



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ June 1, 2009 _____

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Williams, Iowa.

The City's receipts totaled \$500,722 for the year ended June 30, 2008. The receipts included \$102,335 in property tax, \$250,738 from charges for service, \$80,018 from operating grants, contributions and restricted interest, \$30,539 from local option sales tax, \$21,880 from unrestricted interest on investments and \$15,212 from other general receipts.

Disbursements for the year totaled \$663,475, and included \$238,989 for culture and recreation, \$174,917 for public works and \$40,157 for general government. Also, disbursements for business type activities totaled \$167,005.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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CITY OF WILLIAMS

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2008

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City of Williams

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Linda Solberg	Mayor	Jan 2009
Les VanKooten	Council Member	(Resigned Aug 2007)
John Rigter (Appointed)	Council Member	Nov 2007
Avery Ratzke	Council Member	Nov 2007
Steve Glanzman	Council Member	Jan 2008
Roy Ronnfeldt	Council Member	Jan 2010
Jessica Dupuy	Council Member	Jan 2012
Lori Wille	City Clerk	Indefinite
Mona Bowden	City Attorney	(Resigned Sep 2007)
(After January 2008)		
Linda Solberg	Mayor	Jan 2009
Dennis Frayne	Council Member	Jan 2010
Edward Nerland	Council Member	Jan 2010
Roy Ronnfeldt	Council Member	Jan 2010
Jessica Dupuy	Council Member	Jan 2012
Margaret Utech	Council Member	Jan 2012
Lori Wille	City Clerk	(Resigned Jun 2008)
Cherie Ferguson (Appointed)	City Clerk	Indefinite
Justin Deppe (Appointed)	City Attorney	Indefinite

City of Williams



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Williams, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Williams' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

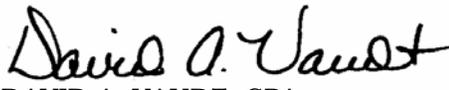
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007.

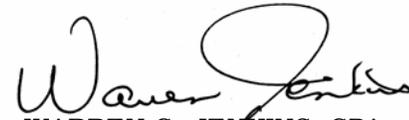
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Williams as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated April 15, 2009 on our consideration of the City of Williams' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Williams' basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 15, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Williams provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased \$188,830 due, in part, to payments of \$158,422 toward the park shelter project.
- The cash basis net assets of the City's business type activities increased \$26,077, largely due to an increase in water rates.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water and sewer systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, and 3) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

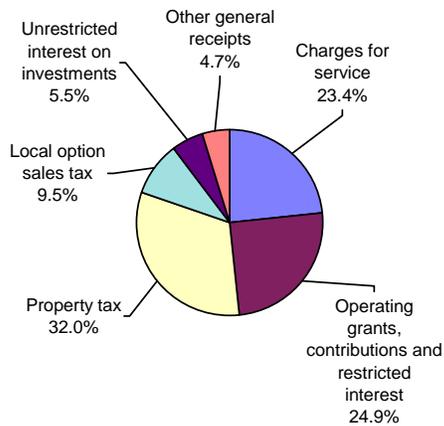
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

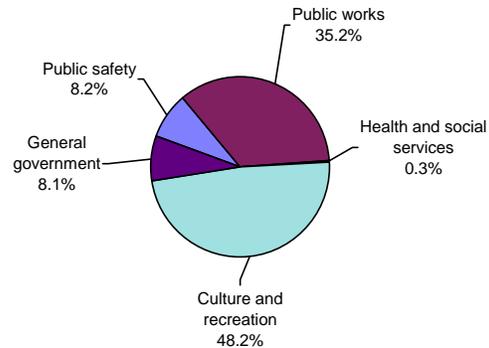
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$525,488 to \$336,658. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year Ended June 30, 2008
Receipts:	
Program receipts:	
Charges for service	\$ 74,952
Operating grants, contributions and restricted interest	80,018
General receipts:	
Property tax	102,335
Local option sales tax	30,539
Unrestricted interest on investments	17,734
Other general receipts	15,212
Total receipts	<u>320,790</u>
Disbursements:	
Public safety	40,899
Public works	174,917
Health and social services	1,508
Culture and recreation	238,989
General government	40,157
Total disbursements	<u>496,470</u>
Change in cash basis net assets before transfers	(175,680)
Transfers, net	<u>(13,150)</u>
Change in cash basis net assets	(188,830)
Cash basis net assets beginning of year	<u>525,488</u>
Cash basis net assets end of year	<u>\$ 336,658</u>

Receipts by Source



Disbursements by Function



<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year Ended June 30, 2008</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 103,544
Sewer	72,242
General receipts:	
Unrestricted interest on investments	4,146
Total receipts	<u>179,932</u>
Disbursements:	
Water	92,943
Sewer	74,062
Total disbursements	<u>167,005</u>
Change in cash basis net assets before transfers	12,927
Transfers, net	<u>13,150</u>
Change in cash basis net assets	26,077
Cash basis net assets beginning of year	<u>98,008</u>
Cash basis net assets end of year	<u>\$ 124,085</u>

The cash basis net assets of the City's business type activities increased \$26,077, largely due to an increase in water rates over the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Williams completed the year, its governmental funds reported a combined fund balance of \$336,658, a decrease of \$188,830 below last year's total of \$525,488. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$125,064 from the prior year to \$208,214. This decrease was due, in part, to payments of \$158,422 toward the park shelter project.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$56,224 from the prior year to \$88,626. The decrease is due, in part, to street repair projects and the purchase of a tractor loader during the fiscal year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$25,272 to \$65,961, due primarily to an increase in water rates over the prior year.
- The Sewer Fund cash balance increased \$805 to \$58,124.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 12, 2008 and resulted in a net increase of \$199,001 in disbursements. The increase was primarily related to costs for the park shelter project, water softener project and street repair projects.

The City's receipts were \$25,754 more than budgeted. This was due, in part, to donations for the park shelter project.

With the amendment, total disbursements were \$123,584 less than the amended budget. This was due, in part, to a delay in the water softener project.

DEBT ADMINISTRATION

At June 30, 2008, the City had \$615,784 in notes outstanding, compared to \$655,578 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2008	2007
General obligation capital loan note	\$ 53,784	67,578
Sewer revenue notes	562,000	588,000
Total	\$ 615,784	655,578

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$53,784 is below its constitutional debt limit of \$670,380.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Williams' elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities. The City's total taxable valuation increased 5.8%, or \$494,302, over the FY2008 level. The FY2009 levy is \$12.18590 per \$1,000 of taxable valuation, which is slightly less than the \$12.20630 per \$1,000 of taxable valuation in FY2008.

The budget for the public works and culture and recreation functions are significantly less for fiscal year 2009 due to projects budgeted in fiscal year 2008. The public works function budget is \$33,806 for fiscal year 2009 versus \$196,751 in 2008. The culture and recreation function budget is \$45,035 for fiscal year 2009 versus \$243,511 in FY2008.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cherie Ferguson, City Clerk, P.O. Box 7, Williams, Iowa 50271-0007.

City of Williams

Basic Financial Statements

City of Williams

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 40,899	50,521	13,458
Public works	174,917	16,753	36,582
Health and social services	1,508	750	-
Culture and recreation	238,989	5,910	29,978
General government	40,157	1,018	-
Total governmental activities	496,470	74,952	80,018
Business type activities:			
Water	92,943	103,544	-
Sewer	74,062	72,242	-
Total business type activities	167,005	175,786	-
Total	\$ 663,475	250,738	80,018
General Receipts:			
Property tax levied for general purposes			
Local option sales tax			
Unrestricted interest on investments			
Utility tax replacement			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets beginning of year			
Cash basis net assets end of year			
Cash Basis Net Assets			
Restricted:			
Streets			
Local option sales tax			
Debt service			
Other purposes			
Unrestricted			
Total cash basis net assets			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
23,080	-	23,080
(121,582)	-	(121,582)
(758)	-	(758)
(203,101)	-	(203,101)
(39,139)	-	(39,139)
(341,500)	-	(341,500)
-	10,601	10,601
-	(1,820)	(1,820)
-	8,781	8,781
(341,500)	8,781	(332,719)
102,335	-	102,335
30,539	-	30,539
17,734	4,146	21,880
2,448	-	2,448
12,764	-	12,764
(13,150)	13,150	-
152,670	17,296	169,966
(188,830)	26,077	(162,753)
525,488	98,008	623,496
\$ 336,658	124,085	460,743
\$ 88,626	-	88,626
10,122	-	10,122
-	3,655	3,655
29,696	-	29,696
208,214	120,430	328,644
\$ 336,658	124,085	460,743

City of Williams

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2008

	General	Special Revenue Road Use Tax
Receipts:		
Property tax	\$ 82,712	-
Other city tax	1,975	-
Licenses and permits	565	-
Use of money and property	19,781	-
Intergovernmental	41,890	38,623
Charges for service	33,374	-
Miscellaneous	37,553	-
Total receipts	217,850	38,623
Disbursements:		
Operating:		
Public safety	28,554	-
Public works	75,747	94,847
Health and social services	1,508	-
Culture and recreation	235,287	-
General government	37,031	-
Total disbursements	378,127	94,847
Excess (deficiency) of receipts over (under) disbursements	(160,277)	(56,224)
Other financing sources (uses):		
Operating transfers in	35,213	-
Operating transfers out	-	-
Total other financing sources (uses)	35,213	-
Net change in cash balances	(125,064)	(56,224)
Cash balances beginning of year	333,278	144,850
Cash balances end of year	\$ 208,214	88,626
Cash Basis Fund Balances		
Unreserved:		
Designated:		
Ambulance	\$ 46,634	-
Library	10,994	-
Park	1,055	-
Volunteer fire	66,284	-
Undesignated:		
General fund	83,247	-
Special revenue funds	-	88,626
Capital projects fund	-	-
Total cash basis fund balances	\$ 208,214	88,626

See notes to financial statements.

Nonmajor	Total
19,623	102,335
31,012	32,987
534	1,099
-	19,781
-	80,513
-	33,374
13,148	50,701
<u>64,317</u>	<u>320,790</u>

12,345	40,899
4,323	174,917
-	1,508
3,702	238,989
3,126	40,157
<u>23,496</u>	<u>496,470</u>

40,821	(175,680)
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-	35,213
<u>(48,363)</u>	<u>(48,363)</u>
<u>(48,363)</u>	<u>(13,150)</u>

(7,542)	(188,830)
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47,360	525,488
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<u>39,818</u>	<u>336,658</u>
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-	46,634
1,666	12,660
-	1,055
9,502	75,786
-	83,247
10,597	99,223
18,053	18,053
<u>39,818</u>	<u>336,658</u>

Exhibit C

City of Williams

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 100,490	72,226	172,716
Operating disbursements:			
Business type activities	75,794	30,422	106,216
Excess of operating receipts over operating disbursements	24,696	41,804	66,500
Non-operating receipts (disbursements):			
Use of money and property	1,521	2,625	4,146
Debt service	(17,149)	(43,640)	(60,789)
Miscellaneous	3,054	16	3,070
Net non-operating receipts (disbursements)	(12,574)	(40,999)	(53,573)
Excess of receipts over disbursements	12,122	805	12,927
Operating transfers in	13,150	-	13,150
Net change in cash balances	25,272	805	26,077
Cash balances beginning of year	40,689	57,319	98,008
Cash balances end of year	\$ 65,961	58,124	124,085
Cash Basis Fund Balances			
Reserved for debt service	\$ -	3,655	3,655
Unreserved	65,961	54,469	120,430
Total cash basis fund balances	\$ 65,961	58,124	124,085

See notes to financial statements.

City of Williams

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Williams is a political subdivision of the State of Iowa located in Hamilton County. It was first incorporated in 1883 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Williams has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria although there are several departments which maintain separate records. The financial activity for the accounts held by the outside departments have been included as Special Revenue Funds of the City, as follows: Williams Volunteer Fire Department and Williams Library Memorial Fund.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Hamilton County Assessor's Conference Board, Hamilton County Emergency Management Commission, Hamilton County Solid Waste Commission and Hamilton County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue, Road Use Tax Fund is used to account for road construction and maintenance.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sewer system.

C. Measurement Focus and Basis of Accounting

The City of Williams maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted by function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

(3) Long Term Debt Payable

Annual debt service requirements to maturity for general obligation capital loan and sewer revenue notes are as follows:

	General Obligation Capital Loan Note		Sewer Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 14,480	2,669	27,000	16,860	41,480	19,529
2010	15,309	1,840	29,000	16,050	44,309	17,890
2011	16,184	964	29,000	15,180	45,184	16,144
2012	7,811	138	30,000	14,310	37,811	14,448
2013	-	-	31,000	13,410	31,000	13,410
2014 - 2019	-	-	206,000	60,030	206,000	60,030
2020 - 2024	-	-	201,000	19,800	201,000	19,800
2025	-	-	9,000	270	9,000	270
Total	\$ 53,784	5,611	562,000	155,910	615,784	161,521

The Code of Iowa requires principal and interest on general obligation notes be paid from the Debt Service Fund. However, \$17,149 of general obligation capital loan note principal and interest was paid from the Enterprise, Water Fund during the year ended June 30, 2008.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$659,000 of sewer revenue notes issued in April 2003 and September 2005. Proceeds from the notes provided financing for the construction of and improvements to the sewer system. The notes are payable solely from sewer customer net receipts and are payable through 2025. The total principal and interest remaining to be paid on the notes is \$717,910. For the year ended June 30, 2008, principal and interest paid and total customer net receipts were \$43,640 and \$44,445, respectively. Annual principal and interest payments on the bonds required 98% of net receipts.

The resolution providing for the issuance of the revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a sewer revenue note sinking account for the purpose of making principal and interest payments when due.
- (c) Sewer user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the average annual installments of principal and interest on the notes falling due in the same year.

The City has not established the sinking account required by the sewer revenue note resolution.

Also, the City has not established sewer rates sufficient to produce and maintain net revenues at a level not less than 110% of the average annual installments of principal and interest on the notes falling due in the same year.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2008 was \$7,935, equal to the required contribution for the year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, personal leave and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, personal leave and compensatory time hours payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 1,600
Compensatory time	2,400
Personal leave	100
Total	<u>\$ 4,100</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

(6) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance coverage for the year ended June 30, 2008.

(7) Construction Contracts

On February 2, 2008, the City entered into a construction contract totaling \$60,274 for a water softener project with change orders of \$14,957 approved during the year. At June 30, 2008, no work had been completed. The unpaid contract balance totaled \$75,231 and will be paid as work on the project progresses.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 2,300
	Local Option Sales Tax	<u>32,913</u>
		35,213
Enterprise:	Special Revenue:	
Water	Local Option Sales Tax	<u>13,150</u>
Total		<u>\$ 48,363</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Required Supplementary Information

City of Williams
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 102,335	-
Other city tax	32,987	-
Licenses and permits	1,099	-
Use of money and property	19,781	4,146
Intergovernmental	80,513	-
Charges for service	33,374	172,716
Miscellaneous	50,701	3,070
Total receipts	320,790	179,932
Disbursements:		
Public safety	40,899	-
Public works	174,917	-
Health and social services	1,508	-
Culture and recreation	238,989	-
General government	40,157	-
Business type activities	-	167,005
Total disbursements	496,470	167,005
Excess (deficiency) of receipts over (under) disbursements	(175,680)	12,927
Other financing sources (uses), net	(13,150)	13,150
Excess of receipts and other financing sources over (under) disbursements and other financing sources (uses)	(188,830)	26,077
Balances beginning of year	525,488	98,008
Balances end of year	\$ 336,658	124,085

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
102,335	101,567	101,567	768
32,987	34,803	32,822	165
1,099	615	615	484
23,927	18,957	19,707	4,220
80,513	74,731	74,731	5,782
206,090	217,694	217,694	(11,604)
53,771	9,870	27,832	25,939
500,722	458,237	474,968	25,754
40,899	46,655	46,655	5,756
174,917	162,288	196,751	21,834
1,508	1,530	1,530	22
238,989	156,478	243,511	4,522
40,157	45,575	46,212	6,055
167,005	175,532	252,400	85,395
663,475	588,058	787,059	123,584
(162,753)	(129,821)	(312,091)	149,338
-	-	-	-
(162,753)	(129,821)	(312,091)	149,338
623,496	534,948	614,738	8,758
460,743	405,127	302,647	158,096

City of Williams

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$199,001. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted by function.

Other Supplementary Information

City of Williams

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2008

	Special		
	Employee Benefits	Emergency	Local Option Sales Tax
Receipts:			
Property tax	\$ 11,763	2,246	-
Other city tax	284	54	30,539
Use of money and property	-	-	-
Miscellaneous	-	-	-
Total receipts	<u>12,047</u>	<u>2,300</u>	<u>30,539</u>
Disbursements:			
Operating:			
Public safety	3,445	-	-
Public works	4,323	-	-
Culture and recreation	1,783	-	-
General government	3,126	-	-
Total disbursements	<u>12,677</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(630)	2,300	30,539
Other financing uses:			
Operating transfers out	-	(2,300)	(46,063)
Net change in cash balances	(630)	-	(15,524)
Cash balances beginning of year	1,105	-	25,646
Cash balances end of year	<u>\$ 475</u>	<u>-</u>	<u>10,122</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	\$ 475	-	10,122
Capital projects fund	-	-	-
Total cash basis fund balances	<u>\$ 475</u>	<u>-</u>	<u>10,122</u>

See accompanying independent auditor's report.

Revenue			
Public	Volunteer		
Library	Fire	Capital	
Memorial	Department	Projects	Total
-	-	5,614	19,623
-	-	135	31,012
80	-	454	534
265	12,883	-	13,148
345	12,883	6,203	64,317
-	8,900	-	12,345
-	-	-	4,323
1,919	-	-	3,702
-	-	-	3,126
1,919	8,900	-	23,496
(1,574)	3,983	6,203	40,821
-	-	-	(48,363)
(1,574)	3,983	6,203	(7,542)
3,240	5,519	11,850	47,360
1,666	9,502	18,053	39,818
1,666	9,502	-	21,765
-	-	18,053	18,053
1,666	9,502	18,053	39,818

City of Williams
Schedule of Indebtedness
Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates		Amount Originally Issued
General obligation capital loan note	Oct 15, 2001	5.50%	\$	130,000
Revenue notes:				
Sewer	Apr 16, 2003	3.00%	\$	524,000
Sewer	Sep 9, 2005	3.00%		135,000
Total				

See accompanying independent auditor's report.

Balance Beginning of Year	Redeemed During Year	Balance End of Year	Interest Paid
67,578	13,794	53,784	3,355
463,000	21,000	442,000	13,890
125,000	5,000	120,000	3,750
\$ 588,000	26,000	562,000	17,640

Schedule 3

City of Williams

Note Maturities

June 30, 2008

Year Ending June 30,	General Obligation Capital Loan Note		Revenue Notes				Total
	Issued Oct 15, 2001		Sewer Issued Apr 16, 2003		Sewer Issued Sep 9, 2005		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2009	5.50%	\$ 14,480	3.00%	\$ 22,000	3.00%	5,000	\$ 27,000
2010	5.50	15,309	3.00	23,000	3.00	6,000	29,000
2011	5.50	16,184	3.00	23,000	3.00	6,000	29,000
2012	5.50	7,811	3.00	24,000	3.00	6,000	30,000
2013	-	-	3.00	25,000	3.00	6,000	31,000
2014	-	-	3.00	25,000	3.00	6,000	31,000
2015	-	-	3.00	26,000	3.00	7,000	33,000
2016	-	-	3.00	27,000	3.00	7,000	34,000
2017	-	-	3.00	28,000	3.00	7,000	35,000
2018	-	-	3.00	29,000	3.00	7,000	36,000
2019	-	-	3.00	30,000	3.00	7,000	37,000
2020	-	-	3.00	30,000	3.00	8,000	38,000
2021	-	-	3.00	31,000	3.00	8,000	39,000
2022	-	-	3.00	32,000	3.00	8,000	40,000
2023	-	-	3.00	33,000	3.00	8,000	41,000
2024	-	-	3.00	34,000	3.00	9,000	43,000
2025	-	-	-	-	3.00	9,000	9,000
Total		<u>\$ 53,784</u>		<u>\$ 442,000</u>		<u>\$ 120,000</u>	<u>562,000</u>

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's 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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Williams, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated April 15, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Williams' ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Williams' financial statements that is more than inconsequential will not be prevented or detected by the City of Williams' internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A) and (B) are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Williams' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described the accompanying Schedule of Findings.

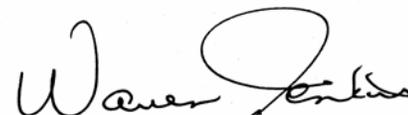
Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Williams' responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Williams' responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Williams and other parties to whom the City of Williams may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Williams during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 15, 2009

City of Williams

Schedule of Findings

Year ended June 30, 2008

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has control over each of the following areas:

- (1) Cash – reconciling bank accounts, initiating cash receipts and disbursement transactions and handling and recording cash.
- (2) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (3) Receipts – collecting, depositing, journalizing and posting.
- (4) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (5) Payroll – preparing and distributing.
- (6) Information system (computer usage) – performing all general accounting functions and controlling all data input and output.
- (7) Disbursements – preparing, recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize City officials to provide additional control through review of financial transactions and reports.

(B) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. The Council or a Council designated independent person should review the reconciliations and monitor delinquencies.

Response – The City will establish procedures to reconcile utilities and have that report reviewed by Council monthly.

Conclusion – Response accepted.

City of Williams

Schedule of Findings

Year ended June 30, 2008

- (C) Information Systems – During our review of internal control, the existing control activities in the City’s computer based financial systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The following weaknesses in the City’s financial computer based systems were noted:

The City does not have written policies over the financial computer system for:

- Password privacy and confidentiality.
- Requiring password changes because software does not require the user to change log-ins/passwords periodically.
- The storage of backup tapes/disks off site.
- Alternative power source(s).
- Usage of the internet.
- A disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer based systems.

Response – The City will develop written policies addressing the above items.

Conclusion – Response accepted.

- (D) Records of Accounts/Separately Maintained Records – The Volunteer Fire Department and Public Library Memorial Fund maintain bank accounts separate from the City Clerk’s accounting records. The transactions and resulting balances of these accounts were not reported to the City Council each month and were not recorded in the City Clerk’s accounting records. Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any city purpose.”

Recommendation – The Volunteer Fire Department and Public Library Memorial Fund financial transactions and balances should be included in the Clerk’s monthly financial reports. Internal control could be strengthened and operating efficiency could be increased by integrating the accounts with the City’s accounting records.

Response – The City will include these financial transactions in the Clerk’s monthly report in the future.

Conclusion – Response accepted.

City of Williams

Schedule of Findings

Year ended June 30, 2008

- (E) Compensated Absences – The City pays out personal time and vacation time upon termination of employment. These compensated absence liabilities can be rather large and have a major impact on the city’s budget. The City Council does not periodically review the compensated absences liability.

Recommendation – At least annually (at the end of the fiscal year), the City Council should review the liability for compensated absences and have the Mayor or a Council member sign the report to document the review.

Response – The City Council will review the liability from compensated absences annually in the future and the report will be signed by the Mayor or a member of the City Council

Conclusion – Response accepted.

- (F) Payroll - Payroll timecards are not reviewed by a supervisor.

Recommendation – Payroll timecards should be reviewed by a supervisor and supervisory approval of the timecards should be documented.

Response – Timecards will be reviewed and initialed as approved in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Williams

Schedule of Findings

Year ended June 30, 2008

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted by function.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. Minutes were not signed as required by Chapter 380.7(3) of the Code of Iowa.

Recommendation – The minutes should be signed to authenticate the record.

Response – Minutes will be signed in the future.

Conclusion – Response accepted.

- (7) Deposits and Investments - The City has not adopted a written investment policy required by Chapter 12B.10B of the Code of Iowa.

Recommendation - The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – The City will adopt a written investment policy.

Conclusion – Response accepted.

- (8) Sewer Revenue Notes – The following instances of non-compliance with the requirements of the sewer revenue note resolutions were noted:

The City has not established the sinking account required by the sewer revenue note provisions.

The provisions for the sewer revenue notes states: "The Issuer will cause to be kept proper books and accounts adapted to the System and in accordance with generally accepted accounting practices and will diligently act to cause the books and accounts to be audited and reported to the Department, all as provided in the Agreement."

City of Williams

Schedule of Findings

Year ended June 30, 2008

The City has not established sewer rates sufficient to produce and maintain net revenues at a level not less than 110% of the average annual installments of principal and interest on the notes falling due in the same year.

Recommendation – The City should establish the required sinking account and discuss required annual audits with the Iowa Department of Natural Resources as the City is not otherwise required to be audited.

Also, the City should establish sewer rates sufficient to produce and maintain net revenues at a level not less than 110% of the average annual installments of principal and interest on the notes falling due in the same year.

Response – The City will establish the required sinking account and will contact the DNR. The City will look into ensuring it produces and maintains the net revenues recommended.

Conclusion – Response accepted.

- (9) Notice of Public Hearing for Public Improvements – The City did not publish a notice of public hearing on the park shelter project not less than four nor more than twenty days before the hearing as required by Chapter 362.3 of the Code of Iowa. The notice of public hearing was published 26 days prior to the public hearing.

Recommendation – The City should set a date for a public hearing and give notice at least four but not more than twenty days prior to the hearing as required by Chapter 362.3 of the Code of Iowa.

Response – Public hearing notices will be published according to the Code of Iowa in the future.

Conclusion – Response accepted.

City of Williams

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Aaron P. Wagner, CPA, Staff Auditor
Kurt D. Goldsmith, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a prominent initial 'A' and a distinct dot over the 'i' in Nielsen.

Andrew E. Nielsen, CPA
Deputy Auditor of State