

TOWN OF GILA BEND, ARIZONA

Annual Financial Statements
and
Independent Auditors' Report
June 30, 2017

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
Government-wide Statements	
Statement of Net Position.....	4
Statement of Activities	5
Fund Statements	
Governmental Funds	
Balance Sheet.....	6
Reconciliation of the Balance Sheet to the Statement of Net Position	7
Statement of Revenue, Expenditures, and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	9
Proprietary Funds	
Statement of Net Position	10
Statement of Revenue, Expenses, and Changes in Fund Net Position.....	11
Statement of Cash Flows	12
Fiduciary Funds	
Statement of Fiduciary Net Position	14
Statement of Changes in Fiduciary Net Position	15
Notes to Financial Statements	16
Other Required Supplementary Information	
Budgetary Comparison Schedules.....	39
Notes to Budgetary Comparison Schedules	41
Schedule of the Town's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans.....	42
Schedule of Town Pension Contributions	43
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>Governmental Auditing Standards</i>	45
Schedule of Findings and Responses	47



1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Gila Bend, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Gila Bend, Arizona, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town'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.

Auditor's 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 auditor's 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 respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Gila Bend, Arizona, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Town of Gila Bend, Arizona has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing 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.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 39 through 41, Schedule of the Town's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans on page 42, and Schedule of Town Pension Contributions on page 43 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2018, on our consideration of the Town of Gila Bend, 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 the Town of Gila Bend, Arizona's internal control over financial reporting and compliance.

Other Reporting Required by Arizona Revised Statutes

In connection with our audit, nothing came to our attention that caused us to believe that the Town 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 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's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

A handwritten signature in black ink that reads "Colby & Powell". The signature is fluid and cursive, with "Colby" on the top line and "& Powell" on the bottom line, connected by a diagonal stroke.

February 20, 2018

TOWN OF GILA BEND, ARIZONA
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,537,992	\$ -	\$ 1,537,992
Restricted cash	-	4,517	4,517
Accounts receivable - net	115,869	61,503	177,372
Taxes receivable	182,691	-	182,691
Due from other governments	88,231	-	88,231
Internal balances	4,073,149	(4,073,149)	-
Capital assets, not being depreciated	640,573	494,540	1,135,113
Capital assets, being depreciated, net	<u>3,334,381</u>	<u>10,114,196</u>	<u>13,448,577</u>
Total assets	<u>9,972,886</u>	<u>6,601,607</u>	<u>16,574,493</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>405,935</u>	<u>36,249</u>	<u>442,184</u>
LIABILITIES			
Accounts payable	169,813	46,408	216,221
Accrued expenses	69,672	3,035	72,707
Interest payable	-	12,862	12,862
Due to other governments	175,929	-	175,929
Due to fiduciary fund	55,074	-	55,074
Refundable deposits	-	4,517	4,517
Noncurrent liabilities			
Due within 1 year	87,138	71,165	158,303
Due in more than 1 year	<u>2,807,553</u>	<u>1,051,348</u>	<u>3,858,901</u>
Total liabilities	<u>3,365,179</u>	<u>1,189,335</u>	<u>4,554,514</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>291,933</u>	<u>26,068</u>	<u>318,001</u>
NET POSITION			
Net investment in capital assets	3,436,791	9,698,025	13,134,816
Restricted for:			
Museum	16,169	-	16,169
Airport	6,327	-	6,327
Unrestricted (deficit)	<u>3,262,422</u>	<u>(4,275,572)</u>	<u>(1,013,150)</u>
Total net position	<u>\$ 6,721,709</u>	<u>\$ 5,422,453</u>	<u>\$ 12,144,162</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GILA BEND, ARIZONA
Statement of Activities
Year Ended June 30, 2017

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
General government	\$ 1,030,385	\$ 88,996	\$ 51,009	\$ -	\$ (890,380)	\$ -	\$ -	\$ (890,380)
Public safety	904,779	86,702	-	-	(818,077)	-	-	(818,077)
Public works and streets	978,457	-	135,093	35,500	(807,864)	-	-	(807,864)
Culture and recreation	464,825	27,952	4,904	-	(431,969)	-	-	(431,969)
Health and welfare	540,166	-	345,393	-	(194,773)	-	-	(194,773)
Interest on long-term debt	17,330	-	-	-	(17,330)	-	-	(17,330)
Total governmental activities	3,935,942	203,650	536,399	35,500	(3,160,393)	-	-	(3,160,393)
Business-type activities								
Water and Sewer	962,364	625,251	-	294,013	-	(43,100)	-	(43,100)
Sanitation	57,983	-	-	-	-	(57,983)	-	(57,983)
Total business-type activities	1,020,347	625,251	-	294,013	-	(101,083)	-	(101,083)
Total primary government	\$ 4,956,289	\$ 828,901	\$ 536,399	\$ 329,513	(3,160,393)	(101,083)	(101,083)	(3,261,476)
 General revenue:								
Taxes:								
Sales taxes					2,326,513	-	-	2,326,513
Property taxes					285,168	-	-	285,168
Franchise taxes					179,915	-	-	179,915
State revenue sharing					247,744	-	-	247,744
State sales tax revenue sharing					185,709	-	-	185,709
Auto lieu tax revenue sharing					79,247	-	-	79,247
Interest income					1,049	-	-	1,049
Miscellaneous					15,155	-	-	15,155
Transfers					23,500	(23,500)	-	-
Total general revenues and transfers					3,344,000	(23,500)	-	3,320,500
Change in net position					183,607	(124,583)	-	59,024
Net position, beginning of year					6,538,102	5,547,036	-	12,085,138
Net position, end of year					\$ 6,721,709	\$ 5,422,453	-	\$ 12,144,162

The accompanying notes are an integral part of these financial statements.

TOWN OF GILA BEND, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	HURF Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,365,373	\$ -	\$ 117,545	\$ 1,482,918
Accounts receivable	30,957	-	84,912	115,869
Taxes receivable	182,691	-	-	182,691
Due from other governments	19,356	12,030	56,845	88,231
Due from other funds	<u>4,073,455</u>	<u>-</u>	<u>-</u>	<u>4,073,455</u>
Total assets	<u>\$ 5,671,832</u>	<u>\$ 12,030</u>	<u>\$ 259,302</u>	<u>\$ 5,943,164</u>
LIABILITIES				
Accounts payable	\$ 126,677	\$ 10,164	\$ 32,972	\$ 169,813
Accrued expenses	64,275	1,560	3,837	69,672
Due to other governments	175,929	-	-	175,929
Due to other funds	<u>-</u>	<u>306</u>	<u>-</u>	<u>306</u>
Total liabilities	<u>366,881</u>	<u>12,030</u>	<u>36,809</u>	<u>415,720</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	<u>15,567</u>	<u>-</u>	<u>-</u>	<u>15,567</u>
FUND BALANCES				
Restricted for:				
Museum	-	-	16,169	16,169
Airport	-	-	6,327	6,327
Unassigned	<u>5,289,384</u>	<u>-</u>	<u>199,997</u>	<u>5,489,381</u>
Total fund balances	<u>5,289,384</u>	<u>-</u>	<u>222,493</u>	<u>5,511,877</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,671,832</u>	<u>\$ 12,030</u>	<u>\$ 259,302</u>	<u>\$ 5,943,164</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GILA BEND, ARIZONA
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
June 30, 2017

Fund balances-total governmental funds \$ 5,511,877

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 funds. 3,974,954

Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds. 15,567

Liabilities, such as net pension liabilities and bonds payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.

Compensated absences	(61,246)
Leases payable	(68,366)
Note payable	(469,797)
Net pension liability	<u>(2,295,282)</u>
	<u>(2,894,691)</u>

Deferred outflows and inflows of resources related to pensions and deferred charges or credits on debt refundings are applicable to future reporting periods and, therefore, are not reported in the funds. 114,002

Net position of governmental activities \$ 6,721,709

The accompanying notes are an integral part of these financial statements.

TOWN OF GILA BEND, ARIZONA
Statement of Revenue, Expenditures, and Changes in Fund Balance
Governmental Funds
Year Ended June 30, 2017

	General Fund	HURF Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Taxes	\$ 2,793,098	\$ -	\$ -	\$ 2,793,098
Intergovernmental	557,740	129,454	384,333	1,071,527
Charges for services	125,295	-	-	125,295
Contributions	50,500	-	15,562	66,062
Licenses and permits	64,822	-	-	64,822
Other revenue	15,985	-	-	15,985
Rents	14,706	-	-	14,706
Interest	1,049	-	-	1,049
Total revenue	3,623,195	129,454	399,895	4,152,544
Expenditures				
Current				
General government	884,866	-	560	885,426
Public safety	859,257	-	-	859,257
Public works and streets	650,228	223,750	-	873,978
Culture and recreation	413,949	-	-	413,949
Health and welfare	-	-	532,917	532,917
Debt Service				
Principal	21,875	-	8,129	30,004
Interest	1,959	-	15,371	17,330
Capital outlay	593,794	-	9,471	603,265
Total expenditures	3,425,928	223,750	566,448	4,216,126
Excess (deficiency) of revenue over (under) expenditures	197,267	(94,296)	(166,553)	(63,582)
Other financing sources (uses)				
Capital lease agreement	-	-	5,264	5,264
Transfers	(663,463)	429,851	257,112	23,500
Total other financing sources (uses)	(663,463)	429,851	262,376	28,764
Net change in fund balances	(466,196)	335,555	95,823	(34,818)
Fund balances, beginning of year	5,755,580	(335,555)	126,670	5,546,695
Fund balances, end of year	\$ 5,289,384	\$ -	\$ 222,493	\$ 5,511,877

The accompanying notes are an integral part of these financial statements.

TOWN OF GILA BEND, ARIZONA
Reconciliation of the Statement of Revenue, Expenditures,
and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended June 30, 2017

Net change in fund balances-total governmental funds \$ (34,818)

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	603,265
Depreciation expense	<u>(357,246)</u>
	246,019

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Unavailable grant revenue	(54,993)
Property taxes	<u>(1,502)</u>
	(56,495)

Town pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the statement of net position because the reported net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement

Town pension contributions	124,339
Pension expense	<u>(118,517)</u>
	5,822

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the

Debt principal repaid	30,004
Capital leases incurred	<u>(5,264)</u>
	24,740

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the Statement of Activities, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

Increase in compensated absences payable	<u>(1,661)</u>
Change in net position of governmental activities	<u>\$ 183,607</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GILA BEND, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2017

	<u>Business-type Activities--Enterprise Funds</u>		
	Water and Sewer Fund	Sanitation Fund	Total
ASSETS			
Current assets			
Restricted cash	\$ 4,517	\$ -	\$ 4,517
Accounts receivable - net	61,503	-	61,503
Total current assets	<u>66,020</u>	<u>-</u>	<u>66,020</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation, where applicable:			
Land	494,540	-	494,540
Water systems, net	4,859,131	-	4,859,131
Sewer ponds, net	829,857	-	829,857
Mains and lines, net	4,372,844	-	4,372,844
Equipment, net	47,459	4,905	52,364
Total noncurrent assets	<u>10,603,831</u>	<u>4,905</u>	<u>10,608,736</u>
Total assets	<u>10,669,851</u>	<u>4,905</u>	<u>10,674,756</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	<u>36,249</u>	<u>-</u>	<u>36,249</u>
LIABILITIES			
Current liabilities			
Accounts payable	46,383	25	46,408
Accrued expenses	1,592	1,443	3,035
Interest payable	12,862	-	12,862
Refundable deposits	4,517	-	4,517
Notes payable - current portion	65,007	-	65,007
Compensated absences - current portion	6,158	-	6,158
Total current liabilities	<u>136,519</u>	<u>1,468</u>	<u>137,987</u>
Noncurrent liabilities			
Due to other funds	3,336,297	736,852	4,073,149
Notes payable - net of current portion	845,704	-	845,704
Compensated absences - net of current portion	684	-	684
Net pension liability	204,960	-	204,960
Total noncurrent liabilities	<u>4,387,645</u>	<u>736,852</u>	<u>5,124,497</u>
Total liabilities	<u>4,524,164</u>	<u>738,320</u>	<u>5,262,484</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	<u>26,068</u>	<u>-</u>	<u>26,068</u>
NET POSITION			
Net investment in capital assets	9,693,120	4,905	9,698,025
Unrestricted (deficit)	<u>(3,537,252)</u>	<u>(738,320)</u>	<u>(4,275,572)</u>
Total net position	<u>\$ 6,155,868</u>	<u>\$ (733,415)</u>	<u>\$ 5,422,453</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GILA BEND, ARIZONA
Statement of Revenue, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2017

	Business-type Activities--Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
Operating revenues			
Charges for services			
Water and sewer (net of bad debt of \$14,096)	\$ 617,417	\$ -	\$ 617,417
Late fees	7,834	-	7,834
Total operating revenues	625,251	-	625,251
Operating expenses			
Depreciation	450,130	357	450,487
Utilities	138,889	-	138,889
Personnel	120,743	2,576	123,319
Professional services	48,434	24,000	72,434
Materials and supplies	71,904	180	72,084
Repairs and maintenance	54,800	930	55,730
Insurance	37,560	5,575	43,135
Miscellaneous	14,136	24,365	38,501
Total operating expenses	936,596	57,983	994,579
Operating income (loss)	(311,345)	(57,983)	(369,328)
Nonoperating revenue (expense)			
Interest expense	(25,768)	-	(25,768)
Income (loss) before contributions, gains, losses, and transfers	(337,113)	(57,983)	(395,096)
Capital grants and capital contributions	294,013	-	294,013
Transfers	(23,500)	-	(23,500)
Increase (decrease) in net position	(66,600)	(57,983)	(124,583)
Total net position, beginning of year	6,222,468	(675,432)	5,547,036
Total net position, end of year	\$ 6,155,868	\$ (733,415)	\$ 5,422,453

The accompanying notes are an integral part of these financial statements.

TOWN OF GILA BEND, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

	Business-type Activities--Enterprise Funds		
	Water and		
	Sewer	Sanitation	Total
Cash flows from operating activities:			
Receipts from customers	\$ 652,473	\$ 721	\$ 653,194
Payments to suppliers and providers of goods and services	(376,244)	(55,429)	(431,673)
Payments to employees	(117,949)	(1,188)	(119,137)
Net cash provided by (used by) operating activities	158,280	(55,896)	102,384
Cash flows from noncapital financing activities:			
Net transfers	(23,500)	-	(23,500)
Principal paid on interfund loans	(15,889)	-	(15,889)
Advances from interfund loans	-	55,896	55,896
Net cash provided by (used by) noncapital financing activities	(39,389)	55,896	16,507
Cash flows from capital and related financing activities:			
Proceeds from capital grants/contributions	305,171	-	305,171
Interest paid	(27,066)	-	(27,066)
Principal paid on notes payable	(63,209)	-	(63,209)
Purchases of capital assets	(334,923)	-	(334,923)
Net cash provided by (used by) capital and related financing activities	(120,027)	-	(120,027)
Net increase (decrease) in cash and cash equivalents	(1,136)	-	(1,136)
Cash and cash equivalents, beginning of year	5,653	-	5,653
Cash and cash equivalents, end of year	\$ 4,517	\$ -	\$ 4,517

The accompanying notes are an integral part of these financial statements.

TOWN OF GILA BEND, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017
(Continued)

	<u>Business-type Activities--Enterprise Funds</u>		
	<u>Water and</u>		
	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (311,345)	\$ (57,983)	\$ (369,328)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	450,130	357	450,487
Bad debt	14,096	-	14,096
Pension expense	10,583	-	10,583
Employer pension contributions	(11,104)	-	(11,104)
(Increase) decrease in:			
Accounts receivable	14,262	721	14,983
Increase (decrease) in:			
Accounts payable	(10,521)	(379)	(10,900)
Accrued expenses	(71)	1,388	1,317
Compensated absences payable	3,386	-	3,386
Refundable deposits	(1,136)	-	(1,136)
Net cash provided by (used by) operating activities	<u>\$ 158,280</u>	<u>\$ (55,896)</u>	<u>\$ 102,384</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GILA BEND, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

**Firefighters'
Relief and
Pension Trust**

ASSETS

Cash and cash equivalents	\$ 9,444
Investments	184,914
Due from Town	<u>55,074</u>
Total assets	<u><u>249,432</u></u>

NET POSITION

Held in trust for investment trust participants	\$ <u><u>249,432</u></u>
---	--------------------------

The accompanying notes are an integral part of these financial statements.

TOWN OF GILA BEND, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2017

	<u>Firefighters' Relief and Pension Trust</u>
Additions:	
Investment gains	\$ 27,040
Employee contributions	7,500
Employer contributions	7,500
Interest and dividends	7,300
State fire insurance premiums	<u>6,286</u>
Total additions	<u>55,626</u>
Deductions:	
Distributions	19,870
Fees	<u>4,631</u>
Total deductions	<u>24,501</u>
Change in net position	31,125
Net position, beginning of year	<u>218,307</u>
Net position, end of year	<u>\$ 249,432</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GILA BEND, ARIZONA

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Gila Bend, Arizona (Town) conform to generally accepted accounting principles in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's significant accounting policies are as follows:

A. Reporting Entity

The Town is a general purpose local government that is governed by a separately elected Town Council. The accompanying financial statements present the activities of the Town (the primary government) and its component units.

Component units are legally separate entities for which the Town is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Town's operations. Therefore, data from these units is combined with data of the primary government. The component units discussed below have a June 30 year-end.

Gila Bend Municipal Property Corporation (GBMPC) is an Arizona nonprofit corporation incorporated under the laws of the State of Arizona. The principal objective of the Corporation is to assist the Town of Gila Bend, Arizona in obtaining financing for various projects of the Town. GBMPC is a blended component unit.

Merrill Paloma Ranch Community Facilities District (MPRCFD) and the Sonoran Trails Community Facilities District (STCFD) are Arizona nonprofit corporations incorporated under the laws of the State of Arizona. The principal objective of the Districts is to assist the Town of Gila Bend, Arizona in developing these specific communities. MPRCFD and STCFD are blended component units. These districts had no activity during the fiscal year.

B. Basis of Presentation

The basic financial statements include both government-wide statements and fund financial statements. The government-wide statements focus on the Town as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements – provide information about the primary government (the Town) and its component units excluding fiduciary activities. The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government. They also distinguish between the governmental and business-type activities

TOWN OF GILA BEND, ARIZONA

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

of the Town. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and each segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses to programs or functions. Program revenues include:

- ♦ charges to customers or applicants for goods, services, or privileges provided,
- ♦ operating grants and contributions, and
- ♦ capital grants and contributions, including special assessments.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund financial statements – provide information about the Town's funds, including blended component units. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund financial statements is on major governmental, enterprise, and fiduciary funds, each displayed in a separate column. All remaining governmental, enterprise, and fiduciary funds are aggregated and reported as non-major funds.

Proprietary fund revenues and expenses are classified as either operating or nonoperating. Operating revenues and expenses generally result from transactions associated with the fund's principal activity. Accordingly, revenues, such as user charges and insurance premiums, in which each party receives and gives up essentially equal values are operating revenues. Other revenues, such as subsidies, result from transactions in which the parties do not exchange equal values and are considered nonoperating revenues along with investment earnings and revenues ancillary activities generate. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. Other expenses, such as interest expense, are considered nonoperating expenses.

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The Town reports the following major governmental funds:

The **General Fund** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **HURF Fund** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund that is legally restricted to expenditures for specified purposes.

The Town reports the following major enterprise funds:

The **Water and Sewer Fund** and the **Sanitation Fund** account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the Town Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or for which the Town Council has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Additionally, the Town reports the following fiduciary fund type:

The **Firefighters' Relief and Pension Trust Fund** accounts for activities of the Firefighters' Relief and Pension Fund, which accumulates resources for pension benefit payments to qualified firefighters.

C. Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the Town funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The Town applies grant resources to such programs before using general revenues.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. The Town's major revenue sources that are susceptible to accrual are property

TOWN OF GILA BEND, ARIZONA

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

taxes, special assessments, intergovernmental, charges for services, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, landfill closure and postclosure care costs, and pollution remediation obligations, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

D. Cash and Investments

For the statement of cash flows, the Town's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of three months or less when purchased.

E. Allowance for Uncollectible Accounts

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the Town. The amount recorded as uncollectible at June 30, 2017 for the Water and Sewer Fund and the Sanitation Fund were \$49,579 and \$-, respectively. It is the Town's policy for accounts receivables greater than 60 days past due to terminate services and or negotiate a contractual repayment plan.

F. Property Tax Calendar

The Town levies real property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

The Town also levies various personal property taxes during the year that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days thereafter.

A lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

G. Capital Assets

Capital assets are reported at actual cost (or estimated historical cost if historical records are not available). Donated assets are reported at acquisition value.

TOWN OF GILA BEND, ARIZONA

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Land	\$ 1,000	n/a	n/a
Construction in progress	1,000	n/a	n/a
Land improvements	1,000	Straight-line	20
Buildings and building improvements	1,000	Straight-line	20
Fixtures and equipment	1,000	Straight-line	10
Vehicles	1,000	Straight-line	5 to 8
Treatment plant and ponds	1,000	Straight-line	30
Mains and lines	1,000	Straight-line	50
Machinery and equipment	1,000	Straight-line	8
Wells and pumping equipment	1,000	Straight-line	25
Flouride treatment plant	1,000	Straight-line	50
Pressure and storage system	1,000	Straight-line	25
Infrastructure	1,000	Straight-line	20

H. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

I. Compensated Absences

Compensated absences consist of leave time earned by employees based on services already rendered.

Employees may accumulate up to 160 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount are forfeited. Upon termination of employment, all unused vacation benefits are paid to employees. In addition, any employee with ten years or more of service is paid \$1 for any unused and accrued hour of sick time upon termination. Accordingly, these benefits are accrued as a liability in the government-wide and proprietary fund financial statements.

TOWN OF GILA BEND, ARIZONA

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

J. Deferred Outflows/Inflows of Resources

The statement of net position and balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods.

K. Fund Balance Reporting

The governmental funds' fund balances are reported separately within classifications based on a hierarchy of the constraints placed on those resources' use. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, and unrestricted, which includes committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The unrestricted fund balance category is composed of committed, assigned, and unassigned resources. Committed fund balances are self-imposed limitations that the Town Council has approved, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but that are neither restricted nor committed. The Town Council has authorized the Town manager to assign resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it is the Town's policy to use (the Town will use) restricted fund balance first. It is the Town's policy to use (the Town will use) committed amounts first when disbursing unrestricted fund balances, followed by assigned amounts, and lastly unassigned amounts.

TOWN OF GILA BEND, ARIZONA

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Impact of Recently Issued Accounting Principles

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Town implemented this standard during this fiscal period.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2017. Upon implementation, it is anticipated that this Statement will cause a restatement of beginning net position of the Governmental Activities, Business-type Activities, and the proprietary funds.

In December 2015, the GASB issued Statement 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Town implemented this standard during this fiscal period.

In March 2016, the GASB issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the

TOWN OF GILA BEND, ARIZONA

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

In June 2017, the GASB issued Statement 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

M. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose,

TOWN OF GILA BEND, ARIZONA

Notes to Financial Statements

June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

N. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

Expenditures may not legally exceed budgeted appropriations at the department level. The individual budgetary comparison schedules as listed in the table of contents present all major governmental funds which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2017, if any.

NOTE 2 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for all such risks of loss, including workers' compensation and employees' health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 3 – DEPOSITS AND INVESTMENTS

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; obligations issued or guaranteed by the United States or any of the senior debt of its agencies, sponsored agencies, corporations, sponsored corporations, or instrumentalities; specified state and local government bonds, notes, and other evidences of indebtedness; interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; specified commercial paper issued by corporations organized and doing business in the United States; specified bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars; and certain open-end and closed-end mutual funds, including exchange traded funds. In addition, the Town Treasurer may invest trust funds in certain fixed income securities of corporations doing business in the United States or District of Columbia.

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS – Continued

Credit risk

Statutes have the following requirements for credit risk:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated “A” or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody’s investor’s service and Standard and Poor’s rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

Custodial credit risk

Statutes require collateral for deposits at 102 percent of all deposits federal depository insurance does not cover.

Concentration of credit risk

Statutes do not include any requirements for concentration of credit risk.

Interest rate risk

Statutes require that public monies invested in securities and deposits have a maximum maturity of 5 years. The maximum maturity for investments in repurchase agreements is 180 days.

Foreign currency risk

Statutes do not allow foreign investments unless the investment is denominated in United States dollars.

The Town’s investment policy states that the Town will conform with Arizona Revised Statutes. The Town does not have a formal investment policy with respect to custodial credit risk, concentration of credit risk, or foreign currency risk.

Deposits—At June 30, 2017, the carrying amount of the Town’s total cash in bank was \$1,482,512, and the bank balances were \$1,493,669. Of the bank balances, \$537,143 was covered by federal depository insurance or similar insurance. The remaining bank balance was covered by collateral held by the pledging financial institution in the Town’s name.

Investments—The Town reported investments in the State Treasurer’s Investment Pool 5 with a reported amount of \$26,510. The Standard and Poor’s credit quality rating of the pool is AAA.

The Town reported investments in the State Treasurer’s Investment Pool 7 with a reported amount of \$33,610. Pool 7 is unrated.

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 3 – DEPOSITS AND INVESTMENTS – Continued

The Town's Pension Trust Fund had investments in mutual funds of \$184,914 at June 30, 2017, categorized within the fair value hierarchy established by generally accepted accounting principles as Level 1. Investments categorized as Level 1 are valued using prices quoted in active markets for those investments.

Investments in the State Treasurer's investment pools are valued 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.

A reconciliation of cash, deposits, and investments to amounts shown on the statements of net position follows:

	Governmental activities	Business-type activities	Firefighters' Relief and Pension Trust	Total
Cash and cash equivalents:				
Amount of deposits	\$ 1,477,387	\$ 4,517	\$ -	\$ 1,481,904
State Treasurer's investment pool 7	33,610	-	-	33,610
State Treasurer's investment pool 5	26,510	-	-	26,510
Money market	-	-	9,444	9,444
Cash on hand	485	-	-	485
Total	<u>\$ 1,537,992</u>	<u>\$ 4,517</u>	<u>\$ 9,444</u>	<u>\$ 1,551,953</u>

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 4 – DUE (TO) FROM OTHER GOVERNMENTS

Due from other governments for each governmental fund consisted of the following:

	General Fund	HURF Fund	Social Services Fund (Nonmajor)
Maricopa County	\$ -	\$ -	\$ 6,058
State of Arizona	19,356	12,030	-
Area Agency on Aging	-	-	50,787
	<u>\$ 19,356</u>	<u>\$ 12,030</u>	<u>\$ 56,845</u>

Amounts due to other governments at June 30, 2017 consisted of \$175,929 due to the Buckeye Valley Fire District for ambulance services owed under an intergovernmental agreement

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 517,573	\$ 123,000	\$ -	\$ 640,573
Capital assets being depreciated:				
Infrastructure	4,768,813	70,204	-	4,839,017
Buildings and building improvements	1,845,592	294,512	-	2,140,104
Furniture, machinery, and equipment	<u>2,512,706</u>	115,549	-	2,628,255
Total	<u>9,127,111</u>	<u>480,265</u>	<u>-</u>	<u>9,607,376</u>
Less accumulated depreciation for:				
Infrastructure	(2,669,389)	(194,084)	-	(2,863,473)
Buildings and building improvements	(1,274,679)	(45,706)	-	(1,320,385)
Furniture, machinery, and equipment	<u>(1,971,681)</u>	<u>(117,456)</u>	<u>-</u>	<u>(2,089,137)</u>
Total	<u>(5,915,749)</u>	<u>(357,246)</u>	<u>-</u>	<u>(6,272,995)</u>
Total capital assets being depreciated, net	<u>3,211,362</u>	<u>123,019</u>	<u>-</u>	<u>3,334,381</u>
Governmental activities capital assets, net	<u>\$ 3,728,935</u>	<u>\$ 246,019</u>	<u>\$ -</u>	<u>\$ 3,974,954</u>

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 5 – CAPITAL ASSETS – *Continued*

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 494,540	\$ -	\$ -	\$ 494,540
Capital assets being depreciated:				
Mains and lines	5,159,155	294,013	-	5,453,168
Wells, pumping equipment and pressure storage system	6,805,393	-	-	6,805,393
Sewer treatment ponds	1,962,801	-	-	1,962,801
Machinery, equipment, and vehicles	275,526	14,000	-	289,526
Total	14,202,875	308,013	-	14,510,888
Less accumulated depreciation for:				
Mains and lines	(969,877)	(110,447)	-	(1,080,324)
Wells, pumping equipment and pressure storage system	(1,695,788)	(250,474)	-	(1,946,262)
Sewer treatment ponds	(1,060,535)	(72,409)	-	(1,132,944)
Machinery, equipment, and vehicles	(220,002)	(17,160)	-	(237,162)
Total	(3,946,202)	(450,490)	-	(4,396,692)
Total capital assets being depreciated, net	10,256,673	(142,477)	-	10,114,196
Business-type activities capital assets, net	<u>\$ 10,751,213</u>	<u>\$ (142,477)</u>	<u>\$ -</u>	<u>\$ 10,608,736</u>

Depreciation expense was charged to functions as follows:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
General government	\$ 145,158	\$ -
Public safety	45,825	-
Public works and streets	106,355	-
Culture and recreation	54,426	-
Health and welfare	5,482	-
Water and Sewer	-	450,130
Sanitation	-	357
Total depreciation expense	\$ 357,246	\$ 450,487

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES

Notes payable – On February 1, 2008, the Town entered into a note agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) for the construction of a one million gallon water tank. The original note term was for one million dollars. As of June 30, 2017, the Town had drawn \$951,611 from WIFA.

On April 15, 2010, the Gila Bend Municipal Property Corporation (GBMPC) entered into a note agreement with the U.S. Department of Agriculture Rural Development (USDA) for the construction of a one million gallon water tank. The original note term was for \$518,000.

On May 18, 2012, the Town entered into a note agreement with the Water Infrastructure Finance Authority of Arizona (WIFA) for the construction water facilities improvements. The original note term was for \$2,050,000 with \$1,550,000 forgivable principal and a \$500,000 repayment amount. As of June 30, 2017, the Town had drawn \$1,922,477 and has met the forgivable principal requirement. As of June 30, 2017 the Town had an original repayment balance of \$372,477 with a remaining \$127,523 left to draw.

Notes payable at June 30, 2017, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rate	Outstanding June 30, 2017
WIFA Note	\$ 951,611	2011 - 2028	2.612%	\$ 633,569
WIFA Note	\$ 372,477	2012 - 2035	2.625%	277,142
USDA Note	\$ 518,000	2011 - 2051	3.250%	469,797
				<u>\$ 1,380,508</u>

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES – *Continued*

The following schedule details debt service requirements to maturity for the Town's notes payable at June 30, 2017.

Year Ending June 30	Governmental Activities			Business-type Activities		
	Notes Payable			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 8,386	\$ 15,122	\$ 23,508	\$ 65,007	\$ 19,948	\$ 84,955
2019	8,662	14,846	23,508	66,856	18,282	85,138
2020	8,948	14,560	23,508	68,758	16,568	85,326
2021	9,243	14,265	23,508	70,713	14,805	85,518
2022	9,548	13,960	23,508	72,725	12,991	85,716
2023-27	52,679	64,861	117,540	395,866	35,856	431,722
2028-32	61,961	55,579	117,540	170,786	2,414	173,200
2033-37	72,878	44,662	117,540		-	-
2038-42	85,718	31,822	117,540	-	-	-
2043-47	100,821	16,719	117,540	-	-	-
2048-52	50,953	6,354	57,307	-	-	-
Total	<u>\$ 469,797</u>	<u>\$ 292,750</u>	<u>\$ 762,547</u>	<u>\$ 910,711</u>	<u>\$ 120,864</u>	<u>\$ 1,031,575</u>

The following schedule details the Town's long-term liability and obligation activity for the year ended June 30, 2017.

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due within 1 year
Governmental activities:					
Notes payable	\$ 477,926	\$ -	\$ 8,129	\$ 469,797	\$ 8,386
Leases payable	84,977	5,264	21,875	68,366	23,631
Net pension liability	2,229,278	66,004	-	2,295,282	-
Compensated absences	59,585	1,661	-	61,246	55,121
Governmental activities long-term liabilities	<u>\$ 2,851,766</u>	<u>\$ 72,929</u>	<u>\$ 30,004</u>	<u>\$ 2,894,691</u>	<u>\$ 87,138</u>
Business-type activities:					
Notes payable	\$ 973,920	\$ -	\$ 63,209	\$ 910,711	\$ 65,007
Net pension liability	199,066	5,894	-	204,960	-
Compensated absences	3,456	3,386	-	6,842	6,158
Business-type activities long-term liabilities	<u>\$ 1,176,442</u>	<u>\$ 9,280</u>	<u>\$ 63,209</u>	<u>\$ 1,122,513</u>	<u>\$ 71,165</u>

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 6 – LONG-TERM LIABILITIES – Continued

Capital leases – The Town has acquired equipment under the provisions of a long-term lease agreement classified as a capital lease for accounting purposes because it provides for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Copier	\$ 5,264
Ambulance	96,930
Less: accumulated depreciation	<u>(8,443)</u>
Carrying value	<u><u>\$ 93,751</u></u>

The following schedule details debt service requirements to maturity for the Town's capital leases payable at June 30, 2017:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>
2018	\$ 25,351
2019	25,048
2020	19,090
2021	1,215
2022	<u>911</u>
Total minimum lease payments	71,615
Less amount representing interest	<u>(3,249)</u>
Present value of net minimum lease payments	<u><u>\$ 68,366</u></u>

TOWN OF GILA BEND, ARIZONA

Notes to Financial Statements

June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Town contributes to the pension plan described below. The plan is a component unit of the State of Arizona.

At June 30, 2017, the Town reported the following aggregate amounts related to pensions for the plan to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net pension liabilities	\$ 2,295,282	\$ 204,960	\$ 2,500,242
Deferred outflows of resources	405,935	36,249	442,184
Deferred inflows of resources	291,933	26,068	318,001
Pension expense	118,517	10,583	129,100

The Town reported \$124,339 of pension expenditures in the governmental funds related to the pension plan to which it contributes.

A. Arizona State Retirement System

Plan Description – Town employees not covered by the other pension plans described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

TOWN OF GILA BEND, ARIZONA

Notes to Financial Statements

June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – *Continued*

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	Retirement	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 percent for long-term disability) of the active members' annual covered payroll. The Town's contributions to the pension plan for the year ended June 30, 2017,

TOWN OF GILA BEND, ARIZONA

Notes to Financial Statements

June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

were \$135,443. The Town's OPEB contributions for the current and two preceding years, all of which were equal to the required contributions, were as follows:

ASRS	Health Benefit Supplement Fund	Long-term Disability Fund
Year ended June 30,		
2017	\$ 7,036	\$ 1,759
2016	7,251	1,740
2015	8,472	1,723

During fiscal year 2017, the Town paid for ASRS pension and OPEB contributions as follows: 65.50 percent from the General Fund, 9.04 percent from the HURF Fund, 13.37 percent from the Social Services Fund, 3.90 percent from the FTF Fund, and 8.19 percent from the Water and Sewer Fund.

Pension Liability – At June 30, 2017, the Town reported a liability of \$2,500,242 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2016. The Town's proportion measured as of June 30, 2016, was .015490 percent, which was a decrease of .000100 from its proportion measured as of June 30, 2015.

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2017, the Town recognized pension expense for ASRS of \$129,100. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,194	\$ 171,998
Changes of assumptions or other inputs	- -	132,283
Net difference between projected and actual earnings on pension plan investments	270,943	- -
Changes in proportion and differences between Town contributions and proportionate share of contributions	20,604	13,720
Town contributions subsequent to the measurement date	<u>135,443</u>	- -
Total	<u>\$ 442,184</u>	<u>\$ 318,001</u>

The \$135,443 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ended June 30,		
2018	\$ (108,020)	
2019	(88,583)	
2020	109,371	
2021	75,972	
2022	- -	
Thereafter	- -	

TOWN OF GILA BEND, ARIZONA

Notes to Financial Statements

June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

ASRS

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.75 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS

Asset Class	Target Allocation	Long-term Expected Arithmetic Real Rate of Return	
		58%	6.73%
Equity	25%	3.70%	
Fixed income	10%	4.25%	
Real estate	5%	3.41%	
Multi-asset class	2%	3.84%	
Commodities			
Total	100%		

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF GILA BEND, ARIZONA

Notes to Financial Statements

June 30, 2017

NOTE 7 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the Town's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's proportionate share of the net pension liability	\$ 3,187,998	\$ 2,500,242	\$ 1,948,811

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2017

NOTE 8 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables – Interfund balances at June 30, 2017, were as follows:

Payable from	Payable to			Total	
	Firefighters'		General Fund		
	Relief and	Pension Trust			
General Fund	\$ 55,074		\$ -	\$ 55,074	
HURF Fund		-	306	306	
Water and Sewer Fund		-	3,336,297	3,336,297	
Sanitation Fund		-	736,852	736,852	
Total	\$ 55,074		\$4,073,455	\$4,128,529	

The purpose of the amounts due to the General Fund was to finance ongoing operations for each fund that had borrowed from the General Fund. Balances are not expected to be repaid within one year.

The amount due to the Firefighters' Relief and Pension Trust are employee and employer contributions collected by the Town but that have yet to be transferred to the investment account of the Trust.

Interfund transfers – Interfund transfers for the year ended June 30, 2017, were as follows:

Transfer to	Transfer from			Total	
	Water and		General Fund		
	General	Sewer			
HURF Fund	\$ 429,851	\$ -	\$ -	\$ 429,851	
Social Services Fund (Nonmajor)	233,612	-		233,612	
GBMPC (Nonmajor)	-	23,500		23,500	
Total	\$ 663,463	\$ 23,500		\$ 686,963	

The purpose of the interfund transfers from the General Fund shown above were to help pay for excess expenditures in the current year over revenues. The purpose of the interfund transfer from the Water and Sewer Fund to the GBMPC Fund was to fund the payment of debt service paid from the GBMPC Fund.

TOWN OF GILA BEND, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Taxes	\$ 3,841,164	\$ 3,841,164	\$ 2,793,098	\$ (1,048,066)
Intergovernmental	639,300	639,300	557,740	(81,560)
Charges for services	59,550	59,550	125,295	65,745
Contributions	-	-	50,500	50,500
Licenses and permits	56,900	56,900	64,822	7,922
Other revenue	5,220	5,220	15,985	10,765
Rents	25,000	25,000	14,706	(10,294)
Interest	2,000	2,000	1,049	(951)
Total revenue	4,629,134	4,629,134	3,623,195	(1,005,939)
Expenditures				
Current				
General government	805,691	805,691	884,866	(79,175)
Public safety	871,314	871,314	859,257	12,057
Public works and streets	817,738	817,738	650,228	167,510
Culture and recreation	439,449	439,449	413,949	25,500
Debt Service				
Principal	21,875	21,875	21,875	-
Interest	1,959	1,959	1,959	-
Capital outlay	593,794	593,794	593,794	-
Total expenditures	3,551,820	3,551,820	3,425,928	125,892
Excess (deficiency) of revenue over (under) expenditures	1,077,314	1,077,314	197,267	(880,047)
Other financing sources (uses)				
Transfers	(443,236)	(443,236)	(663,463)	(220,227)
Net change in fund balances	634,078	634,078	(466,196)	(1,100,274)
Fund balances, beginning of year	5,755,580	5,755,580	5,755,580	-
Fund balances, end of year	\$ 6,389,658	\$ 6,389,658	\$ 5,289,384	\$ (1,100,274)

See accompanying notes to budgetary comparison schedule.

TOWN OF GILA BEND, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF Fund
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 122,726	\$ 122,726	\$ 129,454	\$ 6,728
Expenditures				
Current				
Public works and streets	122,726	122,726	223,750	(101,024)
Excess (deficiency) of revenue over (under) expenditures	-	-	(94,296)	(94,296)
Other financing sources (uses)				
Transfers	137,425	137,425	429,851	292,426
Net change in fund balances	137,425	137,425	335,555	198,130
Fund balances, beginning of year	(335,555)	(335,555)	(335,555)	-
Fund balances, end of year	<u>\$ (198,130)</u>	<u>\$ (198,130)</u>	<u>\$ -</u>	<u>\$ 198,130</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GILA BEND, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2017

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

Arizona Revised Statutes (A.R.S.) require the Town to prepare and adopt a balanced budget annually for each governmental fund. The Town Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibit expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Town Councils' approval.

The Town has exceeded appropriations in the Court and Legal, Finance, Police, Public Works, and Community Development departments in the General Fund and all departments in the HURF Fund for the year ended June 30, 2017.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The Town's budget is prepared on a basis consistent with generally accepted accounting principles.

TOWN OF GILA BEND, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension Liability
Cost-Sharing Pension Plans
June 30, 2017

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
Town's proportion of the net pension liability	0.015490%	0.015590%	0.015258%	Information
Town's proportionate share of the net pension liability	\$ 2,500,242	\$ 2,428,344	\$ 2,257,648	not available
Town's covered-employee payroll	\$ 1,450,129	\$ 1,435,914	\$ 1,375,393	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	172.42%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%	

TOWN OF GILA BEND, ARIZONA
Required Supplementary Information
Schedule of Town Pension Contributions
June 30, 2017

Arizona State Retirement System

	Reporting Fiscal Year				2013 through 2008
	2017	2016	2015	2014	
Statutorily required contribution	\$ 135,443	\$ 157,339	\$ 156,371	\$ 147,167	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(135,443)</u>	<u>(157,339)</u>	<u>(156,371)</u>	<u>(147,167)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 1,256,429	\$ 1,450,129	\$ 1,435,914	\$ 1,375,393	
Town's contributions as a percentage of covered-employee payroll	10.78%	10.85%	10.89%	10.70%	

This page left intentionally blank.



1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

**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 Town Council
Town of Gila Bend, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Gila Bend, Arizona, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Gila Bend, Arizona's basic financial statements and have issued our report thereon dated February 20, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Gila Bend, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Gila Bend, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Gila Bend, 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal

control, described in the accompanying schedule of findings and responses as findings **2017-001** to **2017-003** that we consider to be material weaknesses.

Compliance and Other Matters

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

The Town of Gila Bend, Arizona's Response to Findings

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Colby & Powell". The signature is fluid and cursive, with "Colby" on the top line and "& Powell" on the bottom line, connected by a diagonal stroke.

February 20, 2018

TOWN OF GILA BEND, ARIZONA
Schedule of Findings and Responses
June 30, 2017

Item: 2017-001

Subject: Control of Expenditures

Criteria/Specific Requirements: Arizona State law stipulates that no expenditure may be made for a purpose not authorized in the annual budget.

Condition and Effect: Due to inadequate monitoring of the budgeting requirements during the year, the expenditures in various departments in the General Fund and all the departments in the HURF Fund exceeded Town budget for expenditures. The effect of the oversight is a violation of the Arizona State Statutes.

Recommendation: Management should monitor actual expenses to budget on a routine basis.

Response: Management agrees with this finding and will implement and enforce procedures to monitor expenses to prevent the Town from over spending the budget.

Item: 2017-002

Subject: Reconciliation of bank accounts.

Criteria/Specific Requirements: Management should reconcile all bank and investment accounts, including the firefighters' pension accounts, to the general ledger on a consistent and timely basis to help insure that all material transactions of the Town have been recorded in the general ledger.

Condition: The Town did not reconcile the firefighters' pension accounts to the general ledger.

Recommendation: Management should reconcile all bank and investment accounts to the general ledger on a monthly basis. A separate individual with suitable skill and knowledge should review the reconciliation and sign-off on the reconciliation to evidence their review.

Response: Management agrees with this finding and will reconcile all bank accounts to the general ledger on a monthly basis.

TOWN OF GILA BEND, ARIZONA
Schedule of Findings and Responses
June 30, 2017

Item: 2017-003

Subject: General ledger maintenance and reconciliation.

Criteria/Specific Requirements: To help ensure that internal and external financial reports are accurate, timely, and in accordance with generally accepted accounting principles, general ledger accounts should be reconciled on a monthly basis and supporting schedules should be prepared and reconciled with these general ledger accounts.

Condition: At the time of the audit, the Town had incorrect balances in many of its asset and liability accounts. Significant audit adjustments were necessary in order to present the financial statements in accordance with generally accepted accounting principles. These entries were proposed, accepted, and recorded by the Town in the financial statements.

Cause/Effect: Due to employee oversight, the need of proper training, and lack of management's review of performance, internal control procedures such as reconciliations of various general ledger accounts were not performed.

Recommendation: The Town's Finance Department should evaluate and implement closing procedures that establish clear deadlines for recording transactions and reconciling accounts to the general ledger and subsidiary ledgers. The Finance Department should also evaluate procedures to ensure that all accounts are reconciled and supported by documentation.

Response: Management agrees with this finding and will evaluate and implement closing procedures that will establish clear timelines and deadlines for recording transactions and reconciliations to the general ledger and sub ledgers.