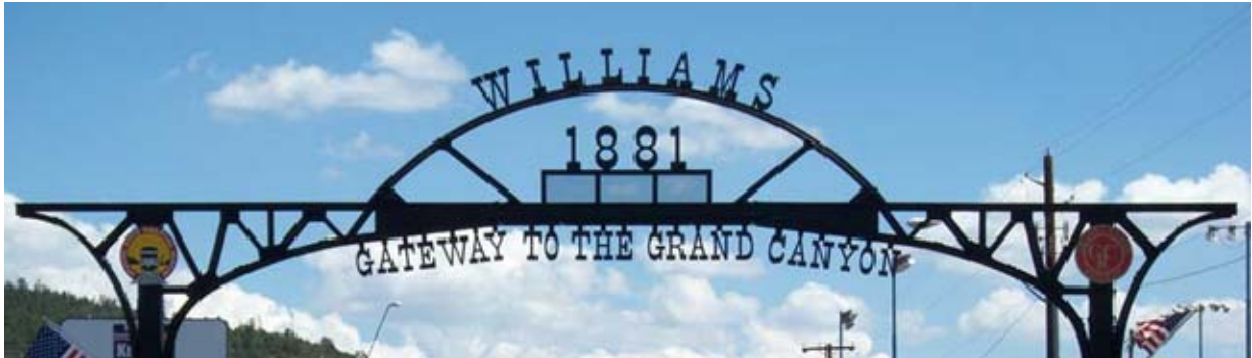


CITY OF WILLIAMS, ARIZONA



FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2017

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

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 fiscal year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, schedule of 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 debt service fund and 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 debt service fund and 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 January 31, 2018, 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
January 31, 2018

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**CITY OF WILLIAMS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2017**

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, 2017. 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 \$41.3 million. This amount is comprised of \$38.5 million in net investment in capital assets, \$1.9 million of restricted net position and \$0.9 million in unrestricted net position.
- Governmental net position increased by \$818,640 and Business-Type net position increased by \$2,132,334.
- Total City Sales tax revenue increased by 8.79 percent from last year and still is the single largest revenue in the budget.
- Improvements totaling \$1.4 million were made to the City's capital assets.
- Total debt service payments, including interest expense and net of new debt, were approximately \$1.7 million, leaving approximately \$27.5 million in total outstanding debt at the close of the year.
- The General Fund's unassigned fund balance increased by \$1,104,042 to \$3,952,031. The unassigned fund balance represents 64.48 percent of total General Fund expenditures for the fiscal year.
- Other governmental fund balances increased by \$278,646 to \$911,072, of which \$111,470 is restricted and \$799,602 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 \$41.3 million as of June 30, 2017 as shown in the following condensed statement of net position.

City of Williams Statement of Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Current and other assets	\$ 8,405,450	\$ 6,184,328	\$ 341,240	\$ (1,157,237)	\$ 8,746,690	\$ 5,027,091
Capital assets	18,188,489	19,682,844	42,002,370	42,661,418	60,190,859	62,344,262
Total assets	<u>26,593,939</u>	<u>25,867,172</u>	<u>42,343,610</u>	<u>41,504,181</u>	<u>68,937,549</u>	<u>67,371,353</u>
Deferred outflows of resources	1,411,365	817,902	215,696	91,399	1,627,061	909,301
Long-term liabilities outstanding	8,427,671	8,056,906	16,451,933	17,962,652	24,879,604	26,019,558
Other liabilities	906,664	899,230	2,800,651	2,472,591	3,707,315	3,371,821
Total liabilities	<u>9,334,335</u>	<u>8,956,136</u>	<u>19,252,584</u>	<u>20,435,243</u>	<u>28,586,919</u>	<u>29,391,379</u>
Deferred inflows of resources	571,512	448,121	114,222	100,171	685,734	548,292
Net position:						
Net investment in capital assets	14,264,717	15,632,736	24,230,992	23,679,322	38,495,709	39,312,058
Restricted	217,785	112,752	1,644,950	1,615,083	1,862,735	1,727,835
Unrestricted	3,616,955	1,535,329	(2,683,442)	(4,234,239)	933,513	(2,698,910)
Total net position	<u>\$18,099,457</u>	<u>\$17,280,817</u>	<u>\$23,192,500</u>	<u>\$21,060,166</u>	<u>\$41,291,957</u>	<u>\$38,340,983</u>

The City has \$68,937,549 in total assets, with \$60,190,859 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**

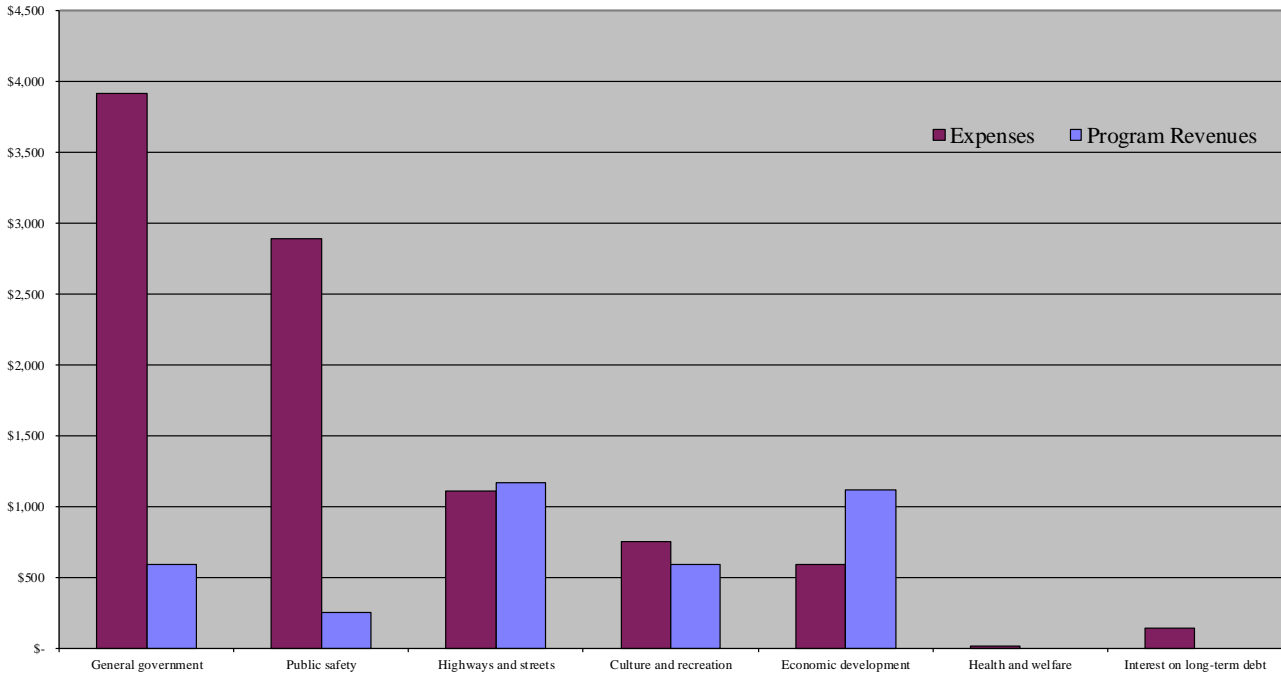
	Governmental activities		Business-type activities		Total	
	6/30/2017	6/30/2016	6/30/2017	6/30/2016	6/30/2017	6/30/2016
Revenues:						
Program revenues:						
Charges for services	\$ 519,866	\$ 596,457	\$ 9,420,119	\$ 9,421,657	\$ 9,939,985	\$ 10,018,114
Operating grants and contributions	1,992,168	1,729,465	-	-	1,992,168	1,729,465
Capital grants and contributions	404,057	27,284	281,250	1,786,423	685,307	1,813,707
General revenues:						
Property taxes	780,475	768,612	-	-	780,475	768,612
Sales taxes	5,412,381	4,975,093	-	-	5,412,381	4,975,093
State and other taxes	548,165	526,820	-	-	548,165	526,820
Other	15,071	8,061	18,248	10,372	33,319	18,433
Total revenues	<u>9,672,183</u>	<u>8,631,792</u>	<u>9,719,617</u>	<u>11,218,452</u>	<u>19,391,800</u>	<u>19,850,244</u>
Expenses:						
General government	3,610,339	3,451,892	-	-	3,610,339	3,451,892
Public safety	2,481,688	2,369,230	-	-	2,481,688	2,369,230
Highways and streets	1,058,461	934,514	-	-	1,058,461	934,514
Culture and recreation	789,697	592,811	-	-	789,697	592,811
Economic development	597,521	644,064	-	-	597,521	644,064
Health and welfare	19,220	18,535	-	-	19,220	18,535
Interest on long-term debt	265,175	203,762	-	-	265,175	203,762
Electric	-	-	2,999,301	3,252,551	2,999,301	3,252,551
Water & Sewer	-	-	3,286,139	3,169,301	3,286,139	3,169,301
Golf Course	-	-	785,430	726,148	785,430	726,148
Sanitation	-	-	547,855	620,783	547,855	620,783
Total expenses	<u>8,822,101</u>	<u>8,214,808</u>	<u>7,618,725</u>	<u>7,768,783</u>	<u>16,440,826</u>	<u>15,983,591</u>
(Decrease)/Increase in net assets before transfers	850,082	416,984	2,100,892	3,449,669	2,950,974	3,866,653
Transfers	<u>(31,442)</u>	<u>-</u>	<u>31,442</u>	<u>-</u>	<u>-</u>	<u>-</u>
(Decrease)/Increase in net assets	818,640	416,984	2,132,334	3,449,669	2,950,974	3,866,653
Net position, beginning	17,280,817	16,568,577	21,060,166	17,610,497	38,340,983	34,179,074
Prior period adjustment	-	295,256	-	-	-	295,256
Net position, ending	<u>\$18,099,457</u>	<u>\$17,280,817</u>	<u>\$23,192,500</u>	<u>\$21,060,166</u>	<u>\$41,291,957</u>	<u>\$38,340,983</u>

The cost of all governmental activities this year was \$8,822,101 as shown in the schedule of Changes in Net Position above. \$519,866 of this cost was paid for by those who directly benefited from the programs. \$2,396,225 was subsidized by grants received from other governmental organizations for both capital and operating activities. General taxes, Urban Revenue Sharing and investment earnings totaled \$6,756,092.

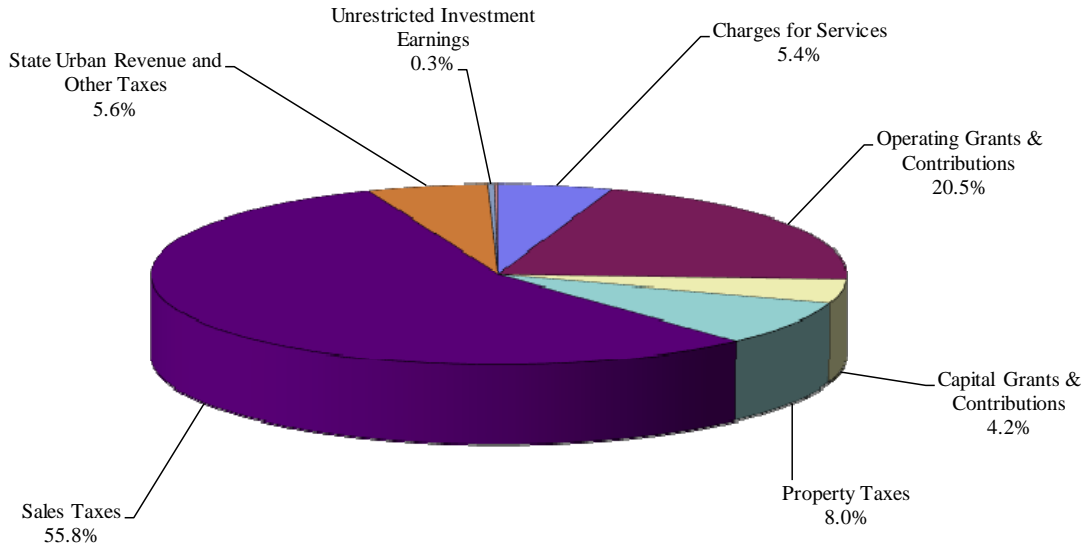
Total resources available during the year to finance governmental operations were \$27.0 million consisting of Net position at July 1, 2016 of \$17.3 million, program revenues of \$2.9 million and General Revenues of \$6.8 million. Total Governmental Activities during the year were \$8.8 million. Thus Governmental Net Position was increased by \$818,640 to \$18.1 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)



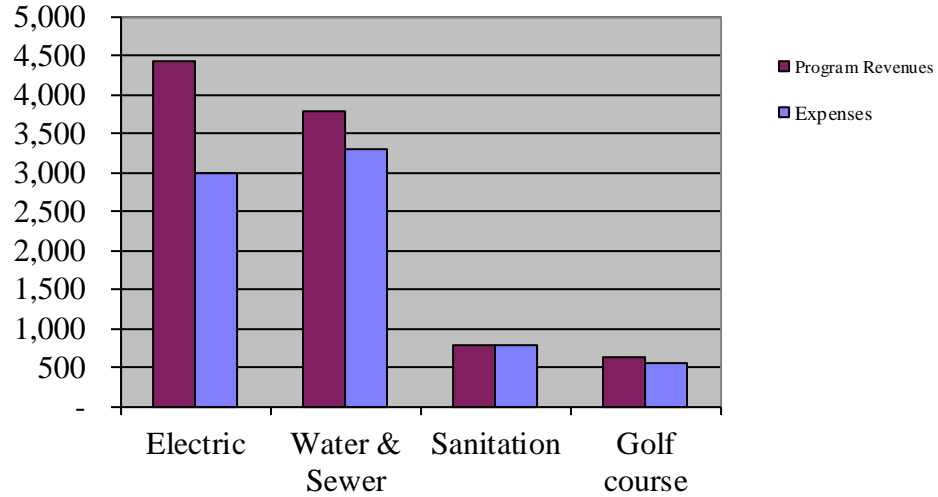
Revenue By Source - Governmental Activities



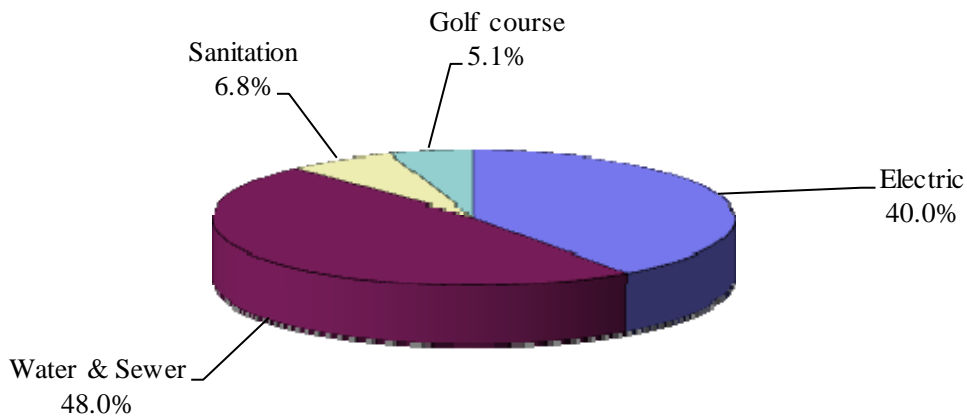
Business Type Activities

Net position of the Business Type activities at June 30, 2017, as reflected in the Statement of Net Position was \$23.2 million. The cost of providing all Proprietary (Business Type) activities this year was \$7.6 million, including interest expense of \$549,199. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$9.4 million and there was \$281,250 subsidized by capital grants and contributions. Interest earnings and other revenues were \$18,248. Net Position increased by \$2,132,334.

**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 \$7.9million, an increase of \$2.1 million in comparison with the prior year. Approximately, 50% of this total amount or \$3,952,031 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 \$6,991,661, of which \$3,952,031 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 64% and 114% respectively of total general fund expenditures. During the year, the City of Williams's general fund balance increased by \$1,841,053.

The debt service fund balance remained at \$0.

Highway User fund expenditures of \$580,135 were funded by Highway User revenues of \$355,021 and City Sales Tax of \$394,357 which resulted in a fund balance of \$799,602.

The non-major fund balance of \$111,470 consists of grant funds restricted for public safety and capital projects.

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 \$8,464,718 were more than the budget of \$8,230,578 by \$234,140 mainly due to building permits, library assistance tax, fines and forfeitures, and miscellaneous revenues. Actual expenditures of \$6,128,718 were \$772,185 less than budgeted expenditures of \$6,900,903. The most significant variance was from capital outlay, recreation facilities and airport expenses that were under budget. There were a couple 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 2017, net capital assets of the government activities totaled \$18.2 million and the net capital assets of the business-type activities totaled \$42.0 million. Combined capital assets additions were \$1.4 million for fiscal year 2017 consisting of: \$1.1 million added to the City's system improvements, and \$300 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 \$8.9 million in governmental type debt, and \$18.6 million in business-type debt. (See notes 7 and 8 to the financial statements.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City budget for fiscal year 2017/2018, 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 2016/2017.

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, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 4,065,609	\$ 632,650	\$ 4,698,259	\$ 152,428
Receivables (net of allowance)	436,397	1,116,850	1,553,247	5,196
Internal balances	3,817,973	(3,817,973)	-	-
Prepays	33,204	7,109	40,313	2,900
Inventory	52,267	-	52,267	-
Temporarily restricted assets:				
Cash and cash equivalents	-	2,402,604	2,402,604	-
Capital assets (net of accumulated depreciation):				
Land and improvements	330,932	100,000	430,932	481,979
Buildings and improvements	5,227,651	2,981,850	8,209,501	719,047
System and other improvements	6,790,252	38,242,284	45,032,536	19,940
Furniture, equipment and vehicles	800,534	678,236	1,478,770	1,118
Infrastructure	4,935,355	-	4,935,355	-
Construction in progress	103,765	-	103,765	-
Total Assets	<u>26,593,939</u>	<u>42,343,610</u>	<u>68,937,549</u>	<u>1,382,608</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	1,302,538	179,421	1,481,959	29,979
Deferred charge on refunding	108,827	36,275	145,102	-
Total deferred outflows of resources	<u>1,411,365</u>	<u>215,696</u>	<u>1,627,061</u>	<u>29,979</u>
Liabilities				
Accounts payable and other current liabilities	481,190	591,262	1,072,452	18,857
Interest payable	-	44	44	-
Noncurrent liabilities:				
Due within one year	425,474	2,209,345	2,634,819	-
Due in more than one year	8,427,671	16,451,933	24,879,604	155,643
Total Liabilities	<u>9,334,335</u>	<u>19,252,584</u>	<u>28,586,919</u>	<u>174,500</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	571,512	114,222	685,734	19,085
Total Deferred Inflows of resources	<u>571,512</u>	<u>114,222</u>	<u>685,734</u>	<u>19,085</u>
Net Position				
Net investment in capital assets	14,264,717	24,230,992	38,495,709	1,222,084
Restricted for:				
Capital projects	209,154	-	209,154	-
Other purposes	8,631	1,644,950	1,653,581	-
Unrestricted	3,616,955	(2,683,442)	933,513	(2,977)
Total Net Position	<u>\$ 18,099,457</u>	<u>\$ 23,192,500</u>	<u>\$ 41,291,957</u>	<u>\$ 1,219,107</u>

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

CITY OF WILLIAMS, ARIZONA
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 3,610,339	\$ 302,526	\$ 188,168	\$ 100,273	\$ (3,019,372)	\$ -	\$ (3,019,372)	\$ -
Public safety	2,481,688	171,467	76,394	5,601	(2,228,226)	-	(2,228,226)	-
Highways and streets	1,058,461	-	357,101	-	(701,360)	-	(701,360)	-
Culture and recreation	789,697	45,873	250,939	298,183	(194,702)	-	(194,702)	-
Economic development	597,521	-	1,119,566	-	522,045	-	522,045	-
Health and welfare	19,220	-	-	-	(19,220)	-	(19,220)	-
Interest on long-term debt	150,244	-	-	-	(150,244)	-	(150,244)	-
Debt issuance costs	114,931	-	-	-	(114,931)	-	(114,931)	-
Total governmental activities	8,822,101	519,866	1,992,168	404,057	(5,906,010)	-	(5,906,010)	-
Business-type activities:								
Electric	2,999,301	4,263,981	-	250,000	-	1,514,680	1,514,680	-
Water & Sewer	3,286,139	3,756,925	-	31,250	-	502,036	502,036	-
Sanitation	785,430	776,342	-	-	-	(9,088)	(9,088)	-
Golf course	547,855	622,871	-	-	-	75,016	75,016	-
Total business-type activities	7,618,725	9,420,119	-	281,250	-	2,082,644	2,082,644	-
Total primary government	16,440,826	9,939,985	1,992,168	685,307	(5,906,010)	2,082,644	(3,823,366)	-
Component Unit:								
Housing Authority	512,230	47,410	421,362	-	-	-	-	(43,458)
General Revenues:								
Property taxes levied for general purposes					780,475	-	780,475	-
Sales taxes					5,412,381	-	5,412,381	-
State urban revenues and other taxes - Unrestricted					548,165	-	548,165	-
Unrestricted investment earnings					31,013	18,248	49,261	94
Loss on disposal of capital assets					(15,942)	-	(15,942)	-
Transfers					(31,442)	31,442	-	-
Total general revenues & transfers					6,724,650	49,690	6,774,340	94
Change in net position					818,640	2,132,334	2,950,974	(43,364)
Net position - beginning					17,280,817	21,060,166	38,340,983	1,262,471
Net position - ending					\$ 18,099,457	\$ 23,192,500	\$ 41,291,957	\$ 1,219,107

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

CITY OF WILLIAMS, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2017

ASSETS	<u>General</u>	<u>Debt Service</u>	<u>Highway User Special Revenue</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 3,962,444	\$ -	\$ 326	\$ 102,839	\$ 4,065,609
Receivables:					
Property Taxes	38,445	-	-	-	38,445
Other	23,385	-	-	-	23,385
Intergovernmental	303,798	-	33,593	37,176	374,567
Due from other funds	5,509,316	-	826,838	-	6,336,154
Inventory	52,267	-	-	-	52,267
Prepaid items	33,203	-	-	-	33,203
Total Assets	<u>\$ 9,922,858</u>	<u>\$ -</u>	<u>\$ 860,757</u>	<u>\$ 140,015</u>	<u>\$ 10,923,630</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 78,190	\$ -	\$ 21,707	\$ -	\$ 99,897
Accrued Liabilities	359,636	-	5,855	9,708	375,199
Customer Deposits	6,094	-	-	-	6,094
Due to Other Funds	2,465,751	-	33,593	18,837	2,518,181
Total Liabilities	<u>2,909,671</u>	<u>-</u>	<u>61,155</u>	<u>28,545</u>	<u>2,999,371</u>
Deferred Inflows of Resources:					
Unavailable Revenue	21,526	-	-	-	21,526
Total Deferred Inflows	<u>21,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,526</u>
Fund Balances:					
Nonspendable:					
Inventory	52,267	-	-	-	52,267
Prepaid items	33,203	-	-	-	33,203
Restricted for:					
Public safety	-	-	-	8,631	8,631
Capital projects	106,315	-	-	102,839	209,154
Committed:					
Highways & Streets	-	-	799,602	-	799,602
Economic development	1,664,728	-	-	-	1,664,728
Court enhancements	17,220	-	-	-	17,220
Assigned:					
Capital projects	676,376	-	-	-	676,376
Other items	489,521	-	-	-	489,521
Unassigned	3,952,031	-	-	-	3,952,031
Total Fund Balances	<u>6,991,661</u>	<u>-</u>	<u>799,602</u>	<u>111,470</u>	<u>7,902,733</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 9,922,858</u>	<u>\$ -</u>	<u>\$ 860,757</u>	<u>\$ 140,015</u>	<u>\$ 10,923,630</u>

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, 2017

Total governmental fund balances	\$	7,902,733
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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	\$ 67,896,744	
Accumulated depreciation	(49,708,255)	
		18,188,489

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.

21,527

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable	\$ (3,398,197) *	
Capital leases payable	(60,057)	
Notes payable	(465,518)	
Compensated absences	(180,718)	
Net pension liability	(4,748,655)	
		(8,853,145)

Deferred outflows and inflows of resources are applicable to future reporting periods and, therefore, are not reported in the funds:

Deferred outflows	1,411,365	
Deferred inflows	(571,512)	
		839,853

Total net position of governmental activities	\$	18,099,457
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* 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 Fiscal Year Ended June 30, 2017

REVENUES	General	Debt Service	Highway User Special Revenue	Non-major Governmental Funds	Total Governmental Funds
Taxes	\$ 6,503,302	\$ -	\$ 394,357	\$ -	\$ 6,897,659
Licenses, Permits and Fees	99,737	-	-	-	99,737
Intergovernmental Revenue	930,591	-	355,021	472,502	1,758,114
Charges for Services	359,551	-	-	-	359,551
Fines and Forfeitures	66,175	-	-	-	66,175
Interest	31,013	-	-	-	31,013
Other Revenues	474,349	-	4,370	1,947	480,666
Total Revenues	8,464,718	-	753,748	474,449	9,692,915
EXPENDITURES					
Current:					
General Government	2,547,841	-	-	-	2,547,841
Public Safety	2,327,990	-	-	3,735	2,331,725
Highways & Streets	-	-	501,043	-	501,043
Culture and Recreation	626,835	-	-	-	626,835
Economic Development	590,570	-	-	-	590,570
Health & Welfare	13,845	-	-	-	13,845
Capital Outlay	21,637	-	79,092	342,216	442,945
Debt Service:					
Principal	-	341,671	-	-	341,671
Interest	-	145,280	-	-	145,280
Total Expenditures	6,128,718	486,951	580,135	345,951	7,541,755
Excess of Revenues Over (Under) Expenditures					
	2,336,000	(486,951)	173,613	128,498	2,151,160
Other Financing Sources (Uses):					
Refunding bonds issued	-	2,753,398	-	-	2,753,398
Debt issuance costs	-	(234,635)	-	-	(234,635)
Payment to refunded bond escrow agent	-	(2,518,782)	-	-	(2,518,782)
Transfers in	23,465	486,970	-	-	510,435
Transfers out	(518,412)	-	-	(23,465)	(541,877)
Total Other Financing Sources (Uses)	(494,947)	486,951	-	(23,465)	(31,461)
Net change in fund balances	1,841,053	-	173,613	105,033	2,119,699
Fund balances, beginning of year	5,150,608	-	625,989	6,437	5,783,034
Fund balances, end of year	<u>\$ 6,991,661</u>	<u>\$ -</u>	<u>\$ 799,602</u>	<u>\$ 111,470</u>	<u>\$ 7,902,733</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 Fiscal Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds	\$	2,119,699
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlays in the current period.</p>		
Capital outlay	\$	297,835
Depreciation expense		<u>(1,776,248)</u>
		(1,478,413)
<p>The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) resulted in an increase to net assets.</p>		
		(15,942)
<p>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 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:</p>		
Refunding bonds issued		(2,753,398)
Deferred charge on refunding		108,827
Repayment of long-term debt principal		<u>2,860,453</u>
		215,882
<p>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.</p>		
		(4,791)
<p>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.</p>		
		32,310
<p>Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the 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.</p>		
Pension contributions		385,522
Pension expense		<u>(435,627)</u>
		(50,105)
Change in net position of governmental activities	<u>\$</u>	<u>818,640</u>

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

CITY OF WILLIAMS, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2017

Assets	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-major Golf Course Fund	Total
Current Assets:					
Cash	\$ 208,822	\$ 282,283	\$ 78,572	\$ 62,973	\$ 632,650
Receivables (net of allowance)	547,573	431,124	72,457	9,304	1,060,458
Due from other governments	-	16,831	39,561	-	56,392
Due from other funds	4,135,700	958,787	-	-	5,094,487
Prepaid Expenses	6,532	-	-	577	7,109
Total Current Assets	<u>4,898,627</u>	<u>1,689,025</u>	<u>190,590</u>	<u>72,854</u>	<u>6,851,096</u>
Restricted cash	633,844	1,740,550	-	28,210	2,402,604
Land and improvements	100,000	-	-	-	100,000
Buildings and improvements	129,000	5,452,772	53,616	98,804	5,734,192
System and other improvements	8,913,831	41,465,673	104,983	2,277,690	52,762,177
Furniture, equipment and vehicles	-	1,172,581	1,212,800	788,402	3,173,783
Accumulated depreciation	(2,866,703)	(14,469,545)	(1,084,305)	(1,347,229)	(19,767,782)
Total Noncurrent Assets	<u>6,909,972</u>	<u>35,362,031</u>	<u>287,094</u>	<u>1,845,877</u>	<u>44,404,974</u>
Total Assets	<u>11,808,599</u>	<u>37,051,056</u>	<u>477,684</u>	<u>1,918,731</u>	<u>51,256,070</u>
Deferred Outflows of Resources					
Deferred outflows related to pensions	-	49,230	73,199	56,992	179,421
Deferred charge on refunding	-	36,275	-	-	36,275
Total Deferred Outflows of Resources	<u>-</u>	<u>85,505</u>	<u>73,199</u>	<u>56,992</u>	<u>215,696</u>
Liabilities					
Current Liabilities:					
Accounts payable	296,550	58,270	42,108	14,104	411,032
Accrued liabilities	-	18,142	959	1,658	20,759
Interest payable	-	-	44	-	44
Customer deposits	62,771	95,600	1,100	-	159,471
Due to other funds	-	6,827,598	101,988	1,982,874	8,912,460
Current portion, compensated absences	-	6,862	13,097	27,889	47,848
Current portion, capital lease payable	-	-	51,128	36,577	87,705
Current portion, long-term debt	792,039	1,281,753	-	-	2,073,792
Total Current Liabilities	<u>1,151,360</u>	<u>8,288,225</u>	<u>210,424</u>	<u>2,063,102</u>	<u>11,713,111</u>
Long-Term Liabilities (net of current portion):					
Compensated absences	-	3,403	6,495	13,831	23,729
Capital lease payable	-	-	52,454	-	52,454
Revenue bonds payable	-	1,372,573	-	-	1,372,573
Loans payable	268,830	13,916,024	-	-	14,184,854
Net pension liability	-	224,530	333,859	259,934	818,323
Total Long-Term Liabilities	<u>268,830</u>	<u>15,516,530</u>	<u>392,808</u>	<u>273,765</u>	<u>16,451,933</u>
Total Liabilities	<u>1,420,190</u>	<u>23,804,755</u>	<u>603,232</u>	<u>2,336,867</u>	<u>28,165,044</u>
Deferred Inflows of Resources					
Deferred inflows related to pensions	-	31,340	46,600	36,282	114,222
Net Position					
Net investment in capital assets	5,215,259	17,051,131	183,512	1,781,090	24,230,992
Restricted	-	1,644,950	-	-	1,644,950
Unrestricted (deficit)	5,173,150	(5,395,615)	(282,461)	(2,178,516)	(2,683,442)
Total Net Position (deficit)	<u>\$ 10,388,409</u>	<u>\$ 13,300,466</u>	<u>\$ (98,949)</u>	<u>\$ (397,426)</u>	<u>\$ 23,192,500</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 Fiscal Year Ended June 30, 2017

	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-major Golf Course Fund	Total
Operating Revenues					
Charges for services	\$ 4,215,278	\$ 3,756,925	\$ 771,794	\$ 619,297	\$ 9,363,294
Other revenues	48,703	-	4,548	3,574	56,825
Total Operating Revenues	4,263,981	3,756,925	776,342	622,871	9,420,119
Operating Expenses					
Salaries, wages and benefits	-	212,297	295,745	238,001	746,043
Office expenses and travel	5,794	74,429	41,898	28,249	150,370
Repairs and maintenance	552,472	84,819	25,405	109,878	772,574
Utilities	-	427,546	2,364	30,545	460,455
Legal and professional fees	26,065	428,436	363	-	454,864
Contract services	218,111	-	-	-	218,111
Miscellaneous	-	13,323	1,326	11,853	26,502
Purchase power	1,909,030	-	-	-	1,909,030
Rent/Lease	-	-	-	756	756
Supplies	-	111,564	56,281	48,678	216,523
Resident and tipping fees	-	-	282,588	-	282,588
Depreciation/amortization	263,658	1,376,516	75,500	77,574	1,793,248
Total Operating Expenses	2,975,130	2,728,930	781,470	545,534	7,031,064
Operating Income (Loss)	1,288,851	1,027,995	(5,128)	77,337	2,389,055
Non-operating Revenues (Expenses)					
Interest income	-	18,248	-	-	18,248
Interest expense and fiscal charges	(24,171)	(518,747)	(3,960)	(2,321)	(549,199)
Issuance costs	-	(38,462)	-	-	(38,462)
Total Non-Operating Revenue (Expense)	(24,171)	(538,961)	(3,960)	(2,321)	(569,413)
Net Income (Loss) before contributions and transfers	1,264,680	489,034	(9,088)	75,016	1,819,642
Capital contributions	250,000	31,250	-	-	281,250
Transfers in	-	-	31,442	-	31,442
Net Income (Loss)	1,514,680	520,284	22,354	75,016	2,132,334
Total net position (deficit), beginning of year	8,873,729	12,780,182	(121,303)	(472,442)	21,060,166
Total net position (deficit), end of year	\$ 10,388,409	\$ 13,300,466	\$ (98,949)	\$ (397,426)	\$ 23,192,500

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

CITY OF WILLIAMS, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2017

	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-major Golf Course Fund	Total
Cash Flows From Operating Activities:					
Cash received from customers, service fees	\$ 4,235,200	\$ 3,797,490	\$ 787,374	\$ 614,537	\$ 9,434,601
Cash received from customers, other	48,703	-	4,548	3,574	56,825
Cash paid to suppliers	(2,682,698)	(1,159,938)	(399,677)	(224,518)	(4,466,831)
Cash paid to employees	-	(200,139)	(326,801)	(291,847)	(818,787)
Net cash flows from operating activities	<u>1,601,205</u>	<u>2,437,413</u>	<u>65,444</u>	<u>101,746</u>	<u>4,205,808</u>
Cash Flows From Noncapital Financing Activities:					
Proceeds/Payments to other funds	(431,312)	(272,771)	(49)	-	(704,132)
Transfers in	-	-	31,442	-	31,442
Net cash flows from noncapital financing activities	<u>(431,312)</u>	<u>(272,771)</u>	<u>31,393</u>	<u>-</u>	<u>(672,690)</u>
Cash Flows From Capital and Related Financing Activities:					
Purchase of capital assets	(968,830)	(134,119)	-	-	(1,102,949)
Principal paid on long-term debt	(650,000)	(2,364,979)	-	-	(3,014,979)
Principal paid on capital lease	-	-	(49,835)	(35,569)	(85,404)
Interest paid	(24,171)	(555,022)	(3,981)	(2,321)	(585,495)
Capital contributions and grants	250,000	-	-	-	250,000
Proceeds from issuance of debt	968,830	920,845	-	-	1,889,675
Bond issue costs	-	(38,462)	-	-	(38,462)
Net cash flows from capital and related financing activities	<u>(424,171)</u>	<u>(2,171,737)</u>	<u>(53,816)</u>	<u>(37,890)</u>	<u>(2,687,614)</u>
Cash Flows From Investing Activities:					
Interest on investments	-	18,248	-	-	18,248
Net change in Cash and Cash Equivalents	<u>745,722</u>	<u>11,153</u>	<u>43,021</u>	<u>63,856</u>	<u>863,752</u>
Cash and cash equivalents, including restricted cash, beginning of year	<u>96,944</u>	<u>2,011,680</u>	<u>35,551</u>	<u>27,327</u>	<u>2,171,502</u>
Cash and cash equivalents, including restricted cash, end of year	<u><u>\$ 842,666</u></u>	<u><u>\$ 2,022,833</u></u>	<u><u>\$ 78,572</u></u>	<u><u>\$ 91,183</u></u>	<u><u>\$ 3,035,254</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Net Operating Income/(Loss)	\$ 1,288,851	\$ 1,027,995	\$ (5,128)	\$ 77,337	\$ 2,389,055
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:					
Depreciation/amortization	263,658	1,376,516	75,500	77,574	1,793,248
Net pension expense	-	(3,571)	(29,061)	(55,057)	(87,689)
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables	16,415	39,840	15,580	(4,760)	67,075
Increase/(Decrease) in prepaids	2,054	-	-	277	2,331
Increase/(Decrease) in accounts payable	26,690	(19,821)	10,548	5,164	22,581
Increase/(Decrease) in accrued liabilities	30	15,729	(1,995)	1,211	14,975
Increase/(Decrease) in deposits	3,507	725	-	-	4,232
Net cash provided (used) by operating activities	<u><u>\$ 1,601,205</u></u>	<u><u>\$ 2,437,413</u></u>	<u><u>\$ 65,444</u></u>	<u><u>\$ 101,746</u></u>	<u><u>\$ 4,205,808</u></u>
Supplemental Schedule of Non-cash Financing and Investing Activities:					
Capital contributions	\$ -	\$ 31,250	\$ -	\$ -	\$ 31,250

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

CITY OF WILLIAMS, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Volunteer Firefighters' Relief and Pension</u>
ASSETS	
Cash and cash equivalents	\$ 582,119
Total Assets and Other Debits	<u>582,119</u>
LIABILITIES	
Total liabilities	<u>-</u>
NET POSITION	
Held in trust for pension benefits and other purposes	<u>\$ 582,119</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 Fiscal Year Ended June 30, 2017

	<u>Volunteer Firefighters' Relief and Pension</u>
ADDITIONS:	
Contributions:	
Employer	\$ 3,540
Other	10,328
Plan Member	<u>14,544</u>
Total Contributions	<u>28,412</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	74,332
Interest Earnings (Loss)	<u>19,386</u>
Net Investment Income	<u>93,718</u>
Total Additions	<u>122,130</u>
DEDUCTIONS:	
Benefits	27,336
Service, Supplies and Other	<u>7,339</u>
Total Deductions	<u>34,675</u>
Net Increase (Decrease)	87,455
Net Position Held in Trust for Pension Benefits and Other Purposes	
Beginning of Year	<u>494,664</u>
End of Year	<u><u>\$ 582,119</u></u>

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

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

NOTE 1. Summary of Significant Accounting Policies

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, 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, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

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 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, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

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, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

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, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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

Buildings	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 two types of items that qualify for reporting in this category. The first item is a deferred charge on refunding that is reported on the government-wide statements. The second item 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 one source: property taxes. 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, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and 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, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

Fund Balance Policies

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the 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, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

Property Taxes

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

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

Compensated Absences

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, 2017

NOTE 1. Summary of Significant Accounting Policies (Continued)

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.

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

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. 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, 2017

NOTE 3. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. Budgeted amounts are as originally adopted, or as amended by the City Council to June 30, 2017. 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, 2017, if any.

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

NOTE 3. Stewardship, Compliance and Accountability (Continued)

Deficit Fund Equity

The Golf Course and Sanitation enterprise funds reported a deficit net position of \$397,426 and \$98,949 as of June 30, 2017 respectively. The Golf Course enterprise fund deficit has decreased by \$75,016 when compared to the prior year. The Sanitation enterprise fund deficit has decreased by \$22,354 when compared to the prior year. 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.

NOTE 4. Deposits and Investments

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

Cash and cash equivalents	\$ 4,698,259
Restricted cash and cash equivalents	2,402,604
Agency fund monies	<u>582,119</u>
	<u><u>\$ 7,682,982</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, 2017 cash on hand was \$1,300 and the carrying amount of the City's deposits was \$480,577. As of June 30, 2017 none of the bank balance of \$2,696,228 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.

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

NOTE 4. Deposits and Investments (Continued)

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated “P1” by

Moody’s investors or “A1” by Standard and Poor’s rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

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

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
Deposits:			
Cash on deposit	\$ 1,028,218	N/A	N/A
Cash on hand	1,300	N/A	N/A
Investments:			
Local Governments Investment Pool 5 *	4,995,938	AAAF/S1+	26 days
Local Governments Investment Pool 7 *	1,644,950	AA+	29 days
Mutual Funds	<u>12,576</u>	N/A	N/A
Total cash and investments	<u>\$ 7,682,982</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.

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

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

NOTE 4. Deposits and Investments (Continued)

The Town has the following recurring fair value measurements as of June 30, 2017:

- Local Government’s Investment Pool is valued using quoted market prices (Level 1 inputs)
- U.S. Treasuries are valued using quoted market prices (Level 1 inputs)
- Mutual Funds are valued using quoted market prices (Level 1 inputs)

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.

Housing Authority

Cash and investments of the Housing Authority at June 30, 2017 consist of the following:

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
Deposits:			
Cash on deposit	\$ 101,365	N/A	N/A
Certificates of deposit	<u>51,063</u>	N/A	< 1 year
Total	<u><u>\$ 152,428</u></u>		

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

NOTE 5. Property Taxes Receivable

Property taxes receivable in the amount of \$38,445 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 \$21,526 represents that portion of the property taxes receivable that have not been collected within 60 days after year end. Consequently, this amount has not been included in current year revenues.

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

NOTE 6. Capital Assets

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

Governmental Activities:	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
Capital assets, not being depreciated:				
Land	\$ 330,932	\$ -	\$ -	\$ 330,932
Construction in progress	37,373	103,765	(37,373)	103,765
Total capital assets not being depreciated	<u>368,305</u>	<u>103,765</u>	<u>(37,373)</u>	<u>434,697</u>
Capital assets, being depreciated:				
Land Improvements	19,353,752	-	-	19,353,752
Buildings and Improvements	8,364,496	58,533	(16,582)	8,406,447
Infrastructure	34,301,924	-	-	34,301,924
Furniture, Equipment, Vehicles	5,248,355	172,910	(21,341)	5,399,924
Total capital assets being depreciated	<u>67,268,527</u>	<u>231,443</u>	<u>(37,923)</u>	<u>67,462,047</u>
Less accumulated depreciation for:				
Land Improvements	(11,756,520)	(806,980)	-	(12,563,500)
Buildings and Improvements	(2,886,669)	(293,993)	1,866	(3,178,796)
Infrastructure	(28,981,451)	(385,118)	-	(29,366,569)
Furniture, Equipment, Vehicles	(4,329,348)	(290,157)	20,115	(4,599,390)
Total accumulated depreciation	<u>(47,953,988)</u>	<u>(1,776,248)</u>	<u>21,981</u>	<u>(49,708,255)</u>
Total capital assets being depreciated, net	<u>19,314,539</u>	<u>(1,544,805)</u>	<u>(15,942)</u>	<u>17,753,792</u>
Governmental activities capital assets, net	<u>\$ 19,682,844</u>	<u>\$ (1,441,040)</u>	<u>\$ (53,315)</u>	<u>\$ 18,188,489</u>

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

Governmental Activities:	
General government	\$ 1,000,114
Public safety	160,256
Highways and streets	452,706
Culture and recreation	157,729
Health and welfare	5,443
Total depreciation expense - governmental activities	<u>\$ 1,776,248</u>

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

NOTE 6. Capital Assets (Continued)

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

Business Type Activities:	<u>Balance 6/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2017</u>
Capital assets, not being depreciated:				
Land and Improvements	\$ 100,000	\$ -	\$ -	\$ 100,000
Total capital assets not being depreciated	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Capital assets, being depreciated:				
Buildings and Improvements	4,304,045	-	-	4,304,045
System and Other Improvements	53,059,061	1,134,199	(937)	54,192,323
Furniture, Equipment, Vehicles	<u>3,172,847</u>	<u>937</u>	<u>-</u>	<u>3,173,784</u>
Total capital assets being depreciated	<u>60,535,953</u>	<u>1,135,136</u>	<u>(937)</u>	<u>61,670,152</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,221,841)	(100,354)	-	(1,322,195)
System and Other Improvements	(14,409,160)	(1,540,879)	-	(15,950,039)
Furniture, Equipment, Vehicles	<u>(2,343,534)</u>	<u>(152,014)</u>	<u>-</u>	<u>(2,495,548)</u>
Total accumulated depreciation	<u>(17,974,535)</u>	<u>(1,793,247)</u>	<u>-</u>	<u>(19,767,782)</u>
Total capital assets being depreciated, net	<u>42,561,418</u>	<u>(658,111)</u>	<u>(937)</u>	<u>41,902,370</u>
Business-type activities capital assets, net	<u>\$ 42,661,418</u>	<u>\$ (658,111)</u>	<u>\$ (937)</u>	<u>\$ 42,002,370</u>

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

Business Type Activities:	
Electric	\$ 263,658
Water & sewer	1,376,516
Golf course	77,573
Sanitation	<u>75,500</u>
Total depreciation expense - business activities	<u>\$ 1,793,247</u>

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

NOTE 6. Capital Assets (Continued)

Component Unit, Housing Authority Activities:

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
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	(1,127,083)	(48,077)	-	(1,175,160)
Other Improvements	(187,977)	(4,190)	-	(192,167)
Furniture, Equipment, Vehicles	(130,691)	(234)	-	(130,925)
Total accumulated depreciation	<u>(1,445,751)</u>	<u>(52,501)</u>	<u>-</u>	<u>(1,498,252)</u>
Total capital assets being depreciated, net	<u>792,606</u>	<u>(52,501)</u>	<u>-</u>	<u>740,105</u>
Component Unit activities capital assets, net	<u>\$ 1,274,585</u>	<u>\$ (52,501)</u>	<u>\$ -</u>	<u>\$ 1,222,084</u>

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

NOTE 7. Capital Leases Payable

The City had three lease agreements at June 30, 2017, 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 October, 2020, 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>
2018	\$ 18,256	\$ 37,613	\$ 53,816	\$ 109,685
2019	18,256	-	53,816	72,072
2020	18,256	-	-	18,256
2021	9,128	-	-	9,128
Total remaining lease payments	<u>63,896</u>	<u>37,613</u>	<u>107,632</u>	<u>209,141</u>
Less amount representing interest	<u>(3,839)</u>	<u>(1,036)</u>	<u>(4,050)</u>	<u>(8,925)</u>
Present value of net remaining minimum lease payments	<u><u>\$ 60,057</u></u>	<u><u>\$ 36,577</u></u>	<u><u>\$ 103,582</u></u>	<u><u>\$ 200,216</u></u>

A summary of assets acquired through capital leases follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Capital Assets:		
Furniture, Equipment & Vehicles	\$ 83,725	\$ 27,908
Enterprise Funds:		
Furniture, Equipment & Vehicles	\$ 420,795	\$ 216,704

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

NOTE 8. Long-Term Liabilities

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 fiscal year ended June 30, 2017.

Governmental Activities:	Balance 6/30/2016	Additions	Retirements	Balance 6/30/2017	Current Portion
Accrued Compensated Absences	\$ 213,028	\$ 210,217	\$ (242,527)	\$ 180,718	\$ 153,610
Capital Leases	75,967	-	(15,910)	60,057	16,450
Net Pension Liability	4,331,390	417,265	-	4,748,655	-
Total other long-term debt	<u>4,620,385</u>	<u>627,482</u>	<u>(258,437)</u>	<u>4,989,430</u>	<u>170,060</u>
Revenue Bonds:					
GADA Revenue Bonds, Series 2005	820,000	-	(740,000)	80,000	80,000
GADA Revenue Bonds, Series 2008	2,115,000	-	(1,665,000)	450,000	145,000
GADA Revenue Bonds, Series 2014	161,293	-	(59,789)	101,504	10,773
Pledged Revenue Bonds, Series 2017	-	2,753,398	-	2,753,398	-
Premium	19,208	-	(5,913)	13,295	1,478
Total Revenue Bonds	<u>3,115,501</u>	<u>2,753,398</u>	<u>(2,470,702)</u>	<u>3,398,197</u>	<u>237,251</u>
Loans Payable					
ADOT Hangar Loan	482,911	-	(17,393)	465,518	18,163
Zion's Bank Loan - 2010	362,361	-	(362,361)	-	-
Total Loans Payable	<u>845,272</u>	<u>-</u>	<u>(379,754)</u>	<u>465,518</u>	<u>18,163</u>
Total Governmental Debt	<u>\$ 8,581,158</u>	<u>\$ 3,380,880</u>	<u>\$ (3,108,893)</u>	<u>\$ 8,853,145</u>	<u>\$ 425,474</u>

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, 2017

NOTE 8. Long-Term Liabilities (Continued)

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

Business-type Activities:	Balance 6/30/2016	Additions	Retirements	Balance 6/30/2017	Current Portion
Revenue Bonds:					
GADA Revenue Bonds, Series 2014	\$ 2,158,707	\$ -	\$ (800,211)	\$ 1,358,496	\$ 144,228
Pledged Revenue Bonds, Series 2017	-	919,602	-	919,602	-
Premium	257,221	-	(79,142)	178,079	19,775
Total Revenue Bonds	<u>2,415,928</u>	<u>919,602</u>	<u>(879,353)</u>	<u>2,456,177</u>	<u>164,003</u>
Loans Payable:					
Water Infrastructure Finance Authority, 1997-1998 Loan	171,862	-	(171,862)	-	
Water Infrastructure Finance Authority, 2000-2001 Loan	835,491	-	(196,384)	639,107	204,485
Water Infrastructure Finance Authority, 2005-2006 Loan	925,908	-	(79,934)	845,974	82,512
Water Infrastructure Finance Authority, 2005-2006 Loan	5,605,874	-	(385,229)	5,220,645	398,481
Water Infrastructure Finance Authority, 2008 Loan	5,479,392	-	(313,966)	5,165,426	324,366
Water Infrastructure Finance Authority, 2015 Loan	1,898,643	-	(86,625)	1,812,018	88,577
Water Infrastructure Finance Authority, 2016 Loan	448,757	-	(17,754)	431,003	19,329
Zion's Bank Loan - 2010	232,639	-	(232,639)	-	-
APS Loan	742,039	-	(300,000)	442,039	442,039
APS Loan-Garland Prairie	-	968,830	(350,000)	618,830	350,000
Total Loans Payable	<u>16,340,605</u>	<u>968,830</u>	<u>(2,134,393)</u>	<u>15,175,042</u>	<u>1,909,789</u>
Other long-term debt:					
Capital Leases	225,563	-	(85,404)	140,159	87,705
Accrued Compensated Absences	77,391	47,126	(52,939)	71,578	60,841
Net Pension Liability	832,031	-	(13,708)	818,323	-
Total other long-term debt	<u>1,134,985</u>	<u>47,126</u>	<u>(152,051)</u>	<u>1,030,060</u>	<u>148,546</u>
Total Business-type Long-Term Debt	<u>\$ 19,891,518</u>	<u>\$ 1,935,558</u>	<u>\$ (3,165,797)</u>	<u>\$ 18,661,279</u>	<u>\$ 2,222,338</u>

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

NOTE 8. Long-Term Liabilities (Continued)

Bonds and other long-term obligations consist of the following at June 30, 2017:

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.	\$ 80,000
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.	450,000
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	1,460,000
Pledged Revenue Refunding Obligations, Series 2017, due in semiannual principal and interest installments, bearing interest at 2.360%, maturing August 1, 2029. Used to partially refund Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2005B, Series 2008A, Series 2014A and Zions Bank 2010 loan.	<u>3,673,000</u>
Total bonds payable	\$ 5,663,000
Less current portion	<u>(380,001)</u>
Total Revenue Bonds net of current portion	<u><u>\$ 5,282,999</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	\$ 101,504
Business-type Activities	<u>1,358,496</u>
Total GADA, Series 2014	<u><u>\$ 1,460,000</u></u>

** The Pledged Revenue, Series 2017 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	\$ 2,753,398
Business-type Activities	<u>919,602</u>
Total Pledged Revenue, Series 2017	<u><u>\$ 3,673,000</u></u>

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

NOTE 8. Long-Term Liabilities (Continued)

Revenue Bond debt service maturities are as follows:

Year Ended June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 235,773	\$ 52,612	\$ 288,385	\$ 144,228	\$ 103,630	\$ 247,858
2019	170,115	84,401	254,516	151,885	110,707	262,592
2020	399,941	77,556	477,497	236,059	104,682	340,741
2021	231,046	64,993	296,039	235,955	96,517	332,472
2022	243,735	59,220	302,955	249,266	86,649	335,915
2023-2027	1,380,811	197,016	1,577,827	1,019,186	216,103	1,235,289
2028-2030	723,481	25,686	749,167	241,519	8,581	250,100
Total	<u>\$3,384,902</u>	<u>\$ 561,484</u>	<u>\$ 3,946,386</u>	<u>\$ 2,278,098</u>	<u>\$ 726,869</u>	<u>\$ 3,004,967</u>

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

NOTE 8. Long-Term Liabilities (Continued)

Loans Payable:

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	\$ 639,107
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	845,974
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	5,220,645
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	5,165,426
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	1,812,018
Water Infrastructure Finance Authority loan payable, issued in fiscal year 2016, bearing interest at 1.744% due in semiannual principal and interest installments, maturing July 1, 2036	431,003
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.	465,518
Arizona Public Service Company loan payable, issued in 2015, bearing interest at 0.00%, due in four annual installments, maturing January 31, 2018.	442,039
Arizona Public Service Company loan payable, issued in 2016, bearing interest at 0.00%, due in three annual installments, maturing December 31, 2018.	<u>618,830</u>
Total loans payable	\$ 15,640,560
Less current portion	<u>(1,927,952)</u>
Total loans payable net of current portion	<u><u>\$ 13,712,608</u></u>

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

NOTE 8. Long-Term Liabilities (Continued)

Loans payable debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total	Business-Type Activities		Total
	Principal	Interest		Principal	Interest	
2018	\$ 18,163	\$ 20,002	\$ 38,165	\$ 1,909,789	\$ 450,629	\$ 2,360,418
2019	18,968	19,197	38,165	1,424,470	412,739	1,837,209
2020	19,809	18,357	38,166	1,194,840	373,538	1,568,378
2021	20,687	17,479	38,166	1,004,553	332,978	1,337,531
2022-2026	118,025	77,812	195,837	5,531,864	1,329,636	6,861,500
2027-2031	146,601	50,446	197,047	3,610,206	446,429	4,056,635
2032-2036	123,265	10,313	133,578	499,320	28,069	527,389
Total	\$ 465,518	\$ 213,606	\$ 679,124	\$ 15,175,042	\$ 3,345,949	\$ 18,021,671

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

NOTE 9. Interfund Receivables, Payables and Transfers

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

	Due from Other Funds	Due to Other Funds
General Fund	\$ 5,509,316	\$ 2,465,751
Special Revenue Funds:		
HURF	826,838	33,593
Grants	-	18,837
Enterprise Funds:		
Electric	4,135,700	-
Utility	958,787	6,827,598
Sanitation	-	101,988
Golf Course	-	1,982,874
Total	\$ 11,430,642	\$ 11,430,642

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, 2017 interfund transfers are as follows:

	Transfers Out:		
Transfers In:	General Fund	Non-major Funds	Total
General Fund	\$ -	\$ 23,465	\$ 23,465
Debt Service	486,970	-	486,970
Sanitation	31,442	-	31,442
	\$ 518,412	\$ 23,465	\$ 541,877

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

NOTE 10. Segment Information - Enterprise Funds

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 fiscal year ended June 30, 2017 is not presented here since the information for all four funds is available in the basic financial statements.

NOTE 11. Risk Management

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.

NOTE 12. Closure and Postclosure Care Costs

The City currently contracts with Waste Management, Inc. for landfill services; thus, there are no liabilities for landfill closure and postclosure care costs.

NOTE 13. Contingent Liabilities

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, 2017 totaled approximately \$340,059.

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, 2017.

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

NOTE 14. Retirement and Pension Plans

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

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Combined Total	Governmental Activities	Business-type Activities	Component Unit
Net pension liabilities	\$ 4,561,448	\$ 1,142,265	\$ 5,703,713	\$ 4,748,655	\$ 818,325	\$ 136,733
Deferred outflows of resources	1,000,115	511,824	1,511,939	1,302,539	179,421	29,979
Deferred inflows of resources	636,694	68,126	704,820	571,512	114,223	19,085
Pension expense	304,023	127,936	431,959	459,379	(24,506)	(2,913)

The City's accrued payroll and employee benefits includes \$29,661 of outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2017. Also, the City reported \$403,360 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

Arizona State Retirement System (ASRS)

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

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

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

* With actuarially reduced benefits.

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

NOTE 14. Retirement and Pension Plans (Continued)

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 retirement benefit option chosen determines the survivor benefit. 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.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and the City was required by statute to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.47 percent (9.17 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.09 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, which were equal to the required contributions with the exception of the current year which was in excess of the required contribution, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2015	270,194	15,104	3,072
2016	294,608	13,576	3,258
2017	291,114	15,123	3,781

Pension liability – At June 30, 2017, the City reported a liability of \$4,561,448 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The City's proportion measured as of June 30, 2016, was 0.028260 percent, which was an increase of 0.001550 percent from its proportion measured as of June 30, 2015.

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

NOTE 14. Retirement and Pension Plans (Continued)

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2017, the City recognized pension expense for ASRS of \$304,023. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 27,720	\$ 313,794
Changes in assumptions	-	241,337
Net difference between projected and actual earnings on pension plan investments	494,309	-
Changes in proportion and differences between contributions and proportional share of contributions	186,972	81,563
Contributions subsequent to the measurement date	291,114	-
Total	\$ 1,000,115	\$ 636,694

The \$291,114 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2018	\$ (191,467)
2019	(92,212)
2020	217,382
2021	138,604
2022	-
Thereafter	-

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

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

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

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

	Expected Return Arithmetic Basis	
Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Equity	58%	6.73%
Fixed income	25%	3.70%
Commodities	2%	3.84%
Real Estate	10%	4.25%
Multi-asset	5%	3.41%
Total	100%	

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

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

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

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of			
Net pension (asset) / liability	\$ 5,816,192	\$ 4,561,448	\$ 3,555,417

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 nine-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.

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, 2017

NOTE 14. Retirement and Pension Plans (Continued)

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

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

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

NOTE 14. Retirement and Pension Plans (Continued)

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	3
Active employees	9
Total	17

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, 2017, active PSPRS members were required by statute to contribute 11.65 percent of their annual covered salary to the PSPRS and the City was required to contribute 27.21 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 0.04 percent.

For the agent plan, 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, 2017, were:

Pension	
Contributions made	153,647
 Health Insurance Premium Benefit	
Annual OPEB cost	235
Contributions made	235

Pension liability – At June 30, 2017, the City reported a net pension liability of \$1,142,265. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

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

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

NOTE 14. Retirement and Pension Plans (Continued)

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

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

Actuarial valuation date	June 30, 2016
Actuarial cost method	Individual Entry Age Normal
Investment rate of return	7.50%
Projected salary increases	4.0% to 8.0% including inflation
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

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

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

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

NOTE 14. Retirement and Pension Plans (Continued)

The target allocation and best estimates of arithmetic 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 Arithmetic Real Rate of Return</u>
U.S. Equity	16.00%	6.23%
Non-U.S. Equity	14.00%	8.25%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	2.92%
Credit Opportunities	13.00%	7.08%
Absolute Return	5.00%	4.11%
GTAA	10.00%	4.38%
Real Assets	8.00%	4.77%
Real Estate	10.00%	4.48%
Risk Parity	4.00%	5.13%
Short Term Inv	2.00%	0.75%
Total	100.00%	

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

NOTE 14. Retirement and Pension Plans (Continued)

Pension Discount Rate –At June 30, 2016, the discount rate used to measure the PSPRS total pension liabilities was 7.50% which was a decrease of 0.35 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2016	\$ 2,613,822	\$ 1,485,758	\$ 1,128,064
Changes for the year:			
Service cost	107,891	-	107,891
Interest on total pension liability	203,884	-	203,884
Changes of benefit terms	(118,594)	-	(118,594)
Difference between expected and actual experience in the measurement of the pension liability	(67,906)	-	(67,906)
Changes of assumptions	121,336	-	121,336
Contributions - employer	-	158,399	(158,399)
Contributions - employee	-	66,794	(66,794)
Net investment income	-	8,886	(8,886)
Benefit payments, including refunds of employee contributions	(141,034)	(141,034)	-
Other changes*	-	(1,669)	1,669
Net changes	105,577	91,376	14,201
Balances at June 30, 2017	\$ 2,719,399	\$ 1,577,134	\$ 1,142,265

* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

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

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 (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of Net pension (asset) / liability	\$ 1,522,404	\$ 1,142,265	\$ 830,676

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

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2017, the City recognized pension expense for PSPRS of \$127,936. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,790	\$ 68,126
Changes in assumptions	252,169	-
Net difference between projected and actual earnings on pension plan investments	96,218	-
Contributions subsequent to the measurement date	153,647	-
Total	\$ 511,824	\$ 68,126

The \$153,647 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2018	\$ 119,240
2019	86,310
2020	46,845
2021	32,001
2022	5,655
Thereafter	-

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

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, 2017, were established by the June 30, 2015, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

Projections of benefits are based on (1) the plan as the 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 2017 contribution requirements:

Actuarial valuation date	June 30, 2015
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	21 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.00%-8.00%
Wage growth	4.00%

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

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Health Insurance	2015	\$ 5,456	100%	-
	2016	-	0%	-
	2017	235	4%	-

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

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, 2016, along with the actuarial assumptions and methods used in those valuations follow.

	Insurance Subsidy
Actuarial accrued liability (AAL)	\$ 2,613,822
Actuarial value of plan assets	1,520,487
Unfunded actuarial accrued liability (UAAL)	\$ 1,093,335
Funded ratio (actuarial value of plan assets/AAL)	58.17%
Covered payroll (active plan members)	\$ 542,846
UAAL as a percentage of covered payroll	201.41%

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

Actuarial valuation date	June 30, 2016
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Open for Excess
Remaining Amortization Period	20 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

Firefighters’ Relief and Pension Fund

The City of Williams, Arizona Volunteer Firefighters’ Relief and Pension Fund is a defined contribution pension plan administered by the City and a board of trustees for the City’s volunteer firefighters.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual’s account are to be determined instead of specifying the amount of benefits the individual is to receive.

As established by the Plan document, all volunteer firefighters are eligible to participate in the pension plan as of their first day of volunteer service with the department. The volunteers may contribute a minimum of 5% of their earned wage to their pension account with the City matching the 5% contribution. The Plan has a vesting schedule beginning at five years of service vesting at 25% of the City’s contributions and ending with 100% of the City’s contributions at thirteen years of service.

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

NOTE 14. Retirement and Pension Plans (Continued)

No pension provision changes occurred during the year that affected the required contributions made by the City or its voluntary firefighters.

The Firefighters' Relief and Pension Fund held no securities of the City or other related parties during the fiscal year or as of the close of the fiscal year.

The State of Arizona is required by statute to contribute a portion of the annual tax received on fire insurance premiums. During the fiscal year ended June 30, 2017, the State's contribution was \$10,328.

NOTE 15. Debt Agreements, Covenants and Obligations

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

NOTE 16. Commitments

In 2011, legislators passed Senate Bill 1609, which contained several provisions meant to shore up the plans administered by PSPRS. One of those provisions was a gradual increase in member contribution rates from 7% to 11% in the elected officials' plan (EORP) and from 7.65% to 11.65% in the public safety plan (PSPRS). In August 2011, those provisions were challenged via two separate, but parallel, lawsuits—*Hall* for EORP and *Parker* for PSPRS. In November 2016, the Supreme Court upheld the lower court decision in *Hall* that ruled those increased member contribution rates were unconstitutional. These two lawsuits have been adjudicated separately where the *Parker* case was stayed pending the outcome of *Hall*. Nevertheless, the facts and circumstances are essentially the same where both parties to *Parker* agreed, at the time of stay, to appropriately apply the remedies of *Hall* when finalized.

After seeking further clarification from the Supreme Court on their ruling, the PSPRS Board of Trustees in April directed employers in both EORP and PSPRS plans to revert the rates back to pre-SB1609 levels for affected members. As a result, members who were hired prior to July 20, 2011 are also entitled to receive a return of those excess contributions with interest. Therefore, at its May 31, 2017 meeting, the PSPRS Board of Trustees authorized local boards who have stopped withholding at the higher rate to begin working with their employer in returning those contributions as soon as practicable. However, while the *Hall* case has been remanded to the Superior Court, the ruling on the interest amount from a hearing on June 6, 2017 has yet to be decided and released. As such, the *Hall* case is not finalized yet, but the excess contributions should be returned as soon as possible to stop interest from accruing.

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

NOTE 16. Commitments (Continued)

Because the plans administered by PSPRS are 401(a) qualified plans, the IRS dictates the method used to return the excess contributions to members. PSPRS is not allowed to return the contributions directly to members or employers. Instead, employers are required to return the excess contributions to members, and then may take advantage of credit memos set up by PSPRS to offset future employer contributions. PSPRS will prepare credit memos equal to the contributions plus pre-judgment interest. Employers that want to take advantage of those credit memos may use those credit memos in lieu of sending PSPRS future employer contributions until the credit memos are used up. As of June 30, 2017 the City had paid refunds totaling \$73,641 to current and former employees, excluding interest.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WILLIAMS, ARIZONA
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2017

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.028260%	0.026710%	0.028013%
Proportionate share of the net pension liability (asset)	\$ 4,561,448	\$ 4,160,164	\$ 4,144,975
Covered employee payroll	\$ 2,662,889	\$ 2,713,366	\$ 2,541,058
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	171.30%	153.32%	163.12%
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	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, 2017

Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability			
Service cost	\$ 107,891	\$ 100,954	\$ 99,043
Interest on total pension liability	203,884	189,982	142,848
Changes of benefit terms	(118,594)	-	78,400
Difference between expected and actual experience of the total net pension liability	(67,906)	16,150	(35,269)
Changes of assumptions	121,336	-	435,084
Benefit payments, including refunds of employee contributions	(141,034)	(125,871)	(115,398)
Net change in total pension liability	<u>105,577</u>	<u>181,215</u>	<u>604,708</u>
Total pension liability - beginning	<u>2,613,822</u>	<u>2,432,607</u>	<u>1,827,899</u>
Total pension liability - ending (a)	<u><u>\$ 2,719,399</u></u>	<u><u>\$ 2,613,822</u></u>	<u><u>\$ 2,432,607</u></u>
Plan fiduciary net position			
Contributions - employer	\$ 158,399	\$ 88,900	\$ 62,029
Contributions - employee	66,794	59,320	45,171
Net investment income	8,886	52,134	173,102
Benefit payments, including refunds of employee contributions	(141,034)	(125,871)	(115,398)
Other (net transfer)	(1,669)	(1,049)	(3,791)
Net change in plan fiduciary net position	<u>91,376</u>	<u>73,434</u>	<u>161,113</u>
Plan fiduciary net position - beginning	<u>1,485,758</u>	<u>1,412,324</u>	<u>1,251,211</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 1,577,134</u></u>	<u><u>\$ 1,485,758</u></u>	<u><u>\$ 1,412,324</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 1,142,265</u></u>	<u><u>\$ 1,128,064</u></u>	<u><u>\$ 1,020,283</u></u>
Plan fiduciary net position as a percentage of the total pension liability	58.00%	56.84%	58.06%
Covered employee payroll	\$ 610,863	\$ 542,846	\$ 485,464
Net pension liability as a percentage of covered- employee payroll	186.99%	207.81%	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, 2017

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Contractually required contribution	\$ 287,115	\$ 267,890	\$ 270,194
Contributions in relation to the contractually required contribution	\$ (291,114)	\$ (294,608)	\$ (270,194)
Contribution deficiency (excess)	<u>\$ (3,999)</u>	<u>\$ (26,718)</u>	<u>\$ -</u>
Covered employee payroll	\$ 2,662,889	\$ 2,713,366	\$ 2,541,058
Contributions as a percentage of covered-employee payroll	10.78%	9.87%	10.63%

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

Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2017 (2016)	2016 (2015)	2015 (2014)
Actuarially determined contribution	\$ 158,399	\$ 88,900	\$ 62,029
Contributions in relation to the actuarially determined contribution	\$ (158,399)	\$ (88,900)	\$ (62,029)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 610,863	\$ 542,846	\$ 485,464
Contributions as a percentage of covered-employee payroll	25.93%	16.38%	12.78%

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
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2017

NOTE 1. Actuarially Determined Contribution Rates

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

Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	21 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. 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 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. 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)

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

CITY OF WILLIAMS, ARIZONA
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2017

Public Safety Personnel Retirement System
Health Insurance Premium Benefit

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	
June 30,						
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	58.9%	485,465	206.08%
2015	1,520,487	2,613,822	1,093,335	58.2%	542,846	201.41%
2016	1,710,620	2,719,399	1,008,779	62.9%	502,284	200.84%
2017	**	**	**	**	**	**

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, 2017

NOTE 1. Factors that Affect the Identification of Trends

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

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.

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.

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 Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Property Tax	\$ 623,350	\$ 623,350	\$ 622,771	\$ (579)
Sales Tax	4,767,613	4,767,613	4,731,978	(35,635)
Bed, Board & Booze Tax	1,176,000	1,176,000	1,119,566	(56,434)
Gas Franchise Fees	32,000	32,000	28,987	(3,013)
Total Taxes	6,598,963	6,598,963	6,503,302	(95,661)
Licenses, Permits and Fees:				
Business Licenses	10,000	10,000	18,215	8,215
Dog Licenses	2,500	2,500	1,660	(840)
Building Permits	46,398	46,398	79,862	33,464
Total Licenses, Fees and Permits	58,898	58,898	99,737	40,839
Intergovernmental:				
State Revenue Sharing	381,900	381,900	381,954	54
Auto Lieu Taxes	138,658	138,658	137,224	(1,434)
State Sales Taxes	293,818	293,818	286,046	(7,772)
Library Assistance Tax	92,000	92,000	125,367	33,367
Total Intergovernmental	906,376	906,376	930,591	24,215
Charges for Services:				
Airport Lease	34,800	34,800	31,495	(3,305)
Airport Fuel	38,500	38,500	59,722	21,222
Cemetery Charges & Sales	5,000	5,000	7,200	2,200
Swimming Pool Fees	16,025	16,025	17,466	1,441
Community Development Fees	12,000	12,000	4,200	(7,800)
Plan Check Fees & Development Review	27,526	27,526	21,571	(5,955)
Facility Rental	189,009	189,009	185,889	(3,120)
Recreation Programs	4,500	4,500	3,911	(589)
Rodeo Grounds Fund	15,000	15,000	21,625	6,625
City Park Revenues	2,000	2,000	2,872	872
Rural Fire Districts	-	-	3,600	3,600
Police Travel Reimbursement	1,000	1,000	-	(1,000)
Total Charges for Services	345,360	345,360	359,551	14,191
Fines and Forfeitures:				
Fines & Forfeitures	37,169	37,169	66,175	29,006
Total Fines and Forfeitures	37,169	37,169	66,175	29,006
Interest	4,000	4,000	31,013	27,013
Other Revenues:				
Miscellaneous	279,812	279,812	474,349	194,537
Total Other Revenues	279,812	279,812	474,349	194,537
TOTAL REVENUES	8,230,578	8,230,578	8,464,718	234,140

(continued)

CITY OF WILLIAMS, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Continued)
For the Fiscal Year Ended June 30, 2017

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General Government:				
Mayor & Council	95,814	95,814	85,046	10,768
Magistrate	113,040	113,040	112,929	111
General & Administrative	1,132,473	1,132,473	1,091,714	40,759
Finance	447,562	447,562	422,118	25,444
Maintenance	300,516	300,516	295,713	4,803
Central Garage	464,134	464,134	370,448	93,686
Airport	223,664	223,664	114,384	109,280
Community Facilities	79,887	79,887	55,489	24,398
Total General Government	2,857,090	2,857,090	2,547,841	309,249
Public Safety:				
Police	1,954,350	1,954,350	1,974,502	(20,152)
Fire	224,622	224,622	182,026	42,596
Building Inspection	174,227	174,227	171,462	2,765
Total Public Safety	2,353,199	2,353,199	2,327,990	25,209
Culture & Recreation:				
Library	132,911	132,911	155,785	(22,874)
Parks & Recreation	242,669	242,669	235,007	7,662
Swimming Pool	102,830	102,830	90,891	11,939
Recreation Facilities	360,350	360,350	145,152	215,198
Total Culture and Recreation	838,760	838,760	626,835	211,925
Economic Development:				
Planning	114,785	114,785	84,749	30,036
Visitor Center	232,463	232,463	228,939	3,524
Tourism Promotion	313,231	313,231	276,882	36,349
Total Economic Development	660,479	660,479	590,570	69,909
Health & Welfare:				
Senior Center	27,200	27,200	13,845	13,355
Capital Outlay				
	164,175	164,175	21,637	142,538
TOTAL EXPENDITURES	6,900,903	6,900,903	6,128,718	772,185
Excess of Revenues Over Expenditures	1,329,675	1,329,675	2,336,000	1,006,325
Other Financing Sources (Uses):				
Transfers in	-	-	23,465	23,465
Transfers out	(421,012)	(421,012)	(518,412)	(97,400)
Total Other Financing Sources (Uses)	(421,012)	(421,012)	(494,947)	(73,935)
Net change in fund balance	908,663	908,663	1,841,053	932,390
Fund balance, beginning of year	5,150,608	5,150,608	5,150,608	-
Fund balance, end of year	\$ 6,059,271	\$ 6,059,271	\$ 6,991,661	\$ 932,390

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 Fiscal Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES:				
Highway User Revenues	\$ 331,029	\$ 331,029	\$ 355,021	\$ 23,992
City Sales Tax	350,000	350,000	394,357	44,357
Other Revenues	-	-	4,370	4,370
Total Revenues	<u>681,029</u>	<u>681,029</u>	<u>753,748</u>	<u>72,719</u>
EXPENDITURES:				
Highways & Streets:				
Salaries & Wages	274,718	274,718	266,944	7,774
Benefits	126,101	126,101	111,271	14,830
Service, Supplies and Other	149,500	149,500	122,828	26,672
Capital Outlay	<u>523,000</u>	<u>523,000</u>	<u>79,092</u>	<u>443,908</u>
Total Expenditures	<u>1,073,319</u>	<u>1,073,319</u>	<u>580,135</u>	<u>493,184</u>
Excess of Revenues Over (Under) Expenditures	<u>(392,290)</u>	<u>(392,290)</u>	<u>173,613</u>	<u>565,903</u>
Other Financing Sources (Uses):				
Transfers in	<u>402,612</u>	<u>402,612</u>	<u>-</u>	<u>(402,612)</u>
Total Other Financing Sources (Uses)	<u>402,612</u>	<u>402,612</u>	<u>-</u>	<u>(402,612)</u>
Net change in fund balance	10,322	10,322	173,613	163,291
Fund balance, beginning of year	<u>625,989</u>	<u>625,989</u>	<u>625,989</u>	<u>-</u>
Fund balance, end of year	<u>\$ 636,311</u>	<u>\$ 636,311</u>	<u>\$ 799,602</u>	<u>\$ 163,291</u>

CITY OF WILLIAMS, ARIZONA
Combining Statements and Individual Fund Schedules
DEBT SERVICE FUND, NONMAJOR GOVERNMENTAL FUNDS and COMPONENT UNIT

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

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
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Total Revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Debt Service:				
Principal	341,703	341,703	341,671	32
Interest	182,133	182,133	145,280	36,853
Total Expenditures	523,836	523,836	486,951	36,885
Excess of Revenues Over (Under) Expenditures	(523,836)	(523,836)	(486,951)	36,885
Other Financing Sources (Uses):				
Refunding bonds issued	-	-	2,753,398	2,753,398
Debt issuance cost	-	-	(234,635)	(234,635)
Payment to refunded bond escrow agent	-	-	(2,518,782)	(2,518,782)
Operating transfer in	523,836	523,836	486,970	(36,866)
Total Other Financing Sources (Uses)	523,836	523,836	486,951	(36,885)
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF WILLIAMS, ARIZONA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017

	Special Revenue Fund	Total Non-major Governmental Funds
ASSETS	Grants Fund	
Cash and cash equivalents	\$ 102,839	\$ 102,839
Intergovernmental	37,176	37,176
Total assets	\$ 140,015	\$ 140,015
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accrued Liabilities	\$ 9,708	\$ 9,708
Due to Other Funds	18,837	18,837
Total liabilities	28,545	28,545
Fund Balances:		
Restricted for:		
Public safety	8,631	8,631
Capital projects	102,839	102,839
Total Fund Balances	111,470	111,470
Total Liabilities and Fund Balances	\$ 140,015	\$ 140,015

CITY OF WILLIAMS, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2017

	Special Revenue Fund	Total Non-major Governmental Funds
REVENUES	Grants Fund	
Intergovernmental revenue	\$ 472,502	\$ 472,502
Donations and other revenue	1,947	1,947
Total revenues	474,449	474,449
EXPENDITURES		
Current:		
Public Safety	3,735	3,735
Capital outlay	342,216	342,216
Total expenditures	345,951	345,951
Excess of revenues over (under) expenditures	128,498	128,498
Other financing sources (uses):		
Transfers out	(23,465)	(23,465)
Total other financing sources (uses)	(23,465)	(23,465)
Net change in fund balances	105,033	105,033
Fund balances, beginning of year	6,437	6,437
Fund balances, end of year	\$ 111,470	\$ 111,470

CITY OF WILLIAMS, ARIZONA
GRANTS
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental Revenue	\$ 4,000,000	\$ 4,000,000	\$ 472,502	\$ (3,527,498)
Donations and Other Revenue	-	-	1,947	1,947
Total Revenues	<u>4,000,000</u>	<u>4,000,000</u>	<u>474,449</u>	<u>(3,525,551)</u>
EXPENDITURES:				
Public Safety	100,000	100,000	3,735	96,265
Capital Outlay	<u>3,900,000</u>	<u>3,900,000</u>	<u>342,216</u>	<u>3,557,784</u>
Total Expenditures	<u>4,000,000</u>	<u>4,000,000</u>	<u>345,951</u>	<u>3,654,049</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>128,498</u>	<u>128,498</u>
Other Financing Sources (Uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(23,465)</u>	<u>(23,465)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(23,465)</u>	<u>(23,465)</u>
Net change in fund balance	-	-	105,033	105,033
Fund balance, beginning of year	<u>6,437</u>	<u>6,437</u>	<u>6,437</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 6,437</u></u>	<u><u>\$ 6,437</u></u>	<u><u>\$ 111,470</u></u>	<u><u>\$ 105,033</u></u>

CITY OF WILLIAMS, ARIZONA
Statement of Net Position
Component Unit
June 30, 2017

	<u>Williams Housing Authority</u>
Assets	
Current Assets:	
Cash	\$ 152,428
Receivables (net of allowance)	5,196
Prepays	2,900
Total Current Assets	<u>160,524</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	(1,498,252)
Total noncurrent assets	<u>1,222,084</u>
Total Assets	<u>\$ 1,382,608</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions	<u>29,979</u>
Liabilities	
Current Liabilities:	
Accounts payable	\$ 3,966
Tenant security deposits	11,237
Prepaid rent	1,215
Current portion of accrued compensated absences	2,439
Total Current Liabilities	<u>18,857</u>
Long-Term Debt (net of current portion):	
Accrued compensated absences	18,910
Net pension liability	136,733
Total Long-Term Debt	<u>155,643</u>
Total Liabilities	<u>174,500</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions	<u>19,085</u>
Net Position	
Net investment in capital assets	1,222,084
Unrestricted	(2,977)
Total Net Position	<u>\$ 1,219,107</u>

CITY OF WILLIAMS, ARIZONA
Statement of Activities
Component Unit
For the Year Ended June 30, 2017

	Williams Housing Authority
Expenses:	
Health and Welfare:	\$ 512,230
Total Expenses	<u>512,230</u>
Program Revenues:	
Charges for services	47,410
Operating grants and contributions	<u>421,362</u>
Net (Expense) Revenue	<u>(43,458)</u>
General Revenues:	
Interest income	<u>94</u>
Total general revenues and transfers	<u>94</u>
Change in net position	(43,364)
Total net position, beginning of year	<u>1,262,471</u>
Total net position, end of year	<u><u>\$ 1,219,107</u></u>

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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

The Honorable Mayor and
City Council
City of 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, 2017, and the related notes to the financial statements, which collectively comprise the City of Williams, Arizona's basic financial statements and have issued our report thereon dated January 31, 2018.

Internal Control over Financial Reporting

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

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

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

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 January 31, 2018.

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
January 31, 2018

**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, 2017, and have issued our report thereon dated January 31, 2018. 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, 2017.

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
January 31, 2018