

**CITY OF WILLIAMS, ARIZONA
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2009**

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and the City Council
City of 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 (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williams, Arizona, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Highway User and Grant Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A prior period adjustment was recorded as discussed in Note 3.E. to correct errors in the previously issued financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Honorable Mayor and the City Council
City of Williams, Arizona

The management's discussion and analysis on pages 3 - 12 and the Public Safety Personnel Retirement System Schedule of Funding Progress on page 58 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 required supplementary information. However, we did not audit the information and express no opinion on it.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
May 28, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Williams, Arizona, we are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2009. The intended purpose of Management's Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, significant economic factors, and the status of infrastructure and its impacts on our debt and operation. When referring to prior year data in this analysis we will be drawing upon information from last years' audited financial reports.

Financial Highlights

- ◆ The assets of the City of Williams, Arizona exceeded its liabilities at the close of the most recent fiscal year by \$38,425,846 (net assets).
- ◆ As of the close of the current fiscal year, the City of Williams, Arizona's governmental funds reported combined ending fund balances of \$1,660,100, a decrease of \$1,544,356 in comparison with the prior year. This decrease was mainly due to the City expending bond proceeds carried forward from the prior year.
- ◆ At the end of the current fiscal year, unreserved fund balance for the General Fund was \$15,472.
- ◆ General Fund revenues (on a budgetary basis) were less than budgeted revenues by \$432,382 for the fiscal year ending June 30, 2009. Additionally, budgetary basis expenditures were less than the final budget by \$556,861.
- ◆ General Fund revenues exceeded expenditures by \$934,467; a positive variance of \$124,479 from the original budget.
- ◆ The City includes two types of separate legal entities in its report - City of Williams Municipal Development Authority and the Williams Housing Authority. Although legally separate, these "component units" are important because the City is financially accountable for them. A description of these component units is available in Note 1 on page 29. Separate financial statements are not available for these entities.

Overview of the Financial Statements

The financial section of the Annual Financial Report (AFR) for the City of Williams, Arizona consists of this discussion and analysis, the basic financial statements and the required supplementary schedules presented after the basic financial statements. The basic financial statements include the government-wide financial statements, fund financial statements, including the budgetary statements for the General, Highway User and Grant Funds, and notes to the basic financial statements.

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Williams, Arizona that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Williams, Arizona include general government, public safety, highways and streets, culture and recreation, economic development, and health and welfare. The business-type activities include the City's electric system, water and sewer, golf course and sanitation operations.

The government-wide financial statements can be found on pages 14 - 15 of this report.

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

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

The basic governmental fund financial statements can be found on pages 16 - 22 of this report.

Proprietary funds. The City of Williams, Arizona maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Williams, Arizona uses enterprise funds to account for its electric system, water and sewer, golf course and sanitation operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the electric system, water and sewer, golf course and sanitation operations of the City of Williams, Arizona.

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Williams, Arizona's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 27 - 28 of this report.

Notes to the basic financial statements. The notes to the basic financial statements (pages 29 - 56) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the financial statements.

Required supplementary information other than MD&A. Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements, or as required supplementary information after the footnotes. The City has chosen to present these budgetary statements as part of the basic financial statements. Additionally, governments are required to disclose certain information about employee pension funds. The City has disclosed this information in Note 4.C. to the basic financial statements and required supplementary information on page 58.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets of the City for June 30, 2009 showing that assets exceeded liabilities by \$38,425,846.

City of Williams, Arizona Condensed Statement of Net Assets June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008 (restated)	2009	2008
ASSETS						
Current and Other Assets	\$ 2,792,327	\$ 4,651,887	\$ 1,017,511	\$ 2,548,603	\$ 3,809,838	\$ 7,200,490
Capital Assets						
Non-depreciable	257,978	776,605	1,089,168	13,686,224	1,347,146	14,462,829
Depreciable (net)	25,869,020	24,441,998	38,652,175	26,448,727	64,521,195	50,890,725
Total Assets	<u>28,919,325</u>	<u>29,870,490</u>	<u>40,758,854</u>	<u>42,683,554</u>	<u>69,678,179</u>	<u>72,554,044</u>
LIABILITIES						
Other Liabilities	637,639	916,099	1,676,564	2,794,656	2,314,203	3,710,755
Non-Current Liabilities						
Due within one year	643,027	504,242	1,456,086	1,437,825	2,099,113	1,942,067
Due in more than one year	5,181,248	5,680,290	21,657,769	22,682,555	26,839,017	28,362,845
Total Liabilities	<u>6,461,914</u>	<u>7,100,631</u>	<u>24,790,419</u>	<u>26,915,036</u>	<u>31,252,333</u>	<u>34,015,667</u>
NET ASSETS						
Invested in Capital Assets, Net of Related Debt	20,511,708	19,211,864	16,694,367	16,069,609	37,206,075	35,281,473
Restricted	1,644,628	2,891,535	-	-	1,644,628	2,891,535
Unrestricted	301,075	666,460	(725,932)	(301,091)	(424,857)	365,369
Total Net Assets	<u>\$ 22,457,411</u>	<u>\$ 22,769,859</u>	<u>\$ 15,968,435</u>	<u>\$ 15,768,518</u>	<u>\$ 38,425,846</u>	<u>\$ 38,538,377</u>

The net assets of the City are \$38,425,846 in fiscal year 2009 for governmental and business-type activities combined.

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

An additional portion of the City of Williams, Arizona's net assets represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City of Williams, Arizona is able to report positive balances in two of the three categories of net assets for the government as a whole.

City of Williams, Arizona
Changes in Net Assets
Years Ended June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008 (restated)	2009	2008
REVENUES						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 438,828	\$ 549,700	\$ 6,807,823	\$ 6,943,160	\$ 7,246,651	\$ 7,492,860
Operating Grants and Contributions	851,534	666,830	-	-	851,534	666,830
Capital Grants and Contributions	1,892,100	1,862,588	-	-	1,892,100	1,862,588
General Revenues:						
Property Taxes	506,155	511,117	-	-	506,155	511,117
Local Taxes	4,121,311	4,292,225	-	-	4,121,311	4,292,225
State Shared Revenues	882,051	901,433	-	-	882,051	901,433
Investment Earnings	22,828	48,228	22,348	49,256	45,176	97,484
Total Revenues	<u>8,714,807</u>	<u>8,832,121</u>	<u>6,830,171</u>	<u>6,992,416</u>	<u>15,544,978</u>	<u>15,824,537</u>
EXPENSES						
General Government	2,961,597	2,953,114	-	-	2,961,597	2,953,114
Public Safety	1,964,650	2,215,842	-	-	1,964,650	2,215,842
Highways and Streets	2,443,956	2,401,951	-	-	2,443,956	2,401,951
Culture and Recreation	744,645	837,696	-	-	744,645	837,696
Economic Development	498,681	503,867	-	-	498,681	503,867
Health and Welfare	28,253	18,801	-	-	28,253	18,801
Interest on Long-Term Debt	285,473	130,049	-	-	285,473	130,049
Electric System	-	-	2,270,848	2,284,228	2,270,848	2,284,228
Water and Sewer	-	-	3,048,950	2,722,735	3,048,950	2,722,735
Golf Course	-	-	622,059	652,586	622,059	652,586
Sanitation	-	-	788,397	849,824	788,397	849,824
Total Expenses	<u>8,927,255</u>	<u>9,061,320</u>	<u>6,730,254</u>	<u>6,509,373</u>	<u>15,657,509</u>	<u>15,570,693</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS						
	(212,448)	(229,199)	99,917	483,043	(112,531)	253,844
Transfers	(100,000)	(100,000)	100,000	100,000	-	-
CHANGE IN NET ASSETS	<u>(312,448)</u>	<u>(329,199)</u>	<u>199,917</u>	<u>583,043</u>	<u>(112,531)</u>	<u>253,844</u>
Net Assets - Beginning of Year, restated	22,769,859	23,099,058	15,768,518	15,185,475	38,538,377	38,284,533
NET ASSETS - END OF YEAR	<u>\$ 22,457,411</u>	<u>\$ 22,769,859</u>	<u>\$ 15,968,435</u>	<u>\$ 15,768,518</u>	<u>\$ 38,425,846</u>	<u>\$ 38,538,377</u>

Governmental activities. Governmental activities decreased the City's net assets by \$312,448. Key factors of this decrease are lower city sales tax and highway user revenues resulting from the downturn in the economy.

Business-type activities. Business-type activities increased the City's net assets by \$199,917. The primary reason for the increase was revenue received by the City's electric system.

Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal compliance. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, 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. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

As of the end of the current fiscal year the City's governmental funds reported combined ending fund balances of \$1,660,100, a decrease of \$1,544,356 in comparison with the prior year. At fiscal year ended June 30, 2009 fund balances were as follows:

Fund	Balance	Increase (Decrease) From 2007-08
General Fund	\$ 15,472	\$ (297,449)
Highway User fund	-	-
Grants Fund	46,528	(24,732)
Debt Service Fund	146,249	602
Capital Projects Fund	1,339,723	(1,191,060)
Nonmajor Governmental Funds	112,128	(31,717)

The General Fund is the chief operating fund of the City of Williams, Arizona. At the end of the current fiscal year, the fund balance of the General Fund was \$15,472, while total fund balance for the City reached \$1,660,100.

The fund balance of the City of Williams, Arizona's General Fund decreased by \$297,449 during the current fiscal year. This decrease was mainly due to lower city sales tax revenues as a result of the downturn in the economy.

The Highway User Fund's fund balance did not change during the fiscal year due to transfers from the General Fund.

The Grants Fund's fund balance decreased by \$24,732 during the fiscal year due to the City expending grant monies carried forward from the prior year.

The Debt Service Fund's fund balance increased by \$602 during the fiscal year. This change was not significant.

The Capital Projects Fund's fund balance decreased by \$1,191,060. The change was mainly due to the City expending prior year bond proceeds.

The Nonmajor Governmental Funds fund balance decreased by \$31,717 during the fiscal year. The change was primarily due to expenditures in the Forest Service Building Fund exceeding rental income for the year.

Proprietary funds. The City of Williams, Arizona's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets at the end of the year amounted to \$255,974 in the Electric System Fund, \$942,796 in the Water and Sewer Fund, \$(1,789,924) in the Golf Course Fund and \$(134,780) in the Sanitation 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 and may be found on pages 20 - 22. 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 \$6,046,118, on a budgetary basis, were less than budgeted revenues of \$6,478,500 by \$432,382 mainly due to the downturn in the economy. In addition, budgetary basis expenditures of \$5,111,651 were less than budgeted expenditures by \$556,861 as City management exercised caution on budgeted expenditures and took preventive measures to not overspend City resources resulting in expenditure savings.

Capital Asset and Debt Administration

The City's capital assets for its governmental and business-type activities as of June 30, 2009 amount to \$65,868,341 (net of accumulated depreciation). Capital assets include land and improvements, buildings and improvements, infrastructure, furniture, machinery and equipment, and construction in progress.

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

Governmental Activities:

- ◆ Airport improvements.
- ◆ Street improvements.
- ◆ Forest Service Building improvements.
- ◆ Purchases of a number of furniture and equipment items.

Business-type activities:

- ◆ Electric system upgrades.
- ◆ Golf Course Clubhouse improvements.
- ◆ Wastewater treatment plant expansion.
- ◆ Installation of water lines.
- ◆ Purchases of a number of furniture and equipment items.

The following table provides a breakdown of the capital assets of the City at June 30, 2009 and 2008.

City of Williams, Arizona
Capital Assets
June 30, 2009 and 2008
(Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land and Improvements	\$ 11,276,126	\$ 10,306,470	\$ -	\$ -	\$ 11,276,126	\$ 10,306,470
Buildings and Improvements	6,180,794	6,243,793	3,818,167	3,886,594	9,998,961	10,130,387
Infrastructure	6,850,367	6,116,646	-	-	6,850,367	6,116,646
Furniture, Machinery and Equipment	1,561,733	1,775,089	1,285,849	1,492,184	2,847,582	3,267,273
System and Other Improvements	-	-	33,548,159	21,069,949	33,548,159	21,069,949
Land	257,978	257,978	1,080,834	1,080,834	1,338,812	1,338,812
Construction In Progress	-	518,627	8,334	12,605,390	8,334	13,124,017
Total Capital Assets	\$ 26,126,998	\$ 25,218,603	\$ 39,741,343	\$ 40,134,951	\$ 65,868,341	\$ 65,353,554

Long-Term Debt

At the end of the current fiscal year, the City of Williams, Arizona had total long-term obligations outstanding of \$28,938,130. Of the outstanding debt, \$1,705,001 is general obligation bonds backed by the full faith and credit of the City. An additional \$360,000 are improvement bonds that are backed by the property owners within the District. An additional \$18,584,584 are loans payable secured by pledges of specific revenue sources of the City. An additional \$4,437,042 and \$2,968,000 of outstanding debt is secured by pledges of specific revenue sources of the City. The remaining \$883,503 consists of the difference between reacquisition price and carrying amount of old debt, capital leases and compensated absences.

The following schedule shows the outstanding debt of the City (both current and long-term) as of June 30, 2009 and 2008. Further detail on the City's outstanding debt may be found in Note 3.D. on pages 46 - 52.

City of Williams, Arizona Long-term Obligations June 30, 2009 and 2008

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$ 344,236	\$ 407,866	\$ 1,360,765	\$ 1,612,135	\$ 1,705,001	\$ 2,020,001
Improvement Bonds	360,000	410,000	-	-	360,000	410,000
Revenue Bonds	4,437,042	4,564,350	2,968,000	3,065,650	7,405,042	7,630,000
Loans Payable	-	-	18,584,584	19,163,117	18,584,584	19,163,117
Difference Between Reacquisition Price and Carrying Amount of Old Debt	-	-	(64,939)	(82,716)	(64,939)	(82,716)
Capital Leases	474,012	624,523	198,564	307,156	672,576	931,679
Compensated Absences	208,985	177,793	66,881	55,038	275,866	232,831
Total Outstanding Debt	<u>\$ 5,824,275</u>	<u>\$ 6,184,532</u>	<u>\$ 23,113,855</u>	<u>\$ 24,120,380</u>	<u>\$ 28,938,130</u>	<u>\$ 30,304,912</u>

Economic Factors and Next Year's Budgets and Rates

- ◆ Due to the recent economic slowdown, the City has reduced next fiscal year's budget by 25%. Only essential capital projects will be completed with no additional borrowing being considered. The City has increased water and sewer rates and will continue to monitor the need for additional rate increases in the future.
- ◆ The City is considering refinancing some of its outstanding debt in order to restructure future repayment schedules.

Financial Contact

This financial report is designed to provide a general overview of the City's finances for all of those with an interest and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

City of Williams
113 South First Street
Williams, AZ 86046-2549
928-635-4451

Or visit our website at:

www.williamsaz.gov

Basic Financial Statements

**CITY OF WILLIAMS, ARIZONA
STATEMENT OF NET ASSETS
JUNE 30, 2009**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Governmental Component Unit
ASSETS				
Cash and Cash Equivalents	\$ 546,142	\$ 100	\$ 546,242	\$ 137,174
Receivables, Net				
Accounts Receivable	23,027	707,194	730,221	26,642
Taxes Receivable	45,021	-	45,021	-
Intergovernmental Receivables	839,381	35,501	874,882	-
Special Assessments Receivable	454,470	-	454,470	-
Internal Balances	539,033	(539,033)	-	-
Inventories	20,812	-	20,812	-
Prepaid Items	210,079	45,826	255,905	-
Deferred Charges	-	174,162	174,162	-
Restricted Assets	114,362	593,761	708,123	-
Capital Assets				
Non-Depreciable	257,978	1,089,168	1,347,146	481,979
Depreciable (Net)	25,869,020	38,652,175	64,521,195	1,202,036
Total Assets	<u>28,919,325</u>	<u>40,758,854</u>	<u>69,678,179</u>	<u>1,847,831</u>
LIABILITIES				
Accounts Payable	435,454	535,946	971,400	3,890
Accrued Wages and Benefits	168,643	39,526	208,169	15,060
Intergovernmental Payable	9,952	39,313	49,265	-
Customer Deposits Payable	23,590	91,970	115,560	6,705
Unearned Revenue	-	610,776	610,776	-
Refundable Construction Advances	-	359,033	359,033	-
Noncurrent Liabilities				
Due Within One Year	643,027	1,456,086	2,099,113	-
Due in More Than One Year	5,181,248	21,657,769	26,839,017	-
Total Liabilities	<u>6,461,914</u>	<u>24,790,419</u>	<u>31,252,333</u>	<u>25,655</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	20,511,708	16,694,367	37,206,075	-
Restricted for:				
Debt Service	146,249	-	146,249	-
Capital Outlay	1,343,067	-	1,343,067	-
Other	155,312	-	155,312	-
Unrestricted	301,075	(725,932)	(424,857)	1,822,176
Total Net Assets	<u>\$ 22,457,411</u>	<u>\$ 15,968,435</u>	<u>\$ 38,425,846</u>	<u>\$ 1,822,176</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF WILLIAMS, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-Type Activities	Total	Governmental Component Units
Primary Government:								
Governmental Activities:								
General Government	\$ 2,961,597	\$ 260,451	\$ 10,345	\$ 1,892,100	\$ (798,701)	\$ -	\$ (798,701)	\$ -
Public Safety	1,964,650	62,363	68,856	-	(1,833,431)	-	(1,833,431)	-
Highways and Streets	2,443,956	1,431	684,693	-	(1,757,832)	-	(1,757,832)	-
Culture and Recreation	744,645	77,923	87,640	-	(579,082)	-	(579,082)	-
Economic Development	498,681	-	-	-	(498,681)	-	(498,681)	-
Health and Welfare	28,253	-	-	-	(28,253)	-	(28,253)	-
Interest on Long-Term Debt	285,473	36,660	-	-	(248,813)	-	(248,813)	-
Total Governmental Activities	8,927,255	438,828	851,534	1,892,100	(5,744,793)	-	(5,744,793)	-
Business-Type Activities:								
Electric System	2,270,848	3,548,697	-	-	-	1,277,849	1,277,849	-
Water and Sewer	3,048,950	1,974,892	-	-	-	(1,074,058)	(1,074,058)	-
Golf Course	622,059	540,210	-	-	-	(81,849)	(81,849)	-
Sanitation	788,397	744,024	-	-	-	(44,373)	(44,373)	-
Total Business-Type Activities	6,730,254	6,807,823	-	-	-	77,569	77,569	-
Total Primary Government	\$ 15,657,509	\$ 7,246,651	\$ 851,534	\$ 1,892,100	(5,744,793)	77,569	(5,667,224)	-
Component Units:								
Williams Housing Authority	\$ 551,224	\$ 51,258	\$ 455,690	\$ 52,156				7,880
General Revenues:								
Taxes								
Sales Taxes					4,081,014	-	4,081,014	-
Property Taxes					506,155	-	506,155	-
Franchise Taxes					40,297	-	40,297	-
State Revenue Sharing					470,608	-	470,608	-
State Sales Tax Revenue Sharing					250,226	-	250,226	-
Auto Lieu Tax Revenue Sharing					161,217	-	161,217	-
Investment Income					22,828	22,348	45,176	1,528
Other					-	-	-	5,342
Transfers					(100,000)	100,000	-	-
Total General Revenues and Transfers					5,432,345	122,348	5,554,693	6,870
Change in Net Assets					(312,448)	199,917	(112,531)	14,750
Net Assets - Beginning, restated					22,769,859	15,768,518	38,538,377	1,807,426
Net Assets - Ending					\$ 22,457,411	\$ 15,968,435	\$ 38,425,846	\$ 1,822,176

See accompanying Notes to Basic Financial Statements.

**CITY OF WILLIAMS, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009**

	General Fund	Highway User	Grants	Debt Service	Capital Projects	Nonmajor Governmental Funds	Totals
Assets							
Cash and Investments	\$ 205,414	\$ -	\$ -	\$ -	\$ 324,723	\$ 16,005	\$ 546,142
Receivables							
Accounts Receivable	23,027	-	-	-	-	-	23,027
Taxes Receivable	45,021	-	-	-	-	-	45,021
Intergovernmental	392,974	34,571	411,836	-	-	-	839,381
Special Assessments	-	-	-	454,470	-	-	454,470
Due from Other Funds	-	-	-	31,887	1,015,000	112,939	1,159,826
Inventories	20,812	-	-	-	-	-	20,812
Prepaid Items	210,079	-	-	-	-	-	210,079
Restricted Assets	-	-	-	114,362	-	-	114,362
Total Assets	\$ 897,327	\$ 34,571	\$ 411,836	\$ 600,719	\$ 1,339,723	\$ 128,944	\$ 3,413,120
Liabilities and Fund Balance							
Liabilities							
Accounts Payable	\$ 136,408	\$ 6,005	\$ 276,813	\$ -	\$ -	\$ 16,228	\$ 435,454
Accrued Wages and Benefits	149,544	18,511	-	-	-	588	168,643
Intergovernmental Payable	9,952	-	-	-	-	-	9,952
Due to Other Funds	522,243	10,055	88,495	-	-	-	620,793
Deferred Revenue	40,118	-	-	454,470	-	-	494,588
Customer Deposits Payable	23,590	-	-	-	-	-	23,590
Total Liabilities	881,855	34,571	365,308	454,470	-	16,816	1,753,020
Fund Balances							
Unreserved	15,472	-	46,528	146,249	1,339,723	-	1,547,972
Unreserved; reporting in nonmajor:							
Special Revenue Funds	-	-	-	-	-	108,784	108,784
Capital Projects Funds	-	-	-	-	-	3,344	3,344
Total Fund Balance	15,472	-	46,528	146,249	1,339,723	112,128	1,660,100
Total Liabilities and Fund Balance	\$ 897,327	\$ 34,571	\$ 411,836	\$ 600,719	\$ 1,339,723	\$ 128,944	\$ 3,413,120

See accompanying Notes to Basic Financial Statements.

**CITY OF WILLIAMS, ARIZONA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2009**

Total Fund Balances for Governmental Funds \$ 1,660,100

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 257,978	
Land Improvements	17,081,134	
Buildings and Improvements	7,685,658	
Infrastructure	32,636,037	
Furniture, Machinery and Equipment	4,305,761	
Total Capital Assets	61,966,568	
Less: Accumulated Depreciation	(35,839,570)	26,126,998

Some of the City's property taxes and special assessments will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and, therefore, are reported as deferred revenue in the governmental funds. 494,588

Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of Net Assets.

General Obligation Bonds	(344,236)	
Improvement Bonds	(360,000)	
Revenue Bonds	(4,437,042)	
Capital Lease Payable	(474,012)	
Compensated Absence Payable	(208,985)	(5,824,275)

Total Net Assets of Governmental Activities \$ 22,457,411

CITY OF WILLIAMS, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2009

	General Fund	Highway User	Grants	Debt Service	Capital Projects	Nonmajor Governmental Funds	Totals
Revenue							
Taxes							
Sales Taxes	\$ 4,081,014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,081,014
Property Taxes	502,875	-	-	-	-	-	502,875
Franchise Taxes	40,297	-	-	-	-	-	40,297
Intergovernmental Revenue	1,177,072	343,431	2,105,182	-	-	-	3,625,685
Fines and Forfeits	72,331	-	-	-	-	-	72,331
Licenses and Permits	25,659	-	-	-	-	-	25,659
Charges for Services	58,857	1,431	-	-	-	-	60,288
Rents and Royalties	-	-	-	-	-	157,899	157,899
Special Assessments	-	-	-	-	-	76,684	76,684
Investment Earnings	2,022	-	-	602	19,427	777	22,828
Other	85,991	-	-	-	-	-	85,991
Total Revenue	6,046,118	344,862	2,105,182	602	19,427	235,360	8,751,551
Expenditures							
Current							
General Government	2,049,357	-	36,111	-	-	181,882	2,267,350
Public Safety	1,926,059	-	74,512	-	-	-	2,000,571
Highways and Streets	-	1,035,562	335,657	-	-	-	1,371,219
Culture and Recreation	600,001	-	66,729	-	-	-	666,730
Economic Development	500,442	-	-	-	-	-	500,442
Health and Welfare	35,792	-	-	-	-	-	35,792
Debt Service							
Principal Retirement	-	-	-	240,938	-	-	240,938
Interest on Long-Term Debt	-	-	-	284,447	-	1,026	285,473
Capital Outlay	-	-	1,616,905	-	1,210,487	-	2,827,392
Total Expenditures	5,111,651	1,035,562	2,129,914	525,385	1,210,487	182,908	10,195,907
Excess (Deficiency) of Revenue Over Expenditures	934,467	(690,700)	(24,732)	(524,783)	(1,191,060)	52,452	(1,444,356)
Other Financing Sources (Uses)							
Transfers In	-	690,700	-	525,385	-	-	1,216,085
Transfers Out	(1,231,916)	-	-	-	-	(84,169)	(1,316,085)
Total Other Financing Sources (Uses)	(1,231,916)	690,700	-	525,385	-	(84,169)	(100,000)
Net Change in Fund Balance	(297,449)	-	(24,732)	602	(1,191,060)	(31,717)	(1,544,356)
Fund Balance							
Beginning of Year	312,921	-	71,260	145,647	2,530,783	143,845	3,204,456
End of Year	<u>\$ 15,472</u>	<u>\$ -</u>	<u>\$ 46,528</u>	<u>\$ 146,249</u>	<u>\$ 1,339,723</u>	<u>\$ 112,128</u>	<u>\$ 1,660,100</u>

See accompanying Notes to Basic 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
YEAR ENDED JUNE 30, 2009**

Net Change in Fund Balances-Total Governmental Funds \$ (1,544,356)

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

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

Expenditures for Capital Assets	\$ 3,428,924	
Depreciation Expense	<u>(2,519,805)</u>	909,119

The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposal of capital assets. (724)

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is reported as an expenditure. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Repayment of Bond Principal	240,938	
Repayment of Capital Leases Principal	<u>150,511</u>	391,449

Delinquent and deferred property taxes and special assessments receivable will be collected subsequent to year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the governmental funds.

Deferred Revenue - June 30, 2008	531,332	
Deferred Revenue - June 30, 2009	<u>494,588</u>	(36,744)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). During fiscal year 2009, compensated absence payable changed. (31,192)

Change in Net Assets of Governmental Activities \$ (312,448)

**CITY OF WILLIAMS, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance With Final Budget
Revenue			
Taxes			
Sales Taxes	\$ 4,458,000	\$ 4,081,014	\$ (376,986)
Property Taxes	510,000	502,875	(7,125)
Franchise Taxes	48,500	40,297	(8,203)
Intergovernmental Revenue	930,000	1,177,072	247,072
Fines and Forfeits	77,000	72,331	(4,669)
Licenses and Permits	158,000	25,659	(132,341)
Charges for Services	53,000	58,857	5,857
Investment Income	7,000	2,022	(4,978)
Other	237,000	85,991	(151,009)
Total Revenue	<u>6,478,500</u>	<u>6,046,118</u>	<u>(432,382)</u>
Expenditures			
Current			
General Government			
Mayor and Council	100,841	68,298	32,543
Magistrate	219,106	195,374	23,732
General and Administrative	808,052	797,846	10,206
Finance	319,565	304,159	15,406
Maintenance	254,495	223,981	30,514
Central Garage	345,690	356,472	(10,782)
Airport	141,216	101,335	39,881
CFD Expenses	2,400	1,892	508
Total General Government	<u>2,191,365</u>	<u>2,049,357</u>	<u>142,008</u>
Public Safety			
Police	1,598,816	1,563,713	35,103
Fire	230,804	209,983	20,821
Building Inspection	186,317	152,363	33,954
Total Public Safety	<u>2,015,937</u>	<u>1,926,059</u>	<u>89,878</u>
Culture and Recreation			
Library	92,057	79,551	12,506
Recreation	253,160	218,748	34,412
Swimming Pool	307,283	261,984	45,299
Recreation Facilities	215,500	39,718	175,782
Total Culture and Recreation	<u>868,000</u>	<u>600,001</u>	<u>267,999</u>
Economic Development			
Planning	91,229	72,626	18,603
Tourism Promotion	438,919	390,902	48,017
Visitor Center	41,162	36,914	4,248
Total Economic Development	<u>571,310</u>	<u>500,442</u>	<u>70,868</u>
Health and Welfare			
Senior Center	21,900	35,792	(13,892)
Total Expenditures	<u>5,668,512</u>	<u>5,111,651</u>	<u>556,861</u>
Excess (Deficiency) of Revenue Over Expenditures	809,988	934,467	124,479
Other Financing Sources (Uses)			
Transfers Out	(738,545)	(1,231,916)	(493,371)
Net Change in Fund Balance	<u>71,443</u>	<u>(297,449)</u>	<u>(368,892)</u>
Fund Balance			
Beginning of Year	951,841	312,921	(638,920)
End of Year	<u>\$ 1,023,284</u>	<u>\$ 15,472</u>	<u>\$ (1,007,812)</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF WILLIAMS, ARIZONA
HIGHWAY USER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Variance With Final Budget
Revenue			
Intergovernmental	\$ 450,000	\$ 343,431	\$ (106,569)
Charges for Services	-	1,431	1,431
Other	1,000	-	(1,000)
Total Revenue	<u>451,000</u>	<u>344,862</u>	<u>(106,138)</u>
Expenditures			
Current			
Highways and Streets	<u>938,903</u>	<u>1,035,562</u>	<u>(96,659)</u>
Excess (Deficiency) of Revenue Over Expenditures	(487,903)	(690,700)	(202,797)
Other Financing Sources (Uses)			
Transfers In (Out)	<u>473,903</u>	<u>690,700</u>	<u>216,797</u>
Net Change in Fund Balances	(14,000)	-	14,000
Fund Balances			
Fund Balances, Beginning of Year	<u>14,000</u>	<u>-</u>	<u>(14,000)</u>
Fund Balances, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF WILLIAMS, ARIZONA
GRANTS FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2009**

	Original and Final Budget	Actual	Over (Under) Final Budget
Revenue			
Intergovernmental	\$ 5,000,000	\$ 2,105,182	\$ (2,894,818)
Expenditures			
Current			
General Government	-	36,111	(36,111)
Public Safety	-	74,512	(74,512)
Highways and Streets	-	335,657	(335,657)
Culture and Recreation	-	66,729	(66,729)
Capital Outlay	5,000,000	1,616,905	3,383,095
Total Expenditures	5,000,000	2,129,914	2,870,086
Excess (Deficiency) of Revenue Over Expenditures	-	(24,732)	(24,732)
Fund Balances			
Fund Balances, Beginning of Year	-	71,260	71,260
Fund Balances, End of Year	\$ -	\$ 46,528	\$ 46,528

See accompanying Notes to Basic Financial Statements.

CITY OF WILLIAMS, ARIZONA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2009

	Business-Type Activities				
	Electric System	Water and Sewer	Golf Course	Sanitation	Totals
Assets					
Current Assets					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 100	\$ 100
Receivables, Net					
Accounts Receivable	367,229	290,236	49,729	-	707,194
Intergovernmental Receivable	-	-	-	35,501	35,501
Due from Other Funds	323,367	1,207,091	-	-	1,530,458
Prepaid Items	45,826	-	-	-	45,826
Deferred Charges	51,120	80,286	41,404	1,352	174,162
Restricted Assets	242,114	175,178	170,977	5,492	593,761
Total Current Assets	1,029,656	1,752,791	262,110	42,445	3,087,002
Noncurrent Assets					
Capital Assets					
Non-Depreciable	100,000	60,500	920,335	8,333	1,089,168
Depreciable (net)	4,323,839	32,617,891	1,222,876	487,567	38,652,173
Total Noncurrent Assets	4,423,839	32,678,391	2,143,211	495,900	39,741,341
Total Assets	5,453,495	34,431,182	2,405,321	538,345	42,828,343
Liabilities					
Current Liabilities					
Accounts Payable	348,064	92,619	48,789	46,474	535,946
Accrued Wages and Benefits	-	15,532	12,983	11,011	39,526
Intergovernmental Payable	22,340	8,911	8,062	-	39,313
Due to Other Funds	-	-	1,969,315	100,176	2,069,491
Refundable Construction Advances	359,033	-	-	-	359,033
Unearned Revenue	-	610,776	-	-	610,776
Customer Deposits Payable	44,245	47,725	-	-	91,970
Compensated Absences	-	34,432	12,885	19,564	66,881
Capital Leases Payable	-	26,134	14,505	29,178	69,817
Bonds, Notes and Loans Payable	97,747	1,121,445	97,035	3,161	1,319,388
Total Current Liabilities	871,429	1,957,574	2,163,574	209,564	5,202,141
Noncurrent Liabilities					
Capital Leases Payable	-	48,193	26,748	53,806	128,747
Bonds, Notes and Loans Payable	450,666	20,656,995	407,867	13,494	21,529,022
Total Noncurrent Liabilities	450,666	20,705,188	434,615	67,300	21,657,769
Total Liabilities	1,322,095	22,662,762	2,598,189	276,864	26,859,910
Net Assets					
Invested in Capital Assets	3,875,426	10,825,624	1,597,056	396,261	16,694,367
Unrestricted	255,974	942,796	(1,789,924)	(134,780)	(725,934)
Total Net Assets	\$ 4,131,400	\$ 11,768,420	\$ (192,868)	\$ 261,481	\$ 15,968,433

See accompanying Notes to Basic Financial Statements.

CITY OF WILLIAMS, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009

	Business-Type Activities				
	Electric System	Water and Sewer	Golf Course	Sanitation	Totals
Operating Revenue					
Charges for Services	\$ 3,548,697	\$ 1,826,835	\$ 540,210	\$ 744,024	\$ 6,659,766
Operating Expenses					
Cost of Sales and Services	2,086,753	1,315,400	506,657	721,733	4,630,543
Depreciation	136,367	912,612	85,102	61,725	1,195,806
Total Operating Expenses	<u>2,223,120</u>	<u>2,228,012</u>	<u>591,759</u>	<u>783,458</u>	<u>5,826,349</u>
Operating Income (Loss)	1,325,577	(401,177)	(51,549)	(39,434)	833,417
Nonoperating Revenue (Expense)					
Impact Fees	-	148,057	-	-	148,057
Investment Earnings	3,510	17,494	1,316	28	22,348
Interest Expense	(42,048)	(815,619)	(25,701)	(4,790)	(888,158)
Issuance Costs	(5,680)	(5,319)	(4,600)	(150)	(15,749)
Total Nonoperating Revenue (Expenses)	<u>(44,218)</u>	<u>(655,387)</u>	<u>(28,985)</u>	<u>(4,912)</u>	<u>(733,502)</u>
Income (Loss) Before Contributions and Transfers	1,281,359	(1,056,564)	(80,534)	(44,346)	99,915
Transfers In	-	2,839,424	100,000	8,333	2,947,757
Transfers Out	<u>(2,839,424)</u>	<u>(8,333)</u>	<u>-</u>	<u>-</u>	<u>(2,847,757)</u>
Change in Net Assets	(1,558,065)	1,774,527	19,466	(36,013)	199,915
Net Assets, Beginning of Year, restated	<u>5,689,465</u>	<u>9,993,893</u>	<u>(212,334)</u>	<u>297,494</u>	<u>15,768,518</u>
Net Assets, End of Year	<u>\$ 4,131,400</u>	<u>\$ 11,768,420</u>	<u>\$ (192,868)</u>	<u>\$ 261,481</u>	<u>\$ 15,968,433</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF WILLIAMS, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2009**

	Business-type Activities - Enterprise Funds				Totals
	Electric System	Water and Sewer	Golf Course	Sanitation	
Cash Flows from Operating Activities					
Receipts from Customers	\$ 3,708,962	\$ 1,786,568	\$ 489,333	\$ 775,289	\$ 6,760,152
Payments to Suppliers	(1,965,430)	(2,064,778)	(144,469)	(357,702)	(4,532,379)
Payments to Employees	-	(484,616)	(310,615)	(378,691)	(1,173,922)
Customer Deposits	(33,419)	9,142	-	-	(24,277)
Net Cash Flows from Operating Activities	1,710,113	(753,684)	34,249	38,896	1,029,574
Cash Flows from Noncapital Financing Activities					
Cash Received From (Paid to) Other Funds for Interfund Borrowing	1,540,396	(1,324,186)	46,584	15,247	278,041
Transfers In	-	2,839,424	100,000	8,333	2,947,757
Transfers Out	(2,839,424)	(8,333)	-	-	(2,847,757)
Net Cash Flows from Noncapital Financing Activities	(1,299,028)	1,506,905	146,584	23,580	378,041
Cash Flows from Capital and Financing Activities					
Impact Fees	-	148,057	-	-	148,057
Capital Grants Received	-	1,168,963	-	-	1,168,963
Refundable Construction Advances Paid	(4,640)	-	-	-	(4,640)
Purchases of Capital Assets	(306,086)	(457,668)	(43,972)	-	(807,726)
Principal Paid on Capital Debt	(110,093)	(755,729)	(112,738)	(57,586)	(1,036,146)
Interest Paid on Capital Debt	(26,204)	(814,804)	(24,582)	(4,790)	(870,380)
Net Cash Flows from Capital and Related Financing Activities	(447,023)	(711,181)	(181,292)	(62,376)	(1,401,872)
Cash Flows from Investing Activities					
Investment Earnings	3,510	17,494	1,316	28	22,348
Net Change in Cash and Cash Equivalents	(32,428)	59,534	857	128	28,091
Cash and Cash Equivalents, Beginning of Year	274,542	115,644	170,120	5,464	565,770
Cash and Cash Equivalents, End of Year	\$ 242,114	\$ 175,178	\$ 170,977	\$ 5,592	\$ 593,861
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets					
Cash and Investments	\$ -	\$ -	\$ -	\$ 100	\$ 100
Restricted Assets	242,114	175,178	170,977	5,492	593,761
Total Cash and Cash Equivalents	\$ 242,114	\$ 175,178	\$ 170,977	\$ 5,592	\$ 593,861

(Continued)

**CITY OF WILLIAMS, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2009**

(Concluded)

	Business-type Activities - Enterprise Fund				Totals
	Electric System	Water and Sewer	Golf Course	Sanitation	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ 1,325,577	\$ (401,177)	\$ (51,549)	\$ (39,434)	\$ 833,417
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	136,367	912,612	85,102	61,725	1,195,806
Change in Assets/Liabilities:					
Receivables, Net	160,265	(38,540)	(49,729)	31,265	103,261
Prepaid Items	(1,301)	-	-	-	(1,301)
Accounts Payable	128,270	(1,240,419)	44,093	(17,773)	(1,085,829)
Accrued Wages and Benefits	-	1,704	2,825	646	5,175
Intergovernmental Payable	(5,646)	(1,727)	(1,148)	-	(8,521)
Compensated Absences	-	4,721	4,655	2,467	11,843
Customer Deposits Payable	(33,419)	9,142	-	-	(24,277)
Net Cash Provided (Used) for Operating Activities	<u>\$ 1,710,113</u>	<u>\$ (753,684)</u>	<u>\$ 34,249</u>	<u>\$ 38,896</u>	<u>\$ 1,029,574</u>

Noncash Investing, Capital and Financing Activities

Electric System Fund:

\$15,844 of the difference between reacquisition price and carrying amount of old debt and \$5,680 of issuance costs were amortized during the year.

Water and Sewer Fund:

\$815 of the difference between reacquisition price and carrying amount of old debt and \$5,319 of issuance costs were amortized during the year.

Golf Course Fund:

\$1,119 of the difference between reacquisition price and carrying amount of old debt and \$4,600 of issuance costs were amortized during the year.

Sanitation Fund:

\$150 of issuance costs were amortized during the year.

See accompanying Notes to Basic Financial Statements.

**CITY OF WILLIAMS, ARIZONA
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2009**

		Firemen's Pension
Assets		
Cash and Cash Equivalents	\$	330,547
Total Assets	\$	330,547
Net Assets		
Held In Trust for Pension Benefits	\$	330,547

See accompanying Notes to Basic Financial Statements.

**CITY OF WILLIAMS, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2009**

	Firemen's Pension
Additions	
Contributions	
Employer	\$ 8,955
Employee	25,522
State Fire Premium	22,186
Total Contributions	56,663
Investment Earnings (Loss)	
Interest	78
Net Decrease in the Fair Value of Investments	(103,295)
Total Investment Earnings (Loss)	(103,217)
Total Additions	(46,554)
Deducations	
Benefits	106,583
Change in Net Assets	(153,137)
Net Assets, Beginning of Year	483,684
Net Assets, End of Year	\$ 330,547

See accompanying Notes to Basic Financial Statements.

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Included within the reporting entity:

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 City of Williams, Arizona 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 "moral obligation" for the repayment of the MDA's bonds. 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. For financial reporting purposes, transactions of the MDA are combined together and included as if they were part of the City's operations.

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

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

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for 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 the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

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

The 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 revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

Property taxes, intergovernmental grants and aid, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 government.

The City reports the following major governmental funds:

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

The *Highway User Revenue Fund* accounts 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.

The *Grants Fund* accounts for the federal and state grants and contributions that are restricted for specific use.

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

The *Capital Projects Fund* accounts for the construction of various infrastructure projects of the City.

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City reports the following major proprietary funds:

The *Electric System Fund* accounts for the activities of the City's electric operations.

The *Water and Sewer Fund* accounts for the activities of the City's water and sewer operations.

The *Golf Course Fund* accounts for the activities of the City's golf course operations.

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

Additionally, the government reports the following fund types:

The *Pension Trust Fund* accounts for the activities of the Volunteer Firefighters' Relief and Pension Fund, which accumulates resources for pension benefit payments to qualified firemen.

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 the business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

**CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, for governmental activities it is the City's policy to use restricted resources first, then unrestricted resources as they are needed. For business-type activities, the use of restricted resources is governed by the applicable bond covenants.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

2. Receivables

All trade receivables are shown net of an allowance for uncollectibles.

Coconino County levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

**CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Short-term Interfund Receivables/Payables

During the course of operations, individual funds within the City's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

4. Inventories and Prepaid Items

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

5. Restricted Assets

Certain proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

Customer deposits are also classified as restricted assets because their use is limited.

6. Capital Assets

Capital assets, which include property, plant, infrastructure, furniture, equipment and vehicles are reported in the governmental and business-type activities column in the government-wide financial statements as applicable and in the proprietary fund statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

Property, plant, furniture, equipment and vehicles purchased or acquired is carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

**CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Capital Assets (Continued)

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

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

The City capitalized all of its existing infrastructure at estimated historical cost after adoption of GASB Statement 34.

7. Compensated Absences

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

8. 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 governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are 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.

**CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity (Continued)

9. Net Assets

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because capital assets make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the City. Unrestricted net assets are the remaining net assets not included in the previous two categories.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).

**CITY OF WILLIAMS, ARIZONA
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2009**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (Continued)

4. By Arizona Constitution, expenditures may not legally exceed the expenditure limitation described below of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. 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 City Council approval.

5. Formal budgetary integration is employed as a management control device during the year for the General, HURF, and Grant Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

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

No supplementary budgetary appropriations were necessary during the year.

B. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations in the following funds:

	<u>Amount of Overexpenditure</u>
General Fund:	
Central Garage	\$ 10,782
Senior Center	13,892
Highway User Fund	96,659

Cash or fund balance was available to meet the overexpenditures above.

C. Compliance

The City is required to maintain reserves for future debt service payments and repairs and maintenance related to its Water Infrastructure and Finance Authority Loans in the amount of \$748,818. At June 30, 2009, the City's reserve balance totaled \$50,004 resulting in a deficiency of \$698,814. The City is considering refinancing some of its current debt in order to restructure future debt payments as a means to ease current cashflow shortfalls.

**CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

D. Deficit Fund Equity

Deficit net assets in the amount of \$192,868 was reported in the Golf Course Enterprise Fund. The deficit has accumulated over several years prior to June 30, 2009. 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 the next several years. The General Fund provided a \$100,000 operating transfer to the Golf Course Fund during the fiscal year.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2009 consist of the following:

Deposits		
Cash on Hand	\$	650
Cash in Bank		453,872
Investments		
Cash on Deposit with Trustee		566,149
Pension Trust Mutual Funds		319,318
State Treasurer's Investment Pool		<u>244,923</u>
Total Deposits and Investments		<u>1,584,912</u>
Restricted Assets		(708,123)
Fiduciary Funds		<u>(330,547)</u>
Total Cash and Cash Equivalents	\$	<u><u>546,242</u></u>

Deposits - The City's deposits at June 30, 2009, were entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

Investments - The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk. In addition, the pension trust mutual fund is not subject to custodial credit risk. Cash on deposit with trustee is held in trust for the City under a Trust Agreement with Wells Fargo Bank. The funds held in trust are invested in money market funds, are valued at cost, and are invested in cash and cash equivalents and U.S. Treasury Bills. The funds are not subject to credit risk or interest rate risk. The City's investment in the State Treasurer's investment pool did not receive a credit quality rating from a national agency.

**CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the average maturity of investments to less than one year.

Custodial credit risk. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal investment policy in regards to custodial credit risk. However, the City's investments are not subject to custodial credit risk.

Cash and investments of the Williams Housing Authority Component Unit at June 30, 2009 consist of the following:

Deposits		
Cash on Hand	\$	50
Cash in Bank		137,124
Total Deposits	<u>\$</u>	<u>137,174</u>

The carrying value of the component unit's deposits at June 30, 2009 was \$132,577 which was entirely covered by federal depository insurance.

2. Restricted Assets

Restricted assets at June 30, 2009 consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Future Debt Service	\$ 114,362	\$ 501,791	\$ 616,153
Customer Deposits	-	91,970	91,970
	<u>\$ 114,362</u>	<u>\$ 593,761</u>	<u>\$ 708,123</u>

**CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Receivables

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent Property Taxes Receivable:	
(General Fund)	\$ 40,118
Special Assessments Not Yet Due	
(Debt Service Fund)	<u>454,470</u>
Total Deferred Revenue	<u><u>\$ 494,588</u></u>

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 257,978	\$ -	\$ -	\$ 257,978
Construction in Progress	518,627	1,172,114	(1,690,741)	-
Total Capital Assets, Not Being Depreciated	776,605	1,172,114	(1,690,741)	257,978
Capital Assets, Being Depreciated:				
Land Improvements	15,382,202	1,698,932	-	17,081,134
Buildings and Improvements	7,556,020	136,138	(6,500)	7,685,658
Infrastructure	30,609,639	2,026,398	-	32,636,037
Furniture, Machinery and Equipment	4,250,026	86,083	(30,348)	4,305,761
Total Capital Assets, Being Depreciated	57,797,887	3,947,551	(36,848)	61,708,590
Accumulated Depreciation for:				
Land Improvements	(5,075,732)	(729,276)	-	(5,805,008)
Buildings and Improvements	(1,312,227)	(198,902)	6,265	(1,504,864)
Infrastructure	(24,492,993)	(1,292,677)	-	(25,785,670)
Furniture, Machinery and Equipment	(2,474,937)	(298,950)	29,859	(2,744,028)
Total Accumulated Depreciation	(33,355,889)	(2,519,805)	36,124	(35,839,570)
Total Capital Assets, Being Depreciated, Net	24,441,998	1,427,746	(724)	25,869,020
Governmental Activities Capital Assets, Net	\$ 25,218,603	\$ 2,599,860	\$ (1,691,465)	\$ 26,126,998

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,080,834	\$ -	\$ -	\$ 1,080,834
Construction in Progress	12,605,390	347,019	(12,944,075)	8,334
Total Capital Assets, Not Being Depreciated	13,686,224	347,019	(12,944,075)	1,089,168
Capital Assets, Being Depreciated:				
Buildings and Improvements	4,267,781	28,698	(4,239)	4,292,240
System and Other Improvements	27,971,157	13,384,597	(968)	41,354,786
Furniture, Equipment and Vehicles	3,038,405	16,868	(292,323)	2,762,950
Total Capital Assets, Being Depreciated	35,277,343	13,430,163	(297,530)	48,409,976
Accumulated Depreciation for:				
Buildings and Improvements	(381,187)	(97,067)	4,181	(474,073)
System and Other Improvements	(6,901,208)	(906,387)	968	(7,806,627)
Furniture, Equipment and Vehicles	(1,546,221)	(192,352)	261,472	(1,477,101)
Total Accumulated Depreciation	(8,828,616)	(1,195,806)	266,621	(9,757,801)
Total Capital Assets, Being Depreciated, Net	26,448,727	12,234,357	(30,909)	38,652,175
Business-Type Activities Capital Assets, Net	<u>\$ 40,134,951</u>	<u>\$ 12,581,376</u>	<u>\$ (12,974,984)</u>	<u>\$ 39,741,343</u>

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit, Housing Authority				
Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 482,630	\$ -	\$ (651)	\$ 481,979
Capital Assets, Being Depreciated:				
Buildings and Improvements	1,792,265	23,608	-	1,815,873
Other Improvements	161,035	33,405	-	194,440
Furniture, Equipment and Vehicles	114,060	19,950	-	134,010
Total Capital Assets, Being Depreciated	2,067,360	76,963	-	2,144,323
Accumulated Depreciation for:				
Buildings and Improvements	(676,205)	(53,577)	-	(729,782)
Other Improvements	(94,432)	(12,308)	-	(106,740)
Furniture, Equipment and Vehicles	(78,640)	(27,125)	-	(105,765)
Total Accumulated Depreciation	(849,277)	(93,010)	-	(942,287)
Total Capital Assets, Being Depreciated, Net	1,218,083	(16,047)	-	1,202,036
Component Unit Capital Assets, Net	<u>\$ 1,700,713</u>	<u>\$ (16,047)</u>	<u>\$ (651)</u>	<u>\$ 1,684,015</u>

**CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

General Government	\$ 855,361
Public Safety	154,015
Highways and Streets	1,388,546
Culture and Recreation	120,309
Health and Welfare	1,224
Economic Development	350
Total Depreciation Expense, Governmental Activities	<u>\$ 2,519,805</u>

Business-Type Activities:

Electric System	\$ 136,367
Water and Sewer	912,612
Golf Course	85,102
Sanitation	61,725
Total Depreciation Expense, Business-Type Activities	<u>\$ 1,195,806</u>

Component Unit:

Williams Housing Authority	<u>\$ 93,010</u>
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5. Construction Commitments

The City was upgrading its compactor using City personnel. The estimated cost to complete as of June 30, 2009, was \$12,441.

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables and Payables and Transfers

As of June 30, 2009 interfund receivables and payables were as follows:

Due To	Due From					Total
	General Fund	HURF Fund	Grants Fund	Golf Course Fund	Sanitation Fund	
Capital Projects Fund	\$ 377,417	\$ 10,055	\$ 88,495	\$ 539,033	\$ -	\$ 1,015,000
Debt Service Fund	31,887	-	-	-	-	31,887
Electric System Fund	-	-	-	323,367	-	323,367
Water and Sewer Fund	-	-	-	1,106,915	100,176	1,207,091
Nonmajor Governmental Funds	112,939	-	-	-	-	112,939
Total	\$ 522,243	\$ 10,055	\$ 88,495	\$ 1,969,315	\$ 100,176	\$ 2,690,284

Interfund receivables and payable were due to cash shortfalls at year-end.

Interfund transfers for the year ended June 30, 2009 consisted of the following:

Transfers To	Transfers From				Total
	General Fund	Nonmajor Governmental Funds	Electric System Fund	Water and Sewer Fund	
HURF Fund	\$ 690,700	\$ -	\$ -	\$ -	\$ 690,700
Debt Service Fund	441,216	84,169	-	-	525,385
Water and Sewer Fund	-	-	2,839,424	-	2,839,424
Golf Course Fund	100,000	-	-	-	100,000
Sanitation Fund	-	-	-	8,333	8,333
Total	\$ 1,231,916	\$ 84,169	\$ 2,839,424	\$ 8,333	\$ 4,163,842

Transfers were made for operations in the applicable fund.

C. Obligations Under Leases

Capital Leases

The City has entered into lease agreements as a lessee for financing the acquisition of various furniture, equipment and vehicle items for its governmental activities. The City has also entered into lease agreements as a lessee for financing the acquisition of a fairway mower and other various capital items for its business-type activities. These lease agreements qualify as capital leases for accounting purposes and; therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Obligations Under Leases (Continued)

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Furniture, Equipment and Vehicles	\$ 806,747	\$ 901,565
Less: Accumulated Depreciation	(198,273)	(231,357)
Total	\$ 608,474	\$ 670,208

Amortization expense has been included in depreciation expense.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2009, were as follows:

	Governmental Activities	Business-type Activities
<u>Year Ending June 30,</u>		
2010	\$ 157,740	\$ 76,403
2011	157,740	76,403
2012	126,096	57,302
1013	31,161	-
2014	31,161	-
2015	7,790	-
Total Minimum Lease Payments	511,688	210,108
Less: Amount Representing Interest	(37,676)	(11,544)
Present Value of Minimum Lease Payments	\$ 474,012	\$ 198,564

D. Long-term Obligations

The City has long-term bonds and loans payable issued to provide funds for the acquisition and construction of major capital facilities. The City has also issued debt to refund earlier obligations with higher interest rates. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund. Capital leases are paid by the applicable fund where the vehicles and equipment purchased will be used.

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-term Obligations (Continued)

The City has pledged revenue derived from an annual assessment and levy of taxes upon the real property of the Northside Sewer District Number 2 to repay \$1,150,000 in improvement bonds issued October 1994. Special assessment districts are created only by petition of the City council by property owners within the District areas. Proceeds of the bonds were used to construct a sewer line through the District. The bonds are payable solely from assessments on the property owners and are payable through 2018. The total principal remaining to be paid on the bonds is \$360,000. Principal and interest paid for the current year and total assessments billed were both \$84,169.

The City has pledged future excise tax revenues, which include the City's sales and transaction privilege tax, franchise fees, licenses and permit fees and fines and forfeitures as well as Electric System Revenues to repay \$5,480,000 in Municipal Development Authority Facilities Refunding Revenue Bonds issued in 2002. Proceeds from these bonds were used to acquire various capital equipment items and make infrastructure improvements in the General Fund, Electric System, Utility System, and Golf Course. Annual principal and interest payments on the bonds are expected to require less than 4 percent of net revenues. The total principal and interest to be paid on the bonds is \$2,015,399. Principal and interest paid for the current year and total pledged revenues were \$405,122 and \$8,545,249, respectively.

The City has pledged future excise tax revenues, which include the City's sales and transaction privilege tax, franchise fees, licenses and permit fees and fines and forfeitures as well as Electric System Revenues to repay \$3,590,000 in Greater Arizona Development Authority Infrastructure Revenue Bonds in 2003. Proceeds from these bonds were used to upgrade the water plant and build a new City Court Building. Annual principal and interest payments on the bonds are expected to require less than 3 percent of net revenues. The total principal and interest to be paid on the bonds is \$4,973,635. Principal and interest paid for the current year and total pledged revenues were \$262,598 and \$8,545,249, respectively.

The City has pledged future excise tax revenues, which include the City's sales and transaction privilege tax, franchise fees, licenses and permit fees and fines and forfeitures as well as Electric System Revenues to repay \$1,500,000 in Greater Arizona Development Authority Infrastructure Revenue Bonds in 2005. Proceeds from these bonds were used to rebuild Cataract Road and Franklin Avenue. Annual principal and interest payments on the bonds are expected to require less than 1 percent of net revenues. The total principal and interest to be paid on the bonds is \$1,801,325. Principal and interest paid for the current year and total pledged revenues were \$110,768 and \$8,545,249, respectively.

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-term Obligations (Continued)

The City has pledged future Water and Sewer Fund revenues, excise tax revenues, which include the City's sales and transaction privilege tax, franchise fees, licenses and permit fees and fines and forfeitures as well as Electric System Revenues to repay \$2,500,000 in Water Infrastructure and Finance Authority Loan proceeds issued in 1998. Proceeds from this loan were used to rebuild the wastewater collection system. Annual principal and interest payments on the bonds are expected to require less than 2 percent of net revenues. The total principal and interest to be paid on the bonds is \$1,435,907. Principal and interest paid for the current year and total pledged revenues were \$181,435 and \$10,357,840, respectively.

The City has pledged future Water and Sewer Fund revenues, excise tax revenues, which include the City's sales and transaction privilege tax, franchise fees, licenses and permit fees and fines and forfeitures as well as Electric System Revenues to repay \$3,000,000 in Water Infrastructure and Finance Authority Loan proceeds issued in 2000. Proceeds from this loan were used to drill deep water wells and related infrastructure. Annual principal and interest payments on the bonds are expected to require less than 2 percent of net revenues. The total principal and interest to be paid on the bonds is \$2,539,325. Principal and interest paid for the current year and total pledged revenues were \$230,848 and \$10,357,840, respectively.

The City has pledged future Water and Sewer Fund revenues, excise tax revenues, which include the City's sales and transaction privilege tax, franchise fees, licenses and permit fees and fines and forfeitures as well as Electric System Revenues to repay \$1,600,000 in Water Infrastructure and Finance Authority Loan issued in 2006. Proceeds from this loan were used to rebuild the water treatment plant. Annual principal and interest payments on the bonds are expected to require less than 1 percent of net revenues. The total principal and interest to be paid on the bonds is \$1,866,510. Principal and interest paid for the current year and total pledged revenues were \$109,795 and \$10,357,840, respectively.

The City has pledged future Water and Sewer Fund revenues, excise tax revenues, which include the City's sales and transaction privilege tax, franchise fees, licenses and permit fees and fines and forfeitures as well as Electric System Revenues to repay \$8,250,000 in Water Infrastructure and Finance Authority Loan issued in 2006. Proceeds from this loan were used to construct phase I of the waste water treatment plant. Annual principal and interest payments on the bonds are expected to require less than 5 percent of net revenues. The total principal and interest to be paid on the bonds is \$9,814,643. Principal and interest paid for the current year and total pledged revenues were \$577,332 and \$10,357,840, respectively.

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-term Obligations (Continued)

The City has pledged future Water and Sewer Fund revenues, excise tax revenues, which include the City's sales and transaction privilege tax, franchise fees, licenses and permit fees and fines and forfeitures as well as Electric System Revenues to repay \$7,529,561 in Water Infrastructure and Finance Authority Loan issued in 2007. Proceeds from this loan were used to construct phase II of the waste water treatment plant. Annual principal and interest payments on the bonds are expected to require less than 5 percent of net revenues. The total principal and interest to be paid on the bonds is \$9,725,279. Principal and interest paid for the current year and total pledged revenues were \$540,293 and \$10,357,840, respectively.

The City has pledged future excise tax revenues, which include the City's sales and transaction privilege tax, franchise fees, licenses and permit fees and fines and forfeitures as well as Electric System Revenues to repay \$2,995,000 in Greater Arizona Development Authority Infrastructure Revenue Bonds in 2007. Proceeds from these bonds were used to rebuild Country Club Road and the I-40 Frontage Road. Annual principal and interest payments on the bonds are expected to require less than 1 percent of net revenues. The total principal and interest to be paid on the bonds is \$4,605,408. Principal and interest paid for the current year and total pledged revenues were \$234,902 and \$8,545,249, respectively.

Bonds currently outstanding are as follows:

Purpose	Interest Rates (%)	Original Issue Amount	Amount Outstanding
Governmental Activities:			
<i>General Obligation Bonds:</i>			
City of Williams Municipal Development Authority Facilities Refunding Revenue Bonds, Series 2002	2.75-4.8	\$ 1,106,960	\$ 344,236
<i>Improvement Bonds:</i>			
Northside Sewer Improvement Bonds	8.75	\$ 1,150,000	\$ 360,000
<i>Revenue Bonds:</i>			
Greater Arizona Development Authority Revenue Bonds, Series 2003A	3.0-5.0	\$ 249,864	\$ 222,042
Greater Arizona Development Authority Revenue Bonds, Series 2005B	3.0-5.0	1,500,000	1,285,000
Greater Arizona Development Authority Revenue Bonds, Series 2008A	4.0-5.0	2,995,000	2,930,000
Total Revenue Bonds		\$ 4,744,864	\$ 4,437,042

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-term Obligations (Continued)

Purpose	Interest Rates (%)	Original Issue Amount	Amount Outstanding
Business-Type Activities:			
<i>Revenue Bonds:</i>			
Greater Arizona Development Authority Revenue Bonds, Series 2003A	3.0-5.0	\$ 3,340,136	\$ 2,968,000
<i>General Obligation Bonds:</i>			
City of Williams Municipal Development Authority Facilities Refunding Revenue Bonds, Series 2002	2.75-4.89	\$ 4,373,040	\$ 1,360,765
<i>Loans Payable:</i>			
Wastewater Infrastructure Authority of Arizona, issued in 1997-98	3.48	\$ 2,500,000	\$ 1,235,387
Wastewater Infrastructure Authority of Arizona, issued in 2001-02	4.125	3,000,000	2,008,771
Wastewater Infrastructure Authority of Arizona, issued in 2005-06	3.225	1,600,000	1,419,725
Wastewater Infrastructure Authority of Arizona, issued in 2005-06	3.44	8,250,000	7,338,764
Wastewater Infrastructure Authority of Arizona, issued in 2007-08	3.312	7,529,561	6,581,937
Total Loans Payable		\$ 22,879,561	\$ 18,584,584

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-term Obligations (Continued)

Changes in long-term obligations for the year ended June 30, 2009 are as follows:

	Beginning of Year	Additions	Retirements	End of Year	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 407,866	\$ -	\$ (63,630)	\$ 344,236	\$ 65,638
Improvement Bonds	410,000	-	(50,000)	360,000	55,000
Revenue Bonds	4,564,350	-	(127,308)	4,437,042	172,660
Total Bonds Payable	5,382,216	-	(240,938)	5,141,278	293,298
Other Liabilities:					
Capital Leases	624,523	-	(150,511)	474,012	140,744
Compensated Absences	177,793	37,540	(6,348)	208,985	208,985
Total Governmental Activities	<u>\$ 6,184,532</u>	<u>\$ 37,540</u>	<u>\$ (397,797)</u>	<u>\$ 5,824,275</u>	<u>\$ 643,027</u>
Business-Type Activities:					
Bonds and Loans Payable:					
Revenue Bonds	\$ 3,065,650	\$ -	\$ (97,650)	\$ 2,968,000	\$ 102,340
General Obligation Bonds	1,612,135	-	(251,370)	1,360,765	259,362
Loans Payable	19,163,117	364,375	(942,908)	18,584,584	975,464
Less: Difference Between Reacquisition Price and Carrying Amount of Old Debt	(82,716)	-	17,777	(64,939)	(17,778)
Total Bonds and Loans Payable	23,758,186	364,375	(1,274,151)	22,848,410	1,319,388
Other Liabilities:					
Capital Leases	307,156	-	(108,592)	198,564	69,817
Compensated Absences	55,038	31,105	(19,262)	66,881	66,881
Total Business-Type Activities	<u>\$ 24,120,380</u>	<u>\$ 395,480</u>	<u>\$ (1,402,005)</u>	<u>\$ 23,113,855</u>	<u>\$ 1,456,086</u>

Debt service requirements on long-term debt at June 30, 2009 are as follows:

Years	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 293,298	\$ 269,870	\$ 1,337,166	\$ 915,379
2011	305,326	256,414	1,378,827	868,201
2012	318,042	241,146	1,430,972	818,658
2013	278,900	225,006	1,276,187	767,403
2014	296,268	209,339	1,326,149	713,747
2015-2019	1,255,136	745,981	6,908,726	2,826,667
2020-2024	1,384,728	442,835	6,220,302	1,588,570
2025-2029	1,009,580	121,050	3,691,731	464,316
Totals	<u>\$ 5,141,278</u>	<u>\$ 2,511,641</u>	<u>\$ 23,570,060</u>	<u>\$ 8,962,941</u>

**CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-term Obligations (Continued)

The principal amount above includes \$656,711 of authorized WIFA loan proceeds not drawn down by the City as of June 30, 2009.

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At June 30, 2009, the amount of defeased debt outstanding but removed from the City's financial statements was \$2,442,430.

E. Prior Period Adjustments

In the prior year, the City did not accrue revenues of \$53,391 and expenses of \$165,789 related to its Electric System Proprietary Fund. As a result, net assets were overstated by \$112,398.

	Net Assets at June 30, 2008 <u>(previously reported)</u>	Prior Period Adjustment <u></u>	Net Assets at June 30, 2008 <u>(restated)</u>
Electric System Fund	\$ 5,801,863	\$ (112,398)	\$ 5,689,465
Water and Sewer Fund	9,993,893	-	9,993,893
Golf Course Fund	(212,334)	-	(212,334)
Sanitation Fund	297,494	-	297,494
Total Business-Type Activities	<u>\$ 15,880,916</u>	<u>\$ (112,398)</u>	<u>\$ 15,768,518</u>

NOTE 4 OTHER INFORMATION

A. Risk Management

The City of Williams, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance. The City is insured by Arizona State Workers Compensation Fund for potential worker related accidents.

B. Contingent Liabilities

Lawsuits - The City is a defendant in various lawsuits. In the opinion of the City's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Related Party Transactions

The City incurred expenses of \$26,000 during the year from a business owned by the Mayor.

D. Subsequent Events

Subsequent to June 30, 2009, the City sold a piece of land for \$190,000. In addition, the City reduced its 2009-10 budget by \$425,360 due to a decline in sales tax collections.

E. Retirement Plans

Arizona State Retirement System

Plan Description - The City contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. 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) 240-2000 or (800) 621-3778.

Funding Policy - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rate. For the year ended June 30, 2009, active plan members and the City were each required by statute to contribute at the actuarially determined rate of 9.45 percent (7.92 percent retirement, 1.03 percent for health insurance premiums, and .50 percent long-term disability) of the members' annual covered payroll.

Years ended June 30,	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2009	\$ 239,135	\$ 31,105	\$ 15,124
2008	218,460	28,415	13,817
2007	213,794	27,808	13,522

**CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009**

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS)

Plan Description - The City contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer, public employee retirement system that acts as a common investment and administrative agent to provide retirement and death and disability benefits for public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. All benefit provisions and other requirements are established by State statute. The Public Safety Personnel Retirement System 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, 1020 E. Missouri Ave., Phoenix, AZ 85014 or by calling (602) 255-5575.

Funding Policy - Covered employees are required to contribute 7.65 percent of their annual salary to the PSPRS. The City is required to contribute the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The current rate is 14.27 percent of annual covered payroll. In addition, the health insurance subsidy was determined to be 0.79 percent.

Annual Pension Cost and Other Post Employment Benefit (OPEB) Obligations - During the year ended June 30, 2009, the City of Williams, Arizona's annual pension cost of \$87,449 was equal to the City of Williams, Arizona's required and actual contributions. OPEB costs (health insurance subsidy payments) were determined to be \$6,615 and were equal to the City of Williams, Arizona's required and actual contributions.

Annual pension and OPEB cost information for the current and 2 preceding years follows.

**Three-Year Trend Information
Police**

<u>Fiscal Year Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2007	\$ 31,386	100%	\$ -
2008	88,578	100	-
2009	87,449	100	-

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percent Contributed</u>	<u>Net Pension Obligation</u>
2007	\$ 5,671	100%	\$ -
2008	5,014	100	-
2009	6,615	100	-

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

Public Safety Personnel Retirement System (PSPRS) (Continued)

The required contribution was determined as part of the June 30, 2009 actuarial valuation using an entry age actuarial funding method. Significant actuarial assumptions used in determining the entry age actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.5% per year compounded annually, (b) projected salary increases ranging from 5.5-8.5% (including inflation at 5.5%) per year compounded annually, and (c) additional projected salary increases of 0.0% to 3.0% per year attributable to seniority/merit.

Funded Status and Funding Progress - As of June 30, 2009, the most recent actuarial valuation date, the plan was 96.9% funded. The actuarial accrued liability for benefits was \$1.4 million, and the actuarial value of assets was \$1.3 million, resulting in an unfunded actuarial accrued liability of (UAAL) of \$41,902. The covered payroll (annual payroll of active employees covered by the plan) was \$612,748, and the ratio of the UAAL to the covered payroll was 6.8%.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial value of the City of Williams, Arizona's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The City of Williams, Arizona's 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, 2009 was 27 years.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board.

Historical trend information is presented in order for a reader to assess the progress made in accumulating sufficient assets to pay pension benefits as they become payable.

CITY OF WILLIAMS, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 OTHER INFORMATION (CONTINUED)

E. Retirement Plans (Continued)

Firefighters' Relief and Pension Fund

The Firefighters' Relief and Pension Fund is a defined contribution pension plan administered by the City and a board of trustees for the City's volunteer firefighters. There are twenty current members of the plan. Financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. According to state statute, a volunteer firefighter who has served for 25 years or more or has reached 60 years of age and has served 20 years or more shall be eligible to receive a monthly retirement not to exceed \$150 per month, as determined by the board of trustees. Such pension, if paid, may be increased or decreased in amount, or discontinued at the discretion of the board of trustees. Pension and relief benefits may only be paid from the income of the trust fund. However, a firefighter who leaves the service without being eligible for retirement benefits is entitled to all previous deductions from his salary plus interest at a rate determined by the board of trustees. As established by state statute, in lieu of another acceptable pension plan, all volunteer firefighters must participate in the pension plan from the date they enter service.

Under the plan provisions, the volunteer firefighters voluntarily make contributions to the plan which are equally matched by the City. In addition, the State of Arizona is required by statute to contribute a portion of the annual tax received on fire insurance premiums. During the fiscal year ended June 30, 2009, the City's required and actual contributions amounted to \$8,955, the firefighters' contributions amounted to \$25,522; and the State's contributions totaled \$22,186.

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

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

Required Supplementary Information

**CITY OF WILLIAMS, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM
 SCHEDULE OF FUNDING PROGRESS**

Police

Valuation Date June 30,	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Percent Funded	Over (Under) Funded AAL	Annual Covered Payroll	Over (Under) Funded AAL as a Percentage of Covered Payroll
2007	\$ 1,011,800	\$ 1,159,063	87.3%	\$ (147,263)	\$ 543,027	-27.1%
2008	1,141,587	1,202,023	95.0%	(60,436)	545,028	-11.1%
2009	1,331,496	1,373,398	96.9%	(41,902)	612,748	-6.8%

SINGLE AUDIT ACT REPORTS SECTION

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**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 the City Council
City of Williams, Arizona

We have audited 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 (City) as of and for the year ended June 30, 2009, and have issued our report thereon dated May 28, 2010. 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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described as item 2009-1 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

The Honorable Mayor and the City Council
City of Williams, Arizona

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency described above as 2009-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Williams, Arizona'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 that are required to be reported under *Government Auditing Standards*.

The City of Williams, Arizona's written response to the finding identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management of the City, 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.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
May 28, 2010

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

The Honorable Mayor and the City Council
City of Williams, Arizona

Compliance with Requirements Applicable to Each Major Program

We have audited the compliance of the City of Williams, Arizona (City) with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City of Williams, Arizona's major federal programs are identified in the summary of auditor's 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 on City of Williams, Arizona's compliance with those requirements.

In our opinion, the City of Williams, Arizona complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009.

The Honorable Mayor and the City Council
City of Williams, Arizona

Internal Control over Compliance in Accordance with OMB Circular A-133

The management of the City of Williams, Arizona is responsible for establishing and maintaining effective internal control over compliance with 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 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's internal control over compliance.

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a major federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williams, Arizona as of and for the year ended June 30, 2009, and have issued our report thereon dated May 28, 2010. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Honorable Mayor and the City Council
City of Williams, Arizona

This report is intended solely for the information and use of the City Council, 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.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
May 28, 2010

**CITY OF WILLIAMS, ARIZONA
 SCHEDULE OF FEDERAL AWARDS AND FINDINGS AND
 QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2009**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

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

Noncompliance material to financial
 statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified not
 considered to be material weakness? yes X 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 Circular A-
 133, Section .510(a)? yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant
20.106	Airport Improvement Program

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

Auditee qualified as low-risk auditee? X yes no

**CITY OF WILLIAMS, ARIZONA
SCHEDULE OF FEDERAL AWARDS AND FINDINGS AND
QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2009**

SECTION II - FINANCIAL STATEMENT FINDINGS

2009-1: Oversight of the Financial Reporting Process

Condition: The City does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with GAAP. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures.

The audit firm proposed and the City posted to its general ledger accounts, journal entries to record accounts payable accruals and the GASB34 conversion entries. In addition, several prior year adjustments relating to accruals were necessary in order to properly prepare the financial statements for the current year. These entries relate to internal controls over the year-end close-out process. The absence of a complete control procedure or process in this area is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the City's internal control processes.

Criteria: The City should have controls in place to prevent and detect a material misstatement in the financial statements in a timely manner. Management is responsible for the accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statements to correct material misstatements.

Effect: The design of the internal controls over recording transactions and year-end accruals limits the City's ability to provide accrual basis financial information.

Cause: The City has not established controls to ensure that all accounts are adjusted to their appropriate year-end balances in accordance with GAAP. The City relies on the audit firm to prepare the annual financial statements, related footnote disclosures, and to verify balances are correct at year-end. However, they have reviewed and approved the annual financial statements and related footnote disclosures.

Recommendation: We recommend the City continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure that accounts are adjusted to their appropriate year-end balances in accordance with GAAP. Additionally, we recommend that the City review these adjustments and modify year-end reconciling procedures in an effort to avoid similar adjustments next year.

Management's Response: The City concurs with this recommendation and will continue to evaluate its internal controls over year-end closing procedures and the preparation of financial statements and related disclosures.

**CITY OF WILLIAMS, ARIZONA
SCHEDULE OF FEDERAL AWARDS AND FINDINGS AND
QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2009**

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None noted.

**CITY OF WILLIAMS, ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009**

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Low Rent	14.850	N/A	\$ 118,293
Section 8 Housing Choice Vouchers	14.871	N/A	271,464
Capital Fund Program	14.872	N/A	36,465
Passed through Arizona Department of Commerce			
Community Development Block Grant	14.228	102-07	<u>335,657</u>
Total U.S. Department of Housing and Urban Development			<u>761,879</u>
U.S. Department of Transportation			
Airport Improvement Program	20.106	3-06-0050-18	38,930
Airport Improvement Program	20.106	3-04-0050-19	81,544
Airport Improvement Program	20.106	3-04-0050-20	193,557
Airport Improvement Program	20.106	3-04-0050-21	957,393
Airport Improvement Program	20.106	3-04-0050-22	160,007
Passed through Arizona Department of Transportation			
Arizona State Railroad Museum	20.Unknown	TEA-WIL-O-002A	<u>29,996</u>
Total U.S. Department of Transportation			<u>1,461,427</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u><u>2,223,306</u></u>

Note: This schedule was prepared on the modified accrual basis of accounting.