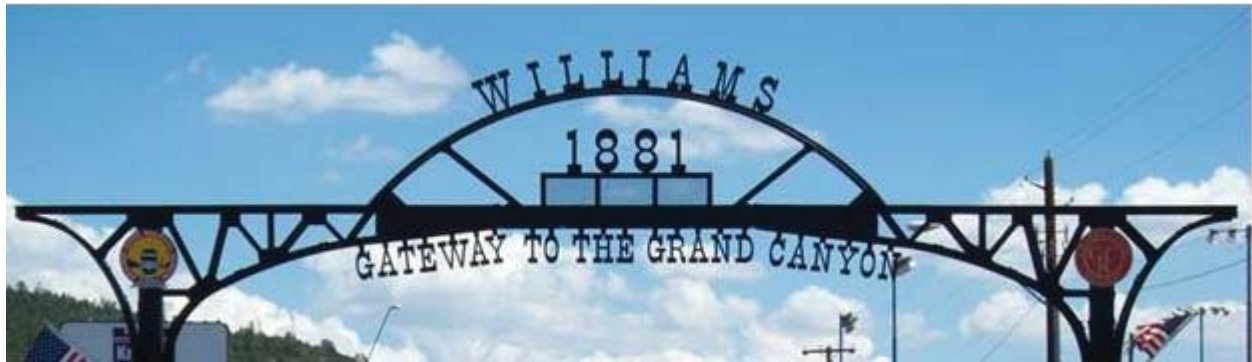


CITY OF WILLIAMS, ARIZONA



FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2020

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WILLIAMS, ARIZONA

TABLE OF CONTENTS

Financial Section:

Independent Auditors' Report..... 1

Management's Discussion and Analysis..... 5

Basic Financial Statements:

Government-wide Financial Statements:

 Statement of Net Position 14

 Statement of Activities..... 15

Fund Financial Statements:

 Balance Sheet - Governmental Funds..... 16

 Reconciliation of Total Governmental Fund Balance
 To Net Position of Governmental Activities..... 17

 Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Governmental Funds 18

 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities 19

 Statement of Net Position - Proprietary Funds 20

 Statement of Revenues, Expenses, and Changes in
 Net Position – Proprietary Funds 21

 Statement of Cash Flows - Proprietary Funds 22

 Statement of Fiduciary Net Position - Pension Fund..... 23

 Statement of Changes in Fiduciary Net Position - Pension Fund 24

 Notes to the Financial Statements..... 25

Required Supplementary Information:

 Schedule of the Proportionate Share of the Net Pension/OPEB Liability 66

 Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios 68

 Schedule of Pension/OPEB Contributions..... 70

Notes to Pension/OPEB Schedules	72
Detail Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	75
Detail Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Highway User Special Revenue Fund	77
Supplementary Information – Combining and Individual Fund Schedules:	
Detail Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Debt Service Fund.....	79
Combining Balance Sheet – Non-Major Governmental Funds	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds.....	81
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Grants Special Revenue Fund.....	82
Statement of Net Position – Component Unit.....	83
Statement of Activities - Component Unit.....	84
Other Communications from 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 <i>Government Auditing Standards</i>	87
Report on Compliance with State Laws and Regulations.....	89

FINANCIAL SECTION

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HINTONBURDICK
CPAs & ADVISORS

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, 2020, 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, 2020, 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 February 24, 2021 , 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
Gilbert, Arizona
February 24, 2021

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**CITY OF WILLIAMS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2020**

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, 2020. 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 \$51 million. This amount is comprised of \$41 million in net investment in capital assets, \$2 million of restricted net position and \$8 million in unrestricted net position.
- Governmental net position increased by \$974,601. Business-Type net position increased by \$2,116,632.
- Total City Sales tax revenue decreased by 12.11 percent from last year and still is the single largest revenue in the budget.
- Improvements and additions totaling \$3.4 million were made to the City's capital assets.
- Total debt service payments, including interest expense and net of new debt, were approximately \$1.4 million, leaving approximately \$22.6 million in total outstanding debt at the close of the year.
- The General Fund's unassigned fund balance decreased by \$1,338,756 to \$6,549,726. The unassigned fund balance represents 99 percent of total General Fund expenditures for the fiscal year.
- Other governmental fund balances increased by \$1,433,441 to \$4,464,405 of which \$70,259 is restricted and \$3,288,587 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 \$51.3 million as of June 30, 2020 as shown in the following condensed statement of net position.

City of Williams Statement of Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Current and other assets	\$ 11,938,615	\$ 12,296,161	\$ 4,817,316	\$ 3,037,912	\$ 16,755,931	\$ 15,334,073
Capital assets	18,267,006	17,848,215	39,736,232	40,428,126	58,003,238	58,276,341
Total assets	<u>30,205,621</u>	<u>30,144,376</u>	<u>44,553,548</u>	<u>43,466,038</u>	<u>74,759,169</u>	<u>73,610,414</u>
Deferred outflows of resources	928,971	984,621	130,186	140,691	1,059,157	1,125,312
Long-term liabilities outstanding	7,570,677	7,647,548	12,380,170	13,941,771	19,950,847	21,589,319
Other liabilities	1,239,560	1,871,069	2,865,049	2,286,672	4,104,609	4,157,741
Total liabilities	<u>8,810,237</u>	<u>9,518,617</u>	<u>15,245,219</u>	<u>16,228,443</u>	<u>24,055,456</u>	<u>25,747,060</u>
Deferred inflows of resources	384,802	645,428	67,033	123,436	451,835	768,864
Net position:						
Net investment in capital assets	14,847,623	13,856,474	26,106,690	25,482,704	40,954,313	39,339,178
Restricted	70,259	1,221	2,212,847	2,013,421	2,283,106	2,014,642
Unrestricted	7,021,671	7,107,257	1,051,945	(241,275)	8,073,616	6,865,982
Total net position	<u>\$ 21,939,553</u>	<u>\$ 20,964,952</u>	<u>\$ 29,371,482</u>	<u>\$ 27,254,850</u>	<u>\$ 51,311,035</u>	<u>\$ 48,219,802</u>

The City has \$75,818,326 in total assets and deferred outflows, with \$58,003,238 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**

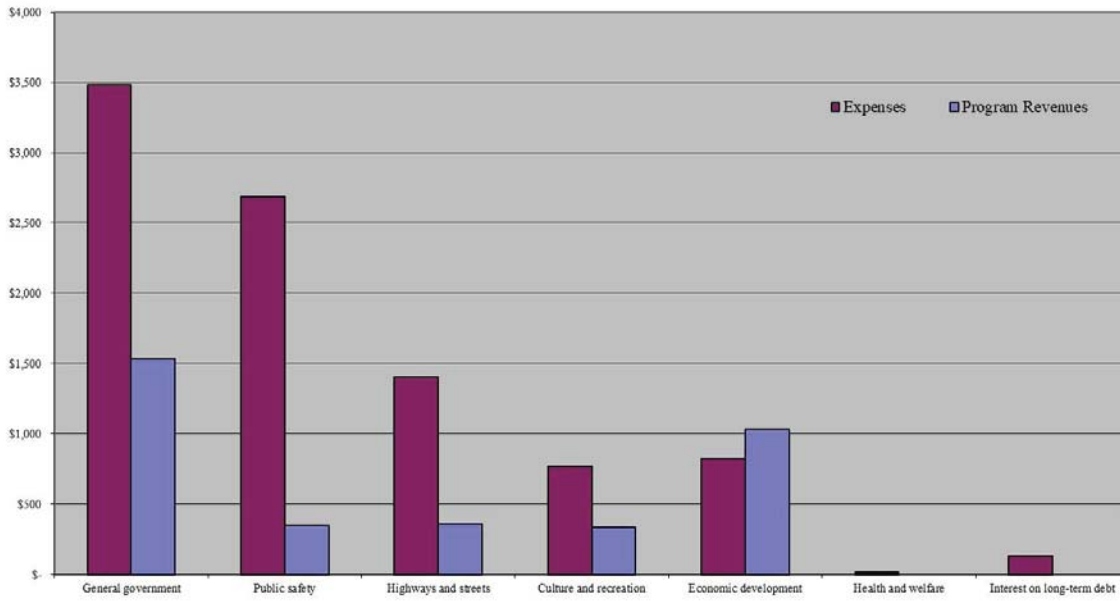
	Governmental activities		Business-type activities		Total	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Revenues:						
Program revenues:						
Charges for services	\$ 802,780	\$ 719,485	\$ 10,212,165	\$ 10,248,188	\$ 11,014,945	\$ 10,967,673
Operating grants and contributions	1,921,379	2,234,891	-	-	1,921,379	2,234,891
Capital grants and contributions	890,444	680,527	-	-	890,444	680,527
General revenues:						
Property taxes	626,357	816,668	-	-	626,357	816,668
Sales taxes	5,310,137	6,041,461	-	-	5,310,137	6,041,461
State and other taxes	591,385	561,421	-	-	591,385	561,421
Other	137,151	245,631	80,401	52,682	217,552	298,313
Total revenues	<u>10,279,633</u>	<u>11,300,084</u>	<u>10,292,566</u>	<u>10,300,870</u>	<u>20,572,199</u>	<u>21,600,954</u>
Expenses:						
General government	3,480,513	3,463,895	-	-	3,480,513	3,463,895
Public safety	2,683,851	2,766,843	-	-	2,683,851	2,766,843
Highways and streets	1,401,264	1,862,995	-	-	1,401,264	1,862,995
Culture and recreation	767,463	783,346	-	-	767,463	783,346
Economic development	823,062	818,424	-	-	823,062	818,424
Health and welfare	19,631	18,615	-	-	19,631	18,615
Interest on long-term debt	129,248	135,826	-	-	129,248	135,826
Electric	-	-	3,066,203	3,274,933	3,066,203	3,274,933
Water & Sewer	-	-	3,458,076	3,664,606	3,458,076	3,664,606
Golf Course	-	-	893,450	958,942	893,450	958,942
Sanitation	-	-	758,205	664,490	758,205	664,490
Total expenses	<u>9,305,032</u>	<u>9,849,944</u>	<u>8,175,934</u>	<u>8,562,971</u>	<u>17,480,966</u>	<u>18,412,915</u>
(Decrease)/Increase in net assets before transfers	974,601	1,450,140	2,116,632	1,737,899	3,091,233	3,188,039
Transfers	-	(94,974)	-	94,974	-	-
(Decrease)/Increase in net assets	974,601	1,355,166	2,116,632	1,832,873	3,091,233	3,188,039
Net position, beginning	20,964,952	19,609,786	27,254,850	25,421,977	48,219,802	45,031,763
Prior period adjustment	-	-	-	-	-	-
Net position, ending	<u>\$21,939,553</u>	<u>\$20,964,952</u>	<u>\$29,371,482</u>	<u>\$27,254,850</u>	<u>\$51,311,035</u>	<u>\$48,219,802</u>

The cost of all governmental activities this year was \$9,305,032 as shown in the schedule of Changes in Net Position above. \$802,780 of this cost was paid for by those who directly benefited from the programs. \$2,811,823 was subsidized by grants received from other governmental organizations for both capital and operating activities. General taxes, Urban Revenue Sharing and investment earnings totaled \$6,665,030.

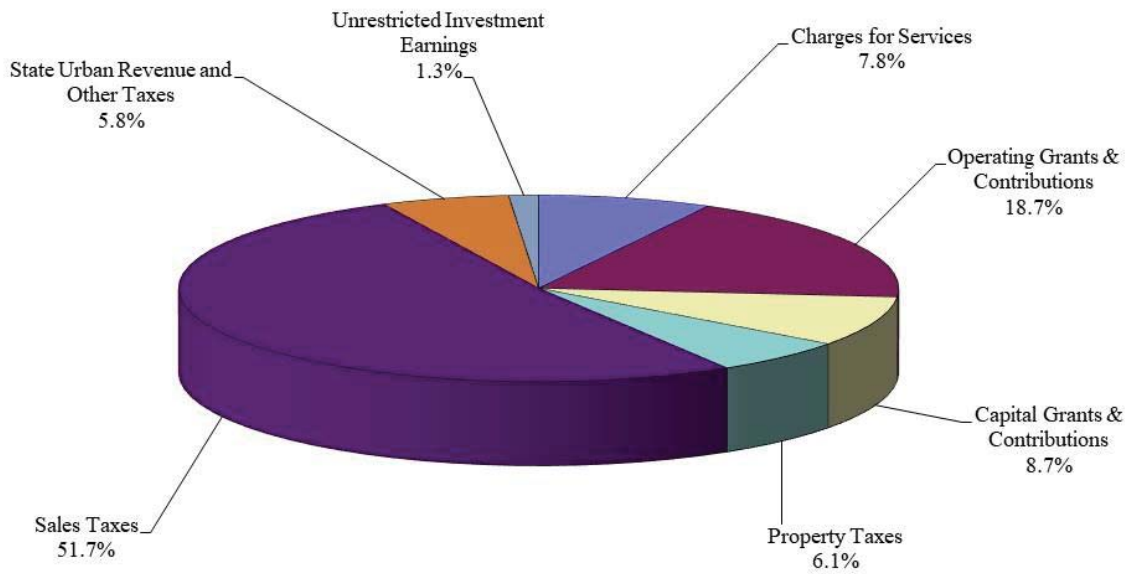
Total resources available during the year to finance governmental operations were \$31.2 million consisting of Net position at July 1, 2019 of \$20.9 million, program revenues of \$3.6 million and General Revenues of \$6.7 million. Total Governmental Activities during the year were \$9.3 million. Thus Governmental Net Position was increased by \$974,601.

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)



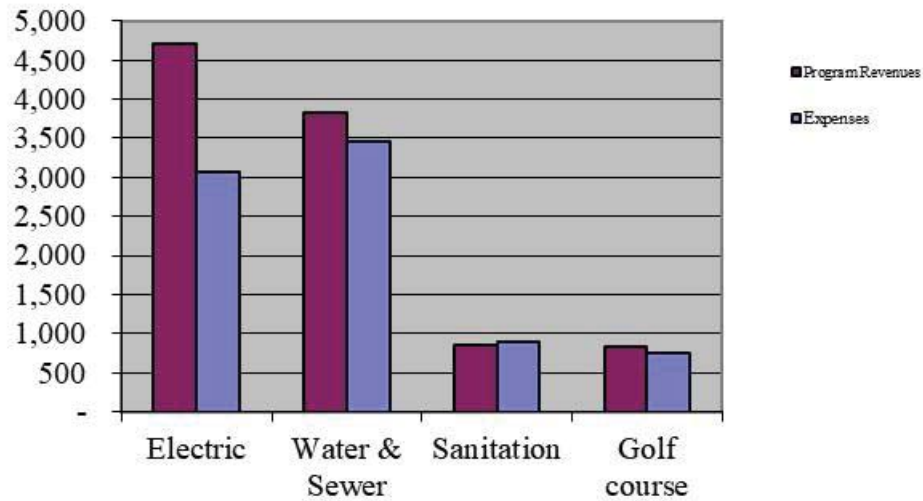
Revenue By Source - Governmental Activities



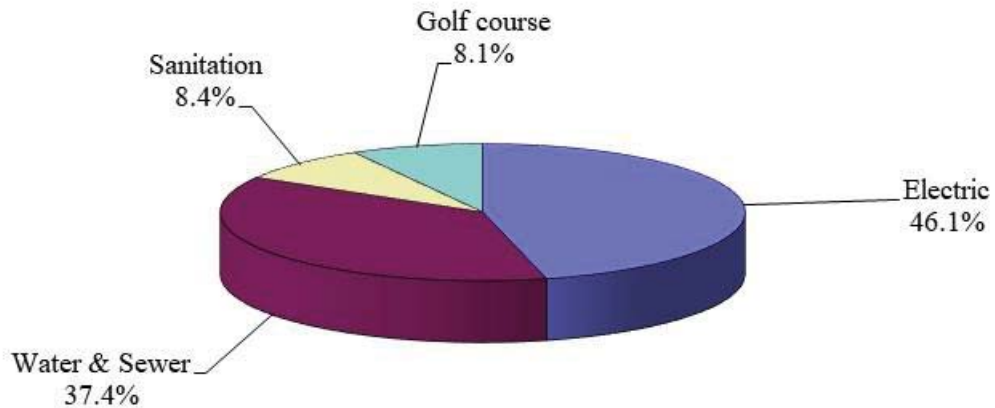
Business Type Activities

Net position of the Business Type activities at June 30, 2020, as reflected in the Statement of Net Position was \$29.4 million. The cost of providing all Proprietary (Business Type) activities this year was \$8.2 million, including interest expense of \$453,562. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$10.2 million. Interest earnings and other revenues were \$80,401. Net Position increased by \$2,116,632.

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 \$11.2 million, an increase of \$94,685 in comparison with the prior year. Approximately, 58% of this total amount or \$6,549,726 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 \$11,125,872, of which \$6,549,726 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 99% and 168% respectively of total general fund expenditures. During the year, the City of Williams's general fund balance increased by \$66,324.

The debt service fund balance increased by \$42,010.

Highway User fund expenditures of \$2,026,121 were funded by Highway User revenues of \$362,812 and City Sales Tax of \$636,335 which resulted in a fund balance of \$0.00

The non-major fund balance of \$28,249 consists of grant funds restricted for public safety.

General Fund Budgetary Highlights

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

General Fund revenues of \$8,074,112 were less than the budget of \$ 9,799,845 by \$1,701,133 mainly due to building permits, taxes, and reimbursements. Actual expenditures of \$6,556,676 were \$2,235,855 less than budgeted expenditures of \$8,792,531 as a conservative approach in spending was taken by City Staff due to the uncertainty of COVID-19. The most significant variance was from several departments and recreation facilities 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 2020, net capital assets of the government activities totaled \$18.3 million and the net capital assets of the business-type activities totaled \$39.7 million. Combined capital assets additions were \$3.3million for fiscal year 2020 consisting of: \$1.7 million added to the City's Infrastructure, and \$1.6 million 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 \$8.2 million in governmental type debt, and \$14.5 million in business-type debt. (See note 8 to the financial statements.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City budget for fiscal year 2020/2021, 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 2019/2020.

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, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 5,987,153	\$ 3,617,920	\$ 9,605,073	\$ 185,374
Receivables (net of allowance)	1,086,157	1,237,719	2,323,876	9,053
Internal balances	4,585,498	(4,585,498)	-	-
Prepays	100,160	5,725	105,885	3,570
Inventory	39,437	-	39,437	-
Net OPEB asset	81,234	1,551	82,785	155
Temporarily restricted assets:				
Cash and cash equivalents	58,976	4,539,899	4,598,875	-
Capital assets (net of accumulated depreciation):				
Land and improvements	330,932	100,000	430,932	481,979
Buildings and improvements	5,089,862	2,729,611	7,819,473	582,976
System and other improvements	4,666,061	34,522,536	39,188,597	7,451
Furniture, equipment and vehicles	1,817,557	1,355,452	3,173,009	5,393
Infrastructure	5,380,429	-	5,380,429	-
Construction in progress	982,165	1,028,633	2,010,798	24,558
Total Assets	<u>30,205,621</u>	<u>44,553,548</u>	<u>74,759,169</u>	<u>1,300,509</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions/OPEB	852,795	104,794	957,589	22,564
Deferred charge on refunding	76,176	25,392	101,568	-
Total deferred outflows of resources	<u>928,971</u>	<u>130,186</u>	<u>1,059,157</u>	<u>22,564</u>
Liabilities				
Accounts payable and other current liabilities	624,504	761,563	1,386,067	20,496
Interest payable	-	4,496	4,496	-
Noncurrent liabilities:				
Due within one year	615,056	2,098,990	2,714,046	-
Due in more than one year	7,570,677	12,380,170	19,950,847	106,660
Total Liabilities	<u>8,810,237</u>	<u>15,245,219</u>	<u>24,055,456</u>	<u>127,156</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions/OPEB	384,802	67,033	451,835	13,353
Total Deferred Inflows of resources	<u>384,802</u>	<u>67,033</u>	<u>451,835</u>	<u>13,353</u>
Net Position				
Net investment in capital assets	14,847,623	26,106,690	40,954,313	1,102,357
Restricted for:				
Debt service	42,010	-	42,010	-
Other purposes	28,249	2,212,847	2,241,096	-
Unrestricted	7,021,671	1,051,945	8,073,616	80,207
Total Net Position	<u>\$ 21,939,553</u>	<u>\$ 29,371,482</u>	<u>\$ 51,311,035</u>	<u>\$ 1,182,564</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, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position				Component Unit
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Primary Government		Total	
						Business-type Activities	Total		
Primary Government:									
Governmental activities:									
General government	\$ 3,480,513	\$ 475,412	\$ 231,103	\$ 830,652	\$ (1,943,346)	\$ -	\$ (1,943,346)	\$ -	
Public safety	2,683,851	287,791	56,037	4,250	(2,335,773)	-	(2,335,773)	-	
Highways and streets	1,401,264	-	363,262	-	(1,038,002)	-	(1,038,002)	-	
Culture and recreation	767,463	39,577	241,741	55,542	(430,603)	-	(430,603)	-	
Economic development	823,062	-	1,029,236	-	206,174	-	206,174	-	
Health and welfare	19,631	-	-	-	(19,631)	-	(19,631)	-	
Interest on long-term debt	129,248	-	-	-	(129,248)	-	(129,248)	-	
Total governmental activities	9,305,032	802,780	1,921,379	890,444	(5,690,429)	-	(5,690,429)	-	
Business-type activities:									
Electric	3,066,203	4,707,187	-	-	-	1,640,984	1,640,984	-	
Water & Sewer	3,458,076	3,817,660	-	-	-	359,584	359,584	-	
Sanitation	893,450	855,331	-	-	-	(38,119)	(38,119)	-	
Golf course	758,205	831,987	-	-	-	73,782	73,782	-	
Total business-type activities	8,175,934	10,212,165	-	-	-	2,036,231	2,036,231	-	
Total primary government	17,480,966	11,014,945	1,921,379	890,444	(5,690,429)	2,036,231	(3,654,198)	-	
Component Unit:									
Housing Authority	492,791	60,914	476,922	-	-	-	-	45,045	
General Revenues:									
Property taxes levied for general purposes					626,357	-	626,357	-	
Sales taxes					5,310,137	-	5,310,137	-	
State urban revenues and other taxes - Unrestricted					591,385	-	591,385	-	
Unrestricted investment earnings					137,151	83,560	220,711	87	
Loss on disposal of capital assets					-	(3,159)	(3,159)	-	
Total general revenues & transfers					6,665,030	80,401	6,745,431	87	
Change in net position					974,601	2,116,632	3,091,233	45,132	
Net position - beginning					20,964,952	27,254,850	48,219,802	1,137,432	
Net position - ending					\$ 21,939,553	\$ 29,371,482	\$ 51,311,035	\$ 1,182,564	

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

CITY OF WILLIAMS, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2020

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	\$ 5,156,481	\$ 526	\$ 824,735	\$ 5,411	\$ 5,987,153
Receivables:					
Property Taxes	59,665	-	-	-	59,665
Other	5,615	-	-	231,684	237,299
Intergovernmental	761,581	-	27,612	-	789,193
Due from other funds	8,771,767	-	27,255	-	8,799,022
Inventory	39,437	-	-	-	39,437
Prepaid items	100,160	-	-	-	100,160
Restricted Cash and Investments	17,492	41,484	-	-	58,976
Total Assets	<u>\$ 14,912,198</u>	<u>\$ 42,010</u>	<u>\$ 879,602</u>	<u>\$ 237,095</u>	<u>\$ 16,070,905</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts Payable	\$ 114,733	\$ -	\$ 5,077	\$ 208,779	\$ 328,589
Accrued Liabilities	278,987	-	9,840	67	288,894
Customer Deposits	7,019	-	-	-	7,019
Due to Other Funds	3,348,841	-	864,685	-	4,213,526
Total Liabilities	<u>3,749,580</u>	<u>-</u>	<u>879,602</u>	<u>208,846</u>	<u>4,838,028</u>
Deferred Inflows of Resources:					
Unavailable Revenue	36,746	-	-	-	36,746
Total Deferred Inflows	<u>36,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,746</u>
Fund Balances:					
Nonspendable:					
Inventory	39,437	-	-	-	39,437
Prepaid items	100,160	-	-	-	100,160
Restricted for:					
Public safety	-	-	-	28,249	28,249
Debt service	-	42,010	-	-	42,010
Committed:					
Highways & Streets	-	-	-	-	-
Economic development	3,257,519	-	-	-	3,257,519
Court enhancements	31,068	-	-	-	31,068
Assigned:					
Capital projects	644,974	-	-	-	644,974
Other items	502,988	-	-	-	502,988
Unassigned	6,549,726	-	-	-	6,549,726
Total Fund Balances	<u>11,125,872</u>	<u>42,010</u>	<u>-</u>	<u>28,249</u>	<u>11,196,131</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 14,912,198</u>	<u>\$ 42,010</u>	<u>\$ 879,602</u>	<u>\$ 237,095</u>	<u>\$ 16,070,905</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, 2020

Total governmental fund balances		\$ 11,196,131
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	72,724,539	
Accumulated depreciation	<u>(54,457,533)</u>	18,267,006
<p>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.</p>		
		36,746
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable	(2,369,020)	
Capital leases payable	(627,612)	
Notes payable	(408,578)	
Compensated absences	(226,796)	
Net pension liability	<u>(4,553,727)</u>	(8,185,733)
<p>Other long-term assets are not available to pay for current period expenditures and, therefore, not included in the funds.</p>		
Net OPEB asset		81,234
<p>Deferred outflows and inflows of resources are applicable to future reporting periods and, therefore, are not reported in the funds:</p>		
Deferred outflows	928,971	
Deferred inflows	<u>(384,802)</u>	544,169
Total net position of governmental activities		<u><u>\$ 21,939,553</u></u>

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, 2020

REVENUES	General	Debt Service	Highway User Special Revenue	Non-major Governmental Funds	Total Governmental Funds
Taxes	\$ 6,009,258	\$ -	\$ 636,335	\$ -	\$ 6,645,593
Licenses, Permits and Fees	131,077	-	-	-	131,077
Intergovernmental Revenue	1,040,349	-	362,812	895,710	2,298,871
Charges for Services	430,621	-	-	-	430,621
Fines and Forfeitures	55,750	-	-	-	55,750
Interest	124,747	1,171	-	-	125,918
Other Revenues	282,310	-	269,849	29,204	581,363
Total Revenues	8,074,112	1,171	1,268,996	924,914	10,269,193
EXPENDITURES					
Current:					
General Government	2,602,250	-	-	-	2,602,250
Public Safety	2,408,451	-	-	38,079	2,446,530
Highways & Streets	-	-	521,483	-	521,483
Culture and Recreation	614,519	-	-	-	614,519
Economic Development	814,950	-	-	-	814,950
Health & Welfare	15,171	-	-	-	15,171
Capital Outlay	101,335	-	1,504,638	859,537	2,465,510
Debt Service:					
Principal	-	574,253	-	-	574,253
Interest	-	119,842	-	-	119,842
Total Expenditures	6,556,676	694,095	2,026,121	897,616	10,174,508
Excess of Revenues Over (Under) Expenditures	1,517,436	(692,924)	(757,125)	27,298	94,685
Other Financing Sources (Uses):					
Transfers in	270	734,934	830,741	-	1,565,945
Transfers out	(1,451,382)	-	(114,293)	(270)	(1,565,945)
Total Other Financing Sources (Uses)	(1,451,112)	734,934	716,448	(270)	-
Net change in fund balances	66,324	42,010	(40,677)	27,028	94,685
Fund balances, beginning of year	11,059,548	-	40,677	1,221	11,101,446
Fund balances, end of year	<u>\$ 11,125,872</u>	<u>\$ 42,010</u>	<u>\$ -</u>	<u>\$ 28,249</u>	<u>\$ 11,196,131</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, 2020

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

Net change in fund balances - total governmental funds	\$	94,685
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlays in the current period.

Capital outlay	2,238,018	
Depreciation expense	<u>(1,819,227)</u>	
		418,791

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:

Amortization of bond premium	1,478	
Deferred charge on refunding	(10,884)	
Repayment of long-term debt principal	<u>574,253</u>	
		564,847

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.		10,440
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Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		11,254
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Pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the City's report date. Pension/OPEB expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension/OPEB contributions	443,157	
Pension/OPEB expense	<u>(568,573)</u>	
		(125,416)

Change in net position of governmental activities	\$	<u><u>974,601</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF WILLIAMS, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2020

Assets	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-major Golf Course Fund	Total
Current Assets:					
Cash	\$ 3,617,920	\$ -	\$ -	\$ -	\$ 3,617,920
Receivables (net of allowance)	332,206	432,197	65,805	49,426	879,634
Due from other governments	-	306,685	51,400	-	358,085
Due from other funds	4,141,845	992,541	-	-	5,134,386
Prepaid Expenses	5,725	-	-	-	5,725
Total Current Assets	<u>8,097,696</u>	<u>1,731,423</u>	<u>117,205</u>	<u>49,426</u>	<u>9,995,750</u>
Restricted cash	2,200,848	2,336,447	2,604	-	4,539,899
Net OPEB asset	-	388	620	543	1,551
Land and improvements	100,000	-	-	-	100,000
Buildings and improvements	-	4,068,279	81,297	98,804	4,248,380
System and other improvements	8,913,831	43,854,961	104,983	2,277,690	55,151,465
Furniture, equipment and vehicles	-	1,367,548	1,812,526	925,673	4,105,747
Construction in progress	-	1,028,633	-	-	1,028,633
Accumulated depreciation	<u>(3,615,829)</u>	<u>(18,568,949)</u>	<u>(1,341,257)</u>	<u>(1,371,958)</u>	<u>(24,897,993)</u>
Total Noncurrent Assets	<u>7,598,850</u>	<u>34,087,307</u>	<u>660,773</u>	<u>1,930,752</u>	<u>44,277,682</u>
Total Assets	<u>15,696,546</u>	<u>35,818,730</u>	<u>777,978</u>	<u>1,980,178</u>	<u>54,273,432</u>
Deferred Outflows of Resources					
Deferred outflows related to pensions/OPEB	-	28,696	39,962	36,136	104,794
Deferred charge on refunding	-	25,392	-	-	25,392
Total Deferred Outflows of Resources	<u>-</u>	<u>54,088</u>	<u>39,962</u>	<u>36,136</u>	<u>130,186</u>
Liabilities					
Current Liabilities:					
Accounts payable	226,947	298,225	31,819	17,755	574,746
Accrued liabilities	-	8,448	8,318	6,721	23,487
Interest payable	-	-	4,496	-	4,496
Customer deposits	37,978	123,600	1,752	-	163,330
Due to other funds	-	7,623,612	363,606	1,732,666	9,719,884
Current portion, compensated absences	-	8,730	13,496	22,705	44,931
Current portion, capital lease payable	-	-	93,909	81,657	175,566
Current portion, long-term debt	-	1,878,493	-	-	1,878,493
Total Current Liabilities	<u>264,925</u>	<u>9,941,108</u>	<u>517,396</u>	<u>1,861,504</u>	<u>12,584,933</u>
Long-Term Liabilities (net of current portion):					
Compensated absences	-	1,539	2,382	4,007	7,928
Capital lease payable	-	-	206,696	195,628	402,324
Revenue bonds payable	-	766,192	-	-	766,192
Loans payable	-	10,406,967	-	-	10,406,967
Net pension/OPEB liability	-	218,093	303,903	274,763	796,759
Total Long-Term Liabilities	<u>-</u>	<u>11,392,791</u>	<u>512,981</u>	<u>474,398</u>	<u>12,380,170</u>
Total Liabilities	<u>264,925</u>	<u>21,333,899</u>	<u>1,030,377</u>	<u>2,335,902</u>	<u>24,965,103</u>
Deferred Inflows of Resources					
Deferred inflows related to pensions/OPEB	-	18,356	25,562	23,115	67,033
Total Deferred Inflows of Resources	<u>-</u>	<u>18,356</u>	<u>25,562</u>	<u>23,115</u>	<u>67,033</u>
Net Position					
Net investment in capital assets	5,398,002	18,698,820	356,944	1,652,924	26,106,690
Restricted	-	2,212,847	-	-	2,212,847
Unrestricted (deficit)	<u>10,033,619</u>	<u>(6,391,104)</u>	<u>(594,943)</u>	<u>(1,995,627)</u>	<u>1,051,945</u>
Total Net Position (deficit)	<u>\$ 15,431,621</u>	<u>\$ 14,520,563</u>	<u>\$ (237,999)</u>	<u>\$ (342,703)</u>	<u>\$ 29,371,482</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, 2020

	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-major Golf Course Fund	Total
Operating Revenues					
Charges for services	\$ 4,684,637	\$ 3,812,935	\$ 835,331	\$ 831,987	\$ 10,164,890
Other revenues	22,550	4,725	20,000	-	47,275
Total Operating Revenues	<u>4,707,187</u>	<u>3,817,660</u>	<u>855,331</u>	<u>831,987</u>	<u>10,212,165</u>
Operating Expenses					
Salaries, wages and benefits	-	269,150	360,273	410,905	1,040,328
Office expenses and travel	3,323	43,451	61,130	30,410	138,314
Repairs and maintenance	356,566	198,426	11,681	63,148	629,821
Utilities	-	447,543	4,698	44,027	496,268
Legal and professional fees	75,039	408,258	3,264	31,408	517,969
Contract services	173,226	-	-	-	173,226
Miscellaneous	-	116,682	4,889	90	121,661
Purchase power	2,177,165	17,952	-	-	2,195,117
Supplies	-	140,643	55,968	53,189	249,800
Resident and tipping fees	-	-	306,832	-	306,832
Depreciation/amortization	280,884	1,384,504	74,440	113,208	1,853,036
Total Operating Expenses	<u>3,066,203</u>	<u>3,026,609</u>	<u>883,175</u>	<u>746,385</u>	<u>7,722,372</u>
Operating Income (Loss)	<u>1,640,984</u>	<u>791,051</u>	<u>(27,844)</u>	<u>85,602</u>	<u>2,489,793</u>
Non-operating Revenues (Expenses)					
Interest income	34,255	49,264	41	-	83,560
Interest expense and fiscal charges	-	(431,467)	(10,275)	(11,820)	(453,562)
Gain (Loss) on disposal of capital assets	-	-	-	(3,159)	(3,159)
Total Non-Operating Revenue (Expense)	<u>34,255</u>	<u>(382,203)</u>	<u>(10,234)</u>	<u>(14,979)</u>	<u>(373,161)</u>
Net Income (Loss)	<u>1,675,239</u>	<u>408,848</u>	<u>(38,078)</u>	<u>70,623</u>	<u>2,116,632</u>
Total net position (deficit), beginning of year	<u>13,756,382</u>	<u>14,111,715</u>	<u>(199,921)</u>	<u>(413,326)</u>	<u>27,254,850</u>
Total net position (deficit), end of year	<u>\$ 15,431,621</u>	<u>\$ 14,520,563</u>	<u>\$ (237,999)</u>	<u>\$ (342,703)</u>	<u>\$ 29,371,482</u>

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, 2020

	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-major Golf Course Fund	Total
Cash Flows From Operating Activities:					
Cash received from customers, service fees	\$ 4,766,554	\$ 3,534,484	\$ 814,405	\$ 807,485	\$ 9,922,928
Cash received from customers, other	22,550	4,725	20,000	-	47,275
Cash paid to suppliers	(2,590,629)	(1,388,110)	(428,440)	(212,464)	(4,619,643)
Cash paid to employees	-	(253,806)	(385,053)	(394,928)	(1,033,787)
Net cash flows from operating activities	<u>2,198,475</u>	<u>1,897,293</u>	<u>20,912</u>	<u>200,093</u>	<u>4,316,773</u>
Cash Flows From Noncapital Financing Activities:					
Proceeds/Payments to other funds	549,076	833,772	149,303	(109,279)	1,422,872
Net cash flows from noncapital financing activities	<u>549,076</u>	<u>833,772</u>	<u>149,303</u>	<u>(109,279)</u>	<u>1,422,872</u>
Cash Flows From Capital and Related Financing Activities:					
Purchase of capital assets	-	(1,096,621)	(67,681)	-	(1,164,302)
Principal paid on long-term debt	-	(1,445,913)	-	-	(1,445,913)
Principal paid on capital lease	-	-	(90,844)	(78,994)	(169,838)
Interest paid	-	(427,840)	(11,690)	(11,820)	(451,350)
Proceeds from issuance of debt	-	401,321	-	-	401,321
Net cash flows from capital and related financing activities	<u>-</u>	<u>(2,569,053)</u>	<u>(170,215)</u>	<u>(90,814)</u>	<u>(2,830,082)</u>
Cash Flows From Investing Activities:					
Interest on investments	34,255	49,264	41	-	83,560
Net change in Cash and Cash Equivalents	2,781,806	211,276	41	-	2,993,123
Cash and cash equivalents, including restricted cash, beginning of year	3,036,962	2,125,171	2,563	-	5,164,696
Cash and cash equivalents, including restricted cash, end of year	<u>\$ 5,818,768</u>	<u>\$ 2,336,447</u>	<u>\$ 2,604</u>	<u>\$ -</u>	<u>\$ 8,157,819</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Net Operating Income/(Loss)	\$ 1,640,984	\$ 791,051	\$ (27,844)	\$ 85,602	\$ 2,489,793
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:					
Depreciation/amortization	280,884	1,384,504	74,440	113,208	1,853,036
Net pension/OPEB expense	-	19,559	(11,661)	35,831	43,729
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables	90,042	(290,301)	(21,228)	(24,502)	(245,989)
Increase/(Decrease) in prepaids	31,855	4,714	-	-	36,569
Increase/(Decrease) in accounts payable	162,835	(19,869)	20,022	9,808	172,796
Increase/(Decrease) in accrued liabilities	-	(4,215)	(13,119)	(19,854)	(37,188)
Increase/(Decrease) in deposits	(8,125)	11,850	302	-	4,027
Net cash provided (used) by operating activities	<u>\$ 2,198,475</u>	<u>\$ 1,897,293</u>	<u>\$ 20,912</u>	<u>\$ 200,093</u>	<u>\$ 4,316,773</u>

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

CITY OF WILLIAMS, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	<u>Volunteer Firefighters' Relief and Pension</u>
ASSETS	
Cash and cash equivalents	\$769,275
Due from other governments	<u>11,387</u>
Total Assets and Other Debits	<u>780,662</u>
LIABILITIES	
Total liabilities	<u>-</u>
NET POSITION	
Held in trust for pension benefits and other purposes	<u><u>\$ 780,662</u></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, 2020

	<u>Volunteer Firefighters' Relief and Pension</u>
ADDITIONS:	
Contributions:	
Other	\$ 11,387
Plan Member	20,784
Total Contributions	<u>32,171</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	7,304
Interest Earnings (Loss)	<u>33,174</u>
Net Investment Income	<u>40,478</u>
Total Additions	<u>72,649</u>
DEDUCTIONS:	
Benefits	716
Service, Supplies and Other	<u>9,905</u>
Total Deductions	<u>10,621</u>
Net Increase (Decrease)	62,028
Net Position Held in Trust for Pension Benefits and Other Purposes	
Beginning of Year	<u>718,634</u>
End of Year	<u><u>\$ 780,662</u></u>

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

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

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 currently has no financing through the MDA that it is liable for. 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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020

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, 2020. There were 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, 2020, if any.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 3. Stewardship, Compliance and Accountability (Continued)

Deficit Fund Equity

The Golf Course and Sanitation enterprise funds reported deficit net positions of \$319,062, \$237,999, respectively at June 30, 2020. The Golf Course enterprise fund deficit has decreased by \$94,264 when compared to the prior year. The Sanitation enterprise fund deficit has increased by \$38,078 when compared to the prior year. It is the City's intention to manage the Golf Course and Sanitation funds such that these deficits can be eliminated by 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	\$ 9,605,073
Restricted cash and cash equivalents	4,598,875
Agency fund monies	<u>769,275</u>
	<u>\$ 14,973,223</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, 2020 cash on hand was \$1,200 and the carrying amount of the City's deposits was \$1,875,118. As of June 30, 2020 none of the bank balance of \$3,274,382 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, 2020

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, 2020 the government had the following deposits and investments:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Deposits:			
Cash on deposit	\$ 1,971,644	N/A	N/A
Cash on hand	1,200	N/A	N/A
Investments:			
Local Governments Investment Pool 5 *	10,588,420	AAAF/S1+	< 1 year
Local Governments Investment Pool 7 *	1,755,940	AAA	< 1 year
Mutual Funds	656,018	N/A	N/A
Total cash and investments	\$ 14,973,222		

* 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 City 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, 2020

NOTE 4. Deposits and Investments (Continued)

The City has the following recurring fair value measurements as of June 30, 2020:

- Local Government’s Investment Pool is 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, 2020 consist of the following:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Deposits:			
Cash on deposit	\$ 122,999	N/A	N/A
Certificates of deposit	62,375	N/A	< 1 year
Total	\$ 185,374		

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 5. Property Taxes Receivable

Property taxes receivable in the amount of \$59,665 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 \$36,746 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.

NOTE 6. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

Governmental Activities:	Balance 6/30/2019	Additions	Deletions	Balance 6/30/2020
Capital assets, not being depreciated:				
Land	\$ 330,932	\$ -	\$ -	\$ 330,932
Construction in progress	1,089,941	887,630	(995,406)	982,165
Total capital assets not being depreciated	<u>1,420,873</u>	<u>887,630</u>	<u>(995,406)</u>	<u>1,313,097</u>
Capital assets, being depreciated:				
Land Improvements	19,534,053		-	19,534,053
Buildings and Improvements	8,443,945	551,195	-	8,995,140
Infrastructure	34,301,924	1,655,615	-	35,957,539
Furniture, Equipment, Vehicles	7,003,675	138,984	(217,949)	6,924,710
Total capital assets being depreciated	<u>69,283,597</u>	<u>2,345,794</u>	<u>(217,949)</u>	<u>71,411,442</u>
Less accumulated depreciation for:				
Land Improvements	(14,114,998)	(752,994)	-	(14,867,992)
Buildings and Improvements	(3,660,001)	(245,277)	-	(3,905,278)
Infrastructure	(30,136,805)	(440,305)	-	(30,577,110)
Furniture, Equipment, Vehicles	(4,944,451)	(380,651)	217,949	(5,107,153)
Total accumulated depreciation	<u>(52,856,255)</u>	<u>(1,819,227)</u>	<u>217,949</u>	<u>(54,457,533)</u>
Total capital assets being depreciated, net	<u>16,427,342</u>	<u>526,567</u>	<u>-</u>	<u>16,953,909</u>
Governmental activities capital assets, net	<u>\$ 17,848,215</u>	<u>\$ 1,414,197</u>	<u>\$ (995,406)</u>	<u>\$ 18,267,006</u>

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

Governmental Activities:	
General government	\$ 912,362
Public safety	174,032
Highways and streets	597,799
Culture and recreation	130,616
Health and welfare	4,418
Total depreciation expense - governmental activities	<u>\$ 1,819,227</u>

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 6. Capital Assets (Continued)

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

Business Type Activities:	Balance 6/30/2019	Additions	Deletions	Balance 6/30/2020
Capital assets, not being depreciated:				
Land and Improvements	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in Progress	840,998	708,998	(521,363)	1,028,633
Total capital assets not being depreciated	<u>940,998</u>	<u>708,998</u>	<u>(521,363)</u>	<u>1,128,633</u>
Capital assets, being depreciated:				
Buildings and Improvements	4,175,045	73,335	-	4,248,380
System and Other Improvements	54,333,132	818,332	-	55,151,464
Furniture, Equipment, Vehicles	4,055,803	85,000	(35,057)	4,105,746
Total capital assets being depreciated	<u>62,563,980</u>	<u>976,667</u>	<u>(35,057)</u>	<u>63,505,590</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,421,637)	(97,133)	-	(1,518,770)
System and Other Improvements	(19,063,220)	(1,565,708)	-	(20,628,928)
Furniture, Equipment, Vehicles	(2,591,995)	(190,195)	31,896	(2,750,294)
Total accumulated depreciation	<u>(23,076,852)</u>	<u>(1,853,036)</u>	<u>31,896</u>	<u>(24,897,992)</u>
Total capital assets being depreciated, net	<u>39,487,128</u>	<u>(876,369)</u>	<u>(3,161)</u>	<u>38,607,598</u>
Business-type activities capital assets, net	<u>\$ 40,428,126</u>	<u>\$ (167,371)</u>	<u>\$ (524,524)</u>	<u>\$ 39,736,231</u>

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

Business Type Activities:	
Electric	\$ 280,884
Water & sewer	1,384,504
Golf course	113,208
Sanitation	74,440
Total depreciation expense - business activities	<u>\$ 1,853,036</u>

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 6. Capital Assets (Continued)

Component Unit, Housing Authority Activities:

	Balance 6/30/2019	Additions	Deletions	Balance 6/30/2020
Capital assets, not being depreciated:				
Land and Improvements	\$ 481,979	\$ -	\$ -	\$ 481,979
Construction in Progress	-	24,558	-	24,558
Total capital assets not being depreciated	<u>481,979</u>	<u>24,558</u>	<u>-</u>	<u>506,537</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	6,493	-	138,536
Total capital assets being depreciated	<u>2,238,357</u>	<u>6,493</u>	<u>-</u>	<u>2,244,850</u>
Less accumulated depreciation for:				
Buildings and Improvements	(1,266,173)	(45,058)	-	(1,311,231)
Other Improvements	(200,541)	(4,115)	-	(204,656)
Furniture, Equipment, Vehicles	(131,805)	(1,337)	-	(133,142)
Total accumulated depreciation	<u>(1,598,519)</u>	<u>(50,510)</u>	<u>-</u>	<u>(1,649,029)</u>
Total capital assets being depreciated, net	<u>639,838</u>	<u>(44,017)</u>	<u>-</u>	<u>595,821</u>
Component Unit activities capital assets, net	<u>\$ 1,121,817</u>	<u>\$ (19,459)</u>	<u>\$ -</u>	<u>\$ 1,102,358</u>

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 7. Capital Leases Payable

The City had nine lease agreements at June 30, 2020, 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 November, 2024, including interest at 2.5% 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>Business- type Debt</u>	<u>Total</u>
2021	\$ 181,607	\$ 193,349	\$ 374,956
2022	167,520	193,349	360,869
2023	129,714	193,349	323,063
2024	110,858	33,514	144,372
2025	102,333	-	102,333
Total remaining lease payments	<u>692,032</u>	<u>613,561</u>	<u>1,305,593</u>
Less amount representing interest	<u>(64,420)</u>	<u>(35,670)</u>	<u>(100,090)</u>
Present value of net remaining minimum lease payments	<u><u>\$ 627,612</u></u>	<u><u>\$ 577,891</u></u>	<u><u>\$ 1,205,503</u></u>

A summary of assets acquired through capital leases follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Governmental:		
Furniture, Equipment & Vehicles	\$ 975,357	\$ 300,086
Enterprise Funds:		
Furniture, Equipment & Vehicles	\$ 1,269,963	\$ 534,477

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

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, 2020.

Governmental Activities:	Balance 6/30/2019	Additions	Retirements	Balance 6/30/2020	Current Portion
Accrued Compensated Absences	\$ 238,050	\$ 235,000	\$ (246,254)	\$ 226,796	\$ 192,777
Capital Leases	796,345	-	(168,733)	627,612	157,073
Net Pension/OPEB Liability	4,206,618	347,109	-	4,553,727	-
Total other long-term debt	<u>5,241,013</u>	<u>582,109</u>	<u>(414,987)</u>	<u>5,408,135</u>	<u>349,850</u>
Revenue Bonds:					
Direct Placements					
GADA Revenue Bonds, Series 2008	155,000	-	(155,000)	-	-
GADA Revenue Bonds, Series 2014	79,604	-	(11,819)	67,785	12,163
Pledged Revenue Bonds, Series 2017	2,511,267	-	(218,892)	2,292,375	230,877
Premium	10,338	-	(1,478)	8,860	1,479
Total Revenue Bonds	<u>2,756,209</u>	<u>-</u>	<u>(387,189)</u>	<u>2,369,020</u>	<u>244,519</u>
Loans Payable:					
Direct Borrowings					
ADOT Hangar Loan	428,387	-	(19,809)	408,578	20,687
Total Loans Payable	<u>428,387</u>	<u>-</u>	<u>(19,809)</u>	<u>408,578</u>	<u>20,687</u>
Total Governmental Debt	<u>\$ 8,425,609</u>	<u>\$ 582,109</u>	<u>\$ (821,985)</u>	<u>\$ 8,185,733</u>	<u>\$ 615,056</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, 2020

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, 2020.

Business-type Activities:	Balance 6/30/2019	Additions	Retirements	Balance 6/30/2020	Current Portion
Revenue Bonds:					
Direct Placements					
GADA Revenue Bonds, Series 2014	\$ 1,065,396	\$ -	\$ (158,181)	\$ 907,215	\$ 162,838
Pledged Revenue Bonds, Series 2017	838,733	-	(73,108)	765,625	77,123
Premium	138,508	-	(19,785)	118,723	19,785
Total Revenue Bonds	<u>2,042,637</u>	<u>-</u>	<u>(251,074)</u>	<u>1,791,563</u>	<u>259,746</u>
Loans Payable:					
Direct Borrowings					
Water Infrastructure Finance Authority, 2000-2001 Loan	221,703	-	(221,703)	-	-
Water Infrastructure Finance Authority, 2005-2006 Loan	678,289	-	(87,920)	590,369	90,755
Water Infrastructure Finance Authority, 2005-2006 Loan	4,409,975	-	(426,368)	3,983,607	441,035
Water Infrastructure Finance Authority, 2008 Loan	4,505,955	-	(346,206)	4,159,749	357,674
Water Infrastructure Finance Authority, 2015 Loan	1,632,805	-	(92,634)	1,540,171	94,731
Water Infrastructure Finance Authority, 2016 Loan	392,008	-	(20,008)	372,000	20,358
Water Infrastructure Finance Authority, 2019 Design Loan	212,873	401,321	-	614,194	614,194
Total Loans Payable	<u>12,053,608</u>	<u>401,321</u>	<u>(1,194,839)</u>	<u>11,260,090</u>	<u>1,618,747</u>
Other long-term debt:					
Capital Leases	747,728	-	(169,837)	577,891	175,566
Accrued Compensated Absences	65,271	55,000	(67,411)	52,860	44,931
Net Pension Liability	703,774	92,985	-	796,759	-
Total other long-term debt	<u>1,516,773</u>	<u>147,985</u>	<u>(237,248)</u>	<u>1,427,510</u>	<u>220,497</u>
Total Business-type Long-Term Debt	<u>\$ 15,613,018</u>	<u>\$ 549,306</u>	<u>\$ (1,683,161)</u>	<u>\$ 14,479,163</u>	<u>\$ 2,098,990</u>

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 8. Long-Term Liabilities (Continued)

Bonds and other long-term obligations consist of the following at June 30, 2020:

Revenue bonds from direct placements:

Revenue bonds from direct placements and borrowings:

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 GreaterArizona Development Authotity Infrastructure Revenue Bonds Series 2003A	\$ 975,000 *
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>3,058,000 **</u>
Total bonds payable	\$ 4,033,000
Less current portion	<u>(483,001)</u>
Total Revenue Bonds net of current portion	<u><u>\$ 3,549,999</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	\$ 67,785
Business-type Activities	<u>907,215</u>
Total GADA, Series 2014	<u><u>\$ 975,000</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	\$ 2,292,375
Business-type Activities	<u>765,625</u>
Total Pledged Revenue, Series 2017	<u><u>\$ 3,058,000</u></u>

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 8. Long-Term Liabilities (Continued)

Revenue bonds from direct placements debt service maturities are as follows:

Year Ended June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 243,040	\$ 59,828	\$ 302,868	\$ 239,961	\$ 94,791	\$ 334,752
2022	251,980	53,771	305,751	252,021	84,829	336,850
2023	257,173	47,485	304,658	262,828	74,337	337,165
2024	266,114	41,058	307,172	274,887	63,343	338,230
2025	270,584	34,544	305,128	285,412	53,728	339,140
2025-2028	1,071,295	50,966	1,122,261	357,705	17,025	374,730
Total	<u>\$2,360,186</u>	<u>\$ 287,652</u>	<u>\$ 2,647,838</u>	<u>\$ 1,672,814</u>	<u>\$ 388,053</u>	<u>\$ 2,060,867</u>

Revenue Bonds

The City has issued revenue bonds through the Greater Arizona Development Authority (GADA) for utility system improvements and governmental facilities and improvements. The bonds are secured by, and to be repaid from, the associated utility net revenue, excise taxes and state shared revenue. In the event of default for non-payment, state shared revenues may be diverted by the State Treasurer to make the debt payments.

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CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 8. Long-Term Liabilities (Continued)

Loans payable from direct borrowings:

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	\$ 590,369
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	3,983,607
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	4,159,749
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	1,540,171
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	372,000
Water Infrastructure Finance Authority loan payable, issued in fiscal year 2019, bearing interest at 1.000% due in semiannual interest installments, with a balloon payment due July 1, 2021. This note payable was refinanced in August of 2021.	614,194
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.	<u>408,578</u>
Total loans payable	11,668,668
Less current portion	<u>(1,639,434)</u>
Total loans payable net of current portion	<u><u>\$ 10,029,234</u></u>

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 8. Long-Term Liabilities (Continued)

Loans payable from direct borrowings debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total	Business-Type Activities		Total
	Principal	Interest		Principal	Interest	
2021	\$ 20,687	\$ 17,479	\$ 38,166	\$ 1,618,747	\$ 332,978	\$ 1,951,725
2022	21,603	16,562	38,165	1,036,997	300,534	1,337,531
2023	22,561	15,605	38,166	1,070,505	267,026	1,337,531
2024	23,561	14,605	38,166	1,105,112	232,419	1,337,531
2025	24,605	13,561	38,166	1,140,852	196,679	1,337,531
2026-2030	140,379	50,446	190,825	4,645,910	446,423	5,092,333
2031-2035	155,182	16,562	171,744	615,581	28,123	643,704
2036-2040	-	-	-	26,386	438	26,824
Total	<u>\$ 408,578</u>	<u>\$ 144,820</u>	<u>\$ 553,398</u>	<u>\$ 11,260,090</u>	<u>\$ 1,804,620</u>	<u>\$ 13,064,710</u>

Loans Payable

The City received loans from the Water Infrastructure Financing Authority (WIFA) and Arizona Department of Transportation (ADOT) for water/sewer system improvements and airport facilities and improvements. The WIFA loans are secured by, and to be repaid from, the associated utility net revenue. In the event of default for non-payment, WIFA may take any action permitted or required under the law, including appointment of a receiver of the system. The ADOT loan is secured by, and to be repaid from, rental payments for the use of the T-Hangars and general revenues of the City. In the event that a deficiency exists in the rental income of the hangars to make the required debt payment, the City must provide resources to cover the shortfall.

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CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 9. Interfund Receivables, Payables and Transfers

The composition of interfund receivables and payables balances as of June 30, 2020 follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 8,771,767	\$ 3,348,841
Special Revenue Funds:		
HURF	27,255	864,685
Enterprise Funds:		
Electric	4,141,845	-
Utility	992,541	7,623,612
Sanitation	-	363,606
Golf Course	-	1,732,664
Total	\$ 13,933,408	\$ 13,933,408

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.

For the year ended June 30, 2020 interfund transfers are as follows:

	Transfers Out:			
Transfers In:	General Fund	Highway User	Non-major Funds	Total
General Fund	\$ -	\$ -	\$ 270	\$ 270
Highway User	830,741	-	-	830,741
Debt Service	620,641	114,293	-	734,934
	\$ 1,451,382	\$ 114,293	\$ 270	\$ 1,565,945

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

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, 2020 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 and Subsequent Events

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.

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, 2020.

In August of 2020 the City issued \$15,000,000 of additional debt with the Water Infrastructure Finance Authority of Arizona (WIFA). It is anticipated the debt will have a forgivable portion of \$1,532,500. The first payment under the new debt will be due on July 1, 2021. The loan matures on July 1, 2025.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 14. Pensions and Other Postemployment Benefits

The City contributes to the plans described below. The plans are component units of the State of Arizona. At June 30, 2020, the City reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Combined Total	Governmental Activities	Business-Type Activities*
Net pension/OPEB asset	\$ 7,752	\$ 75,188	\$ 82,940	\$ 81,234	\$ 1,706
Net pension/OPEB liabilities	4,040,111	1,415,713	5,455,824	4,553,727	902,097
Deferred outflows of resources	570,929	409,217	980,146	852,795	127,358
Deferred inflows of resources	360,293	104,895	465,188	384,802	80,386
Pension/OPEB (income)/expense	62,222	86,889	149,111	122,781	26,330

*Includes component unit

The City's accrued payroll and employee benefits includes \$30,261 of outstanding pension and OPEB contribution amounts payable to all pension plans for the year ended June 30, 2020. Also, the City reported \$476,127 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, 2020

NOTE 14. Pensions and Other Postemployment Benefits (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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

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, 2020, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 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 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 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 10.41 percent (10.29 percent for retirement, 0.05 percent for health insurance premium benefit, and 0.07 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 to the pension, health insurance premium benefit and long-term disability plans for the year ended June 30, 2020, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2020	327,328	14,008	4,860

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 14. Pensions and Other Postemployment Benefits (Continued)

Liability – At June 30, 2020, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net pension/OPEB
	<u>(asset) liability</u>
Pension	\$ 4,021,942
Health insurance premium benefit	(7,752)
Long-term disability	18,169

The net asset and net liabilities were measured as of June 30, 2019. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019.

The City's proportion of the net asset or net 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, 2019. The City's proportion measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

	Proportion June 30, 2018	Proportion June 30, 2019	Increase (decrease) from June 30, 2018
Pension	0.026460%	0.027640%	0.001180%
Health insurance premium benefit	0.026610%	0.028050%	0.001440%
Long-term disability	0.026500%	0.027890%	0.001390%

The net asset and net liabilities measured as of June 30, 2020, 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 asset and net liabilities as a result of these changes is not known.

Expense – For the year ended June 30, 2020, the City recognized the following pension and OPEB expense:

	<u>Pension/OPEB Expense</u>
Pension	\$ 389,451
Health insurance premium benefit	9,690
Long-term disability	5,866

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 14. Pensions and Other Postemployment Benefits (Continued)

Deferred outflows/inflows of resources – At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit		Long-Term Disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 72,657	\$ 756	\$ -	\$ 9,266	\$ 2,147	\$ -
Changes of assumptions or other inputs	17,001	160,162	15,244	-	2,718	-
Net difference between projected and actual earnings on pension plan investments	-	90,399	-	10,081	-	388
Changes in proportion and differences between contributions and proportionate share of contributions	114,426	88,607	-	108	540	526
Contributions subsequent to the measurement date	327,328	-	14,008	-	4,860	-
Total	\$ 531,412	\$ 339,924	\$ 29,252	\$ 19,455	\$ 10,265	\$ 914

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 14. Pensions and Other Postemployment Benefits (Continued)

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30,	Pension	Health Insurance Premium Benefit	Long-Term Disability
2021	\$ (89,750)	\$ (3,387)	\$ 430
2022	(52,940)	(3,386)	430
2023	(17,361)	916	809
2024	24,211	1,866	878
2025	-	(220)	734
Thereafter	-	-	1,210

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

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions/not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rates	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 14. Pensions and Other Postemployment Benefits (Continued)

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real Estate	20%	5.85%
Total	100%	

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 14. Pensions and Other Postemployment Benefits (Continued)

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the City's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of			
Net pension liability	\$ 5,724,154	\$ 4,021,942	\$ 2,599,330
Net insurance premium benefit liability (asset)	39,266	(7,752)	(47,813)
Net long-term disability liability	20,108	18,169	16,289

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

Public Safety Personnel Retirement System (PSPRS)

Plan description – The City employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

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, 2020

NOTE 14. Pensions and Other Postemployment Benefits (Continued)

	Initial Membership Date Before January 1, 2012	Initial Membership Date On or After January 1, 2012 and Before July 1, 2017
Retirement and Disability		
Years of service and age required to receive benefit	20 years of service, any age 15 years of service, age 62	25 years of service or 15 years of credited service, 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%	1.5% to 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 inflation. The adjustments are based on inflation for PSPRS. 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, 2020

NOTE 14. Pensions and Other Postemployment Benefits (Continued)

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents

Employees covered by benefit terms – At June 30, 2020, the following employees were covered by the agent pension plans’ benefit terms:

PSPRS - Police	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	5	5
Inactive employees entitled to but not yet receiving benefits	4	1
Active employees	8	8
Total	17	14

Contributions and annual OPEB cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS 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. Contribution rates for the year ended June 30, 2020, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active member - Pension	City - Pension	City-Health insurance premium
PSPRS Police	7.65-11.65%	30.63%	0.00%
PSPRS Tier 3 risk pool	9.94%	26.46%	0.21%

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, 2020, were:

PSPRS - Police	Pension	Health insurance premium benefit
PSPRS	\$ 131,684	-
PSPRS Tier 3 risk pool	42,520	-

In addition, statute required the City to contribute at the actuarially determined rate of 18.34 of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the PSPRS would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the City’s required contributions to the PSPRS Tier 3 Risk Pool and PSPDCRP

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 14. Pensions and Other Postemployment Benefits (Continued)

Liability – At June 30, 2020, the City reported the following assets and liabilities:

	Net pension (asset) liability	Net OPEB (asset) liability
PSPRS Police	\$ 1,415,713	\$ (75,188)

The net assets and net liabilities were measured as of June 30, 2019, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

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

PSPRS	
Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.3%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 14. Pensions and Other Postemployment Benefits (Continued)

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimate of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset class	Target allocation	Long-term expected geometric real rate of return
Short term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
GTS	12%	4.01%
Private credit	16%	5.36%
Real estate	10%	4.50%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
U.S. equity	<u>16%</u>	4.75%
Total	<u>100%</u>	

Discount Rate –At June 30, 2019, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.30 percent which was a decrease of 0.1 from the discount rate used as of June 30, 2018. 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 those assumptions, the 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 14. Pensions and Other Postemployment Benefits (Continued)

Changes in the Net Pension/OPEB Liability

PSPRS-Police

	Total Pension		Pension Increase (decrease)		Net Pension Liability (a) - (b)		Total OPEB Liability (a)		Health insurance premium benefit Increase (decrease)		Net OPEB Liability (a) - (b)	
	(a)	(b)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)		
Balances at June 30, 2019	\$ 3,368,138	\$ 2,050,706	\$ 1,317,432	\$ 48,559	\$ 116,486	\$ (67,927)						
Changes for the year:												
Service cost	119,916	-	119,916	2,608	-	2,608					2,608	
Interest on total pension/OPEB liability	253,490	-	253,490	3,786	-	3,786					3,786	
Changes of benefit terms	-	-	-	-	-	-					-	
Difference between expected and actual experience in the measurement of the pension/OPEB liability	(6,617)	-	(6,617)	(8,211)	-	(8,211)					(8,211)	
Changes of assumptions	72,835	-	72,835	751	-	751					751	
Contributions - employer	-	188,041	(188,041)	-	-	-					-	
Contributions - employee	-	42,776	(42,776)	-	-	-					-	
Net investment income	-	113,491	(113,491)	-	6,304	(6,304)					(6,304)	
Benefit payments, including refunds of employee contributions	(125,039)	(125,039)	-	-	-	-					-	
Plan administrative expenses	-	(2,965)	2,965	-	(109)	109					109	
Other changes*	-	-	-	-	-	-					-	
Net changes	314,585	216,304	98,281	(1,066)	6,195	(7,261)					(7,261)	
Balances at June 30, 2020	\$ 3,682,723	\$ 2,267,010	\$ 1,415,713	\$ 47,493	\$ 122,681	\$ (75,188)						

* 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, 2020

NOTE 14. Pensions and Other Postemployment Benefits (Continued)

Sensitivity of the proportionate share of the net pension/OPEB (asset) liability to changes in the discount rate – The following table presents the City's net pension/OPEB (asset) liability calculated using the discount rate of 7.3 percent, as well as what the City's net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.3 percent) or 1 percentage point higher (8.3 percent) than the current rate:

	1% Decrease (6.30%)	Discount Rate (7.30%)	1% Increase (8.30%)
PSPRS-Police			
Net pension (asset) / liability	\$ 1,937,069	\$ 1,415,713	\$ 992,925
Net OPEB (asset)/ liability	(67,979)	(75,188)	(81,177)

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

Expense – For the year ended June 30, 2020, the City recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
PSPRS Police	\$ 257,793	\$ (4,417)

Deferred outflows/inflows of resources –At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PSPRS - Police	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,847	\$ 95,580	\$ 6	\$ 7,535
Changes in assumptions	147,713	-	625	1,780
Net difference between projected and actual earnings on pension/OPEB plan investments	34,387	-	442	-
Contributions subsequent to the measurement date	174,204	-	-	-
Total	\$ 408,151	\$ 95,580	\$ 1,073	\$ 9,315

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2020

NOTE 14. Pensions and Other Postemployment Benefits (Continued)

The amounts reported as deferred outflows of resources related to PSPRS pensions and OPEB resulting from City contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions and OPEB will be recognized in pension expense as follows:

Year Ended June 30,	PSPRS Police	
	Pension	Health Insurance Premium Benefit
2021	\$ 64,912	\$ (2,310)
2022	37,112	\$ (2,311)
2023	14,686	\$ (1,477)
2024	21,657	(900)
2025	-	(1,244)
Thereafter	-	-

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.

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, 2020, the State's contribution was \$11,387.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WILLIAMS, ARIZONA
Schedule of the Proportionate Share of the Net Pension/OPEB Liability
June 30, 2020

ASRS - Pension	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.027640%	0.026460%	0.028120%	0.028260%	0.026710%	0.0280130%
Proportionate share of the net pension liability (asset)	\$ 4,021,942	\$ 3,690,239	\$ 4,380,548	\$ 4,561,448	\$ 4,160,164	\$ 4,144,975
Covered payroll	\$ 2,921,447	\$ 2,635,508	\$ 2,662,889	\$ 2,713,366	\$ 2,541,058	\$ 2,541,058
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	137.67%	140.02%	164.50%	168.11%	163.72%	163.12%
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	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 the Proportionate Share of the Net Pension/OPEB Liability
June 30, 2020

ASRS - Health insurance premium benefit	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.028050%	0.026610%	0.028360%	0.028358%
Proportionate share of the net OPEB (asset)	\$ (7,752)	\$ (9,582)	\$ (15,439)	\$ 8,200
Covered payroll	\$ 2,921,447	\$ 2,635,508	\$ 2,662,889	\$ 2,713,366
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.27%	-0.36%	-0.58%	0.30%
Plan fiduciary net position as a percentage of the total OPEB liability	101.62%	102.20%	103.57%	98.02%

Note: The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

ASRS - Long-term disability	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.027890%	0.026500%	0.028150%	0.028150%
Proportionate share of the net OPEB (asset)	\$ 18,169	\$ 13,846	\$ 10,204	\$ 10,116
Covered payroll	\$ 2,921,447	\$ 2,635,508	\$ 2,662,889	\$ 2,713,366
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.62%	0.53%	0.38%	0.37%
Plan fiduciary net position as a percentage of the total OPEB liability	72.85%	77.83%	84.44%	85.17%

Note: The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

See accompanying notes to pension plan schedules.

CITY OF WILLIAMS, ARIZONA
Schedule of Changes in the Net Pension/OPEB Liability and Related Ratios
June 30, 2020

PSPRS - Pension	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability						
Service cost	\$ 119,916	\$ 119,872	\$ 132,471	\$ 107,891	\$ 100,954	\$ 99,043
Interest on total pension liability	253,490	242,076	204,127	203,884	189,982	142,848
Changes of benefit terms	-	-	86,849	(118,594)		78,400
Difference between expected and actual experience of the total net pension liability	(6,617)	(133,116)	130,047	(67,906)	16,150	(35,269)
Changes of assumptions	72,835	-	138,386	121,336	-	435,084
Benefit payments, including refunds of employee contributions	(125,039)	(144,104)	(127,869)	(141,034)	(125,871)	(115,398)
Net change in total pension liability	<u>314,585</u>	<u>84,728</u>	<u>564,011</u>	<u>105,577</u>	<u>181,215</u>	<u>604,708</u>
Total pension liability - beginning	<u>3,368,138</u>	<u>3,283,410</u>	<u>2,719,399</u>	<u>2,613,822</u>	<u>2,432,607</u>	<u>1,827,899</u>
Total pension liability - ending (a)	<u>\$ 3,682,723</u>	<u>\$ 3,368,138</u>	<u>\$ 3,283,410</u>	<u>\$ 2,719,399</u>	<u>\$ 2,613,822</u>	<u>\$ 2,432,607</u>
Plan fiduciary net position						
Contributions - employer	\$ 188,041	\$ 167,121	\$ 159,192	\$ 158,399	\$ 88,900	\$ 62,029
Contributions - employee	42,776	46,402	62,468	66,794	59,320	45,171
Net investment income	113,491	133,332	191,834	8,886	52,134	173,102
Benefit payments, including refunds of employee contributions	(125,039)	(144,104)	(127,869)	(141,034)	(125,871)	(115,398)
Hall/Parker settlement	-	(82,899)	-	-	-	-
Other (net transfer)	(2,965)	(2,707)	70,802	(1,669)	(1,049)	(3,791)
Net change in plan fiduciary net position	<u>216,304</u>	<u>117,145</u>	<u>356,427</u>	<u>91,376</u>	<u>73,434</u>	<u>161,113</u>
Plan fiduciary net position - beginning	<u>2,050,706</u>	<u>1,933,561</u>	<u>1,577,134</u>	<u>1,485,758</u>	<u>1,412,324</u>	<u>1,251,211</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,267,010</u>	<u>\$ 2,050,706</u>	<u>\$ 1,933,561</u>	<u>\$ 1,577,134</u>	<u>\$ 1,485,758</u>	<u>\$ 1,412,324</u>
Net pension liability - ending (a) - (b)	<u>\$ 1,415,713</u>	<u>\$ 1,317,432</u>	<u>\$ 1,349,849</u>	<u>\$ 1,142,265</u>	<u>\$ 1,128,064</u>	<u>\$ 1,020,283</u>
Plan fiduciary net position as a percentage of the total pension liability	61.56%	60.89%	58.89%	58.00%	56.84%	58.06%
Covered valuation payroll	\$ 479,687	\$ 554,961	\$ 535,236	\$502,284	\$542,846	\$ 485,464
Net pension liability as a percentage of covered-employee payroll	295.13%	237.39%	252.20%	227.41%	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 Changes in the Net Pension/OPEB Liability and Related Ratios
June 30, 2020

PSPRS-Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)		
	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability			
Service cost	\$ 2,608	\$ 2,664	\$ 3,265
Interest on total OPEB liability	3,786	3,329	3,178
Changes of benefit terms*	-	-	(2)
Difference between expected and actual experience of the total net OPEB liability	(8,211)	(1,084)	9
Changes of assumptions or other inputs	751	-	(3,538)
Benefit payments	-	-	-
Net change in total OPEB liability	(1,066)	4,909	2,912
Total OPEB liability - beginning	48,559	43,650	40,738
Total OPEB liability - ending (a)	\$ 47,493	\$ 48,559	\$ 43,650
Plan fiduciary net position			
Contributions - employer	\$ -	\$ -	\$ 225
Net investment income	6,304	7,618	11,484
Benefit payments	-	-	-
Administrative expense	(109)	(116)	(101)
Other changes	-	(1)	-
Net change in plan fiduciary net position	6,195	7,501	11,608
Plan fiduciary net position - beginning	116,486	108,985	97,377
Plan fiduciary net position - ending (b)	\$ 122,681	\$ 116,486	\$ 108,985
Net OPEB liability - ending (a) - (b)	\$ (75,188)	\$ (67,927)	\$ (65,335)
Plan fiduciary net position as a percentage of the total OPEB liability	258.31%	239.89%	249.68%
Covered employee payroll	\$ 479,687	\$ 554,961	\$ 535,236
Net OPEB liability as a percentage of covered-employee payroll	-15.67%	-12.24%	-12.21%

Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

See accompanying notes to pension plan schedules

CITY OF WILLIAMS, ARIZONA
Schedule of Pension/OPEB Contributions
June 30, 2020

ASRS - Pension	Reporting Fiscal Year					
	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 327,328	\$ 325,935	\$ 286,628	\$ 287,115	\$ 267,890	\$ 270,194
Contributions in relation to the contractually required contribution	\$ (327,328)	\$ (325,935)	\$ (286,628)	\$ (287,115)	\$ (267,890)	\$ (270,194)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,929,807	\$ 2,921,447	\$ 2,635,508	\$ 2,662,889	\$ 2,713,366	\$ 2,541,058
Contributions as a percentage of covered payroll	11.17%	11.16%	10.88%	10.78%	9.87%	10.63%

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

ASRS - Health insurance premium benefit	Reporting Fiscal Year			
	2020	2019	2018	2017
Contractually required contribution	\$ 14,008	\$ 13,280	\$ 11,712	\$ 15,269
Contributions in relation to the contractually required contribution	(14,008)	(13,280)	(11,712)	(15,269)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,929,807	\$ 2,921,447	\$ 2,635,508	\$ 2,662,889
Contributions as a percentage of covered payroll	0.48%	0.45%	0.44%	0.57%

Note: The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

ASRS - Long-term disability	Reporting Fiscal Year			
	2020	2019	2018	2017
Contractually required contribution	\$ 4,860	\$ 4,204	\$ 4,259	\$ 3,829
Contributions in relation to the contractually required contribution	(4,860)	(4,204)	(4,259)	(3,829)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,929,807	\$ 2,921,447	\$ 2,635,508	\$ 2,662,889
Contributions as a percentage of covered payroll	0.17%	0.14%	0.16%	0.14%

Note: The City implemented GASB 75 in fiscal year 2018. Prior year information is not available.

See accompanying notes to pension plan schedules

CITY OF WILLIAMS, ARIZONA
Schedule of Pension/OPEB Contributions
June 30, 2020

PSPRS-Pensions	Reporting Fiscal Year (Measurement Date)						
	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 174,204	\$ 188,041	\$ 167,121	\$ 159,192	\$ 158,399	\$ 88,900	\$ 62,029
Contributions in relation to the actuarially determined contribution	\$ (174,204)	\$ (188,041)	\$ (167,121)	\$ (159,192)	\$ (158,399)	\$ (88,900)	\$ (62,029)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 640,855	\$ 479,687	\$ 554,961	\$ 535,236	\$ 502,284	\$ 542,846	\$ 485,464
Contributions as a percentage of covered-employee payroll	27.18%	39.20%	30.11%	29.74%	31.54%	16.38%	12.78%

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

PSPRS-Health Insurance Premium Benefit

	Reporting Fiscal Year		
	2020	2019	2018
Actuarially determined contribution	\$ -	\$ -	\$ 225
Contributions in relation to the actuarially determined contribution	\$ -	\$ -	\$ (225)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 640,855	\$ 479,687	\$ 554,961
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.04%

Note: The City implemented GASB 75 in fiscal year 2018. Information prior to 2018 is not available.

See accompanying notes to pension plan schedules.

CITY OF WILLIAMS, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2020

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	Entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2017 actuarial valuation	__ years
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions: Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
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	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

CITY OF WILLIAMS, ARIZONA
Required Supplementary Information
Notes to Pension/OPEB Plan Schedules
June 30, 2020

NOTE 2. Factors that Affect the Identification of Trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes increased the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date. Also, the City refunded excess employee contributions to PSPRS members. PSPRS allowed the City to reduce its actual employer contributions for the refund amounts. As a result, the City's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

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 (Continued)
For the Fiscal Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
Property Tax	\$ 645,528	\$ 645,528	\$ 615,912	\$ (29,616)
Sales Tax	5,464,028	5,464,028	4,340,399	(1,123,629)
Bed, Board & Booze Tax	1,295,681	1,295,681	1,029,236	(266,445)
Gas Franchise Fees	30,000	30,000	23,711	(6,289)
Total Taxes	<u>7,435,237</u>	<u>7,435,237</u>	<u>6,009,258</u>	<u>(1,425,979)</u>
Licenses, Permits and Fees:				
Business Licenses	12,300	12,300	9,835	(2,465)
Dog Licenses	4,000	4,000	700	(3,300)
Building Permits	110,000	110,000	120,542	10,542
Total Licenses, Fees and Permits	<u>126,300</u>	<u>126,300</u>	<u>131,077</u>	<u>4,777</u>
Intergovernmental:				
State Revenue Sharing	417,986	417,986	417,168	(818)
Auto Lieu Taxes	167,649	167,649	150,506	(17,143)
State Sales Taxes	331,868	331,868	333,403	1,535
Library Assistance Tax	95,000	95,000	139,272	44,272
Total Intergovernmental	<u>1,012,503</u>	<u>1,012,503</u>	<u>1,040,349</u>	<u>27,846</u>
Charges for Services:				
Airport Lease	32,000	32,000	32,025	25
Airport Fuel	1,030	1,030	1,013	(17)
Cemetery Charges & Sales	5,000	5,000	9,600	4,600
Swimming Pool Fees	19,000	19,000	7,431	(11,569)
Community Development Fees	4,000	4,000	250	(3,750)
Plan Check Fees & Development Review	48,000	48,000	66,192	18,192
Facility Rental	228,000	228,000	278,355	50,355
Recreation Programs	8,500	8,500	6,599	(1,901)
Rodeo Grounds Fund	20,600	20,600	19,108	(1,492)
City Park Revenues	1,000	1,000	1,965	965
Rural Fire Districts	3,000	3,000	3,900	900
Police Travel Reimbursement	-	-	4,183	4,183
Total Charges for Services	<u>370,130</u>	<u>370,130</u>	<u>430,621</u>	<u>60,491</u>
Fines and Forfeitures:				
Fines & Forfeitures	62,315	62,315	55,750	(6,565)
Total Fines and Forfeitures	<u>62,315</u>	<u>62,315</u>	<u>55,750</u>	<u>(6,565)</u>
Interest	<u>30,000</u>	<u>30,000</u>	<u>124,747</u>	<u>94,747</u>
Other Revenues:				
Miscellaneous	738,360	738,360	281,910	(456,450)
Donations & Contributions	-	-	100	100
Sale of Assets	25,000	25,000	300	(24,700)
Total Other Revenues	<u>763,360</u>	<u>763,360</u>	<u>282,310</u>	<u>(456,450)</u>
TOTAL REVENUES	<u>9,799,845</u>	<u>9,799,845</u>	<u>8,074,112</u>	<u>(1,701,133)</u>

(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, 2020

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General Government:				
Mayor & Council	95,757	95,757	99,651	(3,894)
Magistrate	142,934	142,934	119,188	23,746
General & Administrative	1,121,009	1,121,009	904,476	216,533
Finance	583,907	583,907	480,721	103,186
Maintenance	480,209	480,209	377,737	102,472
Central Garage	440,930	440,930	461,876	(20,946)
Airport	93,000	93,000	122,042	(29,042)
Community Facilities	134,000	134,000	36,559	97,441
Total General Government	<u>3,091,746</u>	<u>3,091,746</u>	<u>2,602,250</u>	<u>489,496</u>
Public Safety:				
Police	2,313,363	2,313,363	2,179,576	133,787
Fire	251,280	251,280	156,364	94,916
Building Inspection	85,987	85,987	72,511	13,476
Total Public Safety	<u>2,650,630</u>	<u>2,650,630</u>	<u>2,408,451</u>	<u>242,179</u>
Culture & Recreation:				
Library	163,699	163,699	147,019	16,680
Parks & Recreation	280,362	280,362	219,877	60,485
Swimming Pool	160,911	160,911	88,237	72,674
Recreation Facilities	231,004	231,004	159,386	71,618
Total Culture and Recreation	<u>835,976</u>	<u>835,976</u>	<u>614,519</u>	<u>221,457</u>
Economic Development:				
Planning	235,702	235,702	175,048	60,654
Visitor Center	282,577	282,577	284,254	(1,677)
Tourism Promotion	435,000	435,000	355,648	79,352
Total Economic Development	<u>953,279</u>	<u>953,279</u>	<u>814,950</u>	<u>138,329</u>
Health & Welfare:				
Senior Center	22,200	22,200	15,171	7,029
Capital Outlay	<u>1,238,700</u>	<u>1,238,700</u>	<u>101,335</u>	<u>1,137,365</u>
TOTAL EXPENDITURES	<u>8,792,531</u>	<u>8,792,531</u>	<u>6,556,676</u>	<u>2,235,855</u>
Excess of Revenues Over Expenditures	<u>1,007,314</u>	<u>1,007,314</u>	<u>1,517,436</u>	<u>510,122</u>
Other Financing Sources (Uses):				
Transfers in	200,000	200,000	270	(199,730)
Transfers out	(887,041)	(887,041)	(1,451,382)	(564,341)
Total Other Financing Sources (Uses)	<u>(687,041)</u>	<u>(687,041)</u>	<u>(1,451,112)</u>	<u>(764,071)</u>
Net change in fund balance	320,273	320,273	66,324	(253,949)
Fund balance, beginning of year	11,059,548	11,059,548	11,059,548	-
Fund balance, end of year	<u>\$11,379,821</u>	<u>\$11,379,821</u>	<u>\$11,125,872</u>	<u>\$ (253,949)</u>

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, 2020

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES:				
Highway User Revenues	\$ 378,104	\$ 378,104	\$ 362,812	\$ (15,292)
City Sales Tax	801,067	801,067	636,335	(164,732)
Other Revenues	1,200,000	1,200,000	269,849	(930,151)
Total Revenues	<u>2,379,171</u>	<u>2,379,171</u>	<u>1,268,996</u>	<u>(1,110,175)</u>
EXPENDITURES:				
Highways & Streets:				
Salaries & Wages	308,074	308,074	285,905	22,169
Benefits	136,316	136,316	114,883	21,433
Service, Supplies and Other	178,000	178,000	120,695	57,305
Capital Outlay	2,131,300	2,131,300	1,504,638	626,662
Total Expenditures	<u>2,753,690</u>	<u>2,753,690</u>	<u>2,026,121</u>	<u>727,569</u>
Excess of Revenues Over (Under) Expenditures	<u>(374,519)</u>	<u>(374,519)</u>	<u>(757,125)</u>	<u>(382,606)</u>
Other Financing Sources (Uses):				
Transfers in	387,177	387,177	830,741	443,564
Transfers out	(114,292)	(114,292)	(114,293)	(1)
Total Other Financing Sources (Uses)	<u>272,885</u>	<u>272,885</u>	<u>716,448</u>	<u>443,564</u>
Net change in fund balance	(101,634)	(101,634)	(40,677)	60,958
Fund balance, beginning of year	40,677	40,677	40,677	-
Fund balance, end of year	<u>\$ (60,957)</u>	<u>\$ (60,957)</u>	<u>\$ -</u>	<u>\$ 60,958</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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Interest	\$ -	\$ -	\$ 1,171	\$ 1,171
Total Revenues	-	-	1,171	1,171
EXPENDITURES:				
Debt Service:				
Principal	576,791	576,791	574,253	2,538
Interest	117,365	117,365	119,842	(2,477)
Total Expenditures	694,156	694,156	694,095	61
Excess of Revenues Over (Under) Expenditures	(694,156)	(694,156)	(692,924)	1,232
Other Financing Sources (Uses):				
Operating transfer in	694,156	694,156	734,934	40,778
Total Other Financing Sources (Uses)	694,156	694,156	734,934	40,778
Net change in fund balance	-	-	42,010	42,010
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ 42,010	\$ 42,010

CITY OF WILLIAMS, ARIZONA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020

	Special Revenue Fund	Total Non-major Governmental Funds
ASSETS	Grants Fund	
Cash and cash equivalents	\$ 5,411	\$ 5,411
Receivables:		
Other	231,684	231,684
Total assets	237,095	237,095
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts Payable	208,779	208,779
Accrued Liabilities	67	67
Total liabilities	208,846	208,846
Fund Balances:		
Restricted for:		
Public safety	28,249	28,249
Total Fund Balances	28,249	28,249
Total Liabilities and Fund Balances	\$ 237,095	\$ 237,095

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, 2020

	Special Revenue Fund	Total Non-major Governmental Funds
REVENUES	Grants Fund	
Intergovernmental revenue	\$ 895,710	\$ 895,710
Donations and other revenue	29,204	29,204
Total revenues	924,914	924,914
EXPENDITURES		
Current:		
Public Safety	38,079	38,079
Capital outlay	859,537	859,537
Total expenditures	897,616	897,616
Excess of revenues over (under) expenditures	27,298	27,298
Other financing sources (uses):		
Transfers out	(270)	(270)
Total other financing sources (uses)	(270)	(270)
Net change in fund balances	27,028	27,028
Fund balances, beginning of year	1,221	1,221
Fund balances, end of year	\$ 28,249	\$ 28,249

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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental Revenue	\$ 1,800,000	\$ 1,800,000	\$ 895,710	\$ (904,290)
Donations and Other Revenue	-	-	29,204	29,204
Total Revenues	<u>1,800,000</u>	<u>1,800,000</u>	<u>924,914</u>	<u>(875,086)</u>
EXPENDITURES:				
Public Safety	200,000	200,000	38,079	161,921
Capital Outlay	1,600,000	1,600,000	859,537	740,463
Total Expenditures	<u>1,800,000</u>	<u>1,800,000</u>	<u>897,616</u>	<u>902,384</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>27,298</u>	<u>27,298</u>
Other Financing Sources (Uses):				
Transfers out	<u>-</u>	<u>-</u>	<u>(270)</u>	<u>(270)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(270)</u>	<u>(270)</u>
Net change in fund balance	-	-	27,028	27,028
Fund balance, beginning of year	<u>1,221</u>	<u>1,221</u>	<u>1,221</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,221</u>	<u>\$ 1,221</u>	<u>\$ 28,249</u>	<u>\$ 27,028</u>

CITY OF WILLIAMS, ARIZONA
Statement of Net Position
Component Unit
June 30, 2020

	<u>Williams Housing Authority</u>
Assets	
Current Assets:	
Cash	\$ 185,374
Receivables (net of allowance)	9,053
Prepays	3,570
Net OPEB asset	155
Total Current Assets	<u>198,152</u>
Noncurrent Assets:	
Land and improvements	481,979
Construction in progress	24,558
Buildings and improvements	1,894,207
Other improvements	212,107
Furniture, equipment, vehicles	138,536
Accumulated depreciation	(1,649,030)
Total noncurrent assets	<u>1,102,357</u>
Total Assets	<u>1,300,509</u>
Deferred Outflows of Resources	
Deferred outflows related to pensions/OPEB	<u>22,564</u>
Liabilities	
Current Liabilities:	
Accounts payable	3,013
Accrued liabilities	11,928
Tenant security deposits	136
Prepaid rent	5,294
Current portion of accrued compensated absences	125
Total Current Liabilities	<u>20,496</u>
Long-Term Debt (net of current portion):	
Accrued compensated absences	1,324
Net pension/OPEB liability	105,336
Total Long-Term Debt	<u>106,660</u>
Total Liabilities	<u>127,156</u>
Deferred Inflows of Resources	
Deferred inflows related to pensions/OPEB	<u>13,353</u>
Net Position	
Net investment in capital assets	1,102,357
Unrestricted	80,207
Total Net Position	<u>\$ 1,182,564</u>

CITY OF WILLIAMS, ARIZONA
Statement of Activities
Component Unit
For the Year Ended June 30, 2020

	Williams Housing Authority
Expenses:	
Health and Welfare:	\$ 492,791
Total expenses	492,791
Program Revenues:	
Charges for services	60,914
Operating grants and contributions	476,922
Total program revenues	537,836
Net (expense) revenue	45,045
General Revenues:	
Interest income	87
Total general revenues and transfers	87
Change in net position	45,132
Total net position, beginning of year	1,137,432
Total net position, end of year	\$ 1,182,564

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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HINTONBURDICK
CPAs & ADVISORS

**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, 2020, 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 February 24, 2021 .

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) as a basis for designing 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 financial statements. 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 February 24, 2021.

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
Gilbert, Arizona
February 24, 2021



HINTONBURDICK
CPAs & ADVISORS

**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, 2020, and have issued our report thereon dated February 24, 2021. 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, 2020.

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
Gilbert, Arizona
February 24, 2021