

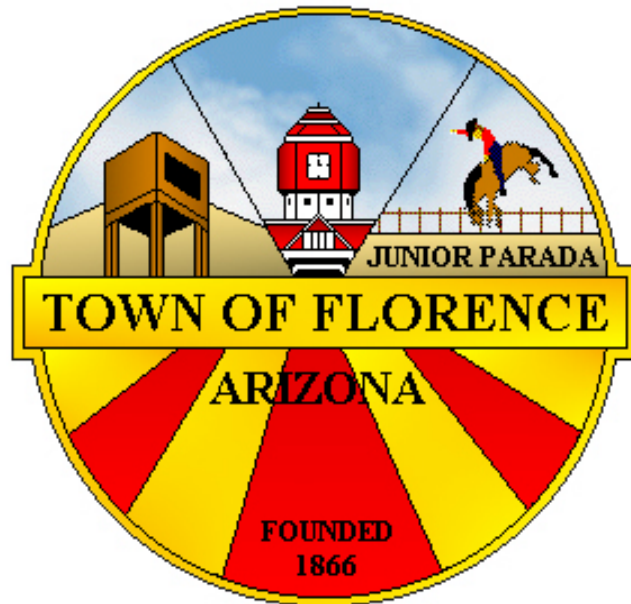
# Town of Florence Arizona



## Comprehensive Annual Financial Report Fiscal Year Ended June 30, 2012

# **Comprehensive Annual Financial Report**

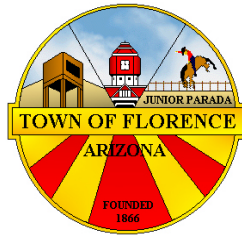
**Fiscal Year Ended June 30, 2012**



**Florence, Arizona**



**TOWN OF FLORENCE, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the fiscal year ending June 30, 2012**



Prepared by:  
Finance Department  
Rebecca A. Guilin  
**Finance Director**



## TABLE OF CONTENTS

I. INTRODUCTORY SECTION	<u>Page</u>
Letter of Transmittal	i
Town of Florence Officials	xiv
Organizational Chart	xv
II. FINANCIAL SECTION	
Independent Auditors' Report	1
A. Management's Discussion & Analysis	5
B. Basic Financial Statements	14
Government-wide Financial Statements	
Statement of Net Assets	17
Statement of Activities	18
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	20
Reconciliation of the Balance Sheet to the Statement of Net Assets	23
Statement of Revenues, Expenditures and Changes in Fund Balances	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	26
Budgetary Comparison Statements – General Fund	27
Budgetary Comparison Statements – Highway User Fund	28
Proprietary Fund Financial Statements	
Statement of Net Assets	29
Statement of Revenues, Expenses and Changes in Fund Net Assets	30
Statement of Cash Flows	31
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	33
Statement of Changes in Fiduciary Net Assets	34
Notes to Financial Statements	
1. Summary of Significant Accounting Policies	37
2. Deposits and Investments	46
3. Receivables	50
4. Capital Assets	51

Notes to Financial Statements (continued)	<u>Page</u>
---	-------------

5. Notes Payable	53
6. Bonds Payable	53
7. Changes in Long-Term Liabilities	56
8. Interfund Receivables, Payables, and Transfers	57
9. Risk Management	57
10. Contingent Liabilities	58
11. Retirement Plans	58
12. Commitments	64

C. Other Supplementary Information

Combining Fund Financial Statements - Non-Major Governmental Funds

Combining Balance Sheet	68
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	70

Budgetary Comparison Schedules - Other Major Governmental Funds

Community Facilities Districts Debt Service Fund	75
Community Facilities Districts Capital Improvements Fund	76
Impact Fees Fund	77
Capital Improvement Fund	78

Budgetary Comparison Schedules - Non-Major Governmental Funds

Grants	81
Economic Development	82
Community Services	83
Community Facilities District	84
Debt Service Fund	85
Construction Tax	86
Food Tax	87

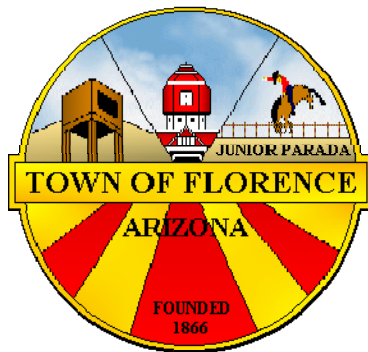
III. STATISTICAL SECTION

	<u>Table</u>	<u>Page</u>
Net Assets by Component	1	90
Changes in Net Assets	2	92
Fund Balances of Governmental Funds	3	98
Changes in Fund Balances of Governmental Funds	4	100
Sales Tax Revenue by Industry	5	102
Direct and overlapping Sales Tax Rates	6	103
Ratios of Outstanding Debt	7	104
Ratios of General Bonded Debt Outstanding	8	106
Direct and Overlapping Governmental Activities Debt	9	107
Legal Debt Margin Information	10	108
Property Tax Secondary Assessment		110
Pledged Revenue Coverage	11	111
Demographic and Economic Statistics	12	112
Principal Employers	13	113
Full Time Equivalent City Governmental Employees by Function	14	115
Operating Indicators by Function	15	116
Capital Asset Statistics by Function	16	120

#### IV. SINGLE AUDIT SECTION

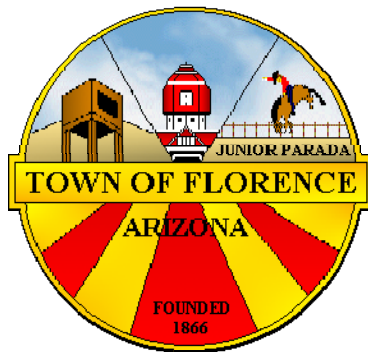
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	125
Independent Auditors' Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	127
Schedule of Expenditures of Federal Awards	129
Notes to the Schedule of Expenditures of Federal Awards	130
Schedule of Findings and Questioned Costs	131





# Introductory Section

---





# Town of Florence

---

P.O. Box 2670, Florence, AZ 85132, (520) 868-7500, (520) 868-7501 Fax, (520) 868-7502 TDD

October 22, 2012

To the Honorable Mayor, Members of the Town Council and Citizens of the Town of Florence:

State law requires that all general-purpose local governments publish, within six months of the close of each fiscal year, a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report for the Town of Florence for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of the Town of Florence. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Florence has established internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the Town of Florence's financial statements in conformity with GAAP. The Town of Florence framework for internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Florence's financial statements were audited by Henry and Horne, LLP, a certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statement of the Town of Florence for the fiscal year ended June 30, 2012, is free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessed in the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the

basic financial statements in Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the Town of Florence's' MD&A and should be read in conjunction with it the MD&A, which can be found immediately following the report of the independent auditors.

## **PROFILE OF THE TOWN**

The Town of Florence is in Pinal County, located between Phoenix Arizona and Tucson, Arizona. Colonel Levi Ruggles, an Indian Agent, staked and platted the Town in 1866. By the mid 1920's the area had become the agricultural center of Pinal County. Florence's business district is still on Main Street. Florence is the fifth oldest town and the sixth oldest European settlement in the State of Arizona.

Florence was founded in 1866 and built along the Gila River surrounded by the beautiful Sonoran Desert, the Superstition and Pinal Mountains that provide scenic views for the enjoyment of life in a peaceful community. Year-round sunshine provides an ideal place for retirement.

The Town of Florence was incorporated in 1900. As the fifth oldest town in the state, downtown Florence has been designated an official "Historic District". Florence, at an elevation of 1,493 feet, and has been the county seat since its formation in 1875. It is home to the Pinal County government and justice complexes, the Arizona State Prison facilities, Correction Corporation of America, GEO Group, Immigration and Customs Enforcement (ICE)-Homeland Security and Florence Unified School District. Florence is a major employment area with approximately 75% of its work force commuting into the area on a daily basis. It is estimated that 5,000 plus commuters travel to Florence to work on a daily basis. Agricultural products from the area include cotton, alfalfa, cattle, grains and grapes.

The historical landmarks and rich traditions, based on small town values create the foundation on which the Town of Florence embraces and keeps in the creation of growth areas. The town respects and treasures its history and strives to create a conduit between the past and the future in its management for growth.

In 2004, annexation and development of Merrill Ranch occurred. The development area encompassed 8,970 acres of land at the far west and northerly end of the Town of Florence municipal boundary. Construction began and hit a high point in Fiscal Year 2005-2006 with the addition of 414 housing units. The development area resulted in the creation of Merrill Ranch Community Facilities District No. 1 and Merrill Ranch Community Facilities District No. 2.

Florence currently has a land area of 64 square miles and an estimated population of 27,265. State statutes empower the Town to levy a real property tax on property within its boundaries. Florence also has the power by State statute to extend its corporate

limits by annexation, which is done periodically when deemed appropriate by the Town Council.

Work on the North End Framework Plan (“Vision Plan”), a multi-faceted project that crafted a variety of economic development, planning and engineering enhancement strategies for an area along the Gila River in the core area of the Town of Florence, began in May 2010. Today, the completed Vision Plan has been well-received by the community and has obtained the unanimous endorsement of the Town’s Planning and Zoning Commission and the Mayor and Town Council of Florence. The Town Council was closely involved with the entire planning process.

Earning recognition and awards on regional, state and national levels, the Town of Florence has built a strong foundation for future growth. Through innovative projects, partnerships and visionary planning the Town of Florence is situated to be a superior location for new business and long-term sustainability.

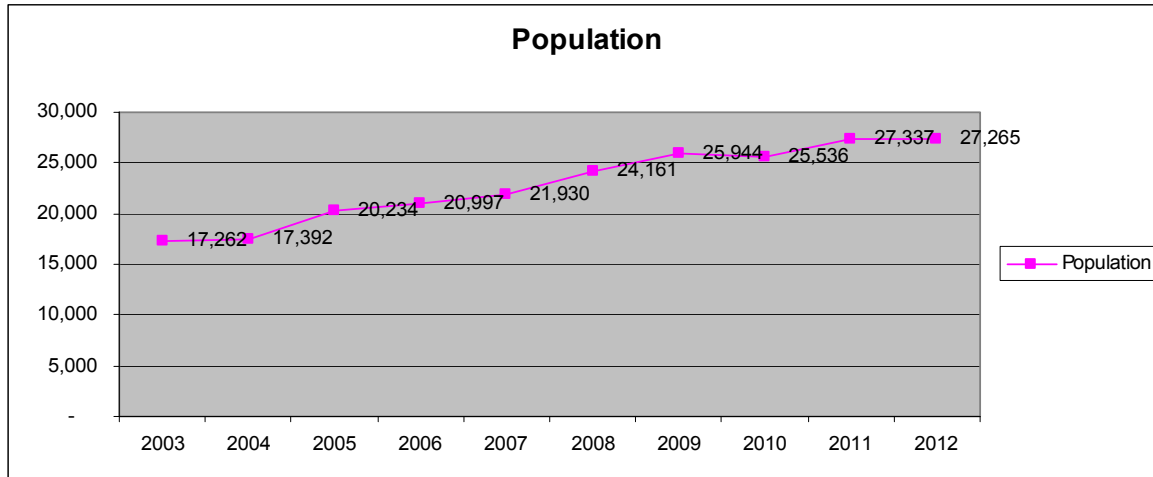
## **GOVERNANCE**

The Town of Florence operates under the council-manager form of government. The Mayor is directly elected and the six members of Town Council are elected at large on a nonpartisan basis ballot. The Mayor is elected every four years, and Town Council members are elected to staggered four year terms, with three members elected every two years. The Town Council is responsible for setting public policy, approving the Town’s annual budget, approving agreements, providing policy leadership, approving planning and development decisions, and adopting new codes and ordinances. The Town Council appoints the Town Manager who implements policy and directs daily operations. During fiscal year 2011-2012, the Town Manager administered Florence’s operations through a staff of 161 full-time equivalent positions.

The Town Council meets at 6 p.m. on the first and third Monday of each month at the Town Hall council chambers, located at 775 N. Main Street. All meetings are open to the public. Work-study sessions are typically held the second Monday of the month. The time varies depending on the agenda items that must be addressed. No decisions are made at study sessions, and they are open to the public.

## **GEOGRAPHY AND POPULATION**

Florence is situated in the central portion of Pinal County, Arizona about 45 minutes away from the Phoenix and Tucson metropolitan areas. The most recent population estimates are from Central Arizona Association of Governments estimating the population at 27,265.



## FACTORS AFFECTING FINANCIAL CONDITION

Town management has maintained a conservative approach to budget and finances.

Fiscal year 2011-2012 was challenged with reduced revenues resulting from:

- The local and state recessionary economy, resulting in continued decreased construction activity and related declines in development impact fees and construction sales tax revenues.
- Declines in property values resulting in a changing tax base.
- Increased needs for facility and infrastructure maintenance.
- The inability to attract businesses that generate sales tax.

The following assumptions were incorporated into the fiscal year 2011-2012 budget:

- Salary figures included no cost of living adjustments, and a merit pay adjustment of up to 5%.
- No full-time new positions were included, but \$139,500 in overtime and part-time positions were approved, based upon urgent needs in Police and Fire.
- Employer contributions to Arizona State Retirement System (ASRS) increased from 9.85% to 10.74%.
- Employer contributions to Public Safety Personnel Retirement System (PSPRS) increased from 11.57% to 11.76% for Police.
- Employer contributions to PSPRS increased from 8.45% to 8.97% for Fire.
- The General Fund received two percent of all taxes except for construction and food for home consumption. For fiscal year 2011-2012 \$1,850,000 was assumed.

- The Capital Improvement Projects Fund received 4% of the private construction sales tax. For fiscal year 2011-2012 100 new single family home permits was assumed. Total CIP sales tax projections for fiscal year 2011-2012 were \$900,000.
- The number of building permits issued impacts sales tax and development impact fee revenues. 100 permits were projected for fiscal year 2011-2012 the same as fiscal year 2010-2011.
- General fund revenue was not projected to cover the general fund expenditures. \$659,600 was anticipated to be taken from unreserved fund balance to cover the revenue short-fall, due to recessionary forces.

Enterprise funds maintained their revenues to work within their operational expenses. Capital projects were paid for by unrestricted fund balance.

## **TRANSPORTATION**

Three major transportation corridors run through Florence, which includes Highway 287, Highway 79 and Hunt Highway. These roadways provide connectivity to the region that is unrivaled by similar communities within the state. Access to US 60 is 15 miles to the north and Interstate 10 is 35 miles to the west.

Two airports are in reasonable distance from Florence. Phoenix Sky Harbor International Airport, just 60 minutes away, provides national and international flights with major carriers and computer airlines. Phoenix-Mesa Gateway Airport is just 30 miles to the northwest. This airport provides extensive freight, commuter, private and cargo air service and an expanding number of passenger flights.

The Town of Florence is active in the planning process of the Arizona Department of Transportation North/South Freeway Corridor Study that is planned for construction in Pinal County. This is a critical connection for this area.

## **COMMUNITY ASSETS AND QUALITY OF LIFE**

Florence is a safe and peaceful environment. Many retirees have winter homes in our community to enjoy the mild winters and the outdoor recreational opportunities. Year-round residents enjoy the ability to work and live in a community with many employment opportunities.

There are many prominent recreational landmarks and areas of interest in and around Florence. The Gila River is a prominent landmark that runs through historic Florence. The Gila River served as the northern border in the Gadsden Purchase in 1854. In addition, Box Canyon, Martinez Canyon, old Silver Bell Mine, Coke Ovens and many other sites to the east of Florence provide visitors with fantastic scenic views and an opportunity to hike, explore, off-road, or otherwise enjoy the Sonoran Desert. Also in



the area are the Casa Grande Ruins, Lost Dutchman State Park, Boyce Thompson Arboretum State Park, Tom Mix Monument, and the Superstition Mountain Wilderness Area.

Florence is home to the McFarland State Park, Pinal County Historical Museum, Florence Aero Modeler Park, Charles Whitlow Rodeo Grounds, a quaint historic downtown, and the final resting place of Charles D. Poston, the Father of Arizona, at the summit of Poston Butte. Travel just a little further into Phoenix or Tucson and you'll discover all of the cultural, recreational and entertainment you'd expect from a major metropolitan area.

There are several special events that occur in Florence every year. Among the events are the Country Thunder U.S.A. music festival, Tour of Historic Florence, and the world's oldest children's rodeo, coined the Junior Parada, which celebrates its 80<sup>th</sup> anniversary in 2012.

## **EDUCATIONAL FACILITIES**

There are three public schools within the Florence boundaries, which include two K-8 schools, and one high school. The main campus of Central Arizona College is also within close proximity of Florence. A satellite campus is also in Florence. Arizona State University's Polytechnic Campus is located in nearby Mesa. Arizona State University and University of Arizona are located in Tempe and Tucson respectively. An ASU Distance Learning Center is located within the Anthem area in Florence.

## **PLANS TO MANAGE GROWTH**

Florence contains 64 square miles in its incorporated and planning area. The Town contains several large tracts of land that are attractive for development. This area has formed two community facility districts. The Town's General Plan and development regulations are designed to accommodate new development requests, while also recognizing the long-term vision established for the community.

The General Plan is the Town's guiding document for land use, public facilities and services, circulation and economic development. The original General Plan was approved by the voters in 2010 and amendments processed in 2011 and currently (2012 amendment cycle).

The Town Council has a zoning ordinance, subdivision ordinance and other development regulations, which are used to implement the goals of the General Plan. The Town's focus is the development of quality attractive commercial buildings and office facilities, industrial facilities, housing, parks, trails and open spaces and adequate public facilities to serve the needs of the community.

Development impact fees have been adopted and collected from the new growth areas. They provide funding for the new Town infrastructure needed to accommodate new growth. Development fees have been collected for water, wastewater treatment facilities, libraries, parks and recreational facilities, government facilities, transportation, police, fire and sanitation. The Town's development impact fees are currently under study to comply with the new statutory requirements. The study is expected to become completed and adopted in 2013.

### ***North End Framework Plan***

The North End Framework Plan ("Vision Plan") is providing a partnership for development with the Town as a collaborator. The project will provide an organized plan, with flexibility of development, for the years to come. This development area is located along the Gila River in the core area of the Town of Florence. Swaback and Partners of Scottsdale were commissioned by the Town to assist in the development of the Vision Plan.

The fundamental first step of this project was to formulate a scope of work that would be most conducive to the anticipated outcome. Unlike many planning exercises that are one-dimensional, this effort included significant expertise from a broad range of practitioners. It was important to organize the process, scope and deliverables in an incremental manner that would be informative for each task along the way. It was critical from the project's commencement to develop a team of stakeholders and technical experts to help Town staff and the consultant team to keep the project on track. The project had active stakeholder and technical committee meetings that helped to supplement regular project management meetings, community forums and other avenues of discussion on this project.

The Vision Plan articulates a creative alternative to a previously considered levee/dike scenario that calls for the careful relocation of earth material from locations closest to the riverbed to immediately adjacent land areas directly south. This process of "cut and fill" allows a significant area to have a raised elevation that would be above the floodplain, therefore creating new "buildable" lands within the study area. A major riverfront park is planned for those areas that will remain in the floodplain. A land use budget for land area was created to allocate various types of uses that could be critically linked with new transportation and open space systems. Understanding future land uses and densities helped to model the types of infrastructure needed to support the envisioned development. That, in turn, helped the project team to better understand the costs associated with development, what types of improvements might be financed and how the future development might be phased.

Concurrent with this process were discussions on the character of open space and development envisioned for the study area. Clearly, the Town needed to provide for the critical physical and symbolic linkage between historic Florence and the new growth areas of Florence. Furthermore, public feedback supported the notion that the study

area needed to have its own identity that merged the multiple identities of Florence, but did not attempt to replicate historic or suburban Florence development character traits.

All of the aforementioned information was then compiled in the Vision Plan, along with several technical reports. Perhaps the most critical portion of the Vision Plan is the implementation section that provides guidance to the Town as to the types of steps that could be taken to incentivize development.

#### *North End Framework-Next Steps*

Since the adoption of the Vision Plan, the Town has diligently worked to move this vision forward, while keeping all the project stakeholders well-informed on subsequent steps. The Town has initiated a 2012 Major General Plan Amendment and the creation of a new, highly innovative and flexible hybrid zoning district that will work in concert to support the implementation of the Vision Plan development strategies. The Town is also working to extend a significant sewer main line in this area that will facilitate future development.

The Town is also in the process of evaluating a scope of work that would lead to a FEMA CLOMR (Conditional Letter of Map Revision) for the entire Vision Plan site. Furthermore, ongoing discussions with stakeholders are occurring to evaluate future development financing strategies and implementation of other economic development tools that the Town may use to facilitate the development of this site, including the use of the Infill Incentive District mechanism that was adopted as a possible tool for this site during the Vision Plan process. Stakeholders, planners, investors, brokers, developers and builders are increasingly seeing the potential of this site because of the location, innovation, comprehensiveness, character, partnerships and availability of development incentives. The Vision Plan is paving the way for the ongoing prosperity of Florence and particularly the long-term sustainability and vitality of the heart and core of Florence.

## **ECONOMIC DEVELOPMENT**

Florence economic development is dedicated to preserving our historical and cultural identity while focusing on future development that provides our citizens a better quality of life through diverse employment, quality housing and abundant recreational opportunities. In everything we do, we seek to establish a dynamic, empowering business climate by fervently pursuing new avenues for growth in new and existing businesses; providing existing businesses with the tools they need to succeed; and wisely leveraging public resources to maximize employment opportunities. In the coming years, we hope to establish a firm foundation for positive economic growth as we emerge from a prolonged recession.

In early 2012, Town of Florence Economic Development realized there was no formal system of addressing the needs and concerns of the local business community. Other economic development organizations, such as the Greater Florence Chamber of Commerce and Florence Main Street Program, were present to assist businesses, but

channels of communication between these organizations and the Town of Florence were not meeting the needs of the business community.

Leadership from Town of Florence Economic Development, the Greater Florence Chamber of Commerce, and the Florence Main Street Program counseled on how these three organizations could best meet the diverse needs of the Florence business community, while properly addressing concerns raised by business owners. It was decided that a formal business retention and expansion program should be implemented within the Town of Florence, with the foundation of this program being laid in a formal study based off a business survey. The purpose of the survey would be to understand the local business climate, as well as the attitudes and perceptions of local business owners, within the local economy. Survey questions would be designed to address issues of business assistance; strengths and weaknesses within the local economy; barriers to growth; opportunities for improvement or growth within the community; and formally addressing municipal and community services.

Results of this survey showed that a majority (65%) of local employers anticipate expanding the employment base of their operations in the next five years. A large number of businesses surveyed (79%) believe there are specific barriers to growth in the community. The results included businesses identifying Florence's small-town atmosphere as a positive asset in owning and operating a business; the need to attract additional businesses and services into the community; community marketing and the need for political stability to ensure a prosperous future.

## **PUBLIC SAFETY**

Florence has its own Police Department. The department employees 47 staff members, including 21 certified officers, 3 detectives, 4 sergeants, 1 lieutenant and 1 police chief. Jail services are furnished by Pinal County Sheriffs Department. Animal control is provided by Pinal County Animal Control.

Florence has two fire stations. One station is in the southern portion of the town limits and the other is in the northern portion of the new development area in Anthem at Florence. Staffing is a total of 23 including 9 firefighters, 6 engineers, 6 captains and 1 fire chief.

We employ three court staff members to provide municipal court services. Court is held every Thursday. Traffic court is held during the week. The magistrate of the court is included in the court staff.

## COMMUNITY INVOLVEMENT

Community involvement, sharing information and providing opportunities for citizen participation in decision making have been provided and encouraged by elected officials.

Volunteer board and commission members research current local issues such as planning and zoning proposals, parks and trails plans, recreational policies and facilities, economic development and community capital improvements. The committees make recommendations to the Town Council for policies and future action.

The Town of Florence code compliance office works with individual residents, service organizations and neighborhoods to plan community clean-up events and projects to enhance the Town of Florence in beautification and functionality.

The following boards and commissions provide dedicated and invaluable support to the Town:

- Planning and Zoning Commission
- Historic District Advisory Commission
- Joint Use Library Advisory Board
- Parks and Recreation Advisory Board
- Redevelopment Commission
- Industrial Development Authority

## LOOKING FORWARD

The Town of Florence has many challenges facing the upcoming years. The following represents those essential elements that affect the growth of the town:

### ***Maintain:***

- Bridging and blending the gap between historic living and modern development
- Building upon the character and integrity of the “small town” atmosphere to encourage and sustain a place to visit and explore
- Business outreach

### ***Continue to:***

- Develop affordable quality housing
- Provide necessary infrastructure for expanding industries and population growth
- Research for economic development
- Implement the North End Frame Work Plan
- Provide local government with necessary buildings to accommodate new growth and improve the delivery of services

***Develop:***

- Necessary amenities to encourage new residents
- Industrial opportunities
- Diverse employment opportunities
- Recreation opportunities

**Budget and Fiscal Policy**

The purpose of this policy is to emphasize and facilitate long-range financial planning, maintain a diversified and stable revenue base to protect the Town from short-term fluctuations in any one-revenue source; to link resources with results by identifying community needs for essential services; organize programs required to provide essential services; establish programs, policies and goals which define the nature and level of services required; identify and appropriate resources required for performing program activities; and set standards to measure and evaluate the output of program activities and accomplishments.

This policy affects all Elected Officials and all Town employees who have a fiscal responsibility in either developing or implementing programs or in managing a departmental budget. The Finance Director is responsible for the administration and enforcement of these policies. Town employees who have fiscal responsibilities either in developing or implementing programs are responsible for following this policy.

***Overall Goals:***

The overall goals underlying these policies are:

1. To ensure the Town is in solid financial conditions with cash to pay bills, the ability to balance the budget and to pay future costs.
2. Adherence to the highest accounting and management practices as set by the Government Finance Officers' Association standards for financial reporting and budgeting, by the Governmental Accounting Standards Board and other professional standards.
3. To ensure the Town is in a position to respond to changes in the economy or new service challenges without undue financial stress.

The Budget and Fiscal Policy also contains operating management guidance as follows:

- Reporting on a prescribed basis, the Town's financial conditions to the Town Council.
- Operational costs should be supported by ongoing, stable revenue sources.
- Fund balances should only be used for one-time expenditures, such as capital equipment and improvements.
- On-going maintenance should be financed through operating revenues.

- Revenues from growth or development should be considered one-time revenue.
- Enterprise funds should be self sufficient and include a sufficient unrestricted fund balance to absorb fluctuations in annual revenue.
- Laws and Policies on limitations on revenue sources should be addressed in the budget process. This includes:
  - Highway User Funds
  - Transportation Excise Tax Funds
- Development of Town fees and charges are done with the cost of service provided and a well planned and documented analysis completed and approved.
- Investments are made to achieve a reasonable rate of return and minimize risk.
- Capital and Debt Financing be done in accordance with need and the ability to re-pay the debt.
- New growth should pay for itself through development impact fees and other community development fees and charges.
- Debt management will not obligate the General Fund to secure long-term financings except when marketability can be significantly enhanced.
- Debt capacity will not exceed 10% of General Fund Revenues, direct debt will not exceed two percent of assessed valuation; and no more than 60% of capital improvement outlay will be funded from long-term financings.
- Enterprise fund debt capacity will be covered by user rates and fees.
- Independent Disclosure Council usage.
- Financing Options
  - Land Based
  - Conduit
  - Refinancing
- Human Resource Management
 

The town will strive to provide competitive compensation and benefits for its authorized regular work force. Each regular employee will fill an authorized regular position. The management of the growth of the regular work force and overall staffing costs will be authorized by the Town Council. Programs will be evaluated to determine if they can be accomplished with fewer regular employees.
- Town-Wide Procedures
  - User Fees Cost Recovery
 

Evaluation, financial analysis and cost comparison of service delivery will be made on a periodic basis to ensure that quality services are provided to our citizens at the most competitive and economical cost.
  - Capital Improvement Management
 

The purpose of the CIP is to systematically plan, schedule and finance capital projects to ensure cost-effectiveness as well as conformance with established policies.

## FUND BALANCE/RESERVE POLICIES

The Town's fund balance policy covers the General Fund, Highway User Fund, and Enterprise Funds. The Town's other special revenue funds are excluded from this policy and are covered by the reserves established for the General Fund. The policies vary by fund depending upon the underlying revenue risk.

The policy sets levels of fund balance reserves for emergencies, debt service, capital reserves, and unencumbered funds; provides a minimum level of fund balance necessary to maintain the Town's credit worthiness and for economic uncertainties, local disasters, and other financial hardships or downturns in the local or national economy; provides cash flow requirements; and eliminates inconsistencies in standards for fund balance reporting and use of governmental fund types.

The General Fund must retain an emergency fund balance of \$500,000. 10% of operating revenues are reserved for operational reserve, of which 20% of the 10% is designated for Facility Maintenance in General Fund departments.

### Highway User Revenue Fund

15% of operating revenues are reserved for operational reserve.

### Enterprise Fund Balance

Enterprise Funds are reserved, as recommended in the latest rate studies adopted by the Town Council, and as indicated in debt service covenants, if applicable, or as follows if no recommendation:

- Reserve annual depreciation expense.
- Two months of operating expenditure
- Debt Service Covenants

## ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the expertise, contributions and committed team of the Town of Florence department directors and finance staff. We would also like to extend our appreciation to the Mayor and Council for their leadership and support.

Respectfully submitted,

  
Himanshu Patel  
Town Manager

  
Rebecca Guillin

Finance Director and Chief Fiscal Officer





## **Town of Florence Town Council, Appointed Officials and Senior Management Staff**

### **Town Council**

**Tom J. Rankin – Mayor**

**Thomas Smith - Vice Mayor**

**William Hawkins – Councilmember**

**Tara Walter – Councilmember**

**Thomas Celaya – Councilmember**

**Ruben Montaña – Councilmember**

**Vallarie Woolridge - Councilmember**

### **Appointed Officials**

**Himanshu Patel- Town Manager**

**Lisa Garcia - Town Clerk**

**James E. Mannato - Town Attorney**

**Katherine Kaiser - Town Magistrate**

### **Deputy Directors**

**Lisa Garcia-Town Clerk/Deputy Town Manager**

**Jess Knudson-Assistant to the Town Manager/Deputy Town Manager**

### **Senior Management**

**Scott Barber, Human Resource Director**

**Rose Bebris, Library Director**

**Dan Bennington, Information Technology Manager**

**Wayne Costa, Public Works Director**

**Mark Eckhoff, Community Development Director**

**Rebecca Guilin, Finance Director**

**Ray Hartzel, Parks & Recreation Director**

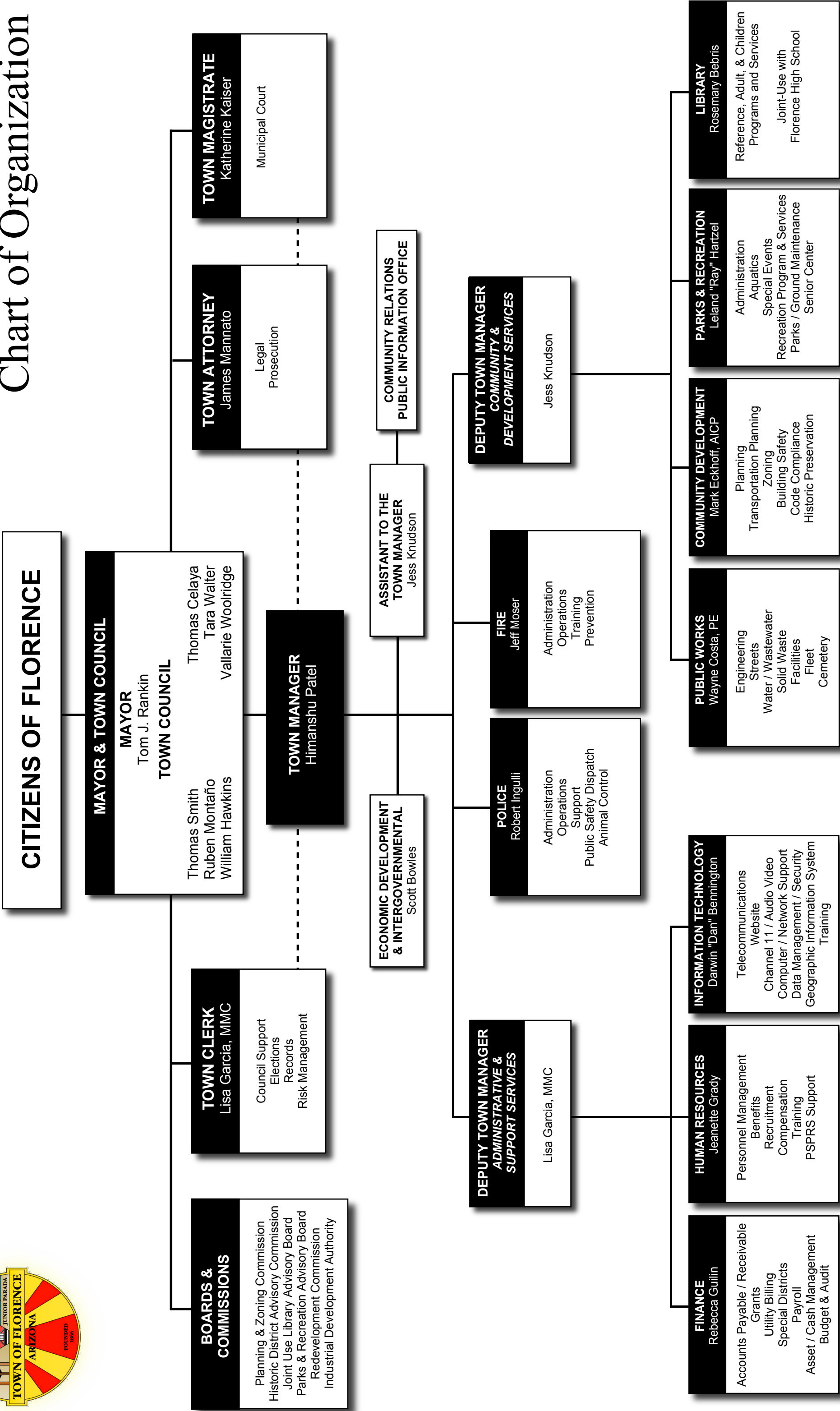
**Daniel Hughes, Interim Police Chief**

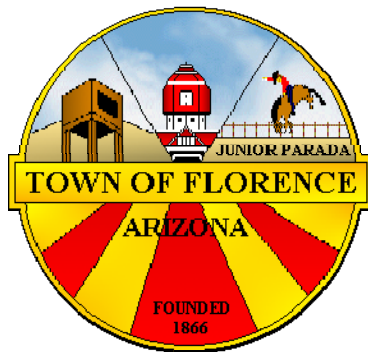
**Jeff Moser, Fire Chief**



# TOWN OF FLORENCE

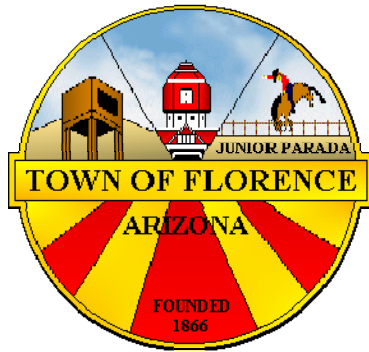
## Chart of Organization





# Financial Section

---





## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Council  
Town of Florence  
Florence, Arizona

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 Florence, Arizona, as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Florence, Arizona, as of June 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Highway User Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe that the Town of Florence failed to use highway user revenue fund monies received by the Town of Florence pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2 and any other dedicated state transportation revenues received by the Town of Florence solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

**Tempe**  
2055 E. Warner Road  
Suite 101  
Tempe, AZ 85284-3487  
(480) 839-4900  
Fax (480) 839-1749

**Scottsdale**  
7098 E. Cochise Road  
Suite 100  
Scottsdale, AZ 85253-4517  
(480) 483-1170  
Fax (480) 483-7126

**Casa Grande**  
1115 E. Cottonwood Lane  
Suite 100  
Casa Grande, AZ 85122-2950  
(520) 836-8201  
Fax (520) 426-9432

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2012 on our consideration of the Town's internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Florence, Arizona's financial statements as a whole. The introductory section, the accompanying financial information listed as other supplementary information in the financial section, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The financial information listed as other supplementary information in the financial section and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Henry & Horne LLP*

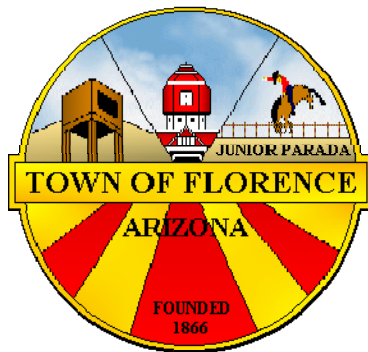
Casa Grande, Arizona  
October 22, 2012

# Financial Section

---

## MANAGEMENT'S DISCUSSION & ANALYSIS





## **Management's Discussion and Analysis**

This discussion and analysis is intended to be an easily readable breakdown of the Town of Florence financial activities based on currently known facts, decisions and conditions. This analysis focuses on current year activities and operations and should be read in combination with the transmittal letter that begins on page one and the financial statements that follow.

### **Report Layout**

Besides the Management's Discussion and Analysis, (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules of non-major funds and supplementary information.

The first several statements are highly condensed and present a government-wide view of the Town's finances and operations. Within this view, all Town operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services like public safety, culture and recreation, community development, public works and general governmental administration. Business-type activities are water, sewer, and sanitation. The government-wide statements include the Statement of Net Assets and Statement of Activities. The Town's component unit, the North Florence Improvement District No. 1, Merrill Ranch Community Facilities District No. 1 and Merrill Ranch Community Facilities District No. 2 is included within the governmental type activities.

### **Statement of Net Assets**

The Statement of Net Assets presents the unrestricted assets of governmental and business-type activities. Governmental and business-type activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities.

Net assets, the difference between assets and liabilities; provide a measure of the Town's financial strength or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the Town's privilege tax or property tax base or the condition of roads, parks and libraries to accurately assess the overall health of the Town.

### **Statement of Activities**

The Statement of Activities presents the major program costs and matches major resources with each. To the extent that direct charges and grants do not recover a program's cost, it is paid from general taxes and other resources. The statement simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Following the government-wide statements is a section containing fund financial statements. These statements reinforce information in the government-wide financial statements or provide additional information. The Town's major funds are presented in a separate column titled, "Other Governmental Funds". For each major fund, a Budgetary Comparison Statement is presented. Users who want to obtain information on non-major funds can find it in the Combining Schedules of Non-major Funds and/or the Supplemental Information-Budgetary Comparison Schedules of this report. Finally, the report provides a series of other financial and statistical schedules.

The MD&A is intended to explain significant changes in the financial position and differences in operations between current and prior years.

## Town as a Whole

A condensed version of the Statement of Net Assets at June 30, 2012 follows.

Condensed Statement of Net Assets (in Thousands)						
	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 52,324	\$ 49,981	\$ 17,510	\$ 14,439	\$ 69,834	\$ 64,420
Capital assets	70,564	69,306	11,009	11,394	81,573	80,700
Total assets	122,888	119,287	28,519	25,833	151,407	145,120
Other liabilities	3,084	3,042	568	550	3,652	3,592
Long-term liabilities	13,514	14,182	4,601	4,977	18,115	19,159
Total liabilities	16,598	17,224	5,169	5,527	21,767	22,751
Net assets:						
Invested capital assets						
net of related debt	56,527	54,390	6,032	6,053	62,559	60,443
Restricted	21,998	33,045	2,162	1,047	24,160	34,092
Unrestricted	27,765	14,628	15,156	13,206	42,921	27,834
Total net assets	\$ 106,290	\$ 102,063	\$ 23,350	\$ 20,306	\$ 129,640	\$ 122,369

## Statement of Net Assets at June 30, 2012:

During fiscal year 2011-2012 several events changed the balance of net assets. The Town's overall financial position has improved during the year as reflected in the increase in net assets above. Cash and cash equivalents increased \$5.4 million due to increases in Merrill Ranch Community Facilities District Receivables and increases in user fees. Capital assets increased by \$873,000. Other liabilities increased by \$60,000 and long term liabilities decreased \$1.04 million due to debt retired for the CFD Bonds in Merrill Ranch CFD NO.1 and 2, and principal paid on the WIFA loan.

Total net assets increased by \$7.3 million, invested capital assets net of related debt increased by \$2.1 million, restricted assets were reduced by \$9.9 million and unrestricted increased by \$15 million.

There are restrictions in net assets of governmental assets of \$22 million and business type activities of \$2.1. The restrictions represent legal or contractual obligations on how the assets may be expended. Within the governmental activities category are taxes and other collections

limited to specific transportation construction projects and the repayment of debt. Within the business-type activities are bond proceeds and debt service reserves.

### ***Governmental Activities***

Infrastructure: The value of capital assets was increased slightly this year due to town construction. Assets for this year are as follows; construction of town facilities, fixtures and equipment, including vehicles in the amount of \$387,601. At the end of June 30, 2012, three (3) projects were still in construction phase. Costs incurred to date were Anthem Fire Station-\$153,942, Communications Upgrades-\$1,179,724, Police Evidence Building \$1,439,388.

Infrastructure and other improvements total approximately \$91 million with street related components accounting for \$64.9 million of that entire total. The non-land portion is now depreciated and the depreciated value at year-end is \$70.5 million. Long-term debt totaled \$18.9 million. This includes the Community Facilities Districts debt of \$13.08 million on General Obligation and Assessment Bonds. General Government debt was \$950,000.

### ***Business –type Activities***

Current cash and other assets total \$28.5 million. Infrastructure and other improvements total approximately \$18.4 million. The non-land portion of improvements, are depreciated and the net value is \$11 million. Long-term debt totaling \$4.8 million reflects monies borrowed from the Water Infrastructure Financing Authority for the new sewer plant. WIFA Debt has been authorized for \$1.3 million dollars, but no draws had been taken at June 30, 2012.

The Water Fund added \$169,600 in capital purchases. This included U-36 Main Street Waterline in the amount of \$49,845, U57 Well #1 Upgrade in the amount of \$5,850, U-67 Water Line Extension in the amount of \$67,488, and U-60 Lancaster Circle Project in the amount of \$45,916, and project U-26 Water Storage Tank for \$500.

The Florence Sewer Fund continued its Sewer Plant improvement project expending \$16,531 on U19-Aerated Lagoon closure.

The Sanitation Fund had no capital outlay this year.

## Statement of Activities for the Year Ended June 30, 2012:

A summary of the statement of activities follows:

Changes in Net Assets (in Thousands)			
	Governmental Activities	Business-type Activities	Total Government
	2012		
Program revenues			
Charges for services	\$ 1,577	\$ 6,979	\$ 8,556
Operating grants	2,580	-	2,580
Capital grants and contributions	1,500	5	1,505
General revenues			
Taxes	7,144	-	7,144
Intergovernmental	5,231	-	5,231
Miscellaneous	946	617	1,563
Total revenues	<u>\$ 18,978</u>	<u>\$ 7,601</u>	<u>\$ 26,579</u>
Expenses			
General government	3,452	-	3,452
Public safety	4,008	-	4,008
Highways and streets	3,064	-	3,064
Public works	202	-	202
Culture and recreation	1,451	-	1,451
Community development	2,408	-	2,408
Interest on long-term debt	911	-	911
Water	-	1,294	1,294
Sewer	-	1,820	1,820
Sanitation	-	699	699
Total expenses	<u>\$ 15,496</u>	<u>\$ 3,813</u>	<u>\$ 19,309</u>
Excess before transfers	3,482	3,788	7,270
Transfers in (out)	745	(745)	-
Change in net assets	<u>\$ 4,227</u>	<u>\$ 3,043</u>	<u>\$ 7,270</u>
Beginning net assets,	<u>\$ 102,063</u>	<u>\$ 20,307</u>	<u>\$ 122,370</u>
Ending net assets	<u><u>\$ 106,290</u></u>	<u><u>\$ 23,350</u></u>	<u><u>\$ 129,640</u></u>

Changes in Net Assets  
(in Thousands)

	Governmental Activities	Business-type Activities	Total Government
	2011		
Program revenues			
Charges for services	\$ 1,738	\$ 7,159	\$ 8,897
Operating grants	3,179	-	3,179
Capital grants and contributions	1,340	43	1,383
General revenues			
Taxes	5,303	-	5,303
Intergovernmental	4,852	-	4,852
Donation of capital assets	-	-	-
Miscellaneous	468	288	756
Total revenues	<u>\$ 16,880</u>	<u>\$ 7,490</u>	<u>\$ 24,370</u>
Expenses			
General government	6,932	-	6,932
Public safety	5,313	-	5,313
Highways and streets	2,961	-	2,961
Public works	42	-	42
Culture and recreation	1,258	-	1,258
Community development	631	-	631
Interest on long-term debt	685	-	685
Water	-	1,322	1,322
Sewer	-	1,806	1,806
Sanitation	-	662	662
Total expenses	<u>\$ 17,822</u>	<u>\$ 3,790</u>	<u>\$ 21,612</u>
Excess before transfers	(942)	3,700	2,758
Transfers in (out)	682	(682)	-
Change in net assets	<u>\$ (260)</u>	<u>\$ 3,018</u>	<u>\$ 2,758</u>
Beginning net assets	<u>\$ 102,323</u>	<u>\$ 17,289</u>	<u>\$ 119,612</u>
Ending net assets	<u>\$ 102,063</u>	<u>\$ 20,307</u>	<u>\$ 122,370</u>

## Government Activities

The cost of all governmental activities this year was \$19.3 million. \$8.6 million of this cost was paid for by those who directly benefited from or contributed to the programs. \$4.1 million was subsidized by grants and contributions received from other governmental organizations and \$7.1 million was financed through general Town taxes. Other governmental revenues, including inter-governmental aid and interest amounted to \$6.8 million.

### Governmental Activities

The Town's governmental functions include the following: general government, community development, culture and recreation, public safety and public works.

Governmental revenues increased \$2.1 million from last year. Charges for services were down by \$161,000 operating grants decreased slightly by \$599,000 and capital grants increased by \$160,000 million. Taxes increased \$1.8 million from the prior year. Intergovernmental (state and county shared) increased by \$379,000 from the prior year.

Governmental program expenses decreased \$2.3 million from the prior year. Net costs of services decreased because of increased revenue in governmental activities and decreased expenses.

### ***Business-type Activities***

Charges for services decreased this year by \$180,000. The cost of providing all business-type activities this year was \$3.8 million. All of this cost was paid by users. Timely rate studies and implementation are credited for generating enough revenue to cover costs and restricting expenditures.

Expenditures increased \$23,000 this year. This is due to increased costs in labor.

The Town's business-type programs include the following: water, sewer and sanitation.

### **Capital Assets and Debt Administration**

#### ***Capital Assets***

As of June 30, 2011 the Town had invested \$89 million in capital assets as reflected in the following table. Assets increased from the prior year in the amount of \$1.5. Of the total additions reflected below, \$3 million represents current year infrastructure additions. The majority of the increase in capital additions is due to the infrastructure assets acquired in streets in the Governmental Activities. Accumulated depreciation reflects the allowance for aging of assets and the result of assets less accumulated depreciation equals the new value of fixed assets in total. Net assets decreased \$429,000 due to depreciation and dispositions.

The following table reconciles the changes in capital assets.

Governmental Activities	2011	Additions	Dispositions	2012
Capital Assets	\$ 88,671,622	\$ 3,268,863	\$ (95,617)	\$ 91,844,868
Accumulated Depreciation	(19,365,390)	(2,011,053)	95,617	(21,280,826)
	<u>\$ 69,306,232</u>	<u>\$ 1,257,810</u>	<u>\$ -</u>	<u>\$ 70,564,042</u>
Business-type Activities	2011	Additions	Dispositions	2012
Capital Assets	\$ 18,174,274	\$ 186,129	\$ -	\$ 18,360,403
Accumulated Depreciation	(6,779,946)	(571,156)	-	(7,351,102)
	<u>\$ 11,394,328</u>	<u>\$ (385,027)</u>	<u>\$ -</u>	<u>\$ 11,009,301</u>

Additional information on the Town of Florence capital assets can be found in the notes to the financial statements.

## Debt Administration

As of fiscal year-end, the Town had \$18.9 million in debt outstanding compared to \$21.5 million last year. This is a decrease over last year due to no new debt being introduced.

Debt Schedule							
Financing Agency	Purpose	Loan	Interest Rate	Maturity	Amount	Retired	Balance
Julie Giles	Land Purchase	1/2/2002	6.00%	7/1/2021	\$800,000	\$290,153	\$509,847
Bank of New York Trust	Purchase Asset of Utility Co.	1/94	8.45%	1/1/2019	1,525,000	1,085,000	440,000
Water Infrastructure Authority of Arizona-Loan 1	Sewer Expansion	1/3/2003	3.339	7/01/22	7,500,000	2,522,811	4,977,189
Water Infrastructure	Sewer	12/4/2009	2.783	7/1/2029	1,300,000	100,292	(100,292)
Wells Fargo Bank-CFD #1- Assessment Area 1-2006	Infrastructure-CFD #1	6/6/2006	4.30%	7/1/2030	2,464,000	401,000	2,063,000
Wells Fargo Bank-CFD #2- Assessment Area 1-2006	Infrastructure-CFD #2	6/6/2006	4.30%	7/1/2030	2,555,000	433,000	2,122,000
Wells Fargo Bank-2008A Issue	Infrastructure-CFD#1	6/28/2006	6.00%	7/1/2030	4,390,000	260,000	4,130,000
Wells Fargo Bank-CFD #1- Assessment Area Two-Unit 54	Infrastructure-CFD#1	9/16/2009	9.00%	7/1/2034	353,500	14,600	338,900
Wells Fargo Bank-CFD #2- Assessment Area Two & Three-Units 29 & 40	Infrastructure-CFD #2	9/16/2009	9.00%	7/1/2034	829,500	23,800	805,700
Wells Fargo Bank-CFD #2- Assessment Area Four-Unit 20	Infrastructure-CFD #2	2/25/2010	7.75%	7/1/2035	203,000	1,000	202,000
Wells Fargo Bank-CFD #1- Assessment Area 3-Unit 17A	Infrastructure-CFD #1	10/6/10	7.50%	7/1/2035	290,500	-	290,500
Wells Fargo Bank-2010 Issue	Infrastructure-CFD #2	11/19/10	5.86%	7/15/2035	3,560,000	425,000	3,135,000
Total Debt					\$24,470,500	\$5,456,364	\$18,913,844

Additional information on the Town of Florence long-term debt can be found in the notes to the financial statements.



The Arizona State Constitution and Statutes limit the amount of general obligation debt that a municipality may issue by providing two tests. Under the first test, general obligation debt for a specific purpose such as supplying water or sewer services and recreational playground facilities may not exceed 20% of the Town's secondary assessed valuation. Under the second test, a Town may not insure general obligation debt for general municipal purposes in an amount that exceeds 6% of the Town's secondary assessed valuation.

## **Economic Factors**

### ***Governmental Funds***

The Town relies heavily on state shared revenues. During the year 48% of the general fund revenues were derived from state shared revenues, 60% from the Highway User Fund revenues and 36% from Transportation Excise Tax. Because of the correctional facilities located within the Town limits, the apportionment of state shared revenues has assisted the Town in providing increased demand for services in the municipal limits. Private construction has provided additional transaction privilege tax revenues. These are one time revenues that are allocated to the CIP Fund to purchase and fund capital projects. The retail picture will depend upon future development of housing, commercial and industrial business within the community.

The following business developments have provided additional resources for the Town:

Florence Auto Tint	Carl Edwards Handyman
Premier Investigations, LLC	Silver King Hair Company
Islanders Professional Cleaning	Arizona Sunsets, Degler Photography
Sherry's Cleaning	CrewVeeator Consulting, LLC
Florence Properties, LLC	Bota Company
Jalepeno's Restaurant	JOM Tax Service, LLC
Cardiac Arrhythmia Institute	Reform Physicians
Tiro Properties Arizona, LLC	Noresco, LLLC
Animal Clinic of Florence, LLC	Steve Osmundson Handyman Services
Lee's Foot Massage and Gift Shop	Fork in the Road Cafe, LLC
Jose P. Gonzales, Barber	Sixto J. Gonzales, Barber
Arbonne International	Slumber Parties by Stephanie
Rodco Enterprises	Ritter Law Group, LLC
Desert Appliance Repair and Service	3 H Dowsing International
B & BW Enterprises, Inc.	Curis Resources Arizona, Inc.
Florence Nails & Spa	Café at Sun City
Lina Toogood CPA	Florence Chiropractic
Matco Construction, LLC	Camille Hernandez Psychologist
Direct Action Marketing	Redbox Automated Rental, LLC
Sharon's Sewing Room	

### ***Business-type Funds***

The rates for the Water, Sewer Funds in Florence were adopted July 2011. A rate study was done for 2011-2012 and completed in February 2012 by Economists.com. The study provided a re-affirmation of the prior rate study and the rates within that study.

We are currently contracted with Duncan and Associates to have an Infrastructure Improvement Plan and Development Impact Fee Study. The basis of Development Impact Fees is the Infrastructure Improvement Plan.

Senate Bill 1525 called for restrictions and changes to the implementation and collection of development impact fees. The bill essentially rewrote the Arizona Development fee statute. The influence of Nevada, New Mexico and Texas provisions influenced the current adopted statute we now have before us.

The first change is the change and/or elimination of certain development impact fees. This change was effective on January 1, 2012. This included the following:

- Removal of General Government fees.
- Removal of Sanitation Fees
- Discontinued collection of Library Fees until they could be re-evaluated
- Re-calculation of other fees

The second change requires all existing fee programs to be replaced with fees adopted under the new statute by August 1, 2014. The municipality cannot collect development fees after 2014 until a compliant program is adopted.

The Infrastructure Improvement Plan is being evaluated and developed as the basis for the revised fees.

### **Next Year's Budget and Rates**

The 2012-2013 fiscal year budget decreased by \$353,916 over last year. The budget was prepared with an increase in property tax rate from \$1.0413 per \$100 Net Assessed Valuation to \$1.0517 per \$100 Net Assessed Valuation. Property values fell this year. To provide the maximum allowable levy, the rate had to be increased to provide revenues to offset expenditures. This is used to supplement the General Fund Revenues.

The Capital Budgets for the 2012-2013 are limited to the following projects:

- General Fund for \$2,378,200 includes council chamber improvements, finance office equipment, North End Framework Plan, Satellite Facility furniture, two (2) replacement police vehicles, replacement crime scene vehicle, police building improvements, police building roof replacement, police office equipment replacement, fire office equipment, fire protection gear, station improvements, haz mat gas detector, replacement ladder truck, information technology upgrades, parks improvements, pool pump replacement and fitness center improvements.
- Capital Project Fund \$415,000 for completion of the Public Safety Communications Project and a provision for \$3,000,000 in other construction projects.
- Operating Transfers for Capital Project Grants in the amount of \$69,748.

- Highway User Fund for vehicles, equipment and street and road improvements in the amount of \$3,136,900.
- Water Fund for \$4,542,000 for equipment, valves, hydrants, water line replacements and extensions, bore, and well replacement.
- Sewer Fund for \$2,927,750 for plant expansion, improvements and closure costs, interceptors, sewer main extensions and replacements.
- Enterprise Impact Fees \$150,756 in various growth related projects
- Other Impact Fees \$4,860,569 in various growth related projects that includes the Anthem Fire Station for \$2,890,000.
- Various grants and special revenue for community improvements in the amount of \$2,086,353.

The Town has set aside \$3,000,000 for capital projects for town facilities. The source of these funds comes from the Private Construction Tax, Construction Tax Fund and the Food Tax Fund.

We have established three (3) Streetlight Improvement Districts (SLIDS) in the Pulte Development area. This will provide a revenue stream through ad-valorem property tax to pay for expenses of the streetlights that directly provide the benefits to the users of the SLID.

We have established two Community Facilities Districts. These Districts are political subdivisions of the Town and have the ability to levy assessments and/or ad-valorem property tax to the owners of the properties within the districts. Funds are used to repay debt associated with the sale of bonds that pay for the infrastructure costs which provides a direct benefit to the users of the individual districts.

Monitoring of existing programs and services will be continued for Budget Year 2012-2013. Cost-to-benefit ratios have been established through the Town's financial policy, and services that do not meet the threshold will be recommended for termination or modification. Personnel costs and benefits continue to be monitored.

The Capital Improvement Plan has been updated by a CIP adopted during the budget process. This guideline will provide the town with a planning document to project capital purchases for the next seven years. The CIP will be updated annually.

### **Financial Contact**

The Town's financial statements are designed to present users (citizens, taxpayers, investors, customers and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, please contact the Town's Finance Director at 775 North Main Street, Florence, Arizona 85132.

# Financial Section

---

## BASIC FINANCIAL STATEMENTS

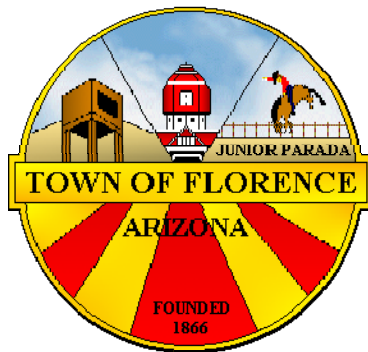
**Government-wide Financial Statements** - include the Statement of Net Assets and Statement of Activities and use the accrual basis of accounting for financial reporting.

**Governmental Funds Financial Statements** - include the Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance for the major governmental funds that use the modified accrual basis of reporting. Also include the reconciliations to the government-wide financial statements.

**Proprietary Funds Financial Statements** - include the Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets and Statement of Cash Flows for the business-type activities that use the accrual basis of accounting for financial reporting.

**Fiduciary Funds Financial Statements** - include the Statement of Net Assets and the Statement of Changes in Net Assets for assets being held for the benefit of parties outside of the Town.

**Notes to the Financial Statements**



TOWN OF FLORENCE, ARIZONA  
STATEMENT OF NET ASSETS  
June 30, 2012

	Primary Government		
	Governmental	Business-type	Total
ASSETS	Activities	Activities	
Cash and cash equivalents	\$ 6,432,807	\$ 2,570,948	\$ 9,003,755
Receivables (net of allowance for uncollectibles)	1,400,482	744,249	2,144,731
Special assessment receivable	5,674,015	-	5,674,015
Due from other governments	107,497	-	107,497
Prepays	719,295	100,292	819,587
Restricted cash equivalents	1,871,176	-	1,871,176
Investments	35,266,618	14,094,729	49,361,347
Deferred charges	852,330	-	852,330
Capital assets			
Land and construction in progress	35,711,561	914,232	36,625,793
Other capital assets (net of accumulated depreciation)	34,852,481	10,095,069	44,947,550
Total assets	<u>122,888,262</u>	<u>28,519,519</u>	<u>151,407,781</u>
LIABILITIES			
Accounts payable and other current liabilities	795,767	3,451	799,218
Customer deposits	287,298	73,236	360,534
Accrued wages and benefits	503,728	-	503,728
Accrued interest payable	462,735	83,094	545,829
Retainages	121,143	-	121,143
Current portion of			
Compensated absences	390,562	32,013	422,575
Notes payable	39,157	375,871	415,028
Bonds payable	483,580	-	483,580
Long-term portion of			
Notes payable	470,690	4,601,318	5,072,008
Bonds payable	13,043,520	-	13,043,520
Total liabilities	<u>16,598,180</u>	<u>5,168,983</u>	<u>21,767,163</u>
NET ASSETS			
Invested in capital assets, net of related debt	56,527,095	6,032,112	62,559,207
Restricted for			
Debt service	9,572,060	1,669,711	11,241,771
Highways and streets	6,130,696	-	6,130,696
Capital projects	5,888,424	492,324	6,380,748
Economic development	924,776	-	924,776
Community facilities	337,283	-	337,283
Courts	27,056	-	27,056
Unrestricted	26,882,692	15,156,389	42,039,081
Total net assets	<u>\$ 106,290,082</u>	<u>\$ 23,350,536</u>	<u>\$ 129,640,618</u>

See accompanying notes.

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 3,452,054	\$ 733,487	\$ 2,520	\$ -
Public safety	4,008,506	310,166	99,891	527,802
Highways and streets	3,064,386	-	2,442,641	-
Public works	202,167	-	-	722,418
Culture and recreation	1,450,633	7,401	24,353	-
Community development	2,407,647	525,659	10,512	250,030
Interest on long-term debt	911,203	-	-	-
Total governmental activities	<u>15,496,596</u>	<u>1,576,713</u>	<u>2,579,917</u>	<u>1,500,250</u>
Business-type activities				
Water	1,293,664	2,793,341	-	-
Sewer	1,819,735	3,165,051	-	-
Sanitation	699,249	1,019,021	-	5,580
Total business-type activities	<u>3,812,648</u>	<u>6,977,413</u>	<u>-</u>	<u>5,580</u>
Total primary government	<u>\$ 19,309,244</u>	<u>\$ 8,554,126</u>	<u>\$ 2,579,917</u>	<u>\$ 1,505,830</u>
General revenues				
Property taxes				
Sales and use taxes				
Franchise taxes				
Shared revenues				
State sales taxes				
Urban revenue sharing				
Auto-in-lieu				
Investment earnings				
Miscellaneous				
Transfers in (out)				
Total general revenues and transfers				
Change in net assets				
Net assets-beginning				
Net assets-ending				

Net (Expense) Revenue and Changes in Net Assets

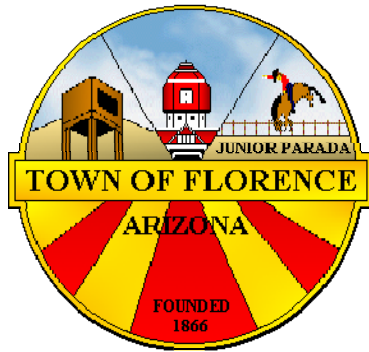
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,716,047)	\$ -	\$ (2,716,047)
(3,070,647)	-	(3,070,647)
(621,745)	-	(621,745)
520,251	-	520,251
(1,418,879)	-	(1,418,879)
(1,621,446)	-	(1,621,446)
(911,203)	-	(911,203)
<u>(9,839,716)</u>	<u>-</u>	<u>(9,839,716)</u>
-	1,499,677	1,499,677
-	1,345,316	1,345,316
-	325,352	325,352
<u>-</u>	<u>3,170,345</u>	<u>3,170,345</u>
<u>(9,839,716)</u>	<u>3,170,345</u>	<u>(6,669,371)</u>
1,863,163	-	1,863,163
4,907,353	-	4,907,353
373,761	-	373,761
1,995,391	-	1,995,391
2,155,257	-	2,155,257
1,080,780	-	1,080,780
766,154	278,145	1,044,299
179,340	340,737	520,077
745,275	(745,275)	-
<u>14,066,474</u>	<u>(126,393)</u>	<u>13,940,081</u>
4,226,758	3,043,952	7,270,710
102,063,324	20,306,584	122,369,908
<u>\$ 106,290,082</u>	<u>\$ 23,350,536</u>	<u>\$ 129,640,618</u>



TOWN OF FLORENCE, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2012

	General	Highway User	Community Facilities Districts- Debt Service
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,339,995	\$ 910,188	\$ 393,887
Receivables (net of allowance for uncollectibles)	1,127,076	230,644	5,323,637
Due from other governments	-	-	5,523
Due from other funds	50,925	-	-
Prepays	66,671	-	-
Restricted assets			
Cash and cash equivalents	-	-	1,157,395
Investments	12,828,570	4,989,930	2,159,407
Total assets	<u>\$ 16,413,237</u>	<u>\$ 6,130,762</u>	<u>\$ 9,039,849</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and other current liabilities	\$ 795,767	\$ -	\$ -
Customer deposits	287,298	-	-
Accrued wages and benefits	503,728	-	-
Retainages	-	-	-
Deferred revenue	56,349	-	5,317,733
Total liabilities	<u>1,643,142</u>	<u>-</u>	<u>5,317,733</u>
Fund balances:			
Nonspendable			
Prepaid items	66,671	-	-
Restricted			
Court	-	-	-
Debt service	-	-	3,722,116
Capital projects	-	-	-
Highways and Streets	-	5,535,071	-
Economic development	-	-	-
Community Facilities			
Districts operations	-	-	-
Committed			
Capital projects	-	-	-
Assigned			
Highways and Streets	-	595,691	-
Unassigned	14,703,424	-	-
Total fund balances	<u>14,770,095</u>	<u>6,130,762</u>	<u>3,722,116</u>
Total liabilities and fund balance	<u>\$ 16,413,237</u>	<u>\$ 6,130,762</u>	<u>\$ 9,039,849</u>

Community Facilities Districts- Capital Improvements	Impact Fees	Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
\$ 166	\$ 900,311	\$ 910,575	\$ 977,685	\$ 6,432,807
-	12,541	11,733	368,866	7,074,497
-	-	-	101,974	107,497
-	-	-	-	50,925
-	-	564,286	88,338	719,295
713,781	-	-	-	1,871,176
909	4,935,780	4,992,050	5,359,972	35,266,618
<u>\$ 714,856</u>	<u>\$ 5,848,632</u>	<u>\$ 6,478,644</u>	<u>\$ 6,896,835</u>	<u>\$ 51,522,815</u>
\$ -	\$ -	\$ -	\$ -	\$ 795,767
-	-	-	-	287,298
-	-	-	-	503,728
-	121,143	-	-	121,143
-	-	-	356,282	5,730,364
<u>-</u>	<u>121,143</u>	<u>-</u>	<u>407,207</u>	<u>7,489,225</u>
-	-	564,286	88,338	719,295
-	-	-	27,056	27,056
-	-	-	119,580	3,841,696
714,856	5,173,568	-	-	5,888,424
-	553,921	-	41,704	6,130,696
-	-	-	924,776	924,776
-	-	-	337,283	337,283
-	-	5,914,358	4,950,891	10,865,249
-	-	-	-	595,691
-	-	-	-	14,703,424
<u>714,856</u>	<u>5,727,489</u>	<u>6,478,644</u>	<u>6,489,628</u>	<u>44,033,590</u>
<u>\$ 714,856</u>	<u>\$ 5,848,632</u>	<u>\$ 6,478,644</u>	<u>\$ 6,896,835</u>	<u>\$ 51,522,815</u>



TOWN OF FLORENCE, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
June 30, 2012

Fund balance - total governmental funds balance sheet \$ 44,033,590

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

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

Governmental capital assets	\$ 91,844,868	
Less accumulated depreciation	<u>(21,280,826)</u>	70,564,042

Long-term liabilities, including bonds payable and their related  
costs, are not due and payable in the current period and therefore  
are not reported in the funds.

Compensated absences	(390,562)	
Notes payable	(509,847)	
Bond issuance costs	852,330	
Bonds payable	<u>(13,527,100)</u>	(13,575,179)

Deferred revenue is shown on the governmental funds, but is not  
deferred on the statement of net assets.

Special assessments		5,730,364
---------------------	--	-----------

Interest payable on long-term debt is not reported in the  
governmental funds.

	<u>(462,735)</u>
--	------------------

Net assets of governmental activities - statement of net assets	<u><u>\$ 106,290,082</u></u>
---	------------------------------

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2012

	General	Highway User	Community Facilities Districts- Debt Service
REVENUES			
Taxes	\$ 4,149,664	\$ 2,367,641	\$ 788,804
Franchise fees	373,761	-	-
Licenses and permits	291,697	-	-
Intergovernmental revenues	5,231,428	-	-
Charges for services	601,672	-	-
Fines	147,152	-	-
Special assessments	-	-	757,340
Investment earnings	262,402	105,933	47,182
Contributions and donations	25,522	75,000	-
Miscellaneous	79,560	20,869	-
Total revenues	<u>11,162,858</u>	<u>2,569,443</u>	<u>1,593,326</u>
EXPENDITURES			
Current			
General government	2,615,965	-	58,597
Public safety	5,349,587	-	-
Highways and streets	-	1,653,929	-
Public works	167,550	-	-
Culture and recreation	1,362,291	-	-
Community development	619,369	-	-
Capital outlay	-	155,552	-
Debt service			
Principal	-	-	800,400
Interest and fiscal charges	-	-	868,664
Total expenditures	<u>10,114,762</u>	<u>1,809,481</u>	<u>1,727,661</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,048,096</u>	<u>759,962</u>	<u>(134,335)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,568,296	9,750	-
Transfers out	(5,966)	(259,432)	-
Sale of capital assets	1,034	1,380	-
Total other financing sources and uses	<u>1,563,364</u>	<u>(248,302)</u>	<u>-</u>
Net change in fund balances	<u>2,611,460</u>	<u>511,660</u>	<u>(134,335)</u>
Fund balances - beginning of year	12,158,635	5,619,102	3,856,451
Fund balances - end of year	<u>\$ 14,770,095</u>	<u>\$ 6,130,762</u>	<u>\$ 3,722,116</u>

Community Facilities Districts- Capital Improvements	Impact Fees	Capital Improvements	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,073,689	\$ 758,359	\$ 9,138,157
-	-	-	-	373,761
-	-	-	-	291,697
-	-	-	892,341	6,123,769
-	474,374	-	23,998	1,100,044
-	-	-	2,516	149,668
-	-	-	83,251	840,591
273	124,574	109,075	116,715	766,154
-	-	-	-	100,522
-	-	-	64,464	164,893
<u>273</u>	<u>598,948</u>	<u>1,182,764</u>	<u>1,941,644</u>	<u>19,049,256</u>
1,750	-	134,400	134,181	2,944,893
-	-	-	73,859	5,423,446
-	-	-	-	1,653,929
-	-	-	1,425	168,975
-	-	-	-	1,362,291
-	37,935	-	268,078	925,382
-	1,580,684	1,310,706	274,383	3,321,325
-	-	36,940	42,000	879,340
-	-	32,807	40,729	942,200
<u>1,750</u>	<u>1,618,619</u>	<u>1,514,853</u>	<u>834,655</u>	<u>17,621,781</u>
<u>(1,477)</u>	<u>(1,019,671)</u>	<u>(332,089)</u>	<u>1,106,989</u>	<u>1,427,475</u>
-	-	661,380	173,509	2,412,935
-	-	(167,543)	(1,234,719)	(1,667,660)
-	-	-	-	2,414
-	-	493,837	(1,061,210)	747,689
(1,477)	(1,019,671)	161,748	45,779	2,175,164
716,333	6,747,160	6,316,896	6,443,849	41,858,426
<u>\$ 714,856</u>	<u>\$ 5,727,489</u>	<u>\$ 6,478,644</u>	<u>\$ 6,489,628</u>	<u>\$ 44,033,590</u>

TOWN OF FLORENCE, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2012

Net change in fund balances - total governmental funds \$2,175,164

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

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities the cost of those assets is allocated over  
their estimated useful lives and reported as depreciation expense.  
Also, assets contributed to the Town are not reported in the fund  
statements and are reported in the statement of activities.

Expenditures for capitalized assets	\$3,268,863	
Less current year depreciation	<u>(2,011,053)</u>	1,257,810

Revenues received in the current year that were accrued in the statement of activities in prior years		
Special assessments		(71,177)

Interest expense in the statement of activities differs from the amount reported in governmental funds because accrued interest was calculated for outstanding debt for the statement of activities, but is expensed when due for the governmental fund statements.		72,589
--	--	--------

Repayment of long-term debt are expenditures in the governmental  
funds, but the repayment reduces long-term liabilities in the statement  
of net assets.

Bond issuance costs	(41,593)	
Note payable principal retirement	36,941	
Bond principal retirement	<u>842,400</u>	837,748

Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		<u>(45,376)</u>
---	--	-----------------

Change in net assets of governmental activities		<u><u>\$4,226,758</u></u>
---	--	---------------------------

TOWN OF FLORENCE, ARIZONA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 2,592,291	\$ 2,592,291	\$ 4,149,664	\$ 1,557,373
Franchise fees	379,000	379,000	373,761	(5,239)
Licenses and permits	211,500	211,500	291,697	80,197
Intergovernmental revenues	5,215,365	5,215,365	5,231,428	16,063
Charges for services	579,355	579,355	601,672	22,317
Fines	155,560	155,560	147,152	(8,408)
Investment earnings	100,000	100,000	262,402	162,402
Contributions and donations	5,000	5,000	25,522	20,522
Miscellaneous	84,822	84,822	79,560	(5,262)
Total revenues	<u>9,322,893</u>	<u>9,322,893</u>	<u>11,162,858</u>	<u>1,839,965</u>
EXPENDITURES				
Current				
General government				
Town council	209,442	209,442	174,609	34,833
Administration	1,044,825	1,044,825	920,490	124,335
Legal	191,260	191,260	180,532	10,728
Finance	655,985	655,985	645,220	10,765
Human resources	173,545	173,545	168,949	4,596
Grants	125,645	125,645	93,800	31,845
Information technology	475,975	475,975	432,365	43,610
Public safety				
Courts	265,550	265,550	229,307	36,243
Police	3,423,964	3,423,964	3,189,919	234,045
Fire	2,039,297	2,039,297	1,930,361	108,936
Public works				
Engineering	209,325	209,325	121,186	88,139
Facilities maintenance	68,820	68,820	46,364	22,456
Culture and recreation				
Parks and recreation	1,188,392	1,188,392	1,093,084	95,308
Library	304,698	304,698	258,176	46,522
Cemetery	23,775	23,775	11,031	12,744
Community development				
Planning	660,800	660,800	619,369	41,431
Total expenditures	<u>11,061,298</u>	<u>11,061,298</u>	<u>10,114,762</u>	<u>946,536</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,738,405)</u>	<u>(1,738,405)</u>	<u>1,048,096</u>	<u>2,786,501</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,078,764	1,078,764	1,568,296	489,532
Transfers out	-	-	(5,966)	(5,966)
Sale of capital assets	5,000	5,000	1,034	(3,966)
Total other financing sources and uses	<u>1,083,764</u>	<u>1,083,764</u>	<u>1,563,364</u>	<u>479,600</u>
Net change in fund balance	<u>(654,641)</u>	<u>(654,641)</u>	<u>2,611,460</u>	<u>3,266,101</u>
Fund balance - beginning of year	<u>12,158,635</u>	<u>12,158,635</u>	<u>12,158,635</u>	<u>-</u>
Fund balance - end of year	<u>\$ 11,503,994</u>	<u>\$ 11,503,994</u>	<u>\$ 14,770,095</u>	<u>\$ 3,266,101</u>

See accompanying notes.



TOWN OF FLORENCE, ARIZONA  
HIGHWAY USER FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 2,638,361	\$ 2,638,361	\$ 2,367,641	\$ (270,720)
Investment earnings	40,000	40,000	105,933	65,933
Contributions and donations	-	-	75,000	75,000
Miscellaneous	4,100	4,100	20,869	16,769
Total revenues	<u>2,682,461</u>	<u>2,682,461</u>	<u>2,569,443</u>	<u>(113,018)</u>
EXPENDITURES				
Current				
Highways and streets	2,241,315	2,241,315	1,653,929	587,386
Capital outlay	<u>3,296,320</u>	<u>3,296,320</u>	<u>155,552</u>	<u>3,140,768</u>
Total expenditures	<u>5,537,635</u>	<u>5,537,635</u>	<u>1,809,481</u>	<u>3,728,154</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,855,174)</u>	<u>(2,855,174)</u>	<u>759,962</u>	<u>3,615,136</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,750	9,750	9,750	-
Transfers out	(383,650)	(383,650)	(259,432)	124,218
Sale of capital assets	<u>-</u>	<u>-</u>	<u>1,380</u>	<u>1,380</u>
Total other financing sources and uses	<u>(373,900)</u>	<u>(373,900)</u>	<u>(248,302)</u>	<u>125,598</u>
Net change in fund balance	<u>(3,229,074)</u>	<u>(3,229,074)</u>	<u>511,660</u>	<u>3,740,734</u>
Fund balance - beginning of year	<u>5,619,102</u>	<u>5,619,102</u>	<u>5,619,102</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,390,028</u>	<u>\$ 2,390,028</u>	<u>\$ 6,130,762</u>	<u>\$ 3,740,734</u>

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2012

	Business-type Activities-Enterprise Funds			
ASSETS				
Current assets	Water	Sewer	Sanitation	Total
Cash and cash equivalents	\$ 1,327,735	\$ 1,049,780	\$ 193,433	\$ 2,570,948
Receivables, net of uncollectibles	326,499	336,498	81,252	744,249
Prepaid expense	-	100,292	-	100,292
Total current assets	1,654,234	1,486,570	274,685	3,415,489
Noncurrent assets				
Investments	7,279,052	5,755,217	1,060,460	14,094,729
Capital assets:				
Land	120,100	273,973	-	394,073
Buildings and improvements	4,797,052	10,571,770	-	15,368,822
Machinery and equipment	722,015	284,263	1,071,071	2,077,349
Construction in progress	273,769	246,390	-	520,159
Less accumulated depreciation	(3,635,660)	(2,904,867)	(810,575)	(7,351,102)
Total capital assets, net	2,277,276	8,471,529	260,496	11,009,301
Total noncurrent assets	9,556,328	14,226,746	1,320,956	25,104,030
Total assets	11,210,562	15,713,316	1,595,641	28,519,519
LIABILITIES				
Current liabilities				
Accounts payable	3,451	-	-	3,451
Customer deposits	64,486	-	8,750	73,236
Accrued interest payable	-	83,094	-	83,094
Compensated absences	9,614	15,125	7,274	32,013
Notes payable	-	375,871	-	375,871
Total current liabilities	77,551	474,090	16,024	567,665
Noncurrent liabilities				
Notes payable	-	4,601,318	-	4,601,318
Total noncurrent liabilities	-	4,601,318	-	4,601,318
Total liabilities	77,551	5,075,408	16,024	5,168,983
NET ASSETS				
Invested in capital assets, net of related debt	2,277,276	3,494,340	260,496	6,032,112
Restricted for				
Debt service	-	1,669,711	-	1,669,711
Capital projects	100,263	344,436	47,625	492,324
Unrestricted	8,755,472	5,129,421	1,271,496	15,156,389
Total net assets	\$ 11,133,011	\$ 10,637,908	\$ 1,579,617	\$ 23,350,536

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	Business-type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating revenues				
Development fees	\$ -	\$ -	\$ 5,580	\$ 5,580
Water sales	2,748,106	-	-	2,748,106
Water connection fees	15,980	-	-	15,980
Service establishment fees	16,403	-	-	16,403
Sewer service fees	-	2,435,183	-	2,435,183
Sewer connection fees	-	2,850	-	2,850
DOC usage fees	-	727,018	-	727,018
Water standpipe	3,085	-	-	3,085
Hydro-sprinkler fees	425	-	-	425
Refuse collection fees	-	-	1,019,021	1,019,021
Effluent charges	9,342	-	-	9,342
Miscellaneous	266,882	48,756	25,099	340,737
Total operating revenue	<u>3,060,223</u>	<u>3,213,807</u>	<u>1,049,700</u>	<u>7,323,730</u>
Operating expenses				
Personal services	287,072	322,435	272,571	882,078
Supplies	48,175	138,108	87,497	273,780
Contractual services and maintenance	776,003	894,220	249,223	1,919,446
Other charges	-	74,658	-	74,658
Depreciation	182,414	298,784	89,958	571,156
Total operating expenses	<u>1,293,664</u>	<u>1,728,205</u>	<u>699,249</u>	<u>3,721,118</u>
Operating income	<u>1,766,559</u>	<u>1,485,602</u>	<u>350,451</u>	<u>3,602,612</u>
Nonoperating revenues (expense)				
Interest income	144,200	113,895	20,050	278,145
Interest expense	-	(91,530)	-	(91,530)
Total nonoperating revenues (expense)	<u>144,200</u>	<u>22,365</u>	<u>20,050</u>	<u>186,615</u>
Income before transfers	<u>1,910,759</u>	<u>1,507,967</u>	<u>370,501</u>	<u>3,789,227</u>
Transfers in	11,253	13,872	-	25,125
Transfers out	(360,300)	(298,348)	(111,752)	(770,400)
Change in net assets	<u>1,561,712</u>	<u>1,223,491</u>	<u>258,749</u>	<u>3,043,952</u>
Total net assets-beginning of year	<u>9,571,299</u>	<u>9,414,417</u>	<u>1,320,868</u>	<u>20,306,584</u>
Total net assets-end of year	<u>\$11,133,011</u>	<u>\$10,637,908</u>	<u>\$1,579,617</u>	<u>\$23,350,536</u>

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2012

	Business-type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 3,075,710	\$ 3,155,155	\$ 1,051,094	\$ 7,281,959
Payments to suppliers	(833,973)	(1,157,820)	(386,720)	(2,378,513)
Payments to employees	(285,020)	(323,753)	(271,790)	(880,563)
Net cash provided by operating activities	1,956,717	1,673,582	392,584	4,022,883
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	(360,300)	(298,348)	(111,752)	(770,400)
Transfers from other funds	11,253	13,872	-	25,125
Net cash used by noncapital financing activities	(349,047)	(284,476)	(111,752)	(745,275)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(169,599)	(16,529)	-	(186,128)
Principal paid on capital debt	-	(363,726)	-	(363,726)
Interest paid on capital debt	-	(97,603)	-	(97,603)
Net cash used by capital and related financing activities	(169,599)	(477,858)	-	(647,457)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(1,132,619)	(698,481)	(226,437)	(2,057,537)
Interest received	126,201	99,797	17,447	243,445
Net cash used by investing activities	(1,006,418)	(598,684)	(208,990)	(1,814,092)
Net increase in cash and cash equivalents	431,653	312,564	71,842	816,059
Cash and cash equivalents at beginning of year	896,082	737,216	121,591	1,754,889
Cash and cash equivalents at end of year	\$ 1,327,735	\$ 1,049,780	\$ 193,433	\$ 2,570,948

See accompanying notes.

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
Year Ended June 30, 2012

	Business-type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,766,559	\$ 1,485,602	\$ 350,451	\$ 3,602,612
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	182,414	298,784	89,958	571,156
(Increase) decrease in:				
Accounts receivable	3,344	(58,652)	(6,706)	(62,014)
Prepays	-	(50,834)	-	(50,834)
Increase (decrease) in:				
Accounts payable	(9,795)	-	-	(9,795)
Customer deposits	12,143	-	8,100	20,243
Due to others	-	-	(50,000)	(50,000)
Compensated absences	2,052	(1,318)	781	1,515
Total adjustments	190,158	187,980	42,133	420,271
Net cash provided by operating activities:	\$ 1,956,717	\$ 1,673,582	\$ 392,584	\$ 4,022,883

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2012

	<u>Pension Trust</u>
ASSETS	
Cash and cash equivalents	\$ 1,509
Investments	<u>292,931</u>
Total assets	<u>294,440</u>
LIABILITIES	
Accounts payable	<u>105</u>
Total liabilities	<u>105</u>
NET ASSETS	
Held in trust for pension benefits and other purposes	<u><u>\$ 294,335</u></u>

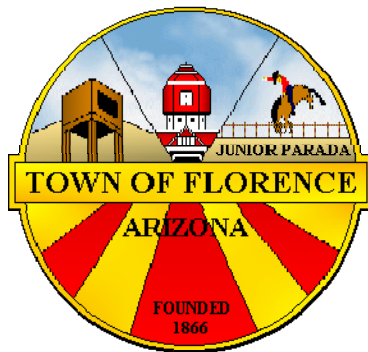
TOWN OF FLORENCE, ARIZONA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2012

	<u>Pension Trust</u>
ADDITIONS	
Contributions	
Employee	\$ 5,344
Investment earnings	
Interest	<u>10,575</u>
Total additions	<u>15,919</u>
DEDUCTIONS	
Pension withdrawals	<u>10,380</u>
Change in net assets	5,539
Net assets-beginning of year	<u>288,796</u>
Net assets-end of year	<u><u>\$ 294,335</u></u>

# **Notes to the Financial Statements**

---





TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Florence, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Town is a municipal entity governed by an elected Mayor and council. The basic financial statements of the town include the funds of all organizational entities for which the Town Council has oversight responsibility or financial accountability and are consequently determined to be included in the Town's financial reporting entity in accordance with Governmental Accounting Standards Board Statement No. 14, the Financial Reporting Entity. The Town provides basic government services to its citizens including roads, water, sewer, sanitation, parks and recreation facilities, police and fire.

Individual Component Units – Blended

The Merrill Ranch Community Facilities District #1 and Merrill Ranch Community Facilities District #2 were formed by petition to the Town Council on December 19, 2005 and November 21, 2005, respectively. The purpose of the Districts is to acquire or construct public infrastructure in specified areas of the Town. As special purpose districts and separate political subdivisions under the Arizona Constitution, the Districts may levy taxes and issue bonds independently of the Town. Property owned in the designated areas is assessed for the Districts' property taxes, and thus for the costs of operating the Districts. The Town Council serves as the Board of Directors of the Districts. The Town has no liability for the District's debt. For reporting purposes, the transactions of the Districts are included as governmental type funds as if they were part of the Town's operations.

No separate financial statements were prepared for the Districts.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) present financial information about the Town as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the Town. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, state-shared revenues, investment income and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Fund Balances – Governmental Funds

As of June 30, 2012, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of Town Council. Town Council is the highest level of decision-making authority for the Town. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by Town Council.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Town's adopted policy, only Town Council or the Town's Finance Director may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Fund Balances – Governmental Funds (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Town considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless Town Council or the Town's Finance Director has provided otherwise in its commitment or assignment actions.

The General Fund has Unassigned Funds consisting of a Stabilization Arrangement in the amount of \$1,587,493. The Stabilization Arrangement was legislated by the Town Council to set aside resources to cover unanticipated deficits or revenue reductions that may be caused by adverse economic conditions or public emergency. The amount of the Stabilization Arrangement is equal to \$500,000 plus 10% of the operating revenues.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental-wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule the effect of internal activity has been eliminated from the government-wide financial statements.

Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Property taxes, sales taxes, franchise taxes, licenses and permits, charges for service, special assessments and investment income associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Grants and similar awards are recognized as revenues as soon as all eligibility requirements imposed by the grantor or provider have been met. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received in cash. Deferred revenues also arise when the Town receives resources before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Delinquent property taxes have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting, the Town follows GASB guidance as applicable to its proprietary funds, and Financial Accounting Standards Boards Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB Pronouncements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's enterprise funds are charges to customers for water, wastewater, and sanitation services. Operating expenses for these funds include the cost of sales and services, administrative expenses and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major governmental funds:

General Fund - This fund is the general operating fund of the Town. It accounts for all financial resources of the Town, except those required to be accounted for in other funds.

Highway User Fund – Special Revenue Fund - This fund is used to account for the Town's share of tax revenues that are legally restricted to the maintenance of highways within the Town's boundaries.

Community Facilities Districts - Debt Service Fund - This fund accounts for the debt portion of the Town's Community Facilities Districts which are component units that provide general infrastructure and capital assets for the property within each District's boundaries.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Community Facilities Districts - Capital Improvements Fund - This fund accounts for all the acquisition and construction portion of the Town's Community Facilities Districts which are component units that provide general infrastructure and capital assets for the property within each District's boundaries.

Impact Fees Fund – Capital Improvements Fund - This fund collects fees to help defray the costs of development of infrastructure.

Capital Improvements Fund - This fund accounts for all the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The Town reports the following major proprietary funds:

Water Fund - This fund is used to account for the Town's water related operations.

Sewer Fund - This fund is used to account for the Town's sewer related operations.

Sanitation Fund - This fund is used to account for the activities of the Town's sanitation operations.

The Town reports the following fiduciary fund:

Pension Trust Fund - This Pension Trust Fund is used to account for the Town's Volunteer Firefighter's Pension Fund, a defined contribution plan for which the assets are held by the Town in a trustee account. The Town as well as the Town's firefighters make contributions to the fund. The Town's matching contribution is based on revenue received from the Firefighters Relief Fund but cannot be less than 1/2% of total compensation of all participants. If a participant terminates employment before being fully vested, then the non-vested portion of the terminated participant's account balance remains in the plan as a forfeiture. Forfeitures will be first used to pay any administrative expenses with the remaining used to reduce any the Town's contribution.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The Town's non-major funds are as follows:

Special Revenue Funds

Grants  
Economic Development  
Community Services  
Community Facilities District

Debt Service Fund

Capital Project Funds

Food Tax  
Construction Tax

Fiduciary funds are reported by fund type.

E. Cash and Cash Equivalents

Cash represents amounts in demand deposits and amounts held in trust by financial institutions. The funds held in trust are available to the Town upon demand. Cash equivalents are defined as short-term (original maturities of three months or less), highly liquid investments that are 1) readily convertible to known amounts of cash and 2) so near maturity that they present insignificant risk of changes in value because of changes in interest rates.

F. Investments

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's Local Government Investment Pool, interest-bearing savings account, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principle and interest by the U.S. government; and bonds of the State of Arizona counties, cities, school districts, and special districts as specified by statute.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments (Continued)

The Town's investments are reported at fair value. The State's investment pool is managed by the State Treasurer's office with no regulatory oversight. The pool is not required to register with the Securities and Exchange Commission under the 1940 Investments Advisors Act. The activity and performance of the pool is reviewed monthly by the State Board of Investment in accordance with A.R.S. §35-311. The Arizona State Treasurer issues a publicly available financial report that includes financial statements and required supplementary information. Copies may be obtained by contacting the Arizona State Treasurer, 1700 West Washington, Phoenix, Arizona 85007. The fair value of a participant's position in the pool approximates the value of that participant's pool share.

G. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of the interfund loans).

All trade and property tax receivables are shown net of allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivables allowance for uncollectibles.

Property taxes are levied by the Town and collected by the Pinal County Treasurer. Property taxes are levied no later than the third Monday in August and are payable in two installments due October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquent date. Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

H. Prepaid Items

Certain payments to vendors reflect the cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.



TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, vehicles, machinery, equipment, construction in progress, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Certain capital assets of the Town are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Improvement other than buildings	20-70
Vehicles, machinery and equipment	3-10

J. Compensated Absences

The Town's employee vacation and sick leave policies provide for granting vacation and sick leave with pay. Sick leave and vacation benefits accrue at the employee's current rate of pay. The current and long-term liabilities for accumulated vacation are reported on the government-wide financial statements and in the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignation and retirements. Resources from the General Fund are generally used to liquidate the governmental funds liabilities for compensated absences.

K. Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

M. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N. Budgetary Data

According to the laws of the State of Arizona, all operating budgets must be approved by their governing board on or before the second Monday in August to allow sufficient time for legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August.

In April, the proposed budget for the following fiscal year is presented by the Town Manager to the Town Council. The budget includes proposed expenditures and the means of financing them. Public meetings are held to obtain citizen comment.

Prior to June 30, the Town Council legally enacts the budget, through the passage of an ordinance. The ordinance sets the limit for expenditures for the year, within the voter mandated state expenditure limitation. Additional expenditures may be authorized if directly necessitated by a natural or man-made disaster as prescribed in the state constitution. There were no supplemental appropriations made during fiscal year 2012.

The maximum legal expenditure permitted for the year is the total budget as adopted. All funds of the Town have legally adopted budgets. The initial budget for the fiscal year may be amended during the year in a legally permissible manner. The Town adopts the budget by departments for the General Fund and by fund for all others.

The Town Manager is generally authorized to transfer budgeted amounts within any specific department's expenditure appropriation. Any budget revisions requiring a transfer between departments in the General Fund or a transfer between any other fund must be approved by the Town Council.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Budgetary Data (Continued)

All unencumbered expenditure appropriations expire at the end of the fiscal year.

Encumbered amounts are re-budgeted in the following year as deemed appropriate and necessary after review by the Budget Office. Budgetary carry forwards are approved by the Town Council.

The Town approves its annual budget consistent with Generally Accepted Accounting Principles (GAAP). GAAP requires that budgetary comparison statements for the General Fund and major governmental funds be presented in the annual financial statements. These statements must display original budget, amended budget and actual results (on a budgetary basis). The Town has also shown this information as supplementary schedules for other non-major governmental funds as well as enterprise funds.

O. Excess of Expenditures over Appropriations

For the year ended June 30, 2012, expenditures exceeded appropriations in the major Community Facilities Districts Debt Service fund and non-major Debt Service fund (the legal level of budgetary control) by \$132,056 and \$7,112, respectively. These over expenditures were funded by available fund balances.

NOTE 2 DEPOSITS AND INVESTMENTS

At June 30, 2012, the Town had \$1,550 of cash on hand. The carrying amount of the Town's cash in bank totaled \$1,547,783 and the bank balance was \$1,712,350. All of the Town's deposits at June 30, 2012 were covered by Federal Depository Insurance.

Investments

The Town's portfolio complies with Arizona Revised Statutes (ARS) and the City's investment policy. ARS authorizes the City to invest public monies in the State Treasurer's Local Government Investment Pool, interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of Arizona counties, cities, school districts, and special districts as specified by statute.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The Town invests in the Local Government Investment Pool 5 (LGIP), an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. The LGIP is not registered with the Securities Exchange Commission under the 1940 Investment Advisors Act. The State Board of Investment has oversight responsibilities of the investment pool in accordance with ARS 35-311. The pool's policy is to invest in fixed-rate securities with a final maturity less than 36 months from the settlement date of the purchase and variable-rate securities with final maturity less than 5 years. The dollar weighted average portfolio maturity is less than 240 days.

The net asset value per share of the pool at June 30, 2012 was \$1.00. The Arizona State Treasurer issues a publicly available financial report that includes financial statements and required supplementary information. Copies may be obtained by contacting the Arizona State Treasurer, 1700 West Washington, Phoenix, Arizona 85007.

Funds held in the State Treasurer's Local Government Investment Pool represent a proportionate interest in the pool's portfolio; however, the Town's portion is not identified with specific investments and is not subject to custodial credit risk. At June 30, 2012, the Town's funds invested with the State Treasurer totaled \$520,120.

At June 30, 2012, the Town held a repurchase agreement with National Bank that had a carry amount of \$7,312,344.

The Town's Community Facilities Districts have \$1,493,134 invested with Wells Fargo Brokerage Services. The accounts are invested in a money market fund that invests in U.S. government obligations and repurchase agreements.

The Town also holds \$49,361,347 invested with Stifel, Nicolaus & Company, Inc. The accounts are invested in U.S. Treasury securities, and U.S. Government bonds.

Other investments that the Town owns belong to the Town's Volunteer Fire Department. Funds totaling \$294,440 are held by Securian Retirement Services and consist of a money market fund and a variable annuity.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of Town's investments by maturity:

Investment Type	Total	Remaining Maturity (In Months)			Not Applicable
		12 Months or Less	13 to 24 Months	25 to 60 Months	
Primary Government					
Repurchase Agreement	\$ 7,312,344	\$ 7,312,344	\$ -	\$ -	\$ -
Money Market Funds	1,493,134	1,493,134	-	-	-
LGIP	520,120	520,120	-	-	-
U.S. Government Bonds	49,361,347	-	-	49,361,347	-
	<u>58,686,945</u>	<u>9,325,598</u>	<u>-</u>	<u>49,361,347</u>	<u>-</u>
Fiduciary Fund					
Money Market Funds	1,509	1,509	-	-	-
Variable Annuity	260,549	-	-	260,549	-
Equities	32,382	-	-	-	32,382
	<u>294,440</u>	<u>1,509</u>	<u>-</u>	<u>260,549</u>	<u>32,382</u>
Total	<u>\$ 58,981,385</u>	<u>\$ 9,327,107</u>	<u>\$ -</u>	<u>\$ 49,621,896</u>	<u>\$ 32,382</u>

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of year-end for each investment type.

Investment Type	Total	Ratings as of Year-End			
		AAAF/S1+	AA+	AA-	Unrated
Primary Government					
Repurchase Agreement	\$ 7,312,344	\$ -	\$ -	\$ -	\$ 7,312,344
Money Market Funds	1,493,134	-	1,390,968	-	102,166
LGIP	520,120	31,041	-	-	489,079
U.S. Government Bonds	49,361,347	-	49,361,347	-	-
	<u>58,686,945</u>	<u>31,041</u>	<u>50,752,315</u>	<u>-</u>	<u>7,903,589</u>
Fiduciary Fund					
Money Market Funds	1,509	-	-	-	1,509
U.S. Government Bonds	260,549	-	260,549	-	-
Equities	32,382	-	-	-	32,382
	<u>294,440</u>	<u>-</u>	<u>260,549</u>	<u>-</u>	<u>33,891</u>
Total	<u>\$ 58,981,385</u>	<u>\$ 31,041</u>	<u>\$ 51,012,864</u>	<u>\$ -</u>	<u>\$ 7,937,480</u>

Concentration of Credit Risk

At June 30, 2012, the Town held a repurchase agreement totaling \$7,312,344, which had an investment balance greater than five percent of total investments at that time.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 3 RECEIVABLES

Receivables, net of allowance for uncollectible as of year-end for the Town's individual major governmental funds, nonmajor governmental funds in the aggregate are as follows:

Receivables:	General	Highway User	Community Facilities Districts- Debt Service	Impact Fees	Capital Improvements	Non-Major Gov. Funds	Total Gov. Funds
Taxes	\$ 735,316	\$ 218,523	\$ -	\$ -	\$ -	\$ -	\$ 953,839
Interest	32,175	12,121	5,904	12,541	11,733	12,584	87,058
Accounts	359,585	-	-	-	-	-	359,585
Assessments	-	-	5,317,733	-	-	356,282	5,674,015
	<u>1,127,076</u>	<u>230,644</u>	<u>5,323,637</u>	<u>12,541</u>	<u>11,733</u>	<u>368,866</u>	<u>7,074,497</u>
Less:							
Allowance	-	-	-	-	-	-	-
Net receivables	<u>\$ 1,127,076</u>	<u>\$ 230,644</u>	<u>\$ 5,323,637</u>	<u>\$ 12,541</u>	<u>\$ 11,733</u>	<u>\$ 368,866</u>	<u>\$ 7,074,497</u>

The following table summarizes the Town's receivables for the enterprise funds as of June 30, 2012.

Receivables:	Water Fund	Sewer Fund	Sanitation Fund	Total
Interest	\$ 17,999	\$ 14,098	\$ 2,603	\$ 34,700
Accounts	313,923	325,700	85,364	724,987
	<u>331,922</u>	<u>339,798</u>	<u>87,967</u>	<u>759,687</u>
Less:				
Allowance	(5,423)	(3,300)	(6,715)	(15,438)
Net receivables	<u>\$ 326,499</u>	<u>\$ 336,498</u>	<u>\$ 81,252</u>	<u>\$ 744,249</u>

Revenues of the enterprise funds are reported net of uncollectible amounts. There were no uncollectible amounts related to revenues of the current period.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 4 CAPITAL ASSETS

A summary of capital assets activity for the fiscal year ended June 30, 2012 follows:

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 32,697,655	\$ -	\$ -	\$ 32,697,655
Construction in progress	241,496	2,772,410	-	3,013,906
Total capital assets not being depreciated	32,939,151	2,772,410	-	35,711,561
Capital assets, being depreciated:				
Buildings, infrastructure and improvements	48,453,473	-	-	48,453,473
Vehicles, furniture and equipment	7,278,998	496,453	(95,617)	7,679,834
Total capital assets being depreciated	55,732,471	496,453	(95,617)	56,133,307
Less accumulated depreciation for:				
Buildings and improvements	(13,872,543)	(1,515,697)	-	(15,388,240)
Vehicles, furniture and equipment	(5,492,847)	(495,356)	95,617	(5,892,586)
Total accumulated depreciation	(19,365,390)	(2,011,053)	95,617	(21,280,826)
Total capital assets, being depreciated, net	36,367,081	(1,514,600)	-	34,852,481
Governmental activities capital assets, net	\$ 69,306,232	\$ 1,257,810	\$ -	\$ 70,564,042



TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 4 CAPITAL ASSETS (Continued)

<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 394,073	\$ -	\$ -	\$ 394,073
Construction in progress	334,030	186,129	-	520,159
Total capital assets not being depreciated	728,103	186,129	-	914,232
Capital assets, being depreciated:				
Buildings, infrastructure and improvements	15,368,822	-	-	15,368,822
Vehicles, machinery and equipment	2,077,349	-	-	2,077,349
Total capital assets being depreciated	17,446,171	-	-	17,446,171
Less accumulated depreciation for:				
Buildings, infrastructure and improvements	(5,239,345)	(421,211)	-	(5,660,556)
Vehicles, machinery and equipment	(1,540,601)	(149,945)	-	(1,690,546)
Total accumulated depreciation	(6,779,946)	(571,156)	-	(7,351,102)
Total capital assets, being depreciated, net	10,666,225	(571,156)	-	10,095,069
Business-Type activities capital assets, net	\$ 11,394,328	\$ (385,027)	\$ -	\$ 11,009,301

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 188,310
Public safety	317,004
Highway and streets	1,415,263
Culture and recreation	73,816
Community development	16,660
Total depreciation expense	\$ 2,011,053
Business-type activities	
Water	\$ 182,414
Sewer	298,784
Sanitation	89,958
Total depreciation expense	\$ 571,156

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 5 NOTES PAYABLE

The Town has a note payable to a private party for the purchase of land. The note is payable in annual installments of \$69,748 including interest at 6%. The note is secured by a deed of trust, assignments of rents, security agreement and fixture filings. The balance was \$509,847 at June 30, 2012.

The Town signed a promissory note from the Water Infrastructure Finance Authority (WIFA) to be used for construction of a new sewer plant in the amount of \$7,500,000. As of June 30, 2012, the Town has an outstanding balance of \$4,977,189. Payments are due semi-annually including interest at 3.339%.

The Town signed a promissory note from the Water Infrastructure Finance Authority (WIFA) to be used for construction of sewer plant improvements in the amount of \$1,300,000. As of June 30, 2012, the Town has not drawn down any funds from this note. Payments are due semi-annually including interest at 3.750%.

The annual debt service requirements to maturity as of June 30, 2012, are as follows:

Year Ending, June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 39,157	\$ 30,591	\$ 375,871	\$ 160,011
2014	41,506	28,241	388,421	147,251
2015	43,997	25,751	401,390	134,065
2016	46,636	23,111	414,793	120,439
2017	49,435	20,313	428,643	106,357
2018 - 2022	289,117	53,351	2,367,700	303,550
2023 - 2027	-	-	600,371	10,072
Total	<u>\$ 509,848</u>	<u>\$ 181,358</u>	<u>\$ 4,977,189</u>	<u>\$ 981,745</u>

NOTE 6 BONDS PAYABLE

Bonds payable at June 30, 2012, consisted of the outstanding special assessment bonds presented below.

The bonds issued in 1994 to acquire Arizona Sierra Utility have an outstanding principal of \$440,000. The bonds are secured and payable from special assessments levied against the real property benefited by said improvements. If the assessments are not paid, the properties subject to such assessments are sold at auction. If there is no purchaser for any property offered for sale, the Town will get ownership of the property subject to any tax liens and will be liable for the remaining debt. The Town Council is required to appropriate from the General Fund of the Town the amount of the total unpaid assessments or the amount of each semiannual assessment until the total debt is paid.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 6        BONDS PAYABLE (Continued)

Community Facilities Districts (CFDs), special purpose districts created specifically to acquire or construct public infrastructure within specified areas of the Town, are authorized under state law to issue General Obligation (GO) bonds to be repaid by property taxes levied on property within the districts. CFDs are created by petition of the Town Council by property owners within the area to be covered by the district and debt may be issued only after approval of the voters within the district.

In June 2006 the Merrill Ranch Community Facilities District #2 assessment area one issued \$2,464,000 of special assessment bonds to finance capital improvements within the district. These bonds will be repaid by the property owners within the district. The Town of Florence has no obligation for the debt other than the administration of collection of the property taxes and payment of the debt service on behalf of the district.

In November 2006 the Merrill Ranch Community Facilities District #1 issued \$194,000 of Series 2006 GO bonds to finance capital improvements within the district. In August 2008 the Merrill Ranch Community Facilities District #1 issued \$4,390,000 of GO Series 2008A bonds to pay off the Series 2006 bonds of \$187,000 and used the remaining amount to finance a portion of the costs of acquiring certain public infrastructure within the boundaries of the District. These bonds will be repaid by the property owners within the district. The Town of Florence has no obligation for the debt other than the administration of collection of the property taxes and payment of the debt service on behalf of the district.

In September 2009 the Merrill Ranch Community Facilities District #1 assessment area two issued \$353,500 of special assessment bonds to finance capital improvements within the district. These bonds will be repaid by the property owners within the district. The Town of Florence has no obligation for the debt other than the administration of collection of the property taxes and payment of the debt service on behalf of the district.

In September 2009 the Merrill Ranch Community Facilities District #2 assessment areas two and three issued \$829,500 of special assessment bonds to finance capital improvements within the district. These bonds will be repaid by the property owners within the district. The Town of Florence has no obligation for the debt other than the administration of collection of the property taxes and payment of the debt service on behalf of the district. The first principal payment was due in July 2011.

In February 2010 the Merrill Ranch Community Facilities District #2 assessment area four issued \$203,000 of special assessment bonds to finance capital improvements within the district. These bonds will be repaid by the property owners within the district. The Town of Florence has no obligation for the debt other than the administration of collection of the property taxes and payment of the debt service on behalf of the district. The first principal payment was due in July 2011.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 6 BONDS PAYABLE (Continued)

In October 2010 the Merrill Ranch Community Facilities District #1 assessment area three issued \$290,500 of special assessment bonds to finance capital improvements within the district. These bonds will be repaid by the property owners within the district. The Town of Florence has no obligation for the debt other than the administration of collection of the property taxes and payment of the debt service on behalf of the district. The first principal payment was due in July 2012.

In November 2010 the Merrill Ranch Community Facilities District #2 assessment issued \$3,560,000 of Series 2010 GO bonds to finance capital improvements within the district. These bonds will be repaid by the property owners within the district. The Town of Florence has no obligation for the debt other than the administration of collection of the property taxes and payment of the debt service on behalf of the district. The first principal payment was due in July 2011.

A summary of long-term bond debt payable at June 30, 2012, follows:

Description	Interest Rate	Maturity	Outstanding Principal June 30, 2012	Due Within One Year
Utility Improvement District #1 Revenue Bonds 1994	8.45%	1/1/2019	\$ 440,000	\$ 52,000
Merrill Ranch CFD #1 Special Assessment Bonds 2006	4.30 - 5.30%	7/1/2030	2,063,000	123,000
Merrill Ranch CFD #2 Special Assessment Bonds 2006	4.30 - 5.30%	7/1/2030	2,122,000	124,000
Merrill Ranch CFD #1 General Obligation Bonds 2008A	6.00 - 7.40%	7/15/2033	4,130,000	85,000
Merrill Ranch CFD #1 Special Assessment Bonds 2009	9.00%	7/1/2034	338,900	5,020
Merrill Ranch CFD #2 Special Assessment Bonds 2009	9.00%	7/1/2034	805,700	11,770
Merrill Ranch CFD #2 Special Assessment Bonds 2010	7.75%	7/1/2035	202,000	3,130
Merrill Ranch CFD #1 Special Assessment Bonds 2010	7.50%	7/1/2035	290,500	4,660
Merrill Ranch CFD #2 General Obligation Bonds 2010	5.86%	7/15/2035	3,135,000	75,000
Total			<u>\$ 13,527,100</u>	<u>\$ 483,580</u>

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 7 CHANGES IN LONG-TERM LIABILITIES

Annual debt service requirements to maturity on governmental bonds payable at June 30, 2012 are summarized as follows:

Fiscal year ending June 30,	Governmental Activities	
	Principal	Interest
2013	\$ 483,580	\$ 853,709
2014	386,690	830,483
2015	404,980	810,436
2016	427,460	786,109
2017	448,150	760,371
2018 - 2022	2,443,060	3,352,891
2023 - 2027	3,085,320	2,504,609
2028 - 2032	3,868,200	1,348,923
2033 - 2036	1,979,660	226,493
Total	<u>\$ 13,527,100</u>	<u>\$ 11,474,024</u>

Long-term liabilities activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable	\$ 14,369,500	\$ -	\$ 842,400	\$ 13,527,100	\$ 483,580
Notes payable	546,788	-	36,941	509,847	39,157
Compensated absences	345,186	328,006	282,630	390,562	390,562
Governmental activities long-term liabilities	<u>\$ 15,261,474</u>	<u>\$ 328,006</u>	<u>\$ 1,161,971</u>	<u>\$ 14,427,509</u>	<u>\$ 913,299</u>
<b>Business-type activities:</b>					
Notes payable	\$ 5,340,915	\$ -	\$ 363,726	\$ 4,977,189	\$ 375,871
Compensated absences	30,499	30,249	28,735	32,013	32,013
Business-type activities long-term liabilities	<u>\$ 5,371,414</u>	<u>\$ 30,249</u>	<u>\$ 392,461</u>	<u>\$ 5,009,202</u>	<u>\$ 407,884</u>

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 8 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2012, interfund receivables/payables were to cover short term cash shortages between the Grants fund and the General fund.

At June 30, 2012, there were the following interfund transfers.

Fund	Transfers	Transfers
	Out	In
General Fund	\$ 5,966	\$ 1,568,296
Highway User	259,432	9,750
Capital Improvements	167,543	661,380
Non-Major Governmental Funds	1,234,719	173,509
Water	360,300	11,253
Sewer	298,348	13,872
Sanitation	111,752	-
Total	<u>\$ 2,438,060</u>	<u>\$ 2,438,060</u>

All transfers made during the year were to cover operations or debt service as approved during budget development, or were necessary for grant matching purposes.

NOTE 9 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; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has authority to assess its members additional premiums should reserve and annual premiums be insufficient to meet the pool's obligations. The Town has no known claims in excess of \$250,000 for the fiscal year ending June 30, 2012.

The maximum liability for the Town for the fiscal year is \$500,000 and the deductible is \$250,000 per occurrence.

The Town is insured by the Workers' Compensation Insurance Fund for potential worker-related accidents.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 10 CONTINGENT LIABILITIES

Federal and State grants and loans – The Town has received a number of grants and loans from both the Federal and State governments. Although the programs have been audited, not all audits have been approved as of June 30, 2012; however, the Town expects no material disallowances of expenditures.

NOTE 11 RETIREMENT PLANS

All full-time Town employees are covered by one of two contributory retirement and pension plans, which are administered by the State of Arizona under State Statute.

***Plan Description***

Arizona State Retirement Plan - The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefits pension plan that covers general employees of the Town. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of ARS Title 38, Chapter 5, Article 2. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. ASRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at Arizona State Retirement System, 3300 N. Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling (602) 240-2200 or (800) 621-3778.

Arizona Public Safety Personnel Retirement System - The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS acting as a common investment and administrative agent is governed by a five-member board, known as The Fund Manager, and 167 local boards according to the provisions of ARS Title 38, Chapter 5, Article 4. The Town contributes to one PSPRS plan for police and one for firefighters. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. PSPRS issues a publicly available report that includes financial statements and required supplementary information. The report may be obtained in writing at PSPRS, 3010 E. Camelback Rd., Suite 200, Phoenix, AZ 85016-4416 or by calling (602) 255-5575.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 11 RETIREMENT PLANS (Continued)

***Funding Policy***

Cost-sharing plan – The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates. For the years ended June 30, 2012, 2011 and 2010 active ASRS members and the Town were each required by statute to contribute at the actuarially determined rates of 10.74, 9.85 and 9.40 percent (rate includes 0.24, 0.25 and 0.40 for long-term disability) respectively of the member's annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2012, 2011, and 2010 were \$466,241, \$421,120, and \$416,033, respectively. The Town contribution for the current and two preceding years, all of which were equal to the required contributions, were as follows:

Years ended June 30,	Retirement	Health Insurance	Long-term Disability	Total
2012	\$ 427,605	\$ 28,218	\$ 10,418	\$ 466,241
2011	385,207	25,224	10,689	421,120
2010	369,119	29,211	17,703	416,033

Agent plans – The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates. For the year ended June 30, 2012, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 11.76% and 8.97% for covered payroll totaling \$185,994 and \$111,422 to the Plan for the Police and Firefighters, respectively.



TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 11 RETIREMENT PLANS (Continued)

**Annual Pension Cost**

The Town's pension cost for the agent plan for the year ended June 30, 2012, and related information follows:

Contribution Rates:	PSPRS – Police	PSPRS - Fire
City – retirement	10.55%	8.33%
City – health insurance premium	1.21%	0.64%
Plan members	7.65%	7.65%
Annual pension cost		
Retirement	\$ 166,857	\$ 103,472
Health insurance premium	\$ 19,137	\$ 7,950
Pension contributions made		
Retirement	\$ 166,857	\$ 103,472
Health insurance premium	\$ 19,137	\$ 7,950
Actuarial valuation date	June 30, 2010	June 30, 2010
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Actuarial assumptions:		
Investment rate of return	8.5%	8.5%
Projected salary increases	5.5% - 8.5%	5.5% - 8.5%
Includes inflation at cost-of-living adjustment	5.5%	5.5%
Amortization method	Level Percent Closed	Level Percent Closed
Remaining amortization period	26 years underfunded 20 years overfunded	26 years underfunded 20 years overfunded
Asset valuation method	7-year smoothed market	7-year smoothed market
Post retirement benefit increases	Based on Income	Based on Income

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 11 RETIREMENT PLANS (Continued)

Trend Information - Information for the PSPRS plan as of the most recent actuarial valuations follows:

Plan	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PSPRS - Police - Pension			
June 30, 2012	\$ 166,857	100.0%	-
June 30, 2011	152,628	100.0%	-
June 30, 2010	147,565	100.0%	-
PSPRS - Police - Health Insurance			
June 30, 2012	19,137	100.0%	-
June 30, 2011	17,007	100.0%	-
June 30, 2010	8,301	100.0%	-
PSPRS - Fire - Pension			
June 30, 2012	103,472	100.0%	-
June 30, 2011	87,688	100.0%	-
June 30, 2010	85,590	100.0%	-
PSPRS - Fire - Health Insurance			
June 30, 2012	7,950	100.0%	-
June 30, 2011	6,224	100.0%	-
June 30, 2010	3,854	100.0%	-

Schedule of Funding Progress - An analysis of funding progress for each of the agent plans as most recent actuarial valuations; June 30, 2010 reporting period determines the rates for fiscal year 2012. For this valuation, fiscal years prior to 2008 (which were prior to the implementation of GASB Statement Nos. 43 and 45), the pension and health insurance benefit amounts were aggregated. In fiscal year 2008, GASB Statement Nos. 43 and 45 measurements are made and reported, these benefits are disaggregated and reported separately.

**Actuarial Accrued Liability**

PSPRS - Florence Police Pension Plan:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ([b-a]/c)
June 30, 2010	\$ 3,443,211	\$ 3,242,614	\$ (200,597)	106.2%	\$1,570,453	-12.8%
2009	3,152,563	2,956,428	(196,135)	106.6%	1,673,904	-11.7%
2008	2,535,613	2,330,451	(205,162)	108.8%	1,635,384	-12.5%

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 11 RETIREMENT PLANS (Continued)

PSPRS - Florence Police Health Insurance Plan:

Valuation Date June 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ([b-a]/c)
2010	\$ -	\$ 122,574	\$ 122,574	0.0%	\$1,570,453	7.81%
2009	-	111,299	111,299	0.0%	1,673,904	6.65%
2008	-	64,999	64,999	0.0%	1,635,384	3.97%

PSPRS - Florence Fire Pension Plan:

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ([b-a]/c)
2010	\$ 1,310,962	\$ 983,701	\$ (327,261)	133.3%	\$1,077,609	-30.3%
2009	1,070,878	810,901	(259,977)	132.1%	1,099,057	-23.7%
2008	863,388	743,276	(120,112)	116.2%	1,143,644	-10.5%

PSPRS – Florence Fire Health Insurance Plan:

Valuation Date June 30,	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percent of Covered Payroll ([b-a]/c)
2010	\$ -	\$ 30,517	\$ 30,517	0.0%	\$1,077,609	2.83%
2009	-	23,781	23,781	0.0%	1,099,057	2.16%
2008	-	15,446	15,446	0.0%	1,143,644	1.35%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 11 RETIREMENT PLANS (Continued)

**Annual Required Contribution:**

PSPRS - Florence Police Health Insurance Plan:

Valuation Date June 30,	Fiscal Year Ended 30-Jun	Normal Cost (a)	Actuarial Accrued Liability (b)	Total (a+b)	Dollar Amount
2010	2012	0.74%	0.47%	1.21%	\$ 21,150
2009	2011	0.75%	0.41%	1.16%	21,612
2008	2010	0.54%	0.24%	0.78%	12,756

PSPRS – Florence Fire Health Insurance Plan:

Valuation Date June 30,	Fiscal Year Ended 30-Jun	Normal Cost (a)	Actuarial Accrued Liability (b)	Total (a+b)	Dollar Amount
2010	2012	0.47%	0.17%	0.64%	\$ 7,676
2009	2011	0.43%	0.13%	0.56%	6,850
2008	2010	0.38%	8.00%	8.38%	7,676

The Health Insurance Subsidy payments reported for valuation year 2010 were \$1,200 for the Police plan and no Health Insurance Subsidy payments reported for the Fire plan.

Florence Volunteer Firefighter Retirement Profit Sharing Plan and Trust Fund- The Florence Volunteer Firefighter Retirement Profit Sharing Plan and Trust Fund is a profit sharing thrift plan, which was approved by the Town Council on January 1, 1992, under Arizona Revised Statutes Section §9-981. The authority to establish and amend benefit provisions rests with the Town Council. In January, 2009, the council revised the pension and benefit program for the part-time firefighters.

The assets of the plan are valued annually and the earnings or loss is distributed among the participant's accounts in the plan. The only expenditures being made from this fund are administration fees, benefit payments, and refunds to those firefighters who leave the service of the Fire Department before becoming eligible for pension benefits. The cost of administering the plan is financed from the plans assets. Retirement with full benefits can be through termination of employment for reasons other than death, disability, or normal retirement. This plan was fully vested as of June 30, 2012. The Town's required matching contributions for the plan were covered by the accumulated forfeited funds for the year ended June 30, 2012. As of June 30, 2012, there were 8 eligible employees participating in the plan. The plan is administered by Securian Financial.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

NOTE 11 RETIREMENT PLANS (Continued)

As of June 30, 2012, the plan's assets consisted of the following:

The plan has never had an actuarial valuation; however, benefits cannot exceed plan assets. The market values of mutual funds are determined from readily available market quotations. The fund uses the accrual basis of accounting. Contributions are recognized when earned; benefits and refunds are expensed when incurred. Separate audited financial statements of this employee benefit plan are not available.

NOTE 12 COMMITMENTS

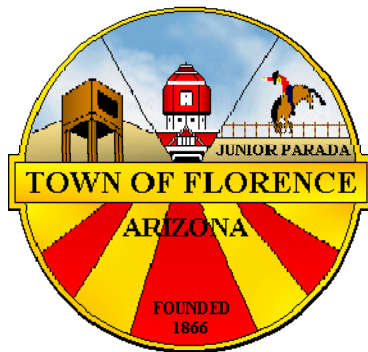
The Town entered into several contracts for construction. The following is a schedule of the balances at June 30, 2012 for work not yet completed.

Project - Contractor	June 30, 2012
<b>Public Safety Communications Project</b>	
<i>Canyon State Wireless</i>	\$ 415,000
<b>Police Evidence Project</b>	
<i>Halbert-Kroll Construction</i>	74,134
<i>Durrant</i>	19,181
<i>Construction Manager - Bonnie Barroila</i>	4,707
<i>RAR Architects</i>	213
Total Commitment Amount	<u>\$ 513,235</u>

# **Other Supplementary Information**

---

## **COMBINING NON-MAJOR FUNDS FINANCIAL STATEMENTS**



# **Non-Major Government Funds**

## **Financial Statements**

---

### **Special Revenue Funds**

- Grants Fund - Based on application to granting agencies by the Town and availability of funding by grantors.
- Community Services Fund – Funded from the fines and fees collected by the municipal court. These funds are directed to be spent upon Arizona Supreme Court or Arizona Revised Statutes authorized purposes.
- Economic Development Fund – Funded from ad valorem property tax collected to pay for the operation of the Streetlight Improvement Districts.
- Community Facilities Districts – CFD's represent special districts formed for the purpose of financing the acquisition, construction, operation and maintenance of the public infrastructure benefiting the community.

### **Debt Service Fund**

- This fund was established for the accumulation of resources and the servicing of long-term debt not being finance by the proprietary funds. Revenues are generated from Capital Improvement Fund.

### **Capital Projects Fund**

- Construction Tax Fund – Funded through town sales tax for governmental construction distributed from the State of Arizona. Ordinance No. 118A was passed by a tax initiative in 1989 and commits the funds for the construction of “facilities” in the Town of Florence. Funds are transferred to the Capital Improvement Fund to fund specific projects approved by the Town Council.
- Food Tax Fund – Funded through town sales tax for food for home consumption distributed from the State of Arizona. Ordinance No.117 was passed by a tax initiative in 1989 and commits the funds for the improvements to recreational grounds and facilities in the Town of Florence. Funds are transferred to the Capital Improvement Fund to fund specific projects approved by the Town Council.



TOWN OF FLORENCE, ARIZONA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2012

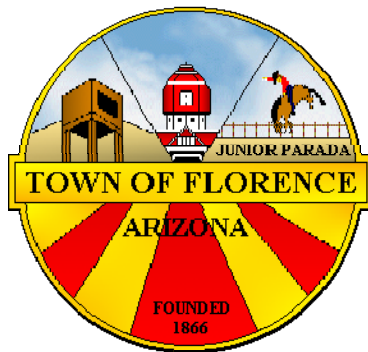
	Special Revenue			
	Grants	Economic Development	Community Services	Community Facilities Districts
ASSETS				
Cash and cash equivalents	\$ -	\$ 139,285	\$ 5,901	\$ 51,850
Receivables (net of allowance for uncollectibles)	-	1,761	77	686
Due from other governments	99,515	1,967	-	492
Prepays	-	-	-	-
Investments	-	763,603	32,352	284,255
Total assets	<u>\$ 99,515</u>	<u>\$ 906,616</u>	<u>\$ 38,330</u>	<u>\$ 337,283</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 50,925	\$ -	\$ -	\$ -
Deferred revenue	-	-	-	-
Total liabilities	<u>50,925</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable				
Prepaid items	-	-	-	-
Restricted				
Court	-	-	27,056	-
Debt service	-	-	-	-
Highways and Streets	41,704	-	-	-
Economic development	6,886	906,616	11,274	-
Community Facilities Districts operations	-	-	-	337,283
Committed				
Capital projects	-	-	-	-
Total fund balances	<u>48,590</u>	<u>906,616</u>	<u>38,330</u>	<u>337,283</u>
Total liabilities and fund balances	<u>\$ 99,515</u>	<u>\$ 906,616</u>	<u>\$ 38,330</u>	<u>\$ 337,283</u>

	Capital Projects		Total
Debt Service	Construction Tax	Food Tax	
\$ 18,411	\$ 549,948	\$ 212,290	\$ 977,685
356,515	7,161	2,666	368,866
-	-	-	101,974
88,338	-	-	88,338
100,936	3,014,985	1,163,841	5,359,972
<u>\$ 564,200</u>	<u>\$ 3,572,094</u>	<u>\$ 1,378,797</u>	<u>\$ 6,896,835</u>
\$ -	\$ -	\$ -	\$ 50,925
356,282	-	-	356,282
<u>356,282</u>	<u>-</u>	<u>-</u>	<u>407,207</u>
88,338	-	-	88,338
-	-	-	27,056
119,580	-	-	119,580
-	-	-	41,704
-	-	-	924,776
-	-	-	337,283
-	3,572,094	1,378,797	4,950,891
<u>207,918</u>	<u>3,572,094</u>	<u>1,378,797</u>	<u>6,489,628</u>
<u>\$ 564,200</u>	<u>\$ 3,572,094</u>	<u>\$ 1,378,797</u>	<u>\$ 6,896,835</u>

TOWN OF FLORENCE, ARIZONA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 For The Year Ended June 30, 2012

	Special Revenue			
	Grants	Economic Development	Community Services	Community Facilities Districts
REVENUES				
Taxes	\$ -	\$ 278,035	\$ -	\$ 72,811
Intergovernmental revenues	612,341	280,000	-	-
Charges for services	-	5,940	6,040	2,814
Fines	-	-	2,516	-
Special assessments	-	-	-	-
Investment earnings	-	21,156	1,129	5,520
Miscellaneous	3,654	56,081	4,729	-
Total revenues	615,995	641,212	14,414	81,145
EXPENDITURES				
Current:				
General government	60,321	40,485	183	33,192
Public safety	72,248	-	1,611	-
Public works	-	-	-	-
Community development	256,043	2,135	9,900	-
Capital outlay	274,101	282	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	662,713	42,902	11,694	33,192
Excess (deficiency) of revenues over (under) expenditures	(46,718)	598,310	2,720	47,953
OTHER FINANCING SOURCES (USES)				
Transfers in	103,374	387	-	-
Transfers out	(138,217)	(1,056,717)	(30,581)	-
Total other financing sources and uses	(34,843)	(1,056,330)	(30,581)	-
Net change in fund balances	(81,561)	(458,020)	(27,861)	47,953
Fund balances - beginning of year	130,151	1,364,636	66,191	289,330
Fund balances - end of year	\$ 48,590	\$ 906,616	\$ 38,330	\$ 337,283

Capital Projects			
Debt Service	Construction Tax	Food Tax	Total
\$ -	\$ 199,220	\$ 208,293	\$ 758,359
-	-	-	892,341
9,204	-	-	23,998
-	-	-	2,516
83,251	-	-	83,251
2,704	64,271	21,935	116,715
-	-	-	64,464
95,159	263,491	230,228	1,941,644
-	-	-	134,181
-	-	-	73,859
1,425	-	-	1,425
-	-	-	268,078
-	-	-	274,383
42,000	-	-	42,000
40,729	-	-	40,729
84,154	-	-	834,655
11,005	263,491	230,228	1,106,989
69,748	-	-	173,509
(9,204)	-	-	(1,234,719)
60,544	-	-	(1,061,210)
71,549	263,491	230,228	45,779
136,369	3,308,603	1,148,569	6,443,849
\$ 207,918	\$ 3,572,094	\$ 1,378,797	\$ 6,489,628

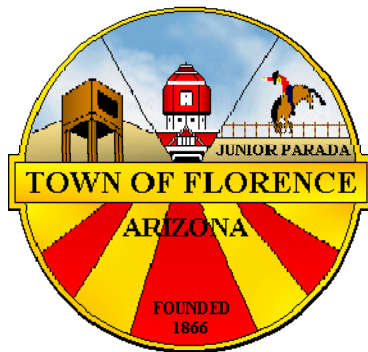


# Other Supplementary Information

---

## **BUDGETARY COMPARISON SCHEDULES**

MAJOR GOVERNMENTAL FUNDS



TOWN OF FLORENCE, ARIZONA  
COMMUNITY FACILITIES DISTRICTS DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 881,356	\$ 881,356	\$ 788,804	\$ (92,552)
Investment earnings	14,000	14,000	47,182	33,182
Total revenues	895,356	895,356	835,986	(59,370)
EXPENDITURES				
Current				
General government	58,124	58,124	58,597	(473)
Debt service				
Principal	655,400	655,400	800,400	(145,000)
Interest and fiscal charges	882,081	882,081	868,664	13,417
Total expenditures	1,595,605	1,595,605	1,727,661	(132,056)
Excess (deficiency) of revenues over (under) expenditures	(700,249)	(700,249)	(891,675)	(191,426)
OTHER FINANCING SOURCES (USES)				
Transfers in	55,650	55,650	-	(55,650)
Transfers out	(1,104)	(1,104)	-	1,104
Total other financing sources and uses	54,546	54,546	-	(54,546)
Net change in fund balance	(645,703)	(645,703)	(891,675)	(245,972)
Fund balance - beginning of year	3,856,451	3,856,451	3,856,451	-
Fund balance - end of year	\$ 3,210,748	\$ 3,210,748	\$ 2,964,776	\$ (245,972)



TOWN OF FLORENCE, ARIZONA  
COMMUNITY FACILITIES DISTRICTS CAPITAL IMPROVEMENTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Investment earnings	\$ -	\$ -	\$ 273	\$ 273
Total revenues	-	-	273	273
EXPENDITURES				
Current				
General government	75,000	75,000	1,750	73,250
Capital outlay	1,140,576	1,140,576	-	1,140,576
Total expenditures	1,215,576	1,215,576	1,750	1,213,826
Excess (deficiency) of revenues over (under) expenditures	(1,215,576)	(1,215,576)	(1,477)	1,214,099
OTHER FINANCING SOURCES (USES)				
Transfers out	(55,650)	(55,650)	-	55,650
Total other financing sources and uses	(55,650)	(55,650)	-	55,650
Net change in fund balance	(1,271,226)	(1,271,226)	(1,477)	1,269,749
Fund balance - beginning of year	716,333	716,333	716,333	-
Fund balance - end of year	<u>\$ (554,893)</u>	<u>\$ (554,893)</u>	<u>\$ 714,856</u>	<u>\$ 1,269,749</u>

TOWN OF FLORENCE, ARIZONA  
IMPACT FEES FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Charges for services	\$ 416,300	\$ 416,300	\$ 474,374	\$ 58,074
Investment earnings	45,100	45,100	124,574	79,474
Total revenues	461,400	461,400	598,948	137,548
EXPENDITURES				
Current				
Community development	60,000	60,000	37,935	22,065
Capital outlay	5,881,500	5,881,500	1,580,684	4,300,816
Total expenditures	5,941,500	5,941,500	1,618,619	4,322,881
Excess (deficiency) of revenues over (under) expenditures	(5,480,100)	(5,480,100)	(1,019,671)	4,460,429
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	-	(200,000)
Total other financing sources and uses	200,000	200,000	-	(200,000)
Net change in fund balance	(5,280,100)	(5,280,100)	(1,019,671)	4,260,429
Fund balance - beginning of year	6,747,160	6,747,160	6,747,160	-
Fund balance - end of year	\$ 1,467,060	\$ 1,467,060	\$ 5,727,489	\$ 4,260,429

TOWN OF FLORENCE, ARIZONA  
CAPITAL IMPROVEMENTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2012

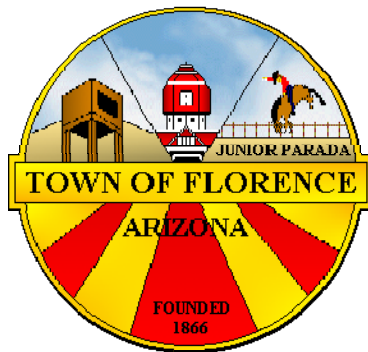
	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 900,000	\$ 900,000	\$ 1,073,689	\$ 173,689
Investment earnings	50,000	50,000	109,075	59,075
Total revenues	950,000	950,000	1,182,764	232,764
EXPENDITURES				
Current				
General government	155,105	155,105	134,400	20,705
Capital outlay	4,601,469	4,601,469	1,310,706	3,290,763
Debt service				
Principal	34,849	34,849	36,940	(2,091)
Interest and fiscal charges	34,898	34,898	32,807	2,091
Total expenditures	4,826,321	4,826,321	1,514,853	3,311,468
Excess (deficiency) of revenues over (under) expenditures	(3,876,321)	(3,876,321)	(332,089)	3,544,232
OTHER FINANCING SOURCES (USES)				
Transfers in	4,835,000	4,835,000	661,380	(4,173,620)
Transfers out	(265,394)	(265,394)	(167,543)	97,851
Total other financing sources and uses	4,569,606	4,569,606	493,837	(4,075,769)
Net change in fund balance	693,285	693,285	161,748	(531,537)
Fund balance - beginning of year	6,316,896	6,316,896	6,316,896	-
Fund balance - end of year	\$ 7,010,181	\$ 7,010,181	\$ 6,478,644	\$ (531,537)

# Other Supplementary Information

---

## **BUDGETARY COMPARISON SCHEDULES**

NON-MAJOR GOVERNMENTAL FUNDS



## TOWN OF FLORENCE, ARIZONA

## GRANTS

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

## BUDGET AND ACTUAL

Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental revenues	\$ 676,451	\$ 676,451	\$ 612,341	\$ (64,110)
Investment earnings	100	100	-	(100)
Miscellaneous	-	-	3,654	3,654
Total revenues	<u>676,551</u>	<u>676,551</u>	<u>615,995</u>	<u>(60,556)</u>
EXPENDITURES				
Current				
General government	63,615	63,615	60,321	3,294
Public safety	-	-	72,248	(72,248)
Community development	32,349	32,349	256,043	(223,694)
Capital outlay	<u>824,388</u>	<u>824,388</u>	<u>274,101</u>	<u>550,287</u>
Total expenditures	<u>920,352</u>	<u>920,352</u>	<u>662,713</u>	<u>257,639</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(243,801)</u>	<u>(243,801)</u>	<u>(46,718)</u>	<u>197,083</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	192,880	192,880	103,374	(89,506)
Transfers out	<u>(82,739)</u>	<u>(82,739)</u>	<u>(138,217)</u>	<u>(55,478)</u>
Total other financing sources and uses	<u>110,141</u>	<u>110,141</u>	<u>(34,843)</u>	<u>(144,984)</u>
Net change in fund balance	<u>(133,660)</u>	<u>(133,660)</u>	<u>(81,561)</u>	<u>52,099</u>
Fund balance - beginning of year	<u>130,151</u>	<u>130,151</u>	<u>130,151</u>	<u>-</u>
Fund balance - end of year	<u>\$ (3,509)</u>	<u>\$ (3,509)</u>	<u>\$ 48,590</u>	<u>\$ 52,099</u>

TOWN OF FLORENCE, ARIZONA  
ECONOMIC DEVELOPMENT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 293,961	\$ 293,961	\$ 278,035	\$ (15,926)
Intergovernmental revenues	983,870	983,870	280,000	(703,870)
Charges for services	1,200	1,200	5,940	4,740
Investment earnings	8,260	8,260	21,156	12,896
Miscellaneous	53,000	53,000	56,081	3,081
Total revenues	<u>1,340,291</u>	<u>1,340,291</u>	<u>641,212</u>	<u>(699,079)</u>
EXPENDITURES				
Current				
General government	77,200	77,200	40,485	36,715
Community development	477,076	477,076	2,135	474,941
Capital outlay	1,597,751	1,597,751	282	1,597,469
Total expenditures	<u>2,152,027</u>	<u>2,152,027</u>	<u>42,902</u>	<u>2,109,125</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(811,736)</u>	<u>(811,736)</u>	<u>598,310</u>	<u>1,410,046</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	320,237	320,237	387	(319,850)
Transfers out	<u>(23,500)</u>	<u>(23,500)</u>	<u>(1,056,717)</u>	<u>(1,033,217)</u>
Total other financing sources and uses	<u>296,737</u>	<u>296,737</u>	<u>(1,056,330)</u>	<u>(1,353,067)</u>
Net change in fund balance	<u>(514,999)</u>	<u>(514,999)</u>	<u>(458,020)</u>	<u>56,979</u>
Fund balance - beginning of year	712,344	712,344	712,344	-
Fund balance - end of year	<u>\$ 197,345</u>	<u>\$ 197,345</u>	<u>\$ 254,324</u>	<u>\$ 56,979</u>

TOWN OF FLORENCE, ARIZONA  
COMMUNITY SERVICES  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Charges for services	\$ 3,000	\$ 3,000	\$ 6,040	\$ 3,040
Fines	3,000	3,000	2,516	(484)
Investment earnings	720	720	1,129	409
Miscellaneous	6,000	6,000	4,729	(1,271)
Total revenues	<u>12,720</u>	<u>12,720</u>	<u>14,414</u>	<u>1,694</u>
EXPENDITURES				
Current				
General government	21,692	21,692	183	21,509
Public safety	2,450	2,450	1,611	839
Community development	42,608	42,608	9,900	32,708
Total expenditures	<u>66,750</u>	<u>66,750</u>	<u>11,694</u>	<u>55,056</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,030)</u>	<u>(54,030)</u>	<u>2,720</u>	<u>56,750</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(30,581)	(30,581)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(30,581)</u>	<u>(30,581)</u>
Net change in fund balance	<u>(54,030)</u>	<u>(54,030)</u>	<u>(27,861)</u>	<u>26,169</u>
Fund balance - beginning of year	66,191	66,191	66,191	-
Fund balance - end of year	<u>\$ 12,161</u>	<u>\$ 12,161</u>	<u>\$ 38,330</u>	<u>\$ 26,169</u>



TOWN OF FLORENCE, ARIZONA  
COMMUNITY FACILITIES DISTRICTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 81,356	\$ 81,356	\$ 72,811	\$ (8,545)
Charges for services	-	-	2,814	2,814
Investment earnings	1,700	1,700	5,520	3,820
Total revenues	83,056	83,056	81,145	(1,911)
EXPENDITURES				
Current				
General government	116,100	116,100	33,192	82,908
Total expenditures	116,100	116,100	33,192	82,908
Excess (deficiency) of revenues over (under) expenditures	(33,044)	(33,044)	47,953	80,997
OTHER FINANCING SOURCES (USES)				
Transfers in	2,874	2,874	-	(2,874)
Total other financing sources and uses	2,874	2,874	-	(2,874)
Net change in fund balance	(30,170)	(30,170)	47,953	78,123
Fund balance - beginning of year	289,330	289,330	289,330	-
Fund balance - end of year	\$ 259,160	\$ 259,160	\$ 337,283	\$ 78,123

TOWN OF FLORENCE, ARIZONA  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Charges for services	\$ 10,200	\$ 10,200	\$ 9,204	\$ (996)
Investment earnings	-	-	2,704	2,704
Total revenues	10,200	10,200	11,908	1,708
EXPENDITURES				
Current				
Debt service				
Principal	37,000	37,000	42,000	(5,000)
Interest and fiscal charges	38,617	38,617	40,729	(2,112)
Total expenditures	75,617	75,617	82,729	(7,112)
Excess (deficiency) of revenues over (under) expenditures	(65,417)	(65,417)	(70,821)	(5,404)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	69,748	69,748
Transfers out	(10,200)	(10,200)	(9,204)	996
Total other financing sources and uses	(10,200)	(10,200)	60,544	70,744
Net change in fund balance	(75,617)	(75,617)	(10,277)	65,340
Fund balance - beginning of year	136,369	136,369	136,369	-
Fund balance - end of year	\$ 60,752	\$ 60,752	\$ 126,092	\$ 65,340

TOWN OF FLORENCE, ARIZONA  
CONSTRUCTION TAX  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 157,000	\$ 157,000	\$ 199,220	\$ 42,220
Investment earnings	30,000	30,000	64,271	34,271
Total revenues	187,000	187,000	263,491	76,491
EXPENDITURES				
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	187,000	187,000	263,491	76,491
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,450,000)	(3,450,000)	-	3,450,000
Total other financing sources and uses	(3,450,000)	(3,450,000)	-	3,450,000
Net change in fund balance	(3,263,000)	(3,263,000)	263,491	3,526,491
Fund balance - beginning of year	3,308,603	3,308,603	3,308,603	-
Fund balance - end of year	\$ 45,603	\$ 45,603	\$ 3,572,094	\$ 3,526,491

## TOWN OF FLORENCE, ARIZONA

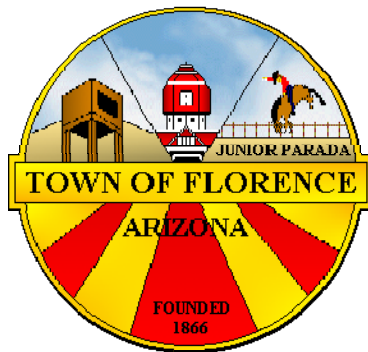
## FOOD TAX

## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

## BUDGET AND ACTUAL

Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 188,000	\$ 188,000	\$ 208,293	\$ 20,293
Investment earnings	8,600	8,600	21,935	13,335
Total revenues	196,600	196,600	230,228	33,628
EXPENDITURES				
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	196,600	196,600	230,228	33,628
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,335,000)	(1,335,000)	-	1,335,000
Total other financing sources and uses	(1,335,000)	(1,335,000)	-	1,335,000
Net change in fund balance	(1,138,400)	(1,138,400)	230,228	1,368,628
Fund balance - beginning of year	1,148,569	1,148,569	1,148,569	-
Fund balance - end of year	\$ 10,169	\$ 10,169	\$ 1,378,797	\$ 1,368,628



# Statistical Section

---

Town of Florence  
Net Assets by Component  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(Unaudited)

	Fiscal Year		
	2012	2011	2010
Governmental Activities			
Invested in Capital Assets, Net of Related Debt	\$ 56,527,000	\$ 54,390,000	\$ 58,303,000
Restricted	21,998,000	33,045,000	25,772,000
Unrestricted	<u>27,765,000</u>	<u>14,628,000</u>	<u>18,248,000</u>
Total Governmental Activities Net Assets	<u>106,290,000</u>	<u>102,063,000</u>	<u>102,323,000</u>
Business-type Activities			
Invested in Capital Assets, Net of Related Debt	6,032,000	6,053,000	6,012,000
Restricted	2,162,000	1,047,000	987,000
Unrestricted	<u>15,156,000</u>	<u>13,206,000</u>	<u>10,290,000</u>
Total Business-type Activities Net Assets	<u>23,350,000</u>	<u>20,306,000</u>	<u>17,289,000</u>
Primary Government			
Invested in Capital Assets, Net of Related Debt	62,559,000	60,443,000	64,315,000
Restricted	24,160,000	34,092,000	26,759,000
Unrestricted	<u>42,921,000</u>	<u>27,834,000</u>	<u>28,538,000</u>
Total Primary Government Net Assets	<u>\$ 129,640,000</u>	<u>\$ 122,369,000</u>	<u>\$ 119,612,000</u>

Note: The Town began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

\* Rounded to the nearest \$1,000

Table 1

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
\$ 57,868,000	\$ 50,480,000	\$ 38,967,000	\$ 31,151,000	\$ 24,622,000	\$ 14,226,000	\$ 13,658,000
22,567,000	22,965,000	24,945,000	21,237,000	6,655,000	-	
18,077,000	12,643,000	9,171,000	6,196,000	3,984,000	6,472,000	5,328,000
<u>98,512,000</u>	<u>86,088,000</u>	<u>73,083,000</u>	<u>58,584,000</u>	<u>35,261,000</u>	<u>20,698,000</u>	<u>18,986,000</u>
6,007,000	6,314,000	7,146,000	5,840,000	5,866,000	5,925,000	6,158,000
1,042,000	1,014,000	894,000	795,000	421,000	2,440,000	2,073,000
<u>8,392,000</u>	<u>8,022,000</u>	<u>5,824,000</u>	<u>6,464,000</u>	<u>5,455,000</u>	<u>2,762,000</u>	<u>2,230,000</u>
<u>15,441,000</u>	<u>15,350,000</u>	<u>13,864,000</u>	<u>13,099,000</u>	<u>11,742,000</u>	<u>11,127,000</u>	<u>10,461,000</u>
63,875,000	56,794,000	46,113,000	36,991,000	30,488,000	20,151,000	19,816,000
23,609,000	23,979,000	25,839,000	22,032,000	7,076,000	2,440,000	2,073,000
<u>26,469,000</u>	<u>20,665,000</u>	<u>14,995,000</u>	<u>12,660,000</u>	<u>9,439,000</u>	<u>9,234,000</u>	<u>7,558,000</u>
<u>\$ 113,953,000</u>	<u>\$ 101,438,000</u>	<u>\$ 86,947,000</u>	<u>\$ 71,683,000</u>	<u>\$ 47,003,000</u>	<u>\$ 31,825,000</u>	<u>\$ 29,447,000</u>



Town of Florence  
Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(Unaudited)

	Fiscal Year		
	2012	2011	2010
Expenses			
Governmental Activities:			
General Government	\$ 3,452,054	\$ 6,932,444	\$ 6,683,000
Public safety	4,008,506	5,313,251	5,571,657
Highways and streets	3,064,386	2,960,896	3,478,242
Public Works	202,167	41,693	28,195
Culture and recreation	1,450,633	1,257,819	1,394,734
Community Development	2,407,647	630,865	623,087
Interest on Long-term Debt	911,203	685,365	615,090
Total Governmental Activities Expenses	<u>\$ 15,496,596</u>	<u>\$ 17,822,333</u>	<u>\$ 18,394,005</u>
Business-type Activities			
Water	1,293,664	1,321,927	1,390,873
Liquid waste	\$ 1,819,735	\$ 1,806,536	\$ 1,900,408
Solid waste	699,249	661,964	663,473
Water impact fees			
Liquid waste impact fees		-	-
Solid waste impact fees			-
Total Business-type Activities Expenses	<u>\$ 3,812,648</u>	<u>\$ 3,790,427</u>	<u>\$ 3,954,754</u>
Total Primary Government Expenses	<u>\$ 19,309,244</u>	<u>\$ 21,612,760</u>	<u>\$ 22,348,759</u>

Note: The Town began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

Table 2

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
\$ 6,284,516	\$ 6,636,693	\$ 4,450,592	\$ 2,894,997	\$ 1,540,863	\$ 1,963,202	\$ 1,580,693
5,970,645	5,276,621	4,116,005	3,062,938	2,505,870	2,223,457	2,136,628
2,356,534	3,252,395	2,313,950	2,100,353	1,821,183	1,328,962	1,759,627
25,893	39,093	81,859	46,973	-	-	-
1,365,332	1,567,834	1,563,986	1,248,161	1,122,254	1,144,459	1,065,081
731,667	664,920	509,797	530,069	793,144	131,596	104,030
398,057	409,166	513,491	198,000	306,219	241,836	239,427
<u>\$ 17,132,644</u>	<u>\$ 17,846,722</u>	<u>\$ 13,549,680</u>	<u>\$ 10,081,491</u>	<u>\$ 8,089,533</u>	<u>\$ 7,033,512</u>	<u>\$ 6,885,486</u>
1,437,206	1,685,957	1,376,209	1,168,376	1,093,517	1,343,189	1,086,684
\$ 2,918,348	\$ 1,744,521	\$ 1,490,388	\$ 1,263,193	\$ 1,045,656	\$ 821,113	\$ 766,327
626,381	685,265	577,193	509,602	457,941	456,265	479,806
-	-	-	-	-	-	-
-	61,584	247,326	-	-	-	-
<u>\$ 4,981,935</u>	<u>\$ 4,177,327</u>	<u>\$ 3,691,116</u>	<u>\$ 2,941,171</u>	<u>\$ 2,597,114</u>	<u>\$ 2,620,567</u>	<u>\$ 2,332,817</u>
<u>\$ 22,114,579</u>	<u>\$ 22,024,049</u>	<u>\$ 17,240,796</u>	<u>\$ 13,022,662</u>	<u>\$ 10,686,647</u>	<u>\$ 9,654,079</u>	<u>\$ 9,218,303</u>

Continued

Town of Florence  
Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(Unaudited)

	Fiscal Year		
	2012	2011	2010
Program Revenue			
Governmental Activities:			
Fees, Fines and Charges for Services:			
General Government	\$ 733,487	\$ 947,188	\$ 942,808
Public safety	310,166	306,789	298,993
Highway and streets	-	-	-
Public Works			
Culture and recreation	7,401	9,466	10,390
Community Development	525,659	474,938	1,429,227
Interest on long-term debt	-	-	-
Operating Grants and Contributions	2,579,917	3,179,055	3,182,649
Capital Grants and Contributions	1,500,250	1,339,952	3,429,189
Total Governmental Activities Program Revenues	<u>\$ 5,656,880</u>	<u>\$ 6,257,388</u>	<u>\$ 9,293,256</u>
Business-type Activities			
Charges for Services:			
Water	2,793,341	2,961,152	2,597,067
Liquid waste	\$ 3,165,051	\$ 3,218,251	\$ 2,665,332
Solid waste	1,019,021	979,401	916,984
Water Impact Fees	-	-	11,101
Liquid waste	-	27,369	13,684
Solid waste	5,580	16,058	30,660
Operating Grants and Contributions	-	-	20,000
Capital Grants and Contributions	-	-	-
Total Business-type Activities Revenues	<u>6,982,993</u>	<u>7,202,231</u>	<u>6,254,828</u>
Total Primary Government Revenues	<u>\$ 12,639,873</u>	<u>\$ 13,459,619</u>	<u>\$ 15,548,084</u>
Net (Expense)/Revenue			
Governmental Activities	\$ (9,839,716)	\$ (11,564,945)	\$ (9,100,749)
Business-type Activities	3,170,345	3,411,804	2,300,074
Total Primary Government Net Revenue	<u>\$ (6,669,371)</u>	<u>\$ (8,153,141)</u>	<u>\$ (6,800,675)</u>

Note: The Town began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

Table 2

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
\$ 1,177,447	\$ 1,254,301	\$ 1,509,423	\$ 1,849,897	\$ 728,483	\$ 122,043	\$ 114,918
276,078	180,201	161,788	117,558	42,798	73,012	72,446
-	-	-	-	-	-	-
12,657	7,265	8,414	9,520	10,371	106,154	97,586
1,261,113	1,831,769	1,803,778	2,199,167	294,944	230,292	12,117
-	-	-	-	-	-	-
3,578,527	4,077,695	321,773	328,329	133,904	2,632,645	1,876,032
9,800,741	8,545,492	757,391	5,204,518	639,196	-	-
<u>\$ 16,106,563</u>	<u>\$ 15,896,723</u>	<u>\$ 4,562,567</u>	<u>\$ 9,708,989</u>	<u>\$ 1,849,696</u>	<u>\$ 3,164,146</u>	<u>\$ 2,173,099</u>
2,392,682	2,216,245	1,780,026	1,495,620	1,418,071	1,420,421	1,350,755
\$ 2,256,995	\$ 2,089,828	\$ 1,809,021	\$ 1,597,904	\$ 1,406,793	\$ 1,299,743	\$ 1,116,722
799,442	754,996	610,084	531,440	513,564	493,261	486,270
-	13,723	11,135	13,088	-	-	-
6,591	32,896	32,896	-	-	-	-
31,105	65,576	88,200	75,480	-	-	-
-	-	-	556,467	-	-	10,933
-	-	-	-	-	-	-
<u>5,486,815</u>	<u>5,173,264</u>	<u>4,331,362</u>	<u>4,269,999</u>	<u>3,338,428</u>	<u>3,213,425</u>	<u>2,964,680</u>
<u>\$ 21,593,378</u>	<u>\$ 21,069,987</u>	<u>\$ 8,893,929</u>	<u>\$ 13,978,988</u>	<u>\$ 5,188,124</u>	<u>\$ 6,377,571</u>	<u>\$ 5,137,779</u>
\$ (1,026,081)	\$ (1,949,999)	\$ (8,987,113)	\$ (372,502)	\$ (6,239,837)	\$ (3,869,366)	\$ (4,712,387)
504,880	995,937	640,246	1,328,828	741,314	592,858	631,863
<u>\$ (521,201)</u>	<u>\$ (954,062)</u>	<u>\$ (8,346,867)</u>	<u>\$ 956,326</u>	<u>\$ (5,498,523)</u>	<u>\$ (3,276,508)</u>	<u>\$ (4,080,524)</u>

Continued

Town of Florence  
Changes in Net Assets  
Last Ten Fiscal Years  
(accrual basis of accounting)  
(Unaudited)

	Fiscal Year		
	2012	2011	2010
<b>Governmental Revenues and Other Changes in Net Assets</b>			
Governmental Activities			
Sales taxes	\$ 4,907,353	\$ 3,099,031	\$ 3,707,169
Property taxes	1,863,163	1,832,156	2,096,826
Franchise taxes	373,761	371,757	371,537
Impact Fees			
State shared revenues-not restricted* to specific programs	5,231,428	4,852,275	5,443,456
Other		-	-
Investment income	766,154	195,754	334,969
Miscellaneous	179,340	272,229	254,305
Donation of capital assets	-	-	-
Transfers in (out)	745,275	681,590	703,556
Total Governmental Activities	<u>\$ 14,066,474</u>	<u>\$ 11,304,792</u>	<u>\$ 12,911,818</u>
Business-type activities			
Impact Fees			
Investment income	278,145	64,367	101,815
Miscellaneous	340,737	223,339	149,025
Transfers in (out)	(745,275)	(681,590)	(703,556)
Total Business-type Activities	<u>\$ (126,393)</u>	<u>\$ (393,884)</u>	<u>\$ (452,716)</u>
<b>Changes in Net Assets</b>			
Governmental Activities	\$ 4,226,758	\$ (260,153)	\$ 3,811,069
Business-type Activities	3,043,952	3,017,920	1,847,358
Total Primary Government	<u>\$ 7,270,710</u>	<u>\$ 2,757,767</u>	<u>\$ 5,658,427</u>

Table 2

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
\$ 4,282,871	\$ 5,737,272	\$ 3,726,230	\$ 1,841,988	\$ 1,215,402	\$ 1,057,422	\$ 1,003,599
1,840,508	985,758	341,664	277,249	264,550	247,197	196,650
366,481	358,071	288,426	231,441	212,421	197,816	185,483
6,196,804	6,174,545	9,381,226	8,126,473	6,478,198	3,313,637	3,262,697
-	-	98,502	84,985	88,116	-	-
19,251	1,135,669	1,239,799	539,299	187,057	74,551	(48,279)
163,863	237,361	349,265	443,340	515,841	531,283	375,386
-	-	7,711,966	11,880,996	9,805,747	-	-
580,388	326,795	348,792	269,736	269,736	-	100,000
<u>\$ 13,450,166</u>	<u>\$ 14,955,471</u>	<u>\$ 23,485,870</u>	<u>\$ 23,695,507</u>	<u>\$ 19,037,068</u>	<u>\$ 5,421,906</u>	<u>\$ 5,075,536</u>
\$ -						
(1,839)	315,277	393,180	240,958	120,596	59,340	(41,833)
169,364	500,657	81,230	56,795	22,391	13,241	5,839
(580,388)	(326,795)	(348,972)	(269,736)	(269,736)	-	(100,000)
<u>\$ (412,863)</u>	<u>\$ 489,139</u>	<u>\$ 125,438</u>	<u>\$ 28,017</u>	<u>\$ (126,749)</u>	<u>\$ 72,581</u>	<u>\$ (135,994)</u>
\$ 12,424,085	\$ 13,005,472	\$ 14,498,757	\$ 23,323,005	\$ 12,797,231	\$ 1,552,540	\$ 363,149
92,017	1,485,076	765,684	1,356,845	614,565	665,439	495,869
<u>\$ 12,516,102</u>	<u>\$ 14,490,548</u>	<u>\$ 15,264,441</u>	<u>\$ 24,679,850</u>	<u>\$ 13,411,796</u>	<u>\$ 2,217,979</u>	<u>\$ 859,018</u>

Concluded

Town of Florence  
Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(Unaudited)

	Fiscal Year		
	2012	2011	2010
General Fund			
Reserved			
Unreserved			11,107,505
Nonspendable	66,671	64,468	
Restricted			
Assigned			
Unassigned	14,703,424	12,094,137	-
Total General Fund	<u>\$ 14,770,095</u>	<u>\$ 12,158,605</u>	<u>\$ 11,107,505</u>
All Other Governmental Funds			
Reserved			
Unreserved Reported in:			
Special Revenue Funds			21,237,403
Capital Projects Funds			5,813,238
Nonspendable			
Special Revenue Funds	564,286		
Debt Service	88,338		
Restricted Reported in:			
Special Revenue Funds	6,528,607	5,148,785	
Capital Projects Funds	-	11,362,367	-
Community Facilities Districts	10,501,744	4,862,114	
North Florence Improvement Fund	119,580	136,369	
Committed Reported in:			
Capital Projects Funds	10,865,249		
Special Revenue Funds	-	652,292	
Assigned Reported in:			
Special Revenue Funds	595,691	1,220,968	
Capital Projects Funds		6,316,896	
Unassigned		-	
Total All Other Governmental Funds	<u>\$ 29,263,495</u>	<u>\$ 29,699,791</u>	<u>\$ 27,050,641</u>
Total All Governmental Funds	<u>\$ 44,033,590</u>	<u>\$ 41,858,396</u>	<u>\$ 38,158,146</u>

GASB Statement NO. 54 established new categories for reporting fund balance for Fiscal Year 2012. Fund balances are now reported as Restricted, Assigned, or Unassigned per the Town's Fund Balance Policy.

Table 3

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
10,344,343	9,115,927	4,377,961	1,419,261	3,387,077	1,845,522	1,509,755
-	-	-	-	-	-	-
<u>\$ 10,344,343</u>	<u>\$ 9,115,927</u>	<u>\$ 4,377,961</u>	<u>\$ 1,419,261</u>	<u>\$ 3,387,077</u>	<u>\$ 1,845,522</u>	<u>\$ 1,509,755</u>
20,758,170	17,623,491	19,339,248	15,547,047	6,673,323	4,626,540	3,818,586
4,747,749	3,616,560	4,670,109	4,594,214	-	-	
<u>\$ 25,505,919</u>	<u>\$ 21,240,051</u>	<u>\$ 24,009,357</u>	<u>\$ 20,141,261</u>	<u>\$ 6,673,323</u>	<u>\$ 4,626,540</u>	<u>\$ 3,818,586</u>
<u>\$ 35,850,262</u>	<u>\$ 30,355,978</u>	<u>\$ 28,387,318</u>	<u>\$ 21,560,522</u>	<u>\$ 10,060,400</u>	<u>\$ 6,472,062</u>	<u>\$ 5,328,341</u>



Town of Florence  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)  
(Unaudited)

	Fiscal Year		
	2012	2011	2010
<b>Revenues</b>			
Taxes*	\$ 9,511,918	\$ 8,197,401	\$ 9,090,410
Intergovernmental	6,123,769	5,230,895	5,728,725
Fines and forfeits	149,668	155,862	132,006
Licenses and permits	291,697	352,062	425,005
Charges for services	1,100,044	1,189,716	2,094,688
Investment income	766,154	191,295	334,969
Contributions	100,522	30,713	40,051
Special Assessments	840,591	866,452	810,148
Miscellaneous	164,893	265,314	203,882
Total Revenues	<u>19,049,256</u>	<u>16,479,710</u>	<u>18,859,884</u>
<b>Expenditures</b>			
General Government	2,944,893	3,429,221	3,314,037
Public Safety	5,423,446	4,966,311	5,214,936
Highways and streets	1,653,929	1,528,943	1,823,091
Public Works	168,975	1,425	2,427
Culture and recreation	1,362,291	1,134,885	1,298,065
Community Development	925,382	710,314	712,206
Capital outlay	3,321,325	4,397,001	4,632,680
Debt Service:			
Principal retirement	879,340	366,849	971,769
Interest and debt cost	942,200	786,733	672,634
Total Expenditures	<u>17,621,781</u>	<u>17,321,682</u>	<u>18,641,845</u>
Excess of Revenues over (under) Expenditures	<u>1,427,475</u>	<u>(841,972)</u>	<u>218,039</u>
<b>Other financing sources (uses)</b>			
Transfer in	2,412,935	1,223,451	2,006,197
Transfer out	(1,667,660)	(541,861)	(1,302,641)
Sale of Capital Assets	2,414	10,161	289
Proceeds of long-term debt	<u>-</u>	<u>3,850,500</u>	<u>1,386,000</u>
Total Other Financing Sources and (Uses)	<u>747,689</u>	<u>4,542,251</u>	<u>2,089,845</u>
Net Change in Fund Balances	<u>\$ 2,175,164</u>	<u>\$ 3,700,279</u>	<u>\$ 2,307,884</u>
Debt Service as a Percentage of Noncapital Expenditures	11.15%	8.93%	11.74%

\* Taxes consists of Sales taxes, Property taxes and Franchise taxes

\*\* Prior to implementation of GASB 34 in 2004, the Capital outlay number from the CAFR may not include All capital asset purchases.

Table 4

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
\$ 9,604,773	\$ 10,837,524	\$ 8,169,629	\$ 5,783,812	\$ 4,378,611	\$ 1,662,261	\$ 1,513,629
7,314,699	6,439,856	6,398,529	5,197,348	4,393,816	5,946,282	5,154,758
147,949	92,304	74,031	57,748	40,969	36,993	49,383
414,270	612,530	554,462	745,510	111,165	106,051	97,643
2,113,020	2,536,992	2,821,017	3,372,884	915,216	388,457	150,041
19,251	1,135,669	1,239,799	539,299	187,057	74,551	(48,279)
26,607	5,636	7,184	70,726	27,070	-	3,922
859,365	592,372	444,740	120,463	491,800	-	-
157,697	233,881	349,065	443,340	528,623	531,283	247,489
<u>20,657,631</u>	<u>22,486,764</u>	<u>20,058,456</u>	<u>16,331,130</u>	<u>11,074,327</u>	<u>8,745,878</u>	<u>7,168,586</u>
3,631,445	3,363,465	3,142,739	2,625,700	1,349,611	1,877,547	1,610,419
5,209,649	5,047,297	3,894,394	3,196,610	2,340,234	2,029,222	2,132,706
1,497,896	2,245,359	1,209,696	986,405	985,065	1,620,365	1,402,627
1,328	-	2,656	1,328	-	-	-
1,431,507	1,527,826	1,349,633	1,185,801	1,041,367	1,053,519	1,064,212
852,276	792,679	901,958	644,507	693,495	131,596	72,241
6,398,226	7,175,581	2,761,698	963,962	636,144	139,996	489,014
652,336	392,017	353,735	342,736	738,559	508,076	243,804
469,072	302,068	418,413	172,695	230,674	241,836	241,052
<u>20,143,735</u>	<u>20,846,292</u>	<u>14,034,922</u>	<u>10,119,744</u>	<u>8,015,149</u>	<u>7,602,157</u>	<u>7,256,075</u>
513,896	1,640,472	6,023,534	6,211,386	3,059,178	1,143,721	(87,489)
1,659,619	846,848	1,166,889	5,268,398	481,611	76,390	112,458
(1,079,231)	(520,053)	(817,917)	(4,998,662)	(211,875)	(76,390)	(112,458)
10,000	1,393	9,290	-	-	-	-
-	-	445,000	5,019,000	-	-	-
<u>590,388</u>	<u>328,188</u>	<u>803,262</u>	<u>5,288,736</u>	<u>269,736</u>	<u>-</u>	<u>-</u>
<u>\$ 1,104,284</u>	<u>\$ 1,968,660</u>	<u>\$ 6,826,796</u>	<u>\$ 11,500,122</u>	<u>\$ 3,328,914</u>	<u>\$ 1,143,721</u>	<u>\$ (87,489)</u>
8.16%	5.08%	6.85%	5.63%	13.14%	10.05%	7.16%

Table 5

Town of Florence  
Sales Tax Revenue by Industry  
Current Year and Ten Years Ago  
(Unaudited)

Industry	Fiscal Year					
	2012			2003		
	Tax Paid	Rank	Percentage of Total	Tax Paid	Rank	Percentage of Total
Retail Trade	\$ 724,980		14.79%	\$ 294,960		29.02%
Construction	1,445,595		29.49%	270,606		26.62%
Communications & Utilities	571,456		11.66%	-		0.00%
Restaurants/Bars	1,571,424		32.06%	73,337		7.21%
Real Estate, Rental, Leasing & Fire Insurance	132,974		2.71%	-		0.00%
Manufacture	56,674		1.16%	23,668		2.33%
Accommodation	61,804		1.26%	-		0.00%
Wholesale Trade	103,741		2.12%	39,838		3.92%
Mining	718		0.01%	2		0.00%
All Other	<u>168,022</u>		<u>3.43%</u>	<u>291,009</u>		<u>28.63%</u>
Total	<u>\$ 4,901,240</u>		<u>100.00%</u>	<u>\$ 1,016,543</u>		<u>100.00%</u>

Source: Arizona Department of Revenue  
Based upon June 30, 2012 reports. Will not agree with accrual of sales  
tax recorded in Financial Statements.

Table 6

Town of Florence  
Direct and Overlapping Sales Tax Rates  
As of June 30, 2012  
(Unaudited)

Type of Tax	Rates		
	Town	State and Pinal County	Combined
Privilege tax, except retail, utilities and telecommunication	2.00%	7.70%	9.70%
Retail	2.00%	7.70%	9.70%
Hotel/Motel	4.00%	7.70%	11.70%
Restaurant/Bar	2.00%	7.70%	9.70%
Utilities/Telecommunications	2.00%	7.70%	9.70%
Construction	4.00%	7.70%	11.70%

Sources: Town of Florence Department of Finance, Arizona Department of Revenue

Town of Florence  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
(Unaudited)

Governmental Activities					
Fiscal Year Ended	Community Facilities	North Florence Improvement District #1 Assessment Bonds	Town Construction Certificates of Participation	Equipment Loans	Streetlight Purchase Lease/Purchase
June 30	District Bonds				
	\$ -				
2012	13,405,600	\$ 440,000			
2011	13,887,500	\$ 482,000			
2010	10,241,000	\$ 610,000			
2009	9,476,000	655,000	250,000		22,892
2008	5,396,000	695,000	480,000		56,383
2007	5,464,000	735,000	710,000		88,885
2006	5,019,000	765,000	920,000	27,002	123,014
2005	-	795,000	1,120,000	83,162	153,550
2004	-	1,235,000	1,310,000	137,518	183,184
2003		1,275,000	1,495,000	567,765	

Table 7

Business-type Activities							
Town Building	Giles	Water Infrastructure Finance Authority	Water Infrastructure Improvements	Equipment Purchase	Total Primary	Percentage of Personal	Per
Loans	Loans	Loans	Revenue Bonds	Lease/Purchase	Government	Income	Capita
	\$ 509,847	\$ 6,176,897			20,532,344	\$2.16	\$ 753.08
	\$ 546,788	\$ 6,591,457			21,507,745	242.74%	\$ 786.78
	\$ 581,637	\$ 6,992,889			18,425,526	223.07%	\$ 721.55
	\$ 614,514	\$ 6,033,490			17,051,896	216.06%	\$ 657.25
25,000	\$ 645,530	\$ 6,203,819			13,501,732	188.46%	\$ 558.83
50,000	\$ 674,790	\$ 5,293,488			13,016,163	215.43%	\$ 593.52
	\$ 702,394	\$ 5,093,191			12,649,601	252.92%	\$ 602.46
	\$ 728,436	\$ 672,691			3,552,839	78.94%	\$ 175.59
	\$ 753,003	\$ 500,000	\$ 55,000		4,173,705	101.61%	\$ 239.98
	\$ 778,252	\$ 500,000	\$ 105,000	\$ 45,120	4,766,137	125.22%	\$ 276.11

Table 8

Town of Florence  
Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year Ended June 30	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage Estimated Actual Taxable Value of Property	Per Capita
2012	\$ -	\$ -	-	0.0%	\$ -
2011	-	-	-	0.0%	-
2010	-	-	-	0.0%	-
2009	-	-	-	0.0%	-
2008	-	-	-	0.0%	-
2007	-	-	-	0.0%	-
2006	-	-	-	0.0%	-
2005	-	-	-	0.0%	-
2004	-	-	-	0.0%	-
2003	-	-	-	0.0%	-

The Town of Florence had no GO Debt

Table 9

Town of Florence  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2012  
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (a)	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes and special assessment liens</b>			
State of Arizona	None	0.12%	None
Pinal County	None	3.40%	None
Pinal County Community College District	\$ 93,930,000	3.40%	\$ 3,197,506
Florence Unified School District No. 1	41,940,000	28.68%	12,029,754
Central Arizona Valley Institute of Technology	None	5.41%	None
Merrill Ranch Community Facilities District No. 1	4,045,000	100.00%	4,045,000
Merrill Ranch Community Facilities District No. 2	3,060,000	100.00%	3,060,000
<b>SPECIAL ASSESSMENT</b>			
Merrill Ranch Community Facilities District No. 1	2,954,900	100.00%	2,876,089
Merrill Ranch Community Facilities District No. 2	3,301,800	100.00%	3,212,800

(a) Proportion applicable to the Town of Florence, Arizona is computed on the ratio of secondary assessed valuation for FY 2011-2012.

Sources: Pinal County Department of Finance, Pinal County Assessor's Office and Official Statements.



Town of Florence  
Legal Debt Margin Information  
Last Ten Fiscal Years  
(Unaudited)

	Fiscal Year		
	2003	2004	2005
Secondary Assessed Value	\$ 25,270,305	\$ 26,476,376	\$ 27,008,838
<b><u>20% Limitation</u></b>			
Debt Limit Equal to 20% of Assessed Valuation	\$ 5,054,061	\$ 5,295,275	\$ 5,401,768
Total Debt Applicable to 20% Limit	-	-	-
Legal 20% Debt Margin (Available Borrowing Capacity)	<u>\$ 5,054,061</u>	<u>\$ 5,295,275</u>	<u>\$ 5,401,768</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 20% Debt Limit	0.00%	0.00%	0.00%
<b><u>6% Limitation</u></b>			
Debt Limit Equal to 6% of Assessed Valuation	\$ 1,516,218	\$ 1,588,583	\$ 1,620,530
Total Debt Applicable to 6% Limit	-	-	-
Legal 6% Debt Margin (Available Borrowing Capacity)	<u>\$ 1,516,218</u>	<u>\$ 1,588,583</u>	<u>\$ 1,620,530</u>
Total Net Debt Applicable to the 20% Limit as a Percentage of 6% Debt Limit	0.00%	0.00%	0.00%

Sources: Pinal County Assessor's Office.

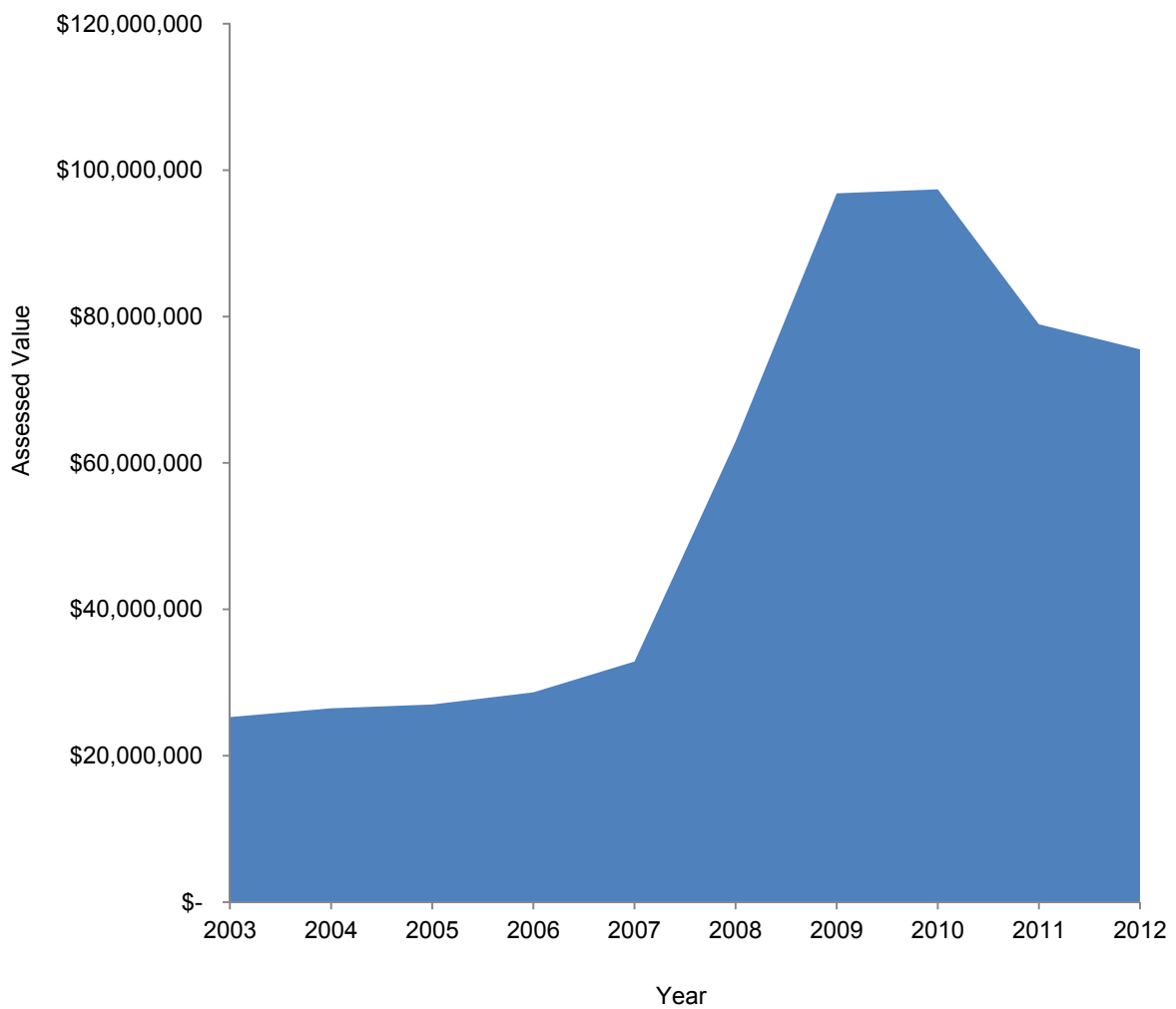
Note: Effective with fiscal years beginning 2006/07, general obligation bonded debt for transportation and public safety purposes became subject to the 10% debt limitation. Previously, general obligation bonded debt issued for these purposes were subject to the 6% debt limitation.

The Town of Florence had not GO Debt for the last 10 years

Table 10

Fiscal year						
2006	2007	2008	2009	2010	2011	2012
\$ 28,656,336	\$ 32,880,176	\$ 62,946,698	\$ 96,831,983	\$ 97,386,220	\$ 78,948,773	\$ 75,525,600
\$ 5,731,267	\$ 6,576,035	\$ 12,589,340	\$ 19,366,397	\$ 19,477,244	\$ 15,789,755	\$ 15,105,120
-	-	-	-	-	-	-
<u>\$ 5,731,267</u>	<u>\$ 6,576,035</u>	<u>\$ 12,589,340</u>	<u>\$ 19,366,397</u>	<u>\$ 19,477,244</u>	<u>\$ 15,789,755</u>	<u>\$ 15,105,120</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$ 1,719,380	\$ 1,972,811	\$ 3,776,802	\$ 5,809,919	\$ 5,843,173	\$ 4,736,926	\$ 4,531,536
-	-	-	-	-	-	-
<u>\$ 1,719,380</u>	<u>\$ 1,972,811</u>	<u>\$ 3,776,802</u>	<u>\$ 5,809,919</u>	<u>\$ 5,843,173</u>	<u>\$ 4,736,926</u>	<u>\$ 4,531,536</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Town of Florence  
Property Tax Secondary Assessments  
Last Ten Fiscal Years  
(Unaudited)



Town of Florence  
Pledged-Revenue Coverage  
Last Ten Fiscal Years  
(Unaudited)

Revenue Bonds					
Fiscal Year Ended June 30	Operating Revenue*	Debt Service Principal	Interest	Percent Coverage	
2012	\$ -	\$ -	\$ -	%	
2011	\$ -	\$ -	\$ -	%	
2010	\$ -	\$ -	\$ -	%	
2009	\$9,098,342	\$ 250,000.00	\$ 6,750.00	2.82%	
2008	\$12,471,397	\$ 235,000.00	\$ 19,845.00	2.04%	
2007	\$9,379,706	\$ 225,000.00	\$ 32,152.50	2.74%	
2006	\$6,398,120	\$ 210,000.00	\$ 43,575.00	3.96%	
2005	\$5,328,248	\$ 200,000.00	\$ 54,135.00	4.77%	
2004	\$4,647,772	\$ 190,000.00	\$ 63,985.00	5.46%	
2003	\$4,442,401	\$ 185,000.00	\$ 73,267.50	5.81%	

Water Infrastructure Improvements Revenue Bonds						
Fiscal Year Ended June 30	Operating Revenue	Less: Operating Expenses	Net Operating Revenue	Debt Service		Percent Coverage
				Principal	Interest	
2012	\$ 3,165,050	\$ 1,348,437	\$ 1,816,612	\$ 363,726	\$ 166,188	29.17%
2011	3,220,154	1,325,425	1,894,729	363,726	178,382	28.61%
2010	2,665,331	1,394,946	1,270,385	351,974	190,183	42.68%
2009	2,257,113	1,390,781	866,332	329,596	198,897	61.00%
2008	2,201,953	1,299,395	902,559	318,946	274,282	65.73%
2007	1,793,557	1,268,465	525,093	308,641	55,066	69.27%
2006	1,597,904	1,016,858	581,046	258,846	80,770	58.45%
2005	1,339,079	857,980	481,099	250,424	15,788	55.33%
2004	1,292,543	576,259	716,284	-	12,684	1.77%
2003	1,116,721	568,704	548,017	15,000	100	2.76%

Note Information regarding debt can be found in the "Ratios of Outstanding Debt by Type" Table of the Statistical Section of the CAFR, and the Notes to the Financial Statements.

\* The nature of the revenue pledged for the above revenue bond was excise taxes

Table 12

Town of Florence  
Demographic and Economic Statistics  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	CAAG Estimates City Population*	CAAG Estimates County Population*	County Personal Income <sup>+</sup>	County Per Capita Personal Income (in thousands)	AZ Dept of Education October Enrollment School Enrollment	Education Level in Years of Schooling	Town Unemployment Rate
2003	17,262	206,172	\$3,806,125	\$18	1,112	13 to 16	5.9%
2004	17,392	226,439	\$4,107,473	\$18	1,425	13 to 16	5.1%
2005	20,234	257,515	\$4,500,589	\$17	1,741	13 to 16	4.8%
2006	20,997	298,220	\$5,001,332	\$17	1,860	13 to 16	4.2%
2007	21,930	331,255	\$6,041,934	\$18	2,868	13 to 16	3.5%
2008	24,161	353,276	\$7,164,122	\$20	3,479	13 to 16	5.7%
2009	25,944	364,941	\$7,892,358	\$22	3,038	13 to 16	10.0%
2010	25,536	375,770	\$8,259,897	\$22	2,568	13 to 16	10.6%
2011	27,337	382,401	\$8,860,496	\$23	2,411	13 to 16	9.6%
2012	27,265	384,756	\$9,492,292	\$25	2,368	13 to 16	8.2%

Sources: Population, County Per Capita Income and City Unemployment Rate - Arizona Department of Commerce, Arizona Department of Economic Security, and Arizona Workforce Informer. School Enrollment - Arizona Department of Education ADMS 46-1 100th day counts. Local Area Unemployment Statistics (LAUS) Data.

\* 2012 amounts estimated based on an eight year trend

Table 13

Town of Florence  
Principal Employers  
Current Year and Ten Years Ago  
(Unaudited)

Major Employer <sup>1</sup>	Fiscal Year			Fiscal Year		
	2012			2003		
	Employees	Rank	Percentage of Total City Employment*	Employees	Rank	Percentage of Total City Employment*
State of Arizona	2,300	1	31.49%	2,950		49.88%
Pinal County Government	2,022	2	27.68%	1,385		23.42%
Florence Schools	1,331	3	18.22%	280		4.73%
Correctional Corporation of America	849	4	11.62%	1,202		20.32%
ICE	639	5	8.75%	N/A		0.00%
Town of Florence	163	6	2.23%	97		1.64%
Total	<u>7,304</u>			<u>5,914</u>		

<sup>1</sup>Source: Census and CAAG

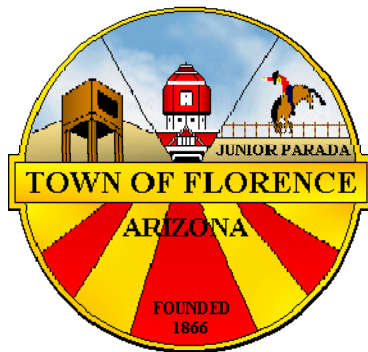


Table 14

Town of Florence  
Full-time Equivalent City Government Employees by Function  
Last Ten Fiscal Years  
(Unaudited)

Fiscal Year	Function/Program							Total
	General Government	Public Safety	Highways and Streets	Culture and Recreation	Redevelopment and Housing	Water Wastewater	Sanitation	
2003	16	37	14	14	1	3	4	89
2004	14	36	14	14	2	9	4	93
2005	14	36	15	13	2	9	4	93
2006	16	42	15	13	4	9	4	103
2007	23	64	29	16	9	15	5	161
2008	20	66	32	14	9	15	5	161
2009	28	66	32	16	9	15	5	171
2010	27	65	32	16	7	14	5	166
2011	28	65	30	15	6	14	5	163
2012	27	65	27	18	6	13	5	161

Source: Town Budget



Town of Florence  
Operating Indicators by Function  
Last Ten Fiscal Years  
(Unaudited)

Function	Fiscal Year		
	2012	2011	2010
<b>General Government</b>			
Registered voters*	4,122	-	3,984
Votes cast last primary election*	2,144	-	1,332
Election Turnout by percentage	52.01%	-	33.34%
<b>Town Court</b>			
Charges filed/charges adjudicated (resolved)	793	944	985
<b>Communications &amp; Public Information</b>			
News releases/media updates			
Traffic construction alerts	101	96	74
Total newsletter pages sent to citizens	6	5	5
Web pages created/updated	125	116	217
Number of visits to website	72,613	95,513	N/A
Number of web pages viewed	253,747	368,348	N/A
Number of graphics/photography projects completed	15	-	N/A
<b>Police</b>			
Total arrests	264	278	406
Moving violations citations	701	836	1,000
Total calls for service	5,450	4,996	5,757
Total 911 calls	5,023	5,392	5,849
Total Part I Crimes	214	296	351
<i>n/a = not available</i>			
<b>Fire</b>			
All Emergency Responses	2,083	2,074	2,042
Fire/Haz Mat Responses	114	102	108
Emergency Medical Responses	1,290	1,239	1,654
Other Responses (False Alarms, Mutual Aid, Extrication, rescue, etc.)	679	733	280
<b>Financial Services</b>			
accounts payable checks issued	3,856	3,883	4,105
payroll checks	5,018	4,765	5,105
purchase orders	4,035	4,070	4,159
<b>Planning and Development</b>			
Customer wait-time (in minutes) at One Stop Shop	1	1	<1
Total Number of Permits Issued	78	465	436
<b>Annexations</b>			
Number of Annexations	0	0	0
Acres	0	0	0

\* Voter registration is taken every two years.

All years denoted with a "-" indicate that the records for that specific statistic was not determined in that fiscal year.

Table 15

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
-	3,269	-	2,986	-	3,276	-
-	745	-	264	-	940	-
-	22.79%	-	8.80%	-	28.70%	-
1,185	1,039	654	N/A	N/A	N/A	N/A
88	84	83	47	33	-	-
4	3	2	1	-	-	-
239	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A	N/A
400	308	222	202	192	252	317
105	981	602	419	419	485	604
7,456	7,314	7,823	6,966	7,179	6,565	6,281
5,125	4,501	2,853	N/A	N/A	N/A	N/A
402	430	398	382	358	307	313
2,105	1,902	1,679	1,643	1,813	1,680	1,520
127	83	119	90	98	72	84
1,605	1,376	1,155	1,334	1,545	1,359	1,205
373	443	405	219	170	349	231
4,624	4,681	4,482	3,497	4,990	3,387	3,727
5,259	5,039	4,684	4,180	3,727	3,603	4,432
3,026	9	-	-	-	-	-
<1	5	5	4	<1	<1	<1
606	703	799	713	631	149	168
0	4	5	5	7	3	0
0	3,017.03	2,284.26	3,500.18	4,435.31	8,365.18	0

continued

Town of Florence  
Operating Indicators by Function  
Last Ten Fiscal Years  
(Unaudited)

Function	Fiscal Year		
	2012	2011	2010
<b>Human Resources</b>			
of new hires - Full Time	14	19	12
of new hires - Part Time	25	18	17
of Volunteers	54	77	98
<b>Parks, Recreation and Library</b>			
attending Park & Recreation facilities annually (Aquatics)	2,840	2,441	2,561
attending Parks & Recreation facilities (other)	843	2,828	2,037
of Library visits annually	118,121	119,254	130,636
of Library materials checked out annually	60,550	65,120	103,277
<b>Economic Vitality</b>			
Cash and Cash Investments	\$55,171,328	\$53,682,371	\$47,430,227
Annual Interest Earned	\$1,054,873	\$289,141	\$447,674
Average Investment Interest Rate	0.44%	0.56%	0.78%
Taxable Property-Net Assessed Valuation	\$73,128,711	\$72,667,376	\$79,665,623
Value of New Construction	\$1,137,668	\$3,837,152	\$11,033,947
Property Tax Levies	\$769,095	\$742,281	\$684,745
Property Tax Rates per \$100 NAV	\$1.0517	\$1.0413	\$0.9423
Sales Tax Revenue	\$4,907,352	\$3,099,032	\$3,707,168
Sales Tax growth (% annual change)	58.35%	-16.40%	-13.44%
* Private Construction Tax Revenue	\$1,073,689	\$1,038,587	\$1,341,861
+ Governmental Construction Tax Revenue	\$199,220	\$77,993	\$329,561
X Food Tax Revenue (For Home Consumption)	\$208,293	\$191,798	\$160,796
Construction Tax (% annual change)	31.71%	-43.89%	-30.11%
<b>Municipal Services</b>			
of homes serviced by Residential Refuse Collection	3,519	3,446	3,246
Tons of refuse and garbage hauled to transfer station/landfill	5,096	5,319	5,569
<b>Water</b>			
Water Service Connections	3,295	3,295	3,287
Water Consumption (millions gallons per day)	2.04	1.98	1.90
Water Consumption (millions gallons per year)	745	723	694
<b>Wastewater</b>			
Sewer Service Connections	3,268	3,268	3,260
Sewage Treated (millions gallons per day)	2.074	2.063	2.041
Sewage Treated (millions gallons per year)	757	753	745
<b>Other Public Works</b>			
Street resurfacing (miles)		3.4	1.4
Potholes repaired (estimate)	4,869	2,978	5,730
Streets/Roads Maintained (miles)	108.08	108.08	108.08
<b>Citizen &amp; Neighborhood Resources</b>			
of new Code Enforcement cases processed per year	19	43	80
<b>Neighborhood Revitalization</b>			
Home Emergency Repair (roofs, heating, air conditioning, etc.)	2	2	-
Houses rehabilitated or replaced	1	-	-

All years denoted with a "-" indicate that the records for that specific statistic was not determined in that fiscal year.

\* Town designated one-time revenue to Capital Projects Fund to fund general government - Residential Construction

+ Voter approved governmental construction tax to be placed in separate fund for construction of Town Facilities

X Voter approved food tax for home consumption to be placed in separate fund for construction of Recreational facilities and improvements.

Table 15

Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
14	39	39	31	23	14	15
19	36	20	36	14	31	20
65	59	50	48	43	57	45
3,216	3,081	2,386	2,662	392	2,411	1,436
2,500	1,584	22,972	8,929	17,015	15,425	10,888
154,645	119,564	113,957	147,100	119,895	92,995	91,301
98,114	77,756	60,922	55,975	47,746	47,917	43,606
\$40,710,021	\$37,675,221	\$31,383,324	\$24,088,098	\$15,668,661	\$11,654,319	\$9,817,684
\$26,886	\$1,461,240	\$1,643,454	\$788,853	\$317,059	\$143,908	\$79,802
1.06%	3.46%	4.46%	3.48%	1.71%	1.12%	1.40%
\$65,503,076	\$43,749,461	\$32,028,636	\$28,163,992	\$26,231,177	\$25,607,547	\$24,668,616
\$11,325,339	\$13,768,307	\$1,243,727	\$947,522	\$954,953	\$540,561	\$457,535
\$632,637	\$535,773	\$435,439	\$292,549	\$275,669	\$261,184	\$246,728
\$0.7942	\$0.8179	\$0.9953	\$0.9134	\$0.9788	\$0.9957	\$0.9635
\$4,282,871	\$5,737,272	\$3,726,230	\$1,841,988	\$1,338,104	\$1,057,423	\$1,003,599
-25.35%	53.97%	102.29%	37.66%	26.54%	5.36%	15.46%
\$1,813,108	\$0	\$0	\$0	\$0	\$0	\$0
\$412,046	\$164,634	\$538,040	\$666,749	\$201,798	\$172,225	\$215,331
\$190,841	\$133,466	\$38,373	\$34,094	\$48,229	\$33,068	\$39,941
-31.11%	71.39%	245.54%	114.30%	24.08%	-4.66%	162.97%
2,603	2,643	2,248	1,942	2,572	2,447	2,456
5,468	5,771	5,812	4,938	4,535	4,409	4,113
3,278	3,266	3,235	3,191	3,187	3,183	3,155
1.87	1.91	1.92	1.84	1.49	1.43	1.40
683	697	701	672	544	522	511
3,251	3,241	3,211	3,167	3,163	3,159	3,134
2,020	1,680	1.58	1.681	1.58	1.49	1.44
737	613	575	614	577	544	526
2.9	2.5	0.67	4.3	1.9	6	6.1
5,094	5,968	3,824	7,240	10,637	2,919	2,780
99.22	99.22	99.22	96.99	94.81	73.41	69.43
126	125	188	38	N/A	N/A	N/A
-	-	-	-	-	-	-
-	-	-	-	-	-	-

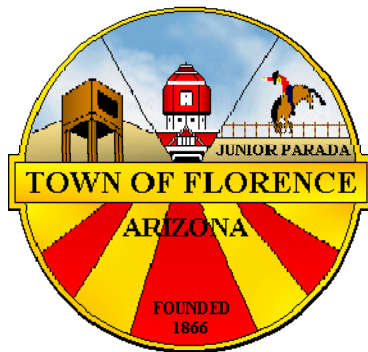
concluded

Town of Florence  
Capital Asset Statistics by Function  
Last Ten Fiscal Years  
(Unaudited)

Function	Fiscal Year		
	2012	2011	2010
<b>Public Safety</b>			
Police:			
Stations	1	1	1
Police Vehicles	44	42	41
Fire Stations			
Stations	2	2	2
Fire Apparatus	7	6	6
Other Vehicles	5	5	4
<b>Highways and Streets</b>			
Street (miles)	108	108	108
Streetlights	1,060	1,039	1,039
Traffic signals Own	2	1	1
Traffic signals Don't Own	2	2	2
<b>Culture and Recreation</b>			
Parks	8.00	8.00	8.00
Parks Acreage	288.73	288.73	288.73
Swimming Pools-Don't own-Partnership with school	1	1	1
Community Centers	-	-	-
Libraries-Don't Own-Partnership with school	1	1	1
<b>Wastewater</b>			
Sanitary Sewers (miles)	45.69	45.69	45.69
Storm Sewers (miles)	8.37	7.82	7.53
Treatment capacity (thousands of gallons)	2,920	2,920	2,920

Table 16

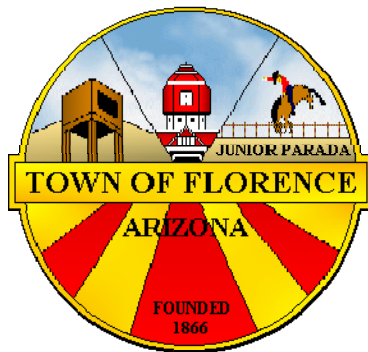
Fiscal Year						
2009	2008	2007	2006	2005	2004	2003
1	1	1	1	1	1	1
38	34	29	26	26	26	22
2	2	1	1	1	1	1
8	8	5	6	7	6	4
4	4	4	3	3	3	3
99	99	99	97	95	73	69
985	964	889	680	386	376	376
1	1	1	-	-	-	-
2	2	2	2	2	2	2
8.00	8.00	7.00	6.00	6.00	6.00	6.00
288.73	288.73	288.73	288.73	288.73	288.73	288.73
1	1	1	1	1	1	1
-	-	-	-	-	-	-
1	1	1	1	1	1	1
45.69	45.69	45.50	45.50	45.50	45.50	45.50
7.16	6.84	4.65	1.48	0.27	0.27	0.00
2,920	2,920	1,920	1,920	1,920	1,420	1,420



# Single Audit Section

---







HENRY & HORNE, LLP  
Certified Public Accountants

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

The Honorable Mayor and Council  
Town of Florence  
Florence, Arizona

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Florence, Arizona (the "Town"), as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements and have issued our report thereon dated October 22, 2012. 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.

Internal Control Over Financial Reporting

Management of the Town is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Tempe**  
2055 E. Warner Road  
Suite 101  
Tempe, AZ 85284-3487  
(480) 839-4900  
Fax (480) 839-1749

**Scottsdale**  
7098 E. Cochise Road  
Suite 100  
Scottsdale, AZ 85253-4517  
(480) 483-1170  
Fax (480) 483-7126

**Casa Grande**  
1115 E. Cottonwood Lane  
Suite 100  
Casa Grande, AZ 85122-2950  
(520) 836-8201  
Fax (520) 426-9432

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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*.

This report is intended solely for the information and use of management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Henry & Horne LLP*

Casa Grande, Arizona  
October 22, 2012



HENRY & HORNE, LLP  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133

The Honorable Mayor and Council  
Town of Florence  
Florence, Arizona

Compliance

We have audited Town of Florence, Arizona's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Town of Florence, Arizona's major federal programs for the year ended June 30, 2012. Town of Florence, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Town of Florence, Arizona's management. Our responsibility is to express an opinion on Town of Florence, Arizona's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Town of Florence, 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. Our audit does not provide a legal determination of Town of Florence, Arizona's compliance with those requirements.

In our opinion, Town of Florence, Arizona complied, in all material respects, with the 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, 2012.

**Tempe**  
2055 E. Warner Road  
Suite 101  
Tempe, AZ 85284-3487  
(480) 839-4900  
Fax (480) 839-1749

**Scottsdale**  
7098 E. Cochise Road  
Suite 100  
Scottsdale, AZ 85253-4517  
(480) 483-1170  
Fax (480) 483-7126

**Casa Grande**  
1115 E. Cottonwood Lane  
Suite 100  
Casa Grande, AZ 85122-2950  
(520) 836-8201  
Fax (520) 426-9432

### Internal Control Over Compliance

Management of the Town of Florence, Arizona is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Florence, 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 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Town Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Henry & Horne LLP*

Casa Grande, Arizona  
October 22, 2012

TOWN OF FLORENCE, ARIZONA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2012

Grantor/Program	CFDA Number	Grantor's Number	Expenditures
U.S. Department of Housing and Urban Development:			
Passed through Arizona Department of Housing			
2008 Community Development Block Grant	14.228	162-09	\$ 234,411 *
2010 Community Development Block Grant	14.228	110-11	10,389 *
Total U.S. Department of Housing and Urban Development			<u>244,800</u>
U.S. Department of the Interior			
Historic Preservation Fund	15.904		<u>1,500</u>
Total U.S. Department of the Interior			<u>1,500</u>
U.S. Department of Justice			
ARRA-Edward Byrne Memorial Grant	16.804		<u>16,811</u>
Total U.S. Department of Justice			<u>16,811</u>
U.S. Department of Energy			
Passed through Arizona Department of Commerce			
ARRA - 2010 Energy Efficiency and Conservation Block Grant	81.128	1016-10-17	20,291
Passed through Pinal County			
2010 Energy Efficiency and Conservation Block Grant	81.128	5- 5-10	<u>13,891</u>
Total U.S. Department of Energy			<u>34,182</u>
U.S. Department of Education			
Passed through Arizona Governor's Office of Economic Recovery			
ARRA - State Fiscal Stabilization Fund - History Hub	84.397	OER-11-IGA-GS-223	<u>10,515</u>
Total U.S. Department of Education			<u>10,515</u>
Executive Office of the President			
Passed through City of Tucson			
High Intensity Drug Trafficking Program 20	95.001	HT20-10-1814	7,804
High Intensity Drug Trafficking Program 21	95.001	HT21-10-1814	42,604
High Intensity Drug Trafficking Program 22	95.001	HT12-226	<u>33,608</u>
Total Executive Office of the President			<u>84,016</u>
U.S. Department of Homeland Security			
Assistance to Firefighters Grant	97.044		65,331
Passed through Arizona Department of Homeland Security			
Homeland Security Grant Program	97.067	444306-01	<u>280,000 *</u>
Total U.S. Department of Homeland Security			<u>345,331</u>
Total Expenditures of Federal Awards			<u>\$ 737,155</u>

\*denotes major program

TOWN OF FLORENCE, ARIZONA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

NOTE 1 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Florence and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

TOWN OF FLORENCE, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2012

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

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

\_\_\_ yes X no

\_\_\_ yes X none

Noncompliance material to financial statements noted?

\_\_\_ yes X no

Federal Awards

Internal control over major programs:

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

\_\_\_ yes X no

\_\_\_ yes X none

Type of auditors' report issued on compliance for major Programs noted below:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?

\_\_\_ yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant Program
97.067	Homeland Security Grant Program

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

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_ yes X no