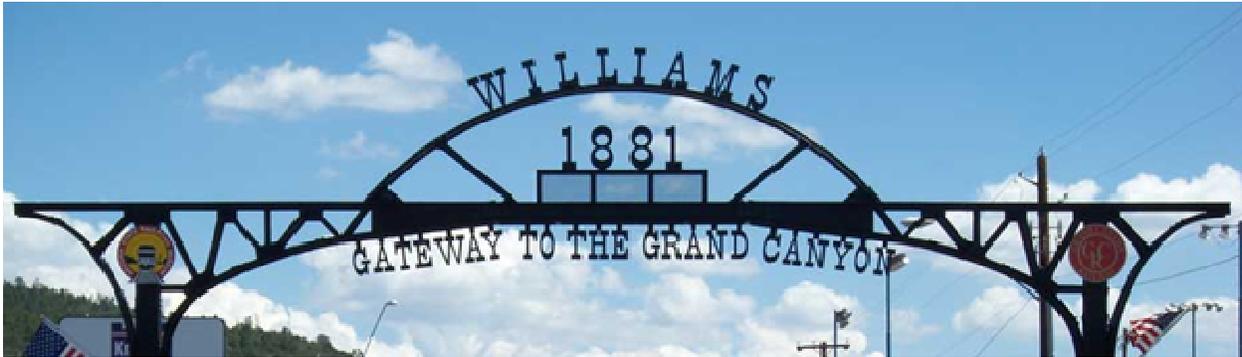


CITY OF WILLIAMS, ARIZONA



FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2011

WITH REPORT OF

CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WILLIAMS, ARIZONA

TABLE OF CONTENTS

Financial Section:

Report of Certified Public Accountants 1

Management’s Discussion and Analysis..... 3

Basic Financial Statements:

Government-wide Financial Statements:

 Statement of Net Assets 12

 Statement of Activities..... 13

Fund Financial Statements:

 Balance Sheet - Governmental Funds..... 14

 Reconciliation of Total Governmental Fund Balance
 To Net Assets of Governmental Activities 15

 Statement of Revenues, Expenditures, and Changes in
 Fund Balances - Governmental Funds 16

 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities 17

 Statement of Net Assets - Proprietary Funds 18

 Statement of Revenues, Expenses, and Changes in Fund
 in Net Assets – Proprietary Funds..... 19

 Statement of Cash Flows - Proprietary Funds 20

 Statement of Fiduciary Net Assets - Pension Fund..... 21

 Statement of Changes in Fiduciary Net Assets - Pension Fund..... 22

 Notes to the Financial Statements..... 23

Required Supplementary Information – Public Safety Personnel Retirement System 54

Required Supplementary Information - Individual Fund Schedules:

 Detail Schedule of Revenues, Expenditures, and Changes in
 Fund Balances – Budget and Actual – General Fund 56

CITY OF WILLIAMS, ARIZONA

TABLE OF CONTENTS, CONTINUED

Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual – Debt Service Fund..... 58

Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual – Highway User Special Revenue Fund 59

Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual – Grants Special Revenue Fund 60

Supplementary Information – Combining and Individual Fund Schedules:

Combining Balance Sheet – Non-Major Governmental Funds 62

Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances – Non-Major Governmental Funds 63

Schedule of Revenues, Expenditures, and Changes in
Fund Balances – Budget and Actual – Capital Projects Funds 64

Statement of Net Assets – Component Unit 66

Statement of Changes in Net Assets - Component Unit 67

Single Audit Section:

Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards* 69

Report on Compliance with State Laws and Regulations 71

Schedule of Expenditures of Federal Awards..... 73

Report on Compliance Applicable to Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133 75

Summary of Auditors’ Results..... 77

Financial Statement Findings..... 78

Federal Award Findings and Questioned Costs 78

Summary of Prior Year Findings and Questioned Costs 78

FINANCIAL SECTION

This Page Intentionally Left Blank



MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
DEAN R. BURDICK, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA

KENNETH A. HINTON, CPA
MORRIS J. PEACOCK, CPA
PHILLIP S. PEINE, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

Independent Auditors' Report

The Honorable Mayor and
City Council
Williams, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williams, Arizona, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the City of Williams' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williams as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2012, on our consideration of the City of Williams' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and analysis, budgetary comparison schedules, and the Public Safety Retirement System information, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Williams, Arizona's basic financial statements. The combining, individual fund and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Williams, Arizona. The accompanying schedule of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-1233, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



HintonBurdick, PLLC
March 23, 2012

**CITY OF WILLIAMS, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011**

As management of the City of Williams, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2011. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity (3) identify changes in the City's financial position (4) identify any material deviations from the financial plan (the approved budget) and (5) individual fund issues or concerns.

The discussion and analysis (MD&A) has a different focus and purpose than the transmittal letter of this report, and is designed to be read in conjunction with the transmittal letter as well as the basic financial statements beginning on page 12 and the accompanying notes to the basic financial statements.

FINANCIAL HIGHLIGHTS

- The City's total net assets at the close of the fiscal year were \$38,210,530. This amount is comprised of \$34,898,938 in capital assets net of related debt, \$1,189,738 of restricted net assets and \$2,121,854 in unrestricted net assets.
- Governmental net assets decreased by \$806,313 and Business-Type net assets increased by \$440,735, excluding a prior period adjustment which further increased Business-Type net assets by 600,116.
- Total City Sales tax revenue decreased by 8.5 percent from last year and still is the single largest revenue in the budget.
- Improvements totaling \$691 thousand were made to the City's infrastructure. An additional \$358 thousand was added to the City's electric system in the current fiscal year. \$706 thousand was spent on other assorted capital assets for various City departments.
- Total debt service payments, including interest expense, were approximately \$2.4 million leaving approximately \$28 million in total outstanding debt at the close of the year.
- The General Fund's unassigned fund balance increased by \$201,746 to \$357,757. The unassigned fund balance represents 8% of total General Fund expenditures for the fiscal year.
- Other governmental fund balances decreased by \$921,615 to \$897,391. The entire amount is restricted.

USING THIS ANNUAL REPORT

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

Reporting the City as a Whole

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included on page 17.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$38.2 million as of June 30, 2011 as shown in the following condensed statement of net assets.

City of Williams Statement of Net Assets

	Governmental activities		Business-type activities		Total	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Current and other assets	\$ 2,156,855	\$ 3,031,095	\$ 2,423,694	\$ 2,194,585	\$ 4,580,549	\$ 5,225,680
Capital assets	24,436,212	24,958,093	38,458,462	39,120,613	62,894,674	64,078,706
Total assets	<u>26,593,067</u>	<u>27,989,188</u>	<u>40,882,156</u>	<u>41,315,198</u>	<u>67,475,223</u>	<u>69,304,386</u>
Long-term liabilities outstanding	5,017,253	5,482,734	20,948,315	21,511,046	25,965,568	26,993,780
Other liabilities	977,866	1,102,193	2,321,259	3,232,421	3,299,125	4,334,614
Total liabilities	<u>5,995,119</u>	<u>6,584,927</u>	<u>23,269,574</u>	<u>24,743,467</u>	<u>29,264,693</u>	<u>31,328,394</u>
Net assets:						
Invested in capital assets, net of related debt	18,780,366	19,786,853	16,118,572	16,634,115	34,898,938	36,420,968
Restricted	897,391	2,018,281	292,347	-	1,189,738	2,018,281
Unrestricted	920,191	(400,873)	1,201,663	(62,384)	2,121,854	(463,257)
Total net assets	<u>\$20,597,948</u>	<u>\$21,404,261</u>	<u>\$17,612,582</u>	<u>\$16,571,731</u>	<u>\$38,210,530</u>	<u>\$37,975,992</u>

The City has \$67,475,223 in total assets, with \$62,894,674 in capital assets (net of depreciation). The City's Utility Funds, (Electric, Water & Sewer, Sanitation, and Golf) operations are included in the Business-type activities column.

Governmental Activities

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

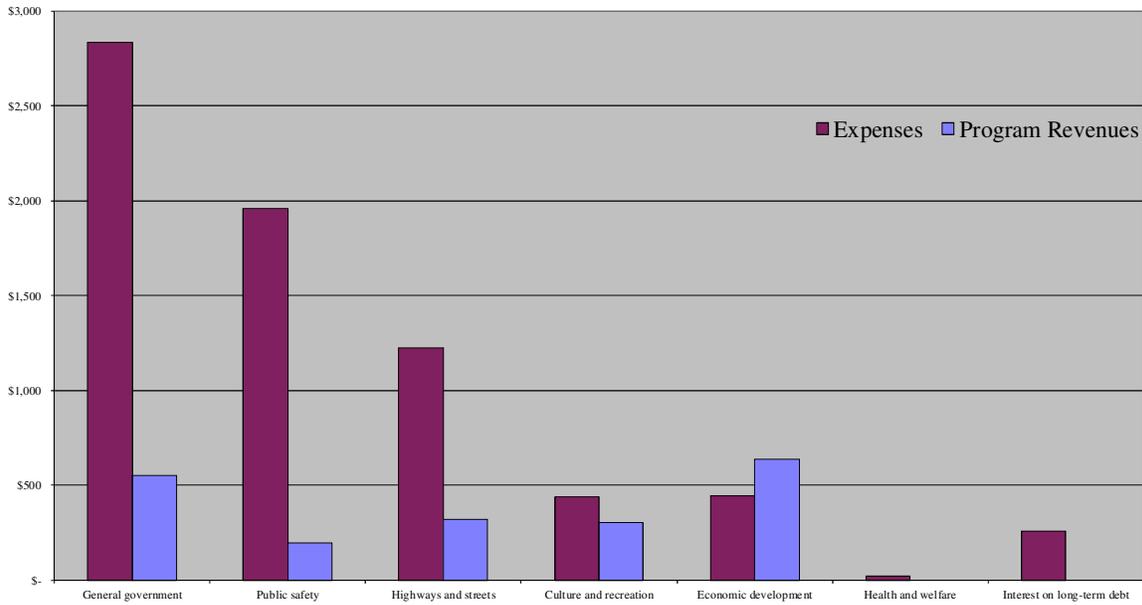
**City of Williams
Changes in Net Assets**

	Governmental activities		Business-type activities		Total	
	6/30/2011	6/30/2010	6/30/2011	6/30/2010	6/30/2011	6/30/2010
Revenues:						
Program revenues:						
Charges for services	\$ 377,089	\$ 641,694	\$ 6,637,264	\$ 6,804,294	\$ 7,014,353	\$ 7,445,988
Operating grants and contributions	1,419,890	619,042	-	-	1,419,890	619,042
Capital grants and contributions	222,641	798,305	88,863	-	311,504	798,305
General revenues:						
Property taxes	667,940	558,396	-	-	667,940	558,396
Sales taxes	3,323,301	3,668,307	-	-	3,323,301	3,668,307
State and other taxes	468,850	792,877	-	-	468,850	792,877
Other	1,903	4,724	21,581	950	23,484	5,674
Total revenues	<u>6,481,614</u>	<u>7,083,345</u>	<u>6,747,708</u>	<u>6,805,244</u>	<u>13,229,322</u>	<u>13,888,589</u>
Expenses:						
General government	2,833,436	2,876,957	-	-	2,833,436	2,876,957
Public safety	1,961,796	2,031,995	-	-	1,961,796	2,031,995
Highways and streets	1,224,825	1,750,066	-	-	1,224,825	1,750,066
Culture and recreation	441,016	636,227	-	-	441,016	636,227
Economic development	444,773	480,917	-	-	444,773	480,917
Health and welfare	22,196	15,308	-	-	22,196	15,308
Interest on long-term debt	259,885	245,025	-	-	259,885	245,025
Electric	-	-	2,133,623	2,119,967	2,133,623	2,119,967
Water & Sewer	-	-	3,090,789	2,938,290	3,090,789	2,938,290
Golf Course	-	-	471,136	514,155	471,136	514,155
Sanitation	-	-	711,425	729,534	711,425	729,534
Total expenses	<u>7,187,927</u>	<u>8,036,495</u>	<u>6,406,973</u>	<u>6,301,946</u>	<u>13,594,900</u>	<u>14,338,441</u>
(Decrease)/Increase in net assets before transfers	(706,313)	(953,150)	340,735	503,298	(365,578)	(449,852)
Transfers	(100,000)	(100,000)	100,000	100,000	-	-
(Decrease)/Increase in net assets	(806,313)	(1,053,150)	440,735	603,298	(365,578)	(449,852)
Net assets, beginning	21,404,261	22,457,411	16,571,731	15,968,433	37,975,992	38,425,844
Prior period adjustment	-	-	600,116	-	600,116	-
Net assets, ending	<u>\$20,597,948</u>	<u>\$21,404,261</u>	<u>\$17,612,582</u>	<u>\$16,571,731</u>	<u>\$38,210,530</u>	<u>\$37,975,992</u>

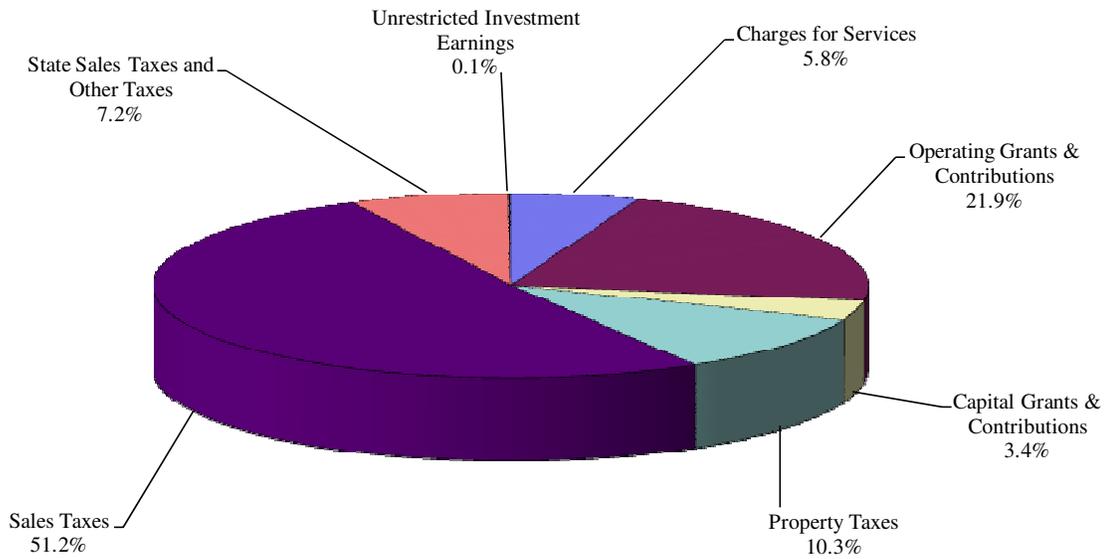
Total resources available during the year to finance governmental operations were \$27.86 million consisting of Net assets at July 1, 2010 of \$21.4 million, program revenues of \$2 million and General Revenues of \$4.46 million. Total Governmental Activities during the year were \$7.2 million; thus Governmental Net Assets were decreased by \$806,313 to \$20.6 million.

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

Expenses and Program Revenues - Governmental Activities
(in Thousands)



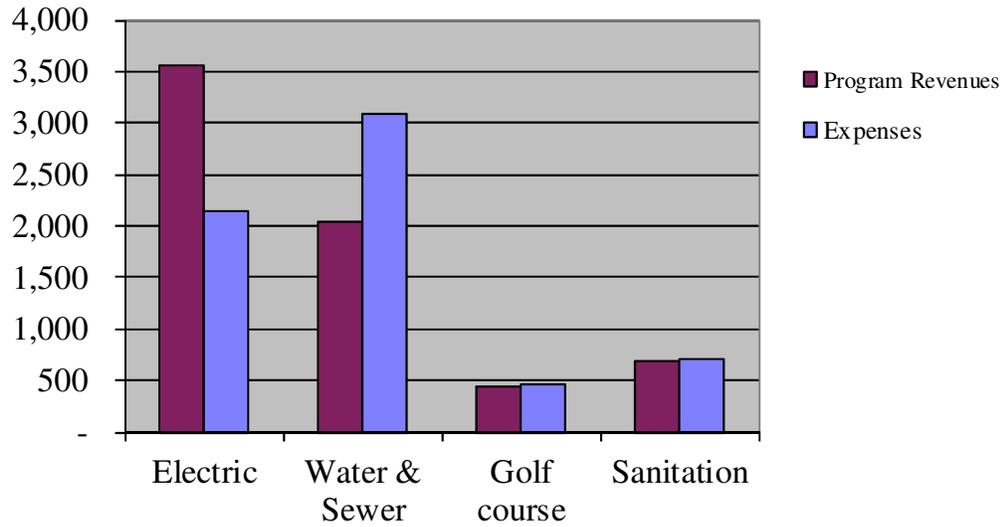
Revenue By Source - Governmental Activities



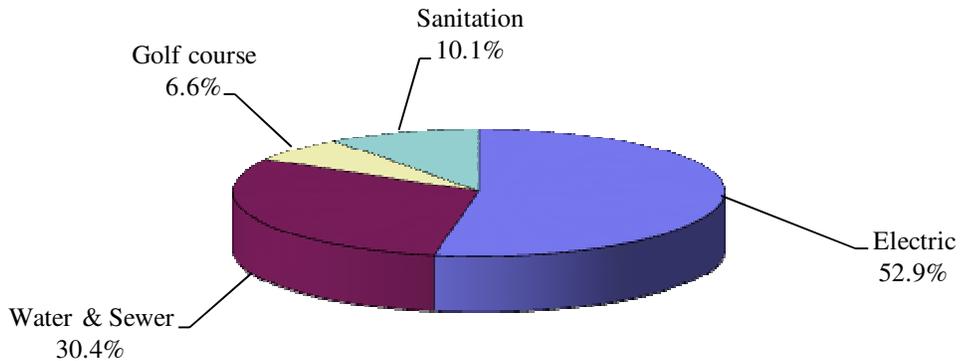
Business Type Activities

Net assets of the Business Type activities at June 30, 2011, as reflected in the Statement of Net Assets were \$17.6 million. The cost of providing all Proprietary (Business Type) activities this year was \$5.5 million. As shown in the statement of Changes in Net Assets, the amounts paid by users of the system were \$6.5 million. Interest earnings and other revenues were \$110,444. Interest expense was \$894,923. Net Assets increased by \$1,040,851, including the effect of a prior period adjustment which increased net assets by \$600,116.

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



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Williams's governmental funds reported combined ending fund balances of \$1.46 million, a decrease of \$510 thousand in comparison with the prior year. Approximately, 24.5% of this total amount or \$357 thousand constitutes unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted or committed because it has already been committed 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Williams. At the end of the current fiscal year, total fund balance in the general fund was \$567,441, of which 357,757 is unassigned. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Both unassigned fund balance and total fund balance represents 12.5% of total general fund expenditures. During the year, the City of Williams's general fund balance increased by \$212,156.

General Fund Budgetary Highlights

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

General Fund revenues of \$5,597,884, on a budgetary basis, were greater than the budget of \$5,489,500 by \$108,384. Budgetary expenditures of \$4,488,851 were 87% of budgeted expenditures of \$5,153,000, a savings of \$114,377. The variances in budget to actual numbers related to expenditures were the result of greater savings than anticipated of various costs throughout all line-items of the operating budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, vehicles, buildings, land, park facilities and roads. At the end of fiscal year 2011, net capital assets of the government activities totaled \$24.4 million and the net capital assets of the business-type activities totaled \$38.46 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

Debt

At year-end, the City had \$5.65 million in governmental type debt, and \$22.37 million in business-type debt. During the current fiscal year there was \$94,483 in new debt issues and the City's total debt decreased by \$1.15 million as a result of regularly scheduled debt service payments. (See notes 7 and 8 to the financial statements for detailed descriptions.)

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

In considering the City budget for fiscal year 2011/2012, the City Council and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2010/2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CITY OF WILLIAMS, ARIZONA
Statement of Net Assets
June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 821,066	\$ 135,553	\$ 956,619	\$ 140,165
Receivables (net of allowance)	965,572	857,116	1,822,688	12,839
Internal balances	(697,387)	697,387	-	-
Prepays	174,881	1,298	176,179	-
Inventory	34,803		34,803	-
Deferred Charges	-	158,472	158,472	-
Temporarily restricted assets:				
Cash and cash equivalents	857,920	573,868	1,431,788	-
Capital assets (net of accumulated depreciation):				
Land and improvements	257,978	100,000	357,978	481,979
Buildings and improvements	5,948,306	3,675,765	9,624,071	1,056,343
System and other improvements	10,556,794	33,640,043	44,196,837	77,602
Furniture, equipment and vehicles	1,295,347	1,042,654	2,338,001	16,512
Infrastructure	6,377,787	-	6,377,787	-
Total Assets	<u>26,593,067</u>	<u>40,882,156</u>	<u>67,475,223</u>	<u>1,785,440</u>
Liabilities				
Accounts payable and other current liabilities	339,273	899,685	1,238,958	41,496
Noncurrent liabilities:				
Due within one year	638,593	1,421,574	2,060,167	-
Due in more than one year	5,017,253	20,948,315	25,965,568	6,609
Total Liabilities	<u>5,995,119</u>	<u>23,269,574</u>	<u>29,264,693</u>	<u>48,105</u>
Net Assets				
Invested in capital assets, net of related debt	18,780,366	16,118,572	34,898,938	1,632,436
Restricted for:				
Debt service	328,369	-	328,369	-
Capital projects	524,600	-	524,600	-
Other purposes	44,422	292,347	336,769	7,425
Unrestricted	920,191	1,201,663	2,121,854	97,474
Total Net Assets	<u>\$ 20,597,948</u>	<u>\$ 17,612,582</u>	<u>\$ 38,210,530</u>	<u>\$ 1,737,335</u>

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

CITY OF WILLIAMS, ARIZONA
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental activities:								
General government	\$ 2,833,436	\$ 261,064	\$ 100,562	\$ 190,331	\$ (2,281,479)	\$ -	\$ (2,281,479)	\$ -
Public safety	1,961,796	77,044	100,103	18,560	(1,766,089)	-	(1,766,089)	-
Highways and streets	1,224,825	-	323,988	-	(900,837)	-	(900,837)	-
Culture and recreation	441,016	38,981	268,254	-	(133,781)	-	(133,781)	-
Economic development	444,773	-	626,983	13,750	195,960	-	195,960	-
Health and welfare	22,196	-	-	-	(22,196)	-	(22,196)	-
Interest on long-term debt	259,885	-	-	-	(259,885)	-	(259,885)	-
Total governmental activities	7,187,927	377,089	1,419,890	222,641	(5,168,307)	-	(5,168,307)	-
Business-type activities:								
Electric	2,133,623	3,555,945	-	-	-	1,422,322	1,422,322	-
Water & Sewer	3,090,789	1,957,911	-	88,863	-	(1,044,015)	(1,044,015)	-
Golf course	471,136	443,497	-	-	-	(27,639)	(27,639)	-
Sanitation	711,425	679,911	-	-	-	(31,514)	(31,514)	-
Total business-type activities	6,406,973	6,637,264	-	88,863	-	319,154	319,154	-
Component Unit:								
Housing Authority	529,096	79,109	384,542	-	-	-	-	(65,445)
General Revenues:								
Property taxes levied for general purposes					667,940	-	667,940	-
Sales taxes					3,323,301	-	3,323,301	-
State sales tax and other taxes - Unrestricted					468,850	-	468,850	-
Unrestricted investment earnings					3,629	21,581	25,210	175
Miscellaneous					-	-	-	3,793
Loss on disposal of capital assets					(1,726)	-	(1,726)	-
Transfers					(100,000)	100,000	-	-
Total general revenues & transfers					4,361,994	121,581	4,483,575	3,968
Change in net assets					(806,313)	440,735	(365,578)	(61,477)
Net assets - beginning					21,404,261	16,571,731	37,975,992	1,798,812
Prior period adjustment					-	600,116	600,116	-
Net assets - ending					\$ 20,597,948	\$ 17,612,582	\$ 38,210,530	\$ 1,737,335

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

CITY OF WILLIAMS, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2011

ASSETS	<u>General</u>	<u>Debt Service</u>	<u>Highway User Special Revenue</u>	<u>Grants Special Revenue</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 821,066	\$ -	\$ -	\$ -	\$ -	\$ 821,066
Receivables:						
Property Taxes	55,337	308,177	-	-	-	363,514
Other	134,628	-	-	182,262	-	316,890
Intergovernmental	257,666	-	27,502	-	-	285,168
Inventory	34,803	-	-	-	-	34,803
Prepaid items	174,881	-	-	-	-	174,881
Restricted Cash and Investments	-	328,369	4,951	-	524,600	857,920
Total Assets	<u>\$ 1,478,381</u>	<u>\$ 636,546</u>	<u>\$ 32,453</u>	<u>\$ 182,262</u>	<u>\$ 524,600</u>	<u>\$ 2,854,242</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	\$ 119,398	\$ -	\$ 12,608	\$ 19,246	\$ -	\$ 151,252
Accrued Liabilities	164,867	-	19,845	-	-	184,712
Customer Deposits and Construction Advances	3,300	-	-	-	-	3,300
Due to Other Funds	578,793	-	-	118,594	-	697,387
Deferred Revenue	44,582	308,177	-	-	-	352,759
Total Liabilities	<u>910,940</u>	<u>308,177</u>	<u>32,453</u>	<u>137,840</u>	<u>-</u>	<u>1,389,410</u>
Fund Balances:						
Nonspendable:						
Inventory	34,803	-	-	-	-	34,803
Prepaid items	174,881	-	-	-	-	174,881
Restricted for:						
Capital projects	-	-	-	-	524,600	524,600
Debt service	-	328,369	-	-	-	328,369
Other items	-	-	-	44,422	-	44,422
Unassigned	357,757	-	-	-	-	357,757
Total Fund Balances	<u>567,441</u>	<u>328,369</u>	<u>-</u>	<u>44,422</u>	<u>524,600</u>	<u>1,464,832</u>
Total Liabilities and Fund Balances	<u>\$ 1,478,381</u>	<u>\$ 636,546</u>	<u>\$ 32,453</u>	<u>\$ 182,262</u>	<u>\$ 524,600</u>	<u>\$ 2,854,242</u>

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

CITY OF WILLIAMS, ARIZONA
Reconciliation of Total Governmental Fund Balance
To Net Assets of Governmental Activities
June 30, 2011

Total governmental fund balances \$ 1,464,832

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Governmental capital assets	\$ 63,908,278	
Accumulated depreciation	<u>(39,472,066)</u>	
		24,436,212

Certain property taxes and special assessments collected after year-end and are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds but recognized when earned in the statement of activities.

352,750

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

Bonds payable	\$ (4,512,516) *	
Capital leases payable	(186,904)	
Notes payable	(669,957)	
Compensated absences	<u>(286,469)</u>	
		(5,655,846)

Total net assets of governmental activities	\$ 20,597,948
---	---------------

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

CITY OF WILLIAMS, ARIZONA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

REVENUES	General	Debt Service	Highway User Special Revenue	Grants Special Revenue	Non-major Governmental Funds	Total Governmental Funds
Taxes	\$ 4,311,937	\$ -	\$ -	\$ -	\$ -	\$ 4,311,937
Licenses, Permits and Fees	38,271	-	-	-	-	38,271
Intergovernmental Revenue	700,912	-	321,101	552,591	-	1,574,604
Charges for Services	303,945	-	-	-	-	303,945
Fines and Forfeitures	35,832	-	-	-	-	35,832
Special Assessments	-	-	-	-	74,337	74,337
Interest	1,150	1,130	-	-	1,389	3,669
Other Revenues	205,837	-	100	-	-	205,937
Total Revenues	5,597,884	1,130	321,201	552,591	75,726	6,548,532
EXPENDITURES						
Current:						
General Government	1,866,333	-	-	-	1,204	1,867,537
Public Safety	1,712,255	-	-	127,968	-	1,840,223
Highways & Streets	-	-	745,372	1,444	-	746,816
Culture and Recreation	340,576	-	-	-	-	340,576
Economic Development	446,208	-	-	-	-	446,208
Health & Welfare	20,428	-	-	-	-	20,428
Capital Outlay	32,008	-	-	450,024	682,467	1,164,499
Debt Service:						
Principal	68,677	325,370	77,773	-	-	471,820
Interest	2,366	256,384	1,135	-	-	259,885
Total Expenditures	4,488,851	581,754	824,280	579,436	683,671	7,157,992
Excess of Revenues Over (Under) Expenditures	1,109,033	(580,624)	(503,079)	(26,845)	(607,945)	(609,460)
Other Financing Sources (Uses):						
Transfers in	-	390,052	503,079	-	6,378	899,509
Transfers out	(896,877)	-	-	-	(102,631)	(999,508)
Total Other Financing Sources (Uses)	(896,877)	390,052	503,079	-	(96,253)	(99,999)
Net change in fund balances	212,156	(190,572)	-	(26,845)	(704,198)	(709,459)
Fund balances, beginning of year	156,011	518,941	-	71,267	1,228,798	1,975,017
Prior period adjustment	199,274	-	-	-	-	199,274
Fund balances, end of year	\$ 567,441	\$ 328,369	\$ -	\$ 44,422	\$ 524,600	\$ 1,464,832

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

CITY OF WILLIAMS, ARIZONA
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$	(709,459)
--	----	-----------

Governmental funds report capital outlays as expenditures. However, in the

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay	\$	1,238,743
Depreciation expense		<u>(1,758,894)</u>
		(520,151)

The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) resulted in a decrease to net assets.		(1,732)
--	--	---------

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

Repayment of long-term debt principal		471,820
---------------------------------------	--	---------

Revenues that do not provide current financial resources are not reported as revenues in the funds. This represents the change in unearned revenues for property taxes and assessments receivable that have previously been deferred in the funds.		(65,189)
--	--	----------

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		18,398
---	--	--------

Change in net assets of governmental activities	\$	<u>(806,313)</u>
---	----	------------------

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

CITY OF WILLIAMS, ARIZONA
Statement of Net Assets
Proprietary Funds
June 30, 2011

Assets	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-Major Golf Course Fund	Total
Current Assets:					
Cash	\$ 135,453	\$ -	\$ 100	\$ -	\$ 135,553
Receivables (net of allowance)	431,166	364,251	-	7,409	802,826
Due from other governments	-	-	54,290	-	54,290
Due from other funds	1,167,527	1,509,969	-	-	2,677,496
Prepaid Expenses	1,299	-	-	-	1,299
Total Current Assets	<u>1,735,445</u>	<u>1,874,220</u>	<u>54,390</u>	<u>7,409</u>	<u>3,671,464</u>
Restricted cash	191,549	211,487	5,316	165,516	573,868
Deferred bond issue costs	39,760	85,456	1,052	32,204	158,472
Land and improvements	100,000	-	-	-	100,000
Buildings and improvements	129,000	4,011,446	46,426	98,804	4,285,676
System and other improvements	6,267,784	34,444,980	104,983	2,265,810	43,083,557
Furniture, equipment and vehicles	-	1,136,185	931,635	718,103	2,785,923
Accumulated depreciation	(1,693,458)	(8,353,393)	(685,132)	(1,064,712)	(11,796,695)
Total Noncurrent Assets	<u>5,034,635</u>	<u>31,536,161</u>	<u>404,280</u>	<u>2,215,725</u>	<u>39,190,801</u>
Total Assets	<u>6,770,080</u>	<u>33,410,381</u>	<u>458,670</u>	<u>2,223,134</u>	<u>42,862,265</u>
Liabilities					
Current Liabilities:					
Accounts payable	338,554	152,439	52,068	24,144	567,205
Accrued liabilities	9,180	9,981	-	15,929	35,090
Refundable construction advances	147,641	-	-	-	147,641
Customer deposits	80,860	68,889	-	-	149,749
Due to other funds	-	-	103,734	1,876,375	1,980,109
Current portion, compensated absences	-	12,000	11,400	6,600	30,000
Current portion, capital lease payable	-	21,047	23,498	11,681	56,226
Current portion, long-term debt	111,719	1,120,296	2,753	100,580	1,335,348
Total Current Liabilities	<u>687,954</u>	<u>1,384,652</u>	<u>193,453</u>	<u>2,035,309</u>	<u>4,301,368</u>
Long-Term Debt (net of current portion):					
Compensated absences	-	46,453	45,022	24,358	115,833
General obligation bonds payable	253,559	100,408	7,500	215,073	576,540
Revenue bonds payable	-	2,651,752	-	-	2,651,752
Loans payable	-	17,633,572	-	-	17,633,572
Deferred loss on defeasance	(15,846)	(5,703)	-	(7,833)	(29,382)
Total Long-Term Debt	<u>237,713</u>	<u>20,426,482</u>	<u>52,522</u>	<u>231,598</u>	<u>20,948,315</u>
Total Liabilities	<u>925,667</u>	<u>21,811,134</u>	<u>245,975</u>	<u>2,266,907</u>	<u>25,249,683</u>
Net Assets					
Invested in capital assets, net of related debt	4,453,894	9,671,393	319,139	1,674,146	16,118,572
Restricted	80,860	211,487	-	-	292,347
Unrestricted (deficit)	1,309,659	1,716,367	(106,444)	(1,717,919)	1,201,663
Total Net Assets (deficit)	<u>\$ 5,844,413</u>	<u>\$ 11,599,247</u>	<u>\$ 212,695</u>	<u>\$ (43,773)</u>	<u>\$ 17,612,582</u>

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

CITY OF WILLIAMS, ARIZONA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

Operating Revenues	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-major Golf Course Fund	Total
Charges for services	\$ 3,422,017	\$ 1,953,325	\$ 679,911	\$ 441,097	\$ 6,496,350
Other revenues	133,928	4,586	-	2,400	140,914
Total Operating Revenues	3,555,945	1,957,911	679,911	443,497	6,637,264
Operating Expenses					
Salaries, wages and benefits	-	423,425	356,037	235,715	1,015,177
Office expenses and travel	3,048	84,930	61,810	26,390	176,178
Repairs and maintenance	52,603	67,464	6,776	47,851	174,694
Utilities	-	268,331	1,763	32,286	302,380
Legal and professional fees	12,495	85,507	-	-	98,002
Contract services	193,711	-	-	-	193,711
Miscellaneous	-	795	-	7,299	8,094
Purchase power	1,676,975	-	-	-	1,676,975
Supplies	-	432,223	12,046	23,316	467,585
Resident and tipping fees	-	-	220,665	-	220,665
Depreciation/amortization	151,426	913,573	49,949	63,641	1,178,589
Total Operating Expenses	2,090,258	2,276,248	709,046	436,498	5,512,050
Operating Income (Loss)	1,465,687	(318,337)	(29,135)	6,999	1,125,214
Non-operating Revenues (Expenses)					
Interest income	774	20,682	-	125	21,581
Interest expense and fiscal charges	(43,365)	(814,541)	(2,379)	(34,638)	(894,923)
Connection and impact fees	-	88,863	-	-	88,863
Total Non-Operating Revenue (Expense)	(42,591)	(704,996)	(2,379)	(34,513)	(784,479)
Net Income (Loss) before contributions and transfers	1,423,096	(1,023,333)	(31,514)	(27,514)	340,735
Transfers in	-	-	-	100,000	100,000
Net Income (Loss)	1,423,096	(1,023,333)	(31,514)	72,486	440,735
Total net assets, beginning of year	4,421,317	12,022,464	244,209	(116,259)	16,571,731
Prior period adjustment	-	600,116	-	-	600,116
Total net assets, end of year	\$ 5,844,413	\$ 11,599,247	\$ 212,695	\$ (43,773)	\$ 17,612,582

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

CITY OF WILLIAMS, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-major Golf Course Fund	Total
Cash Flows From Operating Activities:					
Cash received from customers, service fees	\$ 3,350,445	\$ 1,914,678	\$ 663,765	\$ 463,246	\$ 6,392,134
Cash received from customers, other	133,928	4,586	-	2,400	140,914
Cash paid to suppliers	(2,056,221)	(908,550)	(296,744)	(142,550)	(3,404,065)
Cash paid to employees	(2,355)	(422,785)	(356,037)	(229,441)	(1,010,618)
Net cash flows from operating activities	<u>1,425,797</u>	<u>587,929</u>	<u>10,984</u>	<u>93,655</u>	<u>2,118,365</u>
Cash Flows From Noncapital Financing Activities:					
Proceeds/Payments from other funds	-	-	24,014	-	24,014
Proceeds/Payments to other funds	(661,359)	(47,454)	-	(51,921)	(760,734)
Transfers in	-	-	-	100,000	100,000
Net cash flows from noncapital financing activities	<u>(661,359)</u>	<u>(47,454)</u>	<u>24,014</u>	<u>48,079</u>	<u>(636,720)</u>
Cash Flows From Capital and Related Financing Activities:					
Purchase of capital assets	(358,731)	(158,056)	-	-	(516,787)
Principal paid on long-term debt	(117,083)	(527,098)	(2,462)	(97,909)	(744,552)
Principal paid on capital lease	-	(27,146)	(30,308)	(15,067)	(72,521)
Interest paid	(21,841)	(806,651)	(2,228)	(28,917)	(859,637)
Increase/(Decrease) in refundable construction advances	(132,309)	-	-	-	(132,309)
Proceeds from issuance of debt	-	94,483	-	-	94,483
Connection & impact fees	-	88,862	-	-	88,862
Net cash flows from capital and related financing activities	<u>(629,964)</u>	<u>(1,335,606)</u>	<u>(34,998)</u>	<u>(141,893)</u>	<u>(2,142,461)</u>
Cash Flows From Investing Activities:					
Interest on investments	774	20,682	-	125	21,581
Net change in Cash and Cash Equivalents	135,248	(774,449)	-	(34)	(639,235)
Cash and cash equivalents, including restricted cash, beginning of year	191,754	985,936	5,416	165,550	1,348,656
Cash and cash equivalents, including restricted cash, end of year	<u>\$ 327,002</u>	<u>\$ 211,487</u>	<u>\$ 5,416</u>	<u>\$ 165,516</u>	<u>\$ 709,421</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Net Operating Income/(Loss)	\$ 1,465,687	\$ (318,337)	\$ (29,135)	\$ 6,999	\$ 1,125,214
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:					
Depreciation/amortization	151,427	913,573	49,950	63,641	1,178,591
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables	(91,647)	(61,835)	(16,146)	22,149	(147,479)
Increase/(Decrease) in prepaids	(1,299)	-	-	-	(1,299)
Increase/(Decrease) in accounts payable	(116,091)	30,700	6,315	(5,408)	(84,484)
Increase/(Decrease) in accrued liabilities	(2,355)	640	-	6,274	4,559
Increase/(Decrease) in deposits	20,075	23,188	-	-	43,263
Net cash provided (used) by operating activities	<u>\$ 1,425,797</u>	<u>\$ 587,929</u>	<u>\$ 10,984</u>	<u>\$ 93,655</u>	<u>\$ 2,118,365</u>

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

CITY OF WILLIAMS, ARIZONA
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	<u>Volunteer Firefighters' Relief and Pension</u>
ASSETS	
Cash and cash equivalents	\$ 454,899
Accounts receivable	<u>9,022</u>
Total Assets and Other Debits	<u>463,921</u>
LIABILITIES	
Accounts payable	-
Internal balances	<u>-</u>
Total liabilities	<u>-</u>
NET ASSETS	
Held in trust for pension benefits and other purposes	<u>\$ 463,921</u>

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

CITY OF WILLIAMS, ARIZONA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011

	<u>Volunteer Firefighters' Relief and Pension</u>
ADDITIONS:	
Contributions:	
Employer	\$ 9,090
Other	9,022
Plan Member	<u>19,830</u>
Total Contributions	<u>37,942</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	-
Interest Earnings	<u>83,015</u>
Net Investment Income	<u>83,015</u>
Total Additions	<u>120,957</u>
DEDUCTIONS:	
Benefits	4,241
Service, Supplies and Other	<u>8</u>
Total Deductions	<u>4,249</u>
Net Increase	116,708
Net Assets Held in Trust for Pension Benefits and Other Purposes	
Beginning of Year	<u>347,213</u>
End of Year	<u><u>\$ 463,921</u></u>

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

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies

The accompanying financial statements include all activities of the City of Williams, Arizona (the City). The financial statements of the City conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The more significant of the City's accounting policies are described below.

Reporting entity

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth in GAAP. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the City is able to exercise oversight responsibilities.

Based upon the application of these and other criteria, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the financial statements to emphasize it is legally separate from the government. Each blended and discretely presented component unit has a June 30 year end. The following is a brief summary of the component units included in defining the City's reporting entity.

Blended Component Unit: The City of Williams Municipal Development Authority, Inc.'s (MDA) board of directors consists of three members which are appointed by the Williams City Council. The MDA, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the City in obtaining financing for various projects of the city. The City has a "contractual obligation" for the repayment of the City of Williams MDA Municipal Facilities Revenue Bonds, Series 2002. The portion of the MDA's activities relating to governmental funds is reported in the Debt Service Fund and the activities relating to proprietary funds is reported in the applicable proprietary funds. All related receivables and payables between the City and the MDA have been eliminated.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of the inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the City are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

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. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, state shared revenues, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

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

The **Debt Service Fund** accounts for the servicing of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The **Highway User Revenue Special Revenue Fund** is used to account for the City's share of motor fuel tax revenues and lottery proceeds which are set aside for the maintaining, repairing, and upgrading of streets.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

The City reports the following major proprietary funds:

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

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

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

Additionally, the City reports the following fund types:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. 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 non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (Continued)

Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Deposits and Investments

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

Receivables and Payables

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

Taxes

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

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

Inventories and Prepaid Items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories of the business type activities are deemed immaterial and are not recorded.

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

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Buildings	25-50 years
Improvements	10-20 years
Equipment	3-10 years
Water and sewer lines	20-40 years
Distribution system	50 years

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. For governmental funds amounts of accumulated vacation and compensatory time that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Unused sick pay is reported as a liability in governmental funds only if they have matured, for example, as a result of employee resignation and retirements. Sick pay amounts are charged as wages when used. Annually, employees with over 10 years of service with the City and over 960 hours of accumulated sick pay are paid out one hour for every three hours over 960. If an employee with over 10 years of service separates from service with the City they are paid out one-third of any unused sick leave.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the applicable debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (Continued)

The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Assets and Fund Equity

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. When both committed, assigned, or unassigned resources are available for use, it is the City's policy to use committed resources first, followed by assigned resources and then unassigned resources as they are needed.

Equity is classified in the government-wide financial statements and in the proprietary fund financial statements as net assets and is displayed in three components as follows:

Invested in capital assets, net of related debt represents capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets are net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets are all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Equity is classified in the governmental fund financial statements as fund balance and is further classified as nonspendable, restricted, committed, assigned or unassigned as follows:

Nonspendable fund balance cannot be spent because it is either (1) not in spendable form, or (2) legally or contractually required to be maintained intact.

Restricted fund balance is fund balance with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Committed fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the City Council. A resolution, ordinance or vote by the City Council is required to establish, modify or rescind a fund balance commitment.

Assigned fund balance is constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose in accordance with the City's budget policy.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (Continued)

Unassigned fund balance is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund.

Estimates

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

Encumbrances

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

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

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 15.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 17.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 3. Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. Budgeted amounts are as originally adopted, or as amended by the City Council to June 30, 2011. There were no amendments made to the original appropriations during the current fiscal year.

Budgetary Process: State law requires that on or before the third Monday in July of each fiscal year, the City council must adopt a tentative budget. Once this tentative budget has been adopted, the expenditures may not be increased upon final adoption, however, they may be decreased. Actually, with the adoption of the tentative budget, the council has set its maximum "limits" for expenditure, but these limits may be reduced upon final adoption.

The expenditure limitation for the City is legally enacted through passage of an ordinance. To ensure compliance with the State imposed expenditure limitation, a separate uniform expenditure report must be filed with the State each year. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. The City complied with this law during the current fiscal year.

For management purposes, the City adopts a budget by function and activity for each individual fund. The adopted budget can be amended as long as the total budgeted expenditures of all funds does not increase. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level in the General Fund and at the individual fund level for the Special Revenue, Debt Service and Capital Projects funds. The City Manager, subject to City Council approval, may at any time transfer any unencumbered appropriation balance or portion thereof between a department or activity. The adopted budget cannot be amended in any way without Council approval.

Final Budget Adoption: State law specifies that exactly seven days prior to the day the property tax levy is adopted, the City council must adopt the final budget for the fiscal year. The date in State law for adoption of the tax levy is on or before the third Monday in August. The adopted budget then becomes the amount proposed for expenditure in the upcoming fiscal year. The adoption of the final budget may take place through a simple motion approved by the council.

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2011, if any.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 3. Stewardship, Compliance and Accountability (Continued)

Deficit Fund Equity

The Golf Course enterprise fund had a deficit in retained earnings of \$43,773 as of June 30, 2011. This deficit has decreased by \$72,486 when compared to the prior year. It is the City's intention to manage the Golf Course fund such that this deficit can be eliminated by Golf Course fund earnings and transfers from the General Fund over several years.

NOTE 4. Deposits and Investments

Deposits and investments of the City at June 30, 2011 consisted of the following:

	Carrying Amount-Fair Value
Deposits:	
Cash on hand	\$ 850
Cash in bank	577,855
Cash with paying agent	548,066
Investments:	
State Treasurer's Investment Pool	1,301,100
Mutual Funds (Pension Trust Fund)	415,436
Total Cash and Investments	<u>\$ 2,843,306</u>

A reconciliation of cash and investments as shown on the financial statements follows:

Cash and cash equivalents	\$ 956,618
Restricted cash and cash equivalents	1,431,788
Fiduciary Fund cash and investments	454,899
Total	<u>\$ 2,843,306</u>

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 4. Deposits and Investments (Continued)

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a formal policy for custodial credit risk. At June 30, 2011 cash on hand was \$850 and the carrying amount of the City's deposits was \$577,855. As of June 30, 2011 none of the bank balance of \$860,317 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Investments

Investment Fund

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer. The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments. The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P1" by Moody's investors or "A1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

As of June 30, 2011 the government had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
State Treasurer's Investment Pool	\$ 1,301,100	\$ 1,301,100	\$ -	\$ -	\$ -
Money Market Mutual Fund	29,530	29,530	-	-	-
	<u>1,330,629</u>	<u>\$ 1,330,629</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Investments					
Equity Mutual Funds	<u>385,906</u>				
Total Fair Value	<u><u>1,716,535</u></u>				

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 4. Deposits and Investments (Continued)

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35- 323) which requires that the City's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323) which limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

At June 30, 2011 the City had the following investments and quality ratings:

Rated Debt Investments	Fair Value	AAA	AA	A	Unrated
State Treasurer's Investment Pool	\$ 1,301,100	\$ -	\$ -	\$ -	\$ 1,301,100
Money Market Mutual Fund	29,530	-	-	-	29,530
Total Fair Value	\$ 1,330,629	\$ -	\$ -	\$ -	\$ 1,330,629

Housing Authority

Cash and investments of the Housing Authority at June 30, 2011 consist of the following:

Cash in bank	\$ 89,409
Certificates of deposit	<u>50,756</u>
Total cash and investments	<u>\$ 140,165</u>

The Housing Authority's deposits as of June 30, 2011, were entirely insured or collateralized with securities held by the Authority's custodial bank in the Authority's name.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 5. Property Taxes Receivable

Property taxes receivable in the amount of \$55,337 consist of collected and undistributed taxes and uncollected property taxes as determined from the records of the County Treasurer's office. Deferred revenue of \$44,582 represents that portion of the property taxes receivable that have not been collected within 60 days after year end. Consequently, this amount has not been included in current year revenues.

(This section intentionally left blank)

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 6. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

Governmental Activities:	<u>Balance 6/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2011</u>
Capital assets, not being depreciated:				
Land	\$ 257,978	\$ -	\$ -	\$ 257,978
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>257,978</u>	<u>-</u>	<u>-</u>	<u>257,978</u>
Capital assets, being depreciated:				
Land Improvements	17,834,944	185,286	-	18,020,230
Buildings and Improvements	7,615,621	188,885	-	7,804,506
Infrastructure	32,772,774	691,150		33,463,924
Furniture, Equipment, Vehicles	4,286,940	173,422	(98,722)	4,361,640
Total capital assets being depreciated	<u>62,510,279</u>	<u>1,238,743</u>	<u>(98,722)</u>	<u>63,650,300</u>
Less accumulated depreciation for:				
Land Improvements	(6,614,412)	(849,024)	-	(7,463,436)
Buildings and Improvements	(1,652,630)	(203,570)	-	(1,856,200)
Infrastructure	(26,622,063)	(464,074)	-	(27,086,137)
Furniture, Equipment, Vehicles	(2,921,063)	(242,226)	96,996	(3,066,293)
Total accumulated depreciation	<u>(37,810,168)</u>	<u>(1,758,894)</u>	<u>96,996</u>	<u>(39,472,066)</u>
Total capital assets being depreciated, net	<u>24,700,111</u>	<u>(520,151)</u>	<u>(1,726)</u>	<u>24,178,234</u>
Governmental activities capital assets, net	<u>\$ 24,958,089</u>	<u>\$ (520,151)</u>	<u>\$ (1,726)</u>	<u>\$ 24,436,212</u>

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

Governmental Activities:	
General government	\$ 995,444
Public safety	128,007
Highways and streets	531,848
Culture and recreation	101,630
Economic development	125
Health and welfare	1,840
Total depreciation expense - governmental activities	<u>\$ 1,758,894</u>

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 6. Capital Assets (Continued)

Capital asset activity for the year ended June 30, 2011 was as follows:

Business Type Activities:	<u>Balance 6/30/2010</u>	<u>Reclassification</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2011</u>
Capital assets, not being depreciated:					
Land and Improvements	\$ 1,281,120	\$ (1,181,120)	\$ -	\$ -	\$ 100,000
Construction in progress	-	-	-	-	-
Total capital assets not being depreciated	<u>1,281,120</u>	<u>(1,181,120)</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Capital assets, being depreciated:					
Buildings and Improvements	4,282,030	3,646	-	-	4,285,676
System and Other Improvements	41,408,373	1,177,474	497,709	-	43,083,556
Furniture, Equipment, Vehicles	<u>2,767,784</u>	<u>-</u>	<u>19,077</u>	<u>-</u>	<u>2,785,924</u>
Total capital assets being depreciated	<u>48,458,187</u>	<u>1,181,120</u>	<u>516,786</u>	<u>-</u>	<u>50,155,156</u>
Less accumulated depreciation for:					
Buildings and Improvements	(561,361)	(51,915)	(101,618)	-	(714,894)
System and Other Improvements	(8,464,466)	51,915	(925,042)	-	(9,337,593)
Furniture, Equipment, Vehicles	<u>(1,592,278)</u>	<u>-</u>	<u>(151,929)</u>	<u>-</u>	<u>(1,744,207)</u>
Total accumulated depreciation	<u>(10,618,105)</u>	<u>-</u>	<u>(1,178,589)</u>	<u>-</u>	<u>(11,796,694)</u>
Total capital assets being depreciated, net	<u>37,840,082</u>	<u>1,181,120</u>	<u>(661,803)</u>	<u>-</u>	<u>38,358,462</u>
Governmental activities capital assets, net	<u>\$ 39,121,202</u>	<u>\$ -</u>	<u>\$ (661,803)</u>	<u>\$ -</u>	<u>\$ 38,458,462</u>

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

Business Type Activities:	
Electric	\$ 151,427
Water & sewer	913,573
Golf course	63,640
Sanitation	<u>49,949</u>
Total depreciation expense - business activities	<u>\$ 1,178,589</u>

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 6. Capital Assets (Continued)

Component Unit, Housing Authority Activities:

	<u>Balance 6/30/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2011</u>
Capital assets, not being depreciated:				
Land and Improvements	\$ 481,979	\$ -	\$ -	481,979
Total capital assets not being depreciated	<u>481,979</u>	<u>-</u>	<u>-</u>	<u>481,979</u>
Capital assets, being depreciated:				
Buildings and Improvements	1,888,907	5,300	-	1,894,207
Other Improvements	212,107	-	-	212,107
Furniture, Equipment, Vehicles	135,497	-	-	135,497
Total capital assets being depreciated	<u>2,236,511</u>	<u>5,300</u>	<u>-</u>	<u>2,241,811</u>
Less accumulated depreciation for:				
Buildings and Improvements	(783,387)	(54,477)	-	(837,864)
Other Improvements	(119,776)	(14,729)	-	(134,505)
Furniture, Equipment, Vehicles	(112,452)	(6,533)	-	(118,985)
Total accumulated depreciation	<u>(1,015,615)</u>	<u>(75,739)</u>	<u>-</u>	<u>(1,091,354)</u>
Total capital assets being depreciated, net	<u>1,220,896</u>	<u>(70,439)</u>	<u>-</u>	<u>1,150,457</u>
Component Unit activities capital assets, net	<u>\$ 1,702,875</u>	<u>\$ (70,439)</u>	<u>\$ -</u>	<u>\$ 1,632,436</u>

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 7. Capital Leases Payable

The City has entered into two lease agreements which are considered capital leases in accordance with Generally Accepted Accounting Principles. The leases are for the purchase of various capital items with varying annual payments through July 2014, including interest at 3.9% to 4.5% and are shown as Governmental, Utility fund, and Golf Course fund debt. Equipment and improvements capitalized under the capitalized leases are shown below. The following is an annual schedule of future minimum lease payments with the present value of the net minimum lease payments for the years ending June 30:

<u>June 30,</u>	<u>Governmental Debt</u>	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Golf Fund</u>	<u>Total</u>
2012	126,096	21,449	23,948	11,905	183,398
2013	31,162	-	-	-	31,162
2014	31,161	-	-	-	31,161
2015	7,790	-	-	-	7,790
Total remaining lease payments	196,209	21,449	23,948	11,905	253,511
Less amount representing interest	(9,305)	(402)	(450)	(224)	(10,381)
Present value of net remaining minimum lease payments	<u>\$ 186,904</u>	<u>\$ 21,047</u>	<u>\$ 23,498</u>	<u>\$ 11,681</u>	<u>\$ 243,130</u>

A summary of assets acquired through capital leases follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
Capital Assets:		
Furniture, Equipment & Vehicles	\$ 806,747	\$ 359,645
Enterprise Funds:		
Furniture, Equipment & Vehicles	\$ 901,565	\$ 404,937

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Long-Term Debt

Bonds and other long-term obligations consist of the following at June 30, 2011:

General Obligation Debt:

City of Williams Municipal Development Authority Facilities Refunding Revenue Bonds, Series 2002, bearing interest at 2.75% to 4.8% due in semiannual principal and interest installments, maturing July, 2018.	<u>\$1,045,001</u> *
Total General Long-Term Debt	\$1,045,001
Less Deferred Loss on Defeasance - Enterprise Funds	(29,382)
Less Current Portion - Enterprise Funds	<u>(275,324)</u>
Total net of current portion	<u><u>\$ 740,295</u></u>

* The MDA, Series 2002 Refunding Bond was used to refinance debt of both the general government and various enterprise funds and is allocated across the funds as follows:

Governmental Activities	\$ 210,916
Business-Type Activities	<u>834,085</u>
Total MDA, Series 2002	<u><u>\$1,045,001</u></u>

General obligation debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2012	69,676	9,782	275,324	38,653	\$ 393,435
2013	20,196	6,786	79,804	26,815	133,601
2014	22,216	5,816	87,784	22,984	138,800
2015	23,225	4,750	91,775	18,769	138,519
2016	24,235	3,635	95,765	14,364	137,999
2017	25,245	2,472	99,755	9,768	137,240
2018	26,123	1,260	103,878	4,921	136,182
Total	<u>\$ 210,916</u>	<u>\$ 34,501</u>	<u>\$ 834,085</u>	<u>\$ 136,274</u>	<u>\$ 1,215,776</u>

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Long-Term Debt (Continued)

Special Assessment Debt with Government Commitment:

North side Sewer Improvement District No. 2, Improvement
 Bonds payable in semiannual principal and interest installments,
 bearing interest at 8.875%, maturing January 1, 2018.

\$ 215,000

The special assessment debt with government commitment listed above is payable from the special assessments levied against and secured by a lien upon the lots, tracts and parcels of land within each district. In the event that the assessments are insufficient to pay the bonds and interest thereon as they become due, the deficiency shall be paid out of the general fund of the City as per Arizona Revised Statute Section 48-557. There are no reserve requirements in the bond ordinances.

Special Assessment debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2012	65,000	19,081	\$ 84,081
2013	70,000	13,313	83,313
2014	75,000	7,100	82,100
2015	5,000	444	5,444
Total	\$ 215,000	\$ 39,938	\$ 254,938

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Long-Term Debt (Continued)

Revenue Bonds:

Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2003A, due in semiannual principal and interest installments, bearing interest at 3.0% to 5.0%, maturing July 1, 2028.

\$ 2,970,000 *

Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2005B, due in semiannual principal and interest installments, bearing interest at 4% to 5%, maturing July 1, 2025.

1,165,000

Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2008, due in semiannual principal and interest installments, bearing interest at 3% to 5%, maturing July 1, 2028.

2,715,000

Total bonds payable \$ 6,850,000

Less current portion (295,000)

Total Revenue Bonds net of current portion \$ 6,555,000

* The GADA, Series 2003 Revenue Bond was used by both the general government and the water and sewer enterprise fund and is allocated across the funds as follows:

Governmental Activities \$ 206,600

Business-type Activities 2,763,400

Total GADA, Series 2003 \$ 2,970,000

Revenue Bond debt service maturities are as follows:

Year Ended June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	73,352	59,705	\$ 133,057	221,648	253,209	\$ 474,857
2013	73,700	56,944	130,644	231,300	243,296	474,596
2014	79,048	53,272	132,320	240,952	232,961	473,913
2015	79,396	49,350	128,746	250,604	221,801	472,405
2016	84,744	46,213	130,957	260,256	210,381	470,637
2017-2021	471,028	176,496	647,524	1,493,972	860,825	2,354,797
2022-2026	476,340	64,717	541,057	1,883,660	465,112	2,348,772
2027-2031	33,992	1,723	35,715	896,008	45,277	941,285
2032-2036	-	-	-	-	-	-
Total	<u>\$1,371,600</u>	<u>\$ 508,420</u>	<u>\$ 1,880,020</u>	<u>\$ 5,478,400</u>	<u>\$ 2,532,862</u>	<u>\$ 8,011,262</u>

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Long-Term Debt (Continued)

Loans Payable:

Water Infrastructure Finance Authority loan payable, issued in fiscal year 1997-98, bearing interest at 3.48% due in semiannual principal and interest installments, maturing July 1, 2017	\$ 954,913
Water Infrastructure Finance Authority loan payable, issued in fiscal year 2000-2001, bearing interest at 4.125% due in semiannual principal and interest installments, maturing July 1, 2020	1,706,695
Water Infrastructure Finance Authority loan payable, issued in fiscal year 2005-2006, bearing interest at 3.225% due in semiannual principal and interest installments, maturing July 1, 2026	1,289,643
Water Infrastructure Finance Authority loan payable, issued in fiscal year 2005-2006, bearing interest at 3.440% due in semiannual principal and interest installments, maturing July 1, 2026	7,313,886
Water Infrastructure Finance Authority loan payable, issued in fiscal year 2008, bearing interest at 3.312% due in semiannual principal and interest installments, maturing July 1, 2030	6,904,547
Zion's bank 2010 loan payable, issued in 2010, bearing interest at 4.55%, due in interest only payments through fiscal year 2013, thereafter interest and principal payments due annually through fiscal year 2021.	<u>1,100,000</u>
Total loans payable	\$ 19,269,684
Less current portion	<u>(966,155)</u>
Total loans payable net of current portion	<u><u>\$ 18,303,529</u></u>

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Long-Term Debt (Continued)

Notes payable debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total	Business-Type Activities		Total
	Principal	Interest		Principal	Interest	
2012	-	30,481	30,481	966,155	542,139	\$ 1,508,294
2013	-	30,481	30,481	999,619	608,732	1,608,351
2014	73,092	29,107	102,199	1,081,160	573,218	1,654,378
2015	73,092	26,264	99,356	1,117,003	535,551	1,652,554
2016	79,183	23,112	102,295	1,158,007	496,433	1,654,440
2017-2021	444,645	56,225	500,870	5,450,007	455,792	5,905,799
2022-2026	-	-	-	4,905,784	413,581	5,319,365
2027-2031	-	-	-	2,921,937	375,428	3,297,365
Total	<u>\$ 670,012</u>	<u>\$ 195,670</u>	<u>\$ 865,682</u>	<u>\$18,599,672</u>	<u>\$ 4,000,874</u>	<u>\$ 22,600,546</u>

(This section intentionally left blank)

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Long-Term Debt (Continued)

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

The following is a summary of changes in general long-term debt for the year ended June 30, 2011.

Governmental Activities:	Balance 6/30/2010	Additions	Retirements	Balance 6/30/2011	Current Portion
Accrued Compensated Absences	\$ 304,867	\$ 182,390	\$ 200,788	\$ 286,469	\$ 200,000
Capital Leases	333,268	-	146,364	186,904	120,565
Total other long-term debt	638,135	182,390	347,152	473,373	320,565
General Obligation:					
MDA Municipal Facilities Revenue Refunding Bonds, Series 2002	278,586	-	67,670	210,916	69,676
Total General Obligation	278,586	-	67,670	210,916	69,676
Revenue Bonds:					
GADA Revenue Bonds, Series 2003	214,386	-	7,786	206,600	8,352
GADA Revenue Bonds, Series 2005	1,225,000	-	60,000	1,165,000	65,000
GADA Revenue Bonds, Series 2008	2,825,000	-	110,000	2,715,000	110,000
Total Revenue Bonds	4,264,386	-	177,786	4,086,600	183,352
Loans Payable					
Zion's Bank Loan - 2010	669,957	-	-	669,957	-
Total Loans Payable	669,957	-	-	669,957	-
Special Assessment Debt with Government Commitment:					
North side Sewer Improvement District No. 2 Improvement Bonds	295,000	-	80,000	215,000	65,000
Total Governmental Debt	\$ 6,146,064	\$ 182,390	\$ 672,608	\$ 5,655,846	\$ 638,593

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

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 8. Long-Term Debt (Continued)

The following is a summary of changes in enterprise fund long-term debt for the year ended June 30, 2011.

Business-type Activities:	Balance 6/30/2010	Additions	Retirements	Balance 6/30/2011	Current Portion
General Obligation:					
MDA Municipal Facilities Revenue Refunding Bonds, Series 2002	\$ 1,101,415	\$ -	\$ 267,330	\$ 834,085	\$ 275,324
Difference Between Reacquisition Price and Carrying Amount of Old Debt	(47,161)	-	17,779	(29,382)	(17,779)
Total General Obligation	1,054,254	-	249,551	804,703	257,545
Revenue Bonds:					
GADA Revenue Bonds, Series 2003	2,865,701	-	102,301	2,763,400	111,648
Total Revenue Bonds	2,865,701	-	102,301	2,763,400	111,648
Loans Payable:					
Water Infrastructure Finance Authority, 1997-1998 Loan	1,097,345	-	142,432	954,913	146,961
Water Infrastructure Finance Authority, 2000-2001 Loan	1,860,785	-	154,090	1,706,695	160,447
Water Infrastructure Finance Authority, 2005-2006 Loan	1,355,716	-	66,073	1,289,643	68,204
Water Infrastructure Finance Authority, 2005-2006 Loan	7,313,886	-	-	7,313,886	323,777
Water Infrastructure Finance Authority, 2008 Loan	6,810,064	94,483	-	6,904,547	266,766
Zion's Bank Loan - 2010	430,043	-	-	430,043	-
Total Loans Payable	18,867,839	94,483	362,595	18,599,727	966,155
Other long-term debt:					
Capital Leases	128,747	-	72,521	56,226	56,226
Accrued Compensated Absences	114,355	62,102	30,624	145,833	30,000
Total other long-term debt	243,102	62,102	103,145	202,059	86,226
Total Enterprise Fund Long-Term Debt	\$ 23,030,896	\$ 156,585	\$ 817,592	\$ 22,369,889	\$ 1,421,574

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 9. Interfund Receivables, Payables and Transfers

The composition of interfund receivables and payables balances as of June 30, 2011 follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ -	\$ 578,793
Special Revenue Funds:		
Grants	-	118,594
Enterprise Funds:		
Electric	1,167,527	-
Utility	1,509,969	-
Sanitation	-	103,734
Golf Course	-	1,876,375
Total	\$ 2,677,496	\$ 2,677,496

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Residual balances outstanding between the governmental activities and the business-type activities are netted and reported in the government-wide financial statement as internal balances. The interfund balances reflected above are intended to be repaid during the subsequent year except for the Golf Course and Utility fund interfund balances. The Council has not determined any terms for repayment for these balances; however, it is expected that they will be repaid over the next few fiscal years.

As of June 30, 2011 interfund transfers are as follows:

	Transfers Out:		
Transfers In:	General Fund	Capital Project	Total
Highway User	\$ 503,079	\$ -	\$ 503,079
Debt Service	287,421	102,631	390,052
Capital Project	6,378	-	6,378
Golf Fund	100,000	-	100,000
	\$ 896,878	\$ 102,631	\$ 999,509

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

Note 10. Defeasance of Long-Term Debt

On May 1, 2003, the City issued \$5,480,000 in Municipal Development Authority Revenue Bonds, Series 2003, bearing interest between 2.75% to 4.8%. Of the proceeds, \$4,871,577 was used to advance refund the outstanding 1997 and 1998 MDA Bonds, and 1993 Certificates of Participation, bearing interest between 3.5% and 6.5%. The escrow account established by the City with the \$4,871,577 and other funds will provide for payment of the interest on the \$4,780,700 amount defeased and will be used to make the final principal payments on the Bonds due July 1, 2018. As a result, the \$4,780,700 principal amount is considered to be defeased and the related liability has been removed from the City's books.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$208,072. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged as interest expense through the year 2018 using the straight line method. For the fiscal year ended June 30, 2011, these interest expenses totaled \$17,778. The City completed the advance refunding to reduce its total debt service payments by \$30,546 over 16 years and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$18,424.

NOTE 11. Segment Information - Enterprise Funds

The City maintains four enterprise funds which account for the operation of the City's Electric System, Water & Sewer Utilities, Sanitation and Golf Course. Segment information for the year ended June 30, 2011 is not presented here since the information for all four funds is available in the basic financial statements.

NOTE 12. Risk Management

The City is exposed to various risks of loss to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City is insured by Arizona State Workers Compensation Insurance Fund for potential job-related accidents. There were no significant reductions in insurance coverage from the previous year and the amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 13. Closure and Postclosure Care Costs

The City currently contracts with the City of Flagstaff for landfill services; thus, there are no liabilities for landfill closure and postclosure care costs.

NOTE 14. Contingent Liabilities

Sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees until ten years of service has been completed; therefore, this portion is not accrued. Unvested accumulated sick leave of City employees at June 30, 2011 totaled \$395,366.

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of the City Management, based on the advice of the City Attorney with respect to such litigation, such matters will not have a material adverse effect on the City's financial position at June 30, 2011.

NOTE 15. Retirement and Pension Plans

Plan Description - The City contributes to a cost-sharing multiple-employer defined benefit pension plan administered by the Arizona State Retirement System (ASRS). Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The system is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2002 or (800) 621-3778. www.azasrs.gov

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rate. For the current fiscal year, active plan were required by statute to contribute at the actuarially determined rate of 9.85 percent (9.6 percent for retirement, and 0.25 percent for long-term disability) of the members' annual covered payroll and the City was required to contribute 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium, and 0.25 percent for long-term disability) of the members' annual covered payroll.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 15. Retirement and Pension Plans (Continued)

The City's contributions for the current and two previous fiscal years were equal to the required contributions and were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2009	239,135	31,105	15,124
2010	218,370	28,221	10,960
2011	228,404	14,957	6,338

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. That report may be obtained by writing to Public Safety Personnel, 3010 E. Camelback Road, Suite 200, Phoenix, AZ 85016 or by calling (602) 255-5575. www.psprs.com.

Funding Policy - For the current fiscal year, active PSPRS members were required by statute to contribute 7.65 percent of the members' covered compensation, and the City was required to contribute at the actuarially determined rate of 14.41 percent of annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 0.79 percent.

Actuarial Methods and Assumptions - The significant actuarial methods and assumptions used for the PSPRS plan and related benefits (unless noted), and the actuarial assumptions used to establish the contribution requirements are as follows:

The PSPRS contribution requirements for the year ended June 30, 2011 were established by the June 30, 2009 actuarial valuations using the projected unit credit method. The actuarial assumptions include (a) 8.50 percent investment rate of return and (b) projected salary increases ranging from 5.50 to 8.50 percent per year. The assumptions did not include cost-of-living adjustments. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011, was 27 years for unfunded actuarial accrued liability and 20 years for excess.

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 15. Retirement and Pension Plans (Continued)

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress presented as required supplementary information on page 54 provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Annual Pension/OPEB Cost - During the year ended June 30, 2011 the City's annual pension cost of \$84,501 and the annual OPEB cost of \$6,615 was equal to the City's required and actual contributions.

Annual pension and OPEB cost information for the current and 2 preceding years were as follows:

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Pension	2009	\$ 83,400	100%	\$ -
	2010	68,551	100%	-
	2011	84,501	100%	-
Health Insurance	2009	\$ 5,671	100%	\$ -
	2010	5,014	100%	-
	2011	6,615	100%	-

CITY OF WILLIAMS, ARIZONA
Notes to the Financial Statements
June 30, 2011

NOTE 16. Prior Period Adjustment

Government-wide statements and proprietary fund statements:

In 2006, the City granted impact fee credits to a developer for significant infrastructure additions paid for by the developer. At that time the City appropriately recognized those credits as deferred revenue (liability) in the financial statements. Since that time it has become likely, due to economic conditions, that the impact fee credits will not be utilized by the developer. In addition, the fees will not be refunded. Therefore, a prior period adjustment was made in the current fiscal year to remove the deferred revenue from the City's financial statements. The result of this adjustment was a decrease in liabilities in the Water/Sewer Fund of \$600,116. Net assets of the Water/Sewer Fund were increased by the same amount.

Governmental fund statements:

The Forest Service Building Fund was reported as a separate special revenue fund in prior years. The Forest Service Building Fund is now reported within the General fund. This resulted in a \$199,274 increase in the General fund balance.

NOTE 17. Subsequent Event

Early in fiscal year 2012 the City entered into a capital lease agreement with Yamaha Commercial Customer Finance for the acquisition of 35 golf carts. The capital lease bears interest at 4.792%. Monthly payments of \$2,224 begin in September 2011 and end in August of 2015.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WILLIAMS, ARIZONA
Required Supplementary Information

Schedule of Funding Progress
PSPRS

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2003 through June 30, 2011 based on actuarial valuations follows:

Valuation Date	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	
2003	\$ 1,050,754	\$ 696,772	(353,982)	150.8%	\$ 397,773	0.0%
2004	1,012,127	823,270	(278,857)	133.9%	423,737	0.0%
2005	1,187,286	1,119,632	(67,654)	106.0%	429,950	0.0%
2006	1,212,485	1,139,108	(73,377)	106.4%	477,754	0.0%
2007	1,011,800	1,159,063	147,263	87.3%	543,027	27.1%
2008	1,141,587	1,202,023	60,436	95.0%	545,028	11.1%
2009 *	1,331,496	1,373,398	41,902	96.9%	612,748	6.8%
2010 *	1,449,544	1,474,487	24,943	98.3%	589,450	4.2%
2011 *	1,604,470	1,628,273	23,803	98.5%	523,819	4.5%

Post-retirement health insurance subsidy measurements under GASB Statement No. 45

Valuation Date	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	
2006	\$ -	\$ 14,520	14,520	0.0%	\$ 477,754	3.04%
2007	-	19,945	19,945	0.0%	543,027	3.67%
2008	-	22,573	22,573	0.0%	545,028	4.14%
2009 *	-	29,139	29,139	0.0%	612,748	4.76%
2010 *	-	34,313	34,313	0.0%	589,450	5.82%
2011 *	-	18,021	18,021	0.0%	523,819	3.44%

* For fiscal years prior to 2009 (which were prior to the implementation of GASB Statement Nos. 43 and 45), the pension and health insurance benefit amounts were aggregated. In fiscal year 2009, GASB Statements Nos. 43 and 45 measurements are made and reported; thus, these benefits are disaggregated and reported separately.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

FOR THE FOLLOWING FUNDS:

General Fund

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

Debt Service Fund

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for governmental debt principal and interest.

Special Revenue Funds

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

- The **Highway User Revenue Fund** (Streets) is used to account for the City's share of motor fuel tax revenues and lottery proceeds which are restricted for the maintaining, repairing, and upgrading of streets.
- The **Grants Fund** is used to account for federal and state grants and other contributions that are restricted for specific use.

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

CITY OF WILLIAMS, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Property Tax	\$ 590,000	\$ 590,000	\$ 565,687	\$ (24,313)
Sales Tax	3,010,000	3,010,000	3,083,510	73,510
Bed, Board & Booze Tax	605,000	605,000	626,983	21,983
Gas Franchise Fees	40,000	40,000	35,757	(4,243)
Total Taxes	<u>4,245,000</u>	<u>4,245,000</u>	<u>4,311,937</u>	<u>66,937</u>
Licenses, Permits and Fees:				
Business Licenses	11,000	11,000	10,540	(460)
Dog Licenses	2,000	2,000	2,580	580
Building Permits	30,000	30,000	25,151	(4,849)
Total Licenses, Fees and Permits	<u>43,000</u>	<u>43,000</u>	<u>38,271</u>	<u>(4,729)</u>
Intergovernmental:				
State Revenue Sharing	306,000	306,000	306,112	112
Auto Lieu Taxes	131,000	131,000	126,981	(4,019)
State Sales Taxes	236,000	236,000	239,791	3,791
Library Assistance Tax	28,000	28,000	28,028	28
Total Intergovernmental	<u>701,000</u>	<u>701,000</u>	<u>700,912</u>	<u>(88)</u>
Charges for Services:				
Airport Lease	8,000	8,000	9,742	1,742
Airport Fuel	49,000	49,000	47,134	(1,866)
Cemetery Charges & Sales	5,000	5,000	6,925	1,925
Swimming Pool Fees	-	-	17,658	17,658
Community Development Fees	4,000	4,000	250	(3,750)
Plan Check Fees & Development Review	15,000	15,000	10,051	(4,949)
Facility Rental	180,000	180,000	187,451	7,451
Recreation Programs	4,000	4,000	3,724	(276)
Rodeo Grounds Fund	17,000	17,000	16,079	(921)
City Park Revenues	1,000	1,000	470	(530)
Rural Fire Districts	3,500	3,500	3,181	(319)
Police Travel Reimbursement	5,500	5,500	1,280	(4,220)
Total Charges for Services	<u>292,000</u>	<u>292,000</u>	<u>303,945</u>	<u>11,945</u>
Fines and Forfeitures:				
Fines & Forfeitures	42,000	42,000	35,832	(6,168)
Total Fines and Forfeitures	<u>42,000</u>	<u>42,000</u>	<u>35,832</u>	<u>(6,168)</u>
Interest	<u>2,000</u>	<u>2,000</u>	<u>1,150</u>	<u>(850)</u>
Other Revenues:				
Miscellaneous	164,500	164,500	205,837	41,337
Total Other Revenues	<u>164,500</u>	<u>164,500</u>	<u>205,837</u>	<u>41,337</u>
TOTAL REVENUES	<u>5,489,500</u>	<u>5,489,500</u>	<u>5,597,884</u>	<u>108,384</u>

(continued)

CITY OF WILLIAMS, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Continued)
For the Year Ended June 30, 2011

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General Government:				
Mayor & Council	43,000	43,000	39,302	3,698
Magistrate	169,000	169,000	161,044	7,956
General & Administrative	537,500	537,500	534,675	2,825
Finance	309,000	309,000	331,394	(22,394)
Maintenance	183,500	183,500	228,570	(45,070)
Central Garage	288,500	288,500	275,783	12,717
Airport	106,000	106,000	110,162	(4,162)
Community Facilities	193,600	193,600	185,403	8,197
Total General Government	<u>1,830,100</u>	<u>1,830,100</u>	<u>1,866,333</u>	<u>(36,233)</u>
Public Safety:				
Police	1,531,500	1,531,500	1,437,014	94,486
Fire	227,500	227,500	190,439	37,061
Building Inspection	88,000	88,000	84,802	3,198
Total Public Safety	<u>1,847,000</u>	<u>1,847,000</u>	<u>1,712,255</u>	<u>134,745</u>
Culture & Recreation:				
Library	38,000	38,000	13,652	24,348
Parks & Recreation	176,000	176,000	173,633	2,367
Swimming Pool	118,000	118,000	138,430	(20,430)
Recreation Facilities	360,000	360,000	14,861	345,139
Total Culture and Recreation	<u>692,000</u>	<u>692,000</u>	<u>340,576</u>	<u>351,424</u>
Economic Development:				
Planning	3,500	3,500	-	3,500
Visitor Center	39,500	39,500	38,805	695
Tourism Promotion	461,500	461,500	407,403	54,097
Total Economic Development	<u>504,500</u>	<u>504,500</u>	<u>446,208</u>	<u>58,292</u>
Health & Welfare:				
Senior Center	200,500	200,500	20,428	180,072
Capital Outlay	<u>-</u>	<u>-</u>	<u>32,008</u>	<u>(32,008)</u>
Debt Service:				
Principal	76,534	76,534	68,677	7,857
Interest	2,366	2,366	2,366	-
Total Debt Service	<u>78,900</u>	<u>78,900</u>	<u>71,043</u>	<u>7,857</u>
TOTAL EXPENDITURES	<u>5,153,000</u>	<u>5,153,000</u>	<u>4,488,851</u>	<u>664,149</u>
Excess of Revenues Over Expenditures	<u>336,500</u>	<u>336,500</u>	<u>1,109,033</u>	<u>772,533</u>
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Transfers out	(782,500)	(782,500)	(896,877)	(114,377)
Total Other Financing Sources (Uses)	<u>(782,500)</u>	<u>(782,500)</u>	<u>(896,877)</u>	<u>(114,377)</u>
Net change in fund balance	(446,000)	(446,000)	212,156	658,156
Fund balance, beginning of year	156,011	156,011	156,011	-
Add Forest Service Building Fund	199,274	199,274	199,274	-
Fund balance, end of year	<u>\$ (90,715)</u>	<u>\$ (90,715)</u>	<u>\$ 567,441</u>	<u>\$ 658,156</u>

CITY OF WILLIAMS, ARIZONA
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest	\$ -	\$ -	\$ 1,130	\$ 1,130
Total Revenues	<u>-</u>	<u>-</u>	<u>1,130</u>	<u>1,130</u>
EXPENDITURES:				
Debt Service:				
Principal payments	325,370	325,370	325,370	-
Interest	<u>232,630</u>	<u>232,630</u>	<u>256,384</u>	<u>(23,754)</u>
Total Expenditures	<u>558,000</u>	<u>558,000</u>	<u>581,754</u>	<u>(23,754)</u>
Excess of Revenues Over (Under) Expenditures	<u>(558,000)</u>	<u>(558,000)</u>	<u>(580,624)</u>	<u>(22,624)</u>
Other Financing Sources (Uses):				
Operating Transfer In	<u>425,000</u>	<u>425,000</u>	<u>390,052</u>	<u>(34,948)</u>
Total Other Financing Sources (Uses)	<u>425,000</u>	<u>425,000</u>	<u>390,052</u>	<u>(34,948)</u>
Net change in fund balance	(133,000)	(133,000)	(190,572)	(57,572)
Fund balance, beginning of year	<u>518,941</u>	<u>518,941</u>	<u>518,941</u>	<u>-</u>
Fund balance, end of year	<u>\$ 385,941</u>	<u>\$ 385,941</u>	<u>\$ 328,369</u>	<u>\$ (57,572)</u>

CITY OF WILLIAMS, ARIZONA
HIGHWAY USER REVENUE – STREETS
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental Revenue:				
Highway User Revenues	\$ 340,000	\$ 340,000	\$ 321,101	\$ (18,899)
Total Intergovernmental	340,000	340,000	321,101	(18,899)
Other Revenues	1,000	1,000	100	(900)
Total Revenues	341,000	341,000	321,201	(19,799)
EXPENDITURES:				
Highways & Streets:				
Salaries & Wages	394,629	394,629	402,449	(7,820)
Benefits	164,371	164,371	161,641	2,730
Service, Supplies and Other	174,500	174,500	181,282	(6,782)
Debt Service:				
Principal	77,865	77,865	77,773	92
Interest	1,135	1,135	1,135	-
Total Expenditures	812,500	812,500	824,280	(11,780)
Excess of Revenues Over (Under) Expenditures	(471,500)	(471,500)	(503,079)	(31,579)
Other Financing Sources (Uses):				
Transfer from General Fund	471,500	471,500	503,079	31,579
Total Other Financing Sources (Uses)	471,500	471,500	503,079	31,579
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF WILLIAMS, ARIZONA
GRANTS
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Intergovernmental Revenue	\$ 5,000,000	\$ 5,000,000	\$ 552,591	\$ (4,447,409)
EXPENDITURES:				
Public Safety	-	-	127,968	(127,968)
Highways & Streets	-	-	1,444	(1,444)
Capital Outlay	5,000,000	5,000,000	450,024	4,549,976
Total Expenditures	5,000,000	5,000,000	579,436	4,420,564
Excess of Revenues Over (Under) Expenditures	-	-	(26,845)	(26,845)
Fund balance, beginning of year	71,267	71,267	71,267	-
Fund balance, end of year	<u>\$ 71,267</u>	<u>\$ 71,267</u>	<u>\$ 44,422</u>	<u>\$ (26,845)</u>

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

Capital Projects Funds

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

- The **Northside Sewer Improvements Capital Projects Fund** is used to account for the construction of the Northside Sewer System.
- The **Greater Arizona Development Authority Fund** is used to account for the construction of various infrastructure projects of the City.

Component Unit

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

CITY OF WILLIAMS, ARIZONA
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2011

	<u>Capital Project Funds</u>		Total Non-major Governmental Funds
	<u>North Side Sewer</u>	<u>Greater Arizona Development Authority</u>	
ASSETS			
Cash and cash equivalents	\$ -	\$ 524,600	\$ 524,600
Total assets	<u>\$ -</u>	<u>\$ 524,600</u>	<u>\$ 524,600</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due to Other Funds	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted for:			
Capital projects	-	524,600	524,600
Total Fund Balances	<u>-</u>	<u>524,600</u>	<u>524,600</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 524,600</u>	<u>\$ 524,600</u>

CITY OF WILLIAMS, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2011

	<u>Capital Project Funds</u>		Total Non-major Governmental Funds
	North Side Sewer	Greater Arizona Development Authority	
REVENUES			
Special assessments	\$ 74,337	\$ -	\$ 74,337
Interest	68	1,321	1,389
Total revenues	<u>74,405</u>	<u>1,321</u>	<u>75,726</u>
EXPENDITURES			
Current:			
General government	1,204	-	1,204
Capital outlay	-	682,467	682,467
Total expenditures	<u>1,204</u>	<u>682,467</u>	<u>683,671</u>
Excess of revenues over (under) expenditures	<u>73,201</u>	<u>(681,146)</u>	<u>(607,945)</u>
Other financing sources (uses):			
Transfers in	6,378	-	6,378
Transfers out	(102,631)	-	(102,631)
Total other financing sources (uses)	<u>(96,253)</u>	<u>-</u>	<u>(96,253)</u>
Net change in fund balances	(23,052)	(681,146)	(704,198)
Fund balances, beginning of year	<u>23,052</u>	<u>1,205,746</u>	<u>1,228,798</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 524,600</u>	<u>\$ 524,600</u>

CITY OF WILLIAMS, ARIZONA
NORTH SIDE SEWER
CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Special assessments	\$ -	\$ -	\$ 74,337	\$ 74,337
Interest earnings	-	-	68	68
Total revenues	<u>-</u>	<u>-</u>	<u>74,405</u>	<u>74,405</u>
EXPENDITURES:				
General government:				
Service, supplies and other	-	-	1,204	(1,204)
Total expenditures	<u>-</u>	<u>-</u>	<u>1,204</u>	<u>(1,204)</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>73,201</u>	<u>73,201</u>
Other financing sources (uses):				
Transfer from General Fund	-	-	6,378	6,378
Transfer to debt service fund	-	-	(102,631)	(102,631)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(96,253)</u>	<u>(96,253)</u>
Net change in fund balance	-	-	(23,052)	(23,052)
Fund balance, beginning of year	<u>23,052</u>	<u>23,052</u>	<u>23,052</u>	<u>-</u>
Fund balance, end of year	<u>\$ 23,052</u>	<u>\$ 23,052</u>	<u>\$ -</u>	<u>\$ (23,052)</u>

CITY OF WILLIAMS, ARIZONA
GREATER ARIZONA DEVELOPMENT AUTHORITY
CAPITAL PROJECTS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Interest earnings	\$ 3,500	\$ 3,500	\$ 1,321	\$ (2,179)
Total revenues	<u>3,500</u>	<u>3,500</u>	<u>1,321</u>	<u>(2,179)</u>
EXPENDITURES:				
Capital outlay	<u>800,000</u>	<u>800,000</u>	<u>682,467</u>	<u>117,533</u>
Total expenditures	<u>800,000</u>	<u>800,000</u>	<u>682,467</u>	<u>117,533</u>
Excess of revenues over (under) expenditures	<u>(796,500)</u>	<u>(796,500)</u>	<u>(681,146)</u>	<u>115,354</u>
Fund balance, beginning of year	<u>1,205,746</u>	<u>1,205,746</u>	<u>1,205,746</u>	<u>-</u>
Fund balance, end of year	<u>\$ 409,246</u>	<u>\$ 409,246</u>	<u>\$ 524,600</u>	<u>\$ 115,354</u>

CITY OF WILLIAMS, ARIZONA
Statement of Net Assets
Component Unit
June 30, 2011

	<u>Williams Housing Authority</u>
Assets	
Current Assets:	
Cash	\$ 140,165
Receivables (net of allowance)	10,509
Prepays	2,330
Total Current Assets	<u>153,004</u>
Noncurrent Assets:	
Land and improvements	481,979
Buildings and improvements	1,894,207
Other improvements	212,107
Furniture, equipment, vehicles	135,497
Accumulated depreciation	<u>(1,091,354)</u>
Total noncurrent assets	<u>1,632,436</u>
Total Assets	<u>\$ 1,785,440</u>
Liabilities	
Current Liabilities:	
Accounts payable	\$ 32,895
Accrued liabilities	1,176
Customer deposits	7,425
Total Current Liabilities	<u>41,496</u>
Long-Term Debt (net of current portion):	
Accrued vacation	<u>6,609</u>
Total Long-Term Debt	<u>6,609</u>
Total Liabilities	<u>48,105</u>
Net Assets	
Invested in capital assets, net of related debt	1,632,436
Restricted	7,425
Unrestricted	97,474
Total Net Assets	<u>\$ 1,737,335</u>

CITY OF WILLIAMS, ARIZONA
Statement of Activities
Component Unit
For the Year Ended June 30, 2011

	<u>Williams Housing Authority</u>
Expenses:	
Health and Welfare:	
Salaries, wages and benefits	\$ 146,146
Repairs and maintenance	23,595
Insurance	5,866
Utilities	10,407
Legal and professional fees	2,000
Housing assistance payments	237,511
Supplies and other	27,832
Depreciation/amortization	<u>75,739</u>
Total Expenses	<u>529,096</u>
 Program Revenues:	
Charges for services	79,109
Operating grants and contributions	<u>384,542</u>
Net (Expense) Revenue	<u>(65,445)</u>
 General Revenues:	
Interest income	175
Other revenues	<u>3,793</u>
Total general revenues and transfers	<u>3,968</u>
 Change in net assets	 (61,477)
Total net assets, beginning of year	<u>1,798,812</u>
Total net assets, end of year	<u><u>\$ 1,737,335</u></u>

SINGLE AUDIT SECTION



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

The Honorable Mayor and
 City Council
 City of Williams, Arizona

We have audited the basic financial statements of the City of Williams, Arizona, as of and for the year ended June 30, 2011, and have issued our report thereon dated March 23, 2012. 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.

Internal Control over Financial Reporting

Management of the City of Williams, Arizona is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Williams's internal control over financial reporting as basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatements of the entity's financial statements will not be prevented, detected and corrected, on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the schedule of findings and recommendations dated March 23, 2012 that we consider to be significant deficiencies in internal control over financial reporting.

11-1 Year End Accounting and Financial Statement Controls

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Williams's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to the management of the City of Williams in a separate letter dated March 23, 2012.

This report is intended solely for the information of the mayor, audit committee, management, and various federal and state agencies, and is not intended to be an should not be used by anyone other than these specified part parties. However, this report is a matter of public record and its distribution is not limited.



HintonBurdick, PLLC
March 23, 2012



MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
DEAN R. BURDICK, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA

KENNETH A. HINTON, CPA
MORRIS J. PEACOCK, CPA
PHILLIP S. PEINE, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

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

The Honorable Mayor and
City Council
Williams, Arizona

We have audited the basic financial statements of the City of Williams, Arizona for the year ended June 30, 2011, and have issued our report thereon dated March 23, 2012. Our audit also included test work on the City of Williams's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the City of Williams is responsible for the City's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The City of Williams has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the City of Williams pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the City's compliance with annual expenditure limitations has been issued separately with the City's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the City of Williams complied, in all material respects, with the requirements identified above for the year ended June 30, 2011.

HintonBurdick, PLLC

HintonBurdick, PLLC
March 23, 2012

This page intentionally left blank

CITY OF WILLIAMS, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed through the Arizona Department of Commerce			
Community Development Block Grant	14.218	R-016-10-64	\$ 55,129
Community Development Block Grant	14.218		13,750
Low Rent	14.850		84,920
Section 8 Housing Choice Vouchers	14.871		284,889
Public Housing Capital Fund	14.872		<u>51,062</u>
Total U.S. Department of Housing			<u>489,750</u>
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607		1,754
ARRA-Assistance to Rural Law Enforcement	16.810		<u>2,628</u>
Total U.S. Department of Justice			<u>4,382</u>
U.S. Department of Transportation			
Passed through Arizona Department of Transportation:			
Airport Improvement Program	20.106	3-04-0035-19	5,189
Airport Improvement Program	20.106	3-04-0035-21	1,425
Airport Improvement Program	20.106	3-04-0035-22	3,843
Highway Planning and Construction	20.205	TEA-WIL-O-002A	<u>115,152</u>
Total U.S. Department of Transportation			<u>125,609</u>
U.S. Department of Energy			
Passed through Arizona Department of Commerce:			
ARRA-Energy Efficiency & Conservation Block Grant	81.128		<u>15,110</u>
Total expenditure of federal awards			<u><u>\$ 634,851</u></u>

Note: This schedule has been prepared on the modified accrual basis of accounting and includes the federal grant activity of the City of Williams, Arizona. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

This page is intentionally left blank



MEMBERS:

CHAD B. ATKINSON, CPA
KRIS J. BRAUNBERGER, CPA
DEAN R. BURDICK, CPA
ROBERT S. COX, CPA
TODD B. FELTNER, CPA
K. MARK FROST, CPA

KENNETH A. HINTON, CPA
MORRIS J. PEACOCK, CPA
PHILLIP S. PEINE, CPA
MICHAEL K. SPILKER, CPA
KEVIN L. STEPHENS, CPA
MARK E. TICHENOR, CPA

Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Honorable Mayor and
City Council
Williams, Arizona

We have audited the compliance of City of Williams, Arizona with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Example Entity's major federal programs for the year ended June 30, 2011. The City of Williams, Arizona's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Williams, Arizona's management. Our responsibility is to express an opinion on the City of Williams, Arizona's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Williams, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Williams, Arizona's compliance with those requirements.

In our opinion, the City of Williams, Arizona complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the City of Williams, Arizona is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Williams, Arizona's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Williams, Arizona's internal control over compliance.

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

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

This report is intended solely for the information of the City Council, management, and various state agencies, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



HintonBurdick, PLLC
March 23, 2012

CITY OF WILLIAMS, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

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

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

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:

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

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

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

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Housing Choice Vouchers
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee? yes no

CITY OF WILLIAMS, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section II - Financial Statement Findings

Significant Deficiencies:

11-1. Year End Accounting and Financial Statement Controls

Finding

This year's audit was delayed for several months due to the timing of year-end closing adjustments and reconciliations. We understand that this was mainly due to staffing shortages within the finance department. Also, the Housing Authority's general ledger did not agree to the independent fee accountant's general ledger. Adjustments to the Housing Authority's general ledger were necessary in order to reconcile beginning balances to the prior year's audited amounts, and to adjust account balances to the correct amounts. Overall management has done a good job at reconciling accounts and posting journal entries on a monthly basis. However, internal control over financial reporting would be improved by the preparation of year-end closing adjustments and reconciliations in a more timely manner.

Recommendation

We recommend that the Housing Authority reconcile its general ledger to the fee accountant's ledger on an annual basis and we recommend that management continue to follow procedures and prepare the year-end closing adjustments and reconciliations in a timely manner.

Section III - Federal Award Findings and Questioned Costs

No significant matters were noted.

Section IV - Summary of Prior Year Findings and Questioned Costs

No significant matters were noted.