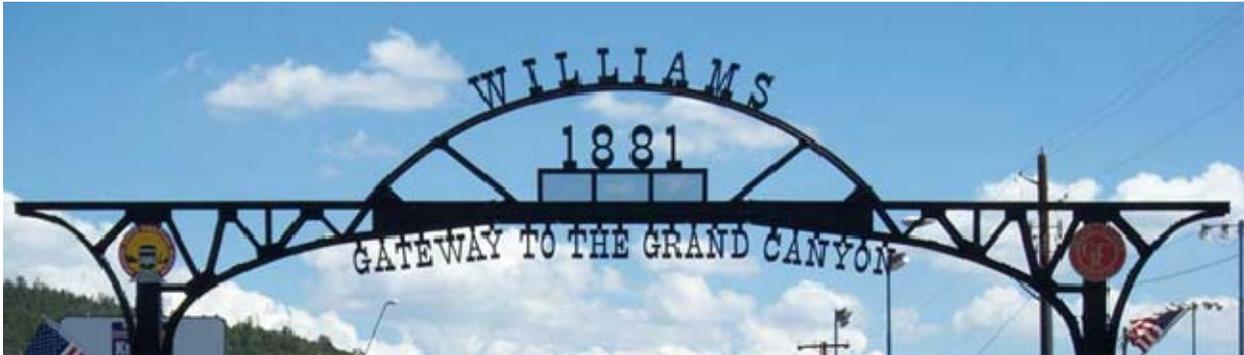


# **CITY OF WILLIAMS, ARIZONA**



## **FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2013**

**WITH REPORT OF**

**CERTIFIED PUBLIC ACCOUNTANTS**

**CITY OF WILLIAMS, ARIZONA**

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**CITY OF WILLIAMS, ARIZONA**

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**FINANCIAL SECTION**

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## Independent Auditors' Report

The Honorable Mayor and  
City Council  
Williams, Arizona

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williams, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williams as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As Described in Note 1 to the financial statements, in 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Public Safety Personnel Retirement System schedule of funding progress and the budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standard Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Williams, Arizona's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and

certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

**Other Reporting Required by *Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2014, on our consideration of the City of Williams' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of William's internal control over financial reporting and compliance.



HintonBurdick, PLLC  
Flagstaff, AZ  
January 20, 2014

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**CITY OF WILLIAMS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2013**

As management of the City of Williams, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2013. This discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity (3) identify changes in the City's financial position (4) identify any material deviations from the financial plan (the approved budget) and (5) individual fund issues or concerns.

The discussion and analysis (MD&A) has a different focus and purpose than the transmittal letter of this report, and is designed to be read in conjunction with the transmittal letter as well as the basic financial statements beginning on page 14 and the accompanying notes to the basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The City's total net position at the close of the fiscal year was \$37.8 million. This amount is comprised of \$35.1 million in net investment in capital assets, \$1.6 million of restricted net position and \$1.1 million in unrestricted net position.
- Governmental net position increased by \$225,491 and Business-Type net position increased by \$172,739.
- Total City Sales tax revenue increased by 2.36 percent from last year and still is the single largest revenue in the budget.
- Improvements totaling \$1.04 million were made to the City's capital assets.
- Total debt service payments, including interest expense, were approximately \$3.5 million leaving approximately \$24 million in total outstanding debt at the close of the year.
- The General Fund's unassigned fund balance increased by \$730,804 to \$942,337. The unassigned fund balance represents 4% of total General Fund expenditures for the fiscal year.
- Other governmental fund balances decreased by \$88,804 to \$602,037. The entire amount is restricted.

**USING THIS ANNUAL REPORT**

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

## **Reporting the City as a Whole**

### **The Statement of Net Position and the Statement of Activities (Government-wide)**

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

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

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

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

## **Reporting the City's Most Significant Funds**

### **Fund Financial Statements**

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

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included on page 15 and 17.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets exceed liabilities by \$37.8 million as of June 30, 2013 as shown in the following condensed statement of net position.

### City of Williams Statement of Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Current and other assets	\$ 2,135,905	\$ 1,891,070	\$ 1,216,917	\$ 1,760,946	\$ 3,352,822	\$ 3,652,016
Capital assets	22,604,456	23,430,430	36,670,796	37,837,552	59,275,252	61,267,982
Total assets	<u>24,740,361</u>	<u>25,321,500</u>	<u>37,887,713</u>	<u>39,598,498</u>	<u>62,628,074</u>	<u>64,919,998</u>
Long-term liabilities outstanding	4,068,253	4,720,362	17,991,637	19,748,780	22,059,890	24,469,142
Other liabilities	918,328	1,072,849	1,854,869	1,981,250	2,773,197	3,054,099
Total liabilities	<u>4,986,581</u>	<u>5,793,211</u>	<u>19,846,506</u>	<u>21,730,030</u>	<u>24,833,087</u>	<u>27,523,241</u>
Net position:						
Net investment in capital assets	17,616,036	17,869,017	17,495,397	16,969,867	35,111,433	34,838,884
Restricted	602,037	690,841	995,819	503,844	1,597,856	1,194,685
Unrestricted	1,535,707	968,431	(450,009)	394,757	1,085,698	1,363,188
Total net position	<u>\$ 19,753,780</u>	<u>\$ 19,528,289</u>	<u>\$ 18,041,207</u>	<u>\$ 17,868,468</u>	<u>\$ 37,794,987</u>	<u>\$ 37,396,757</u>

The City has \$62,628,074 in total assets, with \$59,275,252 in capital assets (net of depreciation). The City's Utility Funds, (Electric, Water & Sewer, Sanitation, and Golf) operations are included in the Business-type activities column.

### Governmental Activities

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

**City of Williams**  
**Changes in Net Position**

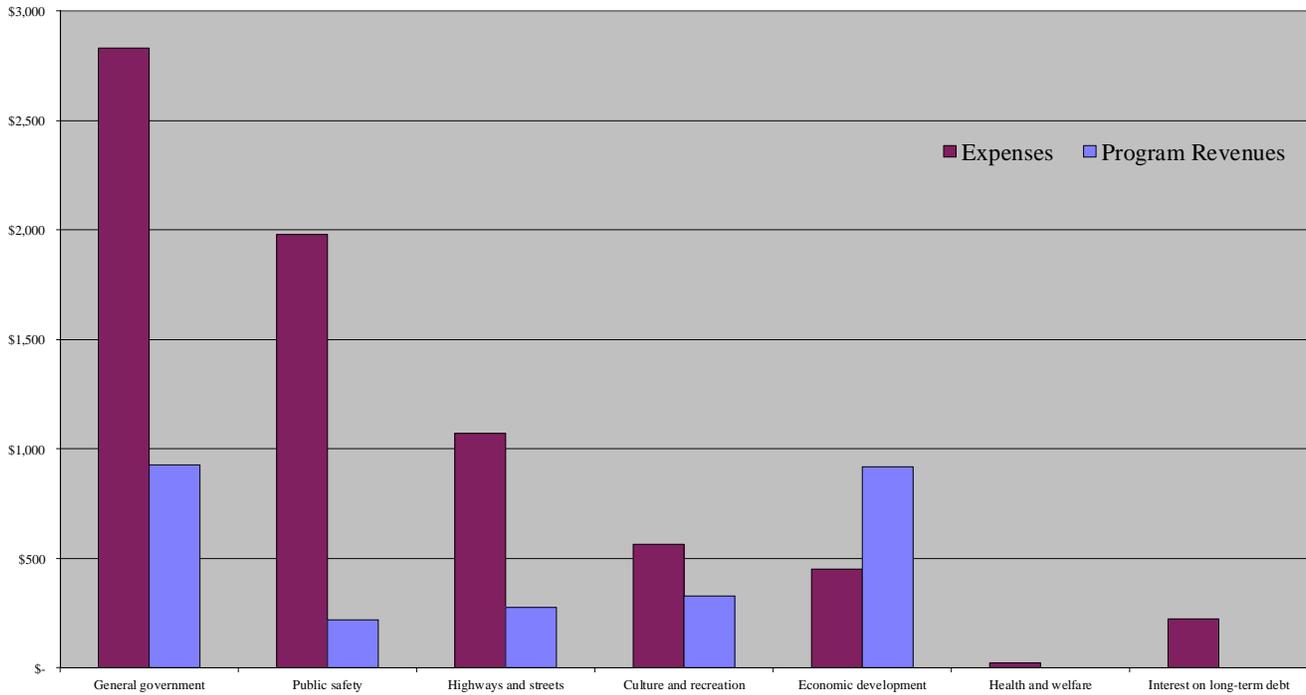
	Governmental activities		Business-type activities		Total	
	6/30/2013	6/30/2012	6/30/2013	6/30/2012	6/30/2013	6/30/2012
Revenues:						
Program revenues:						
Charges for services	\$ 427,182	\$ 433,344	\$ 6,858,936	\$ 6,927,818	\$ 7,286,118	\$ 7,361,162
Operating grants and contributions	1,383,899	1,140,871	-	-	1,383,899	1,140,871
Capital grants and contributions	862,632	243,629	77,785	36,314	940,417	279,943
General revenues:						
Property taxes	798,431	775,235	-	-	798,431	775,235
Sales taxes	3,496,853	3,416,340	-	-	3,496,853	3,416,340
State and other taxes	449,862	406,246	-	-	449,862	406,246
Other	31,290	18,501	12,925	20,246	44,215	38,747
Total revenues	<u>7,450,149</u>	<u>6,434,166</u>	<u>6,949,646</u>	<u>6,984,378</u>	<u>14,399,795</u>	<u>13,418,544</u>
Expenses:						
General government	2,829,821	2,944,314	-	-	2,829,821	2,944,314
Public safety	1,977,703	2,002,156	-	-	1,977,703	2,002,156
Highways and streets	1,070,091	1,113,626	-	-	1,070,091	1,113,626
Culture and recreation	567,067	606,877	-	-	567,067	606,877
Economic development	449,855	469,361	-	-	449,855	469,361
Health and welfare	23,424	23,240	-	-	23,424	23,240
Interest on long-term debt	222,697	259,260	-	-	222,697	259,260
Electric	-	-	2,116,589	2,150,039	2,116,589	2,150,039
Water & Sewer	-	-	3,112,720	3,404,130	3,112,720	3,404,130
Golf Course	-	-	551,962	536,037	551,962	536,037
Sanitation	-	-	712,080	723,286	712,080	723,286
Total expenses	<u>7,140,658</u>	<u>7,418,834</u>	<u>6,493,351</u>	<u>6,813,492</u>	<u>13,634,009</u>	<u>14,232,326</u>
(Decrease)/Increase in net assets before transfers	309,491	(984,668)	456,295	170,886	765,786	(813,782)
Transfers	(84,000)	(85,000)	84,000	85,000	-	-
(Decrease)/Increase in net assets	225,491	(1,069,668)	540,295	255,886	765,786	(813,782)
Net position, beginning	19,528,289	20,597,957	17,868,468	17,612,582	37,396,757	38,210,539
Prior period adjustment	-	-	(367,556)	-	(367,556)	-
Net position, ending	<u>\$19,753,780</u>	<u>\$19,528,289</u>	<u>\$18,041,207</u>	<u>\$17,868,468</u>	<u>\$37,794,987</u>	<u>\$37,396,757</u>

The cost of all governmental activities this year was \$7,140,658 as shown in the schedule of Changes in Net Position above. \$427,182 of this cost was paid for by those who directly benefited from the programs. \$2,246,531 was subsidized by grants received from other governmental organizations for both capital and operating activities. General taxes, Urban Revenue Sharing and investment earnings totaled \$4,776,436.

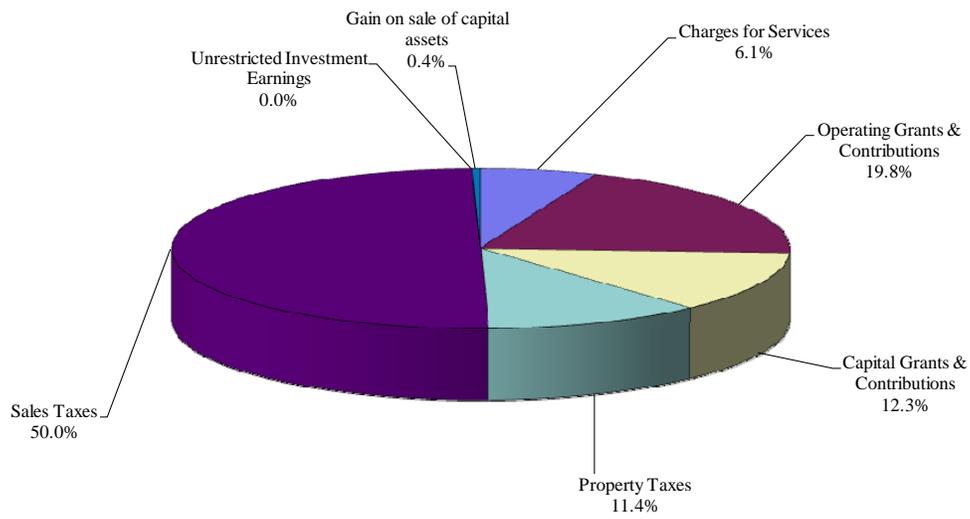
Total resources available during the year to finance governmental operations were \$26.88 million consisting of Net position at July 1, 2012 of \$19.5 million, program revenues of \$2.6 million and General Revenues of \$4.78 million. Total Governmental Activities during the year were \$7.1 million; thus Governmental Net Position was increased by \$0.3 million to \$19.8 million.

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

**Expenses and Program Revenues - Governmental Activities**  
(in Thousands)



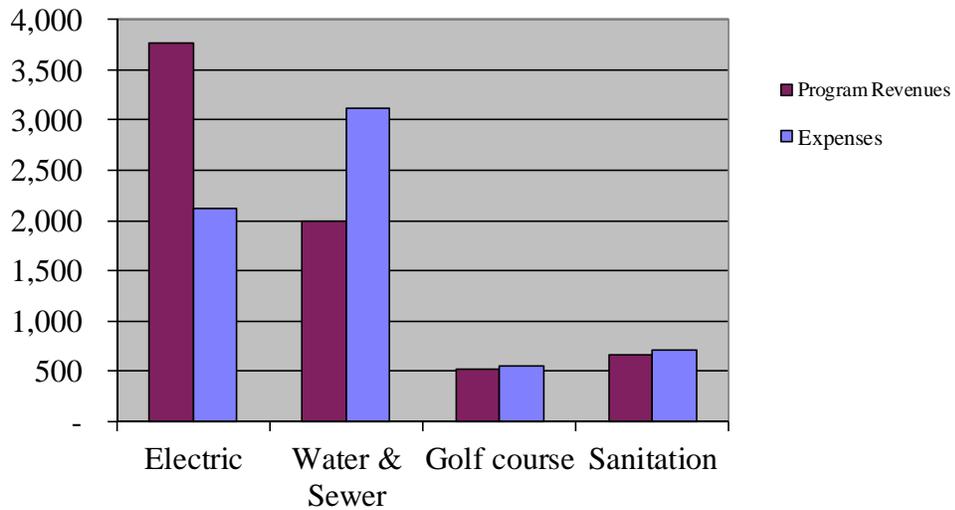
**Revenue By Source - Governmental Activities**



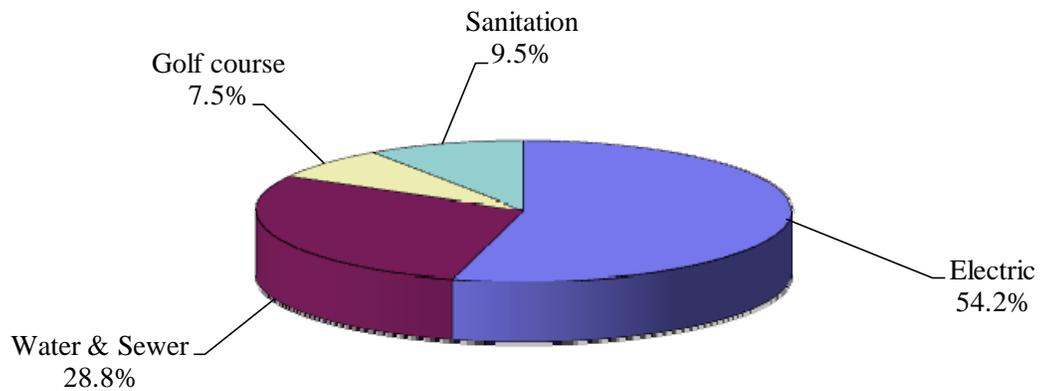
## Business Type Activities

Net position of the Business Type activities at June 30, 2013, as reflected in the Statement of Net Position was \$18 million. The cost of providing all Proprietary (Business Type) activities this year was \$6.5 million, including interest expense of \$852,326. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$6.9 million. Interest earnings and other revenues were \$12,925. Net Position increased by \$172,739 after applying a prior period adjustment decrease of \$367,556.

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



**Revenue By Source - Business-type Activities**



## **Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City of Williams's governmental funds reported combined ending fund balances of \$1.66 million, an increase of \$531,876 in comparison with the prior year. Approximately, 57% of this total amount or \$942,337 constitutes unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted or committed because it has already been committed 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Williams. At the end of the current fiscal year, total fund balance in the general fund was \$1,053,217, of which 942,337 is unassigned. As a measure of liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance and total fund balance represents 19.9% and 22.3% respectively of total general fund expenditures. During the year, the City of Williams's general fund balance increased by \$620,680.

The debt service fund balance decreased from \$113,510 to \$4,668. The entire debt service fund balance is restricted for future debt service.

Highway User fund expenditures of \$483,251 were funded by Highway User revenues of \$275,478 and transfers in from other funds of \$207,773 which resulted in a fund balance of zero.

The non-major fund balance consists of \$527,150 held in the Greater Arizona Development Authority fund which is all restricted for capital projects. There was only an \$1,658 increase in this fund balance as a result of interest earnings.

### **General Fund Budgetary Highlights**

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

General Fund revenues of \$6,149,325 were less than the budget of \$6,270,500 by \$121,175 mainly due to an increased budget amount for sales tax. Actual expenditures of \$4,730,044 were \$164,956 less than budgeted expenditures of \$4,895,000. The most significant variance was from an increased budget amount for recreation facilities. There were several departments that exceeded the budget during the fiscal year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, vehicles, buildings, land, park facilities and roads. At the end of fiscal year 2013, net capital assets of the government activities totaled \$22.6 million and the net capital assets of the business-type activities totaled \$36.7 million. Combined capital assets additions were \$1.04 million for fiscal year 2013 consisting of: \$584 thousand added for airport improvements, \$226 thousand added to the City's infrastructure, and \$230 thousand for other assorted capital assets for various City departments. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 6 to the financial statements.)

### **Debt**

At year-end, the City had \$4.7 million in governmental type debt, and \$19.3 million in business-type debt. During the current fiscal year there was no new debt or leases and the City's total debt decreased by \$2.31 million as a result of regularly scheduled debt service payments. (See notes 7 and 8 to the financial statements for detailed descriptions.)

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

In considering the City budget for fiscal year 2013/2014, the City Council and management were cautious as to the growth of revenues and expenditures. Overall General Fund operating expenditures were budgeted so as to contain costs at the same level as fiscal year 2012/2013.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

**BASIC FINANCIAL STATEMENTS**

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Net Position**  
**June 30, 2013**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 87,503	\$ 307,401	\$ 394,904	\$ 174,250
Receivables (net of allowance)	732,164	622,748	1,354,912	9,345
Internal balances	663,658	(663,658)	-	-
Prepays	71,398	3,878	75,276	2,302
Inventory	39,482	-	39,482	-
Temporarily restricted assets:				
Cash and cash equivalents	541,700	946,548	1,488,248	-
Capital assets (net of accumulated depreciation):				
Land and improvements	257,978	100,000	357,978	481,979
Buildings and improvements	5,550,740	3,378,563	8,929,303	950,362
System and other improvements	9,360,029	32,298,902	41,658,931	48,143
Furniture, equipment and vehicles	1,216,976	885,339	2,102,315	6,736
Infrastructure	5,634,371	-	5,634,371	-
Construction in progress	584,362	7,992	592,354	-
Total Assets	<u>24,740,361</u>	<u>37,887,713</u>	<u>62,628,074</u>	<u>1,673,117</u>
<b>Liabilities</b>				
Accounts payable and other current liabilities	284,630	558,054	842,684	43,397
Noncurrent liabilities:				
Due within one year	633,698	1,296,815	1,930,513	-
Due in more than one year	4,068,253	17,991,637	22,059,890	9,572
Total Liabilities	<u>4,986,581</u>	<u>19,846,506</u>	<u>24,833,087</u>	<u>52,969</u>
<b>Net Position</b>				
Net investment in capital assets	17,616,036	17,495,397	35,111,433	1,487,220
Restricted for:				
Debt service	4,668	-	4,668	-
Capital projects	537,032	-	537,032	-
Other purposes	60,337	995,819	1,056,156	-
Unrestricted	1,535,707	(450,009)	1,085,698	132,928
Total Net Position	<u>\$ 19,753,780</u>	<u>\$ 18,041,207</u>	<u>\$ 37,794,987</u>	<u>\$ 1,620,148</u>

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

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>								
Governmental activities:								
General government	\$ 2,829,821	\$ 275,026	\$ 97,306	\$ 556,437	\$ (1,901,052)	\$ -	\$ (1,901,052)	\$ -
Public safety	1,977,703	105,557	59,126	55,856	(1,757,164)	-	(1,757,164)	-
Highways and streets	1,070,091	-	275,758	-	(794,333)	-	(794,333)	-
Culture and recreation	567,067	46,599	267,842	16,582	(236,044)	-	(236,044)	-
Economic development	449,855	-	683,867	233,757	467,769	-	467,769	-
Health and welfare	23,424	-	-	-	(23,424)	-	(23,424)	-
Interest on long-term debt	222,697	-	-	-	(222,697)	-	(222,697)	-
Total governmental activities	7,140,658	427,182	1,383,899	862,632	(4,466,945)	-	(4,466,945)	-
Business-type activities:								
Electric	2,116,589	3,763,051	-	-	-	1,646,462	1,646,462	-
Water & Sewer	3,112,720	1,918,575	-	77,785	-	(1,116,360)	(1,116,360)	-
Golf course	551,962	518,838	-	-	-	(33,124)	(33,124)	-
Sanitation	712,080	658,472	-	-	-	(53,608)	(53,608)	-
Total business-type activities	6,493,351	6,858,936	-	77,785	-	443,370	443,370	-
<b>Component Unit:</b>								
Housing Authority	532,649	64,220	370,624	-	-	-	-	(97,805)
General Revenues:								
Property taxes levied for general purposes					798,431	-	798,431	-
Sales taxes					3,496,853	-	3,496,853	-
State urban revenues and other taxes - Unrestricted					449,862	-	449,862	-
Unrestricted investment earnings					2,415	12,925	15,340	30
Gain on disposal of capital assets					28,875	-	28,875	-
Transfers					(84,000)	84,000	-	-
Total general revenues & transfers					4,692,436	96,925	4,789,361	30
Change in net position					225,491	540,295	765,786	(97,775)
Net position - beginning					19,528,289	17,868,468	37,396,757	1,717,923
Prior period/restatement adjustments					-	(367,556)	(367,556)	-
Net position - ending					\$ 19,753,780	\$ 18,041,207	\$ 37,794,987	\$ 1,620,148

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

**CITY OF WILLIAMS, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

<b>ASSETS</b>	<u>General</u>	<u>Debt Service</u>	<u>Highway User Special Revenue</u>	<u>Grants Special Revenue</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 87,503	\$ -	\$ -	\$ -	\$ -	\$ 87,503
Receivables:						
Property Taxes	30,030	165,991	-	-	-	196,021
Other	105,079	-	-	122,394	-	227,473
Intergovernmental	281,808	-	26,862	-	-	308,670
Due from other funds	693,750	-	-	-	-	693,750
Inventory	39,482	-	-	-	-	39,482
Prepaid items	71,398	-	-	-	-	71,398
Restricted Cash and Investments	-	4,668	-	-	537,032	541,700
<b>Total Assets</b>	<b>\$ 1,309,050</b>	<b>\$ 170,659</b>	<b>\$ 26,862</b>	<b>\$ 122,394</b>	<b>\$ 537,032</b>	<b>\$ 2,165,997</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable	\$ 132,840	\$ -	\$ 9,645	\$ 45,040	\$ -	\$ 187,525
Accrued Liabilities	89,763	-	4,142	-	-	93,905
Customer Deposits and Construction Advances	3,200	-	-	-	-	3,200
Due to Other Funds	-	-	13,075	17,017	-	30,092
<b>Total Liabilities</b>	<b>225,803</b>	<b>-</b>	<b>26,862</b>	<b>62,057</b>	<b>-</b>	<b>314,722</b>
Deferred Inflows of Resources:						
Unavailable Revenue	30,030	165,991	-	-	-	196,021
<b>Total Deferred Inflows</b>	<b>30,030</b>	<b>165,991</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>196,021</b>
Fund Balances:						
Nonspendable:						
Inventory	39,482	-	-	-	-	39,482
Prepaid items	71,398	-	-	-	-	71,398
Restricted for:						
Capital projects	-	-	-	-	537,032	537,032
Debt service	-	4,668	-	-	-	4,668
Other items	-	-	-	60,337	-	60,337
Unassigned	942,337	-	-	-	-	942,337
<b>Total Fund Balances</b>	<b>1,053,217</b>	<b>4,668</b>	<b>-</b>	<b>60,337</b>	<b>537,032</b>	<b>1,655,254</b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 1,309,050</b>	<b>\$ 170,659</b>	<b>\$ 26,862</b>	<b>\$ 122,394</b>	<b>\$ 537,032</b>	<b>\$ 2,165,997</b>

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

**CITY OF WILLIAMS, ARIZONA**  
**Reconciliation of Total Governmental Fund Balance**  
**To Net Position of Governmental Activities**  
**June 30, 2013**

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Total governmental fund balances \$ 1,655,254

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

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

Governmental capital assets	\$ 65,548,384	
Accumulated depreciation	<u>(42,943,928)</u>	
		22,604,456

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

196,021

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

Bonds payable	\$ (3,789,450) *	
Capital leases payable	(99,275)	
Notes payable	(596,865)	
Compensated absences	<u>(216,361)</u>	
		(4,701,951)

Total net position of governmental activities	\$ 19,753,780
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\* Since the majority of the City's debt payments are paid annually or semi-annually on June 30, any accrued interest payable is not applicable or deemed immaterial and not reported.

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2013**

<b>REVENUES</b>	General	Debt Service	Highway User Special Revenue	Grants Special Revenue	Non-major Governmental Funds	Total Governmental Funds
Taxes	\$ 4,558,263	\$ -	\$ -	\$ -	\$ -	\$ 4,558,263
Licenses, Permits and Fees	48,669	-	-	-	-	48,669
Intergovernmental Revenue	869,182	-	275,478	924,581	-	2,069,241
Charges for Services	316,164	-	-	-	-	316,164
Fines and Forfeitures	37,050	-	-	-	-	37,050
Special Assessments	-	-	-	-	81,626	81,626
Interest	784	-	-	-	1,658	2,442
Other Revenues	319,213	-	-	28,875	-	348,088
<b>Total Revenues</b>	<b>6,149,325</b>	<b>-</b>	<b>275,478</b>	<b>953,456</b>	<b>83,284</b>	<b>7,461,543</b>
<b>EXPENDITURES</b>						
Current:						
General Government	1,924,224	-	-	-	1,000	1,925,224
Public Safety	1,825,716	-	-	5,681	-	1,831,397
Highways & Streets	-	-	470,901	-	-	470,901
Culture and Recreation	435,979	-	-	3,718	-	439,697
Economic Development	453,852	-	-	-	-	453,852
Health & Welfare	18,143	-	-	-	-	18,143
Capital Outlay	40,969	-	12,350	928,532	-	981,851
Debt Service:						
Principal	28,663	473,242	-	-	-	501,905
Interest	2,498	220,199	-	-	-	222,697
<b>Total Expenditures</b>	<b>4,730,044</b>	<b>693,441</b>	<b>483,251</b>	<b>937,931</b>	<b>1,000</b>	<b>6,845,667</b>
Excess of Revenues Over (Under) Expenditures	1,419,281	(693,441)	(207,773)	15,525	82,284	615,876
Other Financing Sources (Uses):						
Debt Issuance	-	-	-	-	-	-
Transfers in	7,027	584,599	207,773	-	9,016	808,415
Transfers out	(805,628)	-	-	(7,027)	(79,760)	(892,415)
<b>Total Other Financing Sources (Uses)</b>	<b>(798,601)</b>	<b>584,599</b>	<b>207,773</b>	<b>(7,027)</b>	<b>(70,744)</b>	<b>(84,000)</b>
Net change in fund balances	620,680	(108,842)	-	8,498	11,540	531,876
Fund balances, beginning of year	432,537	113,510	-	51,839	525,492	1,123,378
Fund balances, end of year	<u>\$ 1,053,217</u>	<u>\$ 4,668</u>	<u>\$ -</u>	<u>\$ 60,337</u>	<u>\$ 537,032</u>	<u>\$ 1,655,254</u>

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

**CITY OF WILLIAMS, ARIZONA**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended June 30, 2013**

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

Net change in fund balances - total governmental funds	\$	531,876
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>		
Capital outlay	\$	979,463
Depreciation expense		<u>(1,805,438)</u>
		(825,975)
<p>The net effect of various transactions involving capital assets (i.e. sales, trade-ins, and donations) resulted in an increase to net assets.</p>		
		25,429
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:</p>		
Repayment of long-term debt principal		501,732
<p>Revenues that do not provide current financial resources are not reported as revenues in the funds. This represents the change in unearned revenues for property taxes and assessments receivable that have previously been deferred in the funds.</p>		
		(53,404)
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
		45,833
Change in net position of governmental activities	<u>\$</u>	<u>225,491</u>

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

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

<b>Assets</b>	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-Major Golf Course Fund	Total
<b>Current Assets:</b>					
Cash	\$ -	\$ 307,301	\$ 100	\$ -	\$ 307,401
Receivables (net of allowance)	324,775	168,382	55,225	41,844	590,226
Due from other governments	-	-	32,522	-	32,522
Due from other funds	2,550,394	40,366	-	-	2,590,760
Prepaid Expenses	3,878	-	-	-	3,878
Total Current Assets	<u>2,879,047</u>	<u>516,049</u>	<u>87,847</u>	<u>41,844</u>	<u>3,524,787</u>
Restricted cash	-	946,548	-	-	946,548
Land and improvements	100,000	-	-	-	100,000
Buildings and improvements	129,000	4,022,625	46,426	98,804	4,296,855
System and other improvements	6,381,143	34,806,813	104,983	2,265,810	43,558,749
Furniture, equipment and vehicles	-	1,146,081	941,636	839,198	2,926,915
Construction in progress	-	-	-	7,992	7,992
Accumulated depreciation	(2,014,179)	(10,192,839)	(784,867)	(1,227,830)	(14,219,715)
Total Noncurrent Assets	<u>4,595,964</u>	<u>30,729,228</u>	<u>308,178</u>	<u>1,983,974</u>	<u>37,617,344</u>
<b>Total Assets</b>	<u>7,475,011</u>	<u>31,245,277</u>	<u>396,025</u>	<u>2,025,818</u>	<u>41,142,131</u>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable	267,765	94,963	28,508	14,823	406,059
Accrued liabilities	9,994	9,679	-	9,551	29,224
Customer deposits	49,271	73,500	-	-	122,771
Due to other funds	-	1,108,722	168,872	1,976,824	3,254,418
Current portion, compensated absences	-	26,544	23,471	19,985	70,000
Current portion, capital lease payable	-	-	-	24,690	24,690
Current portion, long-term debt	-	1,202,125	-	-	1,202,125
Total Current Liabilities	<u>327,030</u>	<u>2,515,533</u>	<u>220,851</u>	<u>2,045,873</u>	<u>5,109,287</u>
<b>Long-Term Debt (net of current portion):</b>					
Compensated absences	-	17,561	15,522	9,970	43,053
Capital lease payable	-	-	-	28,114	28,114
Revenue bonds payable	-	2,414,585	-	-	2,414,585
Loans payable	-	15,505,885	-	-	15,505,885
Total Long-Term Debt	<u>-</u>	<u>17,938,031</u>	<u>15,522</u>	<u>38,084</u>	<u>17,991,637</u>
<b>Total Liabilities</b>	<u>327,030</u>	<u>20,453,564</u>	<u>236,373</u>	<u>2,083,957</u>	<u>23,100,924</u>
<b>Net Position</b>					
Net investment in capital assets	4,595,964	10,660,085	308,178	1,931,170	17,495,397
Restricted	49,271	946,548	-	-	995,819
Unrestricted (deficit)	2,502,746	(814,920)	(148,526)	(1,989,309)	(450,009)
<b>Total Net Position (deficit)</b>	<u>\$ 7,147,981</u>	<u>\$ 10,791,713</u>	<u>\$ 159,652</u>	<u>\$ (58,139)</u>	<u>\$ 18,041,207</u>

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

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

<b>Operating Revenues</b>	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-major Golf Course Fund	Total
Charges for services	\$ 3,707,445	\$ 1,914,096	\$ 658,472	\$ 504,595	\$ 6,784,608
Other revenues	55,606	4,479	-	14,243	74,328
<b>Total Operating Revenues</b>	<b>3,763,051</b>	<b>1,918,575</b>	<b>658,472</b>	<b>518,838</b>	<b>6,858,936</b>
<b>Operating Expenses</b>					
Salaries, wages and benefits	-	413,940	361,684	277,897	1,053,521
Office expenses and travel	27,199	89,266	71,691	38,427	226,583
Repairs and maintenance	23,003	81,011	4,129	65,506	173,649
Utilities	-	381,487	1,715	38,268	421,470
Legal and professional fees	16,324	80,412	355	1,025	98,116
Contract services	188,990	-	-	-	188,990
Miscellaneous	-	694	-	7,701	8,395
Purchase power	1,691,129	-	-	-	1,691,129
Supplies	-	299,045	13,157	27,212	339,414
Resident and tipping fees	-	-	209,026	-	209,026
Depreciation/amortization	161,659	935,697	50,160	83,216	1,230,732
<b>Total Operating Expenses</b>	<b>2,108,304</b>	<b>2,281,552</b>	<b>711,917</b>	<b>539,252</b>	<b>5,641,025</b>
Operating Income (Loss)	1,654,747	(362,977)	(53,445)	(20,414)	1,217,911
<b>Non-operating Revenues (Expenses)</b>					
Interest income	-	12,925	-	-	12,925
Interest expense and fiscal charges	(8,285)	(831,168)	(163)	(12,710)	(852,326)
Connection and impact fees	-	77,785	-	-	77,785
<b>Total Non-Operating Revenue (Expense)</b>	<b>(8,285)</b>	<b>(740,458)</b>	<b>(163)</b>	<b>(12,710)</b>	<b>(761,616)</b>
<b>Net Income (Loss) before contributions and transfers</b>	<b>1,646,462</b>	<b>(1,103,435)</b>	<b>(53,608)</b>	<b>(33,124)</b>	<b>456,295</b>
Transfers in	-	877,000	65,001	64,500	1,006,501
Transfers out	(877,000)	(10,001)	-	(35,500)	(922,501)
<b>Net Income (Loss)</b>	<b>769,462</b>	<b>(236,436)</b>	<b>11,393</b>	<b>(4,124)</b>	<b>540,295</b>
Total net position (deficit), beginning of year	6,639,189	11,106,529	149,161	(26,411)	17,868,468
Prior period/restatement adjustments	(260,670)	(78,380)	(902)	(27,604)	(367,556)
<b>Total net position (deficit), end of year</b>	<b>\$ 7,147,981</b>	<b>\$ 10,791,713</b>	<b>\$ 159,652</b>	<b>\$ (58,139)</b>	<b>\$ 18,041,207</b>

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

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2013**

	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-major Golf Course Fund	Total
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers, service fees	\$ 3,581,166	\$ 2,137,572	\$ 608,099	\$ 504,828	\$ 6,831,665
Cash received from customers, other	55,606	4,479	-	14,243	74,328
Cash paid to suppliers	(1,910,454)	(979,491)	(312,155)	(184,102)	(3,386,202)
Cash paid to employees	(4,285)	(415,208)	(361,684)	(286,635)	(1,067,812)
Net cash flows from operating activities	<u>1,722,033</u>	<u>747,352</u>	<u>(65,740)</u>	<u>48,334</u>	<u>2,451,979</u>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Proceeds/Payments from other funds	-	1,286,222	21,840	(177)	1,307,885
Proceeds/Payments to other funds	(932,724)	-	-	-	(932,724)
Transfers in	-	877,000	-	64,500	941,500
Transfers out	(877,000)	(10,001)	65,001	(35,500)	(857,500)
Net cash flows from noncapital financing activities	<u>(1,809,724)</u>	<u>2,153,221</u>	<u>86,841</u>	<u>28,823</u>	<u>459,161</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Purchase of capital assets	-	(44,339)	(10,001)	(9,636)	(63,976)
Principal paid on long-term debt	(244,701)	(1,261,606)	(16,253)	(203,504)	(1,726,064)
Principal paid on capital lease	-	-	-	(23,537)	(23,537)
Interest paid	(8,285)	(826,280)	(163)	(5,996)	(840,724)
Increase/(Decrease) in refundable construction advances	(55,605)	-	-	-	(55,605)
Connection & impact fees	-	77,785	-	-	77,785
Net cash flows from capital and related financing activities	<u>(308,591)</u>	<u>(2,054,440)</u>	<u>(26,417)</u>	<u>(242,673)</u>	<u>(2,632,121)</u>
<b>Cash Flows From Investing Activities:</b>					
Interest on investments	-	12,925	-	-	12,925
Net change in Cash and Cash Equivalents	<u>(396,282)</u>	<u>859,058</u>	<u>(5,316)</u>	<u>(165,516)</u>	<u>291,944</u>
Cash and cash equivalents, including restricted cash, beginning of year	<u>396,282</u>	<u>394,791</u>	<u>5,416</u>	<u>165,516</u>	<u>962,005</u>
<b>Cash and cash equivalents, including restricted cash, end of year</b>	<u>\$ -</u>	<u>\$ 1,253,849</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 1,253,949</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Net Operating Income/(Loss)	\$ 1,654,747	\$ (362,977)	\$ (53,445)	\$ (20,414)	\$ 1,217,911
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:					
Depreciation/amortization	161,660	935,697	50,159	83,217	1,230,733
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables	(132,271)	213,770	(50,373)	233	31,359
Increase/(Decrease) in prepaids	(3,878)	-	-	-	(3,878)
Increase/(Decrease) in accounts payable	40,068	(47,576)	(12,081)	(5,964)	(25,553)
Increase/(Decrease) in accrued liabilities	(4,285)	(1,268)	-	(8,738)	(14,291)
Increase/(Decrease) in deposits	5,992	9,706	-	-	15,698
Net cash provided (used) by operating activities	<u>\$ 1,722,033</u>	<u>\$ 747,352</u>	<u>\$ (65,740)</u>	<u>\$ 48,334</u>	<u>\$ 2,451,979</u>

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

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

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	<u>Volunteer Firefighters' Relief and Pension</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 423,214
Accounts receivable	<u>-</u>
Total Assets and Other Debits	<u>423,214</u>
<b>LIABILITIES</b>	
Accounts payable	-
Internal balances	<u>-</u>
Total liabilities	<u>-</u>
<b>NET POSITION</b>	
Held in trust for pension benefits and other purposes	<u><u>\$ 423,214</u></u>

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

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2013**

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	<u>Volunteer Firefighters' Relief and Pension</u>
<b>ADDITIONS:</b>	
Contributions:	
Employer	\$ 9,405
Other	10,129
Plan Member	<u>20,122</u>
Total Contributions	<u>39,656</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	-
Interest Earnings (Loss)	<u>30,314</u>
Net Investment Income	<u>30,314</u>
Total Additions	<u>69,970</u>
<b>DEDUCTIONS:</b>	
Benefits	<u>16,473</u>
Total Deductions	<u>16,473</u>
Net Increase (Decrease)	53,497
Net Position Held in Trust for Pension Benefits and Other Purposes	
Beginning of Year	<u>369,717</u>
End of Year	<u><u>\$ 423,214</u></u>

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

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 1. Summary of Significant Accounting Policies**

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**Description of Government-Wide Financial Statements**

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

**Reporting Entity**

The City of Williams, Arizona (the City) is a municipal corporation governed by an elected mayor and council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

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

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

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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**Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the City has one discretely presented component unit. While the Williams Housing Authority is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

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

**Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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

Additionally, the City reports the following fund types:

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

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

**Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, state shared revenues, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and pension trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

**Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

***Deposits and Investments***

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

***Receivables and Payables***

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

***Inventories and Prepaid Items***

Inventories are valued at the lower of cost or market. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. Inventories of the business type activities are deemed immaterial and are not recorded.

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

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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***Capital Assets***

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

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

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

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City currently has no items which qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

***Net Position Flow Assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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***Fund Balance Flow Assumption***

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

***Fund Balance Policies***

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

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Manager is authorized to assign amounts to a specific purpose in accordance with the City's budget policy. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Revenues and Expenditures/Expenses**

***Program Revenues***

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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***Property Taxes***

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

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

***Compensated Absences***

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

***Proprietary Funds Operating and Nonoperating Revenues and Expenses***

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

***Use of Estimates***

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

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 1. Summary of Significant Accounting Policies (Continued)**

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**New Pronouncements**

In April 2012, the GASB issued statement No. 65, *Items Previously Reported as Assets and Liabilities*. Beginning with fiscal year 2013, the City implemented the provisions of this statement, which establishes accounting standards and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of these new Statements resulted in a restatement of beginning net position in the City's government-wide and proprietary fund financial statements (see Note 16).

**Encumbrances**

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

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

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The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 17.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 19.

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 3. Stewardship, Compliance and Accountability**

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**Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. Budgeted amounts are as originally adopted, or as amended by the City Council to June 30, 2013. There were no amendments made to the original appropriations during the current fiscal year.

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

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

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

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

**Expenditures over Appropriations**

Expenditures may not legally exceed budgeted appropriations at the department level. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2013, if any.

**Deficit Fund Equity**

The Golf Course enterprise fund reported a deficit net position of \$58,139 as of June 30, 2013. This deficit has increased by \$31,728 when compared to the prior year. It is the City's intention to manage the Golf Course fund such that this deficit can be eliminated by Golf Course fund earnings and transfers from the General Fund over several years.

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 4. Deposits and Investments**

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

Cash and cash equivalents	\$ 394,904
Restricted cash and cash equivalents	1,488,248
Agency fund monies	<u>423,214</u>
	<u>\$ 2,306,366</u>

Deposits

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a formal policy for custodial credit risk. At June 30, 2013 cash on hand was \$850 and the carrying amount of the City's deposits was \$301,949. As of June 30, 2013 none of the bank balance of \$334,008 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Investments**

Investment Fund

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

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

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

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 4. Deposits and Investments (Continued)**

As of June 30, 2013 the government had the following deposits and investments:

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
<b>Deposits:</b>			
Cash on deposit	\$ 301,949	N/A	N/A
Cash on hand	850	N/A	N/A
<b>Investments:</b>			
Local Governments Investment Pool 5 *	655,055	AAAF/S1+	26 days
Local Governments Investment Pool 7 *	946,547	AA+	29 days
U.S. Treasuries	210,490	AA+	< 1 year
Mutual Funds	<u>191,476</u>	N/A	N/A
Total cash and investments	<u><u>2,306,366</u></u>		

\* The fair value of the City's position in each pool is the same as the value of the pool shares.

(1) Ratings are provided where applicable to indicate associated credit risk. N/A indicates not applicable.

(2) Interest rate risk is estimated using the weighted average days to maturity.

**Interest rate risk**

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

**Credit risk**

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

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 4. Deposits and Investments (Continued)**

**Housing Authority**

Cash and investments of the Housing Authority at June 30, 2013 consist of the following:

	<u>Fair Value</u>	<u>Credit Rating (1)</u>	<u>Weighted Average Maturity (2)</u>
<b>Deposits:</b>			
Cash on deposit	\$ 123,430	N/A	N/A
Certificates of deposit	<u>50,819</u>	N/A	< 1 year
Total	<u><u>\$ 174,250</u></u>		

The Housing Authority's deposits as of June 30, 2013, were entirely insured by the FDIC.

**NOTE 5. Property Taxes Receivable**

Property taxes receivable in the amount of \$30,030 in the general fund and \$165,991 in the debt service fund consist of collected and undistributed taxes and uncollected property taxes as determined from the records of the County Treasurer's office. Unavailable revenue of \$196,021 represents that portion of the property taxes receivable that have not been collected within 60 days after year end. Consequently, this amount has not been included in current year revenues.

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 6. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2013</b>
Capital assets, not being depreciated:				
Land	\$ 257,978	\$ -	\$ -	\$ 257,978
Construction in progress	-	584,362	-	584,362
Total capital assets not being depreciated	<u>257,978</u>	<u>584,362</u>	<u>-</u>	<u>842,340</u>
Capital assets, being depreciated:				
Land Improvements	18,508,447	-	-	18,508,447
Buildings and Improvements	7,804,507	16,582	-	7,821,089
Infrastructure	33,463,924	225,730	-	33,689,654
Furniture, Equipment, Vehicles	4,553,436	152,789	(19,371)	4,686,854
Total capital assets being depreciated	<u>64,330,314</u>	<u>395,101</u>	<u>(19,371)</u>	<u>64,706,044</u>
Less accumulated depreciation for:				
Land Improvements	(8,298,951)	(849,467)	-	(9,148,418)
Buildings and Improvements	(2,063,828)	(206,521)	-	(2,270,349)
Infrastructure	(27,567,418)	(487,865)	-	(28,055,283)
Furniture, Equipment, Vehicles	(3,227,664)	(261,585)	19,371	(3,469,878)
Total accumulated depreciation	<u>(41,157,861)</u>	<u>(1,805,438)</u>	<u>19,371</u>	<u>(42,943,928)</u>
Total capital assets being depreciated, net	<u>23,172,453</u>	<u>(1,410,337)</u>	<u>-</u>	<u>21,762,116</u>
Governmental activities capital assets, net	<u>\$ 23,430,431</u>	<u>\$ (825,975)</u>	<u>\$ -</u>	<u>\$ 22,604,456</u>

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

<b>Governmental Activities:</b>	
General government	\$ 921,766
Public safety	162,641
Highways and streets	600,827
Culture and recreation	114,711
Economic development	50
Health and welfare	5,443
Total depreciation expense - governmental activities	<u>\$ 1,805,438</u>

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 6. Capital Assets (Continued)**

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Capital asset activity for the year ended June 30, 2013 was as follows:

<b>Business Type Activities:</b>	<b>Balance 6/30/2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2013</b>
Capital assets, not being depreciated:				
Land and Improvements	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in progress	-	7,992	-	7,992
Total capital assets not being depreciated	<u>100,000</u>	<u>7,992</u>	<u>-</u>	<u>107,992</u>
Capital assets, being depreciated:				
Buildings and Improvements	4,285,676	11,179	-	4,296,855
System and Other Improvements	43,558,749	-	-	43,558,749
Furniture, Equipment, Vehicles	2,882,109	44,806	-	2,926,915
Total capital assets being depreciated	<u>50,726,534</u>	<u>55,985</u>	<u>-</u>	<u>50,782,519</u>
Less accumulated depreciation for:				
Buildings and Improvements	(816,511)	(101,781)	-	(918,292)
System and Other Improvements	(10,293,160)	(966,687)	-	(11,259,847)
Furniture, Equipment, Vehicles	(1,879,311)	(162,265)	-	(2,041,576)
Total accumulated depreciation	<u>(12,988,982)</u>	<u>(1,230,733)</u>	<u>-</u>	<u>(14,219,715)</u>
Total capital assets being depreciated, net	<u>37,737,552</u>	<u>(1,174,748)</u>	<u>-</u>	<u>36,562,804</u>
Business-type activities capital assets, net	<u>\$ 37,837,552</u>	<u>\$ (1,166,756)</u>	<u>\$ -</u>	<u>\$ 36,670,796</u>

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

<b>Business Type Activities:</b>	
Electric	\$ 161,659
Water & sewer	935,697
Golf course	83,216
Sanitation	<u>50,160</u>
Total depreciation expense - business activities	<u>\$ 1,230,732</u>

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 6. Capital Assets (Continued)**

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**Component Unit, Housing Authority Activities:**

	<u>Balance 6/30/2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2013</u>
Capital assets, not being depreciated:				
Land and Improvements	\$ 481,979	\$ -	\$ -	481,979
Total capital assets not being depreciated	<u>481,979</u>	<u>-</u>	<u>-</u>	<u>481,979</u>
Capital assets, being depreciated:				
Buildings and Improvements	1,894,207	-	-	1,894,207
Other Improvements	212,107	-	-	212,107
Furniture, Equipment, Vehicles	132,043	-	-	132,043
Total capital assets being depreciated	<u>2,238,357</u>	<u>-</u>	<u>-</u>	<u>2,238,357</u>
Less accumulated depreciation for:				
Buildings and Improvements	(891,180)	(52,665)	-	(943,845)
Other Improvements	(149,235)	(14,729)	-	(163,964)
Furniture, Equipment, Vehicles	(120,516)	(4,791)	-	(125,307)
Total accumulated depreciation	<u>(1,160,931)</u>	<u>(72,185)</u>	<u>-</u>	<u>(1,233,116)</u>
Total capital assets being depreciated, net	<u>1,077,426</u>	<u>(72,185)</u>	<u>-</u>	<u>1,005,241</u>
Component Unit activities capital assets, net	<u>\$ 1,559,405</u>	<u>\$ (72,185)</u>	<u>\$ -</u>	<u>\$ 1,487,220</u>

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 7. Capital Leases Payable**

The City has entered into two lease agreements which are considered capital leases in accordance with Generally Accepted Accounting Principles. The leases are for the purchase of various capital items with varying annual payments through September 2015, including interest at 3.9% to 4.5% and are shown as Governmental and Golf Course fund debt. Equipment and improvements capitalized under the capitalized leases are shown below. The following is an annual schedule of future minimum lease payments with the present value of the net minimum lease payments for the years ending June 30:

<u>June 30,</u>	<u>Governmental Debt</u>	<u>Golf Fund</u>	<u>Total</u>
2014	96,317	26,683	123,000
2015	7,790	26,693	34,483
2016	-	2,213	2,213
	<hr/>	<hr/>	<hr/>
Total remaining lease payments	104,107	55,589	159,696
Less amount representing interest	<u>(4,832)</u>	<u>(2,785)</u>	<u>(7,617)</u>
Present value of net remaining minimum lease payments	<u>\$ 99,275</u>	<u>\$ 52,804</u>	<u>\$ 152,079</u>

A summary of assets acquired through capital leases follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>
<b>Capital Assets:</b>		
Furniture, Equipment & Vehicles	\$ 423,591	\$ 235,235
<b>Enterprise Funds:</b>		
Furniture, Equipment & Vehicles	\$ 96,949	\$ 35,548

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 8. Long-Term Debt**

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

The following is a summary of changes in general long-term debt for the year ended June 30, 2013.

<b>Governmental Activities:</b>	<b>Balance 6/30/2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 6/30/2013</b>	<b>Current Portion</b>
Accrued Compensated Absences	\$ 262,193	\$ 191,422	\$ (237,254)	\$ 216,361	\$ 195,000
Capital Leases	153,368	-	(54,093)	99,275	91,571
Total other long-term debt	415,561	191,422	(291,347)	315,636	286,571
<b>General Obligation:</b>					
MDA Municipal Facilities Revenue Refunding Bonds, Series 2002	141,226	-	(141,226)	-	-
Total General Obligation	141,226	-	(141,226)	-	-
<b>Revenue Bonds:</b>					
GADA Revenue Bonds, Series 2003	198,200	-	(8,750)	189,450	9,035
GADA Revenue Bonds, Series 2005	1,100,000	-	(65,000)	1,035,000	70,000
GADA Revenue Bonds, Series 2008	2,605,000	-	(115,000)	2,490,000	120,000
Total Revenue Bonds	3,903,200	-	(188,750)	3,714,450	199,035
<b>Loans Payable</b>					
Zion's Bank Loan - 2010	669,957	-	(73,092)	596,865	73,092
Total Loans Payable	669,957	-	(73,092)	596,865	73,092
<b>Special Assessment Debt with Government Commitment:</b>					
North side Sewer Improvement District No. 2 Improvement Bonds	145,000	-	(70,000)	75,000	75,000
Total Governmental Debt	<u>\$ 5,274,944</u>	<u>\$ 191,422</u>	<u>\$ (764,415)</u>	<u>\$ 4,701,951</u>	<u>\$ 633,698</u>

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

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 8. Long-Term Debt (Continued)**

The following is a summary of changes in enterprise fund long-term debt for the year ended June 30, 2013.

<b>Business-type Activities:</b>	<b>Balance 6/30/2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 6/30/2013</b>	<b>Current Portion</b>
<b>General Obligation:</b>					
MDA Municipal Facilities Revenue Refunding Bonds, Series 2002	\$ 558,775	\$ -	\$ (558,775)	\$ -	\$ -
Difference Between Reacquisition Price and Carrying Amount of Old Debt	(11,602)	-	11,602	-	-
Total General Obligation	547,173	-	(547,173)	-	-
<b>Revenue Bonds:</b>					
GADA Revenue Bonds, Series 2003	2,651,800	-	(116,250)	2,535,550	120,965
Total Revenue Bonds	2,651,800	-	(116,250)	2,535,550	120,965
<b>Loans Payable:</b>					
Water Infrastructure Finance Authority, 1997-1998 Loan	807,951	-	(151,634)	656,317	156,457
Water Infrastructure Finance Authority, 2000-2001 Loan	1,546,248	-	(167,065)	1,379,183	173,956
Water Infrastructure Finance Authority, 2005-2006 Loan	1,221,440	-	(70,404)	1,151,036	72,674
Water Infrastructure Finance Authority, 2005-2006 Loan	6,990,109	-	(334,915)	6,655,194	346,436
Water Infrastructure Finance Authority, 2008 Loan	6,637,781	-	(275,601)	6,362,180	284,729
Zion's Bank Loan - 2010	430,043	-	(46,908)	383,135	46,908
Total Loans Payable	17,633,572	-	(1,046,527)	16,587,045	1,081,160
<b>Other long-term debt:</b>					
Capital Leases	76,341	-	(23,537)	52,804	24,690
Accrued Compensated Absences	117,564	80,716	(85,227)	113,053	70,000
Total other long-term debt	193,905	80,716	(108,764)	165,857	94,690
Total Business-type Long-Term Debt	\$ 21,026,450	\$ 80,716	\$ (1,818,714)	\$ 19,288,452	\$ 1,296,815

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 8. Long-Term Debt (Continued)**

Bonds and other long-term obligations consist of the following at June 30, 2013:

**Special Assessment Debt with Government Commitment:**

North side Sewer Improvement District No. 2, Improvement  
 Bonds payable in semiannual principal and interest installments,  
 bearing interest at 8.875%, maturing January 1, 2018. \$ 75,000

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

Special Assessment debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2014	\$ 75,000	\$ 6,656	\$ 81,656
2015	-	-	-
Total	<u><u>\$ 75,000</u></u>	<u><u>\$ 6,656</u></u>	<u><u>\$ 81,656</u></u>

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 8. Long-Term Debt (Continued)**

**Revenue Bonds:**

Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2003A, due in semiannual principal and interest installments, bearing interest at 3.0% to 5.0%, maturing July 1, 2028.	<u>\$ 2,725,000</u> *
Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2005B, due in semiannual principal and interest installments, bearing interest at 4% to 5%, maturing July 1, 2025.	1,035,000
Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2008, due in semiannual principal and interest installments, bearing interest at 3% to 5%, maturing July 1, 2028.	<u>2,490,000</u>
Total bonds payable	\$ 6,250,000
Less current portion	<u>(320,000)</u>
Total Revenue Bonds net of current portion	<u><u>\$ 5,930,000</u></u>

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

Governmental Activities	\$ 189,450
Business-type Activities	<u>2,535,550</u>
Total GADA, Series 2003	<u><u>\$ 2,725,000</u></u>

Revenue Bond debt service maturities are as follows:

Year Ended June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 199,035	\$ 53,259	\$ 252,294	\$ 120,965	\$ 232,974	\$ 353,939
2015	204,383	49,338	253,721	125,618	221,813	347,431
2016	214,730	46,201	260,931	130,270	210,393	340,663
2017	220,078	42,750	262,828	134,923	199,059	333,982
2018	235,773	39,265	275,038	144,228	186,242	330,470
2019-2023	1,326,509	135,621	1,462,130	823,494	715,847	1,539,341
2024-2028	1,313,942	25,223	1,339,165	1,056,052	270,143	1,326,195
Total	<u><u>\$3,714,450</u></u>	<u><u>\$ 391,657</u></u>	<u><u>\$ 4,106,107</u></u>	<u><u>\$ 2,535,550</u></u>	<u><u>\$ 2,036,471</u></u>	<u><u>\$ 4,572,021</u></u>

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 8. Long-Term Debt (Continued)**

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**Loans Payable:**

Water Infrastructure Finance Authority loan payable, issued in fiscal year 1997-98, bearing interest at 3.48% due in semiannual principal and interest installments, maturing July 1, 2017	\$ 656,317
Water Infrastructure Finance Authority loan payable, issued in fiscal year 2000-2001, bearing interest at 4.125% due in semiannual principal and interest installments, maturing July 1, 2020	1,379,183
Water Infrastructure Finance Authority loan payable, issued in fiscal year 2005-2006, bearing interest at 3.225% due in semiannual principal and interest installments, maturing July 1, 2026	1,151,036
Water Infrastructure Finance Authority loan payable, issued in fiscal year 2005-2006, bearing interest at 3.440% due in semiannual principal and interest installments, maturing July 1, 2026	6,655,194
Water Infrastructure Finance Authority loan payable, issued in fiscal year 2008, bearing interest at 3.312% due in semiannual principal and interest installments, maturing July 1, 2030	6,362,180
Zion's bank 2010 loan payable, issued in 2010, bearing interest at 4.55%, due in interest only payments through fiscal year 2013, thereafter interest and principal payments due annually through fiscal year 2021.	<u>980,000</u>
Total loans payable	\$ 17,183,910
Less current portion	<u>(1,154,252)</u>
Total loans payable net of current portion	<u><u>\$ 16,029,658</u></u>

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 8. Long-Term Debt (Continued)**

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Loans payable debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total	Business-Type Activities		Total
	Principal	Interest		Principal	Interest	
2014	\$ 73,092	\$ 27,733	\$ 100,825	\$ 1,081,160	\$ 572,336	\$ 1,653,496
2015	79,183	24,795	103,978	1,120,912	534,608	1,655,520
2016	82,229	21,429	103,658	1,159,962	495,354	1,655,316
2017	88,320	17,778	106,098	1,202,260	454,621	1,656,881
2018	88,320	13,707	102,027	1,064,666	412,274	1,476,940
2019-2023	185,721	14,025	199,746	4,995,802	374,065	5,369,867
2024-2028	-	-	-	5,018,534	334,184	5,352,718
2029-2030	-	-	-	943,749	293,208	1,236,957
<b>Total</b>	<b>\$ 596,865</b>	<b>\$ 119,467</b>	<b>\$ 716,332</b>	<b>\$ 16,587,045</b>	<b>\$ 3,470,650</b>	<b>\$ 20,057,695</b>

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 9. Interfund Receivables, Payables and Transfers**

The composition of interfund receivables and payables balances as of June 30, 2013 follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 693,750	\$ -
Special Revenue Funds:		
HURF	-	13,075
Grants	-	17,017
Enterprise Funds:		
Electric	2,550,394	-
Utility	40,366	1,108,722
Sanitation	-	168,872
Golf Course	-	1,976,824
Total	\$ 3,284,510	\$ 3,284,510

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

As of June 30, 2013 interfund transfers are as follows:

	Transfers Out:						
Transfers In:	General Fund	Grants Fund	Capital Project	Utility Fund	Golf Fund	Electric Fund	Total
General Fund	\$ -	\$ 7,027	\$ -	\$ -	\$ -	\$ -	\$ 7,027
Highway User	207,773	-	-	-	-	-	207,773
Debt Service	469,339	-	79,760	-	35,500	-	584,599
Capital Project	9,016	-	-	-	-	-	9,016
Utility	-	-	-	-	-	877,000	877,000
Sanitation	55,000	-	-	10,001	-	-	65,001
Golf Fund	64,500	-	-	-	-	-	64,500
	\$ 805,628	\$ 7,027	\$ 79,760	\$ 10,001	\$ 35,500	\$ 877,000	\$ 1,814,916

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

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**NOTE 10.      Segment Information - Enterprise Funds**

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The City maintains four enterprise funds which account for the operation of the City's Electric System, Water & Sewer Utilities, Sanitation and Golf Course. Segment information for the year ended June 30, 2013 is not presented here since the information for all four funds is available in the basic financial statements.

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**NOTE 11.      Risk Management**

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

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**NOTE 12.      Closure and Postclosure Care Costs**

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

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**NOTE 13.      Contingent Liabilities**

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Sick leave benefits provide for ordinary sick pay and are cumulative but do not vest with employees until ten years of service has been completed; therefore, this portion is not accrued. Unvested accumulated sick leave of City employees at June 30, 2013 totaled approximately \$354,000.

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of the City Management, based on the advice of the City Attorney with respect to such litigation, such matters will not have a material adverse effect on the City's financial position at June 30, 2013.

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 14. Retirement and Pension Plans**

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

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

**Funding Policy** - The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rate. For the current fiscal year, active plan members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.9 percent for retirement, and 0.24 percent for long-term disability) of the members' annual covered payroll and the City was required to contribute 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

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

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2011	228,404	14,957	6,338
2012	248,104	15,836	6,033
2013	247,784	15,713	5,802

**Public Safety Personnel Retirement System (PSPRS)**

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

**Funding Policy** - For the current fiscal year, active PSPRS members were required by statute to contribute 7.65 percent of the members' covered compensation, and the City was required to contribute at the actuarially determined rate of 15.72 percent of annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 0.83 percent.

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 14. Retirement and Pension Plans (Continued)**

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

The PSPRS contribution requirements for the year ended June 30, 2013 were established by the June 30, 2011 actuarial valuations using the projected unit credit method. The actuarial assumptions include (a) 7.85 percent investment rate of return and (b) projected salary increases ranging from 4.5 to 8.5 percent per year. The assumptions did not include cost-of-living adjustments and healthcare cost trend rates are not applicable. The actuarial value of assets are determined using techniques that smooth the effects of short-term volatility in the market value of investments and spreads differences between actual and assumed investment return over a seven year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2013, was 23 years for unfunded actuarial accrued liability and 20 years for excess.

The preceding methods comply with the financial reporting standards established by the Governmental Accounting Standards Board. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made.

**Annual Pension/OPEB Cost** - During the year ended June 30, 2013 the City's annual pension cost of \$81,198 and the annual OPEB cost of \$4,793 was equal to the City's required and actual contributions.

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

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Pension	2011	\$ 84,501	100%	-
	2012	80,238	100%	-
	2013	81,198	100%	-
Health Insurance	2011	\$ 6,615	100%	-
	2012	7,151	100%	-
	2013	4,793	100%	-

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2013**

**NOTE 14. Retirement and Pension Plans (Continued)**

**Funded Status and Funding Progress** – The funded status of the plan as of June 30, 2013 is as follows:

	Retirement	Insurance Subsidy
Actuarial accrued liability (AAL)	\$ 1,827,899	\$ 39,560
Actuarial value of plan assets	1,489,167	-
Unfunded actuarial accrued liability (UAAL)	\$ 338,732	\$ 39,560
Funded ratio (actuarial value of plan assets/AAL)	81.5%	0.0%
Covered payroll (active plan members)	\$ 499,591	\$ 499,591
UAAL as a percentage of covered payroll	67.8%	7.92%

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits. This 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.

**NOTE 15. Debt Agreements, Covenants and Obligations**

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

**NOTE 16. Restatements and Prior Period Adjustments**

As mentioned in Note 1 to the financial statements, the City implemented GASB statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this statement require that bond issuance costs be expensed in the year they are incurred. Previously bond issuance costs had been treated as an asset and amortized over the life of the related debt. In order to implement GASB statement No. 65, bond issuance costs previously reported as assets had to be removed from the financial statements. This resulted in a restatement of beginning equity in the City's Electric Fund in the amount of \$34,080, the Utility Fund in the amount of \$78,380, the Sanitation Fund in the amount of \$902, and in the Golf Fund in the amount of \$27,604. Assets of these respective funds were reduced by the same amount.

In FY13, the City requested and received a June 30, 2013 report from APS and made adjustments to agree current year accounts receivable and customer deposit balances to the APS report. These adjustments were a result of prior year differences, and a prior period adjustment was made in the Electric Fund for a \$292,364 increase in accounts receivable and a \$65,774 decrease in customer deposits.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF WILLIAMS, ARIZONA**  
**Required Supplementary Information**

**Schedule of Funding Progress**  
**PSPRS**

An analysis of the progress of the Public Plan (PSPRS) from June 30, 2008 through June 30, 2013 based on actuarial valuations follows:

Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
June 30, 2008	\$1,141,587	\$ 1,202,023	\$ 60,436	95.0%	\$ 545,028	11.1%
2009 *	1,331,496	1,373,398	41,902	96.9%	612,748	6.8%
2010 *	1,449,544	1,474,487	24,943	98.3%	589,450	4.2%
2011 *	1,604,470	1,628,273	23,803	98.5%	523,819	4.5%
2012 *	1,449,936	1,807,234	357,298	80.2%	529,832	67.4%
2013 *	1,489,167	1,827,899	338,732	81.5%	499,591	67.8%

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

Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
June 30, 2008	\$ -	\$ 22,573	\$ 22,573	0.0%	\$ 545,028	4.14%
2009 *	-	29,139	29,139	0.0%	612,748	4.76%
2010 *	-	34,313	34,313	0.0%	589,450	5.82%
2011 *	-	18,021	18,021	0.0%	523,819	3.44%
2012 *	-	20,269	20,269	0.0%	529,832	3.83%
2013 *	-	39,560	39,560	0.0%	499,591	7.92%

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

## REQUIRED SUPPLEMENTARY INFORMATION

### BUDGETARY COMPARISON SCHEDULES

#### FOR THE FOLLOWING FUNDS:

##### **General Fund**

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

##### **Debt Service Fund**

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

##### **Special Revenue Funds**

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

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

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

**CITY OF WILLIAMS, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property Tax	\$ 593,500	\$ 593,500	\$ 594,705	\$ 1,205
Sales Tax	3,614,000	3,614,000	3,249,415	(364,585)
Bed, Board & Booze Tax	684,000	684,000	683,867	(133)
Gas Franchise Fees	40,000	40,000	30,276	(9,724)
Total Taxes	<u>4,931,500</u>	<u>4,931,500</u>	<u>4,558,263</u>	<u>(373,237)</u>
<b>Licenses, Permits and Fees:</b>				
Business Licenses	10,500	10,500	10,205	(295)
Dog Licenses	2,000	2,000	2,135	135
Building Permits	20,000	20,000	36,329	16,329
Total Licenses, Fees and Permits	<u>32,500</u>	<u>32,500</u>	<u>48,669</u>	<u>16,169</u>
<b>Intergovernmental:</b>				
State Revenue Sharing	309,000	309,000	308,793	(207)
Auto Lieu Taxes	123,000	123,000	110,793	(12,207)
State Sales Taxes	253,000	253,000	247,438	(5,562)
Library Assistance Tax	28,000	28,000	28,028	28
Library Equity Funds	-	-	161,130	161,130
USFS Law Enforcement Grant	-	-	13,000	13,000
Total Intergovernmental	<u>713,000</u>	<u>713,000</u>	<u>869,182</u>	<u>156,182</u>
<b>Charges for Services:</b>				
Airport Lease	8,500	8,500	4,398	(4,102)
Airport Fuel	64,000	64,000	45,628	(18,372)
Cemetery Charges & Sales	5,000	5,000	7,800	2,800
Swimming Pool Fees	25,000	25,000	20,188	(4,812)
Community Development Fees	1,000	1,000	-	(1,000)
Plan Check Fees & Development Review	12,000	12,000	16,186	4,186
Facility Rental	190,000	190,000	180,685	(9,315)
Recreation Programs	5,000	5,000	5,430	430
Rodeo Grounds Fund	16,000	16,000	19,278	3,278
City Park Revenues	1,000	1,000	1,702	702
Rural Fire Districts	500	500	13,857	13,357
Police Travel Reimbursement	2,500	2,500	1,012	(1,488)
Total Charges for Services	<u>330,500</u>	<u>330,500</u>	<u>316,164</u>	<u>(14,336)</u>
<b>Fines and Forfeitures:</b>				
Fines & Forfeitures	35,000	35,000	37,050	2,050
Total Fines and Forfeitures	<u>35,000</u>	<u>35,000</u>	<u>37,050</u>	<u>2,050</u>
<b>Interest</b>	<u>1,000</u>	<u>1,000</u>	<u>784</u>	<u>(216)</u>
<b>Other Revenues:</b>				
Miscellaneous	227,000	227,000	319,213	92,213
Total Other Revenues	<u>227,000</u>	<u>227,000</u>	<u>319,213</u>	<u>92,213</u>
<b>TOTAL REVENUES</b>	<u>6,270,500</u>	<u>6,270,500</u>	<u>6,149,325</u>	<u>(121,175)</u>

(continued)

**CITY OF WILLIAMS, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Continued)**  
**For the Year Ended June 30, 2013**

<b>EXPENDITURES</b>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>General Government:</b>				
Mayor & Council	58,000	58,000	70,641	(12,641)
Magistrate	171,500	171,500	138,298	33,202
General & Administrative	797,500	797,500	808,302	(10,802)
Finance	277,001	277,001	268,026	8,975
Maintenance	212,499	212,499	212,013	486
Central Garage	291,000	291,000	254,229	36,771
Airport	134,500	134,500	118,613	15,887
Community Facilities	87,000	87,000	54,102	32,898
Total General Government	<u>2,029,000</u>	<u>2,029,000</u>	<u>1,924,224</u>	<u>104,776</u>
<b>Public Safety:</b>				
Police	1,558,500	1,558,500	1,537,998	20,502
Fire	185,500	185,500	187,062	(1,562)
Building Inspection	101,000	101,000	100,656	344
Total Public Safety	<u>1,845,000</u>	<u>1,845,000</u>	<u>1,825,716</u>	<u>19,284</u>
<b>Culture &amp; Recreation:</b>				
Library	85,500	85,500	77,531	7,969
Parks & Recreation	197,500	197,500	184,328	13,172
Swimming Pool	81,500	81,500	95,159	(13,659)
Recreation Facilities	152,500	152,500	78,961	73,539
Total Culture and Recreation	<u>517,000</u>	<u>517,000</u>	<u>435,979</u>	<u>81,021</u>
<b>Economic Development:</b>				
Visitor Center	40,000	40,000	44,060	(4,060)
Tourism Promotion	416,000	416,000	409,792	6,208
Total Economic Development	<u>456,000</u>	<u>456,000</u>	<u>453,852</u>	<u>2,148</u>
<b>Health &amp; Welfare:</b>				
Senior Center	17,000	17,000	18,143	(1,143)
<b>Capital Outlay</b>	<u>-</u>	<u>-</u>	<u>40,969</u>	<u>(40,969)</u>
<b>Debt Service:</b>				
Principal	28,502	28,502	28,663	(161)
Interest	2,498	2,498	2,498	-
Total Debt Service	<u>31,000</u>	<u>31,000</u>	<u>31,161</u>	<u>(161)</u>
<b>TOTAL EXPENDITURES</b>	<u>4,895,000</u>	<u>4,895,000</u>	<u>4,730,044</u>	<u>164,956</u>
Excess of Revenues Over Expenditures	<u>1,375,500</u>	<u>1,375,500</u>	<u>1,419,281</u>	<u>43,781</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	155,000	155,000	7,027	(147,973)
Transfers out	(9,000)	(9,000)	(805,628)	(796,628)
Total Other Financing Sources (Uses)	<u>146,000</u>	<u>146,000</u>	<u>(798,601)</u>	<u>(944,601)</u>
Net change in fund balance	1,521,500	1,521,500	620,680	(900,820)
Fund balance, beginning of year	432,537	432,537	432,537	-
Fund balance, end of year	<u>\$ 1,954,037</u>	<u>\$ 1,954,037</u>	<u>\$ 1,053,217</u>	<u>\$ (900,820)</u>

**CITY OF WILLIAMS, ARIZONA**  
**DEBT SERVICE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Interest	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Total Revenues	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>(1,000)</u>
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	474,000	474,000	473,242	758
Interest	<u>62,800</u>	<u>62,800</u>	<u>220,199</u>	<u>(157,399)</u>
Total Expenditures	<u>536,800</u>	<u>536,800</u>	<u>693,441</u>	<u>(156,641)</u>
Excess of Revenues Over (Under) Expenditures	<u>(535,800)</u>	<u>(535,800)</u>	<u>(693,441)</u>	<u>(157,641)</u>
Other Financing Sources (Uses):				
Operating Transfer In	<u>423,800</u>	<u>423,800</u>	<u>584,599</u>	<u>160,799</u>
Total Other Financing Sources (Uses)	<u>423,800</u>	<u>423,800</u>	<u>584,599</u>	<u>160,799</u>
Net change in fund balance	(112,000)	(112,000)	(108,842)	3,158
Fund balance, beginning of year	<u>113,510</u>	<u>113,510</u>	<u>113,510</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,510</u>	<u>\$ 1,510</u>	<u>\$ 4,668</u>	<u>\$ 3,158</u>

**CITY OF WILLIAMS, ARIZONA**  
**HIGHWAY USER REVENUE – STREETS**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Intergovernmental Revenue:				
Highway User Revenues	\$ 290,000	\$ 290,000	\$ 275,478	\$ (14,522)
Total Intergovernmental	<u>290,000</u>	<u>290,000</u>	<u>275,478</u>	<u>(14,522)</u>
Total Revenues	<u>290,000</u>	<u>290,000</u>	<u>275,478</u>	<u>(14,522)</u>
<b>EXPENDITURES:</b>				
Highways & Streets:				
Salaries & Wages	276,618	276,618	254,999	21,619
Benefits	117,382	117,382	112,387	4,995
Service, Supplies and Other	404,000	404,000	103,515	300,485
Capital Outlay	-	-	12,350	(12,350)
Debt Service:				
Principal	5,000	5,000	-	5,000
Interest	-	-	-	-
Total Expenditures	<u>803,000</u>	<u>803,000</u>	<u>483,251</u>	<u>319,749</u>
Excess of Revenues Over (Under) Expenditures	<u>(513,000)</u>	<u>(513,000)</u>	<u>(207,773)</u>	<u>305,227</u>
Other Financing Sources (Uses):				
Transfer from General Fund	<u>513,000</u>	<u>513,000</u>	<u>207,773</u>	<u>(305,227)</u>
Total Other Financing Sources (Uses)	<u>513,000</u>	<u>513,000</u>	<u>207,773</u>	<u>(305,227)</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF WILLIAMS, ARIZONA**  
**GRANTS**  
**SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Revenue	\$ 4,041,000	\$ 4,041,000	\$ 924,581	\$ (3,116,419)
Donations and Other Revenue	635,000	635,000	28,875	(606,125)
Total Revenues	<u>4,676,000</u>	<u>4,676,000</u>	<u>953,456</u>	<u>(3,722,544)</u>
<b>EXPENDITURES:</b>				
Public Safety	-	-	5,681	(5,681)
Highways & Streets	-	-	-	-
Culture and Recreation	-	-	3,718	(3,718)
Capital Outlay	4,696,000	4,696,000	928,532	3,767,468
Total Expenditures	<u>4,696,000</u>	<u>4,696,000</u>	<u>937,931</u>	<u>3,758,069</u>
Excess of Revenues Over (Under) Expenditures	(20,000)	(20,000)	15,525	35,525
Other Financing Sources (Uses):				
Transfer to General Fund	-	-	(7,027)	7,027
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(7,027)</u>	<u>7,027</u>
Net change in fund balance	(20,000)	(20,000)	8,498	42,552
Fund balance, beginning of year	51,839	51,839	51,839	-
Fund balance, end of year	<u>\$ 11,839</u>	<u>\$ 11,839</u>	<u>\$ 60,337</u>	<u>\$ 92,131</u>

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

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**Capital Projects Funds**

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

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

**Component Unit**

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

**CITY OF WILLIAMS, ARIZONA**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2013**

	<u>Capital Project Funds</u>		Total Non-major Governmental Funds
	North Side Sewer	Greater Arizona Development Authority	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,882	\$ 527,150	\$ 537,032
Total assets	<u>\$ 9,882</u>	<u>\$ 527,150</u>	<u>\$ 537,032</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Due to Other Funds	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted for:			
Capital projects	<u>9,882</u>	<u>527,150</u>	<u>537,032</u>
Total Fund Balances	<u>9,882</u>	<u>527,150</u>	<u>537,032</u>
Total Liabilities and Fund Balances	<u>\$ 9,882</u>	<u>\$ 527,150</u>	<u>\$ 537,032</u>

**CITY OF WILLIAMS, ARIZONA**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2013**

	<u>Capital Project Funds</u>		Total Non-major Governmental Funds
	<u>North Side Sewer</u>	<u>Greater Arizona Development Authority</u>	
<b>REVENUES</b>			
Special assessments	\$ 81,626	\$ -	\$ 81,626
Interest	-	1,658	1,658
Total revenues	<u>81,626</u>	<u>1,658</u>	<u>83,284</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,000	-	1,000
Capital outlay	-	-	-
Total expenditures	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Excess of revenues over (under) expenditures	<u>80,626</u>	<u>1,658</u>	<u>82,284</u>
Other financing sources (uses):			
Transfers in	9,016	-	9,016
Transfers out	<u>(79,760)</u>	<u>-</u>	<u>(79,760)</u>
Total other financing sources (uses)	<u>(70,744)</u>	<u>-</u>	<u>(70,744)</u>
Net change in fund balances	9,882	1,658	11,540
Fund balances, beginning of year	<u>-</u>	<u>525,492</u>	<u>525,492</u>
Fund balances, end of year	<u>\$ 9,882</u>	<u>\$ 527,150</u>	<u>\$ 537,032</u>

**CITY OF WILLIAMS, ARIZONA**  
**NORTH SIDE SEWER**  
**CAPITAL PROJECTS FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Special assessments	\$ 125,000	\$ 125,000	\$ 81,626	\$ (43,374)
Total revenues	125,000	125,000	81,626	(43,374)
<b>EXPENDITURES:</b>				
General government:				
Service, supplies and other	-	-	1,000	(1,000)
Capital Outlay	325,500	325,500	-	325,500
Total expenditures	325,500	325,500	1,000	324,500
Excess of revenues over (under) expenditures	(200,500)	(200,500)	80,626	281,126
Other financing sources (uses):				
Transfer from General Fund	-	-	9,016	9,016
Transfer to debt service fund	-	-	(79,760)	(79,760)
Total other financing sources (uses)	-	-	(70,744)	(70,744)
Net change in fund balance	(200,500)	(200,500)	9,882	210,382
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ (200,500)	\$ (200,500)	\$ 9,882	\$ 210,382

**CITY OF WILLIAMS, ARIZONA**  
**GREATER ARIZONA DEVELOPMENT AUTHORITY**  
**CAPITAL PROJECTS FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Interest earnings	\$ -	\$ -	\$ 1,658	\$ 1,658
Total revenues	-	-	1,658	1,658
<b>EXPENDITURES:</b>				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess of revenues over (under) expenditures	-	-	1,658	1,658
Fund balance, beginning of year	525,492	525,492	525,492	-
Fund balance, end of year	<u>\$ 525,492</u>	<u>\$ 525,492</u>	<u>\$ 527,150</u>	<u>\$ 1,658</u>

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Net Position**  
**Component Unit**  
**June 30, 2013**

	<u>Williams Housing Authority</u>
<b>Assets</b>	
Current Assets:	
Cash	\$ 174,250
Receivables (net of allowance)	9,345
Prepays	2,302
Total Current Assets	<u>185,897</u>
Noncurrent Assets:	
Land and improvements	481,979
Buildings and improvements	1,894,207
Other improvements	212,107
Furniture, equipment, vehicles	132,043
Accumulated depreciation	<u>(1,233,116)</u>
Total noncurrent assets	<u>1,487,220</u>
<b>Total Assets</b>	<u>\$ 1,673,117</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	\$ 34,521
Accrued liabilities	8,716
Customer deposits	160
Total Current Liabilities	<u>43,397</u>
Long-Term Debt (net of current portion):	
Accrued vacation	<u>9,572</u>
Total Long-Term Debt	<u>9,572</u>
Total Liabilities	<u>52,969</u>
<b>Net Position</b>	
Net investment in capital assets	1,487,220
Restricted	-
Unrestricted	<u>132,928</u>
Total Net Position	<u>\$ 1,620,148</u>

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Activities**  
**Component Unit**  
**For the Year Ended June 30, 2013**

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	Williams Housing Authority
<b>Expenses:</b>	
Health and Welfare:	\$ 532,649
Total Expenses	532,649
<b>Program Revenues:</b>	
Charges for services	64,220
Operating grants and contributions	370,624
Net (Expense) Revenue	(97,805)
<b>General Revenues:</b>	
Interest income	30
Gain/(loss) on sale of equipment	-
Total general revenues and transfers	30
<b>Change in net position</b>	(97,775)
Total net position, beginning of year	1,717,923
<b>Total net position, end of year</b>	\$ 1,620,148

**SINGLE AUDIT SECTION**

MEMBERS:

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

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

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

The Honorable Mayor and  
City Council  
City of Williams, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williams, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Williams's basic financial statements and have issued our report thereon dated January 20, 2014.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and recommendations that we consider to be a material weakness.

11-1 Year End Accounting and Financial Statement Controls

## **Compliance and Other Matters**

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

We noted certain other matters that we have reported to the management of the City of Williams in a separate letter dated January 20, 2014.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC

Flagstaff, AZ

January 20, 2014

MEMBERS:

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

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

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

The Honorable Mayor and  
City Council  
Williams, Arizona

We have audited the basic financial statements of the City of Williams, Arizona for the year ended June 30, 2013, and have issued our report thereon dated January 20, 2014. Our audit also included test work on the City of Williams's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

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

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

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

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

In our opinion, the City of Williams complied, in all material respects, with the requirements identified above for the year ended June 30, 2013.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

  
HintonBurdick, PLLC  
Flagstaff, AZ  
January 20, 2014

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**CITY OF WILLIAMS, ARIZONA**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2013**

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
<b>U.S. Department of Housing and Urban Development</b>			
<b>Passed through Arizona Department of Housing</b>			
Community Development Block Grant	14.228		\$ 233,757
Low Rent	14.850		71,638
Section 8 Housing Choice Vouchers	14.871		259,949
Public Housing Capital Fund	14.872		39,600
Total U.S. Department of Housing			<u>604,944</u>
<b>U.S. Department of Transportation</b>			
<b>Passed through Arizona Department of Transportation:</b>			
Airport Improvement Program	20.106	3-04-0050-23	556,437
Highway Planning and Construction	20.205	TEA-WIL-O-002A	28,583
<b>Passed through Arizona Governor's Office of Highway Safety:</b>			
State and Community Highway Safety	20.600	2012AL053	132
State and Community Highway Safety	20.600	2012PT055	1,376
State and Community Highway Safety	20.600	2013PT031	2,542
State and Community Highway Safety	20.600	2013AL038	457
State and Community Highway Safety	20.600	2013PT031	938
State and Community Highway Safety	20.600	2013EM003	11,820
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2013164030	28,116
Total U.S. Department of Transportation			<u>630,400</u>
Total expenditure of federal awards			<u><u>\$ 1,235,344</u></u>

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

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MEMBERS:

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**Independent Auditors' Report on Compliance for Each  
Major Program and on Internal Control  
over Compliance Required by OMB Circular A-133**

Honorable Mayor and  
City Council  
Williams, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited the City of Williams, Arizona's compliance with the types of compliance requirements described in the *(OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Williams, Arizona's major federal programs for the year ended June 30, 2013. The City of Williams, Arizona's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of Williams, Arizona's major federal programs. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Williams, Arizona's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of Williams, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

Management of the City of Williams, Arizona is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City of Williams, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Williams, Arizona's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
HintonBurdick, PLLC  
Flagstaff, AZ  
January 20, 2014

**CITY OF WILLIAMS, ARIZONA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

**Section I - Summary of Auditors' Results**

Financial Statements

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

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

Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal Control over major programs:

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

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

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

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
14.228	Community Development Block Grant

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

Auditee qualified as low-risk auditee?  yes  no

**CITY OF WILLIAMS, ARIZONA**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2013**

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**Section II - Financial Statement Findings**

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**Material Weakness:**

11-1. Year End Accounting and Financial Statement Controls, Prior Year Reworded, Reissued

Finding

During our audit we made recommendations for various journal entries that were not initially identified by the City's internal controls that were necessary to make accruals, record capital asset and debt activity, and other miscellaneous corrections. We also noted that bank reconciliations and various subsidiary ledgers such as accounts receivable had not been reconciled on a timely basis. Management is aware of the need to reconcile accounts and post journal entries on a monthly basis. We understand that this was mainly due to staffing shortages and changes within the finance department. Statement on Auditing Standards No. 115 (SAS 115) indicates that the identification by the auditor of such misstatements in the financial statements combined with untimely reconciliations may be a material weakness in the City's internal controls.

SAS 115 also indicates that it may be a deficiency in the City's internal controls when the City does not have sufficient controls over the financial reporting process or the expertise to select and apply generally accepted accounting principles. It is our opinion that the City may lack a certain level of controls or expertise in the preparation of the City's financial statements and related notes to the financial statements.

Recommendation

We recommend that management review the journal entries and discuss them with us to ensure you agree with the entries, and understand the purpose and underlying accounting principles associated with each entry and that management continue its efforts to record all year-end adjustments and perform necessary reconciliations in a timely manner.

We also recommend that management establish a financial statement review process and prepare a financial statement checklist and disclosure checklist that we can provide in order to elevate the level of understanding and involvement with the financial statements.

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**Section III - Federal Award Findings and Questioned Costs**

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No significant matters were noted.

**CITY OF WILLIAMS, ARIZONA  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013**

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**Section IV - Summary of Prior Year Findings and Questioned Costs**

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No significant matters were noted.