	-	-	20,177	20,177
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,177</u>	<u>20,177</u>
<b>Fund Balances</b>						
Restricted for:						
Debt service	-	-	-	-	164,445	164,445
Other purposes	-	81,445	-	-	-	81,445
Capital projects	-	-	43,466	-	-	43,466
Unreserved/Undesignated	-	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>81,445</u>	<u>43,466</u>	<u>-</u>	<u>164,445</u>	<u>289,356</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 20,728</u>	<u>\$ 84,472</u>	<u>\$ 47,982</u>	<u>\$ -</u>	<u>\$ 184,622</u>	<u>\$ 337,804</u>

**CITY OF WILLCOX, ARIZONA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2014**

	Special Revenue Funds		Capital Project Funds			Total Non-major Funds
	Grants	Special Revenue	Capital Projects	Repair and Demolition	Debt Service	
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 158,631	\$ 158,631
Intergovernmental revenue	155,996	39,856	12,028	-	-	207,880
Interest	-	-	28	-	-	28
Other revenues	-	19,383	-	-	-	19,383
Total Revenues	155,996	59,239	12,056	-	158,631	385,922
<b>EXPENDITURES</b>						
Current:						
Public Safety	-	39,857	-	-	-	39,857
Community Development	27,523	-	-	73,725	-	101,248
Culture and Recreation	-	7,764	-	-	-	7,764
Capital Outlay	144,867	23,427	32,203	-	-	200,497
Debt Service:						
Principal	-	-	-	-	131,000	131,000
Interest	-	-	-	-	34,479	34,479
Total Expenditures	172,390	71,048	32,203	73,725	165,479	514,845
Excess of Revenues Over (Under) Expenditures	(16,394)	(11,809)	(20,147)	(73,725)	(6,848)	(128,923)
Other Financing Sources:						
Transfers in	1,672	1,876	20,025	73,725	6,200	103,498
Total Other Financing Sources	1,672	1,876	20,025	73,725	6,200	103,498
Net change in fund balances	(14,722)	(9,933)	(122)	-	(648)	(25,425)
Fund Balances, Beginning of Year	14,722	91,378	43,588	-	165,093	314,781
Fund Balances, End of Year	\$ -	\$ 81,445	\$ 43,466	\$ -	\$ 164,445	\$ 289,356

**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, 2014**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 959,505	\$ 959,505	\$ 155,996	\$ (803,509)
Contributions and other	15,000	15,000	-	(15,000)
Total Revenues	974,505	974,505	155,996	(818,509)
<b>EXPENDITURES:</b>				
Public Safety	100,530	100,530	-	100,530
Community Development	66,010	66,010	27,523	38,487
Capital outlay	807,965	807,965	144,867	663,098
Total Expenditures	974,505	974,505	172,390	802,115
Excess of Revenues Over (Under) Expenditures	-	-	(16,394)	(16,394)
Other Financing Sources (Uses):				
Transfers in	-	-	1,672	1,672
Net change in fund balance	-	-	(14,722)	(14,722)
Fund Balance, Beginning of Year	14,722	14,722	14,722	-
Fund Balance, End of Year	\$ 14,722	\$ 14,722	\$ -	\$ (14,722)

**CITY OF WILLCOX, ARIZONA**  
**Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 28,000	\$ 28,000	\$ 39,856	\$ 11,856
Interest	20	20	-	(20)
Contributions and other	27,950	27,950	19,383	(8,567)
Total Revenues	55,970	55,970	59,239	3,269
<b>EXPENDITURES:</b>				
Culture and recreation	9,100	9,100	7,764	1,336
Public safety	28,000	28,000	39,857	(11,857)
Capital outlay	91,691	106,691	23,427	83,264
Total Expenditures	119,691	134,691	71,048	71,407
Excess of Revenues Over (Under) Expenditures	(63,721)	(78,721)	(11,809)	74,676
Other Financing Sources (Uses):				
Transfers in	3,500	3,500	1,876	(1,624)
Net change in fund balance	(60,221)	(75,221)	(9,933)	73,052
Fund Balance, Beginning of Year	91,378	91,378	91,378	-
Fund Balance, End of Year	\$ 31,157	\$ 16,157	\$ 81,445	\$ 73,052

**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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental revenue	\$ -	\$ -	\$ 12,028	\$ 12,028
Interest	-	-	28	28
Total Revenues	<u>-</u>	<u>-</u>	<u>12,056</u>	<u>12,056</u>
<b>EXPENDITURES:</b>				
Capital outlay	<u>123,382</u>	<u>123,382</u>	<u>32,203</u>	<u>91,179</u>
Total Expenditures	<u>123,382</u>	<u>123,382</u>	<u>32,203</u>	<u>91,179</u>
Excess of Revenues Over (Under) Expenditures	<u>(123,382)</u>	<u>(123,382)</u>	<u>(20,147)</u>	<u>103,235</u>
Other Financing Sources: Transfers in	<u>80,900</u>	<u>80,900</u>	<u>20,025</u>	<u>(60,875)</u>
Net change in fund balance	(42,482)	(42,482)	(122)	42,360
Fund Balance, Beginning of Year	<u>43,588</u>	<u>43,588</u>	<u>43,588</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,106</u>	<u>\$ 1,106</u>	<u>\$ 43,466</u>	<u>\$ 42,360</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
<b>EXPENDITURES:</b>				
Community Development	300,000	300,000	73,725	226,275
Total Expenditures	300,000	300,000	73,725	226,275
Excess of Revenues Over (Under) Expenditures	(300,000)	(300,000)	(73,725)	226,275
Other Financing Sources:				
Transfers from General Fund	300,000	300,000	73,725	(226,275)
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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property taxes	\$ 160,313	\$ 160,313	\$ 158,631	\$ (1,682)
Total Revenues	<u>160,313</u>	<u>160,313</u>	<u>158,631</u>	<u>(1,682)</u>
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	131,000	131,000	131,000	-
Interest	<u>35,513</u>	<u>35,513</u>	<u>34,479</u>	<u>1,034</u>
Total Expenditures	<u>166,513</u>	<u>166,513</u>	<u>165,479</u>	<u>1,034</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,200)</u>	<u>(6,200)</u>	<u>(6,848)</u>	<u>(648)</u>
Other Financing Sources:				
Transfer in	<u>6,200</u>	<u>6,200</u>	<u>6,200</u>	<u>-</u>
Net change in fund balance	-	-	(648)	(648)
Fund Balance, Beginning of Year	<u>165,093</u>	<u>165,093</u>	<u>165,093</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 165,093</u></u>	<u><u>\$ 165,093</u></u>	<u><u>\$ 164,445</u></u>	<u><u>\$ (648)</u></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, 2014, 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 December 5, 2014.

**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.

- 14-01. Year-end Accounting
- 14-02. 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

December 5, 2014

**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, 2014, and have issued our report thereon dated December 5, 2014. 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, 2014.

  
HintonBurdick, PLLC  
St. George, Utah  
December 5, 2014

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