

**CITY OF WINSLOW, ARIZONA**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED JUNE 30, 2018**



CITY OF WINSLOW, ARIZONA  
ANNUAL FINANCIAL REPORT  
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## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and City Council of  
City of Winslow, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the City of Winslow, Arizona (the City), as of and for the year ended June 30, 2018, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 City'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 City'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, business-type activities, and each major fund of the City of Winslow, Arizona as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, for the year ended June 30, 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 through 14, the Budgetary Comparison Schedules on pages 60 through 61, and Pension Plan Schedules on pages 63 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Compliance over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies*

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to use highway user revenue fund monies the City received pursuant to Arizona Revised Statutes, Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues the City received solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the City Council, management, and other responsible parties within the City and is not intended to be and should not be used by anyone other than these specified parties.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Fester & Chapman, PLLC*

January 30, 2019





MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
(REQUIRED SUPPLEMENTARY INFORMATION)



CITY OF WINSLOW, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018

As management of the City of Winslow, Arizona (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018.

### FINANCIAL HIGHLIGHTS

We (the City of Winslow, Arizona (City)) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2018. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, and significant economic factors. When referring to prior year data in this analysis we will be drawing upon information from last year's audited financial reports.

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$46,694,310 (net position). Of this amount \$2,786,326 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$8,416,179, an increase of \$1,203,495 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,400,832 or 26% of total General Fund expenditures.
- General Fund revenues (on a budgetary basis) were less than budgeted revenues by \$354,295 for fiscal year ending June 30, 2018. Additionally, budgetary basis expenditures were \$899,468 more than the final budget in the General Fund.
- General Fund revenues exceeded expenditures by \$22,203.

### OVERVIEW OF FINANCIAL STATEMENTS

The financial section of the Annual Financial Report (AFR) for the City of Winslow, Arizona consists of this discussion and analysis, the basic financial statements and the required supplementary schedules. The basic financial statements include the government-wide financial statements, fund financial statements, and notes to basic financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of Winslow, Arizona's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the City of Winslow, Arizona's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as useful indicators of whether the financial position of the City of Winslow, Arizona is improving or deteriorating.

CITY OF WINSLOW, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Winslow, Arizona that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Winslow, Arizona include general government, public safety, highways and streets, culture and recreation and redevelopment and housing. The business-type activities include airport, water, sanitation, and wastewater operations.

The government-wide financial statements can be found on pages 17-18 of this report.

**Fund Financial Statements.** The fund financial statements focus on major funds of the City. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Winslow, Arizona, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Winslow, Arizona can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Since the governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer term focus, a reconciliation of the differences between the two is provided with the fund financial statements.

The basic governmental fund financial statements can be found on pages 19 - 22 of this report.

CITY OF WINSLOW, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018

*Proprietary Funds.* The City of Winslow, Arizona maintains two types of proprietary funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Winslow, Arizona's various functions. The City of Winslow, Arizona uses an internal service fund to account for its automotive maintenance services. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the Airport, Water, Sanitation and Wastewater Funds. The internal service fund is presented in a single presentation in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 23 - 26 of this report.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Winslow, Arizona's own programs. The Pension Trust Fund accounts for the activities of the Oncall Firefighters' Pension Plan, which accumulates resources for pension benefit payments to qualified volunteer firefighters and the accounting used is much like that used for proprietary funds. The Agency Fund is custodial in nature and does not present results of operations or a measurement focus.

The basic fiduciary fund financial statements can be found immediately after the basic financial statements.

*Other information.* Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The City has chosen to present these budgetary statements as required supplementary information. Additionally, governments are required to disclose certain information about employee pension funds. The City has disclosed this information on pages 60-71.

CITY OF WINSLOW, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**

Net position may serve over time as useful indicators of a government's financial position. The following table reflects the condensed Statement of Net Position of the City for June 30, 2018 showing that assets exceeded liabilities by \$46,694,310.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>ASSETS</b>						
Current and Other Assets	\$ 13,231,010	\$ 11,310,134	\$ 7,257,983	\$ 11,984,590	\$ 20,488,993	\$ 23,294,724
Capital Assets						
Non-depreciable	2,104,680	2,069,630	11,986,085	12,422,826	14,090,765	14,492,456
Depreciable	<u>20,465,128</u>	<u>19,930,311</u>	<u>14,626,931</u>	<u>10,689,387</u>	<u>35,092,059</u>	<u>30,619,698</u>
Total Assets	<u>35,800,818</u>	<u>33,310,075</u>	<u>33,870,999</u>	<u>35,096,803</u>	<u>69,671,817</u>	<u>68,406,878</u>
<b>DEFERRED OUTFLOWS</b>						
Amount Related to Pensions	<u>2,054,124</u>	<u>2,429,655</u>	<u>148,635</u>	<u>223,531</u>	<u>2,202,759</u>	<u>2,653,186</u>
Total Deferred Outflow of Resources	<u>2,054,124</u>	<u>2,429,655</u>	<u>148,635</u>	<u>223,531</u>	<u>2,202,759</u>	<u>2,653,186</u>
<b>LIABILITIES</b>						
Other Liabilities	829,298	918,161	1,231,354	2,074,214	2,060,652	2,992,375
Noncurrent Liabilities						
Due Within One Year	833,793	813,305	606,578	710,187	1,440,371	1,523,492
Due in More Than One Year	<u>9,940,312</u>	<u>8,967,286</u>	<u>10,508,917</u>	<u>11,084,111</u>	<u>20,449,229</u>	<u>20,051,397</u>
Total liabilities	<u>11,603,403</u>	<u>10,698,752</u>	<u>12,346,849</u>	<u>13,868,512</u>	<u>23,950,252</u>	<u>24,567,264</u>
<b>DEFERRED INFLOWS</b>						
Amount Related to Pensions	1,134,230	1,508,438	95,784	163,279	1,230,014	1,671,717
<b>NET POSITION</b>						
Net Investment in Capital						
Assets	20,941,590	21,999,941	16,903,952	16,571,213	37,845,542	38,571,154
Restricted	5,955,027	4,824,509	107,415	107,415	6,062,442	4,931,924
Unrestricted	<u>(1,779,308)</u>	<u>(3,291,910)</u>	<u>4,565,634</u>	<u>4,609,915</u>	<u>2,786,326</u>	<u>1,318,005</u>
Total Net Position	<u>\$ 25,117,309</u>	<u>\$ 23,532,540</u>	<u>\$ 21,577,001</u>	<u>\$ 21,288,543</u>	<u>\$ 46,694,310</u>	<u>\$ 44,821,083</u>

Net position consists of three components. The largest portion of the City of Winslow, Arizona's net position (81%) reflects its investment in capital assets (e.g., land, buildings, furniture, equipment and vehicles) less any related debt used to acquire those assets that are still outstanding. The City of Winslow, Arizona uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Winslow, Arizona's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Winslow, Arizona's net position (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$2,786,326 may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City of Winslow, Arizona is able to report positive balances in all three categories of net position for the government as a whole.

CITY OF WINSLOW, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018

**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Program Revenues:						
Charges for Services	\$ 1,348,740	\$ 1,044,909	\$ 5,151,339	\$ 4,861,408	\$ 6,500,079	\$ 5,906,317
Operating Grants and Contributions	2,571,308	2,593,986	88,467	41,881	2,659,775	2,635,867
Capital Grants and Contributions			311,167	4,636,513	311,167	4,636,513
General Revenues:						
Sales Tax	5,227,202	5,596,517			5,227,202	5,596,517
Property taxes	380,688	385,956			380,688	385,956
Franchise taxes	225,353	247,543			225,353	247,543
State revenue sharing	2,758,576	2,627,805			2,758,576	2,627,805
Unrestricted Investment Earnings	13,865	5,714	24,864	3,695	38,729	9,409
Miscellaneous	<u>276,072</u>	<u>390,058</u>			<u>276,072</u>	<u>390,058</u>
Total Revenues:	<u>12,801,804</u>	<u>12,892,488</u>	<u>5,575,837</u>	<u>9,543,497</u>	<u>18,377,641</u>	<u>22,435,985</u>
<b>EXPENSES</b>						
General Government	3,021,249	4,086,930			3,021,249	4,086,930
Public Safety	4,451,292	4,531,019			4,451,292	4,531,019
Highways and Streets	2,288,731	2,236,496			2,288,731	2,236,496
Culture and Recreation	499,208	479,688			499,208	479,688
Redevelopment and Housing	1,199,038	1,171,462			1,199,038	1,171,462
Interest and Fiscal Charges	54,846	62,094			54,846	62,094
Airport			342,374	422,430	342,374	422,430
Water			1,915,270	1,959,545	1,915,270	1,959,545
Sanitation			1,146,488	964,897	1,146,488	964,897
Wastewater			<u>1,883,247</u>	<u>2,157,583</u>	<u>1,883,247</u>	<u>2,157,583</u>
Total Expenses	<u>11,514,364</u>	<u>12,567,689</u>	<u>5,287,379</u>	<u>5,504,455</u>	<u>16,801,743</u>	<u>18,072,144</u>
Change in net position	1,287,440	324,799	288,458	4,039,042	1,575,898	4,363,841
Net Position - Beginning	<u>23,829,869</u>	<u>23,207,741</u>	<u>21,288,543</u>	<u>17,249,501</u>	<u>45,118,412</u>	<u>40,457,242</u>
Net Position - Ending	<u>\$ 25,117,309</u>	<u>\$ 23,532,540</u>	<u>\$ 21,577,001</u>	<u>\$ 21,288,543</u>	<u>\$ 46,694,310</u>	<u>\$ 44,821,083</u>

Governmental activities increased the City's net position by \$1,287,440 in fiscal year 2018. A key factor of this increase was an increase in state shared revenues. Business-type activities increased the City's net position by \$288,458 in fiscal year 2018. A key factor of this increase was additional transfers from the capital projects fund.

CITY OF WINSLOW, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds and Capital Projects Fund.

As of the end of the current fiscal year the City's governmental funds reported combined ending fund balances of \$8,416,179, an increase of \$1,203,495 in comparison with the prior year. Approximately 29% of this total amount (\$2,400,832) constitutes unassigned fund balance which is available for spending at the government's discretion. The remainder of fund balance is nonspendable or restricted to indicate that is not available for new spending. At fiscal year ended June 30, 2018, fund balances were as follows:

Fund	Balance	Increase (Decrease) From 2016-17
General Fund	\$ 2,401,867	\$ 22,203
Highway User Revenue Fund	709,506	78,562
Housing Fund	129,786	(90,797)
Capital Projects Fund	5,166,939	1,186,632
Other Governmental Fund	8,081	6,895

The General Fund is the chief operating fund of the City of Winslow, Arizona. At the end of the current fiscal year, the fund balance of the General Fund was \$2,401,867, while total fund balance reached \$8,416,179. As a measure of the General Fund's liquidity, it may be useful to compare General Fund balance total General Fund expenditures. General Fund balance represents 26% of total General Fund expenditures.

The fund balance of the City of Winslow, Arizona's General Fund increased by \$22,203 as a result of the City's match for capital improvements in the current fiscal year and a capital lease payment.

The increase in the Highway User Revenue Fund was mainly due to the State's partial elimination of the HURF sweep to fund DPS.

The decrease in Housing Fund balance was mainly due to a change in methodology for how indirect costs/administrative charges are calculated.

The Capital Projects Fund balance increased during the year as a result of limited capital project work during the year in an effort build fund balance for use on planned future capital projects.

There were no material changes in the Other Governmental Fund balance during the fiscal year.

**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 and may be found on pages 60-62. 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 \$8,035,842, (on a budgetary basis) fell short of budgeted revenues of \$8,390,137 by \$354,295 while budgetary basis expenditures of \$9,357,201 were \$899,468 higher than budgeted expenditures



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due to the purchase of a ladder fire truck.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

The City's capital assets for its governmental activities as of June 30, 2018 amount to \$22,569,808 (net of accumulated depreciation), a net increase of \$569,867 (2.6%) from the prior year. Capital assets for its business-type activities as of June 30, 2018 amount to \$26,613,017 (net of accumulated depreciation), a net increase of \$3,500,804 (15%). For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

During fiscal year ended June 30, 2018 the annual depreciation expense for governmental and business-type activities was \$1,553,104 and \$1,165,273, respectively. Additions to governmental and business-type activities capital assets during the fiscal year totaled \$2,122,971 and \$4,666,077, respectively. See Note 6 for further information regarding capital assets.

Major capital asset events during the current fiscal year included the following:

- Vehicles and Equipment (\$1,407,654), (New ladder fire truck, police, animal control, public housing)
- Street Improvements (\$219,752)
- Construction in Progress (\$4,696,869), (Wastewater Treatment Plant renovation, new water meter infrastructure)
- Airport Improvements (\$5,024,835), (Runway 4-22 Rehabilitation)

The following schedule presents capital asset balances for the fiscal years ended June 30, 2018 and June 30, 2017.

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 1,705,140	\$ 1,706,222	\$ 709,084	\$ 709,084	\$ 2,414,224	\$ 2,415,306
Construction in progress	399,540	363,408	11,277,001	11,713,742	11,676,541	12,077,150
Infrastructure, net	11,573,735	12,347,890			11,573,735	12,347,890
Buildings and improvements, net	6,244,387	6,069,557	157,023	170,919	6,401,410	6,240,476
Machinery, equipment and vehicles, net	2,647,006	1,512,864	129,740	175,128	2,776,746	1,687,992
Land improvements, net			6,930,156	2,208,211	6,930,156	2,208,211
Water system and improvements, net			5,608,684	5,944,221	5,608,684	5,944,221
Wastewater plant and improvements, net			<u>1,801,329</u>	<u>2,190,908</u>	<u>1,801,329</u>	<u>2,190,908</u>
Total assets, net	<u>\$22,569,808</u>	<u>\$21,999,941</u>	<u>\$26,613,017</u>	<u>\$23,112,213</u>	<u>\$49,182,825</u>	<u>\$45,112,154</u>

Additional information on the City's capital assets can be found in Note 6.

CITY OF WINSLOW, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2018

*Debt Administration* At year end, the City had \$12,257,176 in long-term debt outstanding. The following table presents a summary of the City's outstanding long-term debt for the fiscal years ended June 30, 2018 and June 30, 2017.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Highway User Revenue Bonds	\$ 1,090,000	\$ 1,335,000			\$ 1,090,000	\$ 1,335,000
Water Utility Revenue Bonds			\$ 1,554,000	\$ 1,807,000	1,554,000	1,807,000
Wastewater System Revenue Bonds			6,952,192	7,199,359	6,952,192	7,199,359
WIFA Loan Payable			1,202,872	1,274,653	1,202,872	1,274,653
Capital Leases	<u>1,458,112</u>	<u>248,785</u>		<u>75,268</u>	<u>1,458,112</u>	<u>324,053</u>
Total outstanding debt	<u>\$ 2,548,112</u>	<u>\$ 1,583,785</u>	<u>\$ 9,709,064</u>	<u>\$10,356,280</u>	<u>\$12,257,176</u>	<u>\$11,940,065</u>

Additional information on the City's long-term debt can be found in Notes 7 through 8.

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

City management considered many factors in the process of developing the operating budget for the fiscal year 2018-19. The most significant factors affecting the subsequent year's budget are:

- Stabilizing utilities costs and rates
- State shared revenue and local sales tax
- Business retention and expansion
- Waste Water Treatment Plant rehabilitation
- Airport Runway Project
- Continued efforts to mitigate slum and blight
- Update five-year Capital Improvement Plan (CIP)

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all of those with an interest 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 Winslow, Arizona  
Finance Department  
119 E. First St.  
Winslow, AZ 86047  
(928) 289-5533

Or visit our website at:  
[www.winslowaz.gov](http://www.winslowaz.gov)

## BASIC FINANCIAL STATEMENTS



CITY OF WINSLOW, ARIZONA  
STATEMENT OF NET POSITION  
JUNE 30, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Cash and investments	\$ 8,344,694	\$ 6,432,314	\$ 14,777,008
Receivables (net of allowance for uncollectibles):			
Property taxes	23,733		23,733
Accounts	117,551	593,357	710,908
Accrued interest		224	224
Due from other governments	731,803	104,834	836,637
Inventory	9,492	15,766	25,258
Prepaid items	5,251		5,251
Restricted cash	23,503	107,415	130,918
Net pension and other postemployment benefits assets	3,974,983	4,073	3,979,056
Capital assets, not being depreciated	2,104,680	11,986,085	14,090,765
Capital assets, being depreciated (net)	<u>20,465,128</u>	<u>14,626,931</u>	<u>35,092,059</u>
Total assets	35,800,818	33,870,999	69,671,817
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred outflows related to pensions and other postemployment benefits	<u>2,054,124</u>	<u>148,635</u>	<u>2,202,759</u>
Total deferred outflows of resources	<u>2,054,124</u>	<u>148,635</u>	<u>2,202,759</u>
<b>LIABILITIES:</b>			
Accounts payable	375,194	1,080,425	1,455,619
Accrued payroll and employee benefits	123,757	12,451	136,208
Due to other governments	310,277		310,277
Deposits held for others	13,800	133,478	147,278
Unearned revenue	6,270	5,000	11,270
Noncurrent liabilities:			
Due within one year	833,793	606,578	1,440,371
Due in more than one year	<u>9,940,312</u>	<u>10,508,917</u>	<u>20,449,229</u>
Total liabilities	<u>11,603,403</u>	<u>12,346,849</u>	<u>23,950,252</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred inflows related to pensions and other postemployment benefits	<u>1,134,230</u>	<u>95,784</u>	<u>1,230,014</u>
Total deferred inflows of resources	<u>1,134,230</u>	<u>95,784</u>	<u>1,230,014</u>
<b>NET POSITION:</b>			
Net investment in capital assets	20,941,590	16,903,952	37,845,542
Restricted for:			
Highways and streets	662,518		662,518
Public housing program	125,570		125,570
Capital projects	5,166,939		5,166,939
Debt service		107,415	107,415
Unrestricted (deficit)	<u>(1,779,308)</u>	<u>4,565,634</u>	<u>2,786,326</u>
Total net position	<u>\$ 25,117,309</u>	<u>\$ 21,577,001</u>	<u>\$ 46,694,310</u>

See accompanying notes to financial statements.

CITY OF WINSLOW, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 3,021,249	\$ 1,098,636	\$ 17,111		\$ (1,905,502)		\$ (1,905,502)
Public safety	4,451,292		1,480,850		(2,970,442)		(2,970,442)
Highways and streets	2,288,731		152,633		(2,136,098)		(2,136,098)
Culture and recreation	499,208	70,170			(429,038)		(429,038)
Redevelopment and housing	1,199,038	179,934	920,714		(98,390)		(98,390)
Interest and fiscal charges	<u>54,846</u>				<u>(54,846)</u>		<u>(54,846)</u>
Total governmental activities	11,514,364	1,348,740	2,571,308		(7,594,316)		(7,594,316)
<b>Business-Type activities:</b>							
Airport	342,374	39,883		\$ 263,667	\$ (38,824)		(38,824)
Water	1,915,270	2,289,045		47,500	421,275		421,275
Sanitation	1,146,488	842,472	88,467		(215,549)		(215,549)
Wastewater	<u>1,883,247</u>	<u>1,979,939</u>			<u>96,692</u>		<u>96,692</u>
Total business-type activities	<u>5,287,379</u>	<u>5,151,339</u>	<u>88,467</u>	<u>311,167</u>	<u>263,594</u>		<u>263,594</u>
Total government	<u>\$ 16,801,743</u>	<u>\$ 6,500,079</u>	<u>\$ 2,659,775</u>	<u>\$ 311,167</u>	<u>(7,594,316)</u>	<u>263,594</u>	<u>(7,330,722)</u>
<b>General revenues:</b>							
<b>Taxes:</b>							
Sales tax					5,227,202		5,227,202
Property taxes					380,688		380,688
Franchise taxes					225,353		225,353
<b>Unrestricted state shared revenues:</b>							
Urban revenue sharing					1,208,126		1,208,126
State shared sales tax					934,037		934,037
State shared vehicle license tax					616,413		616,413
Investment income					13,865	24,864	38,729
Miscellaneous					<u>276,072</u>		<u>276,072</u>
Total general revenues					<u>8,881,756</u>	<u>24,864</u>	<u>8,906,620</u>
Change in net position					1,287,440	288,458	1,575,898
Net position, July 1, 2017, as restated					<u>23,829,869</u>	<u>21,288,543</u>	<u>45,118,412</u>
Net position, June 30, 2018					<u>\$ 25,117,309</u>	<u>\$ 21,577,001</u>	<u>\$ 46,694,310</u>

See accompanying notes to financial statements.

CITY OF WINSLOW, ARIZONA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2018

	General Fund	Highway User Revenue Fund	Housing Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
<b>ASSETS:</b>						
Cash and investments	\$ 2,247,242	\$ 612,014	\$ 211,049	\$ 5,266,308	\$ 8,081	\$ 8,344,694
Receivables:						
Property taxes	23,733					23,733
Accounts	105,629		11,922			117,551
Due from other governments	600,372	123,602	7,829			731,803
Due from other funds	101,569					101,569
Prepaid items	1,035		4,216			5,251
Restricted cash			23,503			23,503
Total assets	\$ 3,079,580	\$ 735,616	\$ 258,519	\$ 5,266,308	\$ 8,081	\$ 9,348,104
<b>LIABILITIES:</b>						
Accounts payable	\$ 236,287	\$ 24,200	\$ 4,730	\$ 99,369		\$ 364,586
Accrued payroll and employee benefits	114,900	1,910	2,749			119,559
Due to other governments	310,277					310,277
Due to other funds			101,569			101,569
Deposits held for others	385		13,415			13,800
Unearned revenue			6,270			6,270
Total liabilities	661,849	26,110	128,733	99,369		916,061
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable revenue - property taxes	15,864					15,864
Total deferred inflows of resources	15,864					15,864
<b>FUND BALANCES:</b>						
Nonspendable	1,035		4,216			5,251
Restricted		709,506	125,570	5,166,939	\$ 8,081	6,010,096
Unassigned	2,400,832					2,400,832
Total fund balances	2,401,867	709,506	129,786	5,166,939	8,081	8,416,179
Total liabilities and fund balances	\$ 3,079,580	\$ 735,616	\$ 258,519	\$ 5,266,308	\$ 8,081	\$ 9,348,104

See accompanying notes to financial statements.

CITY OF WINSLOW, ARIZONA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2018

Fund balances - total governmental funds		\$ 8,416,179
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the fund.		15,864
Net pension assets held in trust for future benefits are not available for operations and, therefore, are not reported in the funds.		3,974,983
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
Governmental capital assets	\$ 42,086,755	
Less accumulated depreciation	<u>(19,516,947)</u>	22,569,808
Deferred outflows and inflows of resources related to pensions/OPEB.		919,894
Some liabilities are not due and payable in the current period and therefore, are not reported in the funds.		
Compensated absences	(422,375)	
Revenue bonds payable	(1,090,000)	
Capital leases payable	(1,458,112)	
Net pension liabilities	<u>(7,803,618)</u>	<u>(10,774,105)</u>
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		<u>(5,314)</u>
Net position of governmental activities		<u>\$ 25,117,309</u>

See accompanying notes to financial statements.



CITY OF WINSLOW, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2018

	General Fund	Highway User Revenue Fund	Housing Fund	Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
<b>REVENUES:</b>						
Taxes:						
Sales	\$ 3,258,036			\$ 1,969,166		\$ 5,227,202
Property	380,688					380,688
Franchise	225,353					225,353
Intergovernmental	2,897,397	\$ 1,351,142	\$ 920,714		152,633	5,321,886
Fines and forfeits	64,983					64,983
Licenses and permits	54,649					54,649
Charges for services	1,035,685	150	179,784			1,215,619
Rental income	20,863					20,863
Contributions	28,247					28,247
Investment income	6,754	4,049	13	3,049		13,865
Other	63,187	7,110	381			70,678
Total revenues	<u>8,035,842</u>	<u>1,362,451</u>	<u>1,100,892</u>	<u>1,972,215</u>	<u>152,633</u>	<u>12,624,033</u>
<b>EXPENDITURES:</b>						
Current:						
General government	3,053,185					3,053,185
Public safety	5,683,160					5,683,160
Highways and streets		985,795			145,738	1,131,533
Culture and recreation	491,957					491,957
Redevelopment and housing			1,191,689			1,191,689
Capital outlay	47,634			905,197		952,831
Debt service:						
Principal	77,830	245,000		56,405		379,235
Interest	3,435	53,094		1,752		58,281
Total expenditures	<u>9,357,201</u>	<u>1,283,889</u>	<u>1,191,689</u>	<u>963,354</u>	<u>145,738</u>	<u>12,941,871</u>
(Deficiency) excess of revenues						
(under) over expenditures	<u>(1,321,359)</u>	<u>78,562</u>	<u>(90,797)</u>	<u>1,008,861</u>	<u>6,895</u>	<u>(317,838)</u>
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from land sales				177,771		177,771
Capital leases	1,343,562					1,343,562
Total other financing sources (uses)	<u>1,343,562</u>			<u>177,771</u>		<u>1,521,333</u>
Net change in fund balances	22,203	78,562	(90,797)	1,186,632	6,895	1,203,495
Fund balances, July 1, 2017	2,379,664	630,944	220,583	3,980,307	\$ 1,186	7,212,684
Fund balances, June 30, 2018	<u>\$ 2,401,867</u>	<u>\$ 709,506</u>	<u>\$ 129,786</u>	<u>\$ 5,166,939</u>	<u>\$ 8,081</u>	<u>\$ 8,416,179</u>

See accompanying notes to financial statements.

CITY OF WINSLOW, ARIZONA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds \$ 1,203,495

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 2,122,971	
Depreciation expense	<u>(1,553,104)</u>	569,867

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal of long-term debt consumes the current financial resources of governmental funds. However, these payments have no effect on net position. This amount is the effect of difference in the treatment of repayments of long-term debt and related items.

Capital leases		(1,343,562)
Principal repaid		<u>379,235</u>

Under the modified accrual basis accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses and liabilities are reported regardless of when the financial resources are available.

Claim and judgment	180,000	
Net change in compensated absences	<u>(25,591)</u>	154,409

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 reported net pension/OPEB liability is measured a year before the City's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.

289,443

Internal service funds are used by management to charge the costs of certain activities such as technology, maintenance and insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities in the Statement of Activities.

34,553

Change in net position of governmental activities \$ 1,287,440

See accompanying notes to financial statements.

CITY OF WINSLOW, ARIZONA  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	Business-type Activities Enterprise Funds				Totals	Governmental Activities
	Airport Fund	Water Fund	Sanitation Fund	Wastewater Fund		Internal Service Fund
<b>ASSETS:</b>						
Current assets:						
Cash and investments		\$ 2,522,200	\$ 62,180	\$ 3,847,934	\$ 6,432,314	
Receivables:						
Accounts, net	\$ 13,359	385,110	61,232	133,656	593,357	
Interest				224	224	
Due from other governments	103,222	1,612			104,834	
Due from other funds		89,608			89,608	
Inventory		15,766			15,766	\$ 9,492
Total current assets	<u>116,581</u>	<u>3,014,296</u>	<u>123,412</u>	<u>3,981,814</u>	<u>7,236,103</u>	<u>9,492</u>
Noncurrent assets:						
Restricted cash		107,415			107,415	
Net other postemployment benefits asset		1,742	725	1,606	4,073	290
Capital assets:						
Non-depreciable	57,228	1,650,870	48,015	10,229,972	11,986,085	
Depreciable, net	6,917,576	5,644,121	247,373	1,817,861	14,626,931	
Total noncurrent assets	<u>6,974,804</u>	<u>7,404,148</u>	<u>296,113</u>	<u>12,049,439</u>	<u>26,724,504</u>	<u>290</u>
Total assets	<u>7,091,385</u>	<u>10,418,444</u>	<u>419,525</u>	<u>16,031,253</u>	<u>33,960,607</u>	<u>9,782</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>						
Deferred outflows related to pensions		<u>63,412</u>	<u>25,689</u>	<u>59,534</u>	<u>148,635</u>	<u>9,426</u>
Total deferred outflows of resources		<u>63,412</u>	<u>25,689</u>	<u>59,534</u>	<u>148,635</u>	<u>9,426</u>
<b>LIABILITIES:</b>						
Current liabilities:						
Accounts payable	8,055	562,427	56,606	453,337	1,080,425	10,571
Accrued payroll and employee benefits		3,671	4,469	4,311	12,451	
Due to other funds	89,608				89,608	
Deposits held for others		131,703	1,775		133,478	
Unearned revenue	5,000				5,000	
Current portion of:						
Compensated absences		6,662	7,726	28,157	42,545	2,386
Landfill postclosure costs payable			13,378		13,378	
Bond payable		231,000		245,864	476,864	
Loan payable		73,791			73,791	
Total current liabilities	<u>102,663</u>	<u>1,009,254</u>	<u>83,954</u>	<u>731,669</u>	<u>1,927,540</u>	<u>12,957</u>
Noncurrent liabilities:						
Compensated absences		9,171	583	7,905	17,659	1,849
Landfill postclosure costs payable			163,490		163,490	
Bond payable		1,323,000		6,706,328	8,029,328	
Loan payable		1,129,081			1,129,081	
Net pension liabilities		499,903	208,294	461,162	1,169,359	83,317
Total noncurrent liabilities		<u>2,961,155</u>	<u>372,367</u>	<u>7,175,395</u>	<u>10,508,917</u>	<u>85,166</u>
Total liabilities	<u>102,663</u>	<u>3,970,409</u>	<u>456,321</u>	<u>7,907,064</u>	<u>12,436,457</u>	<u>98,123</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Deferred inflows related to pensions		<u>40,947</u>	<u>17,062</u>	<u>37,775</u>	<u>95,784</u>	<u>6,826</u>
Total deferred inflows of resources		<u>40,947</u>	<u>17,062</u>	<u>37,775</u>	<u>95,784</u>	<u>6,826</u>
<b>NET POSITION:</b>						
Net investment in capital assets	6,974,804	4,538,119	295,388	5,095,641	16,903,952	
Restricted for debt service		107,415			107,415	
Unrestricted (deficit)	13,918	1,824,966	(323,557)	3,050,307	4,565,634	(85,741)
Total net position	<u>\$ 6,988,722</u>	<u>\$ 6,470,500</u>	<u>\$ (28,169)</u>	<u>\$ 8,145,948</u>	<u>\$ 21,577,001</u>	<u>\$ (85,741)</u>

See accompanying notes to financial statements.

CITY OF WINSLOW, ARIZONA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	Business-type Activities Enterprise Funds				Totals	Governmental Activities
	Airport Fund	Water Fund	Sanitation Fund	Wastewater Fund		Internal Service Fund
Operating revenues:						
Charges for services	\$ 39,883	\$ 2,289,045	\$ 842,472	\$ 1,979,939	\$ 5,151,339	\$ 274,120
Total operating revenues	39,883	2,289,045	842,472	1,979,939	5,151,339	274,120
Operating expenses:						
Cost of sales and services	44,008	1,439,688	1,099,551	1,298,254	3,881,501	239,567
Depreciation	298,366	400,522	46,937	419,448	1,165,273	
Total operating expenses	342,374	1,840,210	1,146,488	1,717,702	5,046,774	239,567
Operating (loss) income	(302,491)	448,835	(304,016)	262,237	104,565	34,553
Nonoperating revenues (expenses):						
Noncapital grants			88,467		88,467	
Grants and contributions	263,667				263,667	
Investment earnings (losses)		15,642	(1,821)	11,043	24,864	
Interest expense		(75,060)		(165,545)	(240,605)	
Total nonoperating (expenses) revenues	263,667	(59,418)	86,646	(154,502)	136,393	
Capital contributions		47,500			47,500	
Change in net position	(38,824)	436,917	(217,370)	107,735	288,458	34,553
Total net position - beginning	7,027,546	6,033,583	189,201	8,038,213	21,288,543	(120,294)
Total net position - ending	\$ 6,988,722	\$ 6,470,500	\$ (28,169)	\$ 8,145,948	\$ 21,577,001	\$ (85,741)

See accompanying notes to financial statements.

CITY OF WINSLOW, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

	Business-type Activities Enterprise Funds				Totals	Governmental Activities
	Airport Fund	Water Fund	Sanitation Fund	Wastewater Fund		Internal Service Fund
Cash flows from operating activities:						
Receipts from customers	\$ 39,883	\$ 2,200,923	\$ 875,412	\$ 2,034,816	\$ 5,151,034	
Receipts from interfund services						\$ 274,120
Payments to suppliers	(38,803)	(1,045,550)	(988,241)	(1,052,179)	(3,124,773)	(221,482)
Payments to employees		(355,079)	(97,322)	(323,244)	(775,645)	(53,901)
Net cash (used) provided by operating activities	<u>1,080</u>	<u>800,294</u>	<u>(210,151)</u>	<u>659,393</u>	<u>1,250,616</u>	<u>(1,263)</u>
Cash flows from noncapital financing activities:						
Cash (paid)/received from other funds for interfund borrowing	89,608	(277,943)	188,335			
Noncapital grant receipts			85,817		85,817	
Net cash provided (used) by noncapital financing activities	<u>89,608</u>	<u>(277,943)</u>	<u>274,152</u>		<u>85,817</u>	
Cash flows from capital and related financing activities:						
Purchase of capital assets	(393,988)	(490,835)		(4,003,795)	(4,888,618)	
Capital grant receipts	160,445				160,445	
Interest paid on capital debt		(75,060)		(165,545)	(240,605)	
Principal paid on capital debt		(400,049)		(247,167)	(647,216)	
Net cash used by capital and related financing activities	<u>(233,543)</u>	<u>(965,944)</u>		<u>(4,416,507)</u>	<u>(5,615,994)</u>	
Cash flows from investing activities:						
Interest received (charged)		15,642	(1,821)	11,043	24,864	
Net cash provided by investing activities		<u>15,642</u>	<u>(1,821)</u>	<u>11,043</u>	<u>24,864</u>	
Net (decrease)/increase in cash and cash equivalents	(142,855)	(427,951)	62,180	(3,746,071)	(4,254,697)	(1,263)
Cash and cash equivalents, beginning of year	<u>142,855</u>	<u>3,057,566</u>		<u>7,594,005</u>	<u>6,055,416</u>	<u>1,263</u>
Cash and cash equivalents, end of year	<u>\$</u>	<u>\$ 2,629,615</u>	<u>\$ 62,180</u>	<u>\$ 3,847,934</u>	<u>\$ 6,539,729</u>	<u>\$</u>

(CONTINUED)

See accompanying notes to financial statements.

CITY OF WINSLOW, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2018

(CONTINUED)

	Business-type Activities Enterprise Funds				Totals	Governmental Activities
	Airport Fund	Water Fund	Sanitation Fund	Wastewater Fund		Internal Service Fund
Reconciliation of operating (loss) income to net cash (used) provided by operating activities:						
Operating (loss) income	\$ (302,491)	\$ 448,835	\$ (304,016)	\$ 262,237	\$ 104,565	\$ 34,553
Adjustments to reconcile operating (loss) income to net cash (used) provided by operations:						
Depreciation	298,366	400,522	46,937	419,448	1,165,273	
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:						
Net pension asset		(1,742)	(725)	(1,606)	(4,073)	(290)
Net pension liability		(27,714)	32,422	(22,489)	(17,781)	(4,619)
Deferred outflows of resources related to pensions		36,182	6,373	32,341	74,896	9,146
Deferred inflows of resources related to pensions		(31,622)	(7,127)	(28,746)	(67,495)	(5,269)
Accounts receivable, net		(89,419)	32,625	54,877	(1,917)	
Accounts payable	5,205	69,352	(5,589)	(59,619)	9,349	(34,414)
Accrued expenses		1,002	3,416	1,850	6,268	(370)
Deposits held for others		1,297	315		1,612	
Landfill postclosure costs payable			(13,167)		(13,167)	
Compensated absences		(6,399)	(1,615)	1,100	(6,914)	
Net cash (used) provided by operating activities	<u>\$ 1,080</u>	<u>\$ 800,294</u>	<u>\$ (210,151)</u>	<u>\$ 659,393</u>	<u>\$ 1,250,616</u>	<u>\$ (1,263)</u>
Cash and investments:						
Unrestricted cash and investments		\$ 2,522,200	\$ 62,180	\$ 3,847,934	\$ 6,432,314	
Restricted cash		107,415			107,415	
Total cash and investments at June 30, 2018		<u>\$ 2,629,615</u>	<u>\$ 62,180</u>	<u>\$ 3,847,934</u>	<u>\$ 6,539,729</u>	
Non-cash financing transactions:						
Capital contributions		\$ 47,500			\$ 47,500	

See accompanying notes to financial statements.

CITY OF WINSLOW, ARIZONA  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2018

	<u>Pension Trust</u>
ASSETS:	
Cash and investments	\$ <u>199,737</u>
Total assets	<u>199,737</u>
NET POSITION:	
Held in trust	\$ <u><u>199,737</u></u>

See accompanying notes to financial statements.

CITY OF WINSLOW, ARIZONA  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 YEAR ENDED JUNE 30, 2018

	<u>Pension Trust</u>
ADDITIONS:	
Contributions	\$ 1,608
Investment income	<u>20,970</u>
Total additions	<u>22,578</u>
DEDUCTIONS:	
Benefits	3,343
Administration	<u>8,141</u>
Total deductions	<u>11,484</u>
Change in net position	11,094
Net position, beginning of year	<u>188,643</u>
Net position, end of year	<u>\$ 199,737</u>

See accompanying notes to financial statements.



CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Winslow, Arizona (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the City's more significant accounting policies follows:

For the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

A. Financial Reporting Entity

The City is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations.

Included within the reporting entity:

Winslow Housing Authority – The Winslow Housing Authority (the Authority) is a public benefit corporation created by the City to provide subsidized public housing in accordance with federal legislation. The City Council acts as the governing body of the Authority, and as such, employs executives; authorizes contracts with the U.S. Department of Housing and Urban Development; and causes the Authority to construct, own, and operate public housing facilities within the boundaries of the City. The financial liability of the 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. Complete financial statements for the City's component unit are not prepared.

B. Government-Wide and Fund 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 activities of the primary government and its component unit. The effect of interfund activity has been eliminated from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues.

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Fiduciary funds are not reported in the government-wide financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide, and proprietary fund 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.

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 City 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, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental grants and aid, 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. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

Highway User Revenue Fund - The Highway User Revenue Fund is a special revenue fund which accounts for the City's share of motor fuel tax revenues.

Housing Fund - The Housing Fund is a special revenue fund which accounts for the Winslow Housing Authority component unit of the City. The Winslow Housing Authority receives federal assistance and provides low rent housing for the area.

Capital Projects Fund - The Capital Projects Fund accounts for City sales tax restricted for capital improvements.

The City reports the following major proprietary funds:

Airport Fund - The Airport Fund accounts for the City's airport operations.

Water Fund - The Water Fund accounts for the activities of the City's water utility operations.

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sanitation Fund - The Sanitation Fund accounts for the activities of the City's sanitation operations.

Wastewater Fund - The Wastewater Fund accounts for the activities of the City's sewer operations.

Additionally, the City reports the following fund type:

Internal Service Fund - The Internal Service Fund accounts for the City's automotive maintenance services provided to City departments on a cost reimbursement basis.

Pension Trust Fund - The Pension Trust Fund accounts for the activities of the On-call Firefighters' Pension, which accumulates resources for pension benefit payments to qualified volunteer firefighters.

Material interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

For governmental activities, business-type activities, and proprietary funds, when both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

#### D. Cash and Investments

The City's cash and cash equivalents is considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. State statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. All investments are stated at fair value.

#### E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Receivables and Payables

All trade receivables are shown net of an allowance for uncollectibles of \$52,440. Navajo County levies real property taxes on or before the third Monday in August that 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. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

G. Interfund Receivables/Payables

Interfund receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

Long-term loans between funds are formally approved by the City Council and the terms require repayment over several fiscal years. These receivables and payables are classified as “advances to other funds” and “advances from other funds” and are eliminated in the preparation of the government-wide financial statements.

H. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed on the government-wide financial statements, and as expenditures when purchased on the fund financial statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in both the government-wide and fund financial statements.

I. Restricted Assets

In accordance with applicable covenants of bond issues or other agreements, certain assets have been restricted.

J. Deferred Outflows and Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Capital Assets

Purchase of capital assets costing \$5,000 or more are carried at historical cost. Contributed assets are recorded at estimated fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10-20
Buildings and improvements	10-30
Infrastructure	10-30
Water systems and improvements	10-30
Wastewater plant and improvements	10-30
Machinery, equipment, and vehicles	3-20

L. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments, and other employees who are expected to become eligible in the future to receive such payments upon termination, are included.

Employees may accrue 96 hours of sick leave per year to a maximum of 175 hours. Once reaching 175 hours, any sick leave accrued over 175 hours may be paid out at the discretion of management. Generally, sick leave benefits provide for ordinary sick pay, but are forfeited upon termination of employment. However, employees who resign in good standing with a less than 5 years of service receive 25% of their accumulated sick leave benefits. Employees who resign in good standing with a minimum of 5 to 15 continuous years of service receive 50% of their accumulated sick leave benefits. Employees who resign in good standing with a minimum of 15 to 25 continuous years of service receive 75% of their accumulated sick leave benefits, and employees who resign in good standing with a minimum of 25 or more continuous years of service receive 100% of their accumulated sick leave benefits.

M. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. 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.

NOTE 2 - FUND BALANCE CLASSIFICATIONS

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable and spendable fund balances. Spendable fund balances include restricted, committed, assigned and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations. Committed fund balances are self-imposed limitations approved by the City Council, which is the highest level of decision-making authority within the City, and the formal commitment must occur prior to fiscal year end. Only the City Council can remove or change the constraints placed on committed fund balances. Assigned fund balances are resources constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council has not authorized anyone to assign fund balances. The unassigned fund balance is the residual classification for the General Fund, and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

The City has not formally adopted a spending priority policy and therefore uses the spending priority indicated in GASB 54. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City uses restricted fund balance first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned and unassigned amounts are available, GASB 54 indicates to use committed then assigned and finally unassigned amounts.

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 2 - FUND BALANCE CLASSIFICATIONS (CONTINUED)

The table below provides detail of the major components of the City's fund balance classifications at June 30, 2018:

	<u>General</u>	<u>HURF</u>	<u>Housing</u>	<u>Capital Projects</u>	<u>Other Governmental</u>	<u>Total</u>
Fund Balances:						
Nonspendable:						
Prepaid items	\$ 1,035		\$ 4,216			\$ 5,251
Restricted:						
Highways and streets		\$ 709,506				709,506
Public housing program			125,570			125,570
Capital projects				\$ 5,166,939	\$ 8,081	5,175,020
Unassigned	<u>2,400,832</u>					<u>2,400,832</u>
Total fund balances	<u>\$ 2,401,867</u>	<u>\$ 709,506</u>	<u>\$ 129,786</u>	<u>\$ 5,166,939</u>	<u>\$ 8,081</u>	<u>\$ 8,416,179</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Balances - At year end, the Sanitation Fund and the Internal Service Fund reported deficit net positions of \$28,169 and \$85,741, respectively. The deficit were partially due to net pension liability allocated to these funds that was not recovered through charges for services. The City will evaluate future charges to recover the operating deficit.

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The City is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the City to spend more than the budgeted revenues plus the prior year's carryover of unrestricted cash. The limitation is applied to the total of the governmental combined funds.

NOTE 4 - CASH AND INVESTMENTS

State law limits deposits and investments to the Arizona State Treasurer's local government investment pool (LGIP), interest bearing savings accounts, certificates of deposit, United States Treasury Bills, notes or bonds which have a maturity date of not more than one year, and in accounts of any savings and loan associations insured by an agency of the government of the United States, up to the amount of such insurance or pledged collateral.

A. Deposits

Custodial credit risk – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned. Statues require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover. As of June 30, 2018, the City's carrying amount of deposits was \$8,633,030 and the bank balance was \$8,718,832. As of June 30, 2018, the City's deposits were fully insured by the Federal Deposit Insurance Corporation or covered by collateral held by the pledging financial institution's trust department in the City's name. Restricted cash of \$130,918 is classified as restricted cash on the balance sheet because its use is limited by applicable bond covenants.

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 4 - CASH AND INVESTMENTS (CONTINUED)

B. Investments

The City's investments at June 30, 2018, categorized within the fair value hierarchy established by generally accepted accounting principles, were as follows:

	Amount	Fair value measurement using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Investments by fair value level</b>				
Federal National Mortgage Association Securities	\$ 608,435	\$ 608,435		
Federal Home Loan Mortgage Corporation Corporate Debt Securities	95,900	95,900		
US Treasury Note	1,887,499	1,887,499		
	<u>1,073,065</u>	<u>1,073,065</u>		
Total investments by fair value level	<u>3,664,899</u>	<u>\$ 3,664,899</u>		
<b>External investment pools measured at fair value</b>				
Local Government Investment Pool 5	1,687,031			
Local Government Investment Pool 500	<u>716,025</u>			
Total investment pools measured at fair value	<u>2,403,056</u>			
<b>Investment measured at amortized cost</b>				
Money Market	<u>206,941</u>			
Total investments measured at amortized costs	<u>206,941</u>			
Total investments	<u>\$ 6,274,896</u>			

Investments categorized as Level 1 are valued using prices quoted in active markets for those investments. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the City hold. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

Custodial Credit Risk – The State Board of Investment provides oversight for the State Treasurer’s pools. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares, and the participant's shares are not identified with specific investments.

The City’s investment in money market and mutual funds are held by the City’s investment services advisor in the City’s name. The investments are covered by the Securities Investor Protection Company.



CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 4 - CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk – The City does not have a formal investment policy regarding interest rate risk that manages its exposure to declines in fair values from increasing interest rates. Investment maturities are indicated in the table below:

Investment	Maturity			Total
	Less than 1 year	1-3 years	More than 3 years	
Money Market	\$ 206,941			\$ 206,941
Federal National Mortgage Association Securities	214,593	393,842		608,435
Federal Home Loan Mortgage Corporation Corporate Debt Securities	314,340	544,838	95,900	95,900
Local Government Investment Pool 5	1,687,031		\$ 1,028,321	1,887,499
Local Government Investment Pool 500		716,025		1,687,031
US Treasury Note	196,362	683,812	192,891	716,025
Total	<u>\$ 2,619,267</u>	<u>\$ 2,338,517</u>	<u>\$ 1,317,112</u>	<u>\$ 6,274,896</u>

Credit Risk – The City does not have a formal investment policy regarding credit risk. A credit rating for the mutual funds was not available. Credit ratings for the City’s investments are indicated below:

Investment	Amount	Rating	Agency
Money Market	\$ 206,941	N/A	N/A
Federal National Mortgage Association Securities	608,435	AA+	Moody's
Federal Home Loan Mortgage Corporation Corporate Debt Securities	95,900	AA+	Moody's
Corporate Debt Securities	48,516	Aa1	Moody's
Corporate Debt Securities	202,682	Aa2	Moody's
Corporate Debt Securities	248,948	Aa3	Moody's
Corporate Debt Securities	629,489	A1	Moody's
Corporate Debt Securities	392,220	A2	Moody's
Corporate Debt Securities	365,644	A3	Moody's
US Treasury Note	1,073,065	N/A	N/A
Local Government Investment Pool 5	1,687,031	AAA	Moody's
Local Government Investment Pool 500	716,025	Aa2	Moody's
Total	<u>\$ 6,274,896</u>		

Concentration of Credit Risk – The City has investments at June 30, 2018, of 5 percent or more in Federal National Mortgage Association Securities. This investment was 9.7 percent of the City's total investments.

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 5 - RECEIVABLES

The Navajo County Treasurer is responsible for collecting property taxes for all governmental entities within the City. The City levies property taxes due to the City in August. Two equal installments, payable in October and March, become delinquent after the first business day in November and May. During the year, the City also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice, and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected, or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end, or collected in advance of the fiscal year for which they are levied are reported as unavailable revenues.

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

Governmental activities:	July 1, 2017	Increases	Decreases	June 30, 2018
Capital assets not being depreciated:				
Land	\$ 1,706,222	\$ 2,250	\$ (3,332)	\$ 1,705,140
Construction in progress	<u>363,408</u>	<u>64,132</u>	<u>(28,000)</u>	<u>399,540</u>
Total capital assets not being depreciated	<u>2,069,630</u>	<u>66,382</u>	<u>(31,332)</u>	<u>2,104,680</u>
Capital assets being depreciated:				
Infrastructure	17,687,435			17,687,435
Buildings and improvements	13,688,793	680,267		14,369,060
Machinery, equipment and vehicles	<u>6,517,926</u>	<u>1,407,654</u>		<u>7,925,580</u>
Total capital assets being depreciated	<u>37,894,154</u>	<u>2,087,921</u>		<u>39,982,075</u>
Less accumulated depreciation for:				
Infrastructure	(5,339,545)	(774,155)		(6,113,700)
Buildings and improvements	(7,619,236)	(505,437)		(8,124,673)
Machinery, equipment and vehicles	<u>(5,005,062)</u>	<u>(273,512)</u>		<u>(5,278,574)</u>
Total accumulated depreciation	<u>(17,963,843)</u>	<u>(1,553,104)</u>		<u>(19,516,947)</u>
Total capital assets being depreciated, net	<u>19,930,311</u>	<u>534,817</u>		<u>20,465,128</u>
Governmental activities capital assets, net	<u>\$ 21,999,941</u>	<u>\$ 601,199</u>	<u>\$ (31,332)</u>	<u>\$ 22,569,808</u>

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 6 - CAPITAL ASSETS (CONTINUED)

Business-Type activities:	July 1, 2017	Increases	Decreases	June 30, 2018
Capital assets not being depreciated:				
Land	\$ 709,084			\$ 709,084
Construction in progress	11,713,742	\$ 4,503,679	\$ (4,940,420)	11,277,001
Total capital assets not being depreciated	<u>12,422,826</u>	<u>4,503,679</u>	<u>(4,940,420)</u>	<u>11,986,085</u>
Capital assets being depreciated:				
Land improvements	10,979,133	5,024,834		16,003,967
Buildings and improvements	589,171			589,171
Water system and improvements	14,617,700	47,500		14,665,200
Wastewater plant and improvements	14,286,731	16,215		14,302,946
Machinery, equipment and vehicles	2,049,173	14,269		2,063,442
Total capital assets being depreciated	<u>42,521,908</u>	<u>5,102,818</u>		<u>47,624,726</u>
Less accumulated depreciation for:				
Land improvements	(8,770,922)	(302,889)		(9,073,811)
Buildings and improvements	(418,252)	(13,896)		(432,148)
Water system and improvements	(8,673,479)	(383,037)		(9,056,516)
Wastewater plant and improvements	(12,095,823)	(405,794)		(12,501,617)
Machinery, equipment and vehicles	(1,874,045)	(59,657)		(1,933,702)
Total accumulated depreciation	<u>(31,832,521)</u>	<u>(1,165,273)</u>		<u>(32,997,794)</u>
Total capital assets being depreciated, net	<u>10,689,387</u>	<u>3,937,545</u>		<u>14,626,932</u>
Business-type activities capital assets, net	<u>\$ 23,112,213</u>	<u>\$ 8,441,224</u>	<u>\$ (4,940,420)</u>	<u>\$ 26,613,017</u>

Depreciation expense was charged to governmental activities' functions as follows:

Governmental activities:	
General government	\$ 177,964
Public safety	261,235
Highways and streets	774,841
Culture and recreation	295,466
Redevelopment and housing	43,598
Total depreciation expense - governmental activities	<u>\$ 1,553,104</u>
Business-Type activities:	
Airport	\$ 298,366
Water	400,522
Sanitation	46,937
Wastewater	419,448
Total depreciation expense - business-type activities	<u>\$ 1,165,273</u>

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended June 30, 2018

	<u>July 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2018</u>	<u>Due Within 1 Year</u>
<u>Governmental activities:</u>					
Revenue bonds:					
Highway User Revenue Bonds, series 2005	\$ 1,335,000		\$ (245,000)	\$ 1,090,000	\$ 260,000
Capital leases	248,785	\$ 1,343,562	(134,235)	1,458,112	290,752
Compensated absences	396,784	296,660	(271,069)	422,375	283,041
Claim and judgment	180,000		(180,000)		
Net pension liabilities	<u>7,620,022</u>	<u>183,596</u>	<u>                    </u>	<u>7,803,618</u>	<u>                    </u>
Governmental activities long- term liabilities	<u>\$ 9,780,591</u>	<u>\$ 1,823,818</u>	<u>\$ (830,304)</u>	<u>\$ 10,774,105</u>	<u>\$ 833,793</u>
<u>Business-type activities:</u>					
Bond payable:					
Water utility revenue and revenue refunding obligations, series 2016	\$ 1,807,000		\$ (253,000)	\$ 1,554,000	\$ 231,000
Wastewater system revenue bond, series 2016	6,630,000		(205,000)	6,425,000	205,000
Premium	<u>569,359</u>	<u>                    </u>	<u>(42,167)</u>	<u>527,192</u>	<u>40,864</u>
Total bonds payable	9,006,359		(500,167)	8,506,192	476,864
WIFA loan payable	1,274,653		(71,781)	1,202,872	73,791
Capital leases payable	75,268		(75,268)		
Landfill closure and postclosure costs payable	190,246		(13,378)	176,868	13,378
Compensated absences	60,632	\$ 68,642	(69,070)	60,204	42,545
Net pension liabilities	<u>1,187,140</u>	<u>                    </u>	<u>(17,781)</u>	<u>1,169,359</u>	<u>                    </u>
Business-type activities long- term liabilities	<u>\$ 11,794,298</u>	<u>\$ 68,642</u>	<u>\$ (747,445)</u>	<u>\$ 11,115,495</u>	<u>\$ 606,578</u>

The City has highway user revenue, water utility revenue and revenue refunding obligations, and wastewater system revenue bonds issued to provide funds for the acquisition and construction of major capital facilities and to advance refund earlier bond issuances. The debt is repaid by the Highway User Revenue Fund, Water Fund, and Wastewater Fund, as applicable. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Revenue bonds currently outstanding are as follows:

	Original Amount Issued	Interest Rate	Remaining Maturities	Balance June 30, 2018
<u>Governmental activities:</u>				
Highway user revenue bonds, series 2005	\$ 3,295,000	3.375-5.00%	07/01/16-22	\$ 1,090,000
<u>Business-type activities:</u>				
Water utility revenue and revenue refunding obligations, series 2016	2,024,000	2.25%	07/01/17-26	1,554,000
Wastewater system revenue bonds, series 2016	6,860,000	2.00-4.00%	07/01/17-40	6,425,000
WIFA loan payable	1,583,750	2.80%	07/01/16-31	1,202,872
Total	<u>\$ 10,467,750</u>			<u>\$ 9,181,872</u>

Principal and interest payments on the governmental activities revenue bonds payable at year-end are summarized as follows:

Year ending June 30:	Governmental Activities	
	Highway User Revenue Bonds	
	Principal	Interest
2019	\$ 260,000	\$ 43,600
2020	265,000	33,200
2021	280,000	22,600
2022	285,000	11,400
Total	<u>\$ 1,090,000</u>	<u>\$ 110,800</u>

Year ending June 30:	Business-Type Activities					
	Water Utility Revenue Bond		Wastewater System Revenue Bond		WIFA Loan Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 231,000	\$ 34,965	\$ 205,000	\$ 176,136	\$ 73,791	\$ 33,680
2020	233,000	29,768	210,000	173,340	75,857	31,614
2021	240,000	24,525	215,000	170,476	77,981	29,490
2022	248,000	19,125	220,000	167,543	80,165	27,307
2023	254,000	13,545	225,000	162,342	72,409	25,062
2024-28	348,000	15,795	1,240,000	725,713	447,978	89,379
2029-33			1,490,000	516,172	374,691	24,199
2034-38			1,810,000	248,448		
2038-41			810,000	28,841		
Total	<u>\$ 1,554,000</u>	<u>\$ 137,723</u>	<u>\$ 6,425,000</u>	<u>\$ 2,369,011</u>	<u>\$ 1,202,872</u>	<u>\$ 260,731</u>

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The City has pledged a portion of future motor fuel tax revenues to repay \$3.3 million in revenue bonds issued in 2005 to finance various infrastructure improvements to the City. The bonds are payable from motor fuel tax revenues of the City. Annual principal and interest payments on the bonds are estimated to require 23% of motor fuel tax revenues.

In August 2016, the City issued \$6,860,000 wastewater system revenue bond. The purpose of the bond was to finance certain improvements and modifications to the wastewater treatment plant of the City.

In December 2016, the City issued \$2,024,000 water utility revenue and revenue refunding obligation bond. The purpose of the bond was to refund \$1,165,000 of the water revenue bond and to finance certain improvements to the water facility. This refunding reduced total debt service payments by \$333,045 and resulted in an economic gain of \$73,417.

The City has a water revenue loan with the Water Infrastructure Finance Authority of Arizona (WIFA). The loan is being drawn as required by the City. The debt is secured by future net water revenue of the City. Annual principal and interest payments on the loan is estimated to require 16% of water customer net revenues.

State and federal laws and regulations require that the City place a final cover on its landfill, which was closed in 1994, and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. Since closing its landfill, the City has been negotiating with the Arizona Department of Environmental Quality in order to create a plan to accomplish proper closure. Based upon the City's current agreement with the Arizona Department of Environmental Quality, the City has estimated the total liability for landfill closure and postclosure care costs at June 30, 2018 to be \$176,868. The actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulation.

NOTE 8 - OBLIGATIONS UNDER LEASES

Capital Leases - The City has entered into lease agreements as a lessee for financing the acquisition of various vehicles and equipment items. These lease agreements qualify as capital leases for accounting purposes as the titles of the capital assets acquired transfer to the City at the end of the lease terms; and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through capital leases that meet the City's capitalization threshold are as follows:

	Governmental Activities	Business-Type Activities
Asset:		
Water system and improvements		\$ 762,320
Machinery, equipment and vehicles	\$ 1,527,269	
Less: Accumulated depreciation	(230,428)	(762,320)
Total	\$ 1,296,841	\$ _____

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 8 - OBLIGATIONS UNDER LEASES (CONTINUED)

Amortization expense on assets acquired through capital leases is included in depreciation expense in the government-wide and proprietary fund financial statements. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

Year ending June 30,	Governmental Activities
2019	\$ 328,770
2020	194,017
2021	193,665
2022	193,301
2023	192,926
Thereafter	<u>526,453</u>
Total minimum payments required	1,629,132
Less: Amount representing interest	<u>171,020</u>
Present value of minimum lease payments	<u>\$ 1,458,112</u>

NOTE 9 - INTERFUND BALANCES, PAYABLES AND TRANSFERS

As of June 30, 2018, the Housing fund has a payable of \$101,569 due to the General fund to reimburse expenditures.

NOTE 10 - CONTINGENCIES

A. Risk Management

The City of Winslow, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the City is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis, with an aggregate limit of \$2,000,000. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations. The City is also insured by the Arizona Municipal Risk Retention Pool.

The City provides life, health, and disability benefits to its employees and their dependents through the Rural Arizona Group Health Trust (RAGHT), currently composed of eighteen member cities. The Trust provides the benefits through a self-funding agreement with its participants and administers the program, and the City is responsible for paying the premium and requires its employees to contribute a portion of that premium. If it withdraws from the Trust, the City is responsible for any claims run-out costs, including claims reported but not settled, claims incurred but not reported, and administrative costs. If the Trust were to terminate, the City would be responsible for its proportional share of any Trust deficit. To

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 10 - CONTINGENCIES (CONTINUED)

protect the City against significant claims, a \$75,000 stop loss insurance policy is in place.

B. Commitments

The City had contractual commitments related to various capital projects at June 30, 2018. The City had spent \$11,993,593 on these projects, and had remaining commitments with contractors of \$801,176.

Project	Spent-to-date	Estimated remaining
WWTP Renovations Phase I	\$ 3,019,671	
WWTP Renovations Phase II	7,875,986	\$ 404,609
Winslow Transcon Lane South	243,553	123,296
AMI Water Meter Project	<u>854,383</u>	<u>273,271</u>
Total	<u>\$ 11,993,593</u>	<u>\$ 801,176</u>

The City has committed projects that will be funded through a loan to the City from the Water Infrastructure Authority of Arizona (WIFA) in the amount of \$1,583,750. As of June 30, 2018, the City spent and drew down \$1,542,752. The WIFA funds, negotiated as a loan, have an available balance remaining to draw down in the amount of \$40,998. Annual principal and semi-annual interest payments will be due through 2031.

C. Contingencies

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The City contributes to the two plans described below. The plans are component units of the State of Arizona. At June 30, 2018, 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	Government Activities	Business-Type Activities	Total
Net pension and OPEB assets	\$ (3,974,983)	\$ (4,073)	(3,979,056)
Net pension and OPEB liabilities	7,803,618	1,169,359	8,972,977
Deferred outflows of resources related to pensions and OPEB	2,054,124	148,635	2,202,759
Deferred inflows of resources related to pensions and OPEB	1,134,230	95,784	1,230,014
Pension expense	498,037	71,542	569,579

The City's accrued payroll and employee benefits includes \$65,094 of outstanding pension and OPEB contribution amounts payable to all plans for the year ended June 30, 2018. Also, the City reported \$851,517 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.



CITY OF WINSLOW, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**A. Arizona State Retirement System**

**Plan Description** - City employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

**Benefits Provided** - The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms.

Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	Retirement Initial membership date:	
	Before July 1, 2011	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.

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 \$150 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.

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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 of 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, 2018, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.5 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the City to contribute at the actuarially determined rate of 11.5 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll.

The City's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2018, were \$295,142, \$11,914, and \$4,332, respectively.

During fiscal year 2018, the City paid for ASRS pension and OPEB contributions as follows: 70% from the General Fund, 12% from the Water Fund, 5% from the Sanitation Fund, 11% from the Wastewater Fund, and 2% from the Internal Service Fund.

**Liability** - At June 30, 2018, the City reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

ASRS	Net Pension/OPEB (Asset) Liability
Pension	\$ 4,156,224
Health Insurance Premium Benefit	(14,508)
Long-term Disability	9,646

The net asset and net liabilities were measured as of June 30, 2017. 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, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

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 employer contributions for the year ended June 30, 2017. The City's proportion measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

ASRS	Proportion June 30, 2017	Increase (decrease) from June 30, 2016
Pension	0.02668%	(0.00056)%
Health Insurance Premium Benefit	0.02724%	0.00%
Long-term Disability	0.02703%	0.00%

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The net asset and net liabilities measured as of June 30, 2018, 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, 2018, the City recognized the following pension and OPEB expense.

<u>ASRS</u>	<u>Pension/OPEB Expense</u>
Pension	\$ 69,450
Health Insurance Premium Benefit	9,551
Long-term Disability	1,526

**Deferred Outflows/Inflows of Resources** — At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Pension</u>		<u>Health Insurance Premium Benefit</u>		<u>Long-term Disability</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
ASRS						
Differences between expected and actual experience		\$ 124,627				
Changes of assumptions or other inputs	\$ 180,514	124,279				
Net difference between projected and actual earnings on pension plan investments	29,839			\$ 16,336		\$ 1,443
Changes in proportion and differences between City contributions and proportionate share of contributions	12,801	74,534		17		
City contributions subsequent to the measurement date	<u>295,142</u>		<u>\$ 11,914</u>		<u>\$ 4,332</u>	
Total	<u>\$ 518,296</u>	<u>\$ 323,440</u>	<u>\$ 11,914</u>	<u>\$ 16,353</u>	<u>\$ 4,332</u>	<u>\$ 1,443</u>

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 11 - 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 of the net asset or a reduction of the net liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expense as follows:

Year ending June 30,	<u>Pension</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-term Disability</u>
2019	\$ 146,475	\$ (4,088)	\$ (361)
2020	45,211	(4,088)	(361)
2021	(95,606)	(4,089)	(361)

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

<b>ASRS</b>	
Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 20, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75% for pensions/not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS plan investments was determined to be 8.7 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 arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS <u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	<u>100%</u>	

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Discount Rate** - The discount rate used to measure the ASRS total pension/OPEB liability was 8 percent, which is less than the long-term expected rate of return of 8.7 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 plans' 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.

**Sensitivity of the City’s Proportionate Share of the ASRS 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 8 percent, as well as what the City’s proportionate share of the net pension/OPEB (asset) liability liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City's proportionate share of the			
Net pension liability	\$ 5,334,586	\$ 4,156,224	\$ 3,171,602
Net insurance premium benefit liability (asset)	24,094	(14,508)	(47,314)
Net long-term disability liability	11,534	9,646	8,045

**Plan Fiduciary Net Position** - Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report.

**B. Public Safety Personnel Retirement System**

**Plan Description** - The Public Safety Personnel Retirement System (PSPRS) administers an 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 that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or participating political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a nine-member board, known as The Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. 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 include their financial statements and required supplementary information for the PSPRS plan. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

CITY OF WINSLOW, ARIZONA  
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NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

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

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
<b>Retirement and Disability:</b>		
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 months consecutive of last 20 years	Highest 60 months consecutive of last 20 years
<b>Benefit percent:</b>		
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	
<b>Survivor Benefit:</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. 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.

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 \$150 per month to \$260 per month depending on the age of the member and dependents

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Employees Covered by Benefit Terms** - At June 30, 2018, the following employees were covered by the agent plans' benefit terms:

	PSPRS Police		PSPRS Fire	
	Pension	Health	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	12	12	3	3
Inactive employees entitled to but not yet receiving benefits	5		2	
Active employees	<u>21</u>	<u>21</u>	<u>8</u>	<u>8</u>
Total	<u><u>38</u></u>	<u><u>33</u></u>	<u><u>13</u></u>	<u><u>11</u></u>

**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. Contributions rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Fire
Active members—Pension		
PSPRS members with an initial membership date both prior to and after July 19, 2011	7.65%	7.65%
City:		
Pension	39.94%	11.40%
Health insurance premium benefit	0.00%	0.00%

The City's contributions to the plans for the year ended June 30, 2018, were:

	Pension	Health Insurance Premium Benefit
PSPRS Police	\$ 480,754	\$ 0
PSPRS Fire	59,375	0

During fiscal year 2018, the City paid for PSPRS and OPEB contributions from the General Fund.

**Liability** - At June 30, 2018, the City reported the following assets and liabilities:

	Net Pension (Asset) Liability	Net OPEB (Asset) Liability
PSPRS - Police	\$ 4,807,107	\$ (107,124)
PSPRS - Fire	(3,582,777)	(274,647)

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The net assets and net liabilities were measured as of June 30, 2017, 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, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011.

The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018, because of refunds of excess member contributions. The change in the City's PSPRS net pension liabilities as a result of the refunds is not known.

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	7.4%
Wage inflation	3.5% for pension/not applicable for OPEB
Price inflation	2.5% for pension/not applicable for OPEB
Permanent benefit increase	Included for pension/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS plan investments was determined to be 7.4 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. 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 Allocation	Long-Term Expected Geometric Real Rate of Return
Short term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private credit	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	



CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Discount Rates** - At June 30, 2017, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.4 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount rates 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 the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' 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.

**Changes in the Net Pension/OPEB Liability** - Changes in the net pension/OPEB liability are as follows for the year ended June 30, 2018:

PSPRS - Police:	Pension			Health Insurance Premium Benefit		
	Total	Plan	Net Pension	Total	Plan	Net Pension
	Position	Fiduciary	(Asset)	OPEB	Fiduciary	(Asset)
	Liability	Net Position	Liability	Liability	Net Position	Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2017	\$ 9,893,633	\$ 5,483,281	\$ 4,410,352	\$ 253,281	\$ 307,034	\$ (53,753)
Changes for the year:						
Service cost	267,490		267,490	5,511		5,511
Interest on the total liability	710,649		710,649	18,848		18,848
Changes of benefit terms	96,555		96,555	899		899
Differences between expected and actual experience in the measurement of the liability	83,743		83,743	(33,244)		(33,244)
Changes of assumptions or other inputs	314,261		314,261	(8,224)		(8,224)
Contributions—employer		352,672	(352,672)		1,706	(1,706)
Contributions—employee		126,227	(126,227)			
Net investment income		602,701	(602,701)		35,772	(35,772)
Benefit payments, including refunds of employee contributions	(1,104,109)	(1,104,109)		(9,471)	(9,471)	
Administrative expense		(5,733)	5,733		(317)	317
Other changes		76	(76)			
Net changes	368,589	(28,166)	396,755	(25,681)	27,690	(53,371)
Balances at June 30, 2018	\$10,262,222	\$ 5,455,115	\$ 4,807,107	\$ 227,600	\$ 334,724	\$ (107,124)

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

PSPRS - Fire:	Pension Increase (Decrease)			Health Insurance Premium Benefit Increase (Decrease)		
	Total Position Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net Pension (Asset) Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2017	\$ 2,743,081	\$ 5,942,955	\$ (3,199,874)	\$ 25,313	\$ 270,746	\$ (245,433)
Changes for the year:						
Service cost	86,577		86,577	1,333		1,333
Interest on the total pension liability	202,070		202,070	1,903		1,903
Changes of benefit terms	16,756		16,756	662		662
Differences between expected and actual experience in the measurement of the pension liability	(63,586)		(63,586)	(1,785)		(1,785)
Changes of assumptions or other inputs	134,197		134,197	221		221
Contributions—employer		26,402	(26,402)			
Contributions—employee		45,212	(45,212)			
Net investment income		693,742	(693,742)		31,829	(31,829)
Benefit payments, including refunds of employee contributions	(184,196)	(184,196)		(1,200)	(1,200)	
Administrative expense		(6,538)	6,538		(281)	281
Other changes		99	(99)			
Net changes	191,818	574,721	(382,903)	1,134	30,348	(29,214)
Balances at June 30, 2018	\$ 2,934,899	\$ 6,517,676	\$ (3,582,777)	\$ 26,447	\$ 301,094	\$ (274,647)

**Sensitivity of the City's Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate** - The following table presents the City's net pension/OPEB (asset) liabilities calculated using the discount rates noted above, 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 or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS - Police:			
Rate	6.4%	7.4%	8.4%
Net pension liability	\$ 6,216,212	\$ 4,807,107	\$ 3,662,644
Net OPEB (asset) liability	(80,172)	(107,124)	(129,668)
PSPRS - Fire:			
Rate	6.4%	7.4%	8.4%
Net pension liability	\$ (3,258,440)	\$ (3,582,777)	\$ (3,853,131)
Net OPEB (asset) liability	(271,580)	(274,647)	(277,185)

**Plan Fiduciary Net Position** - Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial reports.

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

**Expense** - For the year ended June 30, 2018, the City recognized the following pension and OPEB expense:

	Pension Expense	OPEB Expense
PSPRS - Police	\$ 729,818	\$ (8,405)
PSPRS - Fire	(213,832)	(18,529)

**Deferred Outflows/Inflows of Resources** - At June 30, 2018, 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	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	PSPRS - Police			
Differences between expected and actual experience	\$ 67,919	\$ 258,373		\$ 27,680
Changes of assumptions	581,506			6,848
Net difference between projected and actual earnings on pension plan investments	100,874		\$ (10,438)	
City contributions subsequent to the measurement date	<u>480,754</u>			
Total	<u>\$ 1,231,053</u>	<u>\$ 258,373</u>	<u>\$ (10,438)</u>	<u>\$ 34,528</u>

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
	PSPRS - Fire			
Differences between expected and actual experience		\$ 594,254		\$ 1,623
Changes of assumptions	\$ 301,917		\$ 201	
Net difference between projected and actual earnings on pension plan investments	95,372		(9,263)	
City contributions subsequent to the measurement date	<u>59,375</u>			
Total	<u>\$ 456,664</u>	<u>\$ 594,254</u>	<u>\$ (9,062)</u>	<u>\$ 1,623</u>

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 11 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The amounts reported as deferred outflows of resources related to 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 ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ending June 30,	PSPRS Police		PSPRS Fire	
	Pension	Health	Pension	Health
2019	\$ 138,309	\$ (9,550)	\$ (32,741)	\$ (2,458)
2020	133,467	(9,550)	25,533	(2,458)
2021	153,604	(9,550)	(22,907)	(2,458)
2022	44,582	(9,548)	(109,157)	(2,457)
2023	21,964	(6,768)	(67,320)	(142)
Thereafter			9,627	(712)

Firefighters' Relief and Pension Fund

The City of Winslow, Arizona 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. A volunteer firefighter who has served for 15 years or more shall be eligible to receive retirement benefits as determined by the Board of Trustees. Such pensions, if paid, may be increased or decreased in amount, or discontinued at the discretion of the Board of Trustees. Pension and relief benefits may only be paid from the income of the trust fund. However, a firefighter who leaves service without eligibility for retirement benefits is entitled to all previous deductions from his salary plus interest at a rate determined by the Board of Trustees. As established by state statute, in lieu of another acceptable pension plan, all volunteer firefighters must participate in the pension plan from the date they enter service. During the fiscal year ended June 30, 2018, the City contributed \$1,608 and the volunteer firefighters contributed \$1,608 to the plan.

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.

CITY OF WINSLOW, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

NOTE 12 - CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2017, has been restated to \$23,829,869 for the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), as amended by GASB Statement No. 85, Omnibus 2017.

	<u>Governmental activities</u>
Net position as previously reported at June 30, 2017	\$ 23,532,540
Prior period adjustment - implementation of GASB 75:	
Net OPEB assets (measurement date as of June 30, 2016)	306,892
Net OPEB liability (measurement date as of June 30, 2016)	<u>(9,563)</u>
Total prior period adjustment	<u>297,329</u>
Net position as restated, July 1, 2017	<u><u>\$ 23,829,869</u></u>

NOTE 13 - SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 30, 2019, the date which the financial statements were available to be issued, and has concluded that no events have occurred since the year ended June 30, 2018 that would require an adjustment to or disclosure in the financial statements.

In November 2018, the Water Infrastructure Finance Authority approved the City's loan application of \$5.1 million, with a 30-year loan term and a rate of 2.672 percent, in addition to forgiving a portion of the principal, to replace and upgrade infrastructure at the City's wastewater treatment plant.



## OTHER REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WINSLOW, ARIZONA  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
 YEAR ENDED JUNE 30, 2018

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Sales taxes	\$ 3,338,000	\$ 3,338,000	\$ 3,258,036	\$ (79,964)
Property taxes	382,596	382,596	380,688	(1,908)
Franchise taxes	200,000	200,000	225,353	25,353
Intergovernmental revenue	2,896,941	2,896,941	2,897,397	456
Fines and forfeits	81,600	81,600	64,983	(16,617)
Licenses and permits	40,000	40,000	54,649	14,649
Charges for services	1,361,000	1,361,000	1,035,685	(325,315)
Rents and royalties	20,000	20,000	20,863	863
Contributions and donations			28,247	28,247
Investment income	20,000	20,000	6,754	(13,246)
Miscellaneous	<u>50,000</u>	<u>50,000</u>	<u>63,187</u>	<u>13,187</u>
Total revenues	<u>8,390,137</u>	<u>8,390,137</u>	<u>8,035,842</u>	<u>(354,295)</u>
<b>EXPENDITURES:</b>				
General government:				
Mayor and council	110,442	110,442	106,709	3,733
Court	126,896	126,896	125,558	1,338
General administration	434,705	434,705	417,902	16,803
City clerk	156,686	156,686	134,310	22,376
City attorney	98,100	98,100	101,691	(3,591)
Finance	309,832	309,832	279,834	29,998
Human resources	118,035	118,035	110,862	7,173
Parks and facilities maintenance	1,142,704	1,142,704	899,143	243,561
Planning, zoning and building	293,480	293,480	303,599	(10,119)
Non-departmental	<u>1,019,500</u>	<u>1,019,500</u>	<u>606,720</u>	<u>412,780</u>
Total general government	<u>3,810,380</u>	<u>3,810,380</u>	<u>3,086,328</u>	<u>724,052</u>
Public safety:				
Police	3,569,753	3,569,753	3,983,462	(413,709)
Fire	<u>825,688</u>	<u>825,688</u>	<u>1,770,440</u>	<u>(944,752)</u>
Total public safety	<u>4,395,441</u>	<u>4,395,441</u>	<u>5,753,902</u>	<u>(1,358,461)</u>
Culture and recreation:				
Library	251,912	251,912	241,750	10,162
Recreation			245,661	(245,661)
Art council			<u>29,560</u>	<u>(29,560)</u>
Total culture and recreation	<u>251,912</u>	<u>251,912</u>	<u>516,971</u>	<u>(265,059)</u>
Total expenditures	<u>8,457,733</u>	<u>8,457,733</u>	<u>9,357,201</u>	<u>(899,468)</u>
Excess (deficiency) of revenues over (under) expenditures	\$ (67,596)	\$ (67,596)	\$ (1,321,359)	\$ (1,253,763)
<b>OTHER FINANCING SOURCES</b>				
Capital leases	<u>\$ 400,000</u>	<u>\$ 400,000</u>	<u>\$ 1,343,562</u>	<u>\$ 943,562</u>
Total other financing sources	<u>400,000</u>	<u>400,000</u>	<u>1,343,562</u>	<u>943,562</u>
Net changes in fund balance	332,404	332,404	22,203	(310,201)
Fund balances, July 1, 2017			<u>2,379,664</u>	<u>2,379,664</u>
Fund balances, June 30, 2018	<u>\$ 332,404</u>	<u>\$ 332,404</u>	<u>\$ 2,401,867</u>	<u>\$ 2,069,463</u>



CITY OF WINSLOW, ARIZONA  
 BUDGETARY COMPARISON SCHEDULE - HIGHWAY USER REVENUE FUND  
 YEAR ENDED JUNE 30, 2018

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental revenue	\$ 1,346,885	\$ 1,346,885	\$ 1,351,142	\$ 4,257
Charges for services	20,000	20,000	150	(19,850)
Investment income	7,500	7,500	4,049	(3,451)
Miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>7,110</u>	<u>6,110</u>
Total revenues	<u>1,375,385</u>	<u>1,375,385</u>	<u>1,362,451</u>	<u>(12,934)</u>
<b>EXPENDITURES:</b>				
Highway and streets	1,282,450	1,282,450	985,795	296,655
Debt service:				
Principal retirement	245,000	245,000	245,000	
Interest on long-term debt	<u>53,094</u>	<u>53,094</u>	<u>53,094</u>	
Total expenditures	<u>1,580,544</u>	<u>1,580,544</u>	<u>1,283,889</u>	<u>296,655</u>
Excess (deficiency) of revenues over (under) expenditures	(205,159)	(205,159)	78,562	283,721
<b>OTHER FINANCING SOURCES:</b>				
Transfers out	<u>298,094</u>	<u>298,094</u>	_____	<u>(298,094)</u>
Total other financing sources	<u>298,094</u>	<u>298,094</u>	_____	<u>(298,094)</u>
Net changes in fund balance	92,935	92,935	78,562	(14,373)
Fund balances, July 1, 2017			<u>630,944</u>	<u>630,944</u>
Fund balances, June 30, 2018	<u>\$ 92,935</u>	<u>\$ 92,935</u>	<u>\$ 709,506</u>	<u>\$ 616,571</u>

CITY OF WINSLOW, ARIZONA  
 NOTES TO BUDGETARY COMPARISON SCHEDULES  
 JUNE 30, 2018

NOTE 1 - BUDGETARY BASIS OF ACCOUNTING

The accompanying Budgetary Comparison Schedules are prepared on a modified accrual basis of accounting.

Expenditures may not legally exceed the expenditure limitation described below for all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds (except for the Housing Fund). The City Manager, subject to City Council approval, may at any time transfer any unencumbered appropriation balance or option thereof between a department or activity. The adopted budget can not be amended in any way without City Council approval.

NOTE 2 - BUDGETARY INFORMATION

The City Council follows these procedures in establishing the annual budget:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. State law requires that, prior to April 1, the Economic Estimates Commission provide the City with a final expenditure limit for the coming fiscal year. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited basic financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).

The City is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the City to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

The City Council did not adopt a budget for the Housing Fund.

NOTE 3 - EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the Year ended June 30, 2018, the City had expenditures in the General Fund that exceeded the budget, however, this does not constitute a violation of any legal provisions.

Fund/Department	Excess
General Fund:	
City attorney	\$ 3,591
Planning, zoning and building	10,119
Police	413,895
Fire	944,752
Recreation	245,661
Art council	4,546

The City will more closely monitor these expenditures to ensure the appropriated budget is not exceeded. The excesses were primarily the result of unexpected expenditures and expenditures made as a result of unanticipated revenue, or both. However, the City's total expenditures on a budgetary basis did not exceed budgeted appropriations. Cash was available to cover the overexpenditures listed above.

CITY OF WINSLOW, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION/OPEB LIABILITY  
COST-SHARING PENSION PLANS  
JUNE 30, 2018

	Reporting Fiscal Year (Measurement Date)				
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2009
<u>ASRS - Pension</u>					
City's proportion of the net pension liability	0.02668%	0.02724%	0.027030%	0.028146%	Information not available
City's proportionate share of the net pension liability	\$ 4,156,224	\$ 4,396,810	\$ 4,210,712	\$ 4,164,716	
City's covered payroll	\$ 2,707,725	\$ 2,434,673	\$ 2,332,038	\$ 2,338,065	
City's proportionate share of the net pension liability as a percentage of its covered payroll	153.50 %	180.59 %	180.56 %	178.13 %	
Plan fiduciary net position as a percentage of the total pension liability	69.92 %	67.06 %	68.35 %	69.49 %	
 <u>ASRS - Health Insurance Premium Benefit</u>	 2018 (2017)	 2017 through 2009			
City's proportion of the net OPEB (asset)	0.02665%	Information not available			
City's proportionate share of the net OPEB (asset)	\$ (14,508)				
City's covered payroll	\$ 2,707,725				
City's proportionate share of the net OPEB (asset) as a percentage of its covered payroll	(0.54)%				
Plan fiduciary net position as a percentage of the total OPEB liability	103.57 %				
 <u>ASRS - Long-term Disability</u>	 2018 (2017)	 2017 through 2009			
City's proportion of the net OPEB liability	0.02661%	Information not available			
City's proportionate share of the net OPEB liability	\$ 9,646				
City's covered payroll	\$ 2,707,725				
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.36 %				
Plan fiduciary net position as a percentage of the total OPEB liability	84.44 %				

CITY OF WINSLOW, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION/OPEB LIABILITY (ASSET)  
AND RELATED RATIOS - AGENT PENSION PLANS  
JUNE 30, 2018

	Reporting Fiscal Year (Measurement Date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
<u>PSPRS - Police</u>					
Total pension liability:					
Service cost	\$ 267,490	\$ 201,638	\$ 181,547	\$ 210,068	Information not available
Interest on the total pension liability	710,649	685,633	677,465	600,558	
Changes of benefit terms	96,555	413,320	0	151,724	
Differences between expected and actual experience in the measurement of the pension liability	83,743	(114,180)	(322,456)	(391,595)	
Changes of assumptions or other inputs	314,261	338,623	0	780,390	
Benefit payments, including refunds of employee contributions	<u>(1,104,109)</u>	<u>(529,512)</u>	<u>(355,596)</u>	<u>(358,756)</u>	
Net change in total pension liability	368,589	995,522	180,960	992,389	
Total pension liability—beginning	<u>9,893,633</u>	<u>8,898,111</u>	<u>8,717,151</u>	<u>7,724,762</u>	
Total pension liability—ending (a)	<u>\$ 10,262,222</u>	<u>\$ 9,893,633</u>	<u>\$ 8,898,111</u>	<u>\$ 8,717,151</u>	
 Plan fiduciary net position:					
Contributions—employer	\$ 352,672	\$ 394,615	\$ 243,243	\$ 209,534	
Contributions—employee	126,227	132,509	123,792	112,725	
Net investment income	602,701	31,807	193,154	647,380	
Benefit payments, including refunds of employee contributions	(1,104,109)	(529,512)	(355,596)	(358,756)	
Administrative expense	(5,733)	(4,977)	(5,091)	(5,214)	
Other changes	<u>76</u>	<u>34</u>	<u>(4,321)</u>	<u>(92,784)</u>	
Net change in plan fiduciary net position	(28,166)	24,476	195,181	512,885	
Plan fiduciary net position—beginning	<u>5,483,281</u>	<u>5,458,805</u>	<u>5,263,624</u>	<u>4,750,739</u>	
Plan fiduciary net position—ending (b)	<u>\$ 5,455,115</u>	<u>\$ 5,483,281</u>	<u>\$ 5,458,805</u>	<u>\$ 5,263,624</u>	
 City's net pension liability (asset)—ending (a) – (b)	\$ 4,807,107	\$ 4,410,352	\$ 3,439,306	\$ 3,453,527	
Plan fiduciary net position as a percentage of the total pension liability	53.16 %	55.42 %	61.35 %	60.38 %	
Covered payroll	\$ 1,224,771	\$ 1,048,560	\$ 1,104,193	\$ 925,436	
City's net pension liability (asset) as a percentage of covered payroll	392.49 %	420.61 %	311.48 %	373.18 %	

CITY OF WINSLOW, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION/OPEB LIABILITY (ASSET)  
AND RELATED RATIOS - AGENT PENSION PLANS  
JUNE 30, 2018

	Reporting Fiscal Year (Measurement Date)	
	2018 (2017)	2017 through 2009
<u>PSPRS - Police OPEB</u>		
Total OPEB liability:		
Service cost	\$ 5,511	Information
Interest on the total OPEB liability	18,848	not available
Changes of benefit terms	899	
Differences between expected and actual experience in the measurement of the OPEB liability	(33,244)	
Changes of assumptions or other inputs	(8,224)	
Benefit payments, including refunds of employee contributions	<u>(9,471)</u>	
Net change in total OPEB liability	(25,681)	
Total OPEB liability—beginning	<u>253,281</u>	
Total OPEB liability—ending (a)	<u><u>\$ 227,600</u></u>	
Plan fiduciary net position:		
Contributions—employer	\$ 1,706	
Contributions—employee	0	
Net investment income	35,772	
Benefit payments, including refunds of employee contributions	(9,471)	
Administrative expense	(317)	
Other changes	<u>0</u>	
Net change in plan fiduciary net position	27,690	
Plan fiduciary net position—beginning	<u>307,034</u>	
Plan fiduciary net position—ending (b)	<u><u>\$ 334,724</u></u>	
City's net OPEB (asset) liability—ending (a) – (b)	\$ (107,124)	
Plan fiduciary net position as a percentage of the total OPEB liability	147.07 %	
Covered payroll	\$ 1,224,771	
City's net OPEB (asset) liability as a percentage of covered payroll	(8.75)%	

CITY OF WINSLOW, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION/OPEB LIABILITY (ASSET)  
AND RELATED RATIOS - AGENT PENSION PLANS  
JUNE 30, 2018

	Reporting Fiscal Year (Measurement Date)				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
<u>PSPRS - Fire</u>					
Total pension liability:					
Service cost	\$ 86,577	\$ 67,978	\$ 58,753	\$ 53,717	Information not available
Interest on the total pension liability	202,070	189,399	237,616	210,709	
Changes of benefit terms	16,756	138,823	0	42,560	
Differences between expected and actual experience in the measurement of the pension liability	(63,586)	(44,178)	(768,502)	(28,678)	
Changes of assumptions or other inputs	134,197	81,987	0	224,166	
Benefit payments, including refunds of employee contributions	<u>(184,196)</u>	<u>(139,321)</u>	<u>(154,108)</u>	<u>(170,353)</u>	
Net change in total pension liability	191,818	294,688	(626,241)	332,121	
Total pension liability—beginning	<u>2,743,081</u>	<u>2,448,393</u>	<u>3,074,634</u>	<u>2,742,513</u>	
Total pension liability—ending (a)	<u>\$ 2,934,899</u>	<u>\$ 2,743,081</u>	<u>\$ 2,448,393</u>	<u>\$ 3,074,634</u>	
Plan fiduciary net position:					
Contributions—employer	\$ 26,402	\$ 49,515	\$ 36,862	\$ 36,888	
Contributions—employee	45,212	46,204	35,148	34,510	
Net investment income	693,742	34,484	212,441	712,653	
Benefit payments, including refunds of employee contributions	(184,196)	(139,321)	(154,108)	(170,353)	
Administrative expense	(6,538)	(5,362)	(5,566)		
Administrative expense	<u>99</u>	<u>46</u>	<u>(5,777)</u>	<u>(5,739)</u>	
Net change in plan fiduciary net position	574,721	(14,434)	119,000	607,959	
Plan fiduciary net position—beginning	<u>5,942,955</u>	<u>5,957,389</u>	<u>5,838,389</u>	<u>5,230,430</u>	
Plan fiduciary net position—ending (b)	<u>\$ 6,517,676</u>	<u>\$ 5,942,955</u>	<u>\$ 5,957,389</u>	<u>\$ 5,838,389</u>	
City's net pension liability (asset)—ending (a) – (b)	\$ (3,582,777)	\$ (3,199,874)	\$ (3,508,996)	\$ (2,763,755)	
Plan fiduciary net position as a percentage of the total pension liability	222.07 %	216.65 %	243.32 %	189.89 %	
Covered payroll	\$ 430,091	\$ 384,274	\$ 303,805	\$ 342,689	
City's net pension liability (asset) as a percentage of covered payroll	(833.03)%	(832.71)%	(1,155.02)%	(806.49)%	

CITY OF WINSLOW, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION/OPEB LIABILITY (ASSET)  
AND RELATED RATIOS - AGENT PENSION PLANS  
JUNE 30, 2018

	Reporting Fiscal Year (Measurement Date)	
	2018 (2017)	2017 through 2009
<u>PSPRS - Fire OPEB</u>		
Total OPEB liability:		
Service cost	\$ 1,333	Information
Interest on the total OPEB liability	1,903	not available
Changes of benefit terms	662	
Differences between expected and actual experience in the measurement of the OPEB liability	(1,785)	
Changes of assumptions or other inputs	221	
Benefit payments, including refunds of employee contributions	<u>(1,200)</u>	
Net change in total OPEB liability	1,134	
Total OPEB liability—beginning	<u>25,313</u>	
Total OPEB liability—ending (a)	<u><u>\$ 26,447</u></u>	
Plan fiduciary net position:		
Contributions—employer	\$ 0	
Contributions—employee	0	
Net investment income	31,829	
Benefit payments, including refunds of employee contributions	(1,200)	
Administrative expense	(281)	
Other changes	<u>0</u>	
Net change in plan fiduciary net position	30,348	
Plan fiduciary net position—beginning	<u>270,746</u>	
Plan fiduciary net position—ending (b)	<u><u>\$ 301,094</u></u>	
City's net OPEB (asset) liability—ending (a) – (b)	\$ (274,647)	
Plan fiduciary net position as a percentage of the total OPEB liability	1,138.48 %	
Covered payroll	\$ 430,091	
City's net OPEB (asset) liability as a percentage of covered payroll	(63.86)%	

CITY OF WINSLOW, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S PENSION/OPEB CONTRIBUTIONS  
 JUNE 30, 2018

	Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
ASRS- Pension						
Statutorily required contribution	\$ 295,142	\$ 258,987	\$ 264,162	\$ 253,959	\$ 250,173	Information not available
City's contributions in relation to the statutorily required contribution	<u>295,142</u>	<u>258,987</u>	<u>264,162</u>	<u>253,959</u>	<u>250,173</u>	
City's contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
City's covered payroll	\$ 2,707,725	\$ 2,402,477	\$ 2,434,673	\$ 2,332,038	\$ 2,338,065	
City's contributions as a percentage of covered payroll	10.90 %	10.78 %	10.85 %	10.89 %	10.70 %	

	Reporting Fiscal Year	
	2018	2017 through 2009
ASRS- Health Insurance Premium Benefit		
Statutorily required contribution	\$ 11,914	Information not available
City's contributions in relation to the statutorily required contribution	<u>11,914</u>	
City's contribution deficiency (excess)	<u>\$</u>	
City's covered payroll	\$ 2,707,725	
City's contributions as a percentage of covered payroll	0.44 %	

	Reporting Fiscal Year	
	2018	2017 through 2009
ASRS- Long-term Disability		
Statutorily required contribution	\$ 4,332	Information not available
City's contributions in relation to the statutorily required contribution	<u>4,332</u>	
City's contribution deficiency (excess)	<u>\$</u>	
City's covered payroll	\$ 2,707,725	
City's contributions as a percentage of covered payroll	0.16 %	



CITY OF WINSLOW, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S PENSION/OPEB CONTRIBUTIONS  
 JUNE 30, 2018

	Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
<u>PSPRS - Police</u>						
Actuarially determined contribution	\$ 480,754	\$ 344,197	\$ 399,421	\$ 242,783	\$ 216,439	Information not available
City's contributions in relation to the actuarially determined contribution	<u>480,754</u>	<u>344,197</u>	<u>399,421</u>	<u>242,783</u>	<u>216,439</u>	
City's contribution deficiency (excess)	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>	
City's covered payroll	\$ 1,258,940	\$ 1,104,612	\$ 1,048,560	\$ 1,104,193	\$ 925,436	
City's contributions as a percentage of covered payroll	38.19 %	31.16 %	38.09 %	21.99 %	23.39 %	
	Reporting Fiscal Year					
	2018	2017 through 2009				
<u>PSPRS - Police OPEB</u>						
Statutorily required contribution	\$ 0	Information not available				
City's contributions in relation to the statutorily required contribution	<u>0</u>					
City's contribution deficiency (excess)	\$ <u>          </u>					
City's covered payroll	\$ 1,224,771					
City's contributions as a percentage of covered payroll	0.00 %					

CITY OF WINSLOW, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE CITY'S PENSION/OPEB CONTRIBUTIONS  
 JUNE 30, 2018

	<u>Reporting Fiscal Year</u>					2013 through 2009
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
<u>PSPRS - Fire</u>						
Actuarially determined contribution	\$ 59,375	\$ 19,229	\$ 43,894	\$ 31,700	\$ 29,142	Information not available
City's contributions in relation to the actuarially determined contribution	<u>59,375</u>	<u>19,229</u>	<u>43,894</u>	<u>31,700</u>	<u>29,142</u>	
City's contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	
City's covered payroll	\$ 778,401	\$ 384,580	\$ 407,937	\$ 303,805	\$ 342,689	
City's contributions as a percentage of covered payroll	7.63 %	5.00 %	10.76 %	10.43 %	8.50 %	

	<u>Reporting Fiscal Year</u>	
	<u>2018</u>	<u>2017 through 2009</u>
<u>PSPRS - Fire OPEB</u>		
Statutorily required contribution	\$ 0	Information not available
City's contributions in relation to the statutorily required contribution	<u>0</u>	
City's contribution deficiency (excess)	<u>\$</u>	
City's covered payroll	\$ 778,401	
City's contributions as a percentage of covered payroll		

CITY OF WINSLOW, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 NOTES TO THE CITY'S PENSION/OPEB PLAN SCHEDULES  
 JUNE 30, 2018

**NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES**

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

Actuarial cost method	Individual entry age normal
Amortization method	Level percent-of-pay, closed
Remaining amortization period as of the 2016 actuarial valuation	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decrease 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	4.0% to 8.0% including inflation
Wage growth	4.0%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

**NOTE 2 - FACTORS THAT AFFECT 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 will increase 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.