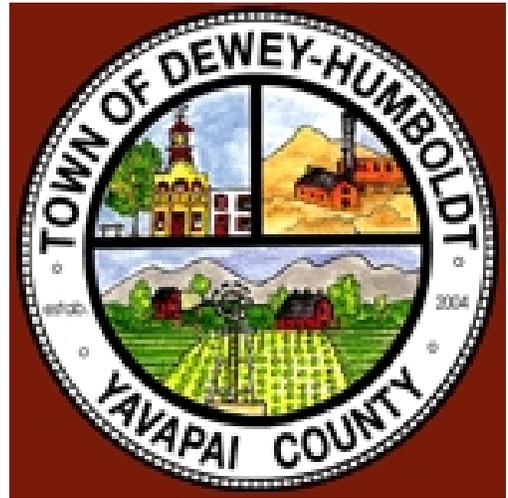


Financial Reports



FINANCIAL STATEMENTS
Year Ended June 30, 2020

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, 2020, 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, 2020, 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.

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 September 29, 2020 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

Tempe, Arizona
September 29, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2020

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, 2020. 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 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 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, 2020 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 \$9,836,521 at the close of fiscal year 2020.

Condensed Statement of Net Position

	2020	2019
Current and other assets	\$ 6,500,104	\$ 5,653,814
Capital assets	3,408,340	3,720,238
Total assets	<u>9,908,444</u>	<u>9,374,052</u>
Other liabilities	71,923	277,429
Total liabilities	<u>71,923</u>	<u>277,429</u>
Net position		
Invested in capital assets	3,408,340	3,720,238
Restricted	484,884	257,361
Unrestricted	5,943,297	5,119,024
Total net position	<u>\$ 9,836,521</u>	<u>\$ 9,096,623</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 \$346,442.

Changes in Net Position

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

	2020	2019
Program revenues		
Charges for services	\$ 243,261	\$ 163,262
Operating grants and contributions	709,571	436,456
General revenues		
Sales/franchise taxes	881,549	700,353
Shared revenues	1,246,952	1,187,997
Other	147,269	146,787
Total revenues	3,228,602	2,634,855
Program expenses		
General Government	491,396	387,151
Public safety	518,574	503,191
Engineering	1,183,671	1,127,081
Community development	295,063	272,040
Total expenses	2,488,704	2,289,463
Increase in net position	739,898	345,392
Net position - beginning of year	9,096,623	8,751,231
Net position - end of year	\$ 9,836,521	\$ 9,096,623

Total revenues increased by \$593,747 with most of the increase being attributable to APS franchise revenue, and sales tax revenue which increased sales/franchise fees by \$181,196 and HB 2748 which increased HURF revenue by \$197,802. Total expenses increased by \$199,241 over the previous year with increases in all programs.

The Net Position of the Town at the end of year increased \$739,898.

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 \$6,447,176. Non-spendable fund balance plus restrictions for Court Fees and Streets total \$554,093 resulting in unassigned balance of \$5,891,733 as of June 30, 2020.

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. At the end of the current period, the general fund reported an unassigned fund balance of \$5,891,733, 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 \$837,949 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, 2020, the Town had invested \$7,843,311 in capital assets, which consisted solely of the Town's investment in Town-owned vehicles, maintained roads, and equipment. Accumulated depreciation totaled \$4,434,971 bringing the net investment in capital assets to \$3,408,340. Additional information on the Town's capital assets can be found in the notes to the financial statements.

Debt Administration - As of June 30, 2020, 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 2019-20 budget:

- Steady revenue stream with a slight increase in sales taxes
- Continuing to stabilize staffing situation with the addition of a Finance Director or Contracted Finance Director
- Continue to stabilize the Public Works Department with the addition of one full-time 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, 2020

	<u>Primary Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 6,209,101
Receivables (net of no allowance for uncollectibles)	220,444
Prepaid expenses	70,559
Capital assets	
Land/rights-of-way	2,982,962
Other capital assets (net of accumulated depreciation)	<u>425,378</u>
Total assets	<u>9,908,444</u>
LIABILITIES	
Accounts payable	29,008
Accrued liabilities	23,920
Compensated absences	<u>18,995</u>
Total liabilities	<u>71,923</u>
NET POSITION	
Invested in capital assets	3,408,340
Restricted	
Streets	405,119
Court	78,415
Grants	1,350
Unrestricted	<u>5,943,297</u>
Total net position	<u>\$ 9,836,521</u>

See accompanying notes.

TOWN OF DEWEY-HUMBOLDT, ARIZONA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
Primary government					
Governmental activities					
General government	\$ 491,396	\$ -	\$ -	\$ -	\$ (491,396)
Public safety	518,574	36,030	-	-	(482,544)
Engineering/public works	1,183,671	-	547,502	-	(636,169)
Community development	295,063	207,231	162,069	-	74,237
Total governmental activities	<u>\$ 2,488,704</u>	<u>\$ 243,261</u>	<u>\$ 709,571</u>	<u>\$ -</u>	<u>(1,535,872)</u>
General revenues					
Town sales taxes					848,400
Franchise taxes					33,149
Shared revenues-unrestricted:					
State sales taxes					424,376
Urban revenue sharing					530,965
Auto-in-lieu					291,611
Investment earnings					141,437
Miscellaneous					5,832
Total general revenues					<u>2,275,770</u>
Change in net position					739,898
Net position-beginning of year					<u>9,096,623</u>
Net position-ending					<u>\$ 9,836,521</u>

TOWN OF DEWEY-HUMBOLDT, ARIZONA
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2020

ASSETS	General	Highway Users Revenue Fund	Grants Revenue Fund	Total Governmental Funds
Cash and cash equivalents	\$ 5,627,157	\$ 581,944	\$ -	\$ 6,209,101
Receivables	156,196	29,080	-	185,276
Due from other governments	-	-	35,168	35,168
Due from other funds	231,344	-	-	231,344
Prepays	66,751	3,808	-	70,559
Total assets	\$ 6,081,448	\$ 614,832	\$ 35,168	\$ 6,731,448
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 20,629	\$ 2,664	\$ 5,715	\$ 29,008
Accrued payroll	23,920	-	-	23,920
Due to other funds	-	203,241	28,103	231,344
Total liabilities	44,549	205,905	33,818	284,272
Fund balances				
Nonspendable	66,751	3,808	-	70,559
Restricted:				
Streets	-	405,119	-	405,119
Court	78,415	-	-	78,415
Grants	-	-	1,350	1,350
Unassigned	5,891,733	-	-	5,891,733
Total fund balances	6,036,899	408,927	1,350	6,447,176
Total liabilities, and fund balances	\$ 6,081,448	\$ 614,832	\$ 35,168	\$ 6,731,448

See accompanying notes.

TOWN OF DEWEY-HUMBOLDT, ARIZONA
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION -
 GOVERNMENTAL FUNDS
 June 30, 2020

Fund balance - total governmental funds balance sheet		\$ 6,447,176
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 7,843,311	
Less accumulated depreciation	<u>(4,434,971)</u>	3,408,340
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Compensated absences		<u>(18,995)</u>
Net position of governmental activities - statement of net position		<u><u>\$ 9,836,521</u></u>

TOWN OF DEWEY-HUMBOLDT, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

REVENUES	General	Highway Users Revenue Fund	Grants Revenue Fund	Total Governmental Funds
Local taxes	\$ 881,549	\$ -	\$ -	\$ 881,549
Permits and fees	207,231	-	-	207,231
Intergovernmental revenues	1,246,952	547,502	162,069	1,956,523
Fines, forfeitures, penalties	36,030	-	-	36,030
Interest revenues	130,579	10,858	-	141,437
Miscellaneous	5,832	-	-	5,832
Total revenues	2,508,173	558,360	162,069	3,228,602
EXPENDITURES				
Current				
General government				
Town Council and management	124,045	-	-	124,045
Town Clerk	135,904	-	-	135,904
Finance/human resources	111,769	-	-	111,769
Legal	71,985	-	-	71,985
Information technology	41,811	-	-	41,811
Public safety	451,973	-	-	451,973
Magistrate court	66,601	-	-	66,601
Engineering	68,085	-	161,001	229,086
Public works	261,870	341,865	-	603,735
Parks and recreation	4,408	-	-	4,408
Library	42,868	-	-	42,868
Community development	254,361	-	-	254,361
Capital outlay	34,544	-	-	34,544
Total expenditures	1,670,224	341,865	161,001	2,173,090
Net change in fund balances	837,949	216,495	1,068	1,055,512
Fund balances - beginning of year	5,198,950	192,432	282	5,391,664
Fund balances - end of year	\$ 6,036,899	\$ 408,927	\$ 1,350	\$ 6,447,176

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, 2020

Net change in fund balances - total governmental funds \$ 1,055,512

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	34,544
Depreciation expense	(346,442)

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.

Compensated absences	<u>(3,716)</u>
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Change in net position of governmental activities	<u><u>\$ 739,898</u></u>
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TOWN OF DEWEY-HUMBOLDT, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Local taxes	\$ 431,517	\$ 431,517	\$ 881,549	\$ 450,032
Permits and fees	318,422	318,422	207,231	(111,191)
Intergovernmental revenues	1,210,518	1,210,518	1,246,952	36,434
Fines, forfeitures, and penalties	45,773	45,773	36,030	(9,743)
Interest revenues	15,000	15,000	130,579	115,579
Miscellaneous	3,500	3,500	5,832	2,332
Total revenues	<u>2,024,730</u>	<u>2,024,730</u>	<u>2,508,173</u>	<u>483,443</u>
EXPENDITURES				
Current				
General government				
Town Council and management	332,021	332,021	124,045	207,976
Town Clerk	145,331	145,331	135,904	9,427
Finance/human resources	152,515	152,515	111,769	40,746
Legal	84,300	84,300	71,985	12,315
Information technology	66,800	66,800	41,811	24,989
Public safety	452,600	452,600	451,973	627
Magistrate court	78,059	78,059	66,601	11,458
Engineering	132,571	132,571	68,085	64,486
Public works	317,937	318,487	261,870	56,617
Parks and recreation	6,000	6,000	4,408	1,592
Library	38,656	42,906	42,868	38
Community development	356,785	352,535	254,361	98,174
Capital outlay	<u>154,802</u>	<u>154,252</u>	<u>34,544</u>	<u>119,708</u>
Total expenditures	<u>2,318,377</u>	<u>2,318,377</u>	<u>1,670,224</u>	<u>648,153</u>
Net change in fund balances	(293,647)	(293,647)	837,949	1,131,596
Fund balance-beginning of year	<u>5,198,950</u>	<u>5,198,950</u>	<u>5,198,950</u>	-
Fund balance - end of year	<u>\$ 4,905,303</u>	<u>\$ 4,905,303</u>	<u>\$ 6,036,899</u>	<u>\$ 1,131,596</u>

See accompanying notes.

TOWN OF DEWEY-HUMBOLDT, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL - HIGHWAY USERS REVENUE FUND
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenues				
Highway user revenues	\$ 347,187	\$ 347,187	\$ 547,502	\$ 200,315
Interest revenues	2,000	2,000	10,858	8,858
Total revenues	<u>349,187</u>	<u>349,187</u>	<u>558,360</u>	<u>209,173</u>
EXPENDITURES				
Public works	<u>349,187</u>	<u>349,187</u>	<u>341,865</u>	<u>7,322</u>
Total expenditures	<u>349,187</u>	<u>349,187</u>	<u>341,865</u>	<u>7,322</u>
Net change in fund balances	-	-	216,495	216,495
Fund balance - beginning of year	<u>192,432</u>	<u>192,432</u>	<u>192,432</u>	<u>-</u>
Fund balance - end of year	<u>\$ 192,432</u>	<u>\$ 192,432</u>	<u>\$ 408,927</u>	<u>\$ 216,495</u>

TOWN OF DEWEY-HUMBOLDT, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GRANT REVENUE FUND
Year Ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget- Positive (Negative)
REVENUES				
Intergovernmental revenues	<u>\$ 1,465,000</u>	<u>\$ 1,465,000</u>	<u>\$ 162,069</u>	<u>\$ (1,302,931)</u>
Total revenues	<u>1,465,000</u>	<u>1,465,000</u>	<u>162,069</u>	<u>(1,302,931)</u>
EXPENDITURES				
Engineering	<u>1,465,000</u>	<u>1,465,000</u>	<u>161,001</u>	<u>1,303,999</u>
Total expenditures	<u>1,465,000</u>	<u>1,465,000</u>	<u>161,001</u>	<u>1,303,999</u>
Net change in fund balances	-	-	1,068	1,068
Fund balance-beginning of year	<u>-</u>	<u>-</u>	<u>282</u>	<u>282</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,350</u>	<u>\$ 1,350</u>

TOWN OF DEWEY-HUMBOLDT, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

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, 2020, 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 FINANCIAL STATEMENTS
June 30, 2020

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, 2020.

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 FINANCIAL STATEMENTS
June 30, 2020

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 \$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 FINANCIAL STATEMENTS
 June 30, 2020

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 FINANCIAL STATEMENTS
June 30, 2020

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.

The Town had cash on hand in the amount of \$150. At June 30, 2020, the carrying amount of the Town's deposits totaled \$113,018 and the bank balance was \$176,130. Federal Depository Insurance fully covered the Town's deposits at June 30, 2020.

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).

As of June 30, 2020, the Town had investments of \$6,095,933 in the State Treasurer's investment pools measured at fair value. Investments in the State Treasurer's investment pools are value at the pool's share price multiplied by the number of shares the Town held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

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 1st 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 final maturities less than 12 months from the settlement date of the purchase and variable-rate securities with final maturities less than 1 year. The weighted average portfolio maturity is 47.36 days. The net asset value per share of Pool 5 at June 30, 2020 was \$1.00.

The Pool 500 medium-term investment pool's policy is to invest in fixed-rate or variable-rate securities with final maturities less than 60 months. The investment weighted average maturity for the LGIP medium-term pool was 3.46 years at June 30, 2020. The floating net asset value per share of the Pool 500 medium-term investment pool at June 30, 2020 was \$1.0317.

TOWN OF DEWEY-HUMBOLDT, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2020

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, 2020, 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	\$ 3,528,206	\$ 3,528,206	\$ -	\$ -
State Investment Pool 500	2,567,727	-	-	2,567,727
	<u>\$ 6,095,933</u>	<u>\$ 3,528,206</u>	<u>\$ -</u>	<u>\$ 2,567,727</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, 2020, are as follows:

Investment Type	Amount	Ratings as of Year-End		
		AAAF/S1+	AA-2	Not Rated
State Investment Pool 5	\$ 3,528,206	\$ 3,528,206	\$ -	\$ -
State Investment Pool 500	2,567,727	-	2,567,727	-
	<u>\$ 6,095,933</u>	<u>\$ 3,528,206</u>	<u>\$ 2,567,727</u>	<u>\$ -</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 FINANCIAL STATEMENTS
 June 30, 2020

NOTE 3 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2020 is as follows:

Fund	Receivable Amount	Payable Amount
General Fund	\$ 231,344	\$ -
HURF Fund	-	203,241
Grants Fund	-	28,102
Total	\$ 231,344	\$ 231,343

The outstanding balances between funds results mainly from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All interfund balances are expected to be repaid within one year.

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 FINANCIAL STATEMENTS
 June 30, 2020

NOTE 5 CAPITAL ASSETS

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

	Balance 7/1/19	Additions	Deletions	Balance 6/30/20
Capital assets not being depreciated:				
Land/rights-of-way	\$ 2,982,962	\$ -	\$ -	\$ 2,982,962
Capital assets being depreciated:				
Infrastructure	4,469,236	-	-	4,469,236
Vehicles and equipment	345,991	34,544	-	380,535
Office equipment	10,578	-	-	10,578
	<u>4,825,805</u>	<u>34,544</u>	<u>-</u>	<u>4,860,349</u>
Less accumulated depreciation for:				
Infrastructure	(3,896,293)	(292,898)	-	(4,189,191)
Vehicles	(181,658)	(53,544)	-	(235,202)
Office equipment	(10,578)	-	-	(10,578)
	<u>(4,088,529)</u>	<u>(346,442)</u>	<u>-</u>	<u>(4,434,971)</u>
Capital assets being depreciated, net	<u>737,276</u>	<u>(311,898)</u>	<u>-</u>	<u>425,378</u>
Governmental activities - capital assets net of depreciation	<u>\$ 3,720,238</u>	<u>\$ (311,898)</u>	<u>\$ -</u>	<u>\$ 3,408,340</u>

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

NOTE 6 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 FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 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 may contribute no less than 3 percent and no more than 6 percent of income to receive a two-to-one match from the Town of no less than 6 percent and no more than 12 percent. The Town's contributions for each employee are fully vested after two years.

Contributions to the Plan for the year ended June 30, 2020 totaled \$70,605, which consisted of \$23,535 contributed by employees and \$47,070 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 percent and no more than 6 percent of income to receive a Town two-to-one match of at least 6 percent and no more than 12 percent. Part time employees may contribute 2.5 percent of income in order to receive a Town two-to-one match of 5 percent. Participation in this plan without a Town match is optional to full time employees.

Contributions to the Plan for the year ended June 30, 2020 totaled \$3,673 which consisted of \$1,224 contributed by employees and \$2,449 contributed by the Town.

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, 2020, and the related notes to the financial statements, which collectively comprise the Town of Dewey-Humboldt's basic financial statements, and have issued our report thereon dated September 29, 2020.

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) as a basis for designing 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

A handwritten signature in black ink that reads "Henry + Horne, LLP". The signature is written in a cursive, flowing style.

Tempe, Arizona
September 29, 2020