

FINANCIAL STATEMENTS  
Year Ended June 30, 2021



TOWN OF DEWEY-HUMBOLDT, ARIZONA  
TABLE OF CONTENTS

REPORT ON AUDIT OF FINANCIAL STATEMENT	
Independent Auditors' Report	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	12
Statement of Activities	13
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Highway Users Revenue Fund	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - Grant Revenue Fund	20
Notes to Financial Statements	21
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 <i>Government Auditing Standards</i>	31
Independent Auditors' Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	33
Schedule of Expenditures of Federal Awards	35
Notes to the Schedule of Expenditures of Federal Awards	36
Schedule of Findings and Questioned Costs	37



## 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, 2021, 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 from 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, 2021, 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 and budgetary comparison information 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Dewey Humboldt, Arizona's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*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.

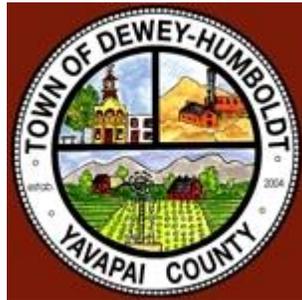
The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, management, and other responsible parties 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 December 20, 2021 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  
December 20, 2021



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

### **For the Year Ended June 30, 2021**

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, 2021. 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, 2021 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 \$11,418,415 at the close of fiscal year 2021.

**Condensed Statement of Net Position**

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 8,895,332	\$ 6,500,104
Capital assets	<u>3,321,505</u>	<u>3,408,340</u>
Total assets	<u>12,216,837</u>	<u>9,908,444</u>
Other liabilities	<u>798,422</u>	<u>71,923</u>
Total liabilities	<u>798,422</u>	<u>71,923</u>
Net position		
Invested in capital assets	3,321,505	3,408,340
Restricted	554,968	484,884
Unrestricted	<u>7,541,942</u>	<u>5,943,297</u>
Total net position	<u>\$ 11,418,415</u>	<u>\$ 9,836,521</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 \$86,835.

## Changes in Net Position

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

### Changes in Net Position

	<u>2021</u>	<u>2020</u>
Program revenues		
Charges for services	\$ 244,709	\$ 243,261
Operating grants and contributions	1,210,153	709,571
General revenues		
Sales/franchise taxes	1,146,306	881,549
Shared revenues	1,432,880	1,246,952
Other	<u>30,212</u>	<u>147,269</u>
Total revenues	<u>4,064,260</u>	<u>3,228,602</u>
Program expenses		
General Government	461,999	491,396
Public safety	546,376	518,574
Engineering	1,232,087	1,183,671
Community development	<u>241,904</u>	<u>295,063</u>
Total expenses	<u>2,482,366</u>	<u>2,488,704</u>
Increase in net position	1,581,894	739,898
Net position - beginning of year	<u>9,836,521</u>	<u>9,096,623</u>
Net position - end of year	<u>\$ 11,418,415</u>	<u>\$ 9,836,521</u>

Total revenues increased by \$835,658 with most of the increase being attributable to increased operating grants and contributions, which increased primarily due to increased federal grant funding. Total expenses remained consistent between years, decreasingly slightly by \$6,338.

The Net Position of the Town at the end of year increased \$1,581,894.

## 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 \$8,107,976. Non-spendable fund balance plus restrictions for Court Fees and Streets total \$563,313 resulting in unassigned balance of \$7,544,663 as of June 30, 2021.

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 \$7,544,663, 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 \$1,595,372 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, 2021, the Town had invested \$7,830,987 in capital assets, which consisted solely of the Town's investment in Town-owned vehicles, maintained roads, and equipment. Accumulated depreciation totaled \$4,509,482 bringing the net investment in capital assets to \$3,321,505. Additional information on the Town's capital assets can be found in the notes to the financial statements.

**Debt Administration** - As of June 30, 2021, 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**

The following are the top six priorities ranked by the Mayor and Council for the Town of Dewey Humboldt that continue to be priorities in the FY2021-2022 Budget.

1. Financial Sustainability
2. Infrastructure & Facilities (Roads, Town Hall, etc.)
3. Economic Development
4. Managed Growth
5. Quality of Life (Open space, trails, parks, etc.)
6. Organizational Development

Ongoing revenue is expected to be stable and slightly increasing overall. Federal grant revenue through the American Rescue Plan Act will also be received with potential for one-time projects benefiting town residents. The town anticipates continued discussion and progress towards building a town hall and improving public works services through the addition of two heavy equipment operators.

## **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, 2021

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 8,535,525
Receivables (net of no allowance for uncollectibles)	222,247
Intergovernmental receivables	129,215
Prepaid expenses	8,345
Capital assets	
Nondepreciable	2,982,962
Depreciable	<u>338,543</u>
Total assets	<u>12,216,837</u>
<b>LIABILITIES</b>	
Accounts payable	72,888
Accrued liabilities	23,630
Compensated absences	11,066
Unearned revenue	<u>690,838</u>
Total liabilities	<u>798,422</u>
<b>NET POSITION</b>	
Invested in capital assets	3,321,505
Restricted	
Streets	475,705
Court	79,263
Unrestricted	<u>7,541,942</u>
Total net position	<u>\$ 11,418,415</u>

See accompanying notes.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2021

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	\$ 461,999	\$ -	\$ -	\$ -	\$ (461,999)
Public safety	546,376	32,758	474,955	-	(38,663)
Engineering/public works	1,232,087	-	397,033	-	(835,054)
Community development	241,904	211,951	338,165	-	308,212
Total governmental activities	<u>\$ 2,482,366</u>	<u>\$ 244,709</u>	<u>\$ 1,210,153</u>	<u>\$ -</u>	<u>(1,027,504)</u>
General revenues					
Town sales taxes					1,065,889
Franchise taxes					80,417
Shared revenues-unrestricted:					
State sales taxes					490,785
Urban revenue sharing					591,235
Auto-in-lieu					350,860
Investment earnings					19,432
Miscellaneous					10,780
Total general revenues					<u>2,609,398</u>
Change in net position					1,581,894
Net position-beginning of year					<u>9,836,521</u>
Net position-ending					<u>\$ 11,418,415</u>

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2021

ASSETS	General	Highway Users Revenue Fund	Grants Revenue Fund	Non-Major Governmental Capital Projects	Total Governmental Funds
Cash and cash equivalents	\$ 8,012,236	\$ 523,289	\$ -	\$ -	\$ 8,535,525
Receivables	186,833	35,414	-	-	222,247
Intergovernmental receivables	-	-	129,215	-	129,215
Due from other funds	184,591	-	-	-	184,591
Prepays	8,345	-	-	-	8,345
<b>Total assets</b>	<b>\$ 8,392,005</b>	<b>\$ 558,703</b>	<b>\$ 129,215</b>	<b>\$ -</b>	<b>\$ 9,079,923</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 45,266	\$ 22,134	\$ 5,488	\$ -	\$ 72,888
Accrued payroll	23,630	-	-	-	23,630
Due to other funds	-	60,864	123,727	-	184,591
Unearned revenue	690,838	-	-	-	690,838
<b>Total liabilities</b>	<b>759,734</b>	<b>82,998</b>	<b>129,215</b>	<b>-</b>	<b>971,947</b>
<b>Fund balances</b>					
Nonspendable	8,345	-	-	-	8,345
Restricted:					
Streets	-	475,705	-	-	475,705
Court	79,263	-	-	-	79,263
Unassigned	7,544,663	-	-	-	7,544,663
<b>Total fund balances</b>	<b>7,632,271</b>	<b>475,705</b>	<b>-</b>	<b>-</b>	<b>8,107,976</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,392,005</b>	<b>\$ 558,703</b>	<b>\$ 129,215</b>	<b>\$ -</b>	<b>\$ 9,079,923</b>

See accompanying notes.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION -  
 GOVERNMENTAL FUNDS  
 June 30, 2021

Fund balance - total governmental funds balance sheet \$ 8,107,976

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

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

Governmental capital assets	\$ 7,830,987	
Less accumulated depreciation	<u>(4,509,482)</u>	3,321,505

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

Compensated absences	<u>(11,066)</u>
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Net position of governmental activities - statement of net position \$ 11,418,415

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2021

REVENUES	General	Highway Users Revenue Fund	Grants Revenue Fund	Non-Major Governmental Capital Projects	Total Governmental Funds
Local taxes	\$ 1,146,306	\$ -	\$ -	\$ -	\$ 1,146,306
Permits and fees	211,951	-	-	-	211,951
Intergovernmental revenues	1,907,835	397,033	338,165	-	2,643,033
Fines, forfeitures, penalties	32,758	-	-	-	32,758
Interest revenues	18,785	647	-	-	19,432
Miscellaneous	10,780	-	-	-	10,780
<b>Total revenues</b>	<b>3,328,415</b>	<b>397,680</b>	<b>338,165</b>	<b>-</b>	<b>4,064,260</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
<b>General government</b>					
Town Council and management	120,377	-	-	-	120,377
Town Clerk	101,505	-	-	-	101,505
Finance/human resources	152,199	-	-	-	152,199
Legal	66,621	-	-	-	66,621
Information technology	27,060	-	-	-	27,060
Public safety	476,113	-	-	-	476,113
Magistrate court	70,263	-	-	-	70,263
Engineering	31,893	-	-	-	31,893
Public works	322,205	41,916	403,696	-	767,817
Parks and recreation	496	-	-	-	496
Library	42,868	-	-	-	42,868
Community development	201,202	-	-	-	201,202
Capital outlay	-	288,986	-	56,060	345,046
<b>Total expenditures</b>	<b>1,612,802</b>	<b>330,902</b>	<b>403,696</b>	<b>56,060</b>	<b>2,403,460</b>
Excess (deficiency) of revenues over (under) expenditures	1,715,613	66,778	(65,531)	(56,060)	1,660,800
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	64,181	56,060	120,241
Transfers out	(120,241)	-	-	-	(120,241)
<b>Total other financing sources</b>	<b>(120,241)</b>	<b>-</b>	<b>64,181</b>	<b>56,060</b>	<b>-</b>
Net change in fund balances	1,595,372	66,778	(1,350)	-	1,660,800
Fund balances - beginning of year	6,036,899	408,927	1,350	-	6,447,176
Fund balances - end of year	<u>\$ 7,632,271</u>	<u>\$ 475,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,107,976</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, 2021

Net change in fund balances - total governmental funds \$ 1,660,800

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

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

Depreciation expense (86,835)

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 7,929

Change in net position of governmental activities \$ 1,581,894

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - GENERAL FUND  
Year Ended June 30, 2021

REVENUES	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget- Positive (Negative)
Local taxes	\$ 826,160	\$ 826,160	\$ 1,146,306	\$ 320,146
Permits and fees	175,000	175,000	211,951	36,951
Intergovernmental revenues	1,370,097	1,370,097	1,907,835	537,738
Fines, forfeitures, and penalties	43,500	43,500	32,758	(10,742)
Interest revenues	82,000	82,000	18,785	(63,215)
Miscellaneous	4,000	4,000	10,780	6,780
<b>Total revenues</b>	<b>2,500,757</b>	<b>2,500,757</b>	<b>3,328,415</b>	<b>827,658</b>
<b>EXPENDITURES</b>				
Current				
General government				
Town Council and management	710,006	618,536	120,377	498,159
Town Clerk	155,290	159,290	101,505	57,785
Finance/human resources	133,765	173,765	152,199	21,566
Legal	82,600	82,600	66,621	15,979
Information technology	60,500	60,500	27,060	33,440
Public safety	475,600	477,600	476,113	1,487
Magistrate court	80,723	81,423	70,263	11,160
Engineering	124,535	155,805	31,893	123,912
Public works	339,744	339,744	322,205	17,539
Parks and recreation	600	600	496	104
Library	42,868	42,868	42,868	-
Community development	294,526	308,026	201,202	106,824
<b>Total expenditures</b>	<b>2,500,757</b>	<b>2,500,757</b>	<b>1,612,802</b>	<b>887,955</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	1,715,613	1,715,613
<b>OTHER FINANCING SOURCES</b>				
Transfers out	-	-	(120,241)	(120,241)
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>(120,241)</b>	<b>(120,241)</b>
Net change in fund balances	-	-	1,595,372	1,595,372
Fund balance-beginning of year	6,036,899	6,036,899	6,036,899	-
<b>Fund balance - end of year</b>	<b>\$ 6,036,899</b>	<b>\$ 6,036,899</b>	<b>\$ 7,632,271</b>	<b>\$ 1,595,372</b>

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, 2021

REVENUES	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Intergovernmental revenues				
Highway user revenues	\$ 369,548	\$ 369,548	\$ 397,033	\$ 27,485
Interest revenues	10,200	10,200	647	(9,553)
Total revenues	<u>379,748</u>	<u>379,748</u>	<u>397,680</u>	<u>17,932</u>
EXPENDITURES				
Public works	53,500	53,500	41,916	11,584
Capital outlay	385,000	385,000	288,986	96,014
Total expenditures	<u>438,500</u>	<u>438,500</u>	<u>330,902</u>	<u>107,598</u>
Net change in fund balances	(58,752)	(58,752)	66,778	125,530
Fund balance - beginning of year	<u>408,927</u>	<u>408,927</u>	<u>408,927</u>	-
Fund balance - end of year	<u>\$ 350,175</u>	<u>\$ 350,175</u>	<u>\$ 475,705</u>	<u>\$ 125,530</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, 2021

	<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>\$ 1,745,170</u>	<u>\$ 1,745,170</u>	<u>\$ 338,165</u>	<u>\$ (1,407,005)</u>
Total revenues	<u>1,745,170</u>	<u>1,745,170</u>	<u>338,165</u>	<u>(1,407,005)</u>
EXPENDITURES				
Public works	<u>1,745,170</u>	<u>1,745,170</u>	<u>403,696</u>	<u>1,341,474</u>
Total expenditures	<u>1,745,170</u>	<u>1,745,170</u>	<u>403,696</u>	<u>1,341,474</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	(65,531)	(65,531)
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>64,181</u>	<u>64,181</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>64,181</u>	<u>64,181</u>
Net change in fund balances	-	-	(1,350)	(1,350)
Fund balance-beginning of year	<u>-</u>	<u>-</u>	<u>1,350</u>	<u>1,350</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2021

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, 2021, 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  
Year Ended June 30, 2021

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, 2021.

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  
Year Ended June 30, 2021

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  
 Year Ended June 30, 2021

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  
Year Ended June 30, 2021

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, 2021, the carrying amount of the Town's deposits totaled \$859,908 and the bank balance was \$977,746. Of the bank balance, \$250,000 was covered by Federal Depository Insurance, and \$727,746 was covered by collateral held in the pledging bank's trust department not in the Town's name.

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, 2021, the Town had investments of \$7,675,467 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 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 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 68.1 days. The net asset value per share of Pool 5 at June 30, 2021 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 1.77 years at June 30, 2021. The floating net asset value per share of the Pool 500 medium-term investment pool at June 30, 2021 was \$1.0317.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended June 30, 2021

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, 2021, 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	\$ 5,093,188	\$ 5,093,188	\$ -	\$ -
State Investment Pool 500	2,582,280	-	-	2,582,280
	<u>\$ 7,675,468</u>	<u>\$ 5,093,188</u>	<u>\$ -</u>	<u>\$ 2,582,280</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, 2021, are as follows:

Investment Type	Amount	Ratings as of Year-End		
		AAAF/S1+	AA-2	Not Rated
State Investment Pool 5	\$ 5,093,188	\$ 5,093,188	\$ -	\$ -
State Investment Pool 500	2,582,280	-	2,582,280	-
	<u>\$ 7,675,468</u>	<u>\$ 5,093,188</u>	<u>\$ 2,582,280</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  
 Year Ended June 30, 2021

NOTE 3 INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2021 is as follows:

Fund	Receivable Amount	Payable Amount
General Fund	\$ 184,591	\$ -
HURF Fund	-	60,864
Grants Fund	-	123,727
Total	<u>\$ 184,591</u>	<u>\$ 184,591</u>

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.

Fund	Transfers Out	Transfers In
General Fund	\$ 120,241	\$ -
Grants Fund	-	64,181
Non-Major Governmental Funds	-	56,060
Total	<u>\$ 120,241</u>	<u>\$ 120,241</u>

Transfers were made from the General Fund to the Grant fund and Capital fund to cover portions of the capital projects in those funds.

NOTE 4 UNEARNED REVENUE

As of June 30, 2021, the City received \$690,838 in Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) from the federal government passed through the State of Arizona for the American Rescue Plan Act (ARPA). These funds are unspent for eligible activities, or revenue recovery, as of June 30, 2021 and included in the Statement of Net Position and the Balance Sheet-Governmental Funds as unearned revenue.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2021

NOTE 5 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.

NOTE 6 CAPITAL ASSETS

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

	Balance 7/1/20	Additions	Deletions	Balance 6/30/21
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	380,535	-	(12,324)	368,211
Office equipment	10,578	-	-	10,578
	<u>4,860,349</u>	<u>-</u>	<u>(12,324)</u>	<u>4,848,025</u>
Less accumulated depreciation for:				
Infrastructure	(4,189,191)	(35,715)	-	(4,224,906)
Vehicles	(235,202)	(51,120)	12,324	(273,998)
Office equipment	(10,578)	-	-	(10,578)
	<u>(4,434,971)</u>	<u>(86,835)</u>	<u>12,324</u>	<u>(4,509,482)</u>
Capital assets being depreciated, net	<u>425,378</u>	<u>(86,835)</u>	<u>-</u>	<u>338,543</u>
Governmental activities - capital assets net of depreciation	<u>\$ 3,408,340</u>	<u>\$ (86,835)</u>	<u>\$ -</u>	<u>\$ 3,321,505</u>

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

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
Year Ended June 30, 2021

NOTE 7 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.

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, 2021 totaled \$61,913, which consisted of \$20,637 contributed by employees and \$41,276 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, 2021 totaled \$4,810 which consisted of \$1,603 contributed by employees and \$3,207 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

To the Honorable Mayor and Town 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, each major fund, and the aggregate remaining fund information of the Town of Dewey-Humboldt, Arizona, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town of Dewey-Humboldt, Arizona's basic financial statements and have issued our report thereon dated December 20, 2021.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Town of Dewey-Humboldt, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Dewey-Humboldt, Arizona's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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, noncompliance 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 noncompliance 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.

*Henry + Horne, LLP*

Tempe, Arizona  
December 20, 2021



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and Town Council  
Town of Dewey-Humboldt, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited Town of Dewey-Humboldt, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Dewey-Humboldt, Arizona's major federal programs for the year ended June 30, 2021. The Town of Dewey-Humboldt, Arizona's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for the Town of Dewey-Humboldt, Arizona's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Dewey-Humboldt, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Dewey-Humboldt, Arizona's compliance.

## ***Opinion on Each Major Federal Program***

In our opinion, the Town of Dewey-Humboldt, Arizona, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

## **Report on Internal Control Over Compliance**

Management of the Town of Dewey-Humboldt, Arizona, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Dewey-Humboldt, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Dewey-Humboldt, Arizona's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Henry + Horne, LLP*

Tempe, Arizona  
December 20, 2021

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2021

<u>Federal Grantor / Program Title</u>	<u>Assistance Listing Number</u>	<u>Cluster Title</u>	<u>Pass-through Grantor</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>					
Community Development Block Grants/State's Program and Non-Entitlement Grants	14.228		Arizona Department of Housing	101-20	\$ 325,674
Total U.S. Department of Housing and Urban Development					<u>325,674</u>
<u>U.S. Department of Treasury</u>					
Direct Grant					
COVID-19 Coronavirus Relief Fund	21.019			ERMT-20-030	474,955 *
Total U.S. Department of Treasury					<u>474,955</u>
<b>Total Expenditures of Federal Awards</b>					<b>\$ 800,629</b>

\* Denotes a major program

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2021

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Dewey-Humboldt under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town of Dewey-Humboldt, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Dewey-Humboldt.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B) The Town of Dewey-Humboldt has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2021

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?

\_\_\_ yes \_\_\_ X no

\_\_\_ yes \_\_\_ X none reported

Noncompliance material to financial statements noted?

\_\_\_ yes \_\_\_ X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)?

\_\_\_ yes \_\_\_ X no

\_\_\_ yes \_\_\_ X none reported

Type of auditors’ report issued on compliance for each major program listed below

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

\_\_\_ yes \_\_\_ X no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

\_\_\_ yes \_\_\_ X no

TOWN OF DEWEY-HUMBOLDT, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2021

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

None Noted

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None Noted