

**TOWN OF WINKELMAN, ARIZONA**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FOR THE YEAR ENDED**  
**JUNE 30, 2015**

**TOWN OF WINKELMAN, ARIZONA**

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PHONE: (480) 830-7057  
FAX: (480) 830-4923  
EMAIL: jnaycpa@cox.net

## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and Members of the Town Council  
Town of Winkelman, Arizona:

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Winkelman, Arizona, as of and for the year ended June 30, 2015, 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 of 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 controls 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**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.



## Opinions

In my 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, and each major fund of the Town of Winkelman, Arizona as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 32 through 36 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

In connection with my audit, nothing came to my attention that caused me 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 transportation revenues received by the Town solely for the authorized transportation purposes. However, my audit was not directed primarily toward obtaining knowledge of such noncompliance.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated September 3, 2015 on my consideration of the Town of Winkelman, Arizona's internal control over financial reporting and on my 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 my 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 Winkelman, Arizona's internal control over financial reporting and compliance.



Mesa, Arizona  
September 3, 2015



## **TOWN OF WINKELMAN, ARIZONA MANAGEMENT'S DISCUSSION AND ANALYSIS**

Within this section of the Town of Winkelman (Town) annual financial report, the Town's management provides narrative discussion and analysis of the financial activities of the Town for the fiscal year ended June 30, 2015. The Town's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

### **Financial Highlights**

- The Town's assets exceeded its liabilities by \$2,000,371 (net position) for the fiscal year reported.
- Total net position is comprised of the following:
  - (1) Capital assets of \$1,459,742 include property and equipment, net of accumulated depreciation.
  - (2) Restricted net amounts for street improvement purposes total \$12,093.
  - (3) Unrestricted net assets of \$528,536 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
- The Town's governmental funds reported total ending fund balance of \$403,056 this year. This compares to the prior year ending fund balance of \$385,789 showing an increase of \$17,267 during the current year.

### **Overview of the Financial Statements**

Management's Discussion and Analysis introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report additional information to supplement the basic financial statements.

### **Government-wide Financial Statements**

The Town's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these government-wide statements is the *Statement of Net Position*. This is the Town-wide statement of financial position presenting information that includes all of the Town's assets and liabilities, with the difference reported as *net position*. Over time, increases in net position may serve as a useful indicator of whether the financial position of the Town as a whole is improving or deteriorating.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the

statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinguish governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public services, and recreation. The business-type activity is the sewer utility.

### **Fund Financial Statements**

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements are presented for all the Town's funds (all the funds are considered major funds).

The Town has two kinds of funds:

*Governmental funds* are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives. Budgetary comparison schedules can be found in a later section of this report.

*Proprietary funds* are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The Sewer Utility Fund essentially encompasses the same function reported as a business-type activity in the government-wide statements.

### **Notes to the Financial Statements**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.



### Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Town's budgetary comparison schedules. These schedules demonstrate compliance with the Town's adopted and final revised budget. Supplementary information follows the notes to the financial statements.

### Financial Analysis of the Town as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the Town as a whole.

The following table provides a summary of the Town's net position at June 30, 2015:

#### SUMMARY OF NET POSITION

	Governmental Activities	Business-type Activities	Totals	Totals	Amount of Change
	2015	2015	2015	2014	
Current and other assets.....	\$ 546,674	\$ 18,691	\$ 565,365	\$ 538,521	\$ 26,844
Capital assets.....	1,009,011	450,731	1,459,742	1,572,583	(112,841)
Total Assets.....	1,555,685	469,422	2,025,107	2,111,104	(85,997)
Current liabilities.....	24,008	728	24,736	28,695	(3,959)
Non-current liabilities.....	0	0	0	0	0
Total Liabilities.....	24,008	728	24,736	28,695	(3,959)
Net position:					
Invested in capital assets.....	1,009,011	450,731	1,459,742	1,572,583	(112,841)
Restricted.....	12,093	0	12,093	13,354	(1,261)
Unrestricted.....	510,573	17,963	528,536	496,472	32,064
Total Net Position.....	\$ 1,531,677	\$ 468,694	\$2,000,371	\$2,082,409	\$ (82,038)

The Town reported positive balances in net position for both governmental and business-type activities. Total net position decreased \$82,038 for the year ended June 30, 2015.

The following table provides a summary of the Town's changes in net position for the year ended June 30, 2015.



## SUMMARY OF CHANGES IN NET POSITION

	Governmental Activities	Business-type Activities	Totals	Totals	Amount of Change
	2015	2015	2015	2014	
<b>Revenues:</b>					
Program revenues					
Charges for services .....	\$ 95,584	\$ 48,185	\$ 143,769	\$ 170,234	\$ (26,465)
Operating grants and contributions	64,275		64,275	43,936	20,339
Capital grants and contributions.....			0	179,300	(179,300)
General revenues					
Sales tax .....	112,570		112,570	110,087	2,483
State shared revenues .....	234,015		234,015	217,697	16,318
Property tax .....	55,978		55,978	54,906	1,072
Franchise fees .....	11,748		11,748	10,943	805
Other.....	22,527		22,527	11,004	11,523
<b>Total Revenues</b> .....	<b>596,697</b>	<b>48,185</b>	<b>644,882</b>	<b>798,107</b>	<b>(153,225)</b>
<b>Expenses:</b>					
General Government .....	194,194		194,194	194,911	(717)
Magistrate .....	9,880		9,880	14,527	(4,647)
Police .....	60,000		60,000	55,000	5,000
Rabies Control .....	7,631		7,631	7,068	563
Fire .....	33,744		33,744	48,696	(14,952)
Sanitation .....	77,737		77,737	71,701	6,036
Parks and Recreation .....	114,449		114,449	117,051	(2,602)
Highways and Streets .....	104,875		104,875	104,887	(12)
Community Development .....	14,118		14,118	4,072	10,046
Sewer Utility .....		110,292	110,292	93,652	16,640
<b>Total Expenses</b> .....	<b>616,628</b>	<b>110,292</b>	<b>726,920</b>	<b>711,565</b>	<b>15,355</b>
Increase in net position before Transfers.....	(19,931)	(62,107)	(82,038)	86,542	(168,580)
Transfers .....	(48,284)	48,284	0	0	0
<b>Change in net position</b> .....	<b>(68,215)</b>	<b>(13,823)</b>	<b>(82,038)</b>	<b>86,542</b>	<b>(168,580)</b>
Beginning net position .....	1,599,892	482,517	2,082,409	1,995,867	86,542
<b>Ending net position</b> .....	<b>\$ 1,531,677</b>	<b>\$468,694</b>	<b>\$ 2,000,371</b>	<b>\$2,082,409</b>	<b>\$ (82,038)</b>

### Financial Analysis of the Town's Funds

#### *Governmental funds*

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

Revenues and other financing sources (excluding grants) totaled \$569,043 in 2014-2015, an increase of 5.1% from 2013-2014. A comparative summary of principal revenues and other financing sources is as follows:

	2014-2015 Amount	Increase (Decrease) from 2013-2014		2013-2014 Amount
		Amount	%	
State Sales Tax .....	\$ 32,259	\$ 1,533		\$ 30,726
State Revenue Sharing .....	181,584	14,390		167,194
Highway Users Tax .....	33,481	1,909		31,572
Gila County Transportation Excise Tax.....	16,647	16,647		0
Town Property Tax .....	34,035	(7,226)		41,261
Vehicle Lieu Tax .....	20,172	395		19,777
Town Sales Tax .....	112,570	2,483		110,087
Sanitation Fees .....	46,693	1,896		44,797
Recreational Activity Fees .....	45,614	(5,779)		51,393
Fines, and Forfeitures .....	11,684	(4,352)		16,036
Licenses, Permits and Other .....	21,985	11,317		10,668
Utility Franchise Fees .....	11,748	805		10,943
Interest Income .....	308	5		303
Gain on Sale of Investments.....	263	(167)		430
Proceeds from Sale of Capital Assets.....	0	(6,376)		6,376
	<u>\$ 569,043</u>	<u>\$ 27,480</u>	<u>5.1%</u>	<u>\$ 541,563</u>

Expenditures and transfers (excluding grants) totaled \$551,776 in 2014-2015. This represents an increase of 2.2% from the prior year. The schedule that follows summarizes the expenditures and increases and decreases from the prior year.

	2014-2015 Amount	Increase (Decrease) from 2013-2014		2013-2014 Amount
		Amount	%	
General Government .....	\$ 186,869	\$ 358		\$ 186,511
Magistrate .....	9,880	(4,647)		14,527
Police .....	60,000	5,000		55,000
Rabies Control .....	7,631	563		7,068
Fire .....	16,148	(9,159)		25,307
Highways and Streets .....	60,461	(12)		60,473
Parks and Recreation .....	85,722	6,627		79,095
Sanitation .....	76,781	6,036		70,745
Capital Outlay .....	0	(4,618)		4,618
Transfer to Sewer Fund .....	48,284	11,664		36,620
	<u>\$551,776</u>	<u>\$ 11,812</u>	<u>2.2%</u>	<u>\$539,964</u>

The gross payroll for 2014-2015 was \$195,740 compared with \$191,616 for 2013-2014, an increase of \$4,124 or 2.2%. The increase was allocated as follows:

	2014-2015 Amount	INCREASE (DECREASE) FROM 2013-2014	2013-2014 Amount
Administration.....	\$ 78,871	\$ 736	\$ 78,135
Fire.....	4,832	(569)	5,401
Magistrate.....	6,286	489	5,797
Rabies Control.....	6,351	499	5,852
Public Works.....	99,400	2,969	96,431
	<u>\$195,740</u>	<u>\$ 4,124</u>	<u>\$191,616</u>



The following payroll fringe benefits amounted to \$55,749 compared to \$57,399 for 2013-2014 a decrease of \$1,650 or 2.9%.

	2014-2015	2013-2014
Social Security.....	\$ 15,102	\$ 14,659
Retirement Contributions.....	13,882	13,253
Unemployment.....	154	170
Industrial Insurance.....	6,775	6,322
Health Insurance.....	19,836	22,995
	<u>\$55,749</u>	<u>\$57,399</u>

The increase in the governmental funds fund balance of \$17,267 for 2014-2015 compared to an increase of \$1,599 for 2013-2014.

### *Proprietary funds*

The proprietary fund statements share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status.

Sewer revenues increased \$323. Sewer expenditures increased \$16,640. General Fund transfers have been required to subsidize sewer utility fund operations. For the year ended June 30, 2015, this transfer was \$48,284. This transfer was \$11,664 more than the \$36,620 for the prior year.

Collectability of both sewer utility fees and sanitation (garbage pick-up) fees in the general fund have been a problem for the Town. A private water company provides water service to the Town. Therefore, the Town does not have the power to "turn off" water service to its customers to encourage customers to pay their sewer and sanitation billings. As a result, an uncollectable account allowance of \$13,787 (54% of \$25,369) has been recorded to recognize this collectability problem.

### *Analysis of Balances of Town's Individual Funds*

As of the end of the current fiscal year, the Town's individual funds reported a combined \$421,019, an increase of \$17,267 in comparison with the prior year. Approximately 93% of the total amount (\$390,963) constitutes the General fund Balance, which is available for its ongoing obligations. At June 30, 2015 fund balances were as follows:

Fund	Balance	Increase (Decrease) From 2014
<b>Governmental Funds:</b>		
General Fund.....	\$390,963	\$ 18,528
Highway Users Fund.....	0	0
Grants Fund.....	0	0
Local Transportation Assistance Fund..	12,093	(1,261)
<b>Proprietary Funds (Modified Accrual/budgetary Basis)</b>		
Sewer Utility Fund	17,963	0
<b>Total</b>	<u>\$421,019</u>	<u>\$17,267</u>



The increase in fund balance was primarily due to the Town's receipt of \$15,548 in insurance recovery proceeds for theft of copper wiring at the Town's park facilities. The Town's public works employees made the necessary repairs.

### *Budgetary Highlights*

The Town's budget for fiscal year 2015 was \$1,899,012. This was an increase of \$43,063 from the previous year's budget.

By resolution the Town Council is authorized to allocate its contingency budget to increase departmental budgets within any fund, as long as total budgeted expenditures as originally adopted are not exceeded. For the year ended June 30, 2015, \$21,000 of the general fund contingency budget was transferred to the following departments or funds to provide for unexpected additional expenditures:

Administration Department	\$ 1,000
Sanitation Department	13,000
Parks and Recreation Department	<u>7,000</u>
	\$ <u>21,000</u>

Extra administration travel expenditures, sanitation landfill fees and personnel expenditures and parks personnel and maintenance expenditures were unexpected additional expenditures.

The expenditure limit adopted by the Town Council under its voter approved home-rule expenditure limitation option was \$1,899,012 for the year ended June 30, 2015. The Town's expenditures complied with this expenditure limitation.

### *Capital Asset and Debt Administration*

#### **Capital Assets**

##### *Governmental Activities*

The Town did not add to its governmental capital assets during 2014-2015. Depreciation was \$99,018.

##### *Business Activities*

The Town did not add to its sewer infrastructure. Depreciation was \$13,823.

The following is a comparison of Capital Assets Net of Depreciation for 2015 and 2014.

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 89,058	\$ 89,058		
Buildings	157,544	165,488		
Park Improvements	238,026	264,239		
Street Infrastructure	324,479	363,697		
Sewer Infrastructure	0	0	\$ 447,290	\$ 459,737
Machinery and Equipment	199,904	225,547	3,441	4,817
	<u>\$1,009,011</u>	<u>\$1,108,029</u>	<u>\$ 450,731</u>	<u>\$ 464,554</u>

### **Long Term Obligations**

The Town did not incur any new long-term debt in 2014-2015.

### **Activities and Accomplishments for 2014-2015**

State shared revenues for the Town increased \$18,227 compared to the prior year. Local sales tax revenues increased \$2,483. The Town began receiving the Gila County transportation excise tax beginning February 1, 2015. This amounted to \$16,647. These revenue increases totaled \$37,357. However, expenditures also increased in the police, sanitation, and parks and recreations departments by \$17,663. Revenues exceeded expenditures by \$17,267 for the year ended June 30, 2015.

There were no general governmental capital outlay expenditures for 2014-2015.

The Town Council and management of the Town were able to obtain the following grants that will improve the Town's infrastructure in future years as follows:

CDBG grant #100-15 will provide a total of \$190,413 for street improvements.

A 2014 CDBG grant will provide \$270,000 for housing rehabilitation projects in Winkelman.

Arizona Department of Transportation grants will provide \$145,000 for more street improvements. \$20,000 is a pre-scoping project for the design and study of the Golf course Road and Quarelli Street. \$125,000 is for street sign installation on Town streets.

Other expenditures incurred during the year ended June 30, 2015 were as follows:

1. The Town of Winkelman Centennial Celebration in October 2014.
2. Installation of Ore Cart Project in October 2014.
3. Construction of a new guard rail on Cobo Lane with materials donated by ADOT.
4. Construction of new park benches, ramadas and barricades.
5. Development of new camp sites with potable water.



**TOWN OF WINKELMAN, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

<b>PRIMARY GOVERNMENT</b>			
	<b>GOVERNMENTAL</b>	<b>BUSINESS-TYPE</b>	
	<b>ACTIVITIES</b>	<b>ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash and Cash Equivalents.....	\$ 125,576		\$ 125,576
Investments.....	268,497		268,497
Property Taxes Receivable.....	46,236		46,236
Accounts Receivable, net.....	14,008	\$ 11,582	25,590
Other Receivables.....	79,234		79,234
Due from Other Governments.....	13,851		13,851
Internal Balances.....	(7,109)	7,109	0
Prepaid Expenses.....	6,381		6,381
Capital Assets:			
Land and Construction in Progress.....	89,058		89,058
Other Capital Assets, Net of Depreciation.....	919,953	450,731	1,370,684
<b>TOTAL ASSETS.....</b>	<b>\$ 1,555,685</b>	<b>\$469,422</b>	<b>\$ 2,025,107</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts Payable.....	\$ 5,577		\$ 5,577
Accrued Expenses and Withholdings.....	14,809		14,809
Accrued Compensated Absences .....	3,622	\$ 728	4,350
<b>Total Current Liabilities.....</b>	<b>24,008</b>	<b>728</b>	<b>24,736</b>
<b>Non-current Liabilities.....</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES.....</b>	<b>24,008</b>	<b>728</b>	<b>24,736</b>
<b>NET POSITION</b>			
Invested in Capital Assets, .....	1,009,011	450,731	1,459,742
Restricted for Street Improvements.....	12,093	0	12,093
Unrestricted.....	510,573	17,963	528,536
<b>TOTAL NET POSITION.....</b>	<b>\$ 1,531,677</b>	<b>\$468,694</b>	<b>\$2,000,371</b>

See accompanying notes to financial statements.



## TOWN OF WINKELMAN, ARIZONA

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
GOVERNMENTAL ACTIVITIES:					
General Government.....	\$ 194,194				\$ (194,194)
Magistrate.....	9,880	\$ 3,277			(6,603)
Police .....	60,000				(60,000)
Rabies Control.....	7,631				(7,631)
Fire.....	33,744				(33,744)
Sanitation.....	77,737	46,693			(31,044)
Parks and Recreation.....	114,449	45,614	\$ 0		(68,835)
Highways and Streets.....	104,875		50,157		(54,718)
Community Development.....	14,118		14,118		0
TOTAL GOVERNMENTAL ACTIVITIES..	616,628	95,584	64,275	0	(456,769)
					0
BUSINESS-TYPE ACTIVITIES					
Sewer.....	110,292	48,185	0	0	(62,107)
TOTAL.....	\$ 726,920	\$ 143,769	\$ 64,275	\$ 0	\$ (518,876)

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
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## CHANGE IN NET POSITION:

Net (Expenses) Revenue from above.....	\$ (456,769)	\$ (62,107)	\$ (518,876)
----------------------------------------	--------------	-------------	--------------

## General Revenues and Transfers:

State Sales Tax.....	32,259		32,259
State Revenue Sharing.....	181,584		181,584
Property Tax .....	55,978		55,978
Vehicle Lieu Tax.....	20,172		20,172
Town Sales Tax.....	112,570		112,570
Utility Franchise Fees.....	11,748		11,748
Licenses and Permits.....	2,002		2,002
Miscellaneous.....	4,435		4,435
Interest Income.....	292		292
Gain (Loss) on Sales of Investments.....	250		250
Insurance Recovery.....	15,548		15,548
Gain (Loss) on Disposal of Assets.....	0		0
Transfers.....	(48,284)	48,284	0
<b>Total General Revenues and Transfers</b>	<b>388,554</b>	<b>48,284</b>	<b>436,838</b>
<b>Change in Net Position.....</b>	<b>(68,215)</b>	<b>(13,823)</b>	<b>(82,038)</b>
<b>Net Position - Beginning.....</b>	<b>1,599,892</b>	<b>482,517</b>	<b>2,082,409</b>
<b>Net Position - Ending.....</b>	<b>\$1,531,677</b>	<b>\$ 468,694</b>	<b>\$ 2,000,371</b>

See accompanying notes to financial statements.

**TOWN OF WINKELMAN, ARIZONA**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	GENERAL FUND	HIGHWAY USERS FUND	GRANTS FUND	LOCAL TRANSPORTATION ASSISTANCE FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>					
Cash and Cash Equivalents.....	\$ 125,576				\$ 125,576
Investments.....	256,404			\$12,093	268,497
Property Taxes Receivable.....	46,236				46,236
Accounts Receivable, net.....	14,008				14,008
Other Receivables.....	79,234				79,234
Due from Other Governments.....	6,076	\$6,782	\$ 993		13,851
Due from Other Funds.....	0				0
Prepaid Expenses.....	6,381				6,381
<b>TOTAL ASSETS.....</b>	<b>\$ 533,915</b>	<b>\$6,782</b>	<b>\$ 993</b>	<b>\$12,093</b>	<b>\$ 553,783</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable.....	\$ 4,469	\$ 1,108			\$ 5,577
Accrued Expenses and Withholdings.....	14,809	0			14,809
Accrued Compensated Absences .....	2,894	728			3,622
Due to Other Funds.....	1,170	4,946	\$ 993		7,109
<b>Total Liabilities.....</b>	<b>23,342</b>	<b>6,782</b>	<b>993</b>	<b>0</b>	<b>31,117</b>
<b>Deferred Inflows of Resources.....</b>	<b>119,610</b>				<b>119,610</b>
<b>Fund Balances:</b>					
<b>Restricted:</b>					
Street Improvements.....				12,093	12,093
<b>Unassigned.....</b>	<b>390,963</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>390,963</b>
<b>Total Fund Balances.....</b>	<b>390,963</b>	<b>0</b>	<b>0</b>	<b>12,093</b>	<b>403,056</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 533,915</b>	<b>\$ 6,782</b>	<b>\$ 993</b>	<b>\$ 12,093</b>	<b>\$ 553,783</b>
<b>TOTAL FUND BALANCE - Total Governmental Funds.....</b>					
					<b>\$ 403,056</b>
Amounts reported for governmental activities in the statement of net assets are different because:					
- Capital assets of \$2,479,456, net of accumulated depreciation of (\$1,470,445), are not financial resources and therefore, are not reported in the funds					1,009,011
- Other long-term assets (receivables) are not available to pay for current period expenditures and therefore, are deferred inflows of resources in the funds. These include property taxes of \$44,496 and magistrate fines of \$75,114					119,610
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES.....</b>					<b>\$1,531,677</b>

See accompanying notes to financial statements.



**TOWN OF WINKELMAN, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	GENERAL FUND	HIGHWAY USERS FUND	GRANTS FUND	LOCAL TRANSPORTATION ASSISTANCE FUND	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
State Sales Tax.....	\$ 32,259				\$ 32,259
State Revenue Sharing.....	181,584				181,584
Highway Users Tax.....		\$33,481			33,481
Gila County Transportation Excise Tax .....		16,647			16,647
Property Tax .....	34,035				34,035
Vehicle Lieu Tax.....	20,172				20,172
Grant Revenues.....			\$14,118		14,118
Town Sales Tax.....	112,570				112,570
Sanitation Fees.....	46,693				46,693
Utility Franchise Fees.....	11,748				11,748
Licenses and Permits.....	2,002				2,002
Recreational Activity Fees .....	45,614				45,614
Fines and Forfeitures.....	11,684				11,684
Miscellaneous.....	4,435				4,435
Interest Income.....	292			\$ 16	308
Gain (Loss) on Sale of Investments.....	250			13	263
Insurance Recovery.....	15,548				15,548
<b>TOTAL REVENUES.....</b>	<b>518,886</b>	<b>50,128</b>	<b>14,118</b>	<b>29</b>	<b>583,161</b>
<b>EXPENDITURES:</b>					
Current:					
General Government.....	186,869				186,869
Magistrate.....	9,880				9,880
Police.....	60,000				60,000
Rabies Control.....	7,631				7,631
Fire.....	16,148				16,148
Sanitation.....	76,781				76,781
Community Development.....			14,118		14,118
Parks and Recreation.....	85,722				85,722
Highways and Streets.....		59,171		1,290	60,461
Capital Outlay.....	0				0
<b>TOTAL EXPENDITURES.....</b>	<b>443,031</b>	<b>59,171</b>	<b>14,118</b>	<b>1,290</b>	<b>517,610</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....</b>	<b>75,855</b>	<b>(9,043)</b>	<b>0</b>	<b>(1,261)</b>	<b>65,551</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Proceeds from Sale of Capital Assets.....	0				0
Operating Transfer (to) from -					
Sewer Utility Fund.....	(48,284)				(48,284)
Highway Users Fund.....	(9,043)	9,043			0
<b>NET OTHER FINANCING SOURCES (USES).....</b>	<b>(57,327)</b>	<b>9,043</b>	<b>0</b>	<b>0</b>	<b>(48,284)</b>
<b>NET CHANGE IN FUND BALANCES.....</b>	<b>18,528</b>	<b>0</b>	<b>0</b>	<b>(1,261)</b>	<b>17,267</b>
<b>FUND BALANCES, Beginning.....</b>	<b>372,435</b>	<b>0</b>	<b>0</b>	<b>13,354</b>	<b>385,789</b>
<b>FUND BALANCES, Ending.....</b>	<b>\$390,963</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$12,093</b>	<b>\$403,056</b>



**TOWN OF WINKELMAN, ARIZONA**  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCE - Total Governmental Funds (from previous page)	\$ 17,267
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
- Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$0) were less than depreciation (\$99,018) in the current period.....	(99,018)
- The net effect of the disposition of capital assets is to reduce net assets. In the statement of activities the loss on the disposal of a capital assets (cost, \$0 less accumulated depreciation, \$0) of \$0 is reported. This loss is not reported in the governmental funds.....	0
- Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include an increase of (\$21,943) in the Town's property taxes and an decrease of \$8,407 in court fines.....	13,536
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES.....	<u>\$ (68,215)</u>

The notes to the financial statements are an integral part of this statement.

**TOWN OF WINKELMAN, ARIZONA**  
**STATEMENT OF FUND NET POSITION - PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>SEWER UTILITY</b>
<b><u>ASSETS</u></b>	
Accounts Receivable - Net.....	\$ 11,582
Due from Other Funds.....	7,109
Capital Assets:	
Other Capital Assets net of Accumulated Depreciation.....	450,731
<b>TOTAL ASSETS.....</b>	<b>\$ 469,422</b>
<b><u>LIABILITIES</u></b>	
Accounts Payable.....	\$ 0
Compensated Absences - Current.....	728
<b>TOTAL LIABILITIES.....</b>	<b>728</b>
<b><u>NET POSITION</u></b>	
Invested in Capital Assets.....	450,731
Unrestricted.....	17,963
<b>TOTAL NET POSITION.....</b>	<b>\$468,694</b>

See accompanying notes to financial statements.



**TOWN OF WINKELMAN, ARIZONA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>SEWER UTILITY</b>
<hr/>	
<b>OPERATING REVENUES:</b>	
Sewer Fees.....	\$ 48,185
<b>OPERATING EXPENSES:</b>	
Personal Services.....	37,139
Utilities.....	13,031
Repairs and Maintenance.....	31,088
Supplies.....	6,405
Insurance.....	2,806
Bad Debt Expense.....	6,000
Depreciation.....	13,823
<b>TOTAL OPERATING EXPENSES.....</b>	<b>110,292</b>
<b>OPERATING INCOME (LOSS).....</b>	<b>(62,107)</b>
<b>OPERATING TRANSFERS:</b>	
Operating Transfer (to) from General Fund.....	48,284
<b>CHANGE IN NET POSITION.....</b>	<b>(13,823)</b>
<b>TOTAL NET POSITION - Beginning.....</b>	<b>482,517</b>
<b>TOTAL NET POSITION - Ending.....</b>	<b><u>\$468,694</u></b>

See accompanying notes to financial statements.

## TOWN OF WINKELMAN, ARIZONA

## STATEMENT OF CASH FLOWS

## PROPRIETARY FUND

FOR THE YEAR ENDED JUNE 30, 2015

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	SEWER UTILITY
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Cash Received from Customers.....	\$ 48,568
Cash Payments to Suppliers for Goods and Services.....	(60,202)
Cash Payments for Employees, Payroll Taxes and Fringe Benefits.....	(37,693)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES.....	(49,327)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>	
Operating Transfers (to) from General Fund.....	48,284
Temporary Loans From (to) Other Funds.....	1,043
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES.....	49,327
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
NET CASH PROVIDED BY (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES.....	0
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....</b>	<b>0</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR.....</b>	<b>\$ 0</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>	
Operating Income (Loss).....	\$ (62,107)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</b>	
Depreciation.....	13,823
(Increase) Decrease in Accounts Receivable .....	383
Increase (Decrease) in Accounts Payable and Other Liabilities.....	(1,426)
Total Adjustments.....	12,780
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES .....</b>	<b>\$ (49,327)</b>

See accompanying notes to financial statements.



**TOWN OF WINKELMAN, ARIZONA****Notes to Financial Statements**

June 30, 2015

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Town of Winkelman, Arizona operates under a council-clerk form of government and provides the following services as authorized by statute: police and fire protection, highways and streets maintenance, sanitation, sewer, parks and recreation, public improvements, and general administrative services.

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Winkelman (Town) are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanation, including required disclosures, of the Town's financial activities for the fiscal year ended June 30, 2015.

**A. Reporting Entity**

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The basic criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. Based upon the application of these criteria, the Town does not have any component units.

**B. Government-wide and Fund Financial Statements***Governmental-wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services, (2) operating grants and contributions which finance operating activities including Highway Users tax, and associated restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

#### *Fund Financial Statements*

Fund financial statements are provided for governmental and proprietary funds. All individual governmental and utility funds are reported in separate columns.

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting. Proprietary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grant revenues are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, charges to customers for sales or services, property taxes, franchise fees, intergovernmental revenues and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or



services. Principal operating expenses are the costs of providing goods or services and include depreciation of capital assets. Other revenues are classified as non-operating in the financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use, for governmental activities it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

#### **D. Fund Types and Major Funds**

##### *Governmental Funds*

Since the Town only has four governmental funds, they are all reported as the following major governmental funds.

**General Fund** - reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

**Highway Users Fund** - the Town receives a share of the State's gas tax and the County's transportation excise tax which is to be used for street and highway expenditures.

**Grants Fund** - established to account for the Town's grant programs not reported in proprietary funds. Major grants include Community Development Block Grants.

**Local Transportation Assistance Fund** - in prior years the Town received a share of the State's lottery revenues which is to be used for street improvements.

##### *Proprietary Funds*

The Town reports the following as its only major enterprise fund:

**Sewer Utility Fund** - accounts for the operating activities of the Town's sewer utility services.

## **E. Assets, Liabilities, and Net Position**

### **1. Cash and Investments**

The Town maintains one checking account. In addition, investments are separately held and reflected in their respective funds as "investments". None of the Town's investments meet this requirement and are not considered "cash equivalents" for reporting purposes.

Investments are reported at fair value.

### **2. Inventories and Prepaid Expenses**

Inventories consist primarily of supplies, valued at cost, which are immaterial at June 30, 2015, and therefore, not recorded on the Statement of Net Position.

Prepaid expenses record payments to vendors that benefit future reporting periods.

### **3. Capital Assets and Depreciation**

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure asset records consistent with all other capital assets beginning July 1, 2003. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The Town capitalizes assets with a cost of \$500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. The Town has elected not to report general infrastructure assets retroactively.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	20 - 40
Improvements, other than buildings	15 - 40
Furniture, machinery, and equipment	7 - 10
Street and Highway Infrastructure	20



#### **4. Capitalized Interest**

The Town capitalizes net interest costs and interest earned as part of the cost of constructing various sewer projects when material. There have been no such projects for several years.

#### **5. Compensated Absences**

Town employees are allowed to accrue twelve days sick leave each year, up to a maximum of thirty days. Sick days do not vest under the Town's policy, and accordingly, employees can be paid sick leave only when sick. Since accumulated sick leave is not paid on separation, a liability for unused sick leave is not recorded in the financial statements.

Town employees are granted vacation leave in varying amounts. In the event of termination an employee is reimbursed for any unused accumulated vacation leave. The estimated liability for vested vacation benefits (which includes required salary-related payments) are charged to expense and credited to a corresponding current liability in the applicable fund.

#### **6. Fund Equity**

##### Government-wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position – Consists of net amounts with constraints on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net amounts that do not meet the definition of “restricted” or “invested in capital assets.”

##### Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as restricted and unassigned. The following is a description of the restrictions used by the Town.

- a. Restricted for Streets – LTAF I – representing Local Transportation Assistance Funds (Lottery) collected by Arizona for street improvements.
- b. Unassigned Funds – representing all other fund balances available for Town use.

## 7. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgets and Expenditure Limit

The Town Clerk submits an annual budget to the Town Council in accordance with Arizona State Statutes. The budget is presented to the Town Council for review, and public hearings are held to address priorities and the allocation of resources. In August the town council adopts the annual fiscal year budgets for Town operating funds. Once approved, the Town Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Revisions to the budget are made by Council resolution at year end. For the year ended June 30, 2015, \$21,000 of the general fund contingency budget was transferred to the following departments or funds to provide for unexpected additional expenditures:

Administration Department	\$ 1,000
Sanitation Department	13,000
Parks and Recreation Department	<u>7,000</u>
	<u>\$ 21,000</u>

For legal compliance budgetary purposes, the modified accrual basis is followed for the sewer fund. The changes in net position on the accrual basis of (\$13,823) plus depreciation (\$13,823), less capital outlay (\$0) equals excess revenues over expenditures (\$0) on the modified accrual basis.



The expenditure limit adopted by the Town Council under its voter approved home-rule expenditure limitation option was \$1,899,012 for the year ended June 30, 2015. The Town's expenditures complied with this expenditure limitation.

### III. DETAILED NOTES ON FUNDS

#### A. Assets

##### 1. Deposits and Investments

###### Deposits

The Town's deposits are categorized to give an indication of the level of risk assumed by the Town at year end. Category 1 includes amounts that are FDIC insured. Category 2 includes cash in checking amounts not covered by FDIC insurance.

Deposits categorized by level of risk are as follows:

	BANK BALANCE	CATEGORY 1	CATEGORY 2	CARRYING AMOUNT
DEPOSITS:				
Cash and Cash Equivalents.....	\$ 139,223	\$ 139,223	\$ 0	\$ 125,576

###### Investments

For fiscal year 2015, the Town invested only in the Arizona's Local Government Investment Pool (LGIP). Arizona's Local Government Investment Pool is duly chartered and administered by the State Treasurer's Office. It is an eligible investment according to Arizona State Statutes. The Town records all interest revenue earned from investment activities in the respective funds. The \$268,497 carrying amount is substantially the same as market value at June 30, 2015. Gains on the sale of investment amounts represent recovery of prior year investment bankruptcy losses recognized by the LGIP. Therefore, there is a risk of loss in the LGIP investment.

## 2. Receivables and Deferred Revenues

The following is a description of significant receivables as of June 30, 2015:

<b>PROPERTY TAXES RECEIVABLE</b> - Property taxes due from County: revenue deferred for amounts assessed by County but uncollected (\$44,496) for governmental fund financial statements.....			\$ 46,236
<b>ACCOUNTS RECEIVABLE:</b>			
Sanitation (\$27,523), Sewer (\$25,369), Less Allowances for doubtful accounts of \$13,515 and \$13,787, respectively.....			25,590
<b>OTHER RECEIVABLES:</b>			
Magistrate Fines (deferred for uncollected amounts).....	\$ 75,113		
Franchise Fees.....	2,621		
Mine Mill Property Installment Receivable.....	1,500		79,234
<b>INTERGOVERNMENTAL RECEIVABLES:</b>			
Arizona State Treasurer:			
Town Sales Tax.....	2,388		
State Sales Tax.....	2,809		
Highway Users Tax.....	3,202		
Community Development Block Grant.....	993		
Vehicle Lieu Tax.....	879		
Gila County Transportation Excise Tax.....	3,580		13,851
<b>TOTAL</b> .....			<u>\$ 164,911</u>

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on May 1 and payable in two installments on October 1 and April 1 of the subsequent year. The County bills and collects property taxes on behalf of the Town. In the governmental fund financial statements, Town property tax revenues are recognized when levied to the extent that they have been collected by the Town within sixty days of year end. Assessed amounts that are uncollected are recorded as a receivable and deferred revenue. In the government-wide financial statements, property taxes receivable and related revenue include all amounts due the Town regardless of when cash is received. Over time, substantially all property taxes are collected.

The Town is subject to a maximum primary property tax levy by Arizona State Statutes. For 2014-2015 this levy limit was \$46,369. However, the Town only levied \$43,300 in primary taxes, a difference of \$3,069. The Town has no secondary property tax levy for general obligation bonded debt.

Due from Other Government receivables are primarily comprised of amounts due from the federal and state governments. Revenue is recorded as earned when eligibility requirements are met. Revenues deferred in the governmental



fund financial statements include unearned grant revenue (none) and revenue received more than 60 days following year-end (unavailable to pay liabilities of the current period). These amounts are property taxes (\$44,496) and magistrate fines (\$75,114) that have not been collected within sixty days of year end. These total \$119,610 and are recorded as Deferred Inflows of Resources in the governmental fund financial statements.

### 3. Capital Assets

#### *Changes in Capital Assets*

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, NOT DEPRECIATED		CAPITAL ASSETS, DEPRECIATED			
	LAND	CONSTRUCTION IN PROGRESS	BUILDINGS	STREET INFRASTRUCTURE AND IMPROVEMENTS OTHER THAN BUILDINGS	FURNITURE, MACHINERY AND EQUIPMENT	TOTALS
<b>PRIMARY GOVERNMENT</b>						
<i>Governmental Activities</i>						
Balance, Beginning	\$89,058	\$ 0	\$372,883	\$ 1,337,038	\$680,476	\$2,479,455
Increases						
Decreases		0				
Balance, Ending	89,058	0	372,883	1,337,038	680,476	2,479,455
Accumulated Depreciation						
Balance, Beginning			207,395	709,102	454,929	1,371,426
Increases			7,944	65,431	25,643	99,018
Decreases						
Balance, Ending			215,339	774,533	480,572	1,470,444
<i>Governmental Activities</i>						
Capital Assets, Net	\$89,058	\$ 0	\$157,544	\$ 562,505	\$ 199,904	\$1,009,011
<i>Business-type Activities</i>						
Balance, Beginning		\$ 0		\$ 933,829	\$ 8,772	\$ 942,601
Increases						
Decreases		0				
Balance, Ending		0		933,829	8,772	942,601
Accumulated Depreciation						
Balance, Beginning				474,092	3,955	478,047
Increases				12,447	1,376	13,823
Decreases						
Balance, Ending				486,539	5,331	491,870
<i>Business-type Activities</i>						
Capital Assets, Net		\$ 0		\$447,290	\$ 3,441	\$ 450,731

## *Depreciation Expense*

Depreciation expense was charged to functions of the primary government as follows:

<i>Governmental Activities</i>		<i>Business-type Activities</i>	
General Government	\$ 7,325	Sewer Utility	\$13,823
Fire	17,596		
Sanitation	956		
Parks and Recreation	28,727		
Streets	44,414		
	<u>\$ 99,018</u>		

## **B. Liabilities**

### **1. Debt**

The following is a summary of changes in compensated absences debt for the year ended June 30, 2015:

	BALANCE July 1, 2014	ADDITIONS	RETIREMENTS	BALANCE June 30, 2015	DUE WITHIN ONE YEAR
Compensated Absences..	\$ 6,987	\$4,350	\$6,987	\$ 4,350	\$ 4,350

The legal debt limit imposed by state statutes is 6% of assessed valuation of \$734,728 or \$44,084. The remaining debt limit available to the Town is \$44,084 at June 30, 2015.

The Town was not obligated for any special assessment debt at June 30, 2015.

The Town has one operating lease for a copy machine with a monthly lease payment of \$130. Lease expense for the year totaled \$1,560. Future minimum lease payments required under the lease are as follows:

2016	<u>\$1,560</u>
Total	\$1,560



## 2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are described as "due to/from other funds" (current interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The following is a reconciliation of the interfund receivables and payables at June 30, 2015:

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES
	Interfund Receivables (Due From)	Interfund Payables (Due To)	Interfund Receivables (Due From)
General Fund.....			
Sewer Utility Fund.....		\$ 1,170	\$7,109
Highway Users Fund.....		4,946	
Grants Fund.....		993	
	\$ 0	\$ 7,109	\$7,109

## 3. Transfers

Transfers within the reporting entity are substantially for the purposes of subsidizing operating functions. The General Fund transferred \$48,284 to the Sewer Utility Fund and \$9,043 to the Highway Users Fund for the year ended June 30, 2015.

## 4. Post Employment Employee Benefit Program

The Town does not provide post retirement health care or other employee benefits so no liability exists for these items.

## IV. RETIREMENT PLAN

The Town has set up a Simplified Employee Pension Plan (SEP) under Section 408(k) of the Internal Revenue code for all its employees. Subsequent to its contribution, the Town has no further liability under this retirement plan.

Simplified employee pension plans are defined contribution plans designed to give employers an easy way to make payments toward their employee's retirement plans. Under a SEP, employers pay directly to the individual retirement account that each employee has set up with a bank or any other organization qualified to sponsor an IRA.

Therefore, employees set up and maintain their own individual accounts, which are governed by regular IRA rules.

During the year ended June 30, 2015, the town incurred \$13,364 in retirement contributions. This was 7% of total covered compensation of \$190,914. Total compensation for all Town employees was \$195,740. The Town's pension liability outstanding at June 30, 2015 was \$7,362.

## **V. CONTINGENCIES**

### **A. Litigation**

There were no claims or lawsuits pending against the Town as of June 30, 2015.

### **B. Federal and State Grants**

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

### **C. PARTICIPATION IN PUBLIC ENTITY RISK POOL**

The Town is a member of the Arizona Municipal Risk Retention Pool ("Pool"). The Pool was created to formulate, develop and administer a program of self-funding for the Pool's membership, obtain lower costs for property and liability insurance coverage and develop a comprehensive loss control program. The Town pays an annual premium to the Pool for its coverage. The Town's agreement with the Pool provides that the Pool will be self-sustaining through member premiums and will provide, through commercial companies reinsurance contracts, individual stop loss coverage for member local governments. Insurance settlements for the Town did not exceed insurance coverage for each of the past three years.

The Pool was financially solvent as of June 30, 2015. However, if the Pool should become insolvent, the Town may be assessed an "additional premium" not to exceed the Town's annual premium for the year i.e. \$18,703. As long as the Town maintains its insurance coverage through the Pool it will have this contingent liability.

### **D. SUBSEQUENT EVENTS**

Management of the Town has evaluated subsequent events through September 3, 2015. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through September 3, 2015 that would require adjustment to or disclosure in the financial statements.



**TOWN OF WINKELMAN, ARIZONA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Positive (Negative)</b>
<b>REVENUES:</b>				
State Sales Tax.....	\$31,897	\$31,897	\$ 32,259	\$ 362
State Revenue Sharing.....	181,574	181,574	181,584	10
Property Tax .....	43,300	43,300	34,035	(9,265)
Vehicle Lieu Tax.....	21,090	21,090	20,172	(918)
Town Sales Tax.....	111,000	111,000	112,570	1,570
Sanitation Fees.....	44,000	44,000	46,693	2,693
Utility Franchise Fees.....	11,000	11,000	11,748	748
Licenses and Permits.....	1,850	1,850	2,002	152
Recreational Activity Fees .....	49,000	49,000	45,614	(3,386)
Fines and Forfeitures.....	10,000	10,000	11,684	1,684
Miscellaneous.....	5,000	5,000	4,435	(565)
Interest Income.....	350	350	292	(58)
Gain (Loss) on Sales of Investments.....	0	0	250	250
Insurance Recovery.....	0	0	15,548	15,548
<b>TOTAL REVENUES.....</b>	<b>510,061</b>	<b>510,061</b>	<b>518,886</b>	<b>8,825</b>
<b>EXPENDITURES:</b>				
Current:				
General Government.....	186,809	187,809	186,869	940
Contingency.....	377,223	356,223	0	356,223
Magistrate.....	9,975	9,975	9,880	95
Police .....	60,000	60,000	60,000	0
Rabies Control.....	7,681	7,681	7,631	50
Fire.....	24,296	24,296	16,148	8,148
Sanitation.....	65,451	78,451	76,781	1,670
Parks and Recreation.....	79,258	86,258	85,722	536
Capital Outlay.....	0	0	0	0
<b>TOTAL EXPENDITURES.....</b>	<b>810,693</b>	<b>810,693</b>	<b>443,031</b>	<b>367,662</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURE:</b>	<b>(300,632)</b>	<b>(300,632)</b>	<b>75,855</b>	<b>376,487</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Proceeds from Sales of Capital Assets.....	0	0	0	0
Operating Transfer to Sewer Utility Fund.....	(44,184)	(44,184)	(48,284)	(4,100)
Operating Transfer to Highway Users Fund.....	(30,180)	(30,180)	(9,043)	21,137
<b>TOTAL OTHER FINANCING SOURCES (USES).....</b>	<b>(74,364)</b>	<b>(74,364)</b>	<b>(57,327)</b>	<b>17,037</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES.....</b>	<b>(374,996)</b>	<b>(374,996)</b>	<b>18,528</b>	<b>393,524</b>
<b>FUND BALANCE, BEGINNING.....</b>	<b>374,996</b>	<b>374,996</b>	<b>372,435</b>	<b>(2,561)</b>
<b>FUND BALANCE, ENDING.....</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 390,963</b>	<b>\$390,963</b>

**TOWN OF WINKELMAN, ARIZONA**  
**BUDGETARY COMPLIANCE SCHEDULE**  
**HIGHWAY USERS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>BUDGETED AMOUNTS</u>		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Gila County Transportation Excise Tax..	\$ 0	\$ 0	\$16,647	\$16,647
Highway Users Tax .....	34,624	34,624	33,481	(1,143)
TOTAL REVENUES.....	34,624	34,624	50,128	15,504
EXPENDITURES:				
Personal Services.....	40,787	40,787	36,690	4,097
Supplies.....	4,600	4,600	3,530	1,070
Street Lighting.....	12,300	12,300	12,404	(104)
Other Services and Charges.....	7,117	7,117	6,547	570
Capital Outlay.....	0	0	0	0
TOTAL EXPENDITURES.....	64,804	64,804	59,171	5,633
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	(30,180)	(30,180)	(9,043)	21,137
OTHER FINANCEING SOURCES (USES):				
Transfer from General Fund.....	30,180	30,180	9,043	(21,137)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES.....	0	0	0	0
FUND BALANCE, BEGINNING.....	0	0	0	0
FUND BALANCE, ENDING.....	\$ 0	\$ 0	\$ 0	\$ 0



**TOWN OF WINKELMAN, ARIZONA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GRANTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

FOR THE YEAR ENDED JUNE 30, 2015				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Grants - Federal.....	\$ 800,000	\$ 800,000	\$ 14,118	\$ (785,882)
Grants - Non -Federal.....	100,000	100,000	0	(100,000)
TOTAL REVENUES.....	900,000	900,000	14,118	(885,882)
EXPENDITURES:				
ARIZONA DEPARTMENT OF HOUSING				
Community Development Block Grants -				
Federal Funding:				
Community Development				
2015 Housing Rehabilitation Administration...	\$ 0	\$ 0	\$ 186	(\$186)
2015 Housing Rehabilitation Improvements...	0	0	0	0
#100-15 Street Improvements-Administration.	33,602	33,602	13,932	19,670
#100-15 Street Improvements.....	190,413	190,413	0	190,413
U. S. DEPARTMENT OF THE INTERIOR				
Bureau of Land Management				
Federal Funding:				
Site Maintenance Contract.....	13,500	13,500	0	13,500
ARIZONA DEPARTMENT OF TRANSPORTATION				
Non-Federal				
HSIP Sign/Striping Grant.....	100,000	100,000	0	100,000
Other Grants.....	562,485	562,485	0	562,485
TOTAL EXPENDITURES.....	900,000	900,000	14,118	885,882
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....	0	0	0	0
FUND BALANCE, BEGINNING.....	0	0	0	0
FUND BALANCE, ENDING .....	\$ 0	\$ 0	\$ 0	\$ 0

**TOWN OF WINKELMAN, ARIZONA**  
**BUDGETARY COMPARISON SCHEDULE**  
**LOCAL TRANSPORTATION ASSISTANCE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u> <u>AMOUNTS</u> <u>(Budgetary</u> <u>Basis)</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Interest Income.....	\$ 50	\$ 50	\$ 16	\$ (34)
Gain (Loss) on Investments.....	0	0	13	13
<b>TOTAL REVENUES.....</b>	<b>50</b>	<b>50</b>	<b>29</b>	<b>(21)</b>
<b>EXPENDITURES:</b>				
Current:				
Street Improvements.....	13,368	13,368	1,290	12,078
<b>TOTAL EXPENDITURES.....</b>	<b>13,368</b>	<b>13,368</b>	<b>1,290</b>	<b>12,078</b>
<b>EXCESS OF REVENUES OVER (UNDER)</b> <b>EXPENDITURES.....</b>	<b>(13,318)</b>	<b>(13,318)</b>	<b>(1,261)</b>	<b>12,057</b>
<b>FUND BALANCE, BEGINNING.....</b>	<b>13,318</b>	<b>13,318</b>	<b>13,354</b>	<b>36</b>
<b>FUND BALANCE, ENDING.....</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 12,093</b>	<b>\$12,093</b>



**TOWN OF WINKELMAN, ARIZONA**  
**BUDGETARY COMPLIANCE SCHEDULE**  
**SEWER UTILITY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (Budgetary Basis)	VARIANCE WITH FINAL BUDGET Positive (Negative)
	Original	Final		
REVENUES:				
Sewer Revenues.....	\$48,000	\$48,000	\$48,185	\$ 185
TOTAL REVENUES.....	48,000	48,000	48,185	185
EXPENDITURES:				
Personal Services.....	40,579	40,579	37,139	3,440
Supplies.....	5,000	5,000	6,405	(1,405)
Other Services and Charges.....	64,568	64,568	52,925	11,643
Capital Outlay.....	0	0	0	0
TOTAL EXPENDITURES.....	110,147	110,147	96,469	13,678
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES.....				
	(62,147)	(62,147)	(48,284)	13,863
OTHER FINANCING SOURCES (USES):				
Transfer from General Fund.....	44,184	44,184	48,284	4,100
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES.....				
	(17,963)	(17,963)	0	17,963
FUND BALANCE, BEGINNING.....	17,963	17,963	17,963	0
FUND BALANCE, ENDING.....	\$ 0	\$0	\$ 17,963	\$ 17,963

PHONE: (480) 830-7057  
FAX: (480) 830-4923  
EMAIL: jnaycpa@cox.net

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

To the Honorable Mayor and Members of the Town Council  
Town of Winkelman, Arizona

I 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 and each major fund as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Town of Winkelman, Arizona's basic financial statements and have issued my report thereon dated September 3, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Town of Winkelman 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Winkelman, Arizona's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Winkelman, Arizona's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies, or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in 2015-01 below, I identified a deficiency in internal control that I consider to be a material weakness and a significant deficiency.

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. I consider the 2015-01 deficiency described below to be a material weakness.



A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in 2015-01 below to be a significant deficiency.

#### 2015-01 LACK OF SEGREGATION OF DUTIES IN FINANCIAL OPERATIONS

The Town Clerk and Deputy Town Clerk are the Town's only administrative employees. These two employees perform the duties of cashier, utility billing clerk, magistrate deputy clerk, accounts payable clerk, purchasing agent, payroll clerk, fixed asset manager, and accounting clerk. This results in an overlapping of duties that prevents an adequate segregation of duties for internal control purposes.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Winkelman, Arizona's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Town of Winkelman, Arizona's Response to Findings**

The Town's response to the finding identified above is as follows:

The Town is not in the financial position to hire additional personnel to solve this problem and we do not believe it would be cost effective to do so. This is a significant deficiency and a material weakness that will not be corrected.

The Town of Winkelman, Arizona's response to the finding identified in my audit was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mesa, Arizona  
September 3, 2015