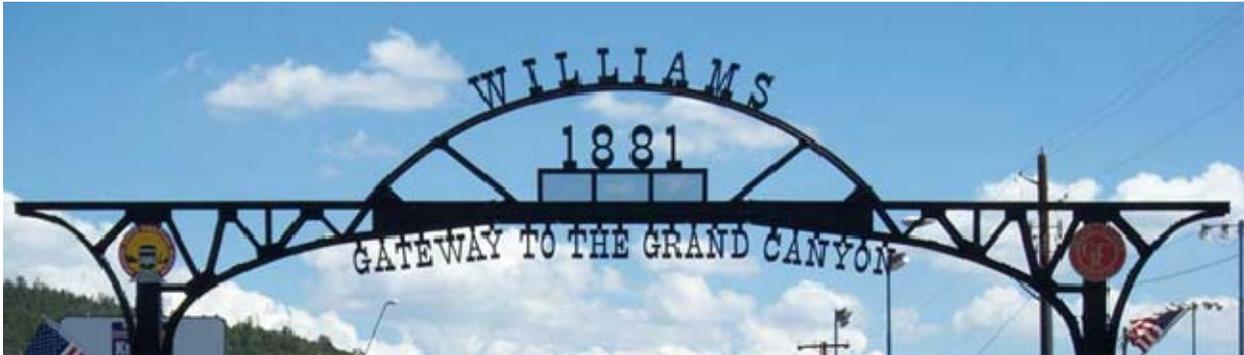


# **CITY OF WILLIAMS, ARIZONA**



## **FINANCIAL STATEMENTS**

**FISCAL YEAR ENDED JUNE 30, 2014**

**WITH REPORT OF**

**CERTIFIED PUBLIC ACCOUNTANTS**

**CITY OF WILLIAMS, ARIZONA**

**TABLE OF CONTENTS**

**Financial Section:**

Report of Certified Public Accountants ..... 1

Management’s Discussion and Analysis..... 5

Basic Financial Statements:

Government-wide Financial Statements:

    Statement of Net Position ..... 14

    Statement of Activities..... 15

Fund Financial Statements:

    Balance Sheet - Governmental Funds ..... 16

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

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

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

    Statement of Net Position - Proprietary Funds ..... 20

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

    Statement of Cash Flows - Proprietary Funds ..... 22

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

    Statement of Changes in Fiduciary Net Position - Pension Fund ..... 24

    Notes to the Financial Statements ..... 25

Required Supplementary Information – Public Safety Personnel Retirement System ..... 54

Required Supplementary Information - Individual Fund Schedules:

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

**CITY OF WILLIAMS, ARIZONA**

**TABLE OF CONTENTS, CONTINUED**

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Debt Service Fund.....	58
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Highway User Special Revenue Fund .....	59
<b>Supplementary Information – Combining and Individual Fund Schedules:</b>	
Combining Balance Sheet – Non-Major Governmental Funds .....	61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds.....	62
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Grants Special Revenue Fund.....	63
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects Funds .....	64
Statement of Net Position – Component Unit.....	66
Statement of Activities - Component Unit.....	67
<b>Other Communications from Independent Auditor:</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	69
Report on Compliance with State Laws and Regulations .....	71

**FINANCIAL SECTION**

*This page intentionally left blank*

## 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, 2014, 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, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, 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 combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2015, 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 5, 2015

*This page intentionally left blank*

**CITY OF WILLIAMS, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2014**

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, 2014. 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 \$37.5 million. This amount is comprised of \$34.4 million in net investment in capital assets, \$1.9 million of restricted net position and \$1.2 million in unrestricted net position.
- Governmental net position decreased by \$282,900 and Business-Type net position decreased by \$66,468.
- Total City Sales tax revenue increased by 12.35 percent from last year and still is the single largest revenue in the budget.
- Improvements totaling \$1.49 million were made to the City's capital assets.
- Total debt service payments, including interest expense, were approximately \$5.4 million, of which \$2.7 million related to the refunding of the 2003 GADA revenue bonds, leaving approximately \$23 million in total outstanding debt at the close of the year.
- The General Fund's unassigned fund balance decreased by \$125,148 to \$817,189. The unassigned fund balance represents 16% of total General Fund expenditures for the fiscal year.
- Other governmental fund balances increased by \$986,458 to \$1,588,495, of which \$722,118 is restricted, \$481,398 is committed and \$384,979 is committed.

**USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

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

### **Fund Financial Statements**

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

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included on 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 \$37.4 million as of June 30, 2014 as shown in the following condensed statement of net position.

### City of Williams Statement of Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Current and other assets	\$ 2,867,630	\$ 2,135,905	\$ 1,474,376	\$ 1,216,917	\$ 4,342,006	\$ 3,352,822
Capital assets	21,214,517	22,604,456	35,870,490	36,670,796	57,085,007	59,275,252
Total assets	<u>24,082,147</u>	<u>24,740,361</u>	<u>37,344,866</u>	<u>37,887,713</u>	<u>61,427,013</u>	<u>62,628,074</u>
Long-term liabilities outstanding	3,815,854	4,068,253	17,365,706	17,991,637	21,181,560	22,059,890
Other liabilities	795,413	918,328	2,004,421	1,854,869	2,799,834	2,773,197
Total liabilities	<u>4,611,267</u>	<u>4,986,581</u>	<u>19,370,127</u>	<u>19,846,506</u>	<u>23,981,394</u>	<u>24,833,087</u>
Net position:						
Net investment in capital assets	17,117,410	17,616,036	17,282,125	17,495,397	34,399,535	35,111,433
Restricted	722,119	602,037	1,161,131	995,819	1,883,250	1,597,856
Unrestricted	<u>1,631,351</u>	<u>1,535,707</u>	<u>(468,517)</u>	<u>(450,009)</u>	<u>1,162,834</u>	<u>1,085,698</u>
Total net position	<u>\$19,470,880</u>	<u>\$19,753,780</u>	<u>\$17,974,739</u>	<u>\$18,041,207</u>	<u>\$37,445,619</u>	<u>\$37,794,987</u>

The City has \$61,427,013 in total assets, with \$57,085,007 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**

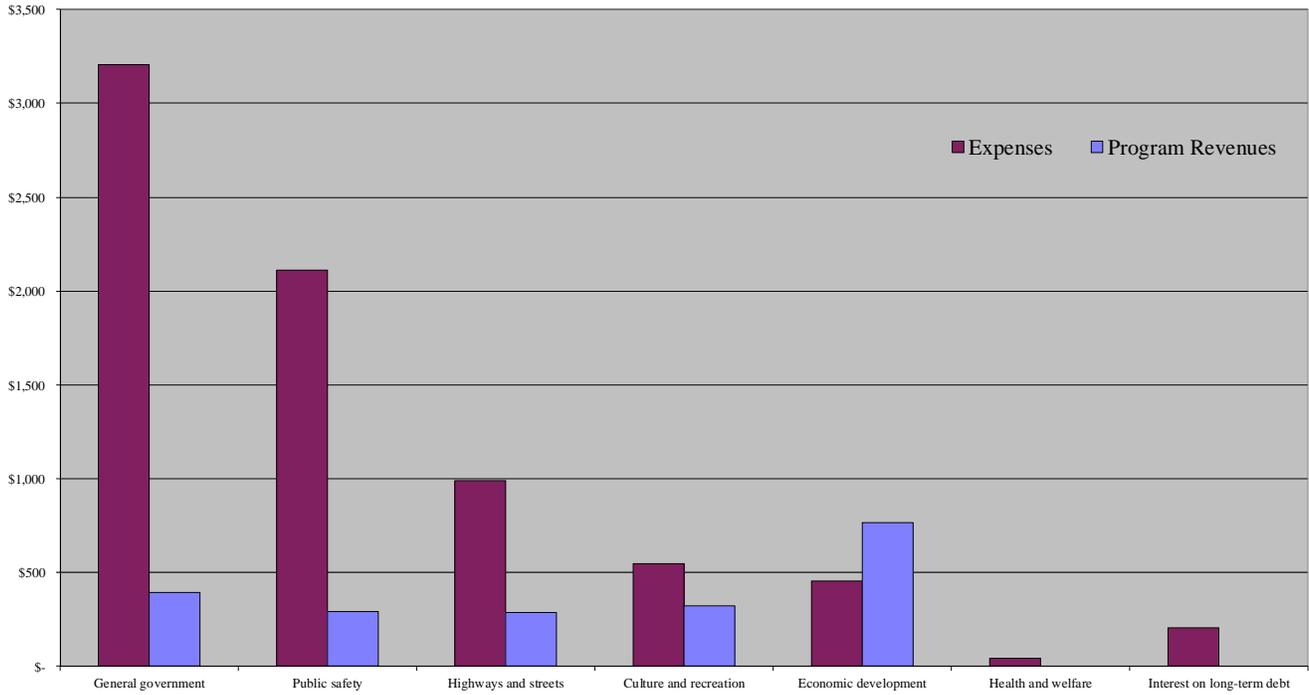
	Governmental activities		Business-type activities		Total	
	6/30/2014	6/30/2013	6/30/2014	6/30/2013	6/30/2014	6/30/2013
Revenues:						
Program revenues:						
Charges for services	\$ 454,850	\$ 427,182	\$ 6,943,350	\$ 6,858,936	\$ 7,398,200	\$ 7,286,118
Operating grants and contributions	1,522,492	1,383,899	-	-	1,522,492	1,383,899
Capital grants and contributions	84,271	862,632	467,985	77,785	552,256	940,417
General revenues:						
Property taxes	750,245	798,431	-	-	750,245	798,431
Sales taxes	3,928,886	3,496,853	-	-	3,928,886	3,496,853
State and other taxes	484,851	449,862	-	-	484,851	449,862
Other	2,302	31,290	11,335	12,925	13,637	44,215
Total revenues	<u>7,227,897</u>	<u>7,450,149</u>	<u>7,422,670</u>	<u>6,949,646</u>	<u>14,650,567</u>	<u>14,399,795</u>
Expenses:						
General government	3,204,550	2,829,821	-	-	3,204,550	2,829,821
Public safety	2,112,558	1,977,703	-	-	2,112,558	1,977,703
Highways and streets	992,557	1,070,091	-	-	992,557	1,070,091
Culture and recreation	546,862	567,067	-	-	546,862	567,067
Economic development	453,349	449,855	-	-	453,349	449,855
Health and welfare	44,175	23,424	-	-	44,175	23,424
Interest on long-term debt	205,056	222,697	-	-	205,056	222,697
Electric	-	-	2,209,876	2,116,589	2,209,876	2,116,589
Water & Sewer	-	-	3,861,591	3,112,720	3,861,591	3,112,720
Golf Course	-	-	704,582	551,962	704,582	551,962
Sanitation	-	-	664,779	712,080	664,779	712,080
Total expenses	<u>7,559,107</u>	<u>7,140,658</u>	<u>7,440,828</u>	<u>6,493,351</u>	<u>14,999,935</u>	<u>13,634,009</u>
(Decrease)/Increase in net assets before transfers	(331,210)	309,491	(18,158)	456,295	(349,368)	765,786
Transfers	48,310	(84,000)	(48,310)	84,000	-	-
(Decrease)/Increase in net assets	(282,900)	225,491	(66,468)	540,295	(349,368)	765,786
Net position, beginning	19,753,780	19,528,289	18,041,207	17,868,468	37,794,987	37,396,757
Prior period adjustment	-	-	-	(367,556)	-	(367,556)
Net position, ending	<u>\$19,470,880</u>	<u>\$19,753,780</u>	<u>\$17,974,739</u>	<u>\$18,041,207</u>	<u>\$37,445,619</u>	<u>\$37,794,987</u>

The cost of all governmental activities this year was \$7,559,107 as shown in the schedule of Changes in Net Position above. \$454,850 of this cost was paid for by those who directly benefited from the programs. \$1,606,763 was subsidized by grants received from other governmental organizations for both capital and operating activities. General taxes, Urban Revenue Sharing and investment earnings totaled \$5,166,284.

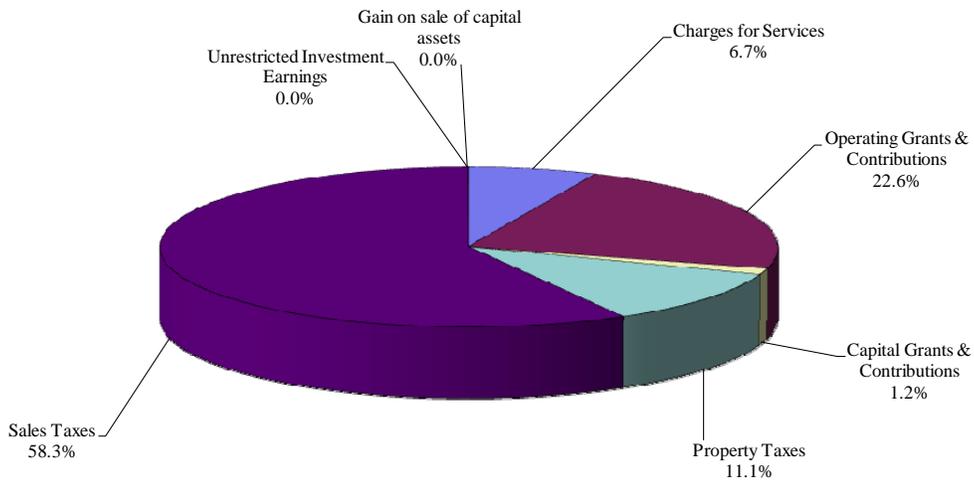
Total resources available during the year to finance governmental operations were \$26.98 million consisting of Net position at July 1, 2013 of \$19.8 million, program revenues of \$2.1 million and General Revenues of \$5.17 million. Total Governmental Activities during the year were \$7.6 million; thus Governmental Net Position was decreased by \$0.3 million to \$19.5 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)



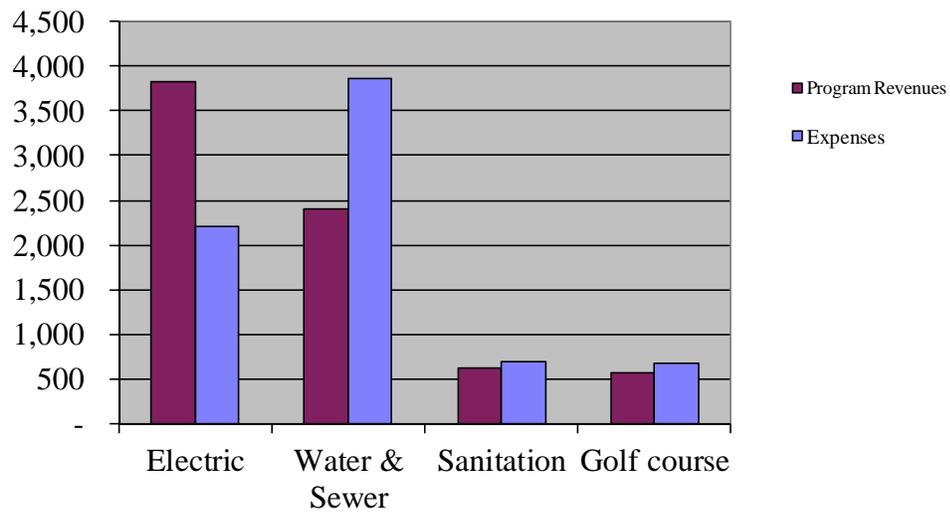
**Revenue By Source - Governmental Activities**



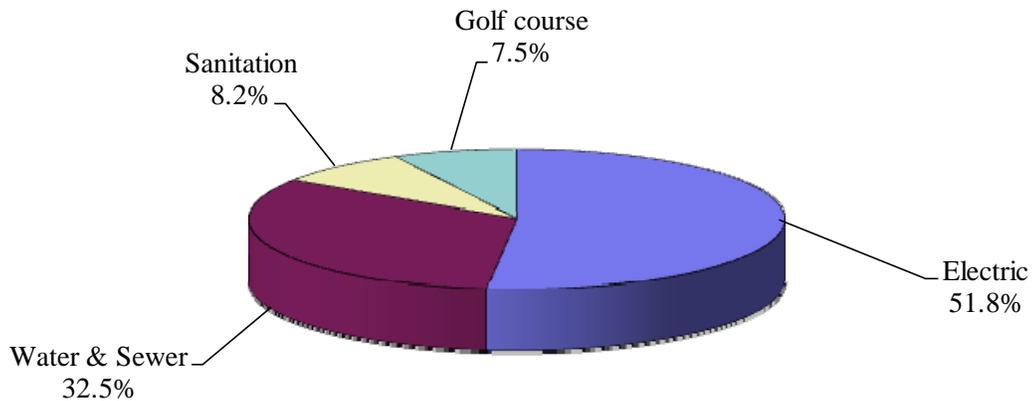
## Business Type Activities

Net position of the Business Type activities at June 30, 2014, as reflected in the Statement of Net Position was \$18 million. The cost of providing all Proprietary (Business Type) activities this year was \$7.4 million, including interest expense of \$781,565. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$6.9 million and there was \$467,985 subsidized by capital grants and contributions. Interest earnings and other revenues were \$11,335. Net Position decreased by \$66,468.

**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 \$2.53 million, an increase of \$871,531 in comparison with the prior year. Approximately, 32% of this total amount or \$817,189 constitutes unassigned fund balance, which is available for new spending at the government's discretion. The remainder of the fund balance is restricted, committed or assigned because it has already been committed 1) to pay debt service, 2) to pay for capital improvements or 3) for a variety of other restricted purposes.

The general fund is the chief operating fund of the City of Williams. At the end of the current fiscal year, total fund balance in the general fund was \$1,604,105, of which \$817,189 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 16% and 31% respectively of total general fund expenditures. During the year, the City of Williams's general fund balance increased by \$550,888.

The debt service fund balance decreased from \$4,668 to \$1,043. The entire debt service fund balance is restricted for future debt service.

Highway User fund expenditures of \$481,677 were funded by Highway User revenues of \$282,829, City Sales Tax of \$293,696 and transfers in from other funds of \$227,000 which resulted in a fund balance of \$306,876.

The non-major fund balance of \$610,027 consists mainly of \$527,150 held in the Greater Arizona Development Authority fund which is all restricted for capital projects. There was no change in this fund balance from the prior year.

### **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 \$6,392,825 were more than the budget of \$6,284,445 by \$108,380 mainly due to library equity funds that were received. Actual expenditures of \$5,162,169 were \$321,388 less than budgeted expenditures of \$5,483,557. The most significant variance was from an increased budget amount for capital outlay. 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 2014, net capital assets of the government activities totaled \$21.2 million and the net capital assets of the business-type activities totaled \$35.9 million. Combined capital assets additions were \$1.3 million for fiscal year 2014 consisting of: \$541 thousand added to the City's infrastructure, and \$849 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 \$4.3 million in governmental type debt, and \$18.6 million in business-type debt. During the current fiscal year the City issued the GADA Revenue Bonds, Series 2014 to refund the GADA Revenue Bonds, Series 2003. The refunding along with regularly scheduled debt service payments resulted in a net decrease in total long-term debt of \$647,082. (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 2014/2015, 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 2013/2014.

## **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, 2014**

	<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	\$ 1,431,289	\$ 391,859	\$ 1,823,148	\$ 163,063
Receivables (net of allowance)	510,041	576,699	1,086,740	12,062
Internal balances	805,200	(805,200)	-	-
Prepays	66,170	8,143	74,313	2,385
Inventory	54,930	-	54,930	-
Temporarily restricted assets:				
Cash and cash equivalents	-	1,302,875	1,302,875	-
Capital assets (net of accumulated depreciation):				
Land and improvements	330,932	100,000	430,932	481,979
Buildings and improvements	5,358,643	3,276,666	8,635,309	897,900
System and other improvements	9,210,635	31,343,202	40,553,837	33,705
Furniture, equipment and vehicles	1,019,764	878,263	1,898,027	3,017
Infrastructure	5,141,804	-	5,141,804	-
Construction in progress	152,739	272,359	425,098	-
Total Assets	<u>24,082,147</u>	<u>37,344,866</u>	<u>61,427,013</u>	<u>1,594,111</u>
<b>Liabilities</b>				
Accounts payable and other current liabilities	314,500	727,034	1,041,534	33,241
Unearned revenue	-	-	-	33
Interest payable	-	1,723	1,723	-
Noncurrent liabilities:				
Due within one year	480,913	1,275,664	1,756,577	-
Due in more than one year	3,815,854	17,365,706	21,181,560	7,811
Total Liabilities	<u>4,611,267</u>	<u>19,370,127</u>	<u>23,981,394</u>	<u>41,085</u>
<b>Net Position</b>				
Net investment in capital assets	17,117,410	17,282,125	34,399,535	1,416,601
Restricted for:				
Debt service	1,043	-	1,043	-
Capital projects	716,342	-	716,342	-
Other purposes	4,734	1,161,131	1,165,865	-
Unrestricted	1,631,351	(468,517)	1,162,834	136,425
Total Net Position	<u>\$ 19,470,880</u>	<u>\$ 17,974,739</u>	<u>\$ 37,445,619</u>	<u>\$ 1,553,026</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, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>								
Governmental activities:								
General government	\$ 3,204,550	\$ 247,719	\$ 77,539	\$ 67,151	\$ (2,812,141)	\$ -	\$ (2,812,141)	\$ -
Public safety	2,112,558	165,937	119,554	6,480	(1,820,587)	-	(1,820,587)	-
Highways and streets	992,557	-	282,857	6,200	(703,500)	-	(703,500)	-
Culture and recreation	546,862	41,194	278,136	4,440	(223,092)	-	(223,092)	-
Economic development	453,349	-	764,406	-	311,057	-	311,057	-
Health and welfare	44,175	-	-	-	(44,175)	-	(44,175)	-
Interest on long-term debt	205,056	-	-	-	(205,056)	-	(205,056)	-
Total governmental activities	7,559,107	454,850	1,522,492	84,271	(5,497,494)	-	(5,497,494)	-
Business-type activities:								
Electric	2,209,876	3,838,494	-	-	-	1,628,618	1,628,618	-
Water & Sewer	3,861,591	1,939,384	-	467,985	-	(1,454,222)	(1,454,222)	-
Sanitation	680,281	610,686	-	-	-	(69,595)	(69,595)	-
Golf course	664,779	554,786	-	-	-	(109,993)	(109,993)	-
Total business-type activities	7,416,527	6,943,350	-	467,985	-	(5,192)	(5,192)	-
Total primary government	14,975,634	7,398,200	1,522,492	552,256	(5,497,494)	(5,192)	(5,502,686)	-
<b>Component Unit:</b>								
Housing Authority	512,437	55,618	389,693	-	-	-	-	(67,126)
General Revenues:								
Property taxes levied for general purposes					750,245	-	750,245	-
Sales taxes					3,928,886	-	3,928,886	-
State urban revenues and other taxes - Unrestricted					484,851	-	484,851	-
Unrestricted investment earnings					2,302	11,335	13,637	4
Loss on disposal of capital assets					-	(24,301)	(24,301)	-
Transfers					48,310	(48,310)	-	-
Total general revenues & transfers					5,214,594	(61,276)	5,153,318	4
Change in net position					(282,900)	(66,468)	(349,368)	(67,122)
Net position - beginning					19,753,780	18,041,207	37,794,987	1,620,148
Net position - ending					\$ 19,470,880	\$ 17,974,739	\$ 37,445,619	\$ 1,553,026

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

**CITY OF WILLIAMS, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2014**

<b>ASSETS</b>	<u>General</u>	<u>Debt Service</u>	<u>Highway User Special Revenue</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and cash equivalents	\$ 819,666	\$ -	\$ -	\$ 611,623	\$ 1,431,289
Receivables:					
Property Taxes	26,345	-	-	-	26,345
Other	49,573	-	-	-	49,573
Intergovernmental	400,124	-	27,911	6,088	434,123
Due from other funds	822,006	1,043	306,876	-	1,129,925
Inventory	54,930	-	-	-	54,930
Prepaid items	66,170	-	-	-	66,170
<b>Total Assets</b>	<b><u>\$ 2,238,814</u></b>	<b><u>\$ 1,043</u></b>	<b><u>\$ 334,787</u></b>	<b><u>\$ 617,711</u></b>	<b><u>\$ 3,192,355</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 129,047	\$ -	\$ 6,509	\$ 1,630	\$ 137,186
Accrued Liabilities	168,396	-	5,918	-	174,314
Customer Deposits and Construction Advances	3,000	-	-	-	3,000
Due to Other Funds	307,921	-	15,484	1,320	324,725
<b>Total Liabilities</b>	<b><u>608,364</u></b>	<b><u>-</u></b>	<b><u>27,911</u></b>	<b><u>2,950</u></b>	<b><u>639,225</u></b>
Deferred Inflows of Resources:					
Unavailable Revenue	26,345	-	-	-	26,345
<b>Total Deferred Inflows</b>	<b><u>26,345</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>26,345</u></b>
Fund Balances:					
Nonspendable:					
Inventory	54,930	-	-	-	54,930
Prepaid items	66,170	-	-	-	66,170
Restricted for:					
Public safety	-	-	-	4,734	4,734
Capital projects	106,315	-	-	610,027	716,342
Debt service	-	1,043	-	-	1,043
Committed:					
Highways & Streets	-	-	306,876	-	306,876
Economic development	170,602	-	-	-	170,602
Court enhancements	3,920	-	-	-	3,920
Assigned:					
Capital projects	312,134	-	-	-	312,134
Other items	72,845	-	-	-	72,845
Unassigned	817,189	-	-	-	817,189
<b>Total Fund Balances</b>	<b><u>1,604,105</u></b>	<b><u>1,043</u></b>	<b><u>306,876</u></b>	<b><u>614,761</u></b>	<b><u>2,526,785</u></b>
<b>Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b><u>\$ 2,238,814</u></b>	<b><u>\$ 1,043</u></b>	<b><u>\$ 334,787</u></b>	<b><u>\$ 617,711</u></b>	<b><u>\$ 3,192,355</u></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, 2014**

---

Total governmental fund balances \$ 2,526,785

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	\$ 66,010,319	
Accumulated depreciation	<u>(44,795,802)</u>	
		21,214,517

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.

26,345

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

Bonds payable	\$ (3,530,635) *	
Capital leases payable	(42,699)	
Notes payable	(523,773)	
Compensated absences	<u>(199,660)</u>	
		(4,296,767)

Total net position of governmental activities	\$ 19,470,880
---	---------------

\* 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, 2014**

<b>REVENUES</b>	General	Debt Service	Highway User Special Revenue	Non-major Governmental Funds	Total Governmental Funds
Taxes	\$ 4,777,252	\$ -	\$ -	\$ -	\$ 4,777,252
Licenses, Permits and Fees	104,070	-	-	-	104,070
Intergovernmental Revenue	858,438	-	576,525	268,721	1,703,684
Charges for Services	336,066	-	-	-	336,066
Fines and Forfeitures	31,980	-	-	-	31,980
Special Assessments	-	-	-	152,851	152,851
Interest	2,302	-	-	-	2,302
Other Revenues	282,717	-	28	6,622	289,367
<b>Total Revenues</b>	<b>6,392,825</b>	<b>-</b>	<b>576,553</b>	<b>428,194</b>	<b>7,397,572</b>
<b>EXPENDITURES</b>					
Current:					
General Government	2,248,288	-	-	2,010	2,250,298
Public Safety	1,940,970	-	-	53,773	1,994,743
Highways & Streets	-	-	444,737	-	444,737
Culture and Recreation	469,827	-	-	-	469,827
Economic Development	454,642	-	-	-	454,642
Health & Welfare	38,844	-	-	-	38,844
Capital Outlay	9,598	-	36,940	281,183	327,721
Debt Service:					
Principal	-	394,669	-	-	394,669
Interest	-	202,537	-	-	202,537
<b>Total Expenditures</b>	<b>5,162,169</b>	<b>597,206</b>	<b>481,677</b>	<b>336,966</b>	<b>6,578,018</b>
Excess of Revenues Over (Under) Expenditures					
	1,230,656	(597,206)	94,876	91,228	819,554
Other Financing Sources (Uses):					
Refunding bonds issued	-	195,635	-	-	195,635
Debt Issuance Costs	-	(2,519)	-	-	(2,519)
Payment to refunded bond escrow agent	-	(189,450)	-	-	(189,450)
Transfers in	209,942	589,915	227,000	99,123	1,125,980
Transfers out	(889,710)	-	(15,000)	(172,959)	(1,077,669)
<b>Total Other Financing Sources (Uses)</b>	<b>(679,768)</b>	<b>593,581</b>	<b>212,000</b>	<b>(73,836)</b>	<b>51,977</b>
Net change in fund balances	550,888	(3,625)	306,876	17,392	871,531
Fund balances, beginning of year	1,053,217	4,668	-	597,369	1,655,254
Fund balances, end of year	<u>\$ 1,604,105</u>	<u>\$ 1,043</u>	<u>\$ 306,876</u>	<u>\$ 614,761</u>	<u>\$ 2,526,785</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, 2014**

---

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

Net change in fund balances - total governmental funds	\$	871,531
<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	\$	461,935
Depreciation expense		(1,851,874)
		(1,389,939)
<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>		
Refunding bonds issued		(195,635)
Repayment of long-term debt principal		584,119
<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>		
		(169,677)
<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>		
		16,701
Change in net position of governmental activities	\$	(282,900)

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

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2014**

<b>Assets</b>	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-major Golf Course Fund	Total
<b>Current Assets:</b>					
Cash	\$ 249,895	\$ 141,864	\$ 100	\$ -	\$ 391,859
Receivables (net of allowance)	348,431	126,253	50,085	26,195	550,964
Due from other governments	-	-	25,735	-	25,735
Due from other funds	2,552,345	-	-	-	2,552,345
Prepaid Expenses	6,759	-	-	1,384	8,143
Total Current Assets	<u>3,157,430</u>	<u>268,117</u>	<u>75,920</u>	<u>27,579</u>	<u>3,529,046</u>
Restricted cash	68,529	1,234,346	-	-	1,302,875
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	34,806,814	104,983	2,278,628	43,571,568
Furniture, equipment and vehicles	-	1,172,581	941,636	739,667	2,853,884
Construction in progress	-	24,643	247,716	-	272,359
Accumulated depreciation	(2,175,838)	(11,128,340)	(834,904)	(1,085,094)	(15,224,176)
Total Noncurrent Assets	<u>4,502,834</u>	<u>30,132,669</u>	<u>505,857</u>	<u>2,032,005</u>	<u>37,173,365</u>
<b>Total Assets</b>	<u><u>7,660,264</u></u>	<u><u>30,400,786</u></u>	<u><u>581,777</u></u>	<u><u>2,059,584</u></u>	<u><u>40,702,411</u></u>
<b>Liabilities</b>					
<b>Current Liabilities:</b>					
Accounts payable	215,136	324,101	30,222	15,794	585,253
Accrued liabilities	-	37	-	-	37
Interest payable	-	-	1,723	-	1,723
Customer deposits	68,529	73,215	-	-	141,744
Due to other funds	-	1,260,933	134,159	1,962,453	3,357,545
Current portion, compensated absences	-	6,798	10,965	27,291	45,054
Current portion, capital lease payable	-	-	45,725	59,545	105,270
Current portion, long-term debt	-	1,125,340	-	-	1,125,340
Total Current Liabilities	<u>283,665</u>	<u>2,790,424</u>	<u>222,794</u>	<u>2,065,083</u>	<u>5,361,966</u>
<b>Long-Term Debt (net of current portion):</b>					
Compensated absences	-	1,200	1,935	4,816	7,951
Capital lease payable	-	-	201,991	108,860	310,851
Revenue bonds payable	-	2,598,537	-	-	2,598,537
Loans payable	-	14,448,367	-	-	14,448,367
Total Long-Term Debt	<u>-</u>	<u>17,048,104</u>	<u>203,926</u>	<u>113,676</u>	<u>17,365,706</u>
Total Liabilities	<u>283,665</u>	<u>19,838,528</u>	<u>426,720</u>	<u>2,178,759</u>	<u>22,727,672</u>
<b>Net Position</b>					
Net investment in capital assets	4,434,305	10,726,079	258,141	1,863,600	17,282,125
Restricted	-	1,161,131	-	-	1,161,131
Unrestricted (deficit)	2,942,294	(1,324,952)	(103,084)	(1,982,775)	(468,517)
Total Net Position (deficit)	<u><u>\$ 7,376,599</u></u>	<u><u>\$ 10,562,258</u></u>	<u><u>\$ 155,057</u></u>	<u><u>\$ (119,175)</u></u>	<u><u>\$ 17,974,739</u></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, 2014**

<b>Operating Revenues</b>	Electric Fund	Water & Sewer Fund	Sanitation Fund	Non-major Golf Course Fund	Total
Charges for services	\$ 3,828,523	\$ 1,934,288	\$ 609,661	\$ 550,512	\$ 6,922,984
Other revenues	9,971	5,096	1,025	4,274	20,366
<b>Total Operating Revenues</b>	<b>3,838,494</b>	<b>1,939,384</b>	<b>610,686</b>	<b>554,786</b>	<b>6,943,350</b>
<b>Operating Expenses</b>					
Salaries, wages and benefits	-	479,805	324,269	296,961	1,101,035
Office expenses and travel	3,000	94,920	72,039	37,983	207,942
Repairs and maintenance	11,739	187,866	3,584	95,943	299,132
Utilities	-	496,284	1,266	43,543	541,093
Legal and professional fees	25,740	96,228	829	-	122,797
Contract services	248,175	-	-	-	248,175
Miscellaneous	-	565,656	-	9,412	575,068
Purchase power	1,758,990	-	-	-	1,758,990
Rent/Lease	-	-	-	38,236	38,236
Supplies	-	182,234	30,681	39,463	252,378
Resident and tipping fees	-	-	195,854	-	195,854
Depreciation/amortization	161,659	935,500	50,036	97,804	1,244,999
<b>Total Operating Expenses</b>	<b>2,209,303</b>	<b>3,038,493</b>	<b>678,558</b>	<b>659,345</b>	<b>6,585,699</b>
Operating Income (Loss)	1,629,191	(1,099,109)	(67,872)	(104,559)	357,651
<b>Non-operating Revenues (Expenses)</b>					
Interest income	-	11,335	-	-	11,335
Interest expense and fiscal charges	(573)	(773,835)	(1,723)	(5,434)	(781,565)
Connection and impact fees	-	467,985	-	-	467,985
Gain (Loss) on disposal of capital assets	-	-	-	(24,301)	(24,301)
Issuance costs	-	(49,263)	-	-	(49,263)
<b>Total Non-Operating Revenue (Expense)</b>	<b>(573)</b>	<b>(343,778)</b>	<b>(1,723)</b>	<b>(29,735)</b>	<b>(375,809)</b>
<b>Net Income (Loss) before contributions and transfers</b>	<b>1,628,618</b>	<b>(1,442,887)</b>	<b>(69,595)</b>	<b>(134,294)</b>	<b>(18,158)</b>
Transfers in	-	1,335,000	65,000	73,258	1,473,258
Transfers out	(1,400,000)	(121,568)	-	-	(1,521,568)
<b>Net Income (Loss)</b>	<b>228,618</b>	<b>(229,455)</b>	<b>(4,595)</b>	<b>(61,036)</b>	<b>(66,468)</b>
Total net position (deficit), beginning of year	7,147,981	10,791,713	159,652	(58,139)	18,041,207
<b>Total net position (deficit), end of year</b>	<b>\$ 7,376,599</b>	<b>\$ 10,562,258</b>	<b>\$ 155,057</b>	<b>\$ (119,175)</b>	<b>\$ 17,974,739</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, 2014**

	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	\$ 3,824,125	\$ 1,976,132	\$ 621,588	\$ 566,160	\$ 6,988,005
Cash received from customers, other	9,971	5,096	1,025	4,274	20,366
Cash paid to suppliers	(2,103,154)	(1,394,049)	(302,538)	(264,993)	(4,064,734)
Cash paid to employees	(9,994)	(525,554)	(350,362)	(304,360)	(1,190,270)
Net cash flows from operating activities	<u>1,720,948</u>	<u>61,625</u>	<u>(30,287)</u>	<u>1,081</u>	<u>1,753,367</u>
<b>Cash Flows From Noncapital Financing Activities:</b>					
Proceeds/Payments from other funds	-	192,577	-	-	192,577
Proceeds/Payments to other funds	(1,951)	-	(34,713)	(14,371)	(51,035)
Transfers in	-	1,335,000	65,000	73,258	1,473,258
Transfers out	(1,400,000)	(121,568)	-	-	(1,521,568)
Net cash flows from noncapital financing activities	<u>(1,401,951)</u>	<u>1,406,009</u>	<u>30,287</u>	<u>58,887</u>	<u>93,232</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Purchase of capital assets	-	(51,143)	-	(4,826)	(55,969)
Principal paid on long-term debt	-	(950,352)	-	-	(950,352)
Principal paid on capital lease	-	-	-	(57,478)	(57,478)
Interest paid	(573)	(773,835)	-	(5,434)	(779,842)
Bond issue costs	-	(49,263)	-	-	(49,263)
Connection & impact fees	-	467,985	-	-	467,985
Proceeds from sale of capital assets	-	-	-	7,770	7,770
Net cash flows from capital and related financing activities	<u>(573)</u>	<u>(1,356,608)</u>	<u>-</u>	<u>(59,968)</u>	<u>(1,417,149)</u>
<b>Cash Flows From Investing Activities:</b>					
Interest on investments	-	11,335	-	-	11,335
Net change in Cash and Cash Equivalents	318,424	122,361	-	-	440,785
Cash and cash equivalents, including restricted cash, beginning of year	-	1,253,849	100	-	1,253,949
<b>Cash and cash equivalents, including restricted cash, end of year</b>	<u>\$ 318,424</u>	<u>\$ 1,376,210</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 1,694,734</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Net Operating Income/(Loss)	\$ 1,629,191	\$ (1,099,109)	\$ (67,872)	\$ (104,559)	\$ 357,651
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:					
Depreciation/amortization	161,659	935,501	50,037	97,804	1,245,001
Changes in operating assets and liabilities:					
(Increase)/Decrease in receivables	(23,656)	42,129	11,927	15,648	46,048
Increase/(Decrease) in prepaids	(2,881)	-	-	(1,384)	(4,265)
Increase/(Decrease) in accounts payable	(52,629)	229,138	1,714	971	179,194
Increase/(Decrease) in accrued liabilities	(9,994)	(45,749)	(26,093)	(7,399)	(89,235)
Increase/(Decrease) in deposits	19,258	(285)	-	-	18,973
Net cash provided (used) by operating activities	<u>\$ 1,720,948</u>	<u>\$ 61,625</u>	<u>\$ (30,287)</u>	<u>\$ 1,081</u>	<u>\$ 1,753,367</u>
<b>Supplemental Schedule of Non-cash Financing and Investing Activities:</b>					
Capital asset lease purchases	\$ -	\$ -	\$ 247,716	\$ 173,079	\$ 420,795

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

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

---

	<u>Volunteer Firefighters' Relief and Pension</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 473,949
Total Assets and Other Debits	<u>473,949</u>
<b>LIABILITIES</b>	
Total liabilities	<u>-</u>
<b>NET POSITION</b>	
Held in trust for pension benefits and other purposes	<u>\$ 473,949</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, 2014**

---

	<u>Volunteer Firefighters' Relief and Pension</u>
<b>ADDITIONS:</b>	
Contributions:	
Employer	\$ 8,910
Other	12,641
Plan Member	<u>18,852</u>
Total Contributions	<u>40,403</u>
Investment Income:	
Net Appreciation (Depreciation) in Fair Value of Investments	24,795
Interest Earnings (Loss)	<u>2,958</u>
Net Investment Income	<u>27,753</u>
Total Additions	<u>68,156</u>
<b>DEDUCTIONS:</b>	
Benefits	12,430
Service, Supplies and Other	<u>4,991</u>
Total Deductions	<u>17,421</u>
Net Increase (Decrease)	50,735
Net Position Held in Trust for Pension Benefits and Other Purposes	
Beginning of Year	<u>423,214</u>
End of Year	<u><u>\$ 473,949</u></u>

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

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

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

---

**Description of Government-Wide Financial Statements**

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

**Reporting Entity**

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

**Blended Component Unit:** The City of Williams Municipal Development Authority, Inc.'s (MDA) board of directors consists of three members which are appointed by the Williams City Council. The MDA, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the sole purpose of assisting the City in obtaining financing for various projects of the city. The City 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, 2014**

---

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

---

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

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

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

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

**Basis of Presentation – Fund Financial Statements**

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major proprietary funds:

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

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

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

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

---

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

Additionally, the City reports the following fund types:

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

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

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

---

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

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

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

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

***Deposits and Investments***

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

***Receivables and Payables***

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

***Inventories and Prepaid Items***

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

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

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

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

---

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City 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, 2014**

---

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

---

***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, 2014**

---

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

---

***Property Taxes***

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

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

***Compensated Absences***

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

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

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

***Use of Estimates***

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

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

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

---

**Encumbrances**

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

---

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

---

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

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

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

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

---

**Budgets and Budgetary Accounting**

Annual budgets are adopted on a basis consistent with GAAP for all governmental funds. Budgeted amounts are as originally adopted, or as amended by the City Council to June 30, 2014. 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, 2014, if any.

**Deficit Fund Equity**

The Golf Course enterprise fund reported a deficit net position of \$119,175 as of June 30, 2014. This deficit has increased by \$61,036 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, 2014**

---

**NOTE 4. Deposits and Investments**

---

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

Cash and cash equivalents	\$ 1,823,148
Restricted cash and cash equivalents	1,302,875
Agency fund monies	<u>473,949</u>
	<u><u>\$ 3,599,972</u></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, 2014 cash on hand was \$850 and the carrying amount of the City's deposits was \$671,995. As of June 30, 2014 none of the bank balance of \$672,828 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, 2014**

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

As of June 30, 2014 the government had the following deposits and investments:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
<b>Deposits:</b>			
Cash on deposit	\$ 913,018	N/A	N/A
Cash on hand	850	N/A	N/A
<b>Investments:</b>			
Local Governments Investment Pool 5 *	1,345,953	AAAF/S1+	26 days
Local Governments Investment Pool 7 *	1,161,131	AA+	29 days
U.S. Treasuries	-	AA+	< 1 year
Mutual Funds	179,020	N/A	N/A
Total cash and investments	<u>3,599,972</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, 2014**

---

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

---

**Housing Authority**

Cash and investments of the Housing Authority at June 30, 2014 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	\$ 112,244	N/A	N/A
Certificates of deposit	<u>50,819</u>	N/A	< 1 year
Total	<u><u>\$ 163,063</u></u>		

The Housing Authority's deposits as of June 30, 2014, were entirely insured by the FDIC.

---

**NOTE 5. Property Taxes Receivable**

---

Property taxes receivable in the amount of \$26,345 in the general fund consist of collected and undistributed taxes and uncollected property taxes as determined from the records of the County Treasurer's office. Unavailable revenue of \$26,345 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, 2014**

**NOTE 6. Capital Assets**

Capital asset activity for the year ended June 30, 2014 was as follows:

<b>Governmental Activities:</b>	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2014</b>
Capital assets, not being depreciated:				
Land	\$ 257,978	\$ 72,954	\$ -	\$ 330,932
Construction in progress	584,362	109,743	(541,366)	152,739
Total capital assets not being depreciated	<u>842,340</u>	<u>182,697</u>	<u>(541,366)</u>	<u>483,671</u>
Capital assets, being depreciated:				
Land Improvements	18,508,447	733,216	-	19,241,663
Buildings and Improvements	7,821,089	14,720	-	7,835,809
Infrastructure	33,689,654	-	-	33,689,654
Furniture, Equipment, Vehicles	4,686,854	72,668	-	4,759,522
Total capital assets being depreciated	<u>64,706,044</u>	<u>820,604</u>	<u>-</u>	<u>65,526,648</u>
Less accumulated depreciation for:				
Land Improvements	(9,148,418)	(882,610)	-	(10,031,028)
Buildings and Improvements	(2,270,349)	(206,817)	-	(2,477,166)
Infrastructure	(28,055,283)	(492,567)	-	(28,547,850)
Furniture, Equipment, Vehicles	(3,469,878)	(269,880)	-	(3,739,758)
Total accumulated depreciation	<u>(42,943,928)</u>	<u>(1,851,874)</u>	<u>-</u>	<u>(44,795,802)</u>
Total capital assets being depreciated, net	<u>21,762,116</u>	<u>(1,031,270)</u>	<u>-</u>	<u>20,730,846</u>
Governmental activities capital assets, net	<u>\$ 22,604,456</u>	<u>\$ (848,573)</u>	<u>\$ (541,366)</u>	<u>\$ 21,214,517</u>

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

<b>Governmental Activities:</b>	
General government	\$ 985,130
Public safety	177,483
Highways and streets	562,634
Culture and recreation	121,134
Economic development	50
Health and welfare	5,443
Total depreciation expense - governmental activities	<u>\$ 1,851,874</u>

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

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

---

Capital asset activity for the year ended June 30, 2014 was as follows:

<b>Business Type Activities:</b>	<u>Balance 6/30/2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2014</u>
Capital assets, not being depreciated:				
Land and Improvements	\$ 100,000	\$ -	\$ -	\$ 100,000
Construction in progress	7,992	277,185	(12,818)	272,359
Total capital assets not being depreciated	<u>107,992</u>	<u>277,185</u>	<u>(12,818)</u>	<u>372,359</u>
Capital assets, being depreciated:				
Buildings and Improvements	4,296,855	-	-	4,296,855
System and Other Improvements	43,558,749	12,818	-	43,571,567
Furniture, Equipment, Vehicles	2,926,915	199,579	(272,610)	2,853,884
Total capital assets being depreciated	<u>50,782,519</u>	<u>212,397</u>	<u>(272,610)</u>	<u>50,722,306</u>
Less accumulated depreciation for:				
Buildings and Improvements	(918,292)	(101,897)	-	(1,020,189)
System and Other Improvements	(11,259,847)	(968,518)	-	(12,228,365)
Furniture, Equipment, Vehicles	(2,041,576)	(174,584)	240,539	(1,975,621)
Total accumulated depreciation	<u>(14,219,715)</u>	<u>(1,244,999)</u>	<u>240,539</u>	<u>(15,224,175)</u>
Total capital assets being depreciated, net	<u>36,562,804</u>	<u>(1,032,602)</u>	<u>(32,071)</u>	<u>35,498,131</u>
Business-type activities capital assets, net	<u>\$ 36,670,796</u>	<u>\$ (755,417)</u>	<u>\$ (44,889)</u>	<u>\$ 35,870,490</u>

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

<b>Business Type Activities:</b>	
Electric	\$ 161,659
Water & sewer	935,500
Golf course	97,804
Sanitation	50,036
Total depreciation expense - business activities	<u>\$ 1,244,999</u>

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

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

---

**Component Unit, Housing Authority Activities:**

	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/2014</b>
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	(943,845)	(52,462)	-	(996,307)
Other Improvements	(163,964)	(14,437)	-	(178,401)
Furniture, Equipment, Vehicles	(125,307)	(3,720)	-	(129,027)
Total accumulated depreciation	<u>(1,233,116)</u>	<u>(70,619)</u>	<u>-</u>	<u>(1,303,735)</u>
Total capital assets being depreciated, net	<u>1,005,241</u>	<u>(70,619)</u>	<u>-</u>	<u>934,622</u>
Component Unit activities capital assets, net	<u>\$ 1,487,220</u>	<u>\$ (70,619)</u>	<u>\$ -</u>	<u>\$ 1,416,601</u>

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**NOTE 7. Capital Leases Payable**

The City has entered into four 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 June 2019, including interest at 2.6% to 4.5% and are shown as Governmental, Golf Course and Sanitation fund debt. Equipment and improvements capitalized under the capitalized leases are shown below. The following is an annual schedule of future minimum lease payments with the present value of the net minimum lease payments for the years ending June 30:

<u>June 30,</u>	<u>Governmental Debt</u>	<u>Golf Fund</u>	<u>Sanitation</u>	<u>Total</u>
2015	36,748	64,306	53,816	154,870
2016	7,240	39,827	53,816	100,883
2017	-	37,613	53,816	91,429
2018	-	66,520	53,816	120,336
2019	-	-	53,816	53,816
Total remaining lease payments	<u>43,988</u>	<u>208,266</u>	<u>269,080</u>	<u>521,334</u>
Less amount representing interest	<u>(1,289)</u>	<u>(39,861)</u>	<u>(21,364)</u>	<u>(62,514)</u>
Present value of net remaining minimum lease payments	<u>\$ 42,699</u>	<u>\$ 168,405</u>	<u>\$ 247,716</u>	<u>\$ 458,820</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	\$ 283,179
<b>Enterprise Funds:</b>		
Furniture, Equipment & Vehicles	\$ 270,028	\$ 68,553
Construction in Progress	247,716	-

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**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, 2014.

<b>Governmental Activities:</b>	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 6/30/2014</b>	<b>Current Portion</b>
Accrued Compensated Absences	\$ 216,361	\$ 113,462	\$ (130,163)	\$ 199,660	\$ 169,711
Capital Leases	99,275	-	(56,576)	42,699	35,541
Total other long-term debt	315,636	113,462	(186,739)	242,359	205,252
<b>Revenue Bonds:</b>					
GADA Revenue Bonds, Series 2003	189,450	-	(189,450)	-	-
GADA Revenue Bonds, Series 2005	1,035,000	-	(70,000)	965,000	70,000
GADA Revenue Bonds, Series 2008	2,490,000	-	(120,000)	2,370,000	125,000
GADA Revenue Bonds, Series 2014	-	173,460	-	173,460	-
Premium	-	22,175	-	22,175	1,478
Total Revenue Bonds	3,714,450	195,635	(379,450)	3,530,635	196,478
<b>Loans Payable</b>					
Zion's Bank Loan - 2010	596,865	-	(73,092)	523,773	79,183
Total Loans Payable	596,865	-	(73,092)	523,773	79,183
<b>Special Assessment Debt with Government Commitment:</b>					
North side Sewer Improvement District No. 2 Improvement Bonds	75,000	-	(75,000)	-	-
Total Governmental Debt	<u>\$ 4,701,951</u>	<u>\$ 309,097</u>	<u>\$ (714,281)</u>	<u>\$ 4,296,767</u>	<u>\$ 480,913</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, 2014**

**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, 2014.

<b>Business-type Activities:</b>	<b>Balance 6/30/2013</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance 6/30/2014</b>	<b>Current Portion</b>
<b>Revenue Bonds:</b>					
GADA Revenue Bonds, Series 2003	\$ 2,535,550	\$ -	\$ (2,535,550)	\$ -	\$ -
GADA Revenue Bonds, Series 2014	-	2,321,540	-	2,321,540	-
Premium	-	296,782	-	296,782	19,785
Total Revenue Bonds	<u>2,535,550</u>	<u>2,618,322</u>	<u>(2,535,550)</u>	<u>2,618,322</u>	<u>19,785</u>
<b>Loans Payable:</b>					
Water Infrastructure Finance Authority, 1997-1998 Loan	656,317	-	(156,457)	499,860	161,432
Water Infrastructure Finance Authority, 2000-2001 Loan	1,379,183	-	(173,956)	1,205,227	181,132
Water Infrastructure Finance Authority, 2005-2006 Loan	1,151,036	-	(72,673)	1,078,363	75,018
Water Infrastructure Finance Authority, 2005-2006 Loan	6,655,194	-	(316,869)	6,338,325	331,571
Water Infrastructure Finance Authority, 2008 Loan	6,362,180	-	(284,729)	6,077,451	294,159
Zion's Bank Loan - 2010	383,135	-	(46,908)	336,227	50,817
Water Dock Loan	-	26,500	(8,031)	18,469	11,427
Total Loans Payable	<u>16,587,045</u>	<u>26,500</u>	<u>(1,059,623)</u>	<u>15,553,922</u>	<u>1,105,556</u>
<b>Other long-term debt:</b>					
Capital Leases	52,804	420,794	(57,477)	416,121	105,270
Accrued Compensated Absences	113,053	16,989	(77,037)	53,005	45,054
Total other long-term debt	<u>165,857</u>	<u>437,783</u>	<u>(134,514)</u>	<u>469,126</u>	<u>150,324</u>
Total Business-type Long-Term Debt	<u>\$ 19,288,452</u>	<u>\$ 3,082,605</u>	<u>\$ (3,729,687)</u>	<u>\$ 18,641,370</u>	<u>\$ 1,275,665</u>

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

Bonds and other long-term obligations consist of the following at June 30, 2014:

**Revenue Bonds:**

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.	\$ 965,000
Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2008, due in semiannual principal and interest installments, bearing interest at 3% to 5%, maturing July 1, 2028.	2,370,000
Greater Arizona Development Authority Infrastructure Revenue Bonds, Series 2014A, due in semiannual principal and interest installments, bearing interest at 2% to 5%, maturing August 1, 2029. Used to refund GreaterArizona Development Authotity Infrastructure Revenue Bonds Series 2003A	<u>2,495,000</u> *
Total bonds payable	\$ 5,830,000
Less current portion	<u>(195,000)</u>
Total Revenue Bonds net of current portion	<u><u>\$ 5,635,000</u></u>

\* The GADA, Series 2014 Revenue Bond was used by both the general government and the water and sewer enterprise fund and is allocated across the funds as follows:

Governmental Activities	\$ 173,460
Business-type Activities	<u>2,321,540</u>
Total GADA, Series 2014	<u><u>\$ 2,495,000</u></u>

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

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

---

Revenue Bond debt service maturities are as follows:

Year Ended June 30,	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 195,000	\$ 150,403	\$ 345,403	\$ -	\$ 37,786	\$ 37,786
2016	207,433	147,272	354,705	32,568	108,822	141,390
2017	219,730	138,923	358,653	130,270	108,171	238,441
2018	235,078	129,209	364,287	134,923	102,960	237,883
2019	245,773	118,787	364,560	144,228	96,214	240,442
2020-2024	1,381,509	425,998	1,807,507	823,494	377,318	1,200,812
2025-2029	1,023,937	103,841	1,127,778	1,056,057	161,859	1,217,916
Total	<u>\$3,508,460</u>	<u>\$1,214,433</u>	<u>\$ 9,712,893</u>	<u>\$ 2,321,540</u>	<u>\$ 993,130</u>	<u>\$ 3,314,670</u>

*This section intentionally left blank*

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

**Loans Payable:**

Water Infrastructure Finance Authority loan payable,  
issued in fiscal year 1997-98, bearing interest at 3.48%  
due in semiannual principal and interest installments,  
maturing July 1, 2017 \$ 499,860

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 1,205,227

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 1,078,363

Water Infrastructure Finance Authority loan payable,  
issued in fiscal year 2005-2006, bearing interest at 3.140%  
due in semiannual principal and interest installments,  
maturing July 1, 2028 6,338,325

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 6,077,451

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. 860,000

AquaFlow International, Inc. loan payable, issued in  
2014, bearing interest at 0.58%, due in monthly principal  
and interest installments, maturing February 1, 2016. 18,469

Total loans payable \$ 16,077,695

Less current portion (1,184,739)

Total loans payable net of current portion \$ 14,892,956

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

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

---

Loans payable debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total	Business-Type Activities		Total
	Principal	Interest		Principal	Interest	
2015	\$ 79,184	\$ 24,795	\$ 103,979	\$ 1,105,555	\$ 613,786	\$ 1,719,341
2016	82,229	21,429	103,658	1,143,280	570,254	1,713,534
2017	88,320	17,778	106,098	1,181,883	525,293	1,707,176
2018	88,320	13,707	102,027	1,047,945	479,290	1,527,235
2019-2023	185,721	14,025	199,746	4,979,252	437,098	5,416,350
2024-2028	-	-	-	5,152,257	392,885	5,545,142
2029-2030	-	-	-	943,749	347,207	1,290,956
Total	<u>\$ 523,774</u>	<u>\$ 91,734</u>	<u>\$ 615,508</u>	<u>\$ 15,553,921</u>	<u>\$ 3,365,813</u>	<u>\$ 18,919,734</u>

*This section intentionally left blank.*

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

The composition of interfund receivables and payables balances as of June 30, 2014 follows:

	Due from Other Funds	Due to Other Funds
General Fund	\$ 822,006	\$ 307,921
Special Revenue Funds:		
HURF	306,876	15,484
Debt Service Fund	1,043	-
Non-major Funds	-	1,320
Enterprise Funds:		
Electric	2,552,345	-
Utility	-	1,260,933
Sanitation	-	134,159
Golf Course	-	1,962,453
Total	\$ 3,682,270	\$ 3,682,270

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, 2014 interfund transfers are as follows:

Transfers In:	Transfers Out:					Total
	General Fund	Highway User	Non-major Funds	Utility Fund	Electric Fund	
General Fund	\$ -	\$ -	\$ 88,373	\$ 121,568	\$ -	\$ 209,941
Highway User	227,000	-	-	-	-	227,000
Debt Service	511,587	-	78,328	-	-	589,915
Non-major	84,123	15,000	-	-	-	99,123
Utility	-	-	-	-	1,335,000	1,335,000
Sanitation	-	-	-	-	65,000	65,000
Golf Fund	67,000	-	6,258	-	-	73,258
	\$ 889,710	\$ 15,000	\$ 172,959	\$ 121,568	\$ 1,400,000	\$ 2,599,238

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

---

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

---

The City maintains four enterprise funds which account for the operation of the City's Electric System, Water & Sewer Utilities, Sanitation and Golf Course. Segment information for the year ended June 30, 2014 is not presented here since the information for all four funds is available in the basic financial statements.

---

**NOTE 11.      Risk Management**

---

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

---

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

---

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

---

**NOTE 13.      Contingent Liabilities**

---

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, 2014 totaled approximately \$279,426.

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, 2014.

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**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 11.54 percent (10.7 percent for retirement, 0.6 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
2012	248,104	15,836	6,033
2013	247,784	15,713	5,802
2014	284,864	15,974	6,389

**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 17.62 percent of annual covered payroll. The health insurance premium portion of the contribution rate was actuarially set at 0.7 percent.

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

**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, 2014 were established by the June 30, 2012 actuarial valuations using the projected unit credit method. The actuarial assumptions include (a) 8.0 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, 2014, was 22 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, 2014 the City's annual pension cost of \$94,747 and the annual OPEB cost of \$4,089 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	2012	\$ 80,238	100%	-
	2013	81,198	100%	-
	2014	94,747	100%	-
Health Insurance	2012	\$ 7,151	100%	-
	2013	4,793	100%	-
	2014	4,089	100%	-

**CITY OF WILLIAMS, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2014**

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

**Funded Status and Funding Progress** – The funded status of the plan as of June 30, 2014 is as follows:

	Retirement	Insurance Subsidy
Actuarial accrued liability (AAL)	\$ 2,432,607	\$ 43,427
Actuarial value of plan assets	1,432,183	92,776
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,000,424</u>	<u>\$ (49,349)</u>
Funded ratio (actuarial value of plan assets/AAL)	58.9%	213.6%
Covered payroll (active plan members)	\$ 485,465	\$ 485,465
UAAL as a percentage of covered payroll	206.1%	-10.17%

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.

*This page intentionally left blank*

**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, 2009 through June 30, 2014 based on actuarial valuations follows:

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll
<b>Valuation Date June 30,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>[(b)-(a)] / (c)</b>
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%
2014	1,432,183	2,432,607	1,000,424	58.9%	485,465	206.1%

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

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll
<b>Valuation Date June 30,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>[(b)-(a)] / (c)</b>
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%
2014	92,776	43,427	(49,349)	213.6%	485,465	0.00%

In fiscal year 2009, GASB Statements Nos. 43 and 45 measurements were made and reported; thus, the pension and health insurance benefit amounts are disaggregated and reported separately.

Health insurance subsidy payment reported for fiscal year 2014: \$1,800.

**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 Fund**

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

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

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

**CITY OF WILLIAMS, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
<b>Taxes:</b>				
Property Tax	\$ 605,394	\$ 605,394	\$ 611,822	\$ 6,428
Sales Tax	3,482,763	3,482,763	3,372,060	(110,703)
Bed, Board & Booze Tax	687,601	687,601	764,406	76,805
Gas Franchise Fees	31,976	31,976	28,964	(3,012)
Total Taxes	<u>4,807,734</u>	<u>4,807,734</u>	<u>4,777,252</u>	<u>(30,482)</u>
<b>Licenses, Permits and Fees:</b>				
Business Licenses	10,111	10,111	9,280	(831)
Dog Licenses	2,285	2,285	2,455	170
Impact Fees	30,800	30,800	13,705	(17,095)
Building Permits	24,745	24,745	78,630	53,885
Total Licenses, Fees and Permits	<u>67,941</u>	<u>67,941</u>	<u>104,070</u>	<u>36,129</u>
<b>Intergovernmental:</b>				
State Revenue Sharing	337,347	337,347	336,952	(395)
Auto Lieu Taxes	122,166	122,166	118,935	(3,231)
State Sales Taxes	261,442	261,442	263,130	1,688
Library Assistance Tax	28,000	28,000	28,028	28
Library Equity Funds	-	-	111,393	111,393
Total Intergovernmental	<u>748,955</u>	<u>748,955</u>	<u>858,438</u>	<u>109,483</u>
<b>Charges for Services:</b>				
Airport Lease	4,696	4,696	6,877	2,181
Airport Fuel	50,567	50,567	44,254	(6,313)
Cemetery Charges & Sales	5,000	5,000	3,900	(1,100)
Swimming Pool Fees	14,665	14,665	20,273	5,608
Community Development Fees	1,000	1,000	14,200	13,200
Plan Check Fees & Development Review	11,364	11,364	38,936	27,572
Facility Rental	180,000	180,000	183,230	3,230
Recreation Programs	4,000	4,000	4,307	307
Rodeo Grounds Fund	20,728	20,728	14,194	(6,534)
City Park Revenues	435	435	2,420	1,985
Rural Fire Districts	2,500	2,500	3,150	650
Police Travel Reimbursement	1,022	1,022	325	(697)
Total Charges for Services	<u>295,977</u>	<u>295,977</u>	<u>336,066</u>	<u>40,089</u>
<b>Fines and Forfeitures:</b>				
Fines & Forfeitures	46,138	46,138	31,980	(14,158)
Total Fines and Forfeitures	<u>46,138</u>	<u>46,138</u>	<u>31,980</u>	<u>(14,158)</u>
<b>Interest</b>	<u>700</u>	<u>700</u>	<u>2,302</u>	<u>1,602</u>
<b>Other Revenues:</b>				
Miscellaneous	317,000	317,000	282,717	(34,283)
Total Other Revenues	<u>317,000</u>	<u>317,000</u>	<u>282,717</u>	<u>(34,283)</u>
<b>TOTAL REVENUES</b>	<u>6,284,445</u>	<u>6,284,445</u>	<u>6,392,825</u>	<u>108,380</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, 2014**

<b>EXPENDITURES</b>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>General Government:</b>				
Mayor & Council	67,444	67,444	69,125	(1,681)
Magistrate	157,538	157,538	153,015	4,523
General & Administrative	957,016	957,016	949,870	7,146
Finance	336,637	336,637	332,313	4,324
Maintenance	271,130	271,130	265,341	5,789
Central Garage	286,414	286,414	312,782	(26,368)
Airport	171,900	171,900	96,208	75,692
Community Facilities	108,901	108,901	69,634	39,267
Total General Government	<u>2,356,980</u>	<u>2,356,980</u>	<u>2,248,288</u>	<u>108,692</u>
<b>Public Safety:</b>				
Police	1,522,887	1,522,887	1,618,253	(95,366)
Fire	237,000	237,000	191,527	45,473
Building Inspection	136,651	136,651	131,190	5,461
Total Public Safety	<u>1,896,538</u>	<u>1,896,538</u>	<u>1,940,970</u>	<u>(44,432)</u>
<b>Culture &amp; Recreation:</b>				
Library	95,486	95,486	94,087	1,399
Parks & Recreation	214,520	214,520	210,404	4,116
Swimming Pool	89,558	89,558	89,057	501
Recreation Facilities	77,000	77,000	76,279	721
Total Culture and Recreation	<u>476,564</u>	<u>476,564</u>	<u>469,827</u>	<u>6,737</u>
<b>Economic Development:</b>				
Planning	-	-	16,597	(16,597)
Visitor Center	47,528	47,528	29,591	17,937
Tourism Promotion	421,489	421,489	408,454	13,035
Total Economic Development	<u>469,017</u>	<u>469,017</u>	<u>454,642</u>	<u>14,375</u>
<b>Health &amp; Welfare:</b>				
Senior Center	19,500	19,500	38,844	(19,344)
<b>Capital Outlay</b>	<u>225,000</u>	<u>225,000</u>	<u>9,598</u>	<u>215,402</u>
<b>Debt Service:</b>				
Principal	39,958	39,958	-	39,958
Interest	-	-	-	-
Total Debt Service	<u>39,958</u>	<u>39,958</u>	<u>-</u>	<u>39,958</u>
<b>TOTAL EXPENDITURES</b>	<u>5,483,557</u>	<u>5,483,557</u>	<u>5,162,169</u>	<u>321,388</u>
Excess of Revenues Over Expenditures	<u>800,888</u>	<u>800,888</u>	<u>1,230,656</u>	<u>429,768</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	-	-	209,942	209,942
Transfers out	(879,825)	(879,825)	(889,710)	(9,885)
Total Other Financing Sources (Uses)	<u>(879,825)</u>	<u>(879,825)</u>	<u>(679,768)</u>	<u>200,057</u>
Net change in fund balance	(78,937)	(78,937)	550,888	629,825
Fund balance, beginning of year	<u>1,053,217</u>	<u>1,053,217</u>	<u>1,053,217</u>	<u>-</u>
Fund balance, end of year	<u>\$ 974,280</u>	<u>\$ 974,280</u>	<u>\$ 1,604,105</u>	<u>\$ 629,825</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Interest	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
<b>EXPENDITURES:</b>				
Debt Service:				
Principal	403,087	403,087	394,669	8,418
Interest	188,066	188,066	202,537	(14,471)
Total Expenditures	591,153	591,153	597,206	(6,053)
Excess of Revenues Over (Under) Expenditures	(591,153)	(591,153)	(597,206)	(6,053)
Other Financing Sources (Uses):				
Refunding bonds issued	-	-	195,635	195,635
Debt issuance cost	-	-	(2,519)	(2,519)
Payment to refunded bond escrow agent	-	-	(189,450)	(189,450)
Operating transfer in	591,153	591,153	589,915	(1,238)
Total Other Financing Sources (Uses)	591,153	591,153	593,581	2,428
Net change in fund balance	-	-	(3,625)	(3,625)
Fund balance, beginning of year	4,668	4,668	4,668	-
Fund balance, end of year	\$ 4,668	\$ 4,668	\$ 1,043	\$ (3,625)

**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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Revenue:				
Highway User Revenues	\$ 294,517	\$ 294,517	\$ 282,829	\$ (11,688)
City Sales Tax	350,000	350,000	293,696	(56,304)
Other Revenues	-	-	28	28
Total Revenues	<u>644,517</u>	<u>644,517</u>	<u>576,553</u>	<u>(67,964)</u>
<b>EXPENDITURES:</b>				
Highways & Streets:				
Salaries & Wages	275,157	275,157	232,784	42,373
Benefits	124,091	124,091	104,092	19,999
Service, Supplies and Other	152,700	152,700	107,861	44,839
Capital Outlay	303,429	303,429	36,940	266,489
Total Expenditures	<u>855,377</u>	<u>855,377</u>	<u>481,677</u>	<u>373,700</u>
Excess of Revenues Over (Under) Expenditures	<u>(210,860)</u>	<u>(210,860)</u>	<u>94,876</u>	<u>305,736</u>
Other Financing Sources (Uses):				
Transfer from General Fund	227,000	227,000	227,000	-
Transfers out	(15,000)	(15,000)	(15,000)	-
Total Other Financing Sources (Uses)	<u>212,000</u>	<u>212,000</u>	<u>212,000</u>	<u>-</u>
Net change in fund balance	1,140	1,140	306,876	305,736
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,140</u>	<u>\$ 1,140</u>	<u>\$ 306,876</u>	<u>\$ 305,736</u>

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

---

**Special Revenue Fund**

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

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

**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, 2014**

	Special Revenue Fund	Capital Project Funds		Total Non-major Governmental Funds
	Grants Fund	North Side Sewer	Greater Arizona Development Authority	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,596	\$ 82,877	\$ 527,150	\$ 611,623
Receivables:				
Intergovernmental	6,088	-	-	6,088
Due from other funds	-	-	-	-
Total assets	<u>\$ 7,684</u>	<u>\$ 82,877</u>	<u>\$ 527,150</u>	<u>\$ 617,711</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 1,630	\$ -	\$ -	\$ 1,630
Due to Other Funds	1,320	-	-	1,320
Total liabilities	<u>2,950</u>	<u>-</u>	<u>-</u>	<u>2,950</u>
Fund Balances:				
Restricted for:				
Public safety	4,734	-	-	4,734
Capital projects	-	82,877	527,150	610,027
Total Fund Balances	<u>4,734</u>	<u>82,877</u>	<u>527,150</u>	<u>614,761</u>
Total Liabilities and Fund Balances	<u>\$ 7,684</u>	<u>\$ 82,877</u>	<u>\$ 527,150</u>	<u>\$ 617,711</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, 2014**

	Special Revenue Fund	Capital Project Funds		Total Non-major Governmental Funds
	Grants Fund	North Side Sewer	Greater Arizona Development Authority	
<b>REVENUES</b>				
Intergovernmental revenue	\$ 268,721	\$ -	\$ -	\$ 268,721
Donations and other revenue	6,622	-	-	6,622
Special assessments	-	152,851	-	152,851
Total revenues	<u>275,343</u>	<u>152,851</u>	<u>-</u>	<u>428,194</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	2,010	-	2,010
Public Safety	53,773	-	-	53,773
Capital outlay	<u>193,183</u>	<u>-</u>	<u>88,000</u>	<u>281,183</u>
Total expenditures	<u>246,956</u>	<u>2,010</u>	<u>88,000</u>	<u>336,966</u>
Excess of revenues over (under) expenditures	<u>28,387</u>	<u>150,841</u>	<u>(88,000)</u>	<u>91,228</u>
Other financing sources (uses):				
Transfers in	10,641	482	88,000	99,123
Transfers out	<u>(94,631)</u>	<u>(78,328)</u>	<u>-</u>	<u>(172,959)</u>
Total other financing sources (uses)	<u>(83,990)</u>	<u>(77,846)</u>	<u>88,000</u>	<u>(73,836)</u>
Net change in fund balances	(55,603)	72,995	-	17,392
Fund balances, beginning of year	<u>60,337</u>	<u>9,882</u>	<u>527,150</u>	<u>597,369</u>
Fund balances, end of year	<u>\$ 4,734</u>	<u>\$ 82,877</u>	<u>\$ 527,150</u>	<u>\$ 614,761</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, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Revenue	\$ 4,696,000	\$ 4,696,000	\$ 268,721	\$ (4,427,279)
Donations and Other Revenue	-	-	6,622	6,622
Total Revenues	<u>4,696,000</u>	<u>4,696,000</u>	<u>275,343</u>	<u>(4,420,657)</u>
<b>EXPENDITURES:</b>				
Public Safety	241,000	241,000	53,773	187,227
Capital Outlay	4,455,000	4,455,000	193,183	4,261,817
Total Expenditures	<u>4,696,000</u>	<u>4,696,000</u>	<u>246,956</u>	<u>4,449,044</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>28,387</u>	<u>28,387</u>
Other Financing Sources (Uses):				
Transfers in	-	-	10,641	10,641
Transfers out	-	-	(94,631)	(94,631)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(83,990)</u>	<u>(83,990)</u>
Net change in fund balance	-	-	(55,603)	(55,603)
Fund balance, beginning of year	<u>60,337</u>	<u>60,337</u>	<u>60,337</u>	<u>-</u>
Fund balance, end of year	<u>\$ 60,337</u>	<u>\$ 60,337</u>	<u>\$ 4,734</u>	<u>\$ (55,603)</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Special assessments	\$ 79,328	\$ 79,328	\$ 152,851	\$ 73,523
Total revenues	<u>79,328</u>	<u>79,328</u>	<u>152,851</u>	<u>73,523</u>
<b>EXPENDITURES:</b>				
General government:				
Service, supplies and other	-	-	2,010	(2,010)
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>2,010</u>	<u>(2,010)</u>
Excess of revenues over (under) expenditures	<u>79,328</u>	<u>79,328</u>	<u>150,841</u>	<u>71,513</u>
Other financing sources (uses):				
Transfer from General Fund	-	-	482	482
Transfer to debt service fund	<u>(78,328)</u>	<u>(78,328)</u>	<u>(78,328)</u>	<u>-</u>
Total other financing sources (uses)	<u>(78,328)</u>	<u>(78,328)</u>	<u>(77,846)</u>	<u>482</u>
Net change in fund balance	1,000	1,000	72,995	71,995
Fund balance, beginning of year	<u>9,882</u>	<u>9,882</u>	<u>9,882</u>	<u>-</u>
Fund balance, end of year	<u>\$ 10,882</u>	<u>\$ 10,882</u>	<u>\$ 82,877</u>	<u>\$ 71,995</u>

**CITY OF WILLIAMS, ARIZONA**  
**GREATER ARIZONA DEVELOPMENT AUTHORITY**  
**CAPITAL PROJECTS FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Interest earnings	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
<b>EXPENDITURES:</b>				
Capital outlay	88,000	88,000	88,000	-
Total expenditures	88,000	88,000	88,000	-
Excess of revenues over (under) expenditures	(88,000)	(88,000)	(88,000)	-
Other financing sources (uses):				
Transfers in	88,000	88,000	88,000	-
Total other financing sources (uses)	88,000	88,000	88,000	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	527,150	527,150	527,150	-
Fund balance, end of year	<u>\$ 615,150</u>	<u>\$ 615,150</u>	<u>\$ 527,150</u>	<u>\$ -</u>

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Net Position**  
**Component Unit**  
**June 30, 2014**

	<u>Williams Housing Authority</u>
<b>Assets</b>	
Current Assets:	
Cash	\$ 163,063
Receivables (net of allowance)	12,062
Prepays	2,385
Total Current Assets	<u>177,510</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>(1,303,735)</u>
Total noncurrent assets	<u>1,416,601</u>
<b>Total Assets</b>	<u>\$ 1,594,111</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	\$ 23,314
Accrued liabilities	9,005
Customer deposits	922
Unearned revenue	33
Total Current Liabilities	<u>33,274</u>
Long-Term Debt (net of current portion):	
Accrued vacation	<u>7,811</u>
Total Long-Term Debt	<u>7,811</u>
Total Liabilities	<u>41,085</u>
<b>Net Position</b>	
Net investment in capital assets	1,416,601
Restricted	-
Unrestricted	<u>136,425</u>
Total Net Position	<u>\$ 1,553,026</u>

**CITY OF WILLIAMS, ARIZONA**  
**Statement of Activities**  
**Component Unit**  
**For the Year Ended June 30, 2014**

---

	Williams Housing Authority
<b>Expenses:</b>	
Health and Welfare:	\$ 512,437
Total Expenses	512,437
<b>Program Revenues:</b>	
Charges for services	55,618
Operating grants and contributions	389,693
Net (Expense) Revenue	(67,126)
<b>General Revenues:</b>	
Interest income	4
Total general revenues and transfers	4
<b>Change in net position</b>	(67,122)
Total net position, beginning of year	1,620,148
<b>Total net position, end of year</b>	<b>\$ 1,553,026</b>

**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**

**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, 2014, 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 5, 2015.

**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 significant deficiency.

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 5, 2015.

## **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 5, 2015

**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, 2014, and have issued our report thereon dated January 5, 2015. 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, 2014.

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 5, 2015