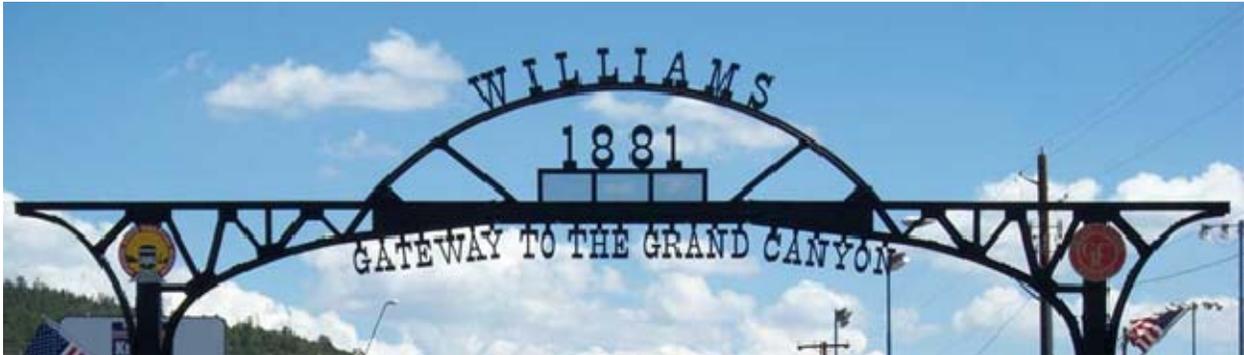


# **CITY OF WILLIAMS, ARIZONA**



## **FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2015**

**WITH REPORT OF**

**CERTIFIED PUBLIC ACCOUNTANTS**

**CITY OF WILLIAMS, ARIZONA**

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**CITY OF WILLIAMS, ARIZONA**

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**FINANCIAL SECTION**

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## Independent Auditors' Report

The Honorable Mayor and  
City Council  
Williams, Arizona

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williams, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williams as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in note 14 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedule of proportionate share of the net pension liability, schedule of changes in the net pension liability and related ratios, schedule of pension contributions, schedule of agent OPEB plans' funding progress, and the budgetary comparison schedules, 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 Standard 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 Williams, 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 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 financial statements as a whole.

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2016, on our consideration of the City of Williams' 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 results of that testing, and not to provide an opinion on the 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 William's internal control over financial reporting and compliance.



HintonBurdick, PLLC  
Flagstaff, AZ  
April 22, 2016

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**CITY OF WILLIAMS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2015**

As management of the City of Williams, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity (3) identify changes in the City's financial position (4) identify any material deviations from the financial plan (the approved budget) and (5) individual fund issues or concerns.

The discussion and analysis (MD&A) has a different focus and purpose than the transmittal letter of this report, and is designed to be read in conjunction with the transmittal letter as well as the basic financial statements beginning on page 14 and the accompanying notes to the basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The City's total net position at the close of the fiscal year was \$34.2 million. This amount is comprised of \$35.4 million in net investment in capital assets, \$1.8 million of restricted net position and (\$3.0) million in unrestricted net position.
- Governmental net position increased by \$936,978 and Business-Type net position increased by \$445,602 before the GASB 68 restatement adjustment.
- Total City Sales tax revenue increased by 24.98 percent from last year and still is the single largest revenue in the budget.
- Improvements totaling \$6 million were made to the City's capital assets.
- Total debt service payments, including interest expense, were approximately \$3.2 million, leaving approximately \$29.8 million in total outstanding debt at the close of the year.
- The General Fund's unassigned fund balance increased by \$1,502,052 to \$2,319,241. The unassigned fund balance represents 39% of total General Fund expenditures for the fiscal year.
- Other governmental fund balances decreased by \$160,496 to \$762,184, of which \$295,196 is restricted and \$466,988 is committed.

**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 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 in them. 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 property 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, public works/streets, economic development, culture and recreation, and interest on long-term debt. Sales tax, federal grants, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The City charges a fee to customers that is intended 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 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. Government 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 on pages 17 and 19.
- 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.

## 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 \$34.2 million as of June 30, 2015 as shown in the following condensed statement of net position.

### City of Williams Statement of Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Current and other assets	\$ 4,951,907	\$ 2,867,630	\$ 1,708,344	\$ 1,474,376	\$ 6,660,251	\$ 4,342,006
Capital assets	20,671,163	21,214,517	39,260,857	35,870,490	59,932,020	57,085,007
Total assets	<u>25,623,070</u>	<u>24,082,147</u>	<u>40,969,201</u>	<u>37,344,866</u>	<u>66,592,271</u>	<u>61,427,013</u>
Deferred outflows of resources	879,158	-	109,420	-	988,578	-
Long-term liabilities outstanding	8,241,488	3,815,854	19,244,779	17,365,706	27,486,267	21,181,560
Other liabilities	1,042,543	795,413	4,085,628	2,004,421	5,128,171	2,799,834
Total liabilities	<u>9,284,031</u>	<u>4,611,267</u>	<u>23,330,407</u>	<u>19,370,127</u>	<u>32,614,438</u>	<u>23,981,394</u>
Deferred inflows of resources	649,620	-	137,717	-	787,337	-
Net position:						
Net investment in capital assets	16,368,891	17,117,410	19,022,443	17,282,125	35,391,334	34,399,535
Restricted	401,511	722,119	1,375,044	1,161,131	1,776,555	1,883,250
Unrestricted	(201,825)	1,631,351	(2,786,990)	(468,517)	(2,988,815)	1,162,834
Total net position	<u>\$ 16,568,577</u>	<u>\$ 19,470,880</u>	<u>\$ 17,610,497</u>	<u>\$ 17,974,739</u>	<u>\$ 34,179,074</u>	<u>\$ 37,445,619</u>

The City has \$66,592,271 in total assets, with \$59,932,020 in capital assets (net of depreciation). The City's Utility Funds, (Electric, Water & Sewer, Sanitation, and Golf) operations are included in the Business-type activities column.

### Governmental Activities

The City's governmental programs include: General Government, Public Safety, Highways and Streets, Culture and Recreation, Economic Development, and Health and Welfare. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the City's general taxes support each of the City's programs.

**City of Williams**  
**Changes in Net Position**

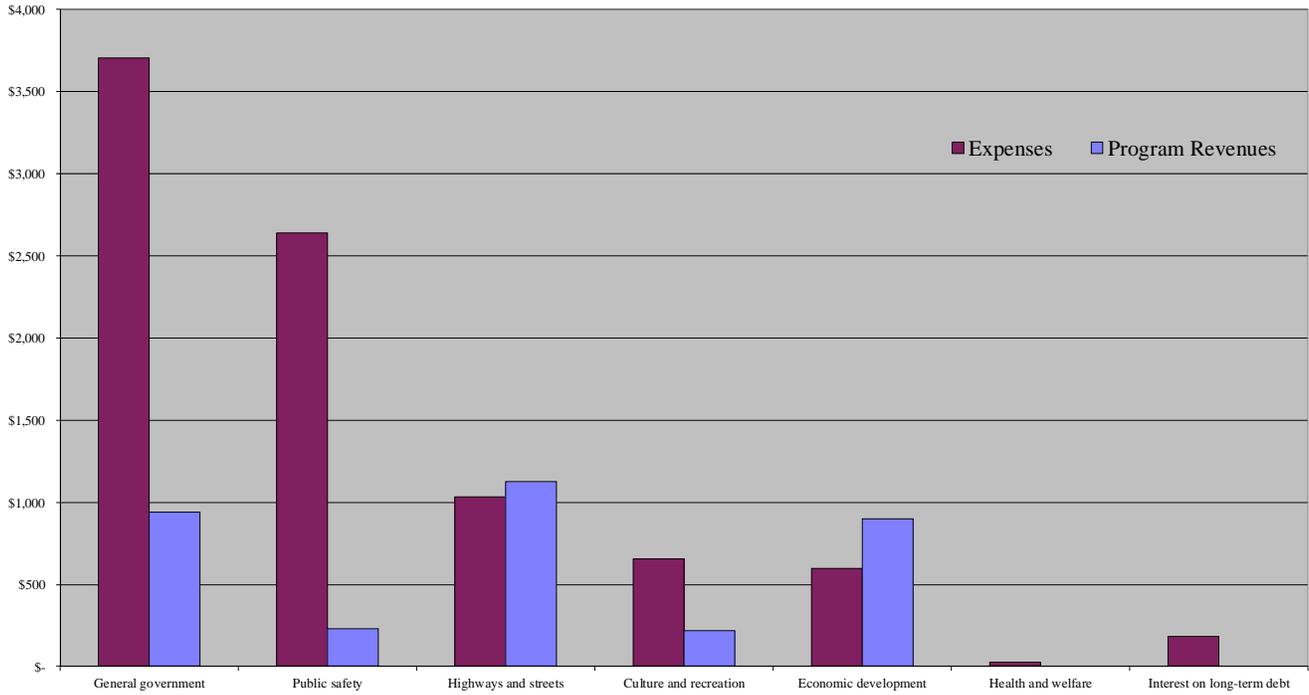
	Governmental activities		Business-type activities		Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Revenues:						
Program revenues:						
Charges for services	\$ 416,337	\$ 454,850	\$ 7,176,634	\$ 6,943,350	\$ 7,592,971	\$ 7,398,200
Operating grants and contributions	1,617,534	1,522,492	-	-	1,617,534	1,522,492
Capital grants and contributions	1,378,924	84,271	150,856	467,985	1,529,780	552,256
General revenues:						
Property taxes	771,994	750,245	-	-	771,994	750,245
Sales taxes	4,910,516	3,928,886	-	-	4,910,516	3,928,886
State and other taxes	520,943	484,851	-	-	520,943	484,851
Other	6,752	2,302	268,179	11,335	274,931	13,637
Total revenues	<u>9,623,000</u>	<u>7,227,897</u>	<u>7,595,669</u>	<u>7,422,670</u>	<u>17,218,669</u>	<u>14,650,567</u>
Expenses:						
General government	3,703,744	3,204,550	-	-	3,703,744	3,204,550
Public safety	2,638,272	2,112,558	-	-	2,638,272	2,112,558
Highways and streets	1,032,742	992,557	-	-	1,032,742	992,557
Culture and recreation	656,537	546,862	-	-	656,537	546,862
Economic development	597,051	453,349	-	-	597,051	453,349
Health and welfare	25,595	44,175	-	-	25,595	44,175
Interest on long-term debt	183,349	205,056	-	-	183,349	205,056
Electric	-	-	2,655,102	2,209,876	2,655,102	2,209,876
Water & Sewer	-	-	3,010,369	3,861,591	3,010,369	3,861,591
Golf Course	-	-	739,182	704,582	739,182	704,582
Sanitation	-	-	594,146	664,779	594,146	664,779
Total expenses	<u>8,837,290</u>	<u>7,559,107</u>	<u>6,998,799</u>	<u>7,440,828</u>	<u>15,836,089</u>	<u>14,999,935</u>
(Decrease)/Increase in net assets before transfers	785,710	(331,210)	596,870	(18,158)	1,382,580	(349,368)
Transfers	151,268	48,310	(151,268)	(48,310)	-	-
(Decrease)/Increase in net assets	936,978	(282,900)	445,602	(66,468)	1,382,580	(349,368)
Net position, beginning	19,470,881	19,753,780	17,974,739	18,041,207	37,445,620	37,794,987
Prior period adjustment	(3,839,282)	-	(809,844)	-	(4,649,126)	-
Net position, ending	<u>\$16,568,577</u>	<u>\$19,470,880</u>	<u>\$17,610,497</u>	<u>\$17,974,739</u>	<u>\$34,179,074</u>	<u>\$37,445,619</u>

The cost of all governmental activities this year was \$8,837,290 as shown in the schedule of Changes in Net Position above. \$416,337 of this cost was paid for by those who directly benefited from the programs. \$2,996,458 was subsidized by grants received from other governmental organizations for both capital and operating activities. General taxes, Urban Revenue Sharing and investment earnings totaled \$6,210,205.

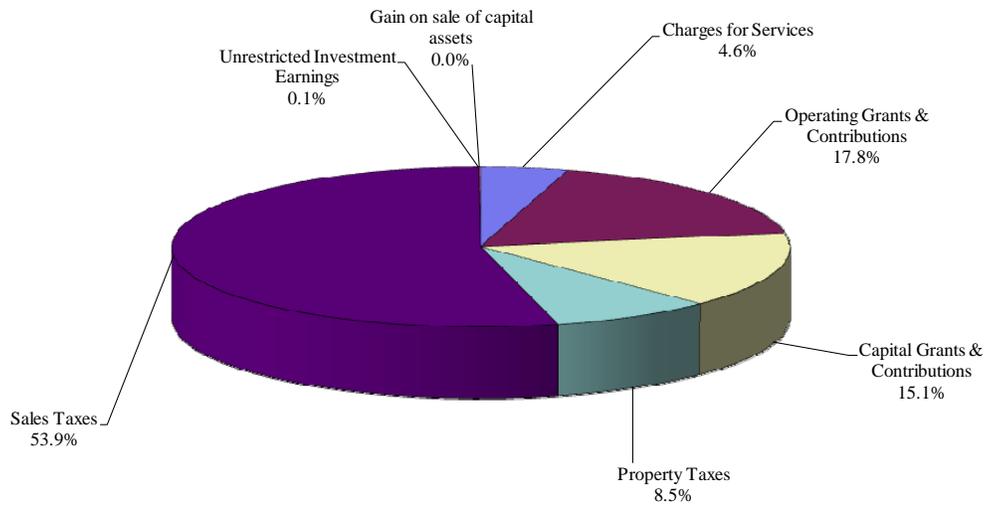
Total resources available during the year to finance governmental operations were \$26.98 million consisting of Net position at July 1, 2014 of \$19.5 million, program revenues of \$3.5 million and General Revenues of \$6.2 million. Total Governmental Activities during the year were \$8.9 million. There was a restatement adjustment of (\$3.8) million; thus Governmental Net Position was decreased by \$2.9 million to \$16.5 million.

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

**Expenses and Program Revenues - Governmental Activities**  
(in Thousands)



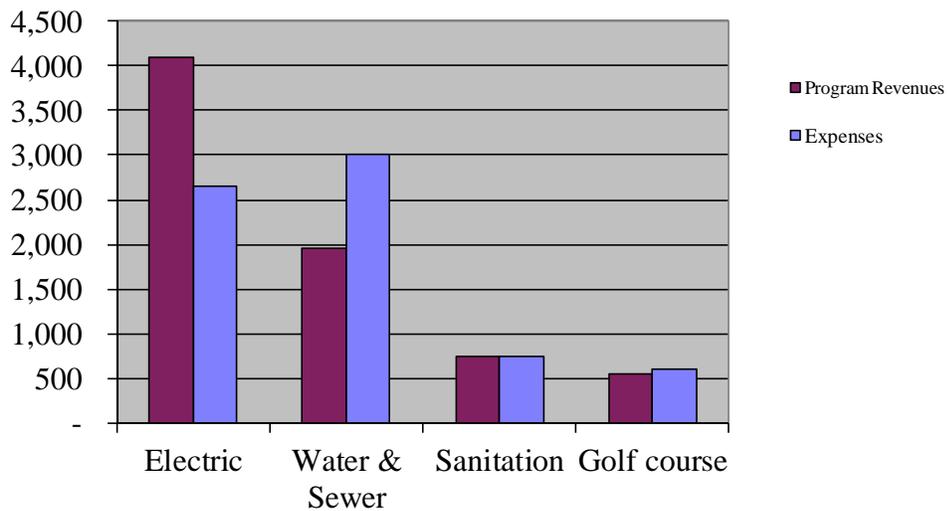
**Revenue By Source - Governmental Activities**



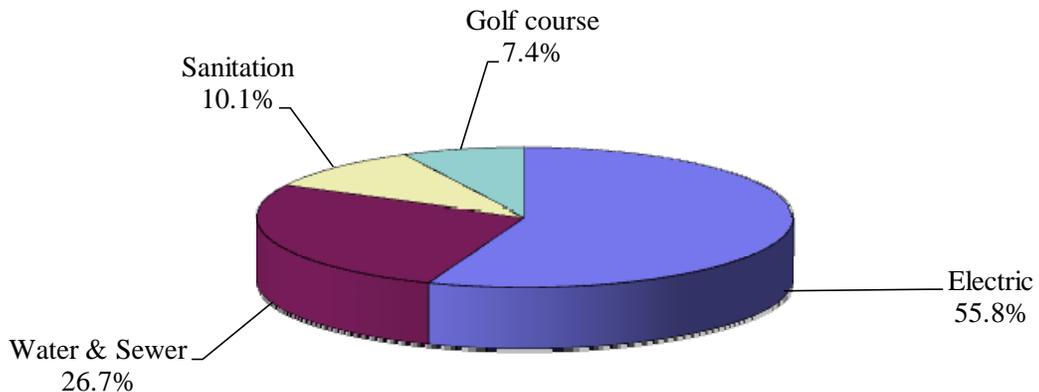
### Business Type Activities

Net position of the Business Type activities at June 30, 2015, as reflected in the Statement of Net Position was \$17.6 million. The cost of providing all Proprietary (Business Type) activities this year was \$7.0 million, including interest expense of \$632,080. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$7.2 million and there was \$150,336 subsidized by capital grants and contributions. Interest earnings and other revenues were \$268,946. Net Position increased by \$445,602 before a restatement adjustment of (\$809,844).

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



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



## **Financial Analysis of the Government's Funds**

As noted earlier, the City of Williams uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the City of Williams's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the City of Williams's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Williams's governmental funds reported combined ending fund balances of \$4.4 million, an increase of \$1,871,098 in comparison with the prior year. Approximately, 52% of this total amount or \$2,319,241 constitutes unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted, committed or assigned because it has already been committed 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Williams. At the end of the current fiscal year, total fund balance in the general fund was \$3,635,699, of which \$2,319,241 is unassigned. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance and total fund balance represents 39% and 61% respectively of total general fund expenditures. During the year, the City of Williams's general fund balance increased by \$2,031,594.

The debt service fund balance decreased from \$1,043 to \$0.

Highway User fund expenditures of \$671,719 were funded by Highway User revenues of \$315,669, City Sales Tax of \$390,712 and transfers in from other funds of \$125,000 which resulted in a fund balance of \$466,988.

The Greater Arizona Development Authority fund balance decreased from \$527,150 to \$279,801, which is all restricted for capital projects.

The non-major fund balance of \$15,395 consists of grant funds restricted for public safety.

### **General Fund Budgetary Highlights**

The City's annual budget is the legally adopted expenditure control document of the City. Budgetary comparison statements are required for the General Fund and all major special revenue funds. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis.

General Fund revenues of \$7,891,864 were more than the budget of \$6,157,026 by \$1,734,838 mainly due to facility rentals, sales taxes, and charitable contributions from a local donor that were used to purchase and install fixtures in the City. Actual expenditures of \$5,967,075 were \$170,433 more than budgeted expenditures of \$5,796,642. The most significant variance was from an increased budget amount for capital outlay. There were several departments that exceeded the budget during the fiscal year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, vehicles, buildings, land, park facilities and roads. At the end of fiscal year 2015, net capital assets of the government activities totaled \$20.7 million and the net capital assets of the business-type activities totaled \$39.3 million. Combined capital assets additions were \$6 million for fiscal year 2015 consisting of: \$5.8 million added to the City's infrastructure, and \$644 thousand for other assorted capital assets for various City departments. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

### **Debt**

At year-end, the City had \$8.8 million in governmental type debt, and \$21.1 million in business-type debt. During the current fiscal year the City implemented GASB 68 which resulted in \$4.3 million of pension liability being added to governmental long term debt and \$.79 million of pension liability being added to business-type debt. (See notes 7, 8, 14, and 16 to the financial statements for detailed descriptions.)

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

In considering the City budget for fiscal year 2015/2016, the City Council and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2014/2015.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to: City of Williams, Finance Department, 113 South First Street, Williams, AZ 86046-2549. (928) 635-4451.

**BASIC FINANCIAL STATEMENTS**

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Net Position**  
**June 30, 2015**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 2,194,101	\$ 1,846,494	\$ 4,040,595	\$ 151,534
Receivables (net of allowance)	332,331	701,531	1,033,862	8,747
Internal balances	2,363,168	(2,363,168)	-	-
Prepays	-	5,525	5,525	1,827
Inventory	62,307	-	62,307	-
Temporarily restricted assets:				
Cash and cash equivalents	-	1,517,962	1,517,962	-
Capital assets (net of accumulated depreciation):				
Land and improvements	330,932	100,000	430,932	481,979
Buildings and improvements	5,151,600	3,183,111	8,334,711	819,184
System and other improvements	8,430,577	31,910,284	40,340,861	28,361
Furniture, equipment and vehicles	990,740	951,677	1,942,417	1,564
Infrastructure	4,846,187	-	4,846,187	-
Construction in progress	921,127	3,115,785	4,036,912	-
Total Assets	<u>25,623,070</u>	<u>40,969,201</u>	<u>66,592,271</u>	<u>1,493,196</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pensions	879,158	109,420	988,578	17,277
Total deferred outflows of resources	<u>879,158</u>	<u>109,420</u>	<u>988,578</u>	<u>17,277</u>
<b>Liabilities</b>				
Accounts payable and other current liabilities	528,735	2,259,146	2,787,881	24,545
Interest payable	-	86	86	-
Noncurrent liabilities:				
Due within one year	513,808	1,826,396	2,340,204	-
Due in more than one year	8,241,488	19,244,779	27,486,267	131,024
Total Liabilities	<u>9,284,031</u>	<u>23,330,407</u>	<u>32,614,438</u>	<u>155,569</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows related to pensions	649,620	137,717	787,337	21,745
Total Deferred Inflows of resources	<u>649,620</u>	<u>137,717</u>	<u>787,337</u>	<u>21,745</u>
<b>Net Position</b>				
Net investment in capital assets	16,368,891	19,022,443	35,391,334	1,331,088
Restricted for:				
Capital projects	386,116	-	386,116	-
Other purposes	15,395	1,375,044	1,390,439	-
Unrestricted	(201,825)	(2,786,990)	(2,988,815)	2,071
Total Net Position	<u>\$ 16,568,577</u>	<u>\$ 17,610,497</u>	<u>\$ 34,179,074</u>	<u>\$ 1,333,159</u>

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

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>								
Governmental activities:								
General government	\$ 3,703,744	\$ 234,392	\$ 160,089	\$ 544,753	\$ (2,764,510)	\$ -	\$ (2,764,510)	\$ -
Public safety	2,638,272	136,371	85,977	5,408	(2,410,516)	-	(2,410,516)	-
Highways and streets	1,032,742	-	315,669	808,763	91,690	-	91,690	-
Culture and recreation	656,537	45,574	155,174	20,000	(435,789)	-	(435,789)	-
Economic development	597,051	-	900,625	-	303,574	-	303,574	-
Health and welfare	25,595	-	-	-	(25,595)	-	(25,595)	-
Interest on long-term debt	183,349	-	-	-	(183,349)	-	(183,349)	-
Total governmental activities	8,837,290	416,337	1,617,534	1,378,924	(5,424,495)	-	(5,424,495)	-
Business-type activities:								
Electric	2,655,102	3,939,826	-	150,336	-	1,435,060	1,435,060	-
Water & Sewer	3,010,369	1,954,488	-	520	-	(1,055,361)	(1,055,361)	-
Sanitation	739,429	741,151	-	-	-	1,722	1,722	-
Golf course	594,146	541,169	-	-	-	(52,977)	(52,977)	-
Total business-type activities	6,999,046	7,176,634	-	150,856	-	328,444	328,444	-
Total primary government	15,836,336	7,592,971	1,617,534	1,529,780	(5,424,495)	328,444	(5,096,051)	-
<b>Component Unit:</b>								
Housing Authority	535,877	60,429	383,445	-	-	-	-	(92,003)
General Revenues:								
Property taxes levied for general purposes					771,994	-	771,994	-
Sales taxes					4,910,516	-	4,910,516	-
State urban revenues and other taxes - Unrestricted					520,943	-	520,943	-
Unrestricted investment earnings					6,752	268,179	274,931	6
Loss on disposal of capital assets					-	247	247	-
Transfers					151,268	(151,268)	-	-
Total general revenues & transfers					6,361,473	117,158	6,478,631	6
Change in net position					936,978	445,602	1,382,580	(91,997)
Net position - beginning					19,470,881	17,974,739	37,445,620	1,553,026
Restatement adjustment					(3,839,282)	(809,844)	(4,649,126)	(127,870)
Net position - ending					\$ 16,568,577	\$ 17,610,497	\$ 34,179,074	\$ 1,333,159

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

**CITY OF WILLIAMS, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

<b>ASSETS</b>	<u>General</u>	<u>Debt Service</u>	<u>Highway User Special Revenue</u>	<u>Greater Arizona Development Authority</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 1,777,354	\$ -	\$ -	\$ 397,599	\$ 19,148	\$ 2,194,101
Receivables:						
Property Taxes	32,995	-	-	-	-	32,995
Other	40,647	-	-	-	-	40,647
Intergovernmental	222,518	-	30,781	-	5,390	258,689
Due from other funds	2,951,943	-	487,507	-	1,266	3,440,716
Inventory	62,307	-	-	-	-	62,307
<b>Total Assets</b>	<b><u>\$ 5,087,764</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 518,288</u></b>	<b><u>\$ 397,599</u></b>	<b><u>\$ 25,804</u></b>	<b><u>\$ 6,029,455</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable	\$ 181,476	\$ -	\$ 13,276	\$ 117,798	\$ 10,409	\$ 322,959
Accrued Liabilities	193,604	-	7,114	-	-	200,718
Customer Deposits	5,058	-	-	-	-	5,058
Due to Other Funds	1,046,639	-	30,910	-	-	1,077,549
<b>Total Liabilities</b>	<b><u>1,426,777</u></b>	<b><u>-</u></b>	<b><u>51,300</u></b>	<b><u>117,798</u></b>	<b><u>10,409</u></b>	<b><u>1,606,284</u></b>
Deferred Inflows of Resources:						
Unavailable Revenue	25,288	-	-	-	-	25,288
<b>Total Deferred Inflows</b>	<b><u>25,288</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>25,288</u></b>
Fund Balances:						
Nonspendable:						
Inventory	62,307	-	-	-	-	62,307
Restricted for:						
Public safety	-	-	-	-	15,395	15,395
Capital projects	106,315	-	-	279,801	-	386,116
Committed:						
Highways & Streets	-	-	466,988	-	-	466,988
Economic development	581,687	-	-	-	-	581,687
Court enhancements	7,036	-	-	-	-	7,036
Assigned:						
Capital projects	347,732	-	-	-	-	347,732
Other items	211,381	-	-	-	-	211,381
Unassigned	2,319,241	-	-	-	-	2,319,241
<b>Total Fund Balances</b>	<b><u>3,635,699</u></b>	<b><u>-</u></b>	<b><u>466,988</u></b>	<b><u>279,801</u></b>	<b><u>15,395</u></b>	<b><u>4,397,883</u></b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b><u>\$ 5,087,764</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 518,288</u></b>	<b><u>\$ 397,599</u></b>	<b><u>\$ 25,804</u></b>	<b><u>\$ 6,029,455</u></b>

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

**CITY OF WILLIAMS, ARIZONA**  
**Reconciliation of Total Governmental Fund Balance**  
**To Net Position of Governmental Activities**  
**June 30, 2015**

Total governmental fund balances		\$ 4,397,883
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	\$ 66,895,531	
Accumulated depreciation	<u>(46,224,367)</u>	20,671,164
Certain property taxes and special assessments collected after year-end and are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds but recognized when earned in the statement of activities.		
		25,289
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	\$ (3,331,712) *	
Capital leases payable	(7,158)	
Notes payable	(952,215)	
Compensated absences	(210,848)	
Net pension liability	<u>(4,253,364)</u>	(8,755,297)
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	879,158	
Deferred inflows	<u>(649,620)</u>	229,538
Total net position of governmental activities		<u><u>\$ 16,568,577</u></u>

\* Since the majority of the City's debt payments are paid annually or semi-annually on June 30, any accrued interest payable is not applicable or deemed immaterial and not reported.

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

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

<b>REVENUES</b>	General	Debt Service	Highway User Special Revenue	Greater Arizona Development Authority	Non-major Governmental Funds	Total Governmental Funds
Taxes	\$ 5,795,556	\$ -	\$ 390,712	\$ -	\$ -	\$ 6,186,268
Licenses, Permits and Fees	63,820	-	-	-	-	63,820
Intergovernmental Revenue	858,221	-	315,669	-	206,001	1,379,891
Charges for Services	314,310	-	-	-	-	314,310
Fines and Forfeitures	43,699	-	-	-	-	43,699
Interest	6,745	7	-	-	-	6,752
Other Revenues	809,513	-	450	808,763	10,590	1,629,316
<b>Total Revenues</b>	<b>7,891,864</b>	<b>7</b>	<b>706,831</b>	<b>808,763</b>	<b>216,591</b>	<b>9,624,056</b>
<b>EXPENDITURES</b>						
Current:						
General Government	2,333,837	-	-	-	-	2,333,837
Public Safety	2,020,651	-	-	-	62,683	2,083,334
Highways & Streets	-	-	424,982	-	-	424,982
Culture and Recreation	526,979	-	-	-	-	526,979
Economic Development	592,937	-	-	-	-	592,937
Health & Welfare	20,113	-	-	-	-	20,113
Capital Outlay	472,558	-	246,737	1,092,769	120,609	1,932,673
Debt Service:						
Principal	-	312,157	-	-	-	312,157
Interest	-	184,839	-	-	-	184,839
<b>Total Expenditures</b>	<b>5,967,075</b>	<b>496,996</b>	<b>671,719</b>	<b>1,092,769</b>	<b>183,292</b>	<b>8,411,851</b>
Excess of Revenues Over (Under) Expenditures	1,924,789	(496,989)	35,112	(284,006)	33,299	1,212,205
Other Financing Sources (Uses):						
Debt issuance	-	-	-	507,625	-	507,625
Capital contributions	-	-	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-
Transfers in	729,757	495,946	125,000	56,182	-	1,406,885
Transfers out	(622,952)	-	-	(527,150)	(105,515)	(1,255,617)
<b>Total Other Financing Sources (Uses)</b>	<b>106,805</b>	<b>495,946</b>	<b>125,000</b>	<b>36,657</b>	<b>(105,515)</b>	<b>658,893</b>
Net change in fund balances	2,031,594	(1,043)	160,112	(247,349)	(72,216)	1,871,098
Fund balances, beginning of year	1,604,105	1,043	306,876	527,150	87,611	2,526,785
Fund balances, end of year	<u>\$ 3,635,699</u>	<u>\$ -</u>	<u>\$ 466,988</u>	<u>\$ 279,801</u>	<u>\$ 15,395</u>	<u>\$ 4,397,883</u>

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

**CITY OF WILLIAMS, ARIZONA**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2015**

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

Net change in fund balances - total governmental funds	\$	1,871,098
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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.

Capital outlay	\$ 1,341,628	
Depreciation expense	<u>(1,884,982)</u>	(543,354)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Loan proceeds	(507,625)	
Repayment of long-term debt principal	<u>313,647</u>	(193,978)

Revenues that do not provide current financial resources are not reported as revenues in the funds. This represents the change in unearned revenues for property taxes and assessments receivable that have previously been deferred in the funds.		(1,056)
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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.		(11,188)
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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 Town'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.

Pension contributions	306,507	
Pension expense	<u>(491,051)</u>	(184,544)

Change in net position of governmental activities	\$	<u><u>936,978</u></u>
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The accompanying notes are an integral part of the financial statements.

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

<b>Assets</b>	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-major Golf Course Fund	Total
<b>Current Assets:</b>					
Cash	\$ 54,070	\$ 1,792,224	\$ 200	\$ -	\$ 1,846,494
Receivables (net of allowance)	413,205	160,259	61,897	32,726	668,087
Due from other governments	-	-	33,444	-	33,444
Due from other funds	3,331,770	2,723	-	-	3,334,493
Prepaid Expenses	4,402	-	-	1,123	5,525
Total Current Assets	<u>3,803,447</u>	<u>1,955,206</u>	<u>95,541</u>	<u>33,849</u>	<u>5,888,043</u>
Restricted cash	56,243	1,461,719	-	-	1,517,962
Land and improvements	100,000	-	-	-	100,000
Buildings and improvements	129,000	4,022,625	53,616	98,804	4,304,045
System and other improvements	7,945,001	34,806,814	104,983	2,278,628	45,135,426
Furniture, equipment and vehicles	-	1,172,581	1,207,268	732,855	3,112,704
Construction in progress	-	3,115,785	-	-	3,115,785
Accumulated depreciation	(2,366,733)	(12,041,242)	(924,614)	(1,174,514)	(16,507,103)
Total Noncurrent Assets	<u>5,863,511</u>	<u>32,538,282</u>	<u>441,253</u>	<u>1,935,773</u>	<u>40,778,819</u>
Total Assets	<u>9,666,958</u>	<u>34,493,488</u>	<u>536,794</u>	<u>1,969,622</u>	<u>46,666,862</u>
<b>Deferred Outflows of Resources</b>					
Deferred outflows related to pensions	-	28,795	46,071	34,554	109,420
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable	660,782	1,157,261	35,409	15,489	1,868,941
Accrued liabilities	226,758	5,068	5,962	8,699	246,487
Interest payable	-	-	86	-	86
Customer deposits	56,243	86,675	800	-	143,718
Due to other funds	32,614	3,592,618	91,494	1,980,935	5,697,661
Current portion, compensated absences	-	5,624	11,776	21,035	38,435
Current portion, capital lease payable	-	-	48,574	36,793	85,367
Current portion, long-term debt	300,000	1,402,594	-	-	1,702,594
Total Current Liabilities	<u>1,276,397</u>	<u>6,249,840</u>	<u>194,101</u>	<u>2,062,951</u>	<u>9,783,289</u>
<b>Long-Term Debt (net of current portion):</b>					
Compensated absences	-	874	344	5,564	6,782
Capital lease payable	-	-	153,417	72,046	225,463
Revenue bonds payable	-	2,415,935	-	-	2,415,935
Loans payable	751,105	15,057,950	-	-	15,809,055
Net pension liability	-	207,249	331,597	248,698	787,544
Total Long-Term Debt	<u>751,105</u>	<u>17,682,008</u>	<u>485,358</u>	<u>326,308</u>	<u>19,244,779</u>
Total Liabilities	<u>2,027,502</u>	<u>23,931,848</u>	<u>679,459</u>	<u>2,389,259</u>	<u>29,028,068</u>
<b>Deferred Inflows of Resources</b>					
Deferred inflows related to pensions	-	36,241	57,986	43,490	137,717
<b>Net Position</b>					
Net investment in capital assets	4,756,163	12,200,084	239,262	1,826,934	19,022,443
Restricted	-	1,375,044	-	-	1,375,044
Unrestricted (deficit)	2,883,293	(3,020,934)	(393,842)	(2,255,507)	(2,786,990)
Total Net Position (deficit)	<u>\$ 7,639,456</u>	<u>\$ 10,554,194</u>	<u>\$ (154,580)</u>	<u>\$ (428,573)</u>	<u>\$ 17,610,497</u>

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

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

<b>Operating Revenues</b>	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-major Golf Course Fund	Total
Charges for services	\$ 3,926,624	\$ 1,945,464	\$ 731,074	\$ 538,507	\$ 7,141,669
Other revenues	13,202	9,024	10,077	2,662	34,965
<b>Total Operating Revenues</b>	<b>3,939,826</b>	<b>1,954,488</b>	<b>741,151</b>	<b>541,169</b>	<b>7,176,634</b>
<b>Operating Expenses</b>					
Salaries, wages and benefits	-	211,622	299,799	296,270	807,691
Office expenses and travel	17,380	109,382	61,828	38,657	227,247
Repairs and maintenance	130,615	171,626	35,302	70,648	408,191
Utilities	-	456,370	1,686	45,234	503,290
Legal and professional fees	115,435	379,131	3,233	123	497,922
Contract services	464,276	-	-	-	464,276
Miscellaneous	-	10,422	632	11,140	22,194
Purchase power	1,736,246	-	-	-	1,736,246
Rent/Lease	-	-	-	769	769
Supplies	-	138,280	20,401	30,762	189,443
Resident and tipping fees	-	-	218,950	-	218,950
Depreciation/amortization	190,895	912,902	91,144	95,551	1,290,492
<b>Total Operating Expenses</b>	<b>2,654,847</b>	<b>2,389,735</b>	<b>732,975</b>	<b>589,154</b>	<b>6,366,711</b>
Operating Income (Loss)	1,284,979	(435,247)	8,176	(47,985)	809,923
<b>Non-operating Revenues (Expenses)</b>					
Interest income	-	268,179	-	-	268,179
Interest expense and fiscal charges	(255)	(620,634)	(6,454)	(4,992)	(632,335)
Connection and impact fees	-	520	-	-	520
Gain (Loss) on disposal of capital assets	-	-	928	(681)	247
<b>Total Non-Operating Revenue (Expense)</b>	<b>(255)</b>	<b>(351,935)</b>	<b>(5,526)</b>	<b>(5,673)</b>	<b>(363,389)</b>
<b>Net Income (Loss) before contributions and transfers</b>	<b>1,284,724</b>	<b>(787,182)</b>	<b>2,650</b>	<b>(53,658)</b>	<b>446,534</b>
Capital contributions	150,336	-	-	-	150,336
Transfers in	-	1,172,204	28,700	-	1,200,904
Transfers out	(1,172,203)	(179,969)	-	-	(1,352,172)
<b>Net Income (Loss)</b>	<b>262,857</b>	<b>205,053</b>	<b>31,350</b>	<b>(53,658)</b>	<b>445,602</b>
Total net position (deficit), beginning of year	7,376,599	10,562,258	155,057	(119,175)	17,974,739
Restatement adjustment	-	(213,117)	(340,987)	(255,740)	(809,844)
<b>Total net position (deficit), end of year</b>	<b>\$ 7,639,456</b>	<b>\$ 10,554,194</b>	<b>\$ (154,580)</b>	<b>\$ (428,573)</b>	<b>\$ 17,610,497</b>

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

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2015**

	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-major Golf Course Fund	Total
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers, service fees	\$ 3,849,564	\$ 1,924,918	\$ 712,353	\$ 531,976	\$ 7,018,811
Cash received from customers, other	13,202	9,024	10,077	2,662	34,965
Cash paid to suppliers	(1,789,191)	(432,051)	(336,846)	(197,377)	(2,755,465)
Cash paid to employees	-	(206,513)	(292,091)	(291,185)	(789,789)
Net cash flows from operating activities	<u>2,073,575</u>	<u>1,295,378</u>	<u>93,493</u>	<u>46,076</u>	<u>3,508,522</u>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Proceeds/Payments from other funds	-	2,328,962	-	18,482	2,347,444
Proceeds/Payments to other funds	(746,811)	-	(42,665)	-	(789,476)
Transfers in	-	1,172,204	28,700	-	1,200,904
Transfers out	(1,172,203)	(179,969)	-	-	(1,352,172)
Net cash flows from noncapital financing activities	<u>(1,919,014)</u>	<u>3,321,197</u>	<u>(13,965)</u>	<u>18,482</u>	<u>1,406,700</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Purchase of capital assets	(1,413,522)	(3,091,142)	(25,106)	-	(4,529,770)
Principal paid on long-term debt	(458,888)	(1,268,199)	-	-	(1,727,087)
Principal paid on capital lease	-	-	(45,725)	(59,566)	(105,291)
Interest paid	(255)	(620,634)	(9,525)	(4,992)	(635,406)
Proceeds from issuance of debt	1,509,993	1,972,434	-	-	3,482,427
Connection & impact fees	-	520	-	-	520
Proceeds from sale of capital assets	-	-	928	-	928
Net cash flows from capital and related financing activities	<u>(362,672)</u>	<u>(3,007,021)</u>	<u>(79,428)</u>	<u>(64,558)</u>	<u>(3,513,679)</u>
<b>Cash Flows From Investing Activities:</b>					
Interest on investments	-	268,179	-	-	268,179
Net change in Cash and Cash Equivalents	(208,111)	1,877,733	100	-	1,669,722
Cash and cash equivalents, including restricted cash, beginning of year	318,424	1,376,210	100	-	1,694,734
<b>Cash and cash equivalents, including restricted cash, end of year</b>	<u>\$ 110,313</u>	<u>\$ 3,253,943</u>	<u>\$ 200</u>	<u>\$ -</u>	<u>\$ 3,364,456</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Net Operating Income/(Loss)	\$ 1,284,979	\$ (435,247)	\$ 8,176	\$ (47,985)	\$ 809,923
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:					
Depreciation/amortization	190,895	912,902	91,144	95,551	1,290,492
Net pension expense	-	1,578	2,526	1,894	5,998
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables	(64,774)	(34,006)	(19,521)	(6,531)	(124,832)
Increase/(Decrease) in prepaids	2,357	-	-	261	2,618
Increase/(Decrease) in accounts payable	445,646	833,160	5,186	(305)	1,283,687
Increase/(Decrease) in accrued liabilities	226,758	3,531	5,182	3,191	238,662
Increase/(Decrease) in deposits	(12,286)	13,460	800	-	1,974
Net cash provided (used) by operating activities	<u>\$ 2,073,575</u>	<u>\$ 1,295,378</u>	<u>\$ 93,493</u>	<u>\$ 46,076</u>	<u>\$ 3,508,522</u>
<b>Supplemental Schedule of Non-cash Financing and Investing Activities:</b>					
Capital asset contributions	\$ 150,336	\$ -	\$ -	\$ -	\$ 150,336

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

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

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	<u>Volunteer Firefighters' Relief and Pension</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 500,887
Total Assets and Other Debits	<u>500,887</u>
<b>LIABILITIES</b>	
Total liabilities	<u>-</u>
<b>NET POSITION</b>	
Held in trust for pension benefits and other purposes	<u>\$ 500,887</u>

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

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2015**

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	<u>Volunteer Firefighters' Relief and Pension</u>
<b>ADDITIONS:</b>	
Contributions:	
Employer	\$ 8,550
Other	9,090
Plan Member	<u>17,870</u>
Total Contributions	<u>35,510</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	3,643
Interest Earnings (Loss)	<u>10,645</u>
Net Investment Income	<u>14,288</u>
Total Additions	<u>49,798</u>
<b>DEDUCTIONS:</b>	
Benefits	16,263
Service, Supplies and Other	<u>6,597</u>
Total Deductions	<u>22,860</u>
Net Increase (Decrease)	26,938
Net Position Held in Trust for Pension Benefits and Other Purposes	
Beginning of Year	<u>473,949</u>
End of Year	<u><u>\$ 500,887</u></u>

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

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

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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, 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 Williams, Arizona (the City) is a municipal corporation governed by an elected mayor and council. 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.

**Blended Component Unit:** The City of Williams Municipal Development Authority, Inc.'s (MDA) board of directors consists of three members which are appointed by the Williams City Council. The MDA, 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 of the city. The City has a "contractual obligation" for the repayment of the City of Williams MDA Municipal Facilities Revenue Bonds, Series 2002. The portion of the MDA's activities relating to governmental funds is reported in the Debt Service Fund and the activities relating to proprietary funds is reported in the applicable proprietary funds. All related receivables and payables between the City and the MDA have been eliminated.

**Discretely Presented Component Unit:** The Williams Housing Authority is a public benefit corporation created by the City to provide subsidized public housing in accordance with federal legislation. The mayor and council appoint members of the governing board for staggered terms; they, in turn, elect a chairman. The governing board employs executives; authorizes contracts of subsidy with the U.S. Department of Housing and Urban Development pursuant to the latter agency's regulations and statutory authorizations; and causes the corporation to construct, own, and operate public housing facilities within the boundaries of the City. The financial liability of the housing authority is essentially supported by the operating and debt service subsidies received under contract from the federal government, although services or cash subsidies may be, and from time to time are, received from the City as well.

Separate, complete financial statements for each of the City's component units are not prepared.

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

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

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**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 discussed earlier, the City has one discretely presented component unit. While the Williams Housing Authority is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

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

**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City'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 City 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 **Debt Service Fund** accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The **Highway User Revenue Special 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 **Greater Arizona Development Authority Fund** is used to account for the proceeds and uses of the funds received from the GADA 2008 Revenue Bond issuance.

The City reports the following major proprietary funds:

The **Electric Utilities Fund** is used to account for the provision of electricity to the residents of the City.

The **Water & Sewer Fund** is used to account for the provision of water & sewer services to the residents of the City.

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

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

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The **Sanitation Fund** is used to account for the provision of sanitation services to the residents of the City.

Additionally, the City reports the following fund types:

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

During the course of operations the City 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

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

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

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absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, state shared revenues, 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*.

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

***Deposits and Investments***

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.

***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to" or "due from other funds." All trade accounts receivable in the enterprise funds are shown net of an allowance for uncollectible accounts. Due to the nature of the accounts receivable in governmental type activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

***Inventories and Prepaid Items***

Inventories are valued at the lower of cost or market. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Inventories of the business type activities are deemed immaterial and are not recorded.

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.

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

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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	25-50 years
Improvements	10-20 years
Equipment	3-10 years
Water and sewer lines	20-40 years
Distribution system	50 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, which is pension related items reported on the government-wide financial statements. See footnote 14 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. The first type will arise only under a modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second type of item is pension related items which are reported on the government-wide financial statements. See footnote 14 for more information.

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

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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 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 City 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 City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*Fund Balance Flow Assumption*

Sometimes the City 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 City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

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

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***Fund Balance Policies***

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

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

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

**Revenues and Expenditures/Expenses**

***Program Revenues***

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

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

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

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***Property Taxes***

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

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

***Compensated Absences***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. For governmental funds amounts of accumulated vacation and compensatory time 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. Unused sick pay is reported as a liability in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Sick pay amounts are charged as wages when used. Annually, employees with over 10 years of service with the City and over 960 hours of accumulated sick pay are paid out one hour for every three hours over 960. If an employee with over 10 years of service separates from service with the City they are paid out one-third of any unused sick leave.

***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 enterprise funds 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***

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

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

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

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**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed by the City throughout the year; however, all encumbrances and/or appropriations lapse at fiscal year-end.

**New pronouncements**

For the year ended June 30, 2015, the City implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements resulted in a restatement of beginning net position in the City's government-wide and proprietary fund financial statements (see Note 16).

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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. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 17.

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

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

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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 to June 30, 2015. There were no amendments made to the original appropriations during the current fiscal year.

Budgetary Process: State law requires that on or before the third Monday in July of each fiscal year, the City council must adopt a tentative budget. Once this tentative budget has been adopted, the expenditures may not be increased upon final adoption, however, they may be decreased. 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 exactly seven 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 to Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2015, if any.

**Deficit Fund Equity**

The Golf Course and Sanitation enterprise funds reported a deficit net position of \$428,573 and \$154,580 as of June 30, 2015 respectively. The Golf Course enterprise fund deficit has increased by \$309,398 when compared to the prior year. This is the first year the Sanitation enterprise fund has had a deficit. It is the City’s intention to manage the Golf Course and Sanitation fund such that these deficits can be eliminated by Golf Course and Sanitation fund earnings and transfers from the General Fund over several years.

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

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**NOTE 4. Deposits and Investments**

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A reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

Cash and cash equivalents	\$ 4,040,595
Restricted cash and cash equivalents	1,517,962
Agency fund monies	<u>500,887</u>
	<u><u>\$ 6,059,444</u></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 to it. The City does not have a formal policy for custodial credit risk. At June 30, 2015 cash on hand was \$1,150 and the carrying amount of the City's deposits was \$247,942. As of June 30, 2015 none of the bank balance of \$1,430,272 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 WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

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

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

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
<b>Deposits:</b>			
Cash on deposit	\$ 637,351	N/A	N/A
Cash on hand	1,150	N/A	N/A
<b>Investments:</b>			
Local Governments Investment Pool 5 *	3,967,568	AAAF/S1+	26 days
Local Governments Investment Pool 7 *	1,375,044	AA+	29 days
U.S. Treasuries	-	AA+	< 1 year
Mutual Funds	<u>78,331</u>	N/A	N/A
Total cash and investments	<u><u>6,059,444</u></u>		

\* The fair value of the City's position in each pool is the same as the value of the pool shares.

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable.

(2) Interest rate risk is estimated using the weighted average days to maturity.

**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.

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

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

**Housing Authority**

Cash and investments of the Housing Authority at June 30, 2015 consist of the following:

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
<b>Deposits:</b>			
Cash on deposit	\$ 100,714	N/A	N/A
Certificates of deposit	<u>50,819</u>	N/A	< 1 year
Total	<u><u>\$ 151,534</u></u>		

**NOTE 5. Property Taxes Receivable**

Property taxes receivable in the amount of \$32,995 in the general fund consist of collected and undistributed taxes and uncollected property taxes as determined from the records of the County Treasurer's office. Unavailable revenue of \$25,288 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 WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 6. Capital Assets**

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

<b>Governmental Activities:</b>	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2015</b>
Capital assets, not being depreciated:				
Land	\$ 330,932	\$ -	\$ -	\$ 330,932
Construction in progress	152,739	921,127	(152,739)	921,127
Total capital assets not being depreciated	<u>483,671</u>	<u>921,127</u>	<u>(152,739)</u>	<u>1,252,059</u>
Capital assets, being depreciated:				
Land Improvements	19,241,663	112,089	-	19,353,752
Buildings and Improvements	7,835,809	-	-	7,835,809
Infrastructure	33,689,654	203,742	(456,417)	33,436,979
Furniture, Equipment, Vehicles	4,759,522	257,409	-	5,016,931
Total capital assets being depreciated	<u>65,526,648</u>	<u>573,240</u>	<u>(456,417)</u>	<u>65,643,471</u>
Less accumulated depreciation for:				
Land Improvements	(10,031,028)	(892,147)	-	(10,923,175)
Buildings and Improvements	(2,477,166)	(207,043)	-	(2,684,209)
Infrastructure	(28,547,850)	(499,359)	456,417	(28,590,792)
Furniture, Equipment, Vehicles	(3,739,758)	(286,433)	-	(4,026,191)
Total accumulated depreciation	<u>(44,795,802)</u>	<u>(1,884,982)</u>	<u>456,417</u>	<u>(46,224,367)</u>
Total capital assets being depreciated, net	<u>20,730,846</u>	<u>(1,311,742)</u>	<u>-</u>	<u>19,419,104</u>
Governmental activities capital assets, net	<u>\$ 21,214,517</u>	<u>\$ (390,615)</u>	<u>\$ (152,739)</u>	<u>\$ 20,671,163</u>

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

<b>Governmental Activities:</b>	
General government	\$ 990,468
Public safety	194,413
Highways and streets	568,498
Culture and recreation	126,110
Economic development	50
Health and welfare	5,443
Total depreciation expense - governmental activities	<u>\$ 1,884,982</u>

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

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**NOTE 6. Capital Assets (Continued)**

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

<b>Business Type Activities:</b>	<u>Balance 6/30/2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2015</u>
Capital assets, not being depreciated:				
Land and Improvements	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in progress	<u>272,359</u>	<u>3,091,142</u>	<u>(247,716)</u>	<u>3,115,785</u>
Total capital assets not being depreciated	<u>372,359</u>	<u>3,091,142</u>	<u>(247,716)</u>	<u>3,215,785</u>
Capital assets, being depreciated:				
Buildings and Improvements	4,296,855	9,394	(2,205)	4,304,045
System and Other Improvements	43,571,567	1,563,858	-	45,135,425
Furniture, Equipment, Vehicles	<u>2,853,884</u>	<u>265,633</u>	<u>(6,812)</u>	<u>3,112,704</u>
Total capital assets being depreciated	<u>50,722,306</u>	<u>1,838,885</u>	<u>(9,017)</u>	<u>52,552,174</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,020,189)	(102,178)	1,433	(1,120,934)
System and Other Improvements	(12,228,365)	(996,777)	-	(13,225,142)
Furniture, Equipment, Vehicles	<u>(1,975,621)</u>	<u>(191,537)</u>	<u>6,130</u>	<u>(2,161,027)</u>
Total accumulated depreciation	<u>(15,224,175)</u>	<u>(1,290,492)</u>	<u>7,563</u>	<u>(16,507,103)</u>
Total capital assets being depreciated, net	<u>35,498,131</u>	<u>548,393</u>	<u>(1,454)</u>	<u>36,045,071</u>
Business-type activities capital assets, net	<u>\$ 35,870,490</u>	<u>\$ 3,639,535</u>	<u>\$ (249,170)</u>	<u>\$ 39,260,856</u>

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

<b>Business Type Activities:</b>	
Electric	\$ 190,895
Water & sewer	912,902
Golf course	95,551
Sanitation	<u>91,144</u>
Total depreciation expense - business activities	<u>\$ 1,290,492</u>

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

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**NOTE 6. Capital Assets (Continued)**

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**Component Unit, Housing Authority Activities:**

	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2015</b>
Capital assets, not being depreciated:				
Land and Improvements	\$ 481,979	\$ -	\$ -	481,979
Total capital assets not being depreciated	<u>481,979</u>	<u>-</u>	<u>-</u>	<u>481,979</u>
Capital assets, being depreciated:				
Buildings and Improvements	1,894,207	-	-	1,894,207
Other Improvements	212,107	-	-	212,107
Furniture, Equipment, Vehicles	132,043	-	-	132,043
Total capital assets being depreciated	<u>2,238,357</u>	<u>-</u>	<u>-</u>	<u>2,238,357</u>
Less accumulated depreciation for:				
Buildings and Improvements	(996,307)	(78,716)	-	(1,075,023)
Other Improvements	(178,401)	(5,345)	-	(183,746)
Furniture, Equipment, Vehicles	(129,027)	(1,452)	-	(130,479)
Total accumulated depreciation	<u>(1,303,735)</u>	<u>(85,513)</u>	<u>-</u>	<u>(1,389,248)</u>
Total capital assets being depreciated, net	<u>934,622</u>	<u>(85,513)</u>	<u>-</u>	<u>849,109</u>
Component Unit activities capital assets, net	<u>\$ 1,416,601</u>	<u>\$ (85,513)</u>	<u>\$ -</u>	<u>\$ 1,331,088</u>

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

**NOTE 7. Capital Leases Payable**

The City has entered into four lease agreements which are considered capital leases in accordance with Generally Accepted Accounting Principles. The leases are for the purchase of various capital items with varying annual payments through June 2019, including interest at 2.6% to 4.5% and are shown as Governmental, Golf Course and Sanitation fund debt. Equipment and improvements capitalized under the capitalized leases are shown below. The following is an annual schedule of future minimum lease payments with the present value of the net minimum lease payments for the years ending June 30:

<u>June 30,</u>	<u>Governmental Debt</u>	<u>Golf Fund</u>	<u>Sanitation</u>	<u>Total</u>
2016	7,240	39,827	53,816	100,883
2017	-	37,613	53,816	91,429
2018	-	37,613	53,816	91,429
2019	-	2,213	53,816	56,029
2020	-	-	-	-
Total remaining lease payments	<u>7,240</u>	<u>117,266</u>	<u>215,264</u>	<u>339,770</u>
Less amount representing interest	<u>(82)</u>	<u>(8,427)</u>	<u>(13,273)</u>	<u>(21,782)</u>
Present value of net remaining minimum lease payments	<u>\$ 7,158</u>	<u>\$ 108,839</u>	<u>\$ 201,991</u>	<u>\$ 317,988</u>

A summary of assets acquired through capital leases follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
<b>Capital Assets:</b>		
Furniture, Equipment & Vehicles	\$ 423,591	\$ 331,124
<b>Enterprise Funds:</b>		
Furniture, Equipment & Vehicles	\$ 270,028	\$ 106,095
Construction in Progress	247,716	-

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

**NOTE 8. Long-Term Debt**

The City has several obligations with payment dates on July 1 of each year. It is the City's policy to provide payment for these obligations on or before June 30 of each year. Thus, these early debt service payments have been recognized as expenditures and related reductions in liabilities. The City plans to continue using the "early recognition" option in all future years.

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

<b>Governmental Activities:</b>	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 6/30/2015</b>	<b>Current Portion</b>
Accrued Compensated Absences	\$ 199,660	\$ 113,462	\$ (102,274)	\$ 210,848	\$ 179,221
Capital Leases	42,699	-	(35,541)	7,158	7,158
Net Pension Liability**	4,112,062	141,302	-	4,253,364	-
Total other long-term debt	4,354,421	254,764	(137,815)	4,471,370	186,379
<b>Revenue Bonds:</b>					
GADA Revenue Bonds, Series 2005	965,000	-	(70,000)	895,000	75,000
GADA Revenue Bonds, Series 2008	2,370,000	-	(125,000)	2,245,000	130,000
GADA Revenue Bonds, Series 2014	173,460	-	(2,434)	171,026	9,730
Premium	22,175	-	(1,489)	20,686	1,478
Total Revenue Bonds	3,530,635	-	(198,923)	3,331,712	216,208
<b>Loans Payable</b>					
ADOT Hangar Loan	-	507,625	-	507,625	28,992
Zion's Bank Loan - 2010	523,773	-	(79,183)	444,590	82,229
Total Loans Payable	523,773	507,625	(79,183)	952,215	111,221
<b>Total Governmental Debt</b>	<b>\$ 8,408,829</b>	<b>\$ 762,389</b>	<b>\$ (415,921)</b>	<b>\$ 8,755,297</b>	<b>\$ 513,808</b>

\*\*Beginning balance has been restated. See footnote 16 for more information.

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

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

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

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

<b>Business-type Activities:</b>	<b>Balance 6/30/2014</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 6/30/2015</b>	<b>Current Portion</b>
<b>Revenue Bonds:</b>					
GADA Revenue Bonds, Series 2003	\$ -	\$ -	\$ -	\$ -	\$ -
GADA Revenue Bonds, Series 2014	2,321,540	-	(32,566)	2,288,974	130,270
Premium	296,782	-	(19,775)	277,007	19,775
Total Revenue Bonds	<u>2,618,322</u>	<u>-</u>	<u>(52,341)</u>	<u>2,565,981</u>	<u>150,045</u>
<b>Loans Payable:</b>					
Water Infrastructure Finance Authority, 1997-1998 Loan	499,860	-	(161,432)	338,428	166,566
Water Infrastructure Finance Authority, 2000-2001 Loan	1,205,227	-	(181,133)	1,024,094	188,604
Water Infrastructure Finance Authority, 2005-2006 Loan	1,078,363	-	(75,018)	1,003,345	77,437
Water Infrastructure Finance Authority, 2005-2006 Loan	6,338,325	-	(360,033)	5,978,292	372,418
Water Infrastructure Finance Authority, 2008 Loan	6,077,451	-	(294,158)	5,783,293	303,902
Water Infrastructure Finance Authority, 2015 Loan	-	1,972,434	(82,824)	1,889,610	82,824
Zion's Bank Loan - 2010	336,227	-	(50,817)	285,410	52,772
Water Dock Loan	18,469	-	(10,443)	8,026	8,026
APS Loan	-	1,509,993	(458,888)	1,051,105	300,000
Total Loans Payable	<u>15,553,922</u>	<u>3,482,427</u>	<u>(1,674,746)</u>	<u>17,361,603</u>	<u>1,552,549</u>
<b>Other long-term debt:</b>					
Capital Leases	416,121	-	(105,290)	310,831	85,367
Accrued Compensated Absences	53,005	17,362	(25,149)	45,218	38,435
Net Pension Liability**	861,180	-	(73,636)	787,544	-
Total other long-term debt	<u>1,330,306</u>	<u>17,362</u>	<u>(204,075)</u>	<u>1,143,593</u>	<u>123,802</u>
Total Business-type Long-Term Debt	<u>\$ 19,502,550</u>	<u>\$ 3,499,789</u>	<u>\$ (1,931,162)</u>	<u>\$ 21,071,177</u>	<u>\$ 1,826,396</u>

\*\*Beginning balance has been restated. See footnote 16 for more information.

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

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

Bonds and other long-term obligations consist of the following at June 30, 2015:

**Revenue Bonds:**

Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2005B, due in semiannual principal and interest installments, bearing interest at 4% to 5%, maturing July 1, 2025.	\$ 895,000
Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2008, due in semiannual principal and interest installments, bearing interest at 3% to 5%, maturing July 1, 2028.	2,245,000
Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2014A, due in semiannual principal and interest installments, bearing interest at 2% to 5%, maturing August 1, 2029. Used to refund Greater Arizona Development Authority Infrastructure Revenue Bonds Series 2003A	<u>2,460,000</u>
Total bonds payable	\$ 5,600,000
Less current portion	<u>(345,000)</u>
Total Revenue Bonds net of current portion	<u><u>\$ 5,255,000</u></u>

\* The GADA, Series 2014 Revenue Bond was used by both the general government and the water and sewer enterprise fund and is allocated across the funds as follows:

Governmental Activities	\$ 171,026
Business-type Activities	<u>2,288,974</u>
Total GADA, Series 2014	<u><u>\$ 2,460,000</u></u>

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

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

Revenue Bond debt service maturities are as follows:

Year Ended June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2016	214,730	147,223	361,953	130,270	108,171	238,441
2017	220,078	138,534	358,612	134,923	102,960	237,883
2018	235,773	128,705	364,478	144,228	96,214	240,442
2019	246,120	118,249	364,369	148,880	89,002	237,882
2020	251,815	107,909	359,724	158,185	83,047	241,232
2021-2025	1,447,765	423,152	1,870,917	907,240	339,214	1,246,454
2026-2030	694,745	100,039	794,784	665,248	110,961	776,209
Total	<u>\$3,311,026</u>	<u>\$1,163,811</u>	<u>\$4,474,837</u>	<u>\$2,288,974</u>	<u>\$929,569</u>	<u>\$3,218,543</u>

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

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

**Loans Payable:**

Water Infrastructure Finance Authority loan payable, issued in fiscal year 1997-98, bearing interest at 3.48% due in semiannual principal and interest installments, maturing July 1, 2017	\$ 338,428
Water Infrastructure Finance Authority loan payable, issued in fiscal year 2000-2001, bearing interest at 4.125% due in semiannual principal and interest installments, maturing July 1, 2020	1,024,094
Water Infrastructure Finance Authority loan payable, issued in fiscal year 2005-2006, bearing interest at 3.225% due in semiannual principal and interest installments, maturing July 1, 2026	1,003,345
Water Infrastructure Finance Authority loan payable, issued in fiscal year 2005-2006, bearing interest at 3.140% due in semiannual principal and interest installments, maturing July 1, 2028	5,978,292
Water Infrastructure Finance Authority loan payable, issued in fiscal year 2008, bearing interest at 3.312% due in semiannual principal and interest installments, maturing July 1, 2030	5,783,293
Water Infrastructure Finance Authority loan payable, issued in fiscal year 2015, interest not to exceed 4.000% due in semiannual principal and interest installments, maturing July 1, 2035	1,889,610
Zion's bank 2010 loan payable, issued in 2010, bearing interest at 4.55%, due in interest only payments through fiscal year 2013, thereafter interest and principal payments due annually through fiscal year 2021.	730,000
AquaFlow International, Inc. loan payable, issued in 2014, bearing interest at 0.58%, due in monthly principal and interest installments, maturing February 1, 2016.	8,026
Arizona Department of Transportation loan payable, issued in 2014, bearing interest at 4.36%, due in quarterly principal and interest installments, maturing October 1, 2034.	507,625
Arizona Public Service Company loan payable, issued in 2015, bearing interest at 0.00%, due in four annual installments, maturing January 31, 2018.	<u>1,051,105</u>
Total loans payable	\$ 18,313,818
Less current portion	<u>(1,663,770)</u>
Total loans payable net of current portion	<u><u>\$ 16,650,048</u></u>

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

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

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Loans payable debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total	Business-Type Activities		Total
	Principal	Interest		Principal	Interest	
2016	\$ 111,221	\$ 59,227	\$ 170,448	\$ 1,552,549	\$ 496,519	\$ 2,049,068
2017	105,902	38,361	144,263	1,598,538	455,520	2,054,058
2018	106,681	33,511	140,192	1,612,111	413,111	2,025,222
2019	116,631	28,449	145,080	1,202,416	374,838	1,577,254
2020	108,290	22,706	130,996	1,233,411	334,891	1,568,302
2021-2025	114,248	76,577	190,825	5,229,431	1,159,529	6,388,960
2026-2030	141,910	48,915	190,825	4,449,094	344,544	4,793,638
2031-2035	147,332	14,870	162,202	484,053	-	484,053
Total	<u>\$ 952,215</u>	<u>\$ 322,616</u>	<u>\$ 1,274,831</u>	<u>\$ 17,361,603</u>	<u>\$ 3,578,952</u>	<u>\$ 20,456,502</u>

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

**NOTE 9. Interfund Receivables, Payables and Transfers**

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

	Due from Other Funds	Due to Other Funds
General Fund	\$ 2,951,943	\$ 1,046,639
Special Revenue Funds:		
HURF	487,507	30,910
Grants	1,267	
Enterprise Funds:		
Electric	3,331,770	32,614
Utility	2,723	3,592,618
Sanitation	-	91,494
Golf Course	-	1,980,935
Total	\$ 6,775,210	\$ 6,775,210

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. The interfund balances reflected above are intended to be repaid during the subsequent year except for the Golf Course and Utility fund interfund balances. The Council has not determined any terms for repayment for these balances; however, it is expected that they will be repaid over the next few fiscal years.

As of June 30, 2015 interfund transfers are as follows:

Transfers In:	Transfers Out:					Total
	General Fund	Greater Arizona Dev.	Electric Fund	Non-major Govt. Funds	Utility Fund	
General Fund	\$ -	527,150	\$ -	\$ 22,638	\$ 179,969	\$ 729,757
Highway User	125,000	-	-	-	-	125,000
Debt Service	413,069	-	-	82,877	-	495,946
Greater Arizona Dev.	56,182	-	-	-	-	56,182
Utility	-	-	1,172,204	-	-	1,172,204
Sanitation	28,700	-	-	-	-	28,700
	\$ 622,951	\$ 527,150	\$ 1,172,204	\$ 105,515	\$ 179,969	\$ 2,607,789

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

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**NOTE 10.      Segment Information - Enterprise Funds**

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The City maintains four enterprise funds which account for the operation of the City's Electric System, Water & Sewer Utilities, Sanitation and Golf Course. Segment information for the year ended June 30, 2015 is not presented here since the information for all four funds is available in the basic financial statements.

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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, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City is insured by Arizona State Workers Compensation Insurance Fund 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 currently contracts with Waste Management, Inc. for landfill services; thus, there are no liabilities for landfill closure and postclosure care costs.

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**NOTE 13.      Contingent Liabilities**

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Sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees until ten years of service has been completed; therefore, this portion is not accrued. Unvested accumulated sick leave of City employees at June 30, 2015 totaled approximately \$323,966.

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of the City Management, based on the advice of the City Attorney with respect to such litigation, such matters will not have a material adverse effect on the City's financial position at June 30, 2015.

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

**NOTE 14. Retirement and Pension Plans**

**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 WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2015**

**NOTE 14. Retirement and Pension Plans, Continued**

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.51 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS.

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

<u>Year Ended</u> <u>June 30,</u>	<u>Retirement</u> <u>Fund</u>	<u>Health Benefit</u> <u>Supplement Fund</u>	<u>Long-Term</u> <u>Disability Fund</u>
2013	\$ 247,784	\$ 15,713	\$ 5,802
2014	270,194	15,974	6,389
2015	278,782	15,104	3,072

**Pension liability** – At June 30, 2015, the City reported a liability of \$4,144,975 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The City's proportion measured as of June 30, 2014, was 0.028013 percent, which was an increase of 0.000749 percent from its proportion measured as of June 30, 2013.

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

**NOTE 14. Retirement and Pension Plans, Continued**

**Pension expense and deferred outflows/inflows of resources** – For the year ended June 30, 2015, the City recognized pension expense for ASRS of \$310,350. At June 30, 2015, 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	\$ 210,660	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	724,828
Changes in proportion and differences between contributions and proportional share of contributions	86,456	-
Contributions subsequent to the measurement date	278,782	-
Total	\$ 575,898	\$ 724,828

The \$278,782 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<b>Year Ended June 30</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2015	\$ (52,026)
2016	(52,026)
2017	(142,453)
2018	(181,207)
2019	-
Thereafter	-

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

**NOTE 14. Retirement and Pension Plans, Continued**

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

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

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

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

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

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

**NOTE 14. Retirement and Pension Plans, Continued**

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

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate** – The following table presents the 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	\$ 5,239,036	\$ 4,144,975	\$ 3,551,392

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

**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:

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

**NOTE 14. Retirement and Pension Plans, Continued**

	<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. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

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

**NOTE 14. Retirement and Pension Plans, Continued**

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	5
Active employees	9
Total	19

**Contributions and annual OPEB cost** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active PSPRS members were required by statute to contribute 11.05 percent of their annual covered salary to the PSPRS and the City was required to contribute 17.56 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 1.00 percent.

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

<b>Pension</b>	
Contributions made	89,057
 <b>Health Insurance Premium Benefit</b>	
Annual OPEB cost	5,456
Contributions made	5,456

**Pension liability** – At June 30, 2015, the City reported a net pension liability of \$1,020,283. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

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

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

**NOTE 14. Retirement and Pension Plans, Continued**

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

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

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

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

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

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

**NOTE 14. Retirement and Pension Plans, Continued**

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

**Changes in the Net Pension Liability**

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (a) - (b)</b>
Balances at June 30, 2014	\$ 1,827,899	\$ 1,251,211	\$ 576,688
Changes for the year:			
Service cost	99,043	-	99,043
Interest on total pension liability	142,848	-	142,848
Changes of benefit terms*	78,400	-	78,400
Difference between expected and actual experience in the measurement of the pension liability	(35,269)	-	(35,269)
Changes of assumptions**	435,084	-	435,084
Contributions - employer	-	62,029	(62,029)
Contributions - employee	-	45,171	(45,171)
Net investment income	-	173,102	(173,102)
Benefit payments, including refunds of employee contributions	(115,398)	(115,398)	-
Other changes	-	(3,791)	3,791
Net changes	604,708	161,113	443,595
Balances at June 30, 2015	\$ 2,432,607	\$ 1,412,324	\$ 1,020,283

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

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

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

**NOTE 14. Retirement and Pension Plans, Continued**

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

	1% Decrease (6.85%)	Discount Rate (7.85%)	1% Increase (8.85%)
Proportionate share of Net pension (asset) / liability	\$ 1,355,781	\$ 1,020,283	\$ 745,986

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

**Pension expense and deferred outflows/inflows of resources –** For the year ended June 30, 2015, the City recognized pension expense for PSPRS of \$248,978. At June 30, 2015, 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	\$ -	\$ 27,634
Changes in assumptions	340,900	-
Net difference between projected and actual earnings on pension plan investments	-	56,620
Contributions subsequent to the measurement date	89,057	-
Total	\$ 429,957	\$ 84,254

The \$89,057 reported as deferred outflows of resources related to PSPRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2016	\$ 72,394
2017	72,394
2018	72,394
2019	39,464
2020	-
Thereafter	-

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

**NOTE 14. Retirement and Pension Plans, Continued**

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

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

Projections of benefits are based on (1) the plan as the City 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 City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

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

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

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Health Insurance	2013	\$ 4,793	83%	-
	2014	4,089	70%	-
	2015	5,456	100%	-

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

**NOTE 14. Retirement and Pension Plans, Continued**

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

	Insurance Subsidy
Actuarial accrued liability (AAL)	\$ 2,432,607
Actuarial value of plan assets	1,432,183
Unfunded actuarial accrued liability (UAAL)	\$ 1,000,424
Funded ratio (actuarial value of plan assets/AAL)	58.87%
Covered payroll (active plan members)	\$ 485,465
UAAL as a percentage of covered payroll	206.08%

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

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

**NOTE 15. Debt Agreements, Covenants and Obligations**

The City’s water/sewer fund has reported operating losses and overall losses before transfers for the past three years or more. These losses have resulted in the depletion of required loan reserve funds.

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

**NOTE 16. Restatement Adjustment**

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

**Arizona State Retirement System**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Golf Fund</u>	<u>Housing Authority</u>
Restatement adjustment - implementation of GASB 68:						
Net pension liability	\$ (3,535,374)	\$ (997,157)	\$ (226,627)	\$ (362,602)	\$ (271,952)	\$ (135,976)
Deferred outflows - contributions made during fiscal year 2014	<u>210,751</u>	<u>59,443</u>	<u>13,510</u>	<u>21,616</u>	<u>16,212</u>	<u>8,106</u>
Total Restatement Adjustment	<u>\$ (3,324,623)</u>	<u>\$ (937,714)</u>	<u>\$ (213,117)</u>	<u>\$ (340,987)</u>	<u>\$ (255,740)</u>	<u>\$ (127,870)</u>

**Public Safety Personnel Retirement System**

	<u>Governmental Activities</u>
Restatement adjustment - implementation of GASB 68:	
Net pension liability	\$ (576,688)
Deferred outflows - contributions made during fiscal year 2014	<u>62,029</u>
Total Restatement Adjustment	<u>\$ (514,659)</u>

**NOTE 17. Subsequent Events**

On July 10, 2015 the City settled a lawsuit with the Plaintiff in a wrongful death suit. The City agreed to pay \$57,500 to the Plaintiff with a full mutual release and no acknowledgement of liability on the part of the City.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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

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**Arizona State Retirement System**

		<b>Reporting Fiscal Year (Measurement Date)</b>
		<b>2015 (2014)</b>
		<hr/>
Proportion of the net pension liability (asset)		0.028013%
Proportionate share of the net pension liability (asset)	\$	4,144,975
Covered employee payroll	\$	2,541,058
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		163.12%
Plan fiduciary net position as a percentage of the total pension liability		69.49%

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

See accompanying notes to pension plan schedules.

**CITY OF WILLIAMS, ARIZONA**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**June 30, 2015**

**Public Safety Personnel Retirement System**

	Reporting Fiscal Year (Measurement Date) <b>2015</b> <b>(2014)</b>
<b>Total pension liability</b>	
Service cost	\$ 99,043
Interest on total pension liability	142,848
Changes of benefit terms	78,400
Difference between expected and actual experience of the total net pension liability	(35,269)
Changes of assumptions	435,084
Benefit payments, including refunds of employee contributions	(115,398)
<b>Net change in total pension liability</b>	<b>604,708</b>
<b>Total pension liability - beginning</b>	<b>1,827,899</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 2,432,607</b>
 <b>Plan fiduciary net position</b>	
Contributions - employer	\$ 62,029
Contributions - employee	45,171
Net investment income	173,102
Benefit payments, including refunds of employee contributions	(115,398)
Other (net transfer)	(3,791)
<b>Net change in plan fiduciary net position</b>	<b>161,113</b>
<b>Plan fiduciary net position - beginning</b>	<b>1,251,211</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 1,412,324</b>
 <b>Net pension liability - ending (a) - (b)</b>	<b>\$ 1,020,283</b>
 Plan fiduciary net position as a percentage of the total pension liability	58.06%
 Covered employee payroll	\$ 485,464
 Net pension liability as a percentage of covered- employee payroll	210.17%

Note: The City implemented GASB 68 in fiscal year 2015.  
Information prior to 2015 is not available.

See accompanying notes to pension plan schedules

**CITY OF WILLIAMS, ARIZONA**  
**Schedule of Pension Contributions**  
**June 30, 2015**

**Arizona State Retirement System**

	<b>Reporting Fiscal Year</b> <b>(Measurement Date)</b> <b>2015</b> <b>(2014)</b>
Contractually required contribution	\$ 270,194
Contributions in relation to the contractually required contribution	\$ (270,194)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 2,541,058
Contributions as a percentage of covered-employee payroll	10.63%

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

**Public Safety Personnel Retirement System**

	<b>Reporting Fiscal Year</b> <b>(Measurement Date)</b> <b>2015</b> <b>(2014)</b>
Actuarially determined contribution	\$ 62,029
Contributions in relation to the actuarially determined contribution	\$ (62,029)
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 485,464
Contributions as a percentage of covered-employee payroll	12.78%

Note: The Town implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

See accompanying notes to pension plan schedules.

**CITY OF WILLIAMS, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension Plan Schedules**  
**June 30, 2015**

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

**CITY OF WILLIAMS, ARIZONA**  
**Schedule of Agent OPEB Plans' Funding Progress**  
**June 30, 2015**

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

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	[(b)-(a)] / (c)
June 30, 2012	1,449,936	1,807,234	357,298	80.2%	529,832	67.44%
2013	1,489,167	1,827,899	338,732	81.5%	499,591	67.80%
2014	1,432,183	2,432,607	1,000,424	58.87%	485,465	206.08%
2015	**	**	**	**	**	**

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

See accompanying notes to pension plan schedules

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULES**

**FOR THE FOLLOWING FUNDS:**

**General Fund**

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.

**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.

**Special Revenue Fund**

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

- The **Highway User Revenue Fund** (Streets) 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.

**Capital Projects Funds**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

- The **Greater Arizona Development Authority Fund** is used to account for the construction of various infrastructure projects of the City.

Annual budgets are adopted on a basis consistent with Generally Accepted Accounting Principles for all governmental funds.

**CITY OF WILLIAMS, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property Tax	\$ 608,456	\$ 608,456	\$ 619,861	\$ 11,405
Sales Tax	3,552,418	3,552,418	4,243,536	691,118
Bed, Board & Booze Tax	733,921	733,921	900,625	166,704
Gas Franchise Fees	32,000	32,000	31,534	(466)
Total Taxes	<u>4,926,795</u>	<u>4,926,795</u>	<u>5,795,556</u>	<u>868,761</u>
<b>Licenses, Permits and Fees:</b>				
Business Licenses	10,617	10,617	10,590	(27)
Dog Licenses	2,285	2,285	1,570	(715)
Building Permits	25,982	25,982	51,660	25,678
Total Licenses, Fees and Permits	<u>38,884</u>	<u>38,884</u>	<u>63,820</u>	<u>24,936</u>
<b>Intergovernmental:</b>				
State Revenue Sharing	365,920	365,920	365,953	33
Auto Lieu Taxes	129,496	129,496	123,456	(6,040)
State Sales Taxes	273,207	273,207	276,268	3,061
Library Assistance Tax	-	-	92,544	92,544
Total Intergovernmental	<u>768,623</u>	<u>768,623</u>	<u>858,221</u>	<u>89,598</u>
<b>Charges for Services:</b>				
Airport Lease	26,135	26,135	4,580	(21,555)
Airport Fuel	52,084	52,084	30,507	(21,577)
Cemetery Charges & Sales	5,000	5,000	4,225	(775)
Swimming Pool Fees	15,105	15,105	17,627	2,522
Community Development Fees	1,000	1,000	11,974	10,974
Police Vehicle Impound Fees	-	-	150	150
Plan Check Fees & Development Review	11,591	11,591	29,426	17,835
Facility Rental	(2,768)	(2,768)	184,574	187,342
Recreation Programs	9,500	9,500	4,938	(4,562)
Rodeo Grounds Fund	20,832	20,832	20,394	(438)
City Park Revenues	2,000	2,000	2,615	615
Rural Fire Districts	2,000	2,000	3,300	1,300
Police Travel Reimbursement	1,000	1,000	-	(1,000)
Total Charges for Services	<u>143,479</u>	<u>143,479</u>	<u>314,310</u>	<u>170,831</u>
<b>Fines and Forfeitures:</b>				
Fines & Forfeitures	54,061	54,061	43,699	(10,362)
Total Fines and Forfeitures	<u>54,061</u>	<u>54,061</u>	<u>43,699</u>	<u>(10,362)</u>
<b>Interest</b>	<u>620</u>	<u>620</u>	<u>6,745</u>	<u>6,125</u>
<b>Other Revenues:</b>				
Miscellaneous	224,564	224,564	809,513	584,949
Total Other Revenues	<u>224,564</u>	<u>224,564</u>	<u>809,513</u>	<u>584,949</u>
<b>TOTAL REVENUES</b>	<u>6,157,026</u>	<u>6,157,026</u>	<u>7,891,864</u>	<u>1,734,838</u>

(continued)

**CITY OF WILLIAMS, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2015**

<b>EXPENDITURES</b>	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>General Government:</b>				
Mayor & Council	84,465	84,465	81,295	3,170
Magistrate	157,799	157,799	150,427	7,372
General & Administrative	1,002,823	1,002,823	878,148	124,675
Finance	407,678	407,678	416,543	(8,865)
Maintenance	286,728	286,728	226,445	60,283
Central Garage	302,470	302,470	349,970	(47,500)
Airport	165,450	165,450	183,437	(17,987)
Community Facilities	125,913	125,913	47,572	78,341
Total General Government	2,533,326	2,533,326	2,333,837	199,489
<b>Public Safety:</b>				
Police	1,681,042	1,681,042	1,677,644	3,398
Fire	184,733	184,733	184,925	(192)
Building Inspection	187,399	187,399	158,082	29,317
Total Public Safety	2,053,174	2,053,174	2,020,651	32,523
<b>Culture &amp; Recreation:</b>				
Library	117,808	117,808	130,128	(12,320)
Parks & Recreation	219,292	219,292	217,461	1,831
Swimming Pool	89,594	89,594	82,812	6,782
Recreation Facilities	95,000	95,000	96,578	(1,578)
Total Culture and Recreation	521,694	521,694	526,979	(5,285)
<b>Economic Development:</b>				
Planning	102,973	102,973	101,042	1,931
Visitor Center	60,163	60,163	111,512	(51,349)
Tourism Promotion	439,322	439,322	380,383	58,939
Total Economic Development	602,458	602,458	592,937	9,521
<b>Health &amp; Welfare:</b>				
Senior Center	27,200	27,200	20,113	7,087
<b>Capital Outlay</b>				
	58,790	58,790	472,558	(413,768)
<b>TOTAL EXPENDITURES</b>	5,796,642	5,796,642	5,967,075	(170,433)
Excess of Revenues Over Expenditures	360,384	360,384	1,924,789	1,564,405
<b>Other Financing Sources (Uses):</b>				
Transfers in	716,675	716,675	729,757	13,082
Transfers out	(901,123)	(901,123)	(622,952)	278,171
Total Other Financing Sources (Uses)	(184,448)	(184,448)	106,805	291,253
Net change in fund balance	175,936	175,936	2,031,594	1,855,658
Fund balance, beginning of year	1,604,105	1,604,105	1,604,105	-
Fund balance, end of year	\$ 1,780,041	\$ 1,780,041	\$ 3,635,699	\$ 1,855,658

**CITY OF WILLIAMS, ARIZONA**  
**DEBT SERVICE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Interest	\$ -	\$ -	\$ 7	\$ 7
Total Revenues	-	-	7	7
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	325,997	325,997	312,157	13,840
Interest	209,157	209,157	184,839	24,318
Total Expenditures	535,154	535,154	496,996	38,158
Excess of Revenues Over (Under) Expenditures	(535,154)	(535,154)	(496,989)	38,165
Other Financing Sources (Uses):				
Operating transfer in	535,154	535,154	495,946	(39,208)
Total Other Financing Sources (Uses)	535,154	535,154	495,946	(39,208)
Net change in fund balance	-	-	(1,043)	(1,043)
Fund balance, beginning of year	1,043	1,043	1,043	-
Fund balance, end of year	\$ 1,043	\$ 1,043	\$ -	\$ (1,043)

**CITY OF WILLIAMS, ARIZONA**  
**HIGHWAY USER REVENUE – STREETS**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>REVENUES:</b>				
Highway User Revenues	\$ 298,051	\$ 298,051	\$ 315,669	\$ 17,618
City Sales Tax	350,000	350,000	390,712	40,712
Other Revenues	-	-	450	450
Total Revenues	<u>648,051</u>	<u>648,051</u>	<u>706,831</u>	<u>58,780</u>
<b>EXPENDITURES:</b>				
Highways & Streets:				
Salaries & Wages	280,632	280,632	236,014	44,618
Benefits	127,946	127,946	111,342	16,604
Service, Supplies and Other	132,400	132,400	77,626	54,774
Capital Outlay	<u>359,000</u>	<u>359,000</u>	<u>246,737</u>	<u>112,263</u>
Total Expenditures	<u>899,978</u>	<u>899,978</u>	<u>671,719</u>	<u>228,259</u>
Excess of Revenues Over (Under) Expenditures	<u>(251,927)</u>	<u>(251,927)</u>	<u>35,112</u>	<u>287,039</u>
Other Financing Sources (Uses):				
Transfers in	<u>255,000</u>	<u>255,000</u>	<u>125,000</u>	<u>130,000</u>
Total Other Financing Sources (Uses)	<u>255,000</u>	<u>255,000</u>	<u>125,000</u>	<u>-</u>
Net change in fund balance	3,073	3,073	160,112	287,039
Fund balance, beginning of year	<u>306,876</u>	<u>306,876</u>	<u>306,876</u>	<u>-</u>
Fund balance, end of year	<u>\$ 309,949</u>	<u>\$ 309,949</u>	<u>\$ 466,988</u>	<u>\$ 287,039</u>

**CITY OF WILLIAMS, ARIZONA**  
**GREATER ARIZONA DEVELOPMENT AUTHORITY**  
**CAPITAL PROJECTS FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Other revenues/capital contributions	\$ -	\$ -	\$ 808,763	\$ 808,763
Total revenues	-	-	808,763	808,763
<b>EXPENDITURES:</b>				
General Government:				
Capital outlay	562,625	562,625	1,092,769	(530,144)
Total expenditures	562,625	562,625	1,092,769	(530,144)
Excess of revenues over (under) expenditures	(562,625)	(562,625)	(284,006)	278,619
Other financing sources (uses):				
Debt issuance	507,625	507,625	507,625	-
Transfers in	55,000	55,000	56,182	1,182
Transfers out	(527,150)	(527,150)	(527,150)	-
Total other financing sources (uses)	35,475	35,475	36,657	1,182
Net change in fund balance	(527,150)	(527,150)	(247,349)	279,801
Fund balance, beginning of year	527,150	527,150	527,150	-
Fund balance, end of year	\$ -	\$ -	\$ 279,801	\$ 279,801

**CITY OF WILLIAMS, ARIZONA**  
**Combining and Individual Fund**  
**Financial Statements**  
**NONMAJOR GOVERNMENTAL FUNDS and COMPONENT UNIT**

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**Special Revenue Fund**

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

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

**Capital Projects Funds**

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

- The **Northside Sewer Improvements Capital Projects Fund** is used to account for the construction of the Northside Sewer System.

**Component Unit**

- The **Williams Housing Authority** is a public benefit corporation created by the City to provide subsidized public housing in accordance with federal legislation.

**CITY OF WILLIAMS, ARIZONA**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2015**

	Special Revenue Fund	Capital Project Fund	Total Non-major Governmental Funds
	Grants Fund	North Side Sewer	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 19,148	\$ -	\$ 19,148
Receivables:			
Intergovernmental	5,390	-	5,390
Due from other funds	1,266	-	1,266
Total assets	<u>\$ 25,804</u>	<u>\$ -</u>	<u>\$ 25,804</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts Payable	\$ 10,409	\$ -	\$ 10,409
Total liabilities	<u>10,409</u>	<u>-</u>	<u>10,409</u>
Fund Balances:			
Restricted for:			
Public safety	15,395	-	15,395
Total Fund Balances	<u>15,395</u>	<u>-</u>	<u>15,395</u>
Total Liabilities and Fund Balances	<u>\$ 25,804</u>	<u>\$ -</u>	<u>\$ 25,804</u>

**CITY OF WILLIAMS, ARIZONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2015**

	Special Revenue Fund	Capital Project Fund	Total Non-major Governmental Funds
<b>REVENUES</b>	Grants Fund	North Side Sewer	
Intergovernmental revenue	\$ 206,001	\$ -	\$ 206,001
Donations and other revenue	10,590	-	10,590
Total revenues	<u>216,591</u>	<u>-</u>	<u>216,591</u>
<b>EXPENDITURES</b>			
Current:			
Public Safety	62,683	-	62,683
Capital outlay	<u>120,609</u>	<u>-</u>	<u>120,609</u>
Total expenditures	<u>183,292</u>	<u>-</u>	<u>183,292</u>
Excess of revenues over (under) expenditures	<u>33,299</u>	<u>-</u>	<u>33,299</u>
Other financing sources (uses):			
Transfers out	<u>(22,638)</u>	<u>(82,877)</u>	<u>(105,515)</u>
Total other financing sources (uses)	<u>(22,638)</u>	<u>(82,877)</u>	<u>(105,515)</u>
Net change in fund balances	10,661	(82,877)	(72,216)
Fund balances, beginning of year	<u>4,734</u>	<u>82,877</u>	<u>87,611</u>
Fund balances, end of year	<u>\$ 15,395</u>	<u>\$ -</u>	<u>\$ 15,395</u>

**CITY OF WILLIAMS, ARIZONA**  
**GRANTS**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Revenue	\$ 4,997,000	\$ 4,997,000	\$ 206,001	\$ (4,790,999)
Donations and Other Revenue	3,000	3,000	10,590	7,590
Total Revenues	<u>5,000,000</u>	<u>5,000,000</u>	<u>216,591</u>	<u>(4,783,409)</u>
<b>EXPENDITURES:</b>				
Public Safety	3,000	3,000	62,683	(59,683)
Capital Outlay	4,997,000	4,997,000	120,609	4,876,391
Total Expenditures	<u>5,000,000</u>	<u>5,000,000</u>	<u>183,292</u>	<u>4,816,708</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>33,299</u>	<u>33,299</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	-	-	(22,638)	(22,638)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(22,638)</u>	<u>(22,638)</u>
Net change in fund balance	-	-	10,661	10,661
Fund balance, beginning of year	<u>4,734</u>	<u>4,734</u>	<u>4,734</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4,734</u>	<u>\$ 4,734</u>	<u>\$ 15,395</u>	<u>\$ 10,661</u>

**CITY OF WILLIAMS, ARIZONA**  
**NORTH SIDE SEWER**  
**CAPITAL PROJECTS FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Special assessments	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>EXPENDITURES:</b>				
General government:				
Service, supplies and other	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfer to debt service fund	(82,395)	(82,395)	(82,877)	(482)
Total other financing sources (uses)	(82,395)	(82,395)	(82,877)	(482)
Net change in fund balance	(82,395)	(82,395)	(82,877)	(482)
Fund balance, beginning of year	82,877	82,877	82,877	-
Fund balance, end of year	<u>\$ 482</u>	<u>\$ 482</u>	<u>\$ -</u>	<u>\$ (482)</u>

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Net Position**  
**Component Unit**  
**June 30, 2015**

	<u>Williams Housing Authority</u>
<b>Assets</b>	
Current Assets:	
Cash	\$ 151,534
Receivables (net of allowance)	8,747
Prepays	1,827
Total Current Assets	<u>162,108</u>
Noncurrent Assets:	
Land and improvements	481,979
Buildings and improvements	1,894,207
Other improvements	212,107
Furniture, equipment, vehicles	132,043
Accumulated depreciation	<u>(1,389,248)</u>
Total noncurrent assets	<u>1,331,088</u>
<b>Total Assets</b>	<u>\$ 1,493,196</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to pensions	<u>17,277</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	\$ 12,281
Tenant security deposits	9,825
Current portion of accrued compensated absences	2,439
Total Current Liabilities	<u>24,545</u>
Long-Term Debt (net of current portion):	
Accrued compensated absences	6,675
Net pension liability	<u>124,349</u>
Total Long-Term Debt	<u>131,024</u>
Total Liabilities	<u>155,569</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows related to pensions	<u>21,745</u>
<b>Net Position</b>	
Net investment in capital assets	1,331,088
Unrestricted	<u>2,071</u>
Total Net Position	<u><u>\$ 1,333,159</u></u>

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Activities**  
**Component Unit**  
**June 30, 2015**

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	<u>Williams Housing Authority</u>
<b>Expenses:</b>	
Health and Welfare:	<u>\$ 535,877</u>
Total Expenses	<u>535,877</u>
 <b>Program Revenues:</b>	
Charges for services	60,429
Operating grants and contributions	<u>383,445</u>
Net (Expense) Revenue	<u>(92,003)</u>
 <b>General Revenues:</b>	
Interest income	<u>6</u>
Total general revenues and transfers	<u>6</u>
 <b>Change in net position</b>	 (91,997)
Total net position, beginning of year	1,553,026
Restatement adjustment	<u>(127,870)</u>
<b>Total net position, end of year</b>	<u><u>\$ 1,333,159</u></u>

**SINGLE AUDIT SECTION**

**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 Williams, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williams, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Williams's basic financial statements and have issued our report thereon dated April 22, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Williams'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations that we consider to be a significant deficiency.

2011-001      Year End Accounting and Financial Statement Controls

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Williams's financial statements are free of 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*.

We noted certain other matters that we have reported to the management of the City of Williams in a separate letter dated April 22, 2016.

## **Purpose of this Report**

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



HintonBurdick, PLLC

Flagstaff, AZ

April 22, 2016

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

The Honorable Mayor and  
City Council  
Williams, Arizona

We have audited the basic financial statements of the City of Williams, Arizona for the year ended June 30, 2015, and have issued our report thereon dated April 22, 2016. Our audit also included test work on the City of Williams's 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 Williams 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 Williams 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 Williams 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 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 Williams complied, in all material respects, with the requirements identified above for the year ended June 30, 2015.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

  
HintonBurdick, PLLC  
Flagstaff, AZ  
April 22, 2016

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**CITY OF WILLIAMS, ARIZONA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
<b>Passed through Arizona Department of Housing</b>			
Low Rent	14.850	AZ041-00000115D	\$ 61,287
Section 8 Housing Choice Vouchers	14.871	AZ041-00000115D	271,684
Public Housing Capital Fund	14.872	AZ20P041501-14	11,763
Public Housing Capital Fund	14.872	AZ20P041501-15	<u>31,720</u>
Total U.S. Department of Housing			<u>376,454</u>
<b>U.S. Department of Transportation</b>			
<b>Passed through Arizona Governor's Office of Highway Safety:</b>			
Homeland Security Grant Program	20.600	2015-AL-024	2,088
Homeland Security Grant Program	20.600	2015-PT-046	<u>3,216</u>
Total U.S. Department of Housing			<u>5,304</u>
<b>U.S. Department of Homeland Security</b>			
<b>Passed through Arizona Department of Homeland Security</b>			
State and Community Highway Safety	97.067	888114-01	<u>62,717</u>
Total U.S. Department of Transportation			<u>62,717</u>
<b>U.S. Environmental Protection Agency</b>			
<b>Passed through Water Infrastructure Finance Authority of Arizona:</b>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW-002-2015	<u>1,433,843</u>
Total U.S. Environmental Protection Agency			<u>1,433,843</u>
Total expenditure of federal awards			<u><u>\$ 1,878,318</u></u>

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**Independent Auditors' Report on Compliance for Each  
Major Program and on Internal Control  
over Compliance Required by OMB Circular A-133**

Honorable Mayor and  
City Council  
Williams, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited the City of Williams, Arizona's compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Williams, Arizona's major federal programs for the year ended June 30, 2015. The City of Williams, Arizona's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Williams, Arizona's major federal programs. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Williams, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Williams, Arizona's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Williams, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

Management of the City of Williams, Arizona is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City of Williams, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Williams, Arizona's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



HintonBurdick, PLLC

Flagstaff, AZ

April 22, 2016

**CITY OF WILLIAMS, ARIZONA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

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**Section I - Summary of Auditors' Results**

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Financial Statements

Type of auditor's report issued: Unmodified  
Internal control over financial reporting:

- Material weakness (es) identified?  yes  no
- Significant deficiency (ies) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal Control over major programs:

- Material weakness (es) identified?  yes  no
- Significant deficiency (ies) identified that are not considered to be material weaknesses?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  yes  no

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

**CITY OF WILLIAMS, ARIZONA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2015**

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**Section II - Financial Statement Findings**

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**Material Weakness:**

- 2011-001.     Year End Accounting and Financial Statement Controls, Prior Year Reworded, Reissued as Significant Deficiency compared to Material Weakness in prior year.

Finding

During our audit we made recommendations for various journal entries that were not initially identified by the City's internal controls that were necessary to make accruals, record interfund activity, adjust deferred revenue and accounts receivable balances, adjust debt and investments accounts, and other miscellaneous corrections. The Court's bond checking account activity had not been recorded in the City's general ledger. Management is aware of the need to reconcile accounts and post journal entries on a monthly basis. Statement on Auditing Standards No. 115 (SAS 115) indicates that the identification by the auditor of such misstatements in the financial statements may be a material weakness in the City's internal controls. However, in this case the deficiency in internal control is less severe than a material weakness, yet important enough to merit attention by those charged with governance, which by definition is a significant deficiency.

Recommendation

We recommend that management review the journal entries and discuss them with us to ensure you agree with the entries, and understand the purpose and underlying accounting principles associated with each entry and that management continue its efforts to record all year-end adjustments and perform necessary reconciliations in a timely manner.

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**Section III - Federal Award Findings and Questioned Costs**

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No significant matters were noted.

**CITY OF WILLIAMS, ARIZONA  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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**Section IV - Summary of Prior Year Findings and Questioned Costs**

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No significant matters were noted.

**CITY OF WILLIAMS, ARIZONA  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2015**

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**Section IV - Summary of Prior Year Findings and Questioned Costs**

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No significant matters were noted.