

# Financial Reports



FINANCIAL STATEMENTS  
Year Ended June 30, 2017



TOWN OF DEWEY-HUMBOLDT, ARIZONA  
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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Town of Dewey-Humboldt, Arizona, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Dewey-Humboldt, Arizona's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Town of Dewey-Humboldt, Arizona, as of June 30, 2017, and the respective changes in its financial position and the respective budgetary comparison for the General Fund, Highway Users Revenue Fund and Grants Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 7 to the financial statements, the 2017 financial statements have been restated to correct certain misstatements. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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.

### *Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies*

In connection with our audit, nothing came to our attention that caused us to believe that the Town of Dewey-Humboldt, Arizona failed to use highway user revenue fund monies received by the Town 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, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town of Dewey-Humboldt's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, management, and other responsible parties with the Town and is not intended to be and should not be used by anyone other than these specified parties.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated on October 12, 2017 our consideration of the Town of Dewey-Humboldt, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Dewey-Humboldt, Arizona's internal control over financial reporting and compliance.

*Henry + Horne LLP*

Casa Grande, Arizona  
October 12, 2017



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **For the Year Ended June 30, 2017**

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, 2017. 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 position* presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Net position is categorized as invested in capital assets less related debt, restricted by a third party, and unrestricted. Over time, increases or decreases in net position 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 position changed during the recent fiscal year. All changes in net position 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 non-exchange 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 Position and the Changes in Net Position are provided to illustrate how the Town performed financially for the year ended June 30, 2016 with comparative information for the previous year.

### Net Position

Net position may serve over time as a useful indicator of a government's financial position. The assets of the Town exceeded liabilities by \$8,694,297 at the close of fiscal year 2017.

#### Condensed Statement of Net Position

	<u>2017</u>	<u>2016</u>
Current and other assets	4,507,526	\$ 4,302,600
Capital assets	<u>4,268,799</u>	<u>4,416,955</u>
Total assets	<u>8,776,325</u>	<u>8,719,555</u>
Other liabilities	<u>82,028</u>	<u>167,122</u>
Total liabilities	<u>82,028</u>	<u>167,122</u>
Net position		
Invested in capital assets	4,268,799	4,416,955
Restricted	302,513	320,689
Unrestricted	<u>4,122,985</u>	<u>3,814,789</u>
Total net position	<u>\$ 8,694,297</u>	<u>\$ 8,552,433</u>

The Net Position consists 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 position 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 Position:

The capital assets were depreciated by \$334,794.

## Changes in Net Position

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

	<u>2017</u>	<u>2016</u>
Program revenues		
Charges for services	172,400	\$ 151,147
Operating grants and contributions	602,908	486,516
General revenues		
Sales/franchise taxes	552,303	643,017
Shared revenues	1,108,562	1,073,507
Other	<u>33,558</u>	<u>62,257</u>
Total revenues	<u>2,469,731</u>	<u>2,416,444</u>
Program expenses		
General Government	513,807	506,336
Public safety	493,572	485,111
Engineering	1,072,010	949,783
Community development	<u>248,478</u>	<u>244,800</u>
Total expenses	<u>2,327,867</u>	<u>2,186,030</u>
Increase in net position	141,864	230,414
Net position - beginning of year	<u>8,552,433</u>	<u>8,322,019</u>
Net position - end of year	<u>\$ 8,694,297</u>	<u>\$ 8,552,433</u>

Total revenues increased by \$53,287 with the majority of the increase being attributable to an increase in operating grants and contributions which increased \$116,392. Total expenses increased by \$141,837 over the previous year with increases in all programs.

The Net Position of the Town at the end of year increased \$141,864 overall.

## 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 \$4,440,699. Restrictions for Impact Fees, Court Fees and Streets are combined in the amount of \$302,513 resulting in unassigned balance of \$4,092,556 as of June 30, 2017.

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 excess of revenue over expenditures was significant. The HURF Fund had expenditures greater than revenues which was due to capital purchases made during the year. At the end of the current period, the general fund reported an unassigned fund balance of \$4,092,556, a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures.

Fund balance of the Town's general fund increased \$305,854 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.

Statements 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.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** - As of June 30, 2017, the Town had invested \$7,609,173 in capital assets, which consisted solely of the Town's investment in Town-owned vehicles, maintained roads, vehicles and equipment. Accumulated depreciation totaled \$3,340,374 bringing the net investment in capital assets to \$4,268,799. Additional information on the Town's capital assets can be found in the notes to the financial statements.

**Debt Administration** - As of June 30, 2017, 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 2017– 2018 budget:

- Steady revenue stream with a slight increase in sales taxes
- Stabilized staffing situation with the addition of one full-time Public Works Operator

## **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.

## BASIC FINANCIAL STATEMENTS



TOWN OF DEWEY-HUMBOLDT, ARIZONA  
STATEMENT OF NET POSITION  
June 30, 2017

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,293,730
Receivables (net of no allowance for uncollectibles)	168,166
Prepaid expenses	45,630
Capital assets	
Land/rights-of-way	2,982,962
Other capital assets (net of accumulated depreciation)	<u>1,285,837</u>
 Total assets	 <u>8,776,325</u>
<b>LIABILITIES</b>	
Accounts payable	39,793
Accrued liabilities	27,034
Compensated absences	<u>15,201</u>
 Total liabilities	 <u>82,028</u>
<b>NET POSITION</b>	
Invested in capital assets	4,268,799
Restricted	
Impact fees	46,398
Streets	205,221
Court	50,894
Unrestricted	<u>4,122,985</u>
 Total net position	 <u>\$ 8,694,297</u>

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2017

<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	\$ 513,807	\$ -	\$ -	\$ -
Public safety	493,572	48,322	-	-
Engineering/public works	1,072,010	-	331,139	-
Community development	248,478	124,078	271,769	-
Total governmental activities	<u>\$ 2,327,867</u>	<u>\$ 172,400</u>	<u>\$ 602,908</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 position

Net position-beginning - restated

Net position-ending

Net (Expense)  
Revenue and  
Changes in Net Assets  

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Total  
Governmental  
Activities  

---

\$ (513,807)  
(445,250)  
(740,871)  

---

147,369

---

(1,552,559)

543,939  
8,364

365,499  
487,903  
255,160  

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33,558

---

1,694,423

141,864

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8,552,433

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\$ 8,694,297

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
BALANCE SHEET  
Governmental Funds  
June 30, 2017

ASSETS	General	Highway Users Revenue Fund	Grants Revenue Fund	Total Governmental Funds
Cash and cash equivalents	\$ 3,833,974	\$ 459,756	\$ -	\$ 4,293,730
Receivables	130,230	30,244	-	160,474
Due from other governments	-	-	7,692	7,692
Due from other funds	248,152	-	-	248,152
Prepays	45,630	-	-	45,630
<b>Total assets</b>	<b><u>\$ 4,257,986</u></b>	<b><u>\$ 490,000</u></b>	<b><u>\$ 7,692</u></b>	<b><u>\$ 4,755,678</u></b>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 31,762	\$ 8,031	\$ -	\$ 39,793
Accrued payroll	27,034	-	-	27,034
Due to other funds	-	240,460	7,692	248,152
<b>Total liabilities</b>	<b><u>58,796</u></b>	<b><u>248,491</u></b>	<b><u>7,692</u></b>	<b><u>314,979</u></b>
Fund balances				
Nonspendable	45,630	-	-	45,630
Restricted for impact fees	10,110	36,288	-	46,398
Restricted for court	50,894	-	-	50,894
Restricted for streets	-	205,221	-	205,221
Unassigned	4,092,556	-	-	4,092,556
<b>Total fund balances</b>	<b><u>4,199,190</u></b>	<b><u>241,509</u></b>	<b><u>-</u></b>	<b><u>4,440,699</u></b>
 <b>Total liabilities, and fund balances</b>	 <b><u>\$ 4,257,986</u></b>	 <b><u>\$ 490,000</u></b>	 <b><u>\$ 7,692</u></b>	 <b><u>\$ 4,755,678</u></b>

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 GOVERNMENTAL FUNDS  
 June 30, 2017

Fund balance - total governmental funds balance sheet		\$ 4,440,699
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	7,609,173	
Less accumulated depreciation	<u>(3,340,374)</u>	4,268,799
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences		<u>(15,201)</u>
Net position of governmental activities - statement of net position		<u>\$ 8,694,297</u>

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2017

REVENUES	General	Highway Users Revenue Fund	Grants Revenue Fund	Total Governmental Funds
Local taxes	\$ 552,303	\$ -	\$ -	\$ 552,303
Permits and fees	124,078	-	-	124,078
Intergovernmental revenues	1,108,562	331,139	376,845	1,816,546
Fines, forfeitures, penalties	48,322	-	-	48,322
Interest revenues	24,601	2,672	-	27,273
Miscellaneous	6,285	-	-	6,285
Total revenues	<u>1,864,151</u>	<u>333,811</u>	<u>376,845</u>	<u>2,574,807</u>
EXPENDITURES				
Current				
General government				
Town Council and management	131,356	-	-	131,356
Town Clerk	192,194	-	-	192,194
Finance/human resources	112,348	-	-	112,348
Legal	45,642	-	-	45,642
Information technology	33,424	-	-	33,424
Magistrate court	87,179	-	-	87,179
Public safety	406,393	-	-	406,393
Engineering	77,277	1,073	-	78,350
Public works	196,932	64,891	-	261,823
Parks and recreation	573	-	-	573
Library	36,143	-	-	36,143
Community development	214,401	-	-	214,401
Capital outlay	-	319,032	264,077	583,109
Total expenditures	<u>1,533,862</u>	<u>384,996</u>	<u>264,077</u>	<u>2,182,935</u>
Excess of revenues over expenditures	330,289	(51,185)	112,768	391,872
OTHER FINANCING SOURCES				
Transfers in	-	24,435	-	24,435
Transfers out	(24,435)	-	-	(24,435)
Total other financing sources	<u>(24,435)</u>	<u>24,435</u>	<u>-</u>	<u>-</u>
Net change in fund balances	305,854	(26,750)	112,768	391,872
Fund balances - beginning of year	<u>3,893,336</u>	<u>268,259</u>	<u>(112,768)</u>	<u>4,048,827</u>
Fund balances - end of year	<u>\$ 4,199,190</u>	<u>\$ 241,509</u>	<u>\$ -</u>	<u>\$ 4,440,699</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, 2017

Net change in fund balances - total governmental funds \$ 391,872

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.

Capital outlay expenditures capitalized	186,639
Depreciation expense	(334,794)

Some revenues and expenses reported in the statement of  
 activities do not provide or use current financial  
 resources and, therefore, are not reported as revenues  
 or expenditures in governmental funds.

Intergovernmental revenue	(105,076)
Compensated absences	<u>3,223</u>

Change in net assets of governmental activities \$ 141,864

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2017

REVENUES	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
Local taxes	\$ 443,000	\$ 443,000	\$ 552,303	\$ 109,303
Permits and fees	74,000	74,000	124,078	50,078
Intergovernmental revenues	1,101,702	1,101,702	1,108,562	6,860
Fines, forfeitures, and penalties	50,100	50,100	48,322	(1,778)
Interest revenues	15,000	15,000	24,601	9,601
Miscellaneous	500	500	6,285	5,785
<b>Total revenues</b>	<b>1,684,302</b>	<b>1,684,302</b>	<b>1,864,151</b>	<b>179,849</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
General government				
Town Council and management	341,481	341,481	131,356	210,125
Town Clerk	191,074	191,074	192,194	(1,120)
Finance/human resources	148,588	148,588	112,348	36,240
Legal	58,000	58,000	45,642	12,358
Information technology	34,600	34,600	33,424	1,176
Magistrate court	95,410	95,410	87,179	8,231
Public safety	406,804	406,804	406,393	411
Engineering	77,224	77,224	77,277	(53)
Public works	206,561	206,561	196,932	9,629
Parks and recreation	500	500	573	(73)
Library	36,143	36,143	36,143	-
Community development	251,482	251,482	214,401	37,081
Capital outlay	12,000	12,000	-	12,000
<b>Total expenditures</b>	<b>1,859,867</b>	<b>1,859,867</b>	<b>1,533,862</b>	<b>326,005</b>
Excess (deficiency) of revenues over (under) expenditures	(175,565)	(175,565)	330,289	505,854
<b>OTHER FINANCING SOURCES</b>				
Transfers out	(24,435)	(24,435)	(24,435)	-
<b>Total other financing sources</b>	<b>(24,435)</b>	<b>(24,435)</b>	<b>(24,435)</b>	<b>-</b>
Net change in fund balances	(200,000)	(200,000)	305,854	505,854
Fund balance-beginning of year	3,893,336	3,893,336	3,893,336	-
<b>Fund balance - end of year</b>	<b>\$ 3,693,336</b>	<b>\$ 3,693,336</b>	<b>\$ 4,199,190</b>	<b>\$ 505,854</b>

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, 2017

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Intergovernmental revenues				
Highway user revenues	\$ 318,908	\$ 318,908	\$ 331,139	\$ 12,231
Interest revenues	500	500	2,672	2,172
Total revenues	<u>319,408</u>	<u>319,408</u>	<u>333,811</u>	<u>14,403</u>
EXPENDITURES				
Public works-engineering	9,000	9,000	1,073	7,927
Public works	76,500	76,500	64,891	11,609
Capital outlay	346,500	346,500	319,032	27,468
Total expenditures	<u>432,000</u>	<u>432,000</u>	<u>384,996</u>	<u>47,004</u>
Excess (deficiency) of revenues over (under) expenditures	(112,592)	(112,592)	(51,185)	61,407
OTHER FINANCING SOURCES				
Transfers in	24,435	24,435	24,435	-
Total other financing sources	<u>24,435</u>	<u>24,435</u>	<u>24,435</u>	<u>-</u>
Net change in fund balances	(88,157)	(88,157)	(26,750)	61,407
Fund balance - beginning of year	<u>268,259</u>	<u>268,259</u>	<u>268,259</u>	<u>-</u>
Fund balance - end of year	<u>\$ 180,102</u>	<u>\$ 180,102</u>	<u>\$ 241,509</u>	<u>\$ 61,407</u>

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
 GRANTS REVENUE FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues	<u>\$ 1,865,000</u>	<u>\$ 1,865,000</u>	<u>\$ 376,845</u>	<u>\$ (1,488,155)</u>
Total revenues	<u>1,865,000</u>	<u>1,865,000</u>	<u>376,845</u>	<u>(1,488,155)</u>
EXPENDITURES				
Community development	<u>1,865,000</u>	<u>1,865,000</u>	<u>264,077</u>	<u>1,600,923</u>
Total expenditures	<u>1,865,000</u>	<u>1,865,000</u>	<u>264,077</u>	<u>1,600,923</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	112,768	112,768
Fund balance-beginning of year	<u>-</u>	<u>-</u>	<u>(112,768)</u>	<u>(112,768)</u>
Fund balance - end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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, Accounting Standards Codification. The Town provides basic government services to its citizens including roads, land use regulations, library and public safety services. As of June 30, 2017, 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 position 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, 2016

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, 2017.

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, 2016

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

The Town reports all investments at fair value in the statement of net position.

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 \$5,000 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, 2016

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 Accounting Standards Codification, 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.

Committed – amounts that can be used only for specific purposes determined by a formal action of Town Council. Town Council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through resolutions approved by Town Council.

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, 2016

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, 2017, the carrying amount of the Town's deposits totaled \$176,494 and the bank balance was \$247,192. Federal Depository Insurance fully covered the Town's deposits at June 30, 2017.

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 \$4,117,236.

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 a diversified short-term fund similar to a prime money market fund with securities with a final maturity less than 12 months from the settlement date of the purchase and variable-rate securities with final maturity less than 1 year. The weighted average portfolio maturity is less than 40 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 1.97 years at June 30, 2017. The net asset value per share of Pool 5 at June 30, 2017 was \$1.00. The floating net asset value per share of the Pool 500 medium-term investment pool at June 30, 2017 was \$1.03.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2016

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, 2017, the Town's investments were as follows:

Investment Type	Amount	Remaining Maturity (In Months)		
		12 Months or Less	13 to 24 Months	25 to 60 Months
State Investment Pool 5	\$ 1,750,141	\$ 1,750,141	\$ -	\$ -
State Investment Pool 500	2,367,095	2,367,095		
	<u>\$ 4,117,236</u>	<u>\$ 4,117,236</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, 2017, are as follows:

Investment Type	Amount	Ratings as of Year-End		
		AAAF/S1+	AA	Not Rated
State Investment Pool 5	\$ 1,750,141	\$ 1,750,141	\$ -	\$ -
State Investment Pool 500	2,367,095	-	-	2,367,095
	<u>\$ 4,117,236</u>	<u>\$ 1,750,141</u>	<u>\$ -</u>	<u>\$ 2,367,095</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, 2016

NOTE 3 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  
 June 30, 2016

NOTE 4 CAPITAL ASSETS

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

	Balance * 7/1/16	Additions	Deletions	Balance 6/30/17
Capital assets not being depreciated:				
Land/rights-of-way	\$2,982,962	\$ -	\$ -	\$ 2,982,962
Construction in progress	89,731	-	(89,731)	-
Total capital assets not being depreciated	<u>3,072,693</u>	<u>-</u>	<u>(89,731)</u>	<u>2,982,962</u>
Capital assets being depreciated:				
Infrastructure	4,209,887	276,369	-	4,486,256
Vehicles	129,377	-	-	129,377
Office equipment	10,578	-	-	10,578
	<u>4,349,842</u>	<u>276,369</u>	<u>-</u>	<u>4,626,211</u>
Less accumulated depreciation for:				
Infrastructure	(2,934,179)	(317,296)	-	(3,251,475)
Vehicles	(60,823)	(17,498)	-	(78,321)
Office equipment	(10,578)	-	-	(10,578)
	<u>(3,005,580)</u>	<u>(334,794)</u>	<u>-</u>	<u>(3,340,374)</u>
Capital assets being depreciated, net	<u>1,344,262</u>	<u>(58,425)</u>	<u>-</u>	<u>1,285,837</u>
Governmental activities - capital assets net of depreciation	<u>\$ 4,416,955</u>	<u>\$ (58,425)</u>	<u>\$ (89,731)</u>	<u>\$ 4,268,799</u>

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

NOTE 5 DEFINED CONTRIBUTION PENSION PLAN

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 on the date of the change.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 5 DEFINED CONTRIBUTION PENSION PLAN (Continued)

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, 2017 totaled \$83,425, which consisted of \$27,855 contributed by employees and \$55,570 contributed by the Town.

The Town also has a 457 Retirement Plan through the ICMA Retirement Corporation. This plan is eligible to full time employees who may contribute no less than 3% and no more than 6% of income in order to receive a Town two-to-one match of at least 6% and no more than 12%. Part time employees may contribute 2.5% of income in order to receive a Town two-to-one match of 5%. Participation in this plan without a Town match is optional to full time employees.

Contributions to the Plan for the year ended June 30, 2017 totaled \$12,177, which consisted of \$7,575 contributed by employees and \$4,602 contributed by the Town.

NOTE 6 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The deficit in the Grants Fund is primarily the result of insufficient assets to fund the liability that the Town has for the flood control project. Additional grant funds are anticipated in the next fiscal year to cover this deficit.

NOTE 7 RESTATEMENT OF NET POSITION

The beginning net position of the Governmental Activities has been restated to record prior period adjustments to the Town's capital assets. The Town had capital assets at the end of the prior fiscal period that were expensed and not recorded as a capital addition. Net position was restated as follows:

	<b>Governmental Activities</b>
Beginning net position	\$ 8,457,506
Capital assets	94,927
Total net position - restated	<u>\$ 8,552,433</u>



## REPORT ON INTERNAL CONTROL AND COMPLIANCE



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Dewey-Humboldt, Arizona, (Town), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Town of Dewey-Humboldt's basic financial statements, and have issued our report thereon dated October 12, 2017.

### Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described as 2017-001 in the accompanying schedule of findings and responses to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies we consider to be significant deficiencies.

## **Compliance and Other Matters**

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

## **Town of Dewey-Humbolt, Arizona's Response to Findings**

Town of Dewey-Humbolt, Arizona's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Dewey-Humbolt, Arizona's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Henry & Horne LLP*

Casa Grande, Arizona  
October 12, 2017

TOWN OF DEWEY-HUMBOLT, ARIZONA  
SCHEDULE OF FINDINGS AND RESPONSES  
June 30, 2017

FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

FINDING: 2017-001

CRITERIA

Generally Accepted Accounting Principles (GAAP) requires capital assets to be recorded at acquisition costs and reported on the financial statements.

CONDITION/CONTEXT

During the current fiscal year a road project was completed and added to the capital asset schedule. Work on the project began in the prior fiscal year and was not reported as construction in process at the end of the prior fiscal year.

EFFECT

The capital assets reported in the Town's financial statement were understated in the prior fiscal period. As a result, a prior period adjustment was required to properly state capital assets at the end of the current fiscal year.

CAUSE

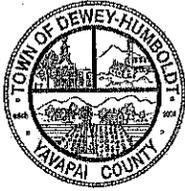
The Town did not have procedures in place to ensure that all capital projects, included construction in process, are recorded on the capital asset sub-ledger at the end of the fiscal year.

RECOMMENDATION

It is recommended that management implement policies and procedures in place that reconcile capital outlay with capital additions to ensure that all capital projects, including projects in process, are properly reported in the financial statements.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

Management concurs with this recommendation. See corrective action plan.



TOWN OF DEWEY-HUMBOLDT  
P.O. BOX 69  
HUMBOLDT, AZ 86329  
Phone 928-632-7362 • Fax 928-632-7365

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CORRECTIVE ACTION PLAN

September 18, 2017

The Town of Dewey-Humboldt, Arizona respectfully submits the following corrective action plan for the year ended June 30, 2017.

Henry & Horne, LLP  
1115 E Cottonwood Lane, Suite 100  
Casa Grande, AZ 85122  
Audit period: June 30, 2017

The findings from the June 30, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

MATERIAL WEAKNESS	
2017-001	
	Recommendation: It is recommended that management implement policies and procedures in place that reconcile capital outlay with capital additions to ensure that all capital projects, including projects in process, are properly reported in the financial statements.
	Action Taken: We concur with the recommendation. During September, 2017, the Town implemented procedures to review all capital outlay to ensure all necessary items are included in the Town's capital asset listing and that all capital projects are monitored and included as construction in process at year end, if needed.

If there are questions regarding this plan, please call Mickey Moore at 928-632-7362.

Sincerely yours,  
*Mickey Moore*  
Mickey Moore  
Town Accountant