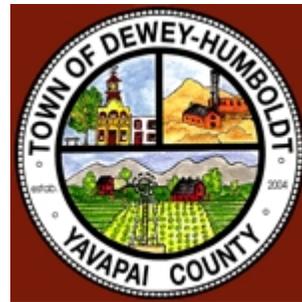


HENRY & HORNE, LLP  
CERTIFIED PUBLIC ACCOUNTANTS



FINANCIAL STATEMENTS

Year Ended June 30, 2012





TOWN OF DEWEY-HUMBOLDT, ARIZONA  
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HENRY & HORNE, LLP  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council  
Town of Dewey-Humboldt, Arizona

We have audited the accompanying financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the Town of Dewey-Humboldt (the Town), Arizona, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Town of Dewey-Humboldt, Arizona, as of June 30, 2012, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund, Highway Users Revenue Fund and Grants Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the Town of Dewey-Humboldt failed to use highway user revenue fund monies received by the Town of Dewey-Humboldt pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town of Dewey-Humboldt solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 Standards 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.

*Henry + Horne LLP*

Casa Grande, Arizona  
September 21, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2012

As management of the Town of Dewey-Humboldt (Town), we offer readers of the Town's financial statements this narrative and analysis of the financial activities of the Town for the period ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the financial statements and the notes thereto.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

### **Government-wide Financial Statements**

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

The *statement of net assets* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Net assets are categorized as invested in capital assets less related debt, restricted by a third party, and unrestricted. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

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

The government-wide financial statements are designed to provide a broad overview of the Town's finances in a manner similar to those used by private businesses. All of the activities of the Town, except those of a fiduciary nature, are included in these statements. At this time, the Town does not have business-type activities so all of the activities presented represent Governmental activities.

*Governmental activities* are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. The governmental activities of the Town include general government (administration), public works, highway and streets, public safety, building safety, planning and zoning, library services, and magistrate court activities.

The Town does not have *business-type activities* at this time. Examples of business-type activities would include water, wastewater and solid waste utilities primarily supported through user charges or fees.

## **Fund Financial Statements**

Generally accepted accounting principles (GAAP) provide the following authoritative definition of a fund:

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

There are three broad classifications of fund types: governmental funds, proprietary funds, and fiduciary funds. *Governmental* funds typically are used to account for tax-supported (governmental) activities. *Proprietary* funds are used to account for a government's business-type activities (activities supported, at least in part, by fees or charges). *Fiduciary* funds are used to account for resources that are held by the government as a trustee or agent for parties outside the government and that cannot be used to support the government's own programs.

The Town does not have business-type activities nor does the Town serve as a trustee or agent for parties outside the government, therefore, all of the funds currently used by the Town are *governmental* funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains three individual governmental funds organized according to their type: the General Fund, and two special revenue funds: Highway Users Revenue Fund and the Grants Fund.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budget process.

The Town adopts an annual budget for all governmental funds. Budgetary comparison schedules have been provided for the General Fund, the Highway Users Revenue Fund and the Grants Fund as required supplementary information.

## GOVERNMENT WIDE FINANCIAL ANALYSIS

The following tables; the Condensed Statement of Net Assets and the Changes in Net Assets are provided to illustrate how the Town performed financially for the year ended June 30, 2012 with comparative information for the previous year.

### Net Assets

Net assets may serve over time as a useful indicator of a government's financial position. The assets of the Town exceeded liabilities by \$7,917,717 at the close of fiscal year 2012.

#### Condensed Statement of Net Assets

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 3,271,685	\$ 2,791,144
Capital assets	<u>4,821,738</u>	<u>5,062,945</u>
Total assets	<u>8,093,423</u>	<u>7,854,089</u>
Other liabilities	<u>175,706</u>	<u>71,149</u>
Total liabilities	<u>175,706</u>	<u>71,149</u>
Net assets		
Invested in capital assets, net of related debt	4,821,738	5,062,945
Restricted	385,657	308,974
Unrestricted	<u>2,710,322</u>	<u>2,411,021</u>
Total net assets	<u>\$ 7,917,717</u>	<u>\$ 7,782,940</u>

The Net Assets consist of three components; invested in capital assets net of related debt and net of accumulated depreciation (e.g. roads, right of way, and equipment) restricted and unrestricted. Restricted represents resources that may be subject to external restrictions on how they may be used and unrestricted net assets are assets that may be used to meet the town's ongoing obligations to citizens and creditors.

The following are significant current year transactions that have had an impact on the Statement of Net Assets:

The capital assets were depreciated by \$241,206.

## Changes in Net Assets

The following table compares the revenue and expenses for the current and previous fiscal year.

### Changes in Net Assets

	<u>2012</u>	<u>2011</u>
Program revenues		
Charges for services	\$ 84,194	\$ 75,501
Operating grants and contributions	397,326	376,798
Capital grants and contributions	-	6,300
General revenues		
Sales/franchise taxes	408,071	394,068
Shared revenues	832,983	915,337
Other	<u>72,427</u>	<u>39,617</u>
Total revenues	<u>1,795,001</u>	<u>1,807,621</u>
Program expenses		
Town council and management	91,332	158,353
Town clerk	117,647	131,648
Finance/human resources	87,347	134,289
Legal	41,363	58,462
Information technology	21,335	53,145
Magistrate court	76,392	-
Public Safety	361,564	426,112
Engineering	10,175	423,606
Public Works	505,163	179,489
Community Development	343,190	267,723
Capital outlay	<u>4,716</u>	<u>-</u>
Total expenses	<u>1,660,224</u>	<u>1,832,827</u>
Increase (decrease) in net assets	134,777	(25,206)
Net assets - beginning of year	<u>7,782,940</u>	<u>7,808,146</u>
Net assets - end of year	<u><u>\$ 7,917,717</u></u>	<u><u>\$ 7,782,940</u></u>

Total revenues decreased by \$12,620 with the majority of the decrease being attributable to a decrease in operating grants, contributions, and intergovernmental revenue categories. Total expenses decreased by \$172,603 over the previous year.

The Town local sales and franchise taxes increased by \$14,003 over the previous fiscal year.

Engineering expenditures decreased by \$413,431 from the previous year and Public Works expenditures increased by \$325,674 over the previous year. The overall changes were primarily due to personnel turnover last year which, as a result, affected operating spending in many budgetary categories such as public works and engineering.

## **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

The Town uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental funds:** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, assigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

The financial performance of the Town as a whole is reflected in its governmental funds. As the Town completed the year, its governmental funds reported a combined fund balance of \$3,104,396. Total fund balance constitutes reserved and unreserved fund balance.

The General Fund is the chief operating fund of the Town and accounts for nearly all of the major functions of the government, including public safety, community development, and general administrative services. The General Fund revenues were reduced compared to prior fiscal year coming in \$28,885 lower. At the end of the current period, the general fund reported an unreserved fund balance of \$2,718,739. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unassigned fund balance represents 248% of total fund expenditures.

Fund balance of the Town's general fund increased \$302,522 during the current period.

## **BUDGETARY HIGHLIGHTS**

A city or town budget should be more than a simple accounting mechanism. It is actually a statement outlining priorities for expenditure, needs of the citizens, proposed capital improvements, problem areas within the municipality, programs which will be initiated or abandoned and most importantly, the basic level of public services which the citizens will receive from their government.

Schedules showing the budget amounts compared to the Town's actual financial activity for the General and Highway Users Revenue Funds are provided in this report as required supplementary information.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** - As of June 30, 2012, the Town had invested \$6,622,638 in capital assets, which consisted solely of the Town's investment in Town-owned vehicles and maintained roads. Accumulated depreciation totaled \$1,800,900, bringing the net investment in capital assets to \$4,821,738. Additional information on the Town's capital assets can be found in the notes to the financial statements.

**Debt Administration** - As of June 30, 2012, the Town had no long-term debt outstanding and lacked the legal capacity to issue most common forms of long-term debt obligations. Arizona state statutes require the Town to obtain the approval of the voters prior to issuing most forms of general obligation and revenue type bonds. To date, the Town has not yet had to seek the approval of the voters to issue debt.

Economic Factors and Next Year's Budget - Town management considered the following factors in developing the Fiscal 2012 – 2013 budget:

- Steady revenue stream with a slight increase in sales taxes
- Stabilized staffing situation with vacancies filled and/or reorganized
- Increased expenditure compared with last year

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have questions about this report or need additional information, contact Town Administration, Town of Dewey-Humboldt, 2735 South Highway 69, P.O. Box 69, Humboldt, AZ 86329.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
STATEMENT OF NET ASSETS  
June 30, 2012

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,052,090
Receivables (net of no allowance for uncollectibles)	219,595
Capital assets	
Land/rights-of-way	2,877,731
Other capital assets (net of accumulated depreciation)	<u>1,944,007</u>
 Total assets	 <u>8,093,423</u>
 <b>LIABILITIES</b>	
Accounts payable	159,489
Accrued liabilities	7,800
Compensated absences	<u>8,417</u>
 Total liabilities	 <u>175,706</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	4,821,738
Restricted	
Special revenues	372,206
Court	13,451
Unrestricted	<u>2,710,322</u>
 Total net assets	 <u>\$ 7,917,717</u>

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
 STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government				
Governmental activities				
General government	\$ 357,294	\$ -	\$ -	\$ -
Public safety	437,956	29,179	-	-
Engineering/public works	662,346	-	256,764	-
Community development	202,628	55,015	140,562	-
Total governmental activities	<u>\$ 1,660,224</u>	<u>\$ 84,194</u>	<u>\$ 397,326</u>	<u>\$ -</u>

General revenues  
 Town sales taxes  
 Franchise taxes  
 Shared revenues-unrestricted:  
 State sales taxes  
 Urban revenue sharing  
 Auto-in-lieu  
 Miscellaneous

Total general revenues

Change in net assets

Net assets-beginning

Net assets-ending

Net (Expense)  
Revenue and  
Changes in Net Assets

Total  
Governmental  
Activities

\$ (357,294)  
(408,777)  
(405,582)  
(7,051)  
(1,178,704)

397,343  
10,728

304,279  
328,656  
200,048  
72,427

1,313,481

134,777

7,782,940

\$ 7,917,717

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
BALANCE SHEET  
Governmental Funds  
June 30, 2012

ASSETS	General	Highway Users Revenue Fund	Grants Revenue Fund	Total Governmental Funds
Cash and cash equivalents	\$ 2,576,078	\$ 476,012	\$ -	\$ 3,052,090
Receivables	91,509	25,360	-	116,869
Due from other governments	-	-	102,726	102,726
Due from other funds	128,941	-	-	128,941
<b>Total assets</b>	<b><u>\$ 2,796,528</u></b>	<b><u>\$ 501,372</u></b>	<b><u>\$ 102,726</u></b>	<b><u>\$ 3,400,626</u></b>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 56,538	\$ 2,022	\$ 100,929	\$ 159,489
Accrued payroll	7,800	-	-	7,800
Due to other funds	-	127,144	1,797	128,941
<b>Total liabilities</b>	<b><u>64,338</u></b>	<b><u>129,166</u></b>	<b><u>102,726</u></b>	<b><u>296,230</u></b>
Fund balances				
Restricted for impact fees	-	25,333	-	25,333
Restricted for court	13,451	-	-	13,451
Restricted for streets	-	346,873	-	346,873
Unassigned	2,718,739	-	-	2,718,739
<b>Total fund balances</b>	<b><u>2,732,190</u></b>	<b><u>372,206</u></b>	<b><u>-</u></b>	<b><u>3,104,396</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 2,796,528</u></b>	<b><u>\$ 501,372</u></b>	<b><u>\$ 102,726</u></b>	<b><u>\$ 3,400,626</u></b>

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
 GOVERNMENTAL FUNDS  
 June 30, 2012

Fund balance - total governmental funds balance sheet \$ 3,104,396

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

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

Governmental capital assets	6,622,638	
Less accumulated depreciation	<u>(1,800,900)</u>	4,821,738

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

Compensated absences	<u>(8,417)</u>
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Net assets of governmental activities - statement of net assets \$ 7,917,717

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

REVENUES	General	Highway Users Revenue Fund	Grants Revenue Fund	Total Governmental Funds
Local taxes	\$ 408,071	\$ -	\$ -	\$ 408,071
Permits and fees	55,015	9,450	-	64,465
Intergovernmental revenues	832,983	247,314	140,562	1,220,859
Fines, forfeitures, penalties	29,179	-	-	29,179
Interest revenues	56,058	2,665	-	58,723
Miscellaneous	13,704	-	-	13,704
<b>Total revenues</b>	<b>1,395,010</b>	<b>259,429</b>	<b>140,562</b>	<b>1,795,001</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>General government</b>				
Town Council and management	91,332	-	-	91,332
Town Clerk	117,647	-	-	117,647
Finance/human resources	87,347	-	-	87,347
Legal	41,363	-	-	41,363
Information technology	21,335	-	-	21,335
Magistrate court	76,392	-	-	76,392
Public safety	361,564	-	-	361,564
Public works-engineering	-	10,175	-	10,175
Public works	92,880	175,207	-	268,087
Community development	202,628	-	140,562	343,190
Capital outlay	-	4,716	-	4,716
<b>Total expenditures</b>	<b>1,092,488</b>	<b>190,098</b>	<b>140,562</b>	<b>1,423,148</b>
Excess of revenues over expenditures	302,522	69,331	-	371,853
Fund balances - beginning of year	2,429,668	302,875	-	2,732,543
Fund balances - end of year	<u>\$ 2,732,190</u>	<u>\$ 372,206</u>	<u>\$ -</u>	<u>\$ 3,104,396</u>

See accompanying notes.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
 FUNDS TO THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$ 371,853

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

Governmental funds report capital outlays as expenditures.  
 However, in the statement of activities the cost of those  
 assets is allocated over their estimated useful lives and  
 reported as depreciation expense.

Depreciation expense (241,206)

Some 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.

Compensated absences 4,130

Change in net assets of governmental activities \$ 134,777

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2012

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Local taxes	\$ 369,500	\$ 369,500	\$ 408,071	\$ 38,571
Permits and fees	53,200	53,200	55,015	1,815
Intergovernmental revenues	830,500	830,500	832,983	2,483
Fines, forfeitures, and penalties	25,000	25,000	29,179	4,179
Interest revenues	50,000	50,000	56,058	6,058
Miscellaneous	7,000	7,000	13,704	6,704
<b>Total revenues</b>	<b>1,335,200</b>	<b>1,335,200</b>	<b>1,395,010</b>	<b>59,810</b>
<b>EXPENDITURES</b>				
Current				
General government				
Town Council and management	124,022	124,022	91,332	32,690
Town Clerk	132,263	132,263	117,647	14,616
Finance/human resources	292,380	292,380	87,347	205,033
Legal	44,000	44,000	41,363	2,637
Information technology	36,960	36,960	21,335	15,625
Magistrate court	86,924	86,924	76,392	10,532
Public safety	366,528	366,528	361,564	4,964
Engineering	47,128	47,128	3,095	44,033
Public works	97,841	97,841	89,785	8,056
Community development	236,372	236,372	202,628	33,744
Capital outlay	12,000	12,000	-	12,000
<b>Total expenditures</b>	<b>1,476,418</b>	<b>1,476,418</b>	<b>1,092,488</b>	<b>383,930</b>
Excess (deficiency) of revenues over (under) expenditures	(141,218)	(141,218)	302,522	443,740
Fund balance-beginning of year	2,194,761	2,194,761	2,429,668	234,907
Fund balance - end of year	<u>\$ 2,053,543</u>	<u>\$ 2,053,543</u>	<u>\$ 2,732,190</u>	<u>\$ 678,647</u>

See accompanying notes.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
HIGHWAY USERS REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2012

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Impact fees	\$ 18,900	\$ 18,900	\$ 9,450	\$ (9,450)
Intergovernmental revenues				
Highway urban revenues	243,000	243,000	247,314	4,314
Local transportation revenues	5,000	5,000	-	(5,000)
Interest revenues	1,500	1,500	2,665	1,165
<b>Total revenues</b>	<b>268,400</b>	<b>268,400</b>	<b>259,429</b>	<b>(8,971)</b>
EXPENDITURES				
Public works-egengineering	53,213	53,213	10,175	43,038
Public works	243,738	243,738	175,207	68,531
Capital outlay	80,000	80,000	4,716	75,284
<b>Total expenditures</b>	<b>376,951</b>	<b>376,951</b>	<b>190,098</b>	<b>186,853</b>
Excess (deficiency) of revenues over (under) expenditures	(108,551)	(108,551)	69,331	177,882
Fund balance - beginning of year	82,612	82,612	302,875	220,263
Fund balance - end of year	\$ (25,939)	\$ (25,939)	\$ 372,206	\$ 398,145

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
 GRANTS REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 2,144,630	\$ 2,144,630	\$ 140,562	\$ (2,004,068)
Total revenues	2,144,630	2,144,630	140,562	(2,004,068)
EXPENDITURES				
Community development	2,144,630	2,144,630	140,562	2,004,068
Total expenditures	2,144,630	2,144,630	140,562	2,004,068
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Fund balance-beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and procedures of the Town conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

A. Reporting Entity

The Town of Dewey-Humboldt (the 'Town') was incorporated on December 20, 2004. The government of the Town is organized under the authority of Title 9 of the Arizona State Statutes and is operated under a Common Council – Manager form of government. The Town is governed by an elected mayor and a six-member council.

The basic financial statements of the Town include the funds of all organizational entities for which the Town Council has oversight responsibility or financial accountability and are consequently determined to be included in the Town's financial reporting entity in accordance with Governmental Accounting Standards Board Statement No. 14, the Financial Reporting Entity. The Town provides basic government services to its citizens including roads, land use regulations, library and public safety services. As of June 30, 2012, the Town had no blended or discretely presented component units, nor was the Town a component unit of any other reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) present financial information about the Town as a whole. The reported information includes all of the non-fiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these financial statements. These financial statements are to distinguish between the governmental and business-type activities of the Town. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, state shared revenues, investment income and other items not included among program revenues are reported as general revenues.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Government-Wide 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. Grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the grantor or provider have been met. As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements, the exception is any interfund activity between governmental and business type activities, such as transfers.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are 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 Town 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, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Sales taxes, franchise taxes, licenses and permits, charges for services, and investment income 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. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The Town has no nonmajor funds for June 30, 2012.

The Town reports the following major governmental funds:

General Fund – This fund accounts for all financial resources of the Town, except those required to be accounted for in other funds.

Highway Users Revenue Fund – This fund is used to account for the maintenance and operations of the Town's street system. The fund's major funding source is state shared revenue derived from the sales taxes on gasoline sales and other transportation fees and charges.

Grants Revenue Fund – This fund is used to account for grants.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgeting and Budgetary Control

The Town Council formally adopts an annual budget for all operating funds. The Town's internal policy is that expenditures may not exceed budget by department level. Upon written request from the Town Manager, the Council has the authority to transfer part or all of any unencumbered appropriation balance from one department or fund to another.

E. Cash and Cash Equivalents

Cash represents amounts in demand deposits and amounts held in trust by financial institutions. The funds held in trust are available to the Town upon demand. Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments that are 1) readily convertible to known amounts of cash and 2) so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

F. Investments

Pursuant to GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, the Town reports all investments at fair value in the statement of net assets.

G. Restricted Cash

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources, as they are needed.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of \$10,000 or more and an estimated useful life of more than one year. 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. Major outlays for capital assets and improvements are capitalized as projects are completed.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Capital Assets (Continued)

Estimated useful lives for capital assets were determined based upon lives commonly used by other Arizona governmental agencies and various industry standards. Capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	20
Vehicles and machinery	5-10

I. Fund Balances – Governmental Funds

Fund Balances

As a result of GASB Statement No. 54, the Town has redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Restricted – Amounts that can be spent only for specific purposes because of the Town Charter, Town Code, state or federal laws, or externally imposed conditions by grantors or creditors.

Assigned – Amounts that are designated by the Town Manager for a specific purpose but are not spendable until a budget ordinance is passed by Town Council.

Unassigned – All amounts not included in other spendable classifications.

The Town would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

J. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, an entity will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

At June 30, 2012, the carrying amount of the Town's deposits totaled \$120,254 and the bank balance was \$129,550. Federal Depository Insurance fully covered the Town's deposits at June 30, 2012.

Investments

State statutes generally authorize the Town to invest in: savings accounts or certificates of deposit in federally insured banks or savings and loan institutions, obligations of the U.S. Treasury, its agencies and instrumentalities, obligations of the State of Arizona or its political subdivisions, repurchase agreements, and the State of Arizona's Local Government Investment Pool (LGIP). All of the Town's investments were held by the Arizona State Treasurer. The amount of the Town's investments totaled \$2,931,836.

The Town invests in the Local Government Investment Pool 5 (LGIP) and the long-term investment pools managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. Funds invested in investment pool 5 are available to the Town within 24 hours. Funds invested in the long-term investment pool are available to the Town at the 1<sup>st</sup> of each month. The LGIP is not registered with the Securities Exchange Commission under the 1940 Investment Advisors Act. The State Board of Investment has oversight responsibilities of the investment pools in accordance with ARS 35-311. The LGIP Pool 5's policy is to invest in fixed-rate securities with a final maturity less than 36 months from the settlement date of the purchase and variable-rate securities with final maturity less than 5 years. The dollar weighted average portfolio maturity is less than 240 days.

The Pool 500 medium-term investment pool's policy is to invest in fixed-rate or variable-rate securities with a final maturity less than 60 months. The investment duration for the LGIP medium-term pool was 1.32 years at June 30, 2012. The net asset value per share of pool 5 at June 30, 2012 was \$1.00. The net asset value per share of the medium-term investment pool at June 30, 2012 was \$1.0429.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2012

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

A) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. At June 30, 2012, the Town's investments were as follows:

Investment Type		Remaining Maturity (In Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
State Investment Pool 5	\$ 682,315	\$ 682,315	\$ -	\$ -
State Investment Pool 500	2,249,521	2,249,521		
	<u>\$ 2,931,836</u>	<u>\$ 2,931,836</u>	<u>\$ -</u>	<u>\$ -</u>

B) Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investments at June 30, 2012, are as follows:

Investment Type		Ratings as of Year-End		
		AAA	AA	Not Rated
State Investment Pool 5	\$ 682,315	\$ 682,315	\$ -	\$ -
State Investment Pool 500	2,249,521	-	-	2,249,521
	<u>\$ 2,931,836</u>	<u>\$ 682,315</u>	<u>\$ -</u>	<u>\$ 2,249,521</u>

C) Concentration of Credit Risk

The investment policy of the Town contains no limitations on the amount that can be invested in any one issuer.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2012

NOTE 3 CAPITAL ASSETS

A summary of changes in capital assets for governmental activities is as follows:

	Balance 7/1/2011	Additions	Deletions	Balance 6/30/2012
Capital assets not being depreciated:				
Land/rights-of-way	\$ 2,877,731	\$ -	\$ -	\$ 2,877,731
Capital assets being depreciated:				
Infrastructure	3,666,888	-	-	3,666,888
Vehicles	67,440	-	-	67,440
Office equipment	10,578	-	-	10,578
	<u>3,744,906</u>	-	-	<u>3,744,906</u>
Less accumulated depreciation for:				
Infrastructure	(1,503,274)	(238,807)	-	(1,742,081)
Vehicles	(45,840)	(2,400)	-	(48,240)
Office equipment	(10,578)	-	-	(10,578)
	<u>(1,559,692)</u>	<u>(241,207)</u>	-	<u>(1,800,899)</u>
Capital assets being depreciated, net	<u>2,185,214</u>	<u>(241,207)</u>	-	<u>1,944,007</u>
Governmental activities - capital assets net of depreciation	<u>\$ 5,062,945</u>	<u>\$ (241,207)</u>	<u>\$ -</u>	<u>\$ 4,821,738</u>

Depreciation expense was charged to the public works function in the governmental activities.

NOTE 4 RISK MANAGEMENT

The Town is exposed to various risks of loss related to litigation, claims and torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town mitigates the potential financial effects of these risks through its participation in the Arizona Municipal Risk Retention Pool (AMRRP), which is a common risk management and insurance program open to all Arizona municipalities. The Town pays an annual premium to AMRRP for its general and automobile insurance coverage. The AMRRP membership agreement provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial insurance companies for claims in excess of \$ 500,000 for general liability claims and \$250,000 for property claims. The Town also is a member of the Arizona Municipal Workers' Compensation Pool (AMWCP) for workers' compensation insurance. AMWCP is a public entity workers' compensation pool currently operating for member cities and towns. The Town pays quarterly premiums to AMWCP for its workers' compensation insurance. The agreement provides that AMWCP will be self-sustaining through member premiums and will reinsure through commercial insurance companies for claims in excess of \$500,000.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 5 PENSION PLAN (DEFINED CONTRIBUTION)

The Town provides pension benefits for all of its employees through a defined contribution plan. The plan is a 401A Money Purchase Plan administered by the ICMA Retirement Corporation. Each participant has an individual account with ICMA into which all contributions flow. The participants are offered various investment options through the plan and are allowed to invest moneys in their account, at their own discretion, among the options. The Town may amend, modify, or terminate the Plan, upon approval of such amendment, modification or termination provided that no amendment or modification shall reduce the account balances of any participant accrued o the date of the change.

Employees covered by the plan are eligible to participate from the date of employment. The Town provides a defined contribution, an amount that the Town promises to pay into the system; however, Town employees have no guarantee that the 401A account will produce a defined benefit at the time of retirement. Employees will have an opportunity to contribute as little as 3 percent, and receiving a two-to-one match of 6 percent from the Town, up to as much as 6 percent and receiving a two-to-one match of 12 percent from the Town. The Town's contributions for each employee are fully vested after two years.

Contributions to the Plan for the year ended June 30, 2012 totaled \$39,112, which consisted of \$12,979 contributed by employees and \$26,133 contributed by the Town.

NOTE 6 COMMITMENTS

The Town is committed on two grant construction contracts in progress at June 30, 2012 in the amounts of \$299,258 and \$300,000. Total amounts billed under these contracts at June 30, 2012, are \$130,562 and \$10,000. Accordingly, future commitments total \$168,696 and \$290,000, respectively. The Town has been awarded two Community Development Block Grants to cover the costs incurred under these contracts.