

**CITY OF WILLCOX, ARIZONA**



**FINANCIAL STATEMENTS**  
**FISCAL YEAR ENDED JUNE 30, 2017**  
**WITH REPORT OF**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**CITY OF WILLCOX, ARIZONA**

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**CITY OF WILLCOX, ARIZONA**

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## Independent Auditors' Report

The Honorable Mayor and  
City Council  
City of Willcox, Arizona

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Willcox, Arizona, as of and for the year ended June 30, 2017, 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, 2017, 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, schedule of the proportionate share of the net pension liability, and the schedule of contributions, and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2017, 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 Arizona PLLC  
Flagstaff, Arizona  
December 29, 2017

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**CITY OF WILLCOX, ARIZONA**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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, 2017. Please read it in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- Total assets plus deferred outflows (all activities Governmental and Business-type) decreased by \$73,536. Total liabilities plus deferred inflows decreased by \$429,769 which resulted in total assets plus deferred outflows in excess of total liabilities and deferred inflows (net position) increasing by \$356,233 at the close of the fiscal year 2017. Total net position (equity) was \$11,578,600 at June 30, 2017.
- Depreciation expense for Governmental Activities exceeded capital outlays in the current year by \$1,435. The City incurred capital expenses in governmental activities to purchase vehicles, park and golf course equipment and to further improve various parks throughout the City.
- Capital outlay for Business-type Activities exceeded depreciation expense in the current year by \$40,063. The City incurred capital expenses in business-type activities to purchase vehicles, other equipment and further improve distributions systems for the City operated utilities. The City began construction on the new wastewater treatment and collection facility in the current year.
- Total Business-type expenses exceeded total business-type revenues by \$240,251.
- Total Governmental Revenues exceeded Governmental Expenses by \$596,484.
- The General Fund reported revenues in excess of expenditures (including the sale of capital assets) of \$103,476 (increase in General Fund Balance).
- Actual General Fund resources received were \$84,579 (2.6%) less than the final Budget.
- Actual General Fund expenditures, including transfers, were \$699,639 (21.7%) less than the final budget.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.65 million or 51% of total General Fund fiscal year 2017 expenditures, excluding transfers.

**USING THIS ANNUAL REPORT**

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

**Reporting the City as a Whole**

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

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



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

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

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

## **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

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

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

### **Reporting the City's Fiduciary Responsibilities**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$11.58 million as of June 30, 2017 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	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Current and other assets	\$ 2,732,783	\$ 2,481,874	\$ 3,014,902	\$ 3,583,156	\$ 5,747,685	6,065,030
Capital assets	9,133,870	9,139,960	5,172,610	5,132,549	14,306,480	14,272,509
Total assets	<u>11,866,653</u>	<u>11,621,834</u>	<u>8,187,512</u>	<u>8,715,705</u>	<u>20,054,165</u>	<u>20,337,539</u>
Deferred outflows of resources	1,031,828	888,233	130,414	64,171	1,162,242	952,404
Long-term liabilities outstanding	6,609,517	7,228,206	1,439,419	1,807,179	8,048,936	9,035,385
Other liabilities	766,822	429,949	323,743	248,057	1,090,565	678,006
Total liabilities	<u>7,376,339</u>	<u>7,658,155</u>	<u>1,763,162</u>	<u>2,055,236</u>	<u>9,139,501</u>	<u>9,713,391</u>
Deferred inflows of resources	369,046	295,300	129,260	58,885	498,306	354,185
Net position:						
Invested in capital assets, net of related debt	7,703,870	7,294,764	4,435,610	3,833,234	12,139,480	11,127,998
Restricted	783,154	677,938	65,310	232,704	848,464	910,642
Unrestricted	<u>(3,333,928)</u>	<u>(3,416,090)</u>	<u>1,924,584</u>	<u>2,599,817</u>	<u>(1,409,344)</u>	<u>(816,273)</u>
Total net position	<u>\$ 5,153,096</u>	<u>\$ 4,556,612</u>	<u>\$ 6,425,504</u>	<u>\$ 6,665,755</u>	<u>\$ 11,578,600</u>	<u>\$ 11,222,367</u>

### Governmental Activities

The cost of all Governmental activities this year was \$4.29 million. As shown on the statement of Changes in Net Position on the following page, \$385,232 of this cost was paid for by those who directly benefited from the programs and \$658,021 was subsidized by grants received from other governmental organizations for both capital and operating activities. General taxes and investment earnings totaled \$3.85 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.

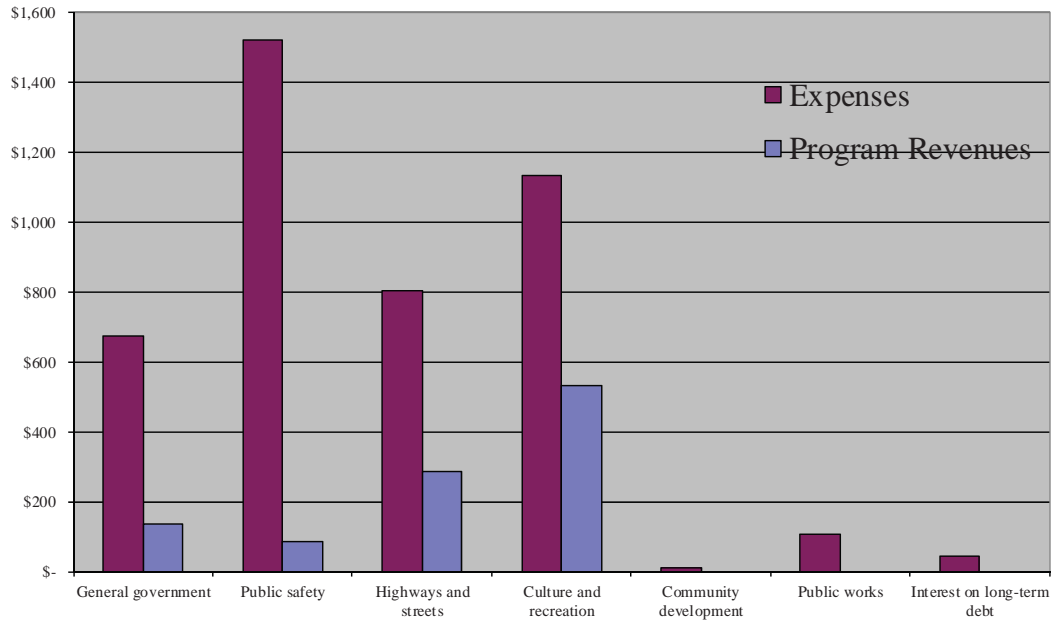
**City of Willcox, Arizona**  
**Changes in Net Position**

	Governmental activities		Business-type activities		Combined Total	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Revenues:						
Program revenues:						
Charges for services	\$ 385,232	\$ 395,867	\$ 2,672,875	\$ 2,737,979	\$ 3,058,107	\$ 3,133,846
Operating grants and contributions	321,088	335,906	-	-	321,088	335,906
Capital grants and contributions	336,933	229,321	80,028	-	416,961	229,321
General revenues:						
Sales taxes	2,513,827	2,526,932	-	-	2,513,827	2,526,932
Other taxes	730,131	680,428	-	-	730,131	680,428
State revenue sharing	434,562	452,342	-	-	434,562	452,342
Assessments	129,600	161,291	-	-	129,600	161,291
Other	41,604	35,676	10,681	55,311	52,285	90,987
Total revenues	<u>4,892,977</u>	<u>4,817,763</u>	<u>2,763,584</u>	<u>2,793,290</u>	<u>7,656,561</u>	<u>7,611,053</u>
Expenses:						
General government	673,999	712,084	-	-	673,999	712,084
Public safety	1,523,705	2,157,169	-	-	1,523,705	2,157,169
Highways and streets	804,728	889,667	-	-	804,728	889,667
Culture and recreation	1,132,738	1,130,479	-	-	1,132,738	1,130,479
Community development	8,975	226,136	-	-	8,975	226,136
Public works	107,743	218,715	-	-	107,743	218,715
Interest on long-term debt	44,605	96,535	-	-	44,605	96,535
Gas	-	-	836,513	505,291	836,513	505,291
Water	-	-	771,994	618,591	771,994	618,591
Sewer	-	-	750,261	570,074	750,261	570,074
Refuse	-	-	645,067	481,910	645,067	481,910
Total expenses	<u>4,296,493</u>	<u>5,430,785</u>	<u>3,003,835</u>	<u>2,175,866</u>	<u>7,300,328</u>	<u>7,606,651</u>
(Decrease)/Increase in net assets before transfers	596,484	(613,022)	(240,251)	617,424	356,233	4,402
Transfers	-	563,540	-	(563,540)	-	-
Net position, beginning	4,556,612	4,606,094	6,665,755	6,611,871	11,222,367	11,217,965
Net position, ending	<u>\$ 5,153,096</u>	<u>\$ 4,556,612</u>	<u>\$ 6,425,504</u>	<u>\$ 6,665,755</u>	<u>\$ 11,578,600</u>	<u>\$ 11,222,367</u>

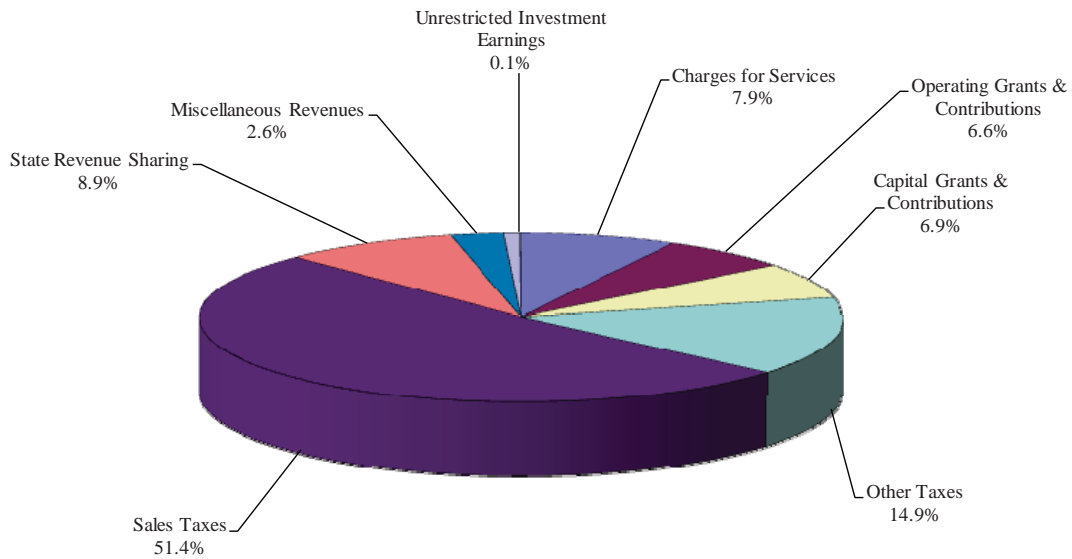
Total governmental resources available during the year to finance governmental operations were \$9.45 million, consisting of net position at July 1, 2016 of \$4.56 million, Program revenues of \$1,043,253 and general revenues of \$3.85 million. Total governmental activities expenses during the year of \$4.3 million; thus governmental net position increased by \$596,484 to \$5.15 million at June 30, 2017.

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)



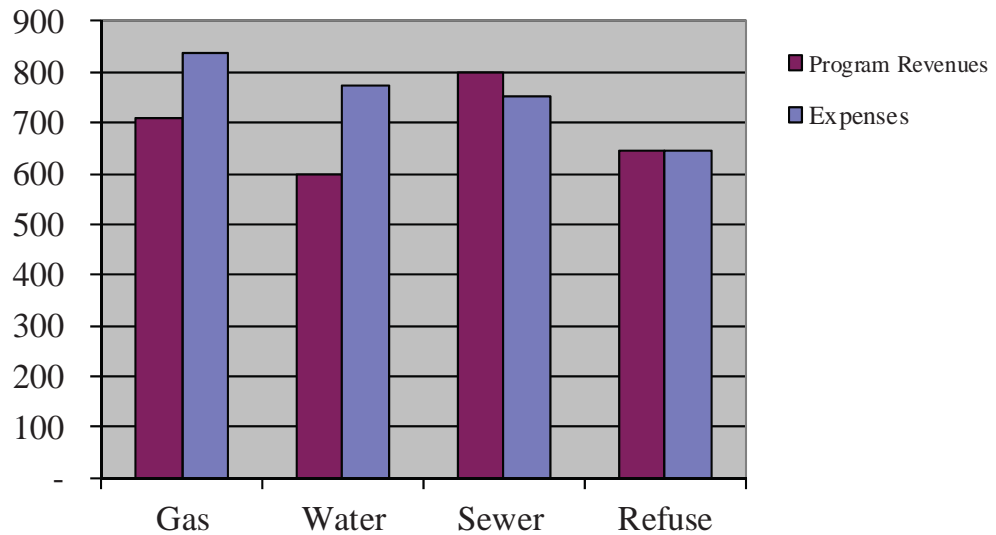
**Revenue By Source - Governmental Activities**



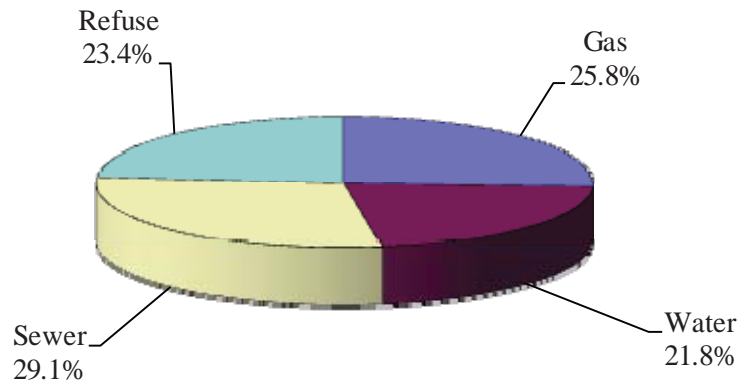
## Business-type Activities

Net position of the business-type activities at June 30, 2017, as reflected in the Statement of Net Position was \$6.42 million. As shown in the statement of Changes in Net Position, the total net position at July 1, 2016 was \$6.66 million. Amounts paid by users of the system were \$2.65 million, connection fees were \$23,618 and interest earnings totaled \$10,681. The cost of providing all proprietary (business-type) activities this year was \$2.9 million. Interest expense and fiscal charges were \$51,502.

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



### Revenue By Source - Business-type Activities



## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

### Governmental funds

The focus of the City's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. All major governmental funds are discretely presented on these financial statements, while the non-major funds are combined into a single column. Combining statements for the non-major funds are reported on pages 73 and 74.

For fiscal year ended June 30, 2017, the governmental funds reflect a combined fund balance of \$2,432,611. Of this, \$783,154 is reserved because it is not available for expenditure or is legally segregated for a specific future use. The remaining \$1,649,457 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 2017 general fund revenues totaled \$3,289,070. Expenditures, before other financing sources and uses, totaled \$3,228,916. City sales tax revenues came in about 4.58% more than projections. State sales tax revenues came in 2.92% less than estimates. Auto lieu taxes were \$4,802 or about 2.66% less than estimates. Overall intergovernmental income was \$41,375 less than anticipated in the budget. Room occupancy tax revenues of \$170,407 were about 8.2% more than projections and revenues have remained steady. Franchise fee income was \$230,206 or about 4.3% more 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 2017 city sales tax revenues in this fund totaled \$729,679, about \$47,175 more than amount budgeted. HURF revenues from the State were \$11,578 or 4.24% more than amount budgeted and interest income was less than amount budgeted by \$4,127 or 86.48%. Overall fund revenue was \$1,015,216. The fund expenses totaled \$901,031 or about 6.05% less than projections. Net change in fund balance was \$114,185. The HURF fund balance at the close of fiscal year 2017 was \$490,898.

Non-major governmental funds of the City include the Special Revenue Fund, Grants Special Revenue Fund, Capital Projects 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 \$31,111, expenses totaled \$31,111 for a net change of zero and an ending fund balance of zero. The Special Revenues Fund consists of money donated to the City for specific purposes. Revenues totaled \$65,665 and expenses totaled \$77,683 for a net use of funds of \$12,018 and an ending fund balance of \$42,983. Debt Service fund revenues totaled \$156,009. Property tax revenues were \$156,009, and expenses totaled \$152,972 for a net increase to fund balance of \$3,037 and an ending fund balance of \$175,668.

## **Business-like Funds**

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

Net position of the Proprietary Funds was \$6,425,504 as of June 30, 2017. Operating revenues totaled \$2,649,257, while operating expenses totaled \$2,952,333, for operating loss of \$303,076. The main cause of the loss was the inclusion of administrative expenses recorded as expenses in the current year and in prior year they were recorded as transfer outs.

## **General Fund Budgetary Highlights**

Actual revenues as shown on Page 69 were \$84,519 less than budgeted revenues. Revenues included City Sales Tax revenues of \$1,459,357 or \$53,978 more than those budgeted. Expenditures were less than the General Fund appropriations, including transfers, at year-end by \$699,638. 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 vehicles, equipment, buildings, land, park facilities, roads, and utility distribution systems. At the end of fiscal year 2017, net capital assets of the government activities totaled \$9.13 million, and the net capital assets of the business-type activities totaled \$5.17 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. See note 7 to the financial statements.

### **Obligations**

At year-end, the City had \$7.1 million in governmental type obligations, and \$1.5 million in proprietary obligations. During the current fiscal year, the City's total obligations decreased by \$737,207. See note 8 to the financial statements for detailed descriptions.

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

For the 2017-2018 fiscal year city budget, the City has projected a minimal increase in general operating revenues and operating expenditures from the fiscal year 2016-2017 budgeted amounts. The budgeted utility fund operating revenues are about .6% more than actual operations for fiscal year 2016-2017. Gas operating revenues are estimated to decrease in fiscal year 2018 due to an increase of vacant homes within city limits and very mild winters. Water revenues are anticipated to increase by about .7%. Sewer revenues are projected to decrease by about 11% as fund balance is less and the wastewater treatment and collection facility construction is underway. The refuse revenues are projected to increase by about 2.6%.

## 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, 2017**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,387,318	\$ 2,553,777	\$ 4,941,095
Receivables (net of allowance)	284,229	311,720	595,949
Inventory	-	115,232	115,232
Internal balances	31,137	(31,137)	-
Prepays	30,099	-	30,099
Temporarily restricted assets:			
Cash and cash equivalents	-	65,310	65,310
Capital assets (net of accumulated depreciation):			
Land and improvements	1,230,992	151,578	1,382,570
Buildings and improvements	3,370,555	-	3,370,555
System and other improvements	-	3,457,565	3,457,565
Furniture, equipment and vehicles	1,013,801	243,399	1,257,200
Infrastructure	3,518,522	-	3,518,522
Construction in progress	-	1,320,068	1,320,068
Total Assets	<u>11,866,653</u>	<u>8,187,512</u>	<u>20,054,165</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions	<u>1,031,828</u>	<u>130,414</u>	<u>1,162,242</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	242,822	224,074	466,896
Customer deposits	-	67,669	67,669
Unearned revenue	15,000	-	15,000
Noncurrent liabilities:			
Due within one year	509,000	32,000	541,000
Due in more than one year	<u>6,609,517</u>	<u>1,439,419</u>	<u>8,048,936</u>
Total Liabilities	<u>7,376,339</u>	<u>1,763,162</u>	<u>9,139,501</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions	<u>369,046</u>	<u>129,260</u>	<u>498,306</u>
Total deferred inflows of resources	<u>369,046</u>	<u>129,260</u>	<u>498,306</u>
<b>Net Position</b>			
Net investment in capital assets	7,703,870	4,435,610	12,139,480
Nonspendable:			
Prepays	30,099	-	30,099
Restricted for:			
Debt service	175,668	65,310	240,978
Streets and other	533,881	-	533,881
Capital projects	43,506	-	43,506
Unrestricted	<u>(3,333,928)</u>	<u>1,924,584</u>	<u>(1,409,344)</u>
Total Net Position	<u>\$ 5,153,096</u>	<u>\$ 6,425,504</u>	<u>\$ 11,578,600</u>

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

**CITY OF WILCOX, ARIZONA**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 673,999	\$ 129,869	\$ 7,445	\$ -	\$ (536,685)	\$ -	\$ (536,685)
Public safety	1,523,705	60,211	26,251	-	(1,437,243)	-	(1,437,243)
Highways and streets	804,728	-	284,892	-	(519,836)	-	(519,836)
Culture and recreation	1,132,738	195,152	2,500	336,933	(598,153)	-	(598,153)
Community development	8,975	-	-	-	(8,975)	-	(8,975)
Public works	107,743	-	-	-	(107,743)	-	(107,743)
Interest on long-term debt	44,605	-	-	-	(44,605)	-	(44,605)
Total governmental activities	4,296,493	385,232	321,088	336,933	(3,253,240)	-	(3,253,240)
Business-type activities:							
Gas	836,513	709,043	-	-	-	(127,470)	(127,470)
Water	771,994	599,517	-	-	-	(172,477)	(172,477)
Sewer	750,261	720,579	-	80,028	-	50,346	50,346
Refuse	645,067	643,736	-	-	-	(1,331)	(1,331)
Total business-type activities	3,003,835	2,672,875	-	80,028	-	(250,932)	(250,932)
Total primary government	\$ 7,300,328	\$ 3,058,107	\$ 321,088	\$ 416,961	(3,253,240)	(250,932)	(3,504,172)
General Revenues:							
Property taxes levied for general purposes					234,830	-	234,830
Sales taxes					2,513,827	-	2,513,827
Other taxes					495,301	-	495,301
State revenue sharing					434,562	-	434,562
Miscellaneous revenues					129,600	-	129,600
Gain on sale of assets					38,657	-	38,657
Unrestricted investment earnings/(loss)					2,947	10,681	13,628
Transfers					-	-	-
Total general revenues & transfers					3,849,724	10,681	3,860,405
Change in net position					596,484	(240,251)	356,233
Net position - beginning					4,556,612	6,665,755	11,222,367
Net position - ending					\$ 5,153,096	\$ 6,425,504	\$ 11,578,600

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

**CITY OF WILLCOX, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	General	Highway User Revenue	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and cash equivalents	\$ 1,670,201	\$ 446,345	\$ 270,772	\$ 2,387,318
Receivables:				
Property taxes	14,427	-	27,950	42,377
Other	151,505	-	9,500	161,005
Intergovernmental	1,615	74,206	5,026	80,847
Due from other funds	31,137	-	-	31,137
Prepays	30,099	-	-	30,099
Total Assets	<u>\$ 1,898,984</u>	<u>\$ 520,551</u>	<u>\$ 313,248</u>	<u>\$ 2,732,783</u>
<b>Liabilities</b>				
Accounts payable	\$ 115,186	\$ 23,067	\$ 9,914	\$ 148,167
Accrued liabilities	88,069	6,586	-	94,655
Unearned revenue	-	-	15,000	15,000
Total Liabilities	<u>203,255</u>	<u>29,653</u>	<u>24,914</u>	<u>257,822</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue - property taxes	16,173	-	26,177	42,350
Total deferred inflows of resources	<u>16,173</u>	<u>-</u>	<u>26,177</u>	<u>42,350</u>
<b>Fund Balances</b>				
Nonspendable:				
Prepays	30,099	-	-	30,099
Restricted for:				
Roads and highways	-	490,898	-	490,898
Debt service	-	-	175,668	175,668
Other purposes	-	-	42,983	42,983
Capital projects	-	-	43,506	43,506
Unassigned	1,649,457	-	-	1,649,457
Total Fund Balances	<u>1,679,556</u>	<u>490,898</u>	<u>262,157</u>	<u>2,432,611</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,898,984</u>	<u>\$ 520,551</u>	<u>\$ 313,248</u>	<u>\$ 2,732,783</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, 2017**

Total governmental fund balances		\$ 2,432,611
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental capital assets	\$ 16,489,603	
Accumulated Depreciation	<u>(7,355,733)</u>	9,133,870
Other assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
		42,350
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$ (1,430,000)	
Net pension liability	(5,564,670)	
Compensated absences	<u>(123,847)</u>	<u>(7,118,517)</u>
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows	\$ 1,031,828	
Deferred inflows	<u>(369,046)</u>	<u>662,782</u>
Total net position of governmental activities		<u><u>\$ 5,153,096</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, 2017**

<b>REVENUES</b>	General	Highway User Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Taxes	\$ 1,934,645	\$ 729,679	\$ 156,009	\$ 2,820,333
Licenses, permits and fees	84,237	-	-	84,237
Intergovernmental revenue	936,032	284,892	31,111	1,252,035
Charges for services	265,687	-	-	265,687
Fines and forfeitures	12,282	-	-	12,282
Interest	2,289	645	13	2,947
Other revenues	53,898	-	65,665	119,563
<b>Total Revenues</b>	<b>3,289,070</b>	<b>1,015,216</b>	<b>252,798</b>	<b>4,557,084</b>
<b>EXPENDITURES</b>				
Current:				
General Government	500,522	-	-	500,522
Public Safety	1,582,953	-	41,963	1,624,916
Community Development	-	-	2,553	2,553
Culture and Recreation	1,043,171	-	7,667	1,050,838
Streets and Highways	-	553,274	-	553,274
Public Works	102,270	-	-	102,270
Capital Outlay	-	41,124	56,611	97,735
Debt Service:				
Principal	-	280,000	135,000	415,000
Interest	-	26,633	17,972	44,605
<b>Total Expenditures</b>	<b>3,228,916</b>	<b>901,031</b>	<b>261,766</b>	<b>4,391,713</b>
Excess of Revenues Over (Under) Expenditures	60,154	114,185	(8,968)	165,371
Other Financing Sources (Uses):				
Sale of general capital assets	43,322	-	-	43,322
Total Other Financing Sources (Uses)	43,322	-	-	43,322
Net change in fund balances	103,476	114,185	(8,968)	208,693
Fund Balances, Beginning of Year	1,576,080	376,713	271,125	2,223,918
Fund Balances, End of Year	\$ 1,679,556	\$ 490,898	\$ 262,157	\$ 2,432,611

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, 2017**

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

Net change in fund balances - total governmental funds	\$	208,693
<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	\$	287,384
Depreciation Expense		<u>(581,899)</u>
		(294,515)
Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		4,146
The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to decrease net position.		288,425
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.		415,196
<p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the City's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.</p>		
Pension contributions	\$	366,805
Pension expense		<u>(420,710)</u>
		(53,905)
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>28,444</u>
Change in net position of governmental activities	\$	<u><u>596,484</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, 2017**

<b>Assets</b>	Gas Fund	Water Fund	Sewer Fund	Refuse Fund	Total
<b>Current Assets:</b>					
Cash	\$ 909,681	\$ 1,394,399	\$ -	\$ 249,697	\$ 2,553,777
Receivables (net of allowance)	45,637	66,568	67,789	51,698	231,692
Due from other governments	-	-	80,028	-	80,028
Inventory	54,249	60,983	-	-	115,232
Restricted cash	-	65,310	-	-	65,310
Total Current Assets	<u>1,009,567</u>	<u>1,587,260</u>	<u>147,817</u>	<u>301,395</u>	<u>3,046,039</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	1,783,825	5,078,833	3,979,017	-	10,841,675
Machinery and equipment	145,150	183,682	220,908	-	549,740
Vehicles	82,705	94,834	110,152	-	287,691
Construction in progress	-	5,891	1,314,177	-	1,320,068
Accumulated depreciation	(1,170,417)	(3,593,903)	(3,235,622)	-	(7,999,942)
Total Noncurrent Assets	<u>857,263</u>	<u>1,901,237</u>	<u>2,414,110</u>	<u>-</u>	<u>5,172,610</u>
<b>Total Assets</b>	<u>1,866,830</u>	<u>3,488,497</u>	<u>2,561,927</u>	<u>301,395</u>	<u>8,218,649</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to pensions	<u>39,338</u>	<u>48,256</u>	<u>42,820</u>	<u>-</u>	<u>130,414</u>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable	16,230	81,333	65,875	41,264	204,702
Accrued liabilities	3,949	4,888	10,535	-	19,372
Customer deposits	36,949	5,789	-	24,931	67,669
Due to other funds	-	-	31,137	-	31,137
Current portion - compensated absences	786	2,328	886	-	4,000
Current portion - long-term debt	-	28,000	-	-	28,000
Total Current Liabilities	<u>57,914</u>	<u>122,338</u>	<u>108,433</u>	<u>66,195</u>	<u>354,880</u>
<b>Long-Term Debt (net of current portion):</b>					
Revenue bonds payable	-	709,000	-	-	709,000
Net pension liability	217,103	266,520	236,537	-	720,160
Compensated absences	2,013	5,977	2,269	-	10,259
Total Long-Term Debt	<u>219,116</u>	<u>981,497</u>	<u>238,806</u>	<u>-</u>	<u>1,439,419</u>
<b>Total Liabilities</b>	<u>277,030</u>	<u>1,103,835</u>	<u>347,239</u>	<u>66,195</u>	<u>1,794,299</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows related to pensions	<u>38,967</u>	<u>47,837</u>	<u>42,456</u>	<u>-</u>	<u>129,260</u>
<b>Net Position</b>					
Net investment in capital assets	857,263	1,164,237	2,414,110	-	4,435,610
Restricted	-	65,310	-	-	65,310
Unrestricted	732,908	1,155,534	(199,058)	235,200	1,924,584
<b>Total net position</b>	<u>\$ 1,590,171</u>	<u>\$ 2,385,081</u>	<u>\$ 2,215,052</u>	<u>\$ 235,200</u>	<u>\$ 6,425,504</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, 2017**

<b>Operating Revenues:</b>	Gas Fund	Water Fund	Sewer Fund	Refuse Fund	Total
Charges for services	\$ 675,467	\$ 585,807	\$ 718,657	\$ 642,015	\$ 2,621,946
Other revenues	21,662	2,006	1,922	1,721	27,311
<b>Total Operating Revenues</b>	<b>697,129</b>	<b>587,813</b>	<b>720,579</b>	<b>643,736</b>	<b>2,649,257</b>
<b>Operating Expenses:</b>					
Salaries, wages and benefits	241,000	262,968	239,827	-	743,795
Office expenses and travel	168,322	129,556	148,118	140,000	585,996
Repairs and maintenance	15,053	8,615	17,356	-	41,024
Utilities	2,318	51,738	-	-	54,056
Contract services	6,721	10,719	-	505,067	522,507
Licenses and permits	33,811	29,292	35,961	-	99,064
Miscellaneous	2,222	3,081	-	-	5,303
Gas purchases	236,226	-	-	-	236,226
Service, supplies and other	72,582	105,529	193,743	-	371,854
Depreciation/amortization	58,258	138,658	95,592	-	292,508
<b>Total Operating Expenses</b>	<b>836,513</b>	<b>740,156</b>	<b>730,597</b>	<b>645,067</b>	<b>2,952,333</b>
Operating Income	(139,384)	(152,343)	(10,018)	(1,331)	(303,076)
<b>Non-operating Revenues (Expenses):</b>					
Investment income/(loss)	3,034	2,735	4,912	-	10,681
Interest expense and fiscal charges	-	(31,838)	(19,664)	-	(51,502)
Connection fees	11,914	11,704	-	-	23,618
<b>Total Non-Operating Revenue (Expense)</b>	<b>14,948</b>	<b>(17,399)</b>	<b>(14,752)</b>	<b>-</b>	<b>(17,203)</b>
<b>Net Income before contributions and transfers</b>	<b>(124,436)</b>	<b>(169,742)</b>	<b>(24,770)</b>	<b>(1,331)</b>	<b>(320,279)</b>
Capital grants	-	-	80,028	-	80,028
<b>Net Income/(loss)</b>	<b>(124,436)</b>	<b>(169,742)</b>	<b>55,258</b>	<b>(1,331)</b>	<b>(240,251)</b>
Total net position (deficit), beginning of year	1,714,607	2,554,823	2,159,794	236,531	6,665,755
<b>Total net position, end of year</b>	<b>\$ 1,590,171</b>	<b>\$ 2,385,081</b>	<b>\$ 2,215,052</b>	<b>\$ 235,200</b>	<b>\$ 6,425,504</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, 2017**

	Gas Fund	Water Fund	Sewer Fund	Refuse Fund	Total
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers, service fees	\$ 672,316	\$ 595,838	\$ 726,231	\$ 646,150	\$ 2,640,535
Cash received from customers, other	21,662	2,006	1,922	1,721	27,311
Cash paid to suppliers	(532,199)	(276,917)	(333,300)	(641,144)	(1,783,560)
Cash paid to employees	(179,677)	(196,448)	(197,754)	-	(573,879)
Net cash flows from operating activities	<u>(17,898)</u>	<u>124,479</u>	<u>197,099</u>	<u>6,727</u>	<u>310,407</u>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Proceeds/Payments from/(to) other funds	-	-	31,137	-	31,137
Net cash flows from noncapital financing activities	<u>-</u>	<u>-</u>	<u>31,137</u>	<u>-</u>	<u>31,137</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Purchase of capital assets	(18,129)	(78,166)	(252,466)	-	(348,761)
Principal paid on long-term debt	-	(27,000)	(535,315)	-	(562,315)
Interest paid	-	(31,838)	(19,664)	-	(51,502)
Connection & impact fees	11,914	11,704	-	-	23,618
Net cash flows from capital and related financing activities	<u>(6,215)</u>	<u>(125,300)</u>	<u>(807,445)</u>	<u>-</u>	<u>(938,960)</u>
<b>Cash Flows From Investing Activities:</b>					
Investment income/(loss)	3,034	2,735	4,912	-	10,681
Net cash flows from investing activities	<u>3,034</u>	<u>2,735</u>	<u>4,912</u>	<u>-</u>	<u>10,681</u>
Net change in Cash and Cash Equivalents	(21,079)	1,914	(574,297)	6,727	(586,735)
Cash and Cash Equivalents, Beginning of Year	930,760	1,457,795	574,297	242,970	3,205,822
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 909,681</u>	<u>\$ 1,459,709</u>	<u>\$ -</u>	<u>\$ 249,697</u>	<u>\$ 2,619,087</u>
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:					
Net Operating Income	\$ (139,384)	\$ (152,343)	\$ (10,018)	\$ (1,331)	\$ (303,076)
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation/amortization	58,258	138,658	95,592	-	292,508
Pension expense	72,732	86,977	59,111	-	218,820
Employer pension contributions	(13,413)	(16,466)	(14,614)	-	(44,493)
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables/deferred charges	(3,151)	10,031	7,574	4,135	18,589
(Increase)/Decrease in prepaids/inventory	1,233	4,295	6,297	-	11,825
Increase/(Decrease) in accounts payable	3,823	57,318	55,581	1,064	117,786
Increase/(Decrease) in accrued liabilities	2,004	(3,991)	(2,424)	2,859	(1,552)
Net cash flows from operating activities	<u>\$ (17,898)</u>	<u>\$ 124,479</u>	<u>\$ 197,099</u>	<u>\$ 6,727</u>	<u>\$ 310,407</u>

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

**CITY OF WILLCOX, ARIZONA**  
**Statement of Fiduciary Net Position**  
**Court Agency Fund and Pension Trust Fund**  
**June 30, 2017**

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	<u>Magistrate Court Agency Fund</u>	<u>Volunteer Firefighters' Relief and Pension</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 266,166
Accounts receivable	-	422
Total assets and other debits	<u>-</u>	<u>266,588</u>
<b>LIABILITIES</b>		
Accrued liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
<b>NET POSITION</b>		
Held in trust for pension benefits and other purposes	<u><u>\$ -</u></u>	<u><u>\$ 266,588</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**  
**June 30, 2017**

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	<u>Volunteer Firefighters' Relief and Pension</u>
<b>Additions:</b>	
Contributions:	
Employer	\$ 1,218
State fire tax	4,253
Plan members	1,218
Total Contributions	<u>6,689</u>
Investment Income:	
Interest earnings	<u>600</u>
Net Investment Income (Loss)	<u>600</u>
Total Additions	<u>7,289</u>
<b>Deductions:</b>	
Total Deductions	<u>2,400</u>
Net Increase (Decrease)	4,889
Net Position Held in Trust for Pension Benefits	
Beginning of Year	<u>261,699</u>
End of Year	<u><u>\$ 266,588</u></u>

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

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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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, 2017**

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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.

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

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

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

**Measurement focus and basis of accounting**

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

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

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



**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

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

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

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

***Cash and cash equivalents***

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

***Investments***

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

***Inventories and Prepaid Items***

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

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

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

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*Capital Assets*

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

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

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

*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has one type of item that qualifies for reporting in this category. It is pension related items reported on the government-wide and proprietary fund financial statements. See footnote 10 for more information.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Pension related items reported on the government-wide and proprietary fund financial statements. See footnote 10 for more information. Another item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from only one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

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*Pensions*

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

*Net position flow assumption*

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

*Fund balance flow assumptions*

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

*Fund balance policies*

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

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

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

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

**Revenues and expenditures/expenses**

*Program revenues*

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

*Property taxes*

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

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

*Compensated Absences*

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

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

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*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.

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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 19.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 21.

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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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.

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, 2017, if any.

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**NOTE 4. Deposits and Investments**

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A reconciliation of total cash and cash equivalents to the government-wide statement of net position follows:

Cash and cash equivalents	\$ 4,941,095
Restricted cash and cash equivalents	65,310
Trust and agency fund cash	266,166
Total cash and equivalents	<u>\$ 5,272,571</u>

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposits may not be returned. The City does not have a formal policy for custodial credit risk. As of June 30, 2017, cash on hand was \$1,570 and the carrying amount of the City's bank deposits was \$1,268,922. As of June 30, 2017, \$40,356 of the City's bank balance of \$5,414,135 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, 2017**

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

As of June 30, 2017 the government had the following investments and maturities:

	Fair Value	Quality Rating	Weighted Average Maturity (2)
<b>Deposits:</b>			
Cash on hand	\$ 1,570	N/A	N/A
Cash in bank	762,389	N/A	N/A
<b>Investments:</b>			
State Treasurer's Investment Pool	3,996,583	(1)	2.18 years
Money market funds	512,029	N/A	N/A
Total cash and investments	<u>\$ 5,272,571</u>		

(1) Ratings are provided where applicable to indicate associated credit risk. The City's investment in the State Treasurer's Investment Pool #700 and #5 were rated AAAF/S1+ and AA+ by Standard and Poor's.

**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, 2017**

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**NOTE 5.      **Restricted Assets****

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Restricted assets at June 30, 2017 consisted of the following cash reserves:

Restricted Cash

Water Fund - Debt Reserves and Customer Deposits	<u>65,310</u>
Total Restricted Cash	<u><u>\$ 65,310</u></u>

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**NOTE 6.      **Property Taxes Receivable****

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Property taxes receivable in the amount of \$42,377 consist of collected and undistributed taxes and uncollected property taxes as determined from the records of the County Treasurer's office. Unavailable revenue of \$42,350 represents that portion of the property taxes receivable that have not been collected within 60 days after year end. Consequently, this amount has not been included in current year revenues.

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 7. Capital Assets**

Capital asset activity for governmental activities for the year ended June 30, 2017 was as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2017</b>
Capital assets, not being depreciated:				
Land	\$ 1,230,981	\$ 11	\$ -	\$ 1,230,992
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>1,230,981</u>	<u>11</u>	<u>-</u>	<u>1,230,992</u>
Capital assets, being depreciated:				
Buildings and Improvements	6,249,873	-	-	6,249,873
Infrastructure	5,496,046	39,263	-	5,535,309
Furniture, Equipment, Vehicles	<u>3,075,658</u>	<u>541,201</u>	<u>(143,430)</u>	<u>3,473,429</u>
Total capital assets being depreciated	<u>14,821,577</u>	<u>580,464</u>	<u>(143,430)</u>	<u>15,258,611</u>
Less accumulated depreciation for:				
Buildings and Improvements	(2,700,079)	(179,239)	-	(2,879,318)
Infrastructure	(1,811,907)	(204,880)	-	(2,016,787)
Furniture, Equipment, Vehicles	<u>(2,400,612)</u>	<u>(197,780)</u>	<u>138,764</u>	<u>(2,459,628)</u>
Total accumulated depreciation	<u>(6,912,598)</u>	<u>(581,899)</u>	<u>138,764</u>	<u>(7,355,733)</u>
Total capital assets being depreciated, net	<u>7,908,979</u>	<u>(1,435)</u>	<u>(4,666)</u>	<u>7,902,878</u>
Governmental activities capital assets, net	<u>\$ 9,139,960</u>	<u>\$ (1,424)</u>	<u>\$ (4,666)</u>	<u>\$ 9,133,870</u>

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

<b>Governmental Activities:</b>	
General government	\$ 138,729
Public safety	67,946
Highways and streets	246,895
Culture and recreation	124,817
Public works	<u>3,512</u>
Total depreciation expense - governmental activities	<u>\$ 581,899</u>

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

Capital asset activity for business-type activities for the year ended June 30, 2017 was as follows:

<b>Business Type Activities:</b>	<b>Balance 6/30/2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2017</b>
Capital assets, not being depreciated:				
Land	\$ 151,578	\$ -	\$ -	\$ 151,578
Construction in progress	1,102,885	243,810	(26,627)	1,320,068
Total capital assets not being depreciated	<u>1,254,463</u>	<u>243,810</u>	<u>(26,627)</u>	<u>1,471,646</u>
Capital assets, being depreciated:				
Buildings and Improvements	21,800	-	-	21,800
System and Other Improvements	10,798,633	43,042	-	10,841,675
Furniture, Equipment, Vehicles	765,087	72,344	-	837,431
Total capital assets being depreciated	<u>11,585,520</u>	<u>115,386</u>	<u>-</u>	<u>11,700,906</u>
Less accumulated depreciation for:				
Buildings and Improvements	(21,800)	-	-	(21,800)
System and Other Improvements	(7,146,912)	(237,198)	-	(7,384,110)
Furniture, Equipment, Vehicles	(538,722)	(55,310)	-	(594,032)
Total accumulated depreciation	<u>(7,707,434)</u>	<u>(292,508)</u>	<u>-</u>	<u>(7,999,942)</u>
Total capital assets being depreciated, net	<u>3,878,086</u>	<u>(177,122)</u>	<u>-</u>	<u>3,700,964</u>
Business type activities capital assets, net	<u>\$ 5,132,549</u>	<u>\$ 66,688</u>	<u>\$ (26,627)</u>	<u>\$ 5,172,610</u>

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

<b>Business-Type Activities:</b>	
Gas	\$ 58,258
Water	138,658
Sewer	95,592
Total depreciation expense - business-type activities	<u>\$ 292,508</u>

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 8. Long-Term Obligations**

The following is a summary of changes in long-term obligations for the year ended June 30, 2017.

<b>Governmental activities:</b>	<b>Balance 6/30/2016</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 6/30/2017</b>	<b>Current Portion</b>
<b>General Obligation:</b>					
Capital Leases	\$ 196	\$ -	\$ (196)	\$ -	\$ -
Total General Obligation	196	-	(196)	-	-
<b>Revenue Obligation:</b>					
Municipal Property Corporation Excise Tax Revenue Bonds, Series 2006	-	-	-	-	-
2016 Refinancing Agreement	1,380,000	-	(280,000)	1,100,000	294,000
GADA Revenue Bonds, Series 2004A	245,000	-	(120,000)	125,000	125,000
Series 2007	220,000	-	(15,000)	205,000	15,000
Total Revenue Obligation	1,845,000	-	(415,000)	1,430,000	434,000
<b>Other Obligations</b>					
Net Pension Liability	5,440,915	123,755	-	5,564,670	-
Accrued Compensated Absences	152,291	85,000	(113,444)	123,847	75,000
Total Other Obligations	5,593,206	208,755	(113,444)	5,688,517	75,000
Total Governmental Activity Long-term Liabilities	<u>\$ 7,438,402</u>	<u>\$ 208,755</u>	<u>\$ (528,640)</u>	<u>\$ 7,118,517</u>	<u>\$ 509,000</u>
<b>Business-type Activities:</b>					
<b>Revenue Obligation:</b>					
Water Revenue Bonds, USDA/RD Series 2005	\$ 764,000	\$ -	(27,000)	\$ 737,000	\$ 28,000
Sewer Revenue Bonds, Rural Utilities 2001 A	328,814	-	(328,814)	-	-
Rural Utilities Bonds 2001 B	206,501	-	(206,501)	-	-
Total Revenue Obligation	1,299,315	-	(562,315)	737,000	28,000
<b>Other Obligations</b>					
Net Pension Liability	566,153	154,007	-	720,160	-
Accrued Compensated Absences	23,273	4,000	(13,014)	14,259	4,000
Total Other Obligations	589,426	158,007	(13,014)	734,419	4,000
Total Business-type Activity Long-term Liabilities	<u>\$ 1,888,741</u>	<u>\$ 158,007</u>	<u>\$ (575,329)</u>	<u>\$ 1,471,419</u>	<u>\$ 32,000</u>
<b>Total Long-term Debt</b>	<u>\$ 9,327,143</u>	<u>\$ 366,762</u>	<u>\$ (1,103,969)</u>	<u>\$ 8,589,936</u>	<u>\$ 541,000</u>

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

Bonds payable consist of the following at June 30, 2017:

**Revenue Obligation - Governmental:**

2016 Refinancing Agreement Excise Tax Revenue Bonds, due in semiannual principal and interest installments, bearing interest at 1.16% to 1.76%, maturing in July, 2021 \$ 1,100,000

Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2004A, due in semiannual principal and interest installments, bearing interest at 4.0% to 4.375%, maturing in August 1, 2017 125,000

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 205,000

**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. 737,000

Total Bonds Payable \$ 2,167,000

Debt service requirements for bonds payable are as follows:

Fiscal Period Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 434,000	\$ 26,290	\$ 28,000	\$ 30,402
2019	311,000	18,927	30,000	29,246
2020	318,000	13,637	31,000	28,008
2021	222,000	8,714	32,000	26,730
2022	20,000	6181	33,000	25,410
2023-2027	100,000	17,657	189,000	105,269
2028-2032	25,000	547	231,000	62,946
2033-2037	-	-	163,000	13,654
Total	<u>\$ 1,430,000</u>	<u>\$ 91,953</u>	<u>\$ 737,000</u>	<u>\$ 321,665</u>

The City has entered into lease agreements which are considered capital leases in accordance with Generally Accepted Accounting Principles. All capital leases were paid off as of June 30, 2017.

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

**NOTE 9. Interfund Transactions and Balances**

The composition of interfund receivables and payables balances as of June 30, 2017 follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ 31,137	\$ -
Sewer Fund	-	31,137
Total	\$ 31,137	\$ 31,137

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.

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. For the fiscal year ended June 30, 2017 there were no interfund transfers.

**NOTE 10. Retirement and Pension Plans**

The City contributes to the Arizona State Retirement System and Public Safety Personnel Retirement System plans described below. The plans are component units of the State of Arizona. At June 30, 2017, the City reported the following aggregate amounts related to pensions for plans to which it contributes:

Statement of Net Position and	ASRS	PSPRS	Combined Total
Net pension liability	\$ 2,776,253	\$ 3,508,577	\$ 6,284,830
Deferred outflows of resources	506,951	655,291	\$ 1,162,242
Deferred inflows of resources	498,306	-	\$ 498,306
Pension expense	113,394	512,147	\$ 625,541

The City reported \$374,473 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

**Arizona State Retirement System (ASRS)**

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

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

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

\* With actuarially reduced benefits.

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

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll.

In addition, the City was required by statute to contribute at the actuarially determined rate of 9.36 percent (9.17 percent for retirement, .13 percent for health insurance premium benefit, and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill.

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

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2015	190,101	10,299	2,095
2016	169,230	7,799	1,872
2017	171,522	8,910	2,228

**Pension liability** – At June 30, 2017, the City reported a liability of \$2,776,253 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The City's proportion measured as of June 30, 2016, was 0.017200 percent, which was a decrease of 0.001150 percent from its proportion measured as of June 30, 2015.



**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

**Pension expense and deferred outflows/inflows of resources** – For the year ended June 30, 2017, the City recognized pension expense for ASRS of \$182,661. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 16,871	\$ 190,986
Changes in assumptions	-	146,886
Net difference between projected and actual earnings on pension plan investments	300,853	-
Changes in proportion and differences between contributions and proportional share of contributions	17,705	160,434
Contributions subsequent to the measurement date	171,522	-
Total	\$ 506,951	\$ 498,306

The \$171,522 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2017	\$ (197,406)
2018	(160,601)
2019	110,773
2020	84,358
2021	-

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

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

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	58%	6.73%	3.90%
Fixed income	25%	3.70%	0.93%
Commodities	2%	3.84%	0.08%
Multi-asset	5%	3.41%	0.17%
Real Estate	10%	4.25%	0.42%
Totals	100%		5.50%
		Inflation	3.25%
		Expected arithmetic nominal return	8.75%

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

**Discount Rate** – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of Net pension (asset) / liability	\$ 3,539,933	\$ 2,776,253	\$ 2,163,948

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

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

**Plan description** – The Town contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

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

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

**Employees covered by benefit terms** – At June 30, 2017, the following employees were covered by the agent pension plans’ benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9	
Inactive employees entitled to but not yet receiving benefits	1	
Active employees	9	
Total	19	

**Contributions and annual OPEB cost** – State statutes establish the pension contribution requirement for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees can earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, active PSPSR members were required by statute to contribute 11.65 percent of their annual covered salary to the PSPRS and the City was required to contribute 48.62 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 0.17 percent.

For the agent plans, the Town’s contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2017, were:

**Pension**

Contributions made	\$	239,776
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**Health Insurance Premium Benefit**

Annual OPEB cost	1,008
Contributions made	1,008

**Pension liability** – At June 30, 2017, the City reported a net pension liability of \$3,508,577. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- In May 2016, voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS’ automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the City’s net pension liability as a result of the statutory adjustments is not known.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS.

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

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The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the City's net pension liability as a result of these changes is not known.

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

Actuarial valuation date	June 30, 2016
Actuarial cost method	Individual Entry Age Normal
Discount rate	7.5%
Projected salary increases	4.0% to 8.0% including inflation
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometrical real rates of return for each major asset class are summarized in the following table:

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	16.00%	6.23%
Non-U.S. Equity	14.00%	8.25%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	2.92%
Credit Opportunities	13.00%	7.08%
Absolute Return	5.00%	4.11%
GTAA	10.00%	4.38%
Real Assets	8.00%	4.77%
Real Estate	10.00%	4.48%
Risk Parity	4.00%	5.13%
Short Term Inv	2.00%	0.75%
<b>Total</b>	<b>100.00%</b>	

**Discount Rate** –A Single Discount Rate of 7.50% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

**Changes in the Net Pension Liability**

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a) - (b)</u>
Balances at June 30, 2016	\$ 5,072,492	\$ 1,923,341	\$ 3,149,151
Changes for the year:			
Service cost	94,769	-	94,769
Interest on total pension liability	389,979	-	389,979
Changes of benefit terms*	(46,008)	-	(46,008)
Difference between expected and actual experience in the measurement of the pension liability	52,420	-	52,420
Changes of assumptions**	204,433	-	204,433
Contributions - employer	-	268,467	(268,467)
Contributions - employee	-	55,731	(55,731)
Net investment income	-	11,329	(11,329)
Benefit payments, including refunds of employee contributions	(303,991)	(303,991)	-
Pension plan administrative expenses	-	(2,030)	2,030
Other changes	-	2,670	(2,670)
Net changes	<u>391,602</u>	<u>32,176</u>	<u>359,426</u>
Balances at June 30, 2017	<u>\$ 5,464,094</u>	<u>\$ 1,955,517</u>	<u>\$ 3,508,577</u>

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

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

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate -**

The following table presents the City's net pension liability using the discount rate of 7.50 percent, as well as what the City's net pension liability would be if were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Proportionate share of Net pension (asset) / liability	\$ 4,182,835	\$ 3,508,577	\$ 2,950,913



**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

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

**Pension expense and deferred outflows/inflows of resources** – For the year ended June 30, 2017, the City recognized pension expense for PSPRS of \$512,147. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 49,876	\$ -
Changes in assumptions	250,153	-
Net difference between projected and actual earnings on pension plan investments	120,986	-
Contributions subsequent to the measurement date	239,776	-
Total	\$ 660,791	\$ -

The \$239,776 reported as deferred outflows of resources related to PSPRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2018	\$ 177,360
2019	83,670
2020	99,948
2021	60,037
2022	-

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

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**Agent plan OPEB actuarial assumptions** – The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plan as the Town and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2017 contribution requirements:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	21 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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

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

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Health Insurance	2015	8,453	100%	-
	2016	713	100%	-
	2017	1,008	100%	

**Agent plan OPEB funded status** – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2016, along with the actuarial assumptions and methods used in those valuations follow.

Actuarial accrued liability (AAL)	\$ 100,408
Actuarial value of plan assets	136,301
Unfunded actuarial accrued liability (UAAL)	<u>\$ (35,893)</u>
Funded ratio (actuarial value of plan assets/AAL)	135.75%
Covered payroll (active plan members)	\$ 501,643
UAAL as a percentage of covered payroll	0.00%

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

Actuarial valuation date	June 30, 2016
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	21 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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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.

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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. Commitments and Contingencies**

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The City entered into a construction contract in March 2017 for the construction of a new waste water treatment and collection facility totaling \$13,175,000 which began construction subsequent to June 30, 2017.

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

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

**CITY OF WILLCOX, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2017**

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**NOTE 14. Bond Refinancing**

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In fiscal year 2016 the City refinanced the Tax Revenue Bonds, Series 2006 to take advantage of lower interest rates. As part of the refinancing arrangement, the City issued \$1,380,000 of new Revenue Bonds and retired \$210,000 in principal of the refinanced bonds. The restructuring of these bonds is expected to result in a net present value savings of \$90,400 over the life of the bonds.

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**NOTE 15. Subsequent Events**

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The City obtained new debt with United States Department of Agriculture amounting to \$2,005,000 and \$1,499,000 for the construction of a new wastewater treatment and collection facility. Construction began subsequent to June 30, 2017. In addition a grant was obtained subsequent to year end from NAD Bank for \$4,618,182 to assist with this construction project.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WILLCOX, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**Last Three Fiscal Years**

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	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.017200%	1.835000%	1.883500%
Proportionate share of the net pension liability (asset) \$	2,776,253	\$ 2,857,917	\$ 2,786,895
Covered employee payroll \$	1,559,729	\$ 1,634,592	\$ 1,720,605
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	178.00%	174.84%	161.97%
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%

Note: In accordance with GASB 68, which was implemented in fiscal year 2015, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension plan schedules.



**CITY OF WILLCOX, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**Last Three Fiscal Years**

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
<b>Total pension liability</b>			
Service cost	\$ 94,769	\$ 86,888	\$ 89,382
Interest on total pension liability	389,979	374,632	299,250
Changes of benefit terms	(46,008)	-	141,884
Difference between expected and actual experience of the total net pension liability	52,420	11,324	23,608
Changes of assumptions	204,433	-	663,809
Benefit payments, including refunds of employee contributions	(303,991)	(258,577)	(254,246)
<b>Net change in total pension liability</b>	391,602	214,267	963,687
<b>Total pension liability - beginning</b>	5,072,492	4,858,225	3,894,538
<b>Total pension liability - ending (a)</b>	<u>\$ 5,464,094</u>	<u>\$ 5,072,492</u>	<u>\$ 4,858,225</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ 268,467	\$ 193,052	\$ 148,617
Contributions - employee	55,731	58,589	49,893
Net investment income	11,329	68,949	232,082
Benefit payments, including refunds of employee contributions	(303,991)	(258,577)	(254,246)
Pension plan administrative expenses	(2,030)	(2,059)	-
Other (net transfer)	2,670	(16,099)	(1,869)
<b>Net change in plan fiduciary net position</b>	32,176	43,855	174,477
<b>Plan fiduciary net position - beginning</b>	1,923,341	1,879,486	1,705,009
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 1,955,517</u>	<u>\$ 1,923,341</u>	<u>\$ 1,879,486</u>
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ 3,508,577</u>	<u>\$ 3,149,151</u>	<u>\$ 2,978,739</u>
Plan fiduciary net position as a percentage of the total pension liability	35.79%	37.92%	38.69%
Covered employee payroll	\$ 474,320	\$ 548,341	\$ 439,667
Net pension liability as a percentage of covered payroll	739.71%	574.31%	677.50%

Note: In accordance with GASB 68, which was implemented in fiscal year 2015, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension plan schedules.

**CITY OF WILLCOX, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Pension Contributions**  
**Last Three Fiscal Years**

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**Arizona State Retirement System**

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
	\$	\$	\$
Contractually required contribution	\$ 169,230	190,101	181,666
Contributions in relation to the contractually required contribution	\$ (169,230)	(190,101)	(181,666)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,559,729	\$ 1,634,592	\$ 1,720,605
Contributions as a percentage of covered-employee payroll	10.85%	11.63%	10.56%

Note: In accordance with GASB 68, which was implemented in fiscal year 2015, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension plan schedules.

**CITY OF WILLCOX, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Pension Contributions**  
**Last Three Fiscal Years**

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**Public Safety Personnel Retirement System**

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
	_____	_____	_____
Actuarially determined contribution	\$ 268,467	\$ 193,052	\$ 148,617
Contributions in relation to the actuarially determined contribution	\$ (268,467)	\$ (193,052)	\$ (148,617)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 474,320	\$ 548,341	\$ 439,667
Contributions as a percentage of covered-employee payroll	56.60%	35.21%	33.80%

Note: In accordance with GASB 68, which was implemented in fiscal year 2015, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension plan schedules.

**CITY OF WILLCOX, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension Plan Schedules**  
**June 30, 2017**

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**NOTE 1. Actuarially Determined Contribution Rates**

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

Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, the projected salary increases were decreased from 4.5% - 8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, the projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%
Wage growth	In the 2014 actuarial valuation, wage growth decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth decreased from 5.0% to 4.5%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2016 using projection scale AA (adjusted by 105% for both males and females)

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**Note 2. Factors that Affect Trends**

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In February 2014, the Arizona Supreme Court affirmed a Superior court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS, changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS changes in total pension liability for fiscal year 2015 (measurement date 2014) in the schedule of changes in the City's net pension liability and related ratios. These changes also increased the PSPRS required contributions beginning in fiscal year 2016 in the schedule of City pension contributions.

**CITY OF WILLCOX, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Agent OPEB Plans' Funding Progress**  
**June 30, 2017**

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**Public Safety Personnel Retirement System**  
**Health Insurance Premium Benefit**

<b>Valuation Date June 30,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>As a Percentage of Covered Payroll [(b)-(a)] / (c)</b>
2015	126,051	95,291	(30,760)	132.3%	548,341	0.00%
2016	131,880	100,711	(31,169)	131.0%	474,320	0.00%
2017	136,301	100,408	(35,893)	135.7%	501,643	0.00%

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

**CITY OF WILLCOX, ARIZONA**  
**Required Supplementary Information**  
**Notes to Schedule of Agent OPEB Plans' Funding Progress**  
**June 30, 2017**

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**NOTE 1. Factors that Affect the Identification of Trends**

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Beginning in fiscal year 2016, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2016, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

**CITY OF WILLCOX, ARIZONA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULES**

**FOR THE FOLLOWING MAJOR FUNDS:**

**General Fund – Detail Budget and Actual**

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

**Special Revenue Funds – Detail Budget and Actual**

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

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

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

**CITY OF WILLCOX, ARIZONA**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property tax	\$ 72,836	\$ 72,836	\$ 74,675	\$ 1,839
City sales tax	1,405,379	1,405,379	1,459,357	53,978
Room occupancy tax	157,555	157,555	170,407	12,852
Franchise taxes	220,806	220,806	230,206	9,400
Total Taxes	<u>1,856,576</u>	<u>1,856,576</u>	<u>1,934,645</u>	<u>78,069</u>
<b>Licenses, Permits and Fees:</b>				
Liquor licenses	2,600	2,600	2,320	(280)
Business licenses	7,082	7,082	6,088	(994)
Refuse hauler licenses	20,993	20,993	17,105	(3,888)
Dog licenses	245	245	205	(40)
Cemetery fees	27,570	27,570	23,412	(4,158)
Building permits	40,051	40,051	35,107	(4,944)
Total Licenses, Permits and Fees	<u>98,541</u>	<u>98,541</u>	<u>84,237</u>	<u>(14,304)</u>
<b>Intergovernmental:</b>				
State revenue sharing	446,765	446,765	435,948	(10,817)
Auto lieu taxes	186,095	186,095	175,293	(10,802)
State sales taxes	344,547	344,547	324,791	(19,756)
Total Intergovernmental	<u>977,407</u>	<u>977,407</u>	<u>936,032</u>	<u>(41,375)</u>
<b>Charges for Services:</b>				
Rents	13,916	13,916	11,442	(2,474)
Swimming pool fees	17,368	17,368	12,956	(4,412)
Golf course	192,568	192,568	129,905	(62,663)
School resource officer	118,417	118,417	111,384	(7,033)
Total Charges for Services	<u>342,269</u>	<u>342,269</u>	<u>265,687</u>	<u>(76,582)</u>
<b>Fines and Forfeitures:</b>				
Fines & forfeitures	19,619	19,619	12,282	(7,337)
Total Fines and Forfeitures	<u>19,619</u>	<u>19,619</u>	<u>12,282</u>	<u>(7,337)</u>
<b>Interest</b>	<u>22,352</u>	<u>22,352</u>	<u>2,289</u>	<u>(20,063)</u>
<b>Other Revenues:</b>				
Miscellaneous	56,885	56,885	53,898	(2,987)
Total Other Revenues	<u>56,885</u>	<u>56,885</u>	<u>53,898</u>	<u>(2,987)</u>
<b>TOTAL REVENUES</b>	<u>3,373,649</u>	<u>3,373,649</u>	<u>3,289,070</u>	<u>(84,579)</u>

(continued)



**CITY OF WILLCOX, ARIZONA**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2017(Continued)**

<b>EXPENDITURES:</b>	<u>Budgeted Amounts</u>			Variance Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>General Government:</b>				
Mayor & Council	\$ 40,401	\$ 40,401	\$ 39,259	\$ 1,142
General & Administrative	588,659	588,659	461,263	127,396
Finance	-	-	-	-
Total General Government	<u>629,060</u>	<u>629,060</u>	<u>500,522</u>	<u>128,538</u>
<b>Public Safety:</b>				
Public Safety Administration	1,203,092	1,203,092	867,483	335,609
Communications	305,069	305,069	304,894	175
Police	10,000	10,000	7,646	2,354
Magistrate	125,503	125,503	118,038	7,465
Fire	93,260	93,260	75,514	17,746
Animal Control	122,621	122,621	111,387	11,234
Building Inspection	102,764	102,764	97,991	4,773
Total Public Safety	<u>1,962,309</u>	<u>1,962,309</u>	<u>1,582,953</u>	<u>379,356</u>
<b>Culture and Recreation:</b>				
Golf Course	243,815	243,815	212,140	31,675
Library	237,183	237,183	194,943	42,240
Parks & Recreation	476,613	476,613	443,102	33,511
Swimming Pool	134,934	134,934	105,419	29,515
Community Programs	118,516	118,516	87,567	30,949
Total Culture and Recreation	<u>1,211,061</u>	<u>1,211,061</u>	<u>1,043,171</u>	<u>167,890</u>
<b>Public Works</b>				
Public Works Administration	47,856	47,856	25,561	22,295
Cemetery	52,710	52,710	51,326	1,384
Central Garage	25,558	25,558	25,383	175
Total Public Works	<u>126,124</u>	<u>126,124</u>	<u>102,270</u>	<u>23,854</u>
TOTAL EXPENDITURES	<u>3,928,554</u>	<u>3,928,554</u>	<u>3,228,916</u>	<u>699,638</u>
Excess of Revenues Over (Under) Expenditures	<u>(554,905)</u>	<u>(554,905)</u>	<u>60,154</u>	<u>615,059</u>
<b>Other Financing Sources (Uses):</b>				
Transfer from Gas fund	165,565	165,565	-	(165,565)
Transfer from Water fund	128,521	128,521	-	(128,521)
Transfer from Sewer fund	148,118	148,118	-	(148,118)
Transfer from Refuse fund	14,000	14,000	-	(14,000)
Transfer to capital project and grant funds	-	-	-	-
Sale of general capital assets	4,000	4,000	43,322	39,322
Total Other Financing Sources (Uses)	<u>460,204</u>	<u>460,204</u>	<u>43,322</u>	<u>(416,882)</u>
Net change in fund balance	(94,701)	(94,701)	103,476	198,177
Fund Balance, Beginning of Year	<u>1,576,080</u>	<u>1,576,080</u>	<u>1,576,080</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,481,379</u>	<u>\$ 1,481,379</u>	<u>\$ 1,679,556</u>	<u>\$ 198,177</u>

**CITY OF WILLCOX, ARIZONA**  
**Highway User Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
City sales tax	\$ 682,504	\$ 682,504	\$ 729,679	\$ 47,175
Intergovernmental Revenue:				
Highway user revenues	273,314	273,314	284,892	11,578
Interest	4,772	4,772	645	(4,127)
Total Revenues	<u>960,590</u>	<u>960,590</u>	<u>1,015,216</u>	<u>54,626</u>
<b>EXPENDITURES:</b>				
Streets and Highways:				
Salaries & wages	201,529	201,529	176,159	25,370
Benefits	134,674	134,674	104,609	30,065
Service, supplies and other	300,754	300,754	272,506	28,248
Capital outlay	42,000	42,000	41,124	876
Debt Service:				
Principal	280,000	280,000	280,000	-
Interest	26,633	26,633	26,633	-
Total Expenditures	<u>985,590</u>	<u>985,590</u>	<u>901,031</u>	<u>84,559</u>
Excess of Revenues Over (Under) Expenditures	<u>(25,000)</u>	<u>(25,000)</u>	<u>114,185</u>	<u>139,185</u>
Other Financing sources / (Uses):				
Proceeds from the issuance of long-term debt	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources / (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(25,000)	(25,000)	114,185	139,185
Fund Balance, Beginning of Year	<u>376,713</u>	<u>376,713</u>	<u>376,713</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 351,713</u>	<u>\$ 351,713</u>	<u>\$ 490,898</u>	<u>\$ 139,185</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, 2017**

	<u>Special Revenue Funds</u>		<u>Capital Project Funds</u>		Total Non-major Funds
	<u>Grants</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	
<b>Assets</b>					
Cash and cash equivalents	\$ 12,030	\$ 46,553	\$ 43,506	\$ 168,683	\$ 270,772
Receivables:					
Property taxes	-	-	-	27,950	27,950
Intergovernmental	5,026	-	-	-	5,026
Other	-	4,288	-	5,212	9,500
Total Assets	<u>\$ 17,056</u>	<u>\$ 50,841</u>	<u>\$ 43,506</u>	<u>\$ 201,845</u>	<u>\$ 313,248</u>
<b>Liabilities</b>					
Liabilities:					
Accounts payable	\$ 2,056	\$ 7,858	\$ -	\$ -	\$ 9,914
Unearned revenue	15,000	-	-	-	15,000
Total Liabilities	<u>17,056</u>	<u>7,858</u>	<u>-</u>	<u>-</u>	<u>24,914</u>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue-property taxes	-	-	-	26,177	26,177
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,177</u>	<u>26,177</u>
<b>Fund Balances</b>					
Restricted for:					
Debt service	-	-	-	175,668	175,668
Other purposes	-	42,983	-	-	42,983
Capital projects	-	-	43,506	-	43,506
Total Fund Balances (deficits)	<u>-</u>	<u>42,983</u>	<u>43,506</u>	<u>175,668</u>	<u>262,157</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 17,056</u>	<u>\$ 50,841</u>	<u>\$ 43,506</u>	<u>\$ 201,845</u>	<u>\$ 313,248</u>

**CITY OF WILLCOX, ARIZONA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**For the Year Ended June 30, 2017**

<b>REVENUES</b>	Special Revenue Funds				Total Non-major Funds
	Grants	Special Revenue	Capital Projects	Debt Service	
Taxes	\$ -	\$ -	\$ -	\$ 156,009	\$ 156,009
Intergovernmental revenue	31,111	-	-	-	31,111
Interest	-	-	13	-	13
Other revenues	-	65,665	-	-	65,665
Total Revenues	31,111	65,665	13	156,009	252,798
<b>EXPENDITURES</b>					
Current:					
Public Safety	28,558	13,405	-	-	41,963
Community Development	2,553	-	-	-	2,553
Culture and Recreation	-	7,667	-	-	7,667
Capital Outlay	-	56,611	-	-	56,611
Debt Service:					
Principal	-	-	-	135,000	135,000
Interest	-	-	-	17,972	17,972
Total Expenditures	31,111	77,683	-	152,972	261,766
Excess of Revenues Over (Under) Expenditures	-	(12,018)	13	3,037	(8,968)
Other Financing Sources:					
Transfers in	-	-	-	-	-
Total Other Financing Sources	-	-	-	-	-
Net change in fund balances	-	(12,018)	13	3,037	(8,968)
Fund Balances, Beginning of Year	-	55,001	43,493	172,631	271,125
Fund Balances, End of Year	\$ -	\$ 42,983	\$ 43,506	\$ 175,668	\$ 262,157

**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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental	\$ 810,225	\$ 810,225	\$ 31,111	\$ (779,114)
Total Revenues	<u>810,225</u>	<u>810,225</u>	<u>31,111</u>	<u>(779,114)</u>
<b>EXPENDITURES:</b>				
Public Safety	810,100	810,100	28,558	781,542
Community Development	125	125	2,553	(2,428)
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>810,225</u>	<u>810,225</u>	<u>31,111</u>	<u>779,114</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance (deficit), End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF WILLCOX, ARIZONA**  
**Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Contributions and other	\$ 23,900	\$ 23,900	\$ 65,665	\$ 41,765
Total Revenues	<u>23,900</u>	<u>23,900</u>	<u>65,665</u>	<u>41,765</u>
<b>EXPENDITURES:</b>				
Culture and recreation	10,400	10,400	7,667	2,733
Public safety	7,646	7,646	13,405	(5,759)
Capital outlay	<u>36,131</u>	<u>36,131</u>	<u>56,611</u>	<u>(20,480)</u>
Total Expenditures	<u>54,177</u>	<u>54,177</u>	<u>77,683</u>	<u>(23,506)</u>
Excess of Revenues Over (Under) Expenditures	<u>(30,277)</u>	<u>(30,277)</u>	<u>(12,018)</u>	<u>18,259</u>
Other Financing Sources (Uses): Transfers in	<u>4,100</u>	<u>4,100</u>	<u>-</u>	<u>(4,100)</u>
Net change in fund balance	(26,177)	(26,177)	(12,018)	14,159
Fund Balance, Beginning of Year	<u>55,001</u>	<u>55,001</u>	<u>55,001</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 28,824</u>	<u>\$ 28,824</u>	<u>\$ 42,983</u>	<u>\$ 14,159</u>

**CITY OF WILLCOX, ARIZONA**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Interest	\$ -	\$ -	\$ 13	\$ 13
Total Revenues	-	-	13	13
<b>EXPENDITURES:</b>				
Capital outlay	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	13	13
Other Financing Sources: Transfers in	-	-	-	-
Net change in fund balance	-	-	13	13
Fund Balance, Beginning of Year	43,493	43,493	43,493	-
Fund Balance, End of Year	<u>\$ 43,493</u>	<u>\$ 43,493</u>	<u>\$ 43,506</u>	<u>\$ 13</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Property taxes	\$ 159,001	\$ 159,001	\$ 156,009	\$ (2,992)
Total Revenues	<u>159,001</u>	<u>159,001</u>	<u>156,009</u>	<u>(2,992)</u>
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	135,000	135,000	135,000	-
Interest	<u>24,001</u>	<u>24,001</u>	<u>17,972</u>	<u>6,029</u>
Total Expenditures	<u>159,001</u>	<u>159,001</u>	<u>152,972</u>	<u>6,029</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>3,037</u>	<u>3,037</u>
Other Financing Sources:				
Transfer in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	3,037	3,037
Fund Balance, Beginning of Year	<u>172,631</u>	<u>172,631</u>	<u>172,631</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ 172,631</u></u>	<u><u>\$ 172,631</u></u>	<u><u>\$ 175,668</u></u>	<u><u>\$ 3,037</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, 2017, 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 29, 2017.

**Internal Control Over Financial Reporting**

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

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

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

2014-001. Accounting Adjustments

## **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 Arizona, PLLC  
Flagstaff, Arizona  
December 29, 2017

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**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, 2017, and have issued our report thereon dated December 29, 2017. 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, 2017.



HintonBurdick Arizona, PLLC  
Flagstaff, Arizona  
December 29, 2017

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