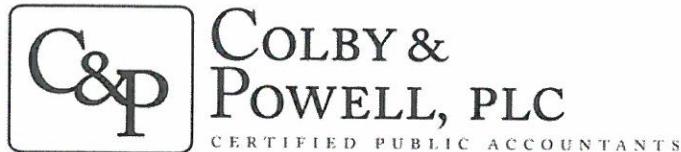


TOWN OF GILA BEND, ARIZONA

Annual Financial Statements
and
Independent Auditors' Report
June 30, 2018

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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, 2018, 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, 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, for the year ended June 30, 2018, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75. Our opinions are not modified with respect to this matter.

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 (pgs. 43 to 45), Schedule of the Town's Proportionate Share of the Net Pension/OPEB Liability – Cost-Sharing Pension Plans (pg. 46), and the Schedule of Town Pension/OPEB Contributions (pg. 47) 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 Gila Bend, 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 also 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2019, 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.



May 1, 2019

TOWN OF GILA BEND, ARIZONA
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 992,418	\$ -	\$ 992,418
Restricted cash	-	6,868	6,868
Accounts receivable - net	58,803	50,649	109,452
Taxes receivable	470,815	-	470,815
Due from other governments	306,745	-	306,745
Internal balances	4,171,699	(4,171,699)	-
Net other postemployment benefits asset	6,489	436	6,925
Capital assets, not being depreciated	1,421,250	494,540	1,915,790
Capital assets, being depreciated, net	3,227,901	9,664,028	12,891,929
Total assets	<u>10,656,120</u>	<u>6,044,822</u>	<u>16,700,942</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	<u>244,695</u>	<u>16,424</u>	<u>261,119</u>
LIABILITIES			
Accounts payable	61,264	49,822	111,086
Accrued expenses	47,845	3,023	50,868
Interest payable	-	11,938	11,938
Due to other governments	64,478	-	64,478
Due to fiduciary fund	25,999	-	25,999
Refundable deposits	-	6,868	6,868
Noncurrent liabilities			
Due within 1 year	89,806	70,367	160,173
Due in more than 1 year	<u>2,360,197</u>	<u>905,961</u>	<u>3,266,158</u>
Total liabilities	<u>2,649,589</u>	<u>1,047,979</u>	<u>3,697,568</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	<u>402,742</u>	<u>27,033</u>	<u>429,775</u>
NET POSITION			
Net investment in capital assets	4,142,829	9,312,864	13,455,693
Restricted for:			
Museum	16,169	-	16,169
Airport	6,327	-	6,327
Unrestricted (deficit)	<u>3,683,159</u>	<u>(4,326,630)</u>	<u>(643,471)</u>
Total net position	<u>\$ 7,848,484</u>	<u>\$ 4,986,234</u>	<u>\$ 12,834,718</u>

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

TOWN OF GILA BEND, ARIZONA
Statement of Activities
Year Ended June 30, 2018

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	\$ 1,170,007	\$ 94,800	\$ 248	\$ -	\$ (1,074,959)	\$ -	\$ (1,074,959)
Public safety	999,419	109,449	-	62,433	(827,537)	-	(827,537)
Public works and streets	1,031,195	-	135,608	117,817	(777,770)	-	(777,770)
Culture and recreation	489,457	31,337	16,000	-	(442,120)	-	(442,120)
Health and welfare	542,381	-	316,033	698,633	472,285	-	472,285
Interest on long-term debt	16,782	-	-	-	(16,782)	-	(16,782)
Total governmental activities	4,249,241	235,586	467,889	878,883	(2,666,883)	-	(2,666,883)
Business-type activities							
Water and Sewer	1,018,406	623,275	-	-	-	(395,131)	(395,131)
Sanitation	18,011	412	-	-	-	(17,599)	(17,599)
Total business-type activities	1,036,417	623,687	-	-	-	(412,730)	(412,730)
Total primary government	\$ 5,285,658	\$ 859,273	\$ 467,889	\$ 878,883	(2,666,883)	(412,730)	(3,079,613)
General revenue:							
Taxes:							
Sales taxes				2,589,386	-	2,589,386	
Property taxes			436,120	-	-	436,120	
Franchise taxes			-	183,787	-	183,787	
State revenue sharing			-	256,513	-	256,513	
State sales tax revenue sharing			-	198,918	-	198,918	
Auto lieu tax revenue sharing			-	86,146	-	86,146	
Interest income			-	1,023	-	1,023	
Miscellaneous			-	17,956	-	17,956	
Transfers				23,509	(23,509)	-	
Total general revenues and transfers				3,793,358	(23,509)	3,769,849	
Change in net position				1,126,475	(436,239)	690,236	
Net position, beginning of year, as restated				6,722,009	5,422,473	12,144,482	
Net position, end of year				\$ 7,848,484	\$ 4,986,234	\$ 12,834,718	

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

TOWN OF GILA BEND, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Social Services Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 937,647	\$ -	\$ 54,771	\$ 992,418
Accounts receivable	13,167	-	45,636	58,803
Taxes receivable	470,815	-	-	470,815
Due from other governments	10,308	284,451	11,986	306,745
Due from other funds	4,386,207	-	-	4,386,207
Total assets	\$ 5,818,144	\$ 284,451	\$ 112,393	\$ 6,214,988
LIABILITIES				
Accounts payable	\$ 48,038	\$ 3,957	\$ 9,269	\$ 61,264
Accrued expenses	41,587	3,247	3,011	47,845
Due to other governments	64,478	-	-	64,478
Due to other funds	25,999	211,538	2,970	240,507
Total liabilities	180,102	218,742	15,250	414,094
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue	67,260	-	-	67,260
FUND BALANCES				
Nonspendable	4,386,207	-	-	4,386,207
Restricted for:				
Museum	-	-	16,169	16,169
Airport	-	-	6,327	6,327
Unassigned	1,184,575	65,709	74,647	1,324,931
Total fund balances	5,570,782	65,709	97,143	5,733,634
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,818,144	\$ 284,451	\$ 112,393	\$ 6,214,988

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, 2018

Fund balances-total governmental funds	\$ 5,733,634
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.	4,649,151
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue	67,260
Net pension/OPEB assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.	6,489
Liabilities, such as net pension/OPEB liabilities and capital leases payable, are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	
Leases payable	(44,922)
Compensated absences	(63,479)
Notes payable	(461,400)
Net pension/OPEB liability	<u>(1,880,202)</u>
	(2,450,003)
Deferred outflows and inflows of resources related to pensions/OPEB and deferred charges or credits on debt refundings are applicable to future reporting periods and,	<u>(158,047)</u>
Net position of governmental activities	<u>\$ 7,848,484</u>

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, 2018

	General Fund	Social Services Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue				
Taxes	\$ 3,157,600	\$ -	\$ -	\$ 3,157,600
Intergovernmental	666,827	791,098	340,197	1,798,122
Charges for services	152,226	-	-	152,226
Licenses and permits	73,546	-	-	73,546
Rents	25,728	-	-	25,728
Contributions	-	18,729	498	19,227
Other revenue	18,042	-	-	18,042
Interest	1,023	-	-	1,023
Total revenue	4,094,992	809,827	340,695	5,245,514
Expenditures				
Current				
General government	1,061,476	-	655	1,062,131
Public safety	959,702	-	-	959,702
Public works and streets	708,343	-	263,237	971,580
Culture and recreation	459,951	-	-	459,951
Health and welfare	-	363,423	195,484	558,907
Debt Service				
Principal	22,438	-	9,403	31,841
Interest	1,396	-	15,386	16,782
Capital outlay	273,414	692,866	20,092	986,372
Total expenditures	3,486,720	1,056,289	504,257	5,047,266
Excess (deficiency) of revenue over (under) expenditures	608,272	(246,462)	(163,562)	198,248
Other financing sources (uses)				
Transfers	(326,874)	188,667	161,716	23,509
Net change in fund balances	281,398	(57,795)	(1,846)	221,757
Fund balances, beginning of year	5,289,384	123,504	98,989	5,511,877
Fund balances, end of year	\$ 5,570,782	\$ 65,709	\$ 97,143	\$ 5,733,634

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, 2018

Net change in fund balances-total governmental funds	\$ 221,757
Amounts reported for governmental activities in the Statement of	
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	
Capital outlay	986,372
Depreciation expense	<u>(367,175)</u>
	619,197
Revenues in the Statement of Activities that do not provide current	
financial resources are not reported as revenues in the funds.	
Donated capital assets	55,000
Property taxes	<u>51,693</u>
	106,693
Town pension/OPEB 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/OPEB liability is measured a year	
before the Town's report date. Pension/OPEB expense, which is the	
change in the net pension/OPEB liability adjusted for changes in	
deferred outflows and inflows of resources related to pensions, is	
Town pension/OPEB contributions	100,927
Pension/OPEB expense	<u>48,293</u>
	149,220
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	
governmental funds, but the repayment reduces long-term liabilities	
in the Statement of Net Position.	
Debt principal repaid	31,841
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	
Increase in compensated absences payable	<u>(2,233)</u>
Change in net position of governmental activities	<u><u>\$ 1,126,475</u></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, 2018

	Business-type Activities--Enterprise Funds		
	Water and Sewer Fund	Sanitation Fund	Total
ASSETS			
Current assets			
Restricted cash	\$ 6,868	\$ -	\$ 6,868
Accounts receivable - net	<u>50,649</u>	<u>-</u>	<u>50,649</u>
Total current assets	<u><u>57,517</u></u>	<u><u>-</u></u>	<u><u>57,517</u></u>
Noncurrent assets			
Net other postemployment benefits asset	436	-	436
Capital assets, net of accumulated depreciation, where applicable:			
Land	494,540	-	494,540
Water systems, net	4,608,657	-	4,608,657
Sewer ponds, net	757,448	-	757,448
Mains and lines, net	4,261,417	-	4,261,417
Equipment, net	31,958	4,548	36,506
Total capital assets, net	<u>10,154,020</u>	<u>4,548</u>	<u>10,158,568</u>
Total noncurrent assets	<u><u>10,154,456</u></u>	<u><u>4,548</u></u>	<u><u>10,159,004</u></u>
Total assets	<u><u>10,211,973</u></u>	<u><u>4,548</u></u>	<u><u>10,216,521</u></u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions and other postemployment benefits	<u>16,424</u>	<u>-</u>	<u>16,424</u>
LIABILITIES			
Current liabilities			
Accounts payable	49,822	-	49,822
Accrued expenses	1,590	1,433	3,023
Interest payable	11,938	-	11,938
Refundable deposits	6,868	-	6,868
Notes payable - current portion	66,856	-	66,856
Compensated absences - current portion	3,511	-	3,511
Total current liabilities	<u><u>140,585</u></u>	<u><u>1,433</u></u>	<u><u>142,018</u></u>
Noncurrent liabilities			
Due to other funds	3,417,570	754,129	4,171,699
Notes payable - net of current portion	778,848	-	778,848
Compensated absences - net of current portion	390	-	390
Net pension and other postemployment benefits liability	126,723	-	126,723
Total noncurrent liabilities	<u><u>4,323,531</u></u>	<u><u>754,129</u></u>	<u><u>5,077,660</u></u>
Total liabilities	<u><u>4,464,116</u></u>	<u><u>755,562</u></u>	<u><u>5,219,678</u></u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions and other postemployment benefits	<u>27,033</u>	<u>-</u>	<u>27,033</u>
NET POSITION			
Net investment in capital assets	9,308,316	4,548	9,312,864
Unrestricted (deficit)	<u>(3,571,068)</u>	<u>(755,562)</u>	<u>(4,326,630)</u>
Total net position	<u><u>\$ 5,737,248</u></u>	<u><u>\$ (751,014)</u></u>	<u><u>\$ 4,986,234</u></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, 2018

	Business-type Activities--Enterprise Funds		
	Water and	Sanitation	Total
	Sewer Fund	Fund	
Operating revenues			
Charges for services			
Water and sewer	\$ 614,828	\$ -	\$ 614,828
Sanitation	-	412	412
Late fees	8,447	-	8,447
Total operating revenues	<u>623,275</u>	<u>412</u>	<u>623,687</u>
Operating expenses			
Depreciation	449,811	357	450,168
Utilities	190,152	-	190,152
Materials and supplies	101,167	-	101,167
Personnel	70,793	3,397	74,190
Professional services	73,217	-	73,217
Repairs and maintenance	57,025	68	57,093
Insurance	34,438	5,916	40,354
Miscellaneous	17,928	8,273	26,201
Total operating expenses	<u>994,531</u>	<u>18,011</u>	<u>1,012,542</u>
Operating income (loss)	(371,256)	(17,599)	(388,855)
Nonoperating revenue (expense)			
Interest expense	(23,875)	-	(23,875)
Income (loss) before contributions, gains, losses, and transfers	(395,131)	(17,599)	(412,730)
Transfers	(23,509)	-	(23,509)
Increase (decrease) in net position	(418,640)	(17,599)	(436,239)
Total net position, beginning of year, as restated	<u>6,155,888</u>	<u>(733,415)</u>	<u>5,422,473</u>
Total net position, end of year	<u>\$ 5,737,248</u>	<u>\$ (751,014)</u>	<u>\$ 4,986,234</u>

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, 2018

	<u>Business-type Activities--Enterprise Funds</u>		
	Water and Sewer Fund	Sanitation Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ 636,480	\$ 412	\$ 636,892
Payments to suppliers and providers of goods and services	(470,488)	(14,282)	(484,770)
Payments to employees	(131,599)	(3,407)	(135,006)
Net cash provided by (used by) operating activities	34,393	(17,277)	17,116
Cash flows from noncapital financing activities:			
Net transfers	(23,509)	-	(23,509)
Advances from interfund loans	81,273	17,277	98,550
Net cash provided by (used by) noncapital financing activities	57,764	17,277	75,041
Cash flows from capital and related financing activities:			
Interest paid	(24,799)	-	(24,799)
Principal paid on notes payable	(65,007)	-	(65,007)
Net cash provided by (used by) capital and related financing activities	(89,806)	-	(89,806)
Net increase (decrease) in cash and cash equivalents	2,351	-	2,351
Cash and cash equivalents, beginning of year	<u>4,517</u>	<u>-</u>	<u>4,517</u>
Cash and cash equivalents, end of year	<u>\$ 6,868</u>	<u>\$ -</u>	<u>\$ 6,868</u>

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, 2018
(Continued)

	<u>Business-type Activities - Enterprise Funds</u>		
	Water and Sewer Fund	Sanitation Fund	Total
Reconciliation of operating income (loss)			
to net cash provided (used) by			
operating activities			
Operating income (loss)	\$ (371,256)	\$ (17,599)	\$ (388,855)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	449,811	357	450,168
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	10,854	-	10,854
Net other postemployment benefits asset	(436)	-	(436)
Deferred outflows of resources related to pensions and other postemployment	20,365	-	20,365
Accounts payable	3,439	(25)	3,414
Accrued expenses	(2)	(10)	(12)
Refundable deposits	2,351	-	2,351
Compensated absences payable	(2,941)	-	(2,941)
Net pension and other postemployment benefits liability	(78,757)	-	(78,757)
Deferred inflows of resources related to pensions and other postemployment benefits	965	-	965
Net cash provided (used) by			
operating activities	<u>\$ 34,393</u>	<u>\$ (17,277)</u>	<u>\$ 17,116</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, 2018

	<u>Firefighters' Relief and Pension Trust</u>
ASSETS	
Cash and cash equivalents	\$ 20,487
Investments	190,413
Due from Town	25,999
State fire insurance premium receivable	<u>5,760</u>
 Total assets	 <u>242,659</u>
NET POSITION	
Held in trust for investment trust participants	\$ <u>242,659</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, 2018

	<u>Firefighters' Relief and Pension Trust</u>
Additions:	
Investment gains	\$ 17,732
Employee contributions	7,371
Employer contributions	7,371
Interest and dividends	7,740
State fire insurance premiums	<u>5,760</u>
Total additions	<u>45,974</u>
Deductions:	
Distributions	47,508
Fees	<u>5,239</u>
Total deductions	<u>52,747</u>
Change in net position	(6,773)
Net position, beginning of year	<u>249,432</u>
Net position, end of year	<u>\$ 242,659</u>

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

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Town of Gila Bend, Arizona have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

For the year ended June 30, 2018, the Town implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB.

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.

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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 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, 2018

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 ***Social Services Fund*** accounts for specific revenue received from Maricopa County and the Area Authority on Aging 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, 2018

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, 2018 for the Water and Sewer Fund and the Sanitation Fund were \$49,836 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, 2018

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:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
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, 2018

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, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

L. Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the 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, 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.

M. 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, 2018, if any.

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*.

	Governmental Activities	Business-type Activities	Total
Net position as previously reported at June 30, 2017	\$ 6,721,709	\$ 5,422,453	<u>12,144,162</u>
Prior period adjustments-implementation of GASB 75:			
Net OPEB liability (measurement date as of June 30, 2016)	(7,743)	(520)	(8,263)
Deferred outflows-Town contributions made during fiscal year 2017	<u>8,043</u>	<u>540</u>	<u>8,583</u>
Total prior period adjustment	300	20	320
Net position, as restated, July 1, 2017	<u>\$ 6,722,009</u>	<u>\$ 5,422,473</u>	<u>\$ 12,144,482</u>
Water and Sewer Fund			
Net position as previously reported at June 30, 2017	<u>\$ 6,155,868</u>		
Prior period adjustments-implementation of GASB 75:			
Net OPEB liability (measurement date as of June 30, 2016)	(520)		
Deferred outflows-Town contributions made during fiscal year 2017	<u>540</u>		
Total prior period adjustment	20		
Net position, as restated, July 1, 2017	<u>\$ 6,155,888</u>		

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 3 – 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 4 – 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.

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.

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 4 – DEPOSITS AND INVESTMENTS – Continued

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, 2018, the carrying amount of the Town's total cash in bank was \$937,894, and the bank balances were \$1,364,276. Of the bank balances, \$528,774 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 \$26,878. 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 \$34,029. Pool 7 is unrated.

The Town's Pension Trust Fund had investments in mutual funds of \$190,413 at June 30, 2018, 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	\$ 931,026	\$ 6,868	\$ -	\$ 937,894
State Treasurer's investment pool 7	34,029	-	-	34,029
State Treasurer's investment pool 5	26,878	-	-	26,878
Money market	-	-	20,487	20,487
Cash on hand	485	-	-	485
Total	<u>\$ 992,418</u>	<u>\$ 6,868</u>	<u>\$ 20,487</u>	<u>\$ 1,019,773</u>

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 5 – DUE (TO) FROM OTHER GOVERNMENTS

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

	General Fund	Social Services Fund	HURF Fund (Nonmajor)
Maricopa County	\$ -	\$ 278,143	\$ -
State of Arizona	10,308	-	11,986
Area Agency on Aging	-	6,308	-
	<u>\$ 10,308</u>	<u>\$ 284,451</u>	<u>\$ 11,986</u>

Amounts due to other governments at June 30, 2018 consisted of \$64,478 due to the Buckeye Valley Fire District for ambulance services owed under an intergovernmental agreement.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 640,573	\$ 87,811	\$ -	\$ 728,384
Construction in progress	-	692,866	-	692,866
Total capital assets not being depreciated	640,573	780,677	-	1,421,250
Capital assets being depreciated:				
Infrastructure	4,839,017	86,836	-	4,925,853
Buildings and building improvements	2,140,104	87,811	-	2,227,915
Furniture, machinery, and equipment	2,628,255	86,048	-	2,714,303
Total	9,607,376	260,695	-	9,868,071
Less accumulated depreciation for:				
Infrastructure	(2,863,473)	(197,060)	-	(3,060,533)
Buildings and building improvements	(1,320,385)	(57,957)	-	(1,378,342)
Furniture, machinery, and equipment	(2,089,137)	(112,158)	-	(2,201,295)
Total	(6,272,995)	(367,175)	-	(6,640,170)
Total capital assets being depreciated, net	3,334,381	(106,480)	-	3,227,901
Governmental activities capital assets, net	<u>\$ 3,974,954</u>	<u>\$ 674,197</u>	<u>\$ -</u>	<u>\$ 4,649,151</u>

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 6 – CAPITAL ASSETS – *Continued*

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2018</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 494,540	\$ -	\$ -	\$ 494,540
Capital assets being depreciated:				
Mains and lines	5,453,168	-	-	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	289,526	-	-	289,526
Total	<u>14,510,888</u>	<u>-</u>	<u>-</u>	<u>14,510,888</u>
Less accumulated depreciation for:				
Mains and lines	(1,080,324)	(111,427)	-	(1,191,751)
Wells, pumping equipment and pressure storage system	(1,946,262)	(250,474)	-	(2,196,736)
Sewer treatment ponds	(1,132,944)	(72,409)	-	(1,205,353)
Machinery, equipment, and vehicles	(237,162)	(15,858)	-	(253,020)
Total	<u>(4,396,692)</u>	<u>(450,168)</u>	<u>-</u>	<u>(4,846,860)</u>
Total capital assets being depreciated, net	<u>10,114,196</u>	<u>(450,168)</u>	<u>-</u>	<u>9,664,028</u>
Business-type activities capital assets, net	<u>\$ 10,608,736</u>	<u>\$ (450,168)</u>	<u>\$ -</u>	<u>\$ 10,158,568</u>
 Depreciation expense was charged to functions as follows:				
	<u>Governmental</u>		<u>Business-type</u>	
	<u>Activities</u>		<u>Activities</u>	
General government	\$ 155,179		\$ -	
Public safety	46,731		-	
Public works and streets	109,903		-	
Culture and recreation	48,459		-	
Health and welfare	6,903		-	
Water and Sewer	-		449,811	
Sanitation	-		357	
Total depreciation expense	<u>\$ 367,175</u>		<u>\$ 450,168</u>	

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 7 – 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, 2018, 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, 2018, the Town had drawn \$1,922,477 and has met the forgivable principal requirement. As of June 30, 2018 the Town had an original repayment balance of \$372,477 with a remaining \$127,523 left to draw.

Notes payable at June 30, 2018, were as follows:

Description	Original Amount	Maturity Ranges	Interest Rate	Outstanding June 30, 2018
WIFA Note	\$ 951,611	2011 - 2028	2.612%	\$ 583,877
WIFA Note	\$ 372,477	2012 - 2035	2.625%	261,827
USDA Note	\$ 518,000	2011 - 2051	3.250%	<u>461,400</u>
				<u><u>\$ 1,307,104</u></u>

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 7 – LONG-TERM LIABILITIES – Continued

The following schedule details debt service requirements to maturity for the Town's notes payable at June 30, 2018.

Year Ending June 30	Governmental Activities			Business-type Activities		
	Notes Payable			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
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	9,863	13,645	23,508	74,794	11,124	85,918
2024-28	54,417	63,123	117,540	407,130	25,686	432,816
2029-33	64,005	53,535	117,540	84,728	1,461	86,189
2034-38	75,282	42,258	117,540	-	-	-
2039-43	88,546	28,994	117,540	-	-	-
2044-48	104,147	13,393	117,540	-	-	-
2049-50	28,739	-	28,739	-	-	-
Total	<u>\$ 461,400</u>	<u>\$ 272,579</u>	<u>\$ 733,979</u>	<u>\$ 845,704</u>	<u>\$ 100,917</u>	<u>\$ 946,621</u>

The following schedule details the Town's long-term liability and obligation activity for the year ended June 30, 2018.

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018	Due within 1 year
Governmental activities:					
Notes payable	\$ 469,797	\$ -	\$ 8,397	\$ 461,400	\$ 8,662
Leases payable	68,366	-	23,444	44,922	24,013
Net pension liability	2,295,282	-	415,080	1,880,202	-
Compensated absences	61,246	2,233	-	63,479	57,131
Governmental activities					
long-term liabilities	<u>\$ 2,894,691</u>	<u>\$ 2,233</u>	<u>\$ 446,921</u>	<u>\$ 2,450,003</u>	<u>\$ 89,806</u>
Business-type activities:					
Notes payable	\$ 910,711	\$ -	\$ 65,007	\$ 845,704	\$ 66,856
Net pension liability	204,960	-	78,757	126,203	-
Compensated absences	6,842	-	2,941	3,901	3,511
Business-type activities					
long-term liabilities	<u>\$ 1,122,513</u>	<u>\$ -</u>	<u>\$ 146,705</u>	<u>\$ 975,808</u>	<u>\$ 70,367</u>

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 7 – 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>(19,189)</u>
Carrying value	<u>\$ 83,005</u>

The following schedule details debt service requirements to maturity for the Town's capital leases payable at June 30, 2018:

<u>Year Ending</u>	<u>Governmental Activities</u>
<u>June 30</u>	
2019	\$ 25,048
2020	19,090
2021	1,215
2022	<u>911</u>
Total minimum lease payments	46,264
Less amount representing interest	<u>(1,342)</u>
Present value of net minimum lease payments	<u>\$ 44,922</u>

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 8 – 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, 2018, 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/OPEB assets	\$ 6,489		\$ 436		\$ 6,925
Net pension/OPEB liabilities	1,880,202		126,203		2,006,405
Deferred outflows of resources related to pension and OPEB	244,695		16,424		261,119
Deferred inflows of resources related to pension and OPEB	402,742		27,033		429,775
Pension and OPEB expense	(48,293)		(3,242)		(51,535)

The Town reported \$100,927 of pension and OPEB 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.

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:

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

	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		30 years age 55
10 years age 62		25 years age 60
5 years age 50*		10 years age 62
Any years age 65		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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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, 2018, statute required active ASRS members to contribute at the actuarially determined rate of 11.50 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.50 percent (10.90 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 percent for retirement, 0.01 percent for health insurance premium benefit, and 0.13 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the ASRS would typically fill. The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2018, were \$148,399, \$5,802, and \$2,172, respectively.

During fiscal year 2018, the Town paid for ASRS pension and OPEB contributions as follows: 71.73 percent from the General Fund, 6.86 percent from the HURF Fund (nonmajor), 11.77 percent from the Social Services Fund, 3.35 percent from the FTF Fund (nonmajor), and 6.29 percent from the Water and Sewer Fund.

Liability - At June 30, 2018, the Town reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net Pension/OPEB (Asset) Liability
Pension	\$ 2,001,780
Health insurance premium benefit	(6,925)
Long-term disability	4,625

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2018, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The Town's proportion of the net asset or net 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, 2017. The Town's proportions measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

	Proportion June 30, 2017	Increase (decrease) from June 30, 2016
Pension	0.01285%	-0.00264%
Health insurance premium benefit	0.01272%	0.00000%
Long-term disability	0.01276%	0.00000%

The net asset and net liabilities measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town's net asset and net liabilities as a result of these changes is not known.

Expense – For the year ended June 30, 2018, the Town recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	\$ (58,052)
Health insurance premium benefit	4,050
Long-term disability	2,467

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Deferred Outflows/Inflows of Resources—At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 60,024	\$ -	\$ -
Changes of assumptions or other inputs	86,942	59,857	-	-
Net difference between projected and actual earnings on pension plan investments	14,371	-	-	7,797
Changes in proportion and differences between Town contributions and proportionate share of contributions	3,433	301,397	-	8
Town contributions subsequent to the measurement date	<u>148,399</u>	<u>-</u>	<u>5,802</u>	<u>-</u>
Total	<u>\$ 253,145</u>	<u>\$ 421,278</u>	<u>\$ 5,802</u>	<u>\$ 7,805</u>
<hr/>				
Long-Term Disability				
	Deferred Outflows of Resources	Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 692		
Town contributions subsequent to the measurement date	<u>2,172</u>	<u>-</u>		
Total	<u>\$ 2,172</u>	<u>\$ 692</u>		

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year ended June 30,	Pension	Health Insurance Premium Benefit	Long-Term Disability
2019	\$ (216,256)	\$ (1,951)	\$ (173)
2020	(51,922)	(1,951)	(173)
2021	(2,307)	(1,951)	(173)
2022	(46,047)	(1,951)	(173)
2023	-	-	-
Thereafter	-	-	-

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

ASRS

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75% for pensions/not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The long-term expected rate of return on ASRS plan investments was determined to be 8.70 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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:

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

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 8 percent, which is less than the long-term expected rate of return of 8.7 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 plans' 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Sensitivity of the Town's Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the net pension/OPEB liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension/OPEB 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:

	Current Discount		
	1% Decrease (7%)	Rate (8%)	1% Increase (9%)
Town's Proportionate share of the			
Net pension liability	\$ 2,569,319	\$ 2,001,780	\$ 1,527,552
Net insurance premium benefit liability (asset)	11,500	(6,925)	(22,583)
Net long-term disability liability	5,531	4,625	3,858

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

TOWN OF GILA BEND, ARIZONA
Notes to Financial Statements
June 30, 2018

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables – Interfund balances at June 30, 2018, were as follows:

Payable from	Payable to			Total	
	Firefighters'		Pension Trust		
	General Fund	Relief and			
General Fund	\$ -	\$ 25,999	\$ 25,999		
Social Services Fund	211,538	-		211,538	
HURF Fund (Nonmajor)	2,970	-		2,970	
Water and Sewer Fund	3,417,570	-		3,417,570	
Sanitation Fund	754,129	-		754,129	
Total	\$4,386,207	\$ 25,999		\$4,412,206	

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, 2018, were as follows:

Transfer to	Transfer from				Total
	General Fund	FTF Fund (Nonmajor)	Water and Sewer Fund		
General Fund	\$ -	\$ 9,514	\$ -		\$ 9,514
Social Services Fund	188,667	-	-		188,667
HURF Fund (Nonmajor)	147,721	-	-		147,721
GBMPC (Nonmajor)	-	-	23,509		23,509
Total	\$ 336,388	\$ 9,514	\$ 23,509		\$ 369,411

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.

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OTHER REQUIRED SUPPLEMENTARY INFORMATION

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TOWN OF GILA BEND, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Taxes	\$ 3,544,434	\$ 3,544,434	\$ 3,157,600	\$ (386,834)
Intergovernmental	818,227	818,227	666,827	(151,400)
Charges for services	180,500	180,500	152,226	(28,274)
Licenses and permits	88,000	88,000	73,546	(14,454)
Rents	40,000	40,000	25,728	(14,272)
Other revenue	11,600	11,600	18,042	6,442
Interest	1,500	1,500	1,023	(477)
Total revenue	4,684,261	4,684,261	4,094,992	(589,269)
Expenditures				
Current				
General government	1,896,539	1,896,539	1,061,476	835,063
Public safety	1,495,162	1,495,162	959,702	535,460
Public works and streets	890,275	890,275	708,343	181,932
Culture and recreation	480,847	480,847	459,951	20,896
Debt Service				
Principal	22,438	22,438	22,438	-
Interest	1,396	1,396	1,396	-
Capital outlay	273,414	273,414	273,414	-
Total expenditures	5,060,071	5,060,071	3,486,720	1,573,351
Excess (deficiency) of revenue over (under) expenditures	(375,810)	(375,810)	608,272	984,082
Other financing sources (uses)				
Transfers	(393,262)	(393,262)	(326,874)	66,388
Net change in fund balances	(769,072)	(769,072)	281,398	1,050,470
Fund balances, beginning of year	5,289,383	5,289,383	5,289,383	-
Fund balances, end of year	\$ 4,520,311	\$ 4,520,311	\$ 5,570,781	\$ 1,050,470

See accompanying notes to budgetary comparison schedule.

TOWN OF GILA BEND, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Social Services Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental Contributions	\$ 346,179	\$ 346,179	\$ 791,098	\$ 444,919
Total revenue	<u>346,179</u>	<u>346,179</u>	<u>809,827</u>	<u>463,648</u>
Expenditures				
Current				
Health and welfare	512,906	512,906	363,423	149,483
Capital outlay	692,866	692,866	692,866	-
Total expenditures	<u>1,205,772</u>	<u>1,205,772</u>	<u>1,056,289</u>	<u>149,483</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(859,593)</u>	<u>(859,593)</u>	<u>(246,462)</u>	<u>613,131</u>
Other financing sources (uses)				
Transfers	<u>198,493</u>	<u>198,493</u>	<u>188,667</u>	<u>(9,826)</u>
Net change in fund balances	<u>(661,100)</u>	<u>(661,100)</u>	<u>(57,795)</u>	<u>603,305</u>
Fund balances, beginning of year	<u>123,504</u>	<u>123,504</u>	<u>123,504</u>	<u>-</u>
Fund balances, end of year	<u>\$ (537,596)</u>	<u>\$ (537,596)</u>	<u>\$ 65,709</u>	<u>\$ 603,305</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF GILA BEND, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2018

NOTE 1 – BUDGETING AND BUDGETARY CONTROL

A.R.S. requires 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. prohibits 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 Council's approval. With the exception of the General Fund, each fund includes only one department.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

NOTE 3 – EXPENDITURES IN EXCESS OF APPROPRIATIONS

For the year ended June 30, 2018, expenditures exceeded final budget amounts at the department level (the legal level of budgetary control) in the Police and HURF departments.

TOWN OF GILA BEND, ARIZONA
Required Supplementary Information
Schedule of the Town's Proportionate
Share of the Net Pension/OPEB Liability
Cost-Sharing Pension Plans
June 30, 2018

ASRS

	Pension				2014 through 2009
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	
Town's proportion of the net pension liability	0.012850%	0.015490%	0.015590%	0.015258%	Information
Town's proportionate share of the net pension liability	\$ 2,001,780	\$ 2,500,242	\$ 2,428,344	\$ 2,257,648	not available
Town's covered payroll	\$ 1,253,599	\$ 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	159.68%	172.42%	169.11%	164.15%	
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%	
 Health Insurance Premium					
	Benefit		Long-Term Disability		2017
	Reporting Fiscal Year (Measurement Date)		Reporting Fiscal Year (Measurement Date)		
	2018 (2017)	through 2009	2018 (2017)	through 2009	
Town's proportion of the net OPEB (asset)	0.012720%	Information	0.012760%	Information	
Town's proportionate share of the net OPEB (asset) liability	\$ (6,925)	not available	\$ 7,942	not available	
Town's covered payroll	\$ 1,253,599		\$ 1,253,599		
Town's proportionate share of the net OPEB (asset) liability as a percentage of its covered-employee payroll	-0.55%		0.63%		
Plan fiduciary net position as a percentage of the total OPEB liability	103.57%		84.44%		

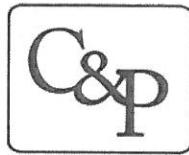
TOWN OF GILA BEND, ARIZONA
Required Supplementary Information
Schedule of Town Pension/OPEB Contributions
June 30, 2018

ASRS

	<u>Pension</u> Reporting Fiscal Year					2013 through 2009
	2018	2017	2016	2015	2014	
	\$ 148,399	\$ 135,138	\$ 157,339	\$ 156,371	\$ 147,167	
Statutorily required contribution						
Town's contributions in relation to the statutorily required contribution	(148,399)	(135,138)	(157,339)	(156,371)	(147,167)	Information not available
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	<u>\$ 1,361,459</u>	<u>\$ 1,253,599</u>	<u>\$ 1,450,129</u>	<u>\$ 1,435,914</u>	<u>\$ 1,375,393</u>	
Town's contributions as a percentage of covered payroll	10.90%	10.78%	10.85%	10.89%	10.70%	
 <u>Health Insurance Premium Benefit</u> Reporting Fiscal Year						
<u>Long-Term Disability</u> Reporting Fiscal Year						
2016 through 2009						
2018 2017 2018 2017 2018 2017						
Statutorily required contribution	\$ 5,802	\$ 6,848	Information not available		\$ 2,172	\$ 1,735
Town's contributions in relation to the statutorily required contribution	(5,802)	(6,848)			(2,172)	(1,735)
Town's contribution deficiency (excess)	\$ -	\$ -			\$ -	\$ -
Town's covered payroll	<u>\$ 1,361,459</u>	<u>\$ 1,253,599</u>			<u>\$ 1,361,459</u>	<u>\$ 1,253,599</u>
Town's contributions as a percentage of covered payroll	0.43%	0.55%			0.16%	0.14%

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REPORTS AND SCHEDULES REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS AND THE
UNIFORM GUIDANCE



**COLBY &
POWELL, PLC**
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**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, 2018, 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 May 1, 2019.

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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. Those items are listed as items **2018-001** to **2018-003**.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Gila Bend, Arizona's financial statements are free of 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

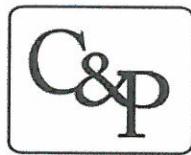
The Town of Gila Bend, Arizona's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Gila Bend, Arizona's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, 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.



May 1, 2019



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

To the Town Council
Town of Gila Bend, Arizona

Report on Compliance for Each Major Federal Program

We have audited the Town of Gila Bend, 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 Gila Bend, Arizona's major federal programs for the year ended June 30, 2018. The Town of Gila Bend, Arizona's major federal programs are 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Gila Bend, Arizona's major federal programs 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 Gila Bend, 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 Gila Bend, Arizona's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Gila Bend, Arizona complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Town of Gila Bend, 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 Gila Bend, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 Gila Bend, 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.



May 1, 2019

TOWN OF GILA BEND, ARIZONA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass through Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Health and Human Services</u>			
Passed through Area Agency on Aging:			
Aging Cluster:			
Special Programs for the Aging_Title III, Part B	93.044	2017-19-GLB	\$ 9,480
Special Programs for the Aging_Title III, Part C	93.045	2017-19-GLB	31,905
Nutrition Services Incentive Program	93.053	2017-19-GLB	<u>3,441</u>
Total Aging Cluster			44,826
Social Services Block Grant	93.667	2017-19-GLB	584
Passed through Maricopa County Human Services Department:			
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	C-22-17-001-3-01	10,336
Low-Income Home Energy Assistance	93.568	C-22-17-001-3-01	<u>10,336</u>
Total U.S. Department Health and Human Services			<u>66,082</u>
<u>U.S. Department of Agriculture</u>			
Rural Business Development Grant	10.351		<u>28,344</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Maricopa County Community Development:			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	14.218	C-22-17-029-3-00	<u>698,633</u>
Total Federal Assistance			<u>\$ 793,059</u>

The accompanying notes are an integral part of this schedule.

TOWN OF GILA BEND, ARIZONA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of the Town of Gila Bend, Arizona under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the 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 Gila Bend, Arizona, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Gila Bend, Arizona.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual/accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Gila Bend, Arizona has not elected to use the 10-percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

TOWN OF GILA BEND, ARIZONA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes No

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes No

Identification of major federal programs:

CEFDA

Number Name of Federal Program

14.218 CDBG-Entitlement Grants Cluster:

Community Development Block Grants/Entitlement Grants

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

TOWN OF GILA BEND, ARIZONA
Schedule of Findings and Questioned Costs
June 30, 2018

Item: 2018-001

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: The expenditures in the Police Department in the General Fund and the HURF Fund exceeded Town budget for expenditures

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: 2018-002

Subject: Reconciliation of bank accounts.

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

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

Recommendation: Management should reconcile all bank and investment accounts to the general ledger on a monthly basis.

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 Questioned Costs
June 30, 2018

Item: 2018-003

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 trial balances in its asset and liability accounts. 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, internal control procedures should be carried out in the reconciliations of various general ledger accounts.

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.

TOWN OF GILA BEND, ARIZONA
Summary Schedule of Prior Year Audit Findings
June 30, 2018

Financial Statement Findings

Item: 2017-001

Subject: Control of Expenditures

During the year, the expenditures in various departments in the General Fund and all the departments in the HURF Fund exceeded the Town budget for expenditures. The effect of the oversight was a violation of the Arizona State Statutes.

This finding has been repeated this year as Item **2018-001**.

Item: 2017-003

Subject: General ledger maintenance and reconciliation

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. Internal control procedures such as reconciliations of various general ledger accounts were not performed.

This finding has been repeated this year as Item **2018-003**.

Federal Award Findings and Questioned Costs

There were no prior year federal award findings.