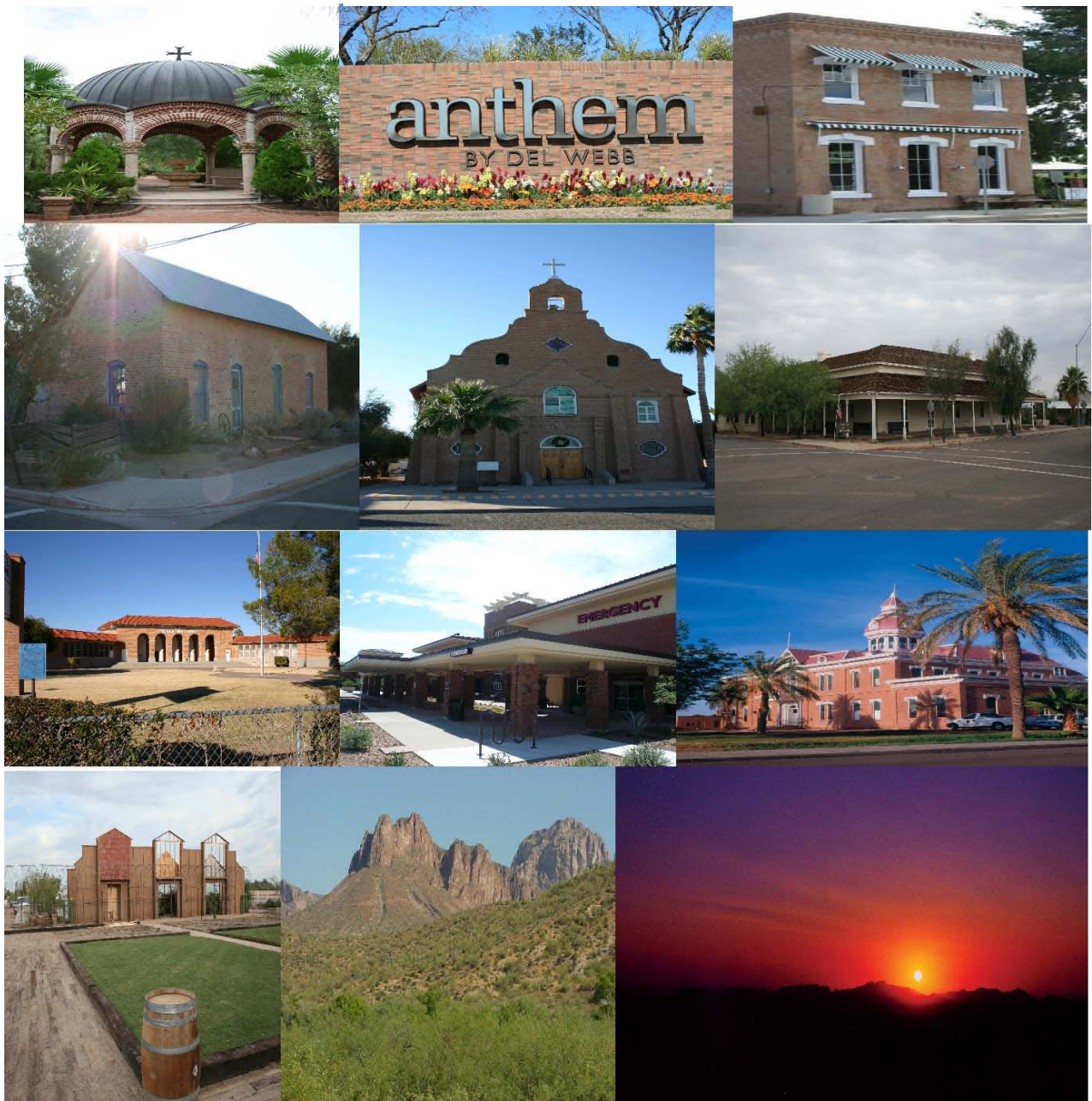




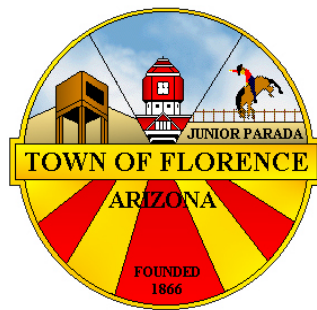
# Comprehensive Annual Financial Report

For the Year Ended  
June 30, 2013





**TOWN OF FLORENCE, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the fiscal year ending June 30, 2013**



Prepared by:  
Finance Department  
Michael Farina  
**Finance Director**



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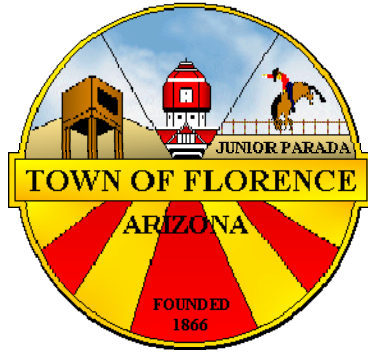
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## **INTRODUCTORY SECTION**





# Town of Florence

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

November 21, 2013

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

We are pleased to submit for your information and review, the Comprehensive Annual Financial Report (CAFR) of the Town of Florence, Arizona (the Town) for the year ended June 30, 2013. 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 this requirement, Henry & Horne LLP, a firm of licensed certified public accountants, has audited the Town's financial statements. The independent auditor has issued an unmodified ("clean") opinion on the Town's financial statements for the year ended June 30, 2013. Their report is presented as the first component of the financial section of this CAFR.

This report consists of management's representations concerning the finances of the Town. Responsibility for both the accuracy of the prepared data and the completeness and fairness of the presentation, including all disclosures, rests with the Town. To provide a reasonable basis for making those representations, management of the Town has established an internal control framework that is designed to both protect the assets of the Town from loss, theft or misuse and to allow for the compiling of sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of 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.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## PROFILE OF THE TOWN

The Town of Florence, Arizona is in Pinal County and is located between Phoenix and Tucson. Colonel Levi Ruggles, an Indian Agent, staked and platted the Town in 1866 and by the mid 1920's the area had become the agricultural center of Pinal County. Florence is the sixth oldest European settlement in the State of Arizona. The Town was incorporated in 1900, making it the

fifth oldest town in the state and its downtown is designated as an official “Historic District”. Florence is the county seat and has been since its formation in 1875.

Florence, elevation 1,493 feet, was built along the Gila River surrounded by the beautiful Sonoran Desert and the Superstition and Pinal Mountains, which provide scenic views for the enjoyment of life in a peaceful community. Additionally, Florence enjoys year-round sunshine, which provides an ideal place for retirement.



The Town currently encompasses an area of 62.1 square miles and an estimated population of 27,614. State statutes empower the Town to levy a property tax on real and personal property within its boundaries. The Town 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.

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. 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. The Town Council also appoints the Town Attorney and Town Magistrate.

The financial reporting entity of the primary government (the Town) includes all of its funds and its blended component units, Merrill Ranch Community Facilities District #1 and Merrill Ranch Community Facilities District #2 (CFDs). Component units are legally separate entities for which the primary government is financially accountable.



The CFDs were formed in 2005 by the Town pursuant to the Community Facilities District Act of 1988, constituting Title 48, Chapter 4, Article 6 of the Arizona Revised Statutes and in response to a petition by all of the owners of land within the district area. The districts were formed to provide a method of financing (including the issuance of general obligation bonds and special assessment bonds) certain public infrastructure within the district. These component units are included in the Town’s financial statements

because the Town Council members serve as the Board of Directors for each district. For more information on these legally separate entities, please refer to Note 1A in the notes to the financial statements.

The Town provides a full range of services, including police and fire protection; construction and maintenance of highways, streets and other infrastructure; cultural and recreational activities; and sanitation, water and sewer utilities.

State law requires that on or before the third Monday in July of each fiscal year, the Town Council must adopt a tentative budget. Once this tentative budget has been adopted, the expenditures may not be increased upon final adoption; however, they may be decreased. The tentative budget sets the Town's maximum limits for expenditure. There is no specific date set by state law for adoption of the budget; however, due to the state law required deadline for the adoption of the property tax levy, the deadline for adoption of the final budget effectively becomes the first Monday in August.

## LOCAL ECONOMY

Since 1912, the industry of corrections has been a source of employment for people in Pinal and other counties. This industry alone provides approximately 3,500 employment opportunities and consists of Arizona State Prison facilities, Corrections Corporation of America facilities and GEO Group. Florence is also home to a number of local, county, state and federal agencies, which provide approximately 2,700 full-time employment opportunities. These agencies include the Town of Florence, Pinal County, the Florence Unified School District, the Arizona National Guard and the United States Immigration and Customs Enforcement.

Florence is a major employment area with approximately 75 percent of its work force commuting into the area on a daily basis. It is estimated that over 5,000 commuters travel to Florence for work on a daily basis. Additionally, many agricultural products, including cotton, alfalfa, cattle, grains and grapes are cultivated in the area and the Town's business district still resides on Main Street.

The annexation of Merrill Ranch in 2004 added 8,970 acres of land, which is planned to be developed as a mixed use, master-planned community. Construction has already started in Anthem at Merrill Ranch, which is, at 3,191 acres, one of Arizona's largest master-planned communities. To date, there are nearly 2,000 single-family homes completed and many other fine amenities, including two community centers, an 18-hole golf course and an outdoor swimming pool and water park. With commercial expansion and another 6,500 homes planned, Anthem is sure to add to the Town's economy, let alone the entire Merrill Ranch annexation area.



During the economic downturn, as with most municipalities in the nation, unemployment has risen sharply over the past several years. The Town's unemployment rate rose from 7.1 percent in 2008, peaked at 21.3 percent in 2011 and was most recently measured at 18.1 percent.

The makeup of Town governmental revenue has remained relatively consistent over the past ten years, with state-shared revenue, local sales tax and charges for services being the largest sources, in that order. State-shared revenue is primarily based on population and represented approximately 48 percent of the total 2013 fiscal year revenue. Worth noting, prison inmates make up more than 50 percent of the total population. Sales tax made up 21 percent this year and charges for services made up 8 percent.

## **LONG-TERM FINANCIAL PLANNING**

The Town is strategically planning for its economic and financial future. During the 2014 fiscal year budget process, the Town set forth the following strategic goals.

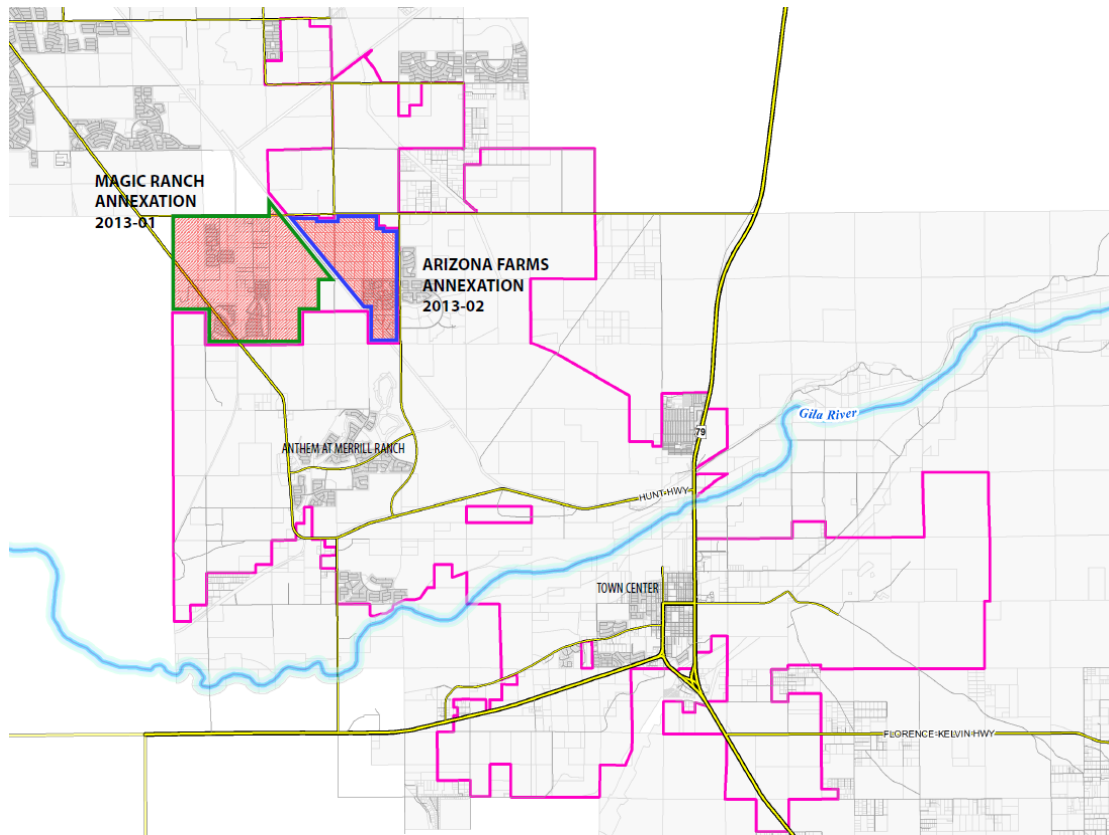
- Expanding the tax base through annexations and economic development outreach through evaluation of potential annexations within the Town's planning area and around major transportation corridors. A clear and distinct message about the Town will be developed and a strategy will be developed to bring businesses that are needed into the Town.
- Secure the Town's long-term water program for future growth. First of all, a number of capital projects will be completed in the upcoming year. An evaluation of existing infrastructure of water and wastewater lines will be completed. The Town will work with our utility partners that also provide water and wastewater services to Town residents. Acquisition of physical water for long-term future growth will also be looked at.
- The downtown corridor will be revitalized through beautification and business investment.
- Strategically invest in the planning for continued growth by working with major home builders to encourage additional development and attract and work with developers to provide unique home solutions, retail destinations and restaurants.

## **MAJOR INITIATIVES**

The Town started pursuing a couple of annexations, Magic Ranch and Arizona Farms (Crestfield Manor and Wildhorse Estates), that would add six square miles to the Town's northern boundary. Estimated population of the combined proposed annexation areas is 4,267 with 1,672 homes. In addition to the existing homes, the annexations would add future growth capabilities. In fact, together, the two annexations already have over 1,000 lots that are ready for vertical development, with construction in Magic Ranch already started. It is anticipated that the annexation could occur as soon as the fourth quarter of the next fiscal year if the annexation petition by the land owners within the annexation areas is successful. A 10-year pro forma fiscal impact analysis of the annexations was performed, which concluded that the annexations would generate a positive fund balance within a 10 year timeframe.

Planning for Territory Square (formerly known as the North End Framework Vision Plan) began in 2010. This multi-faceted, multi-owner project strategically crafts a variety of economic, planning and engineering enhancements on 623 acres along the Gila River. The plan has been embraced by the community and received unanimous approval by the Town Council and Planning and Zoning Commission this year. With plan approval accomplished, there are still

many steps to bring this plan to life, which, when complete will enhance not only the Town's economy but its beauty near the Town's core – historic Florence.



## RELEVANT FINANCIAL POLICIES

The Town's fund balance policy covers the General Fund, Highway User Revenue Fund and enterprise funds. In the General Fund, fund balance must retain \$500,000 for emergencies, 10 percent of revenues for operational reserves, of which 20 percent is for facility maintenance. The Highway User Revenue Fund's fund balance must be reserved for operational reserves in the amount of 15 percent of the operating revenues and enterprise funds' fund balances are reserved as recommended in the most recent rate study completed and as required by debt covenants. If no recommendation is made, fund balance will be reserved based on annual depreciation expense and two months of operating revenue, in addition to debt covenants. One time revenues may only be used to fund capital projects.

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded the Town its very first Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. We are very pleased and proud to have received this award for the first CAFR ever produced by the Town. In order to be

awarded a Certificate of Achievement, the Town had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Town's Finance Department. We would also like to extend our appreciation to all members of the departments who assisted and contributed to the preparation of this report. We must give credit to the Mayor and Town Council for their leadership and support towards the management of the Town's finances. Last, but certainly not least, we thank recently retired Finance Director, Becki Guilin, who, for the last 19 years, faithfully guided and directed Town financial decisions, keeping the Town in the great financial shape that it's in.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'C. Montoya', with a stylized, cursive script.

Charles Montoya  
Town Manager

A handwritten signature in black ink, appearing to read 'Mike Farina', with a stylized, cursive script.

Mike Farina  
Finance Director





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Town of Florence  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**



Executive Director/CEO



## **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 Montaño – Councilmember  
Vallarie Woolridge – Councilmember

### **Appointed Officials**

Charles Montoya – Town Manager  
Lisa Garcia – Town Clerk

James E. Mannato – Town Attorney  
Katherine Kaiser – Town Magistrate

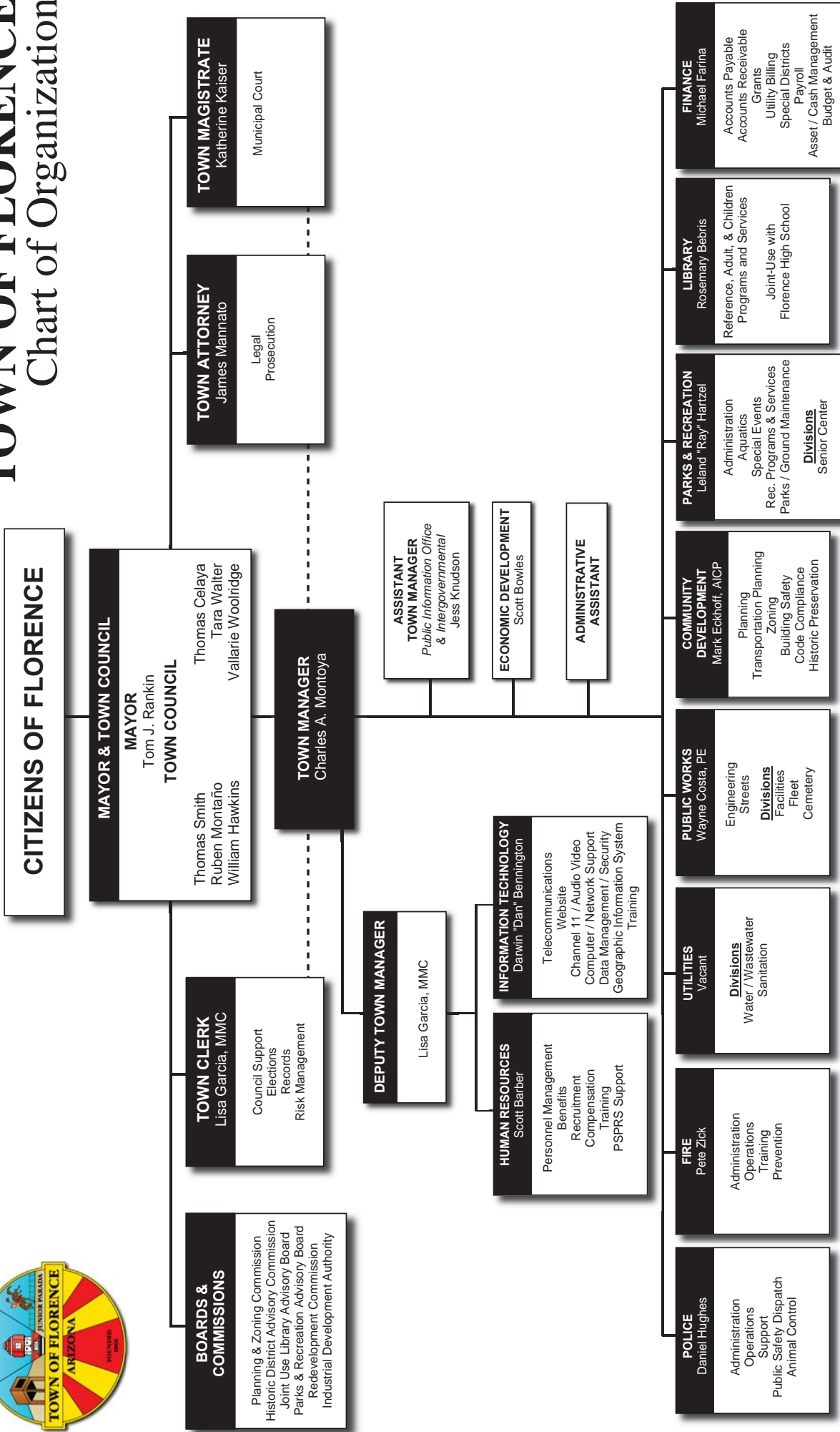
### **Senior Management**

Lisa Garcia – Deputy Town Manager/Town Clerk  
Jess Knudson – Assistant Town Manager  
Scott Barber – Human Resource Director  
Rose Bebris – Library Director  
Dan Bennington – Information Technology Manager  
Wayne Costa – Public Works Director  
Mark Eckhoff – Community Development Director  
Mike Farina – Finance Director  
Ray Hartzel – Parks & Recreation Director  
Daniel Hughes – Police Chief  
John Mitchell – Utilities Director  
Peter Zick – Fire Chief



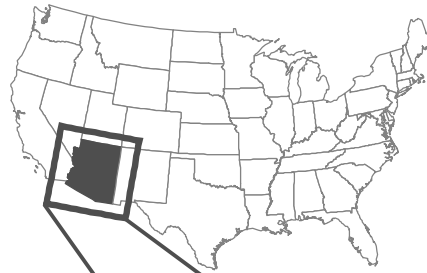
# TOWN OF FLORENCE

## Chart of Organization

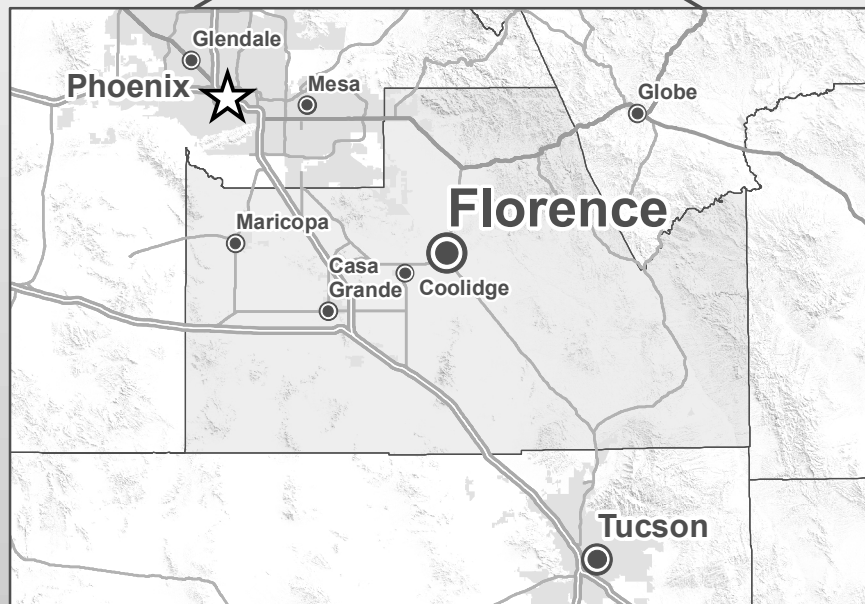


# ***TOWN OF FLORENCE***

## ***PINAL COUNTY, ARIZONA LOCATION MAP***



0 10 20 40  
Miles



Town of Florence GIS

## **FINANCIAL SECTION**





HENRY & HORNE, LLP  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Town 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 Town of Florence, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Florence, Arizona, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and Highway User Fund for the year then ended in accordance 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.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, Governmental Accounting Standards Board (GASB) issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and Statement No. 65, Items Previously Reported as Assets and Liabilities that could have a material impact on the financial statements. For the Town of Florence GASB Statement No. 62 has not impacted their financial statements however GASB Statement No. 63 has impacted what was previously identified as "Statement of Net Assets" and renamed it to "Statement of Net Position" and GASB Statement No. 65 has impacted the presentation of the financial statements in the reclassification of deferred revenues from liabilities to deferred inflows of resources. Our opinion is not modified with respect to those matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-16 and 30-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2013 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* in considering the Town of Florence, Arizona's, internal control over financial reporting and compliance.

*Henry & Horne LLP*

Casa Grande, Arizona  
November 21, 2013

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## **FINANCIAL SECTION**

### MANAGEMENT'S DISCUSSION AND ANALYSIS



## Management's Discussion and Analysis

As management of the Town of Florence, we offer readers of the Town of Florence's financial statements this narrative overview and analysis of the financial activities of the Town of Florence for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - vi of this report.

### Financial Highlights

- The assets of the Town of Florence exceeded its liabilities and deferred inflows of resources as of June 30, 2013 by \$133 million. Of this amount, \$44.9 million (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$3.9 million. This increase is primarily due to business-type activities revenue for utilities outpacing expenses.
- As of June 30, 2013, the Town's governmental funds reported combined ending fund balances of \$45.9 million, an increase of \$1.8 million in comparison with the prior year. Approximately 25 percent of this total amount, \$11.4 million, is available for spending at the Town's discretion (unassigned).
- At the end of the current fiscal year, the unassigned fund balance of the Town's General Fund was \$11.4 million, which is over 100 percent of the General Fund's expenditures.
- The Town's investment in capital assets decreased less than one percent or \$0.2 million this fiscal year due to depreciation and disposal of existing assets outpacing acquisitions.
- At the end of the fiscal year, the Town had \$19.4 million in debt outstanding compared to \$19.0 million last year, a net increase of \$0.4 million. A capital lease in the amount of \$1.4 million was entered into to facilitate the purchase and equipping of a fire truck.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Florence's basic financial statements. The Town of Florence's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements** are designed to provide readers with a broad overview of the Town of Florence's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Town's assets, liabilities and deferred inflows/outflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. 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.

The *Statement of Activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in a future period (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements differentiate functions of the Town that are primarily supported by taxes and intergovernmental revenues (governmental activities) from those functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town include general government, public safety, highways and streets, culture and recreation, and community development. The business-type activities of the Town include water, sewer and sanitation utility services.

The government-wide financial statements include the Town itself and the Merrill Ranch Community Facilities District #1 and Merrill Ranch Community Facilities District #2 blended component units.

The government-wide financial statements can be found on pages 19 - 21 of this report.

**Fund financial statements** follow the government-wide statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

*Governmental funds* are used to account for essentially the same functions that are reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the impact of the Town's near-term financing decisions. Both the governmental funds balance sheet and governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains 13 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund, Highway User Revenue Fund, Capital Facilities District Debt Service Fund, Community Facilities District Capital Improvements Fund, Impact Fees Fund and the Capital Improvements Fund, all of which are considered to be major funds. Data from the remaining seven governmental funds are aggregated into a single "non-major governmental funds" column. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 22 - 32 of this report.

The Town adopts an annual appropriated budget for all funds, except fiduciary funds. To demonstrate compliance, a budgetary comparison statement is provided for the General Fund and the Highway User Revenue Fund. Similar budgetary compliance schedules are provided for the other funds elsewhere in this report.

*Proprietary funds* are used to report the same functions as presented in the business-type activities in the government-wide financial statements. The Town uses enterprise funds, a type of proprietary fund, to account for the water, sewer and sanitation utility functions. Proprietary fund financial statements provide information on the Water Utility Fund, Sewer Utility Fund and Sanitation Utility Fund and with the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 33 – 36 of this report.

*Fiduciary funds* are used to account for resources held for the benefit of parties outside of the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 37-38 of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41- 69 of this report.

**Combining statements** (referred to earlier in connection with non-major governmental funds) are presented immediately following the notes to the financial statements. Combining statements and individual fund schedules can be found on pages 74 -77 of this report.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve as a useful indicator of the Town's financial position. The two tables below reflect the Town's net position and changes in net position. A condensed version of the Statement of Net Position is presented below and illustrates the Town's total assets, liabilities, and deferred inflows of resources and resulting net position (assets minus liabilities and deferred inflows of resources) as of June 30, 2013 with a comparison to net position as of June 30, 2012.

**Condensed Statement of Net Position**  
(in Thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 53,207	\$ 52,324	\$ 20,710	\$ 17,510	\$ 73,917	\$ 69,834
Capital assets	70,592	70,564	10,801	11,009	81,393	81,573
Total assets	123,799	122,888	31,511	28,519	155,310	151,407
Other liabilities	3,262	3,084	814	568	4,076	3,652
Long-term liabilities	14,279	13,514	4,218	4,601	18,497	18,115
Total liabilities	17,541	16,598	5,032	5,169	22,573	21,767
Deferred inflows of resources	38	-	-	-	38	-
Net position:						
Net investment in capital assets	55,770	56,527	6,199	6,032	61,969	62,559
Restricted	23,629	22,880	2,208	2,162	25,837	25,042
Unrestricted	26,821	26,883	18,072	15,157	44,893	42,040
Total net position	\$ 106,220	\$ 106,290	\$ 26,479	\$ 23,351	\$ 132,699	\$ 129,641

The largest portion of the Town's net position is net investment in capital assets, which makes up 47 percent or \$62 million of the Town's total net position. Capital assets include items such as infrastructure, buildings and improvements, vehicles and equipment and land. The Town uses capital assets to provide services to citizens and consequently, these assets are not available for future spending. Additionally, although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. Additional information on the Town's assets can be found in the Notes to the Financial Statements, which start on page 41.

An additional portion (19% or \$25.8 million) of the Town's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (34% or \$44.9 million) may be used to meet the Town's ongoing obligations to citizens and creditors.

The Town's overall financial position improved during this fiscal year as reflected by the increase in total net position of the Town. The Town's total net position increased \$3.9 million from \$129 million (restated) to \$133 million. This increase is the result of revenues outpacing expenses in both governmental and business-type activities. Business-type activities net position increased \$3.1 million from \$23.4 million to \$26.5 million. Utility revenues fund capital needs, as well as maintenance and operations, and as such add to cash (current and other assets) balances, which will eventually be used for capital projects.

Total governmental activities liabilities had a net increase of nearly \$1 million due to the Town entering into a capital lease in the amount of \$1.4 million to fund the purchase of a new fire apparatus.



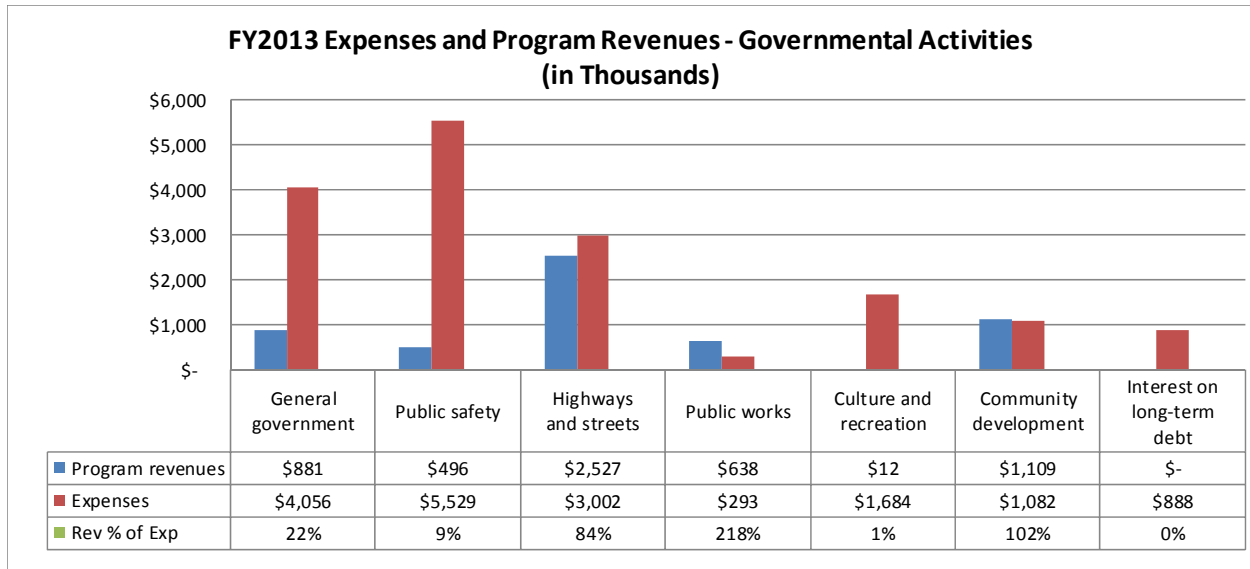
**Changes in Net Position**  
(in Thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Program revenues						
Charges for services	\$ 2,010	\$ 1,577	\$ 7,310	\$ 6,977	\$ 9,320	\$ 8,554
Operating grants	2,700	2,580	-	-	2,700	2,580
Capital grants and contributions	953	1,500	28	6	981	1,506
General revenues						
Taxes	5,622	7,144	-	-	5,622	7,144
Intergovernmental	5,812	5,232	-	-	5,812	5,232
Investment earnings (losses)	(260)	766	(111)	278	(371)	1,044
Miscellaneous	34	179	139	341	173	520
Total revenues	<u>16,871</u>	<u>18,978</u>	<u>7,366</u>	<u>7,602</u>	<u>24,237</u>	<u>26,580</u>
Expenses						
General government	4,056	3,452	-	-	4,056	3,452
Public safety	5,529	4,008	-	-	5,529	4,008
Highways and streets	3,002	3,064	-	-	3,002	3,064
Public works	293	202	-	-	293	202
Culture and recreation	1,684	1,451	-	-	1,684	1,451
Community development	1,082	2,408	-	-	1,082	2,408
Interest on long-term debt	888	911	-	-	888	911
Water	-	-	1,362	1,294	1,362	1,294
Sewer	-	-	1,748	1,820	1,748	1,820
Sanitation	-	-	682	699	682	699
Total expenses	<u>16,534</u>	<u>15,496</u>	<u>3,792</u>	<u>3,813</u>	<u>20,326</u>	<u>19,309</u>
Excess before transfers	337	3,482	3,574	3,789	3,911	7,271
Transfers in (out)	445	745	(445)	(745)	-	-
Change in net position	<u>782</u>	<u>4,227</u>	<u>3,129</u>	<u>3,044</u>	<u>3,911</u>	<u>7,271</u>
Beginning net position, Restatement	106,290	102,063	23,350	20,307	129,640	122,370
	(852)	-	-	-	(852)	-
Beginning net position - restated	<u>105,438</u>	<u>102,063</u>	<u>23,350</u>	<u>20,307</u>	<u>128,788</u>	<u>122,370</u>
Ending net position	<u>\$ 106,220</u>	<u>\$ 106,290</u>	<u>\$ 26,479</u>	<u>\$ 23,351</u>	<u>\$ 132,699</u>	<u>\$ 129,641</u>

Changes in Net Position, shown above, illustrates the Town's total revenues and expenses for the fiscal year ended June 30, 2013 compared to the same period ended June 30, 2012.

**Governmental activities**

Capital grants and contributions decreased \$0.5 million from \$1.5 million in fiscal year 2012 to \$1 million in fiscal year 2013 and taxes decreased \$1.5 million from \$7.1 million to \$5.6 million leading to an overall decrease in governmental activities revenues, which decreased \$2.1 million from \$19.0 million to \$16.9 million. The Town received more capital grants in fiscal year 2012, which will vary from year to year depending on the number and which grants are applied for and received. Taxes were higher in fiscal year 2012 primarily because a large sum of sales tax recovered in the course of taxpayer audit. In addition, property tax revenue decreased approximately \$0.3 million because Town Council elected not to levy property tax in the Town's streetlight improvement districts in fiscal year 2013 because the districts currently have sufficient cash balances to cover operating expenses.



The chart above illustrates the extent to which the governmental activity functions' expenses are covered by program revenues. As with most governments, the majority of services provided to citizens are funded through various taxes and not program revenues. This year, Public Works and Community Development are exceptions with program revenues outpacing expenses, which is primarily because of capital grants received this fiscal year.

### ***Business-type activities***

Business-type activities charges for services revenue increased five percent or \$0.3 million from \$7.0 million in fiscal year 2012 to \$7.3 million in fiscal year 2013. This increase is reflective of an increase in Town utility rates. Total expenses from year to year remained relatively flat.

## **Financial Analysis of the Town's Funds**

As noted earlier, the Town of Florence uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### ***Governmental funds***

The focus of the Town of Florence's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for discretionary use. As such, it represents a portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town Council.

As of the end of the current fiscal year, the Town of Florence's governmental funds reported combined ending fund balances of \$45.9 million, an increase of \$1.9 million in comparison to the year before. Approximately 25 percent of this amount (\$11.4 million) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is either nonspendable, restricted, committed or assigned to indicate that it is 1) not in spendable form (\$1.2 million), 2) restricted for particular purposes (\$18.1 million), 3) committed to capital purchases (\$15.0 million) or 4) assigned for particular purposes (\$0.2 million).

*General Fund.* The General Fund is the chief operating fund of the Town. At the end of FY2013, unassigned fund balance of the General Fund was \$11.4 million making up 99 percent of the total fund balance. As a measure of the fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Both unassigned fund balance and total fund balance represent over 100 percent of expenditures.

The fund balance of the General Fund decreased \$3.3 million this fiscal year. The largest contributing factor to this decrease was a transfer of \$4.4 million of fund balance out of the General Fund of excess fund balance into the Capital Improvement Projects Fund to facilitate the completion of capital projects.

*Highway User Revenue Fund.* The Highway User Revenue Fund, a major fund, ended the current year with a total fund balance of \$6.5 million, consisting of \$6.0 million restricted fund balance and \$0.5 million assigned fund balance. Highway user revenues must be used for streets and highway purposes pursuant to state statute. Revenues outpaced expenditures, leading to the increase of \$0.4 million in fund balance, because \$2.9 million of the \$3.1 million in planned capital outlay expenditures was delayed.

*Impact Fees Fund.* The Impact Fees Fund, a major fund, ended the current year with a total fund balance of \$6.0 million, an increase of \$0.3 million over the prior year. Of the total fund balance, \$5.8 million is restricted and \$0.2 million is assigned. Fund balance accumulates in this fund until construction on capital projects is started.

*Capital Improvements Fund.* The Capital Improvements Fund, also a major fund, ended the current year with a total fund balance of \$11.1 million, an increase of \$5.7 million over the prior year. This primary reason for this increase is a \$4.4 million transfer from the General Fund to facilitate completion of necessary capital projects.

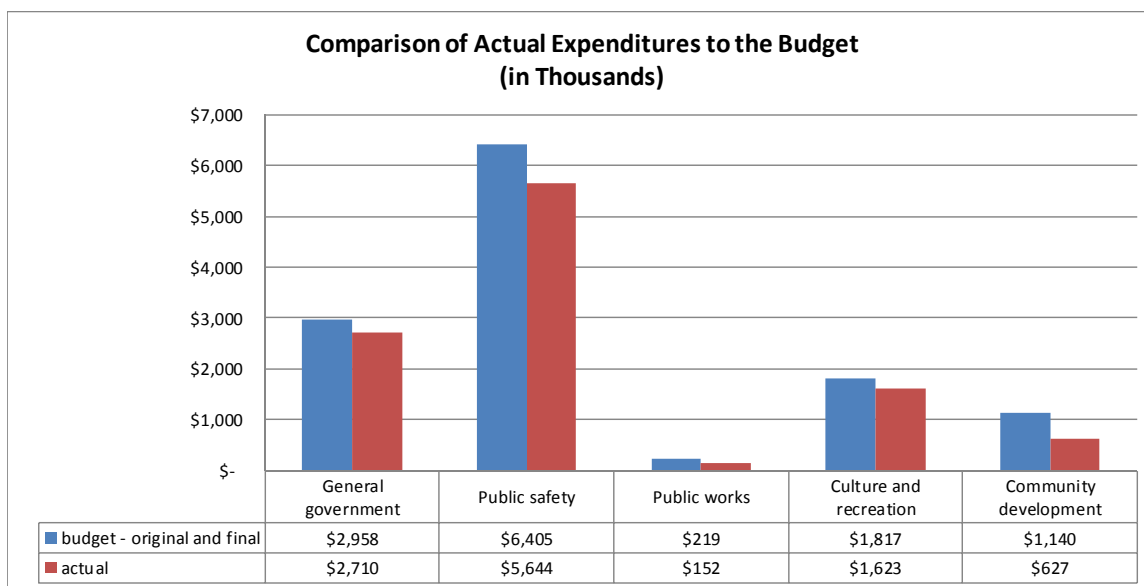
### ***Proprietary Funds***

The Town of Florence's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position for each fund at the end of the year is as follows: Water - \$9.8 million, Sewer - \$6.5 million and Sanitation -\$1.7 million. The unrestricted net position of each fund makes up the majority of their respective total net positions. The total growth for each fund is \$1.3 million, \$1.5 million and \$0.4 million, respectively.

## General Fund Budgetary Highlights

A total of \$10.8 million was spent compared to a total final budget of \$12.5 million. A majority of this \$1.7 million variance is staff vacancy savings, with most of that being in the police department. Another component of this variance is the result of conservative budgeting practice and budgeting for total project costs in one fiscal year that may continue into the following fiscal year. The graph below shows a summary of budget-to-actual variances for each Town function accounted for in the General Fund.



## Capital Assets and Debt Administration

### **Capital Assets**

The Town's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities as of June 30, 2013, amounts to \$81.4 million. This investment in capital assets includes land, buildings, utility facilities, vehicles and equipment, park facilities, roads, highways and bridges. In total, the Town's investment in capital assets decreased by less than one percent or \$0.2 million this fiscal year due to depreciation and disposal of existing assets outpacing acquisitions. Additions to governmental activities capital assets totaled \$2.1 million and included construction in progress for the police evidence building (\$0.2 million), remodeling of the police communication center (\$0.4 million), Diversion Dam Road improvement (\$0.1 million) and fire apparatus (\$0.2 million). Vehicles, furniture and equipment acquisitions included a pumper fire apparatus (\$0.6 million), four police vehicles (\$0.1 million) and various other pieces of equipment.

### Town of Florence's Capital Assets

(net of accumulated depreciation)

	Governmental activities		Business-type activities		Total	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
Land	\$ 32,748,908	\$ 32,697,655	\$ 394,073	\$ 394,073	\$ 33,142,981	\$ 33,091,728
Buildings, infrastructure and improvements	31,684,828	33,065,233	9,288,233	9,708,266	40,973,061	42,773,499
Vehicles, furniture and equipment	2,143,768	1,787,248	249,384	386,803	2,393,152	2,174,051
Construction in progress	4,014,199	3,013,906	868,674	520,159	4,882,873	3,534,065
Total	<u>\$ 70,591,703</u>	<u>\$ 70,564,042</u>	<u>\$ 10,800,364</u>	<u>\$ 11,009,301</u>	<u>\$ 81,392,067</u>	<u>\$ 81,573,343</u>

Governmental Activities	2012	Additions	Dispositions	2013
Capital Assets	\$ 91,844,868	\$ 2,142,565	\$ (397,801)	\$ 93,589,632
Accumulated Depreciation	(21,280,826)	(2,009,505)	292,402	(22,997,929)
	<u>\$ 70,564,042</u>	<u>\$ 133,060</u>	<u>\$ (105,399)</u>	<u>\$ 70,591,703</u>

Business-type Activities	2012	Additions	Dispositions	2013
Capital Assets	\$ 18,360,403	\$ 348,515	\$ (42,948)	\$ 18,665,970
Accumulated Depreciation	(7,351,102)	(523,827)	9,323	(7,865,606)
	<u>\$ 11,009,301</u>	<u>\$ (175,312)</u>	<u>\$ (33,625)</u>	<u>\$ 10,800,364</u>

Additional information on the Town of Florence's capital assets can be found in Note 4 on pages 55 - 56 in the notes to the financial statements.

### **Long-term Debt**

At the end of the fiscal year, the Town had \$19.4 million in debt outstanding compared to \$19.0 million last year. The Town has notes payable outstanding totaling \$5.1 million at year end and a capital lease outstanding in the amount of \$1.1 million. In fiscal year 2013, a \$1.4 million capital lease was entered into to facilitate the purchase and equipping of a fire truck. A large portion of the debt listed below consists of general obligation bonds (\$7.1 million) and special assessment lien bonds (\$5.7 million) of the Town's component units, Merrill Ranch Community Facilities Districts #1 and #2. The Town bears no liability for the debt of these legally separate entities.

### Town of Florence's Outstanding Debt

	Governmental activities		Business-type activities		Total	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
General obligation bonds - CFDs	\$ 7,105,000	\$ 7,265,000	\$ -	\$ -	\$ 7,105,000	\$ 7,265,000
Special assessment debt - CFDs	5,739,520	5,822,100	-	-	5,739,520	5,822,100
Special assessment debt - Town	388,000	440,000	-	-	388,000	440,000
Notes payable	470,690	509,847	4,601,319	4,977,189	5,072,009	5,487,036
Capital leases	1,118,561	-	-	-	1,118,561	-
Total	<u>\$ 14,821,771</u>	<u>\$ 14,036,947</u>	<u>\$ 4,601,319</u>	<u>\$ 4,977,189</u>	<u>\$ 19,423,090</u>	<u>\$ 19,014,136</u>

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 percent of the Town's secondary assessed valuation. Under the second test, a Town may not issue general obligation debt for general municipal purposes in an amount that exceeds six percent of the Town's secondary assessed valuation.

On pages 57- 61 in this report, Notes 5, 6 7 and 8 present more detailed information about the debt position of the Town.

### **Economic Factors and Next Year's Budgets and Rates**

The Town's unemployment rate is 18.1 percent, which is higher than Pinal County (8.6%), the state (8%) and national (7.6%) rates. This is a slight decrease from last year's rate, which was 18.5 percent. Inflationary increases are expected to remain low for the upcoming year.

The majority of the General Fund's resources come from state-shared revenues (50%). As with all Arizona municipalities, the Town receives those revenues based on population. More than half of the Town's population is comprised of prisoners in correctional facilities located within Town limits. Local sales tax is the next largest source of revenue in General Fund (18%). The Town projected a two percent increase in sales tax for the upcoming budget year based on small increases in inflation and population growth. Budgetary estimates for the Town's state-shared revenues are provided by the League of Arizona Cities and Towns, which are based on estimates obtained from the state.

Water and sewer rates were adopted July 2011, which a rate study completed in February 2012 reaffirmed the results of a prior rate study. Based on that study, water rates will increase 5 percent and sewer rates will increase 10 percent in the next fiscal year. The Town made the decision during this fiscal year to outsource sanitation services and was able to reduce the monthly rate from \$30 to \$17.

The Town's total budget for FY2014 is \$47.4 million, which includes over \$31 million in capital or capital-related expenditures.

### **Requests for Information**

This financial report is designed to provide a general overview of the Town of Florence's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Town of Florence - Finance Department, P.O. Box 2670, Florence Arizona 85132 or by email at [finance@florenceaz.gov](mailto:finance@florenceaz.gov).

## **FINANCIAL SECTION**

### **BASIC FINANCIAL STATEMENTS**





TOWN OF FLORENCE, ARIZONA  
STATEMENT OF NET POSITION  
June 30, 2013

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 9,963,692	\$ 4,574,716	\$ 14,538,408
Receivables (net of allowance for uncollectibles)	1,446,664	760,995	2,207,659
Special assessment receivable	5,434,955	-	5,434,955
Due from other governments	31,318	-	31,318
Internal balances	-	-	-
Prepays	1,218,253	152,541	1,370,794
Restricted cash equivalents	1,923,275	-	1,923,275
Investments	33,153,365	15,221,991	48,375,356
Capital assets			
Land and construction in progress	36,763,107	1,262,747	38,025,854
Other capital assets (net of accumulated depreciation)	33,828,596	9,537,617	43,366,213
Total assets	<u>123,763,225</u>	<u>31,510,607</u>	<u>155,273,832</u>
LIABILITIES			
Accounts payable and other current liabilities	875,963	228,669	1,104,632
Customer deposits	212,685	89,870	302,555
Accrued wages and benefits	708,816	-	708,816
Accrued interest payable	464,525	76,819	541,344
Due to other governments	4,854	-	4,854
Current portion of			
Compensated absences	292,956	29,961	322,917
Capital leases	273,594	-	273,594
Notes payable	41,506	388,421	429,927
Bonds payable	386,690	-	386,690
Long-term portion of			
Compensated absences	159,413	5,069	164,482
Capital leases	844,967	-	844,967
Notes payable	429,184	4,212,898	4,642,082
Bonds payable	12,845,830	-	12,845,830
Total liabilities	<u>17,540,983</u>	<u>5,031,707</u>	<u>22,572,690</u>
NET POSITION			
Net investment in capital assets	55,769,932	6,199,045	61,968,977
Restricted for			
Debt service	9,483,689	1,686,838	11,170,527
Highways and streets	7,250,640	-	7,250,640
Capital projects	10,866,724	521,184	11,387,908
Economic development	966,754	-	966,754
Community facilities	221,351	-	221,351
Courts	25,711	-	25,711
Unrestricted	21,637,441	18,071,833	39,709,274
Total net position	<u>\$ 106,222,242</u>	<u>\$ 26,478,900</u>	<u>\$ 132,701,142</u>

See accompanying notes.

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 4,055,352	\$ 875,429	\$ 5,500	\$ -
Public safety	5,528,833	331,103	101,243	63,802
Highways and streets	3,001,939	-	2,527,057	-
Public works	293,202	-	-	639,633
Culture and recreation	1,684,400	4,316	7,177	304
Community development	1,082,103	798,678	59,131	251,315
Interest on long-term debt	888,193	-	-	-
Total governmental activities	<u>16,534,022</u>	<u>2,009,526</u>	<u>2,700,108</u>	<u>955,054</u>
Business-type activities				
Water	1,362,620	2,691,199	-	12,766
Sewer	1,747,616	3,536,085	-	15,737
Sanitation	682,078	1,082,281	-	-
Total business-type activities	<u>3,792,314</u>	<u>7,309,565</u>	<u>-</u>	<u>28,503</u>
Total primary government	<u>\$ 20,326,336</u>	<u>\$ 9,319,091</u>	<u>\$ 2,700,108</u>	<u>\$ 983,557</u>

General revenues  
  Property taxes  
  Sales and use taxes  
  Franchise taxes  
  Shared revenues  
    State sales taxes  
    Urban revenue sharing  
    Auto-in-lieu  
  Investment income  
    Interest income  
    Net decrease in the fair  
      value of investments  
  Loss on sale of assets  
  Miscellaneous  
  Transfers in (out)  
    Total general revenues and transfers  
    Change in net assets  
Net position-July 1, 2012  
  Restatement  
Net position - restated  
Net position-June 30, 2013

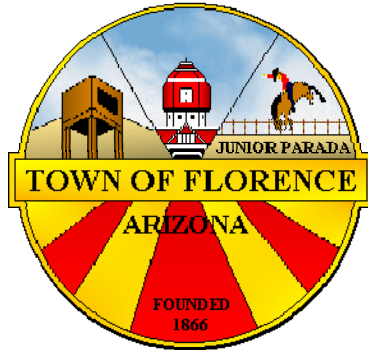
Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,174,423)	\$ -	\$ (3,174,423)
(5,032,685)	-	(5,032,685)
(474,882)	-	(474,882)
346,431	-	346,431
(1,672,603)	-	(1,672,603)
27,021	-	27,021
(888,193)	-	(888,193)
(10,869,334)	-	(10,869,334)
-	1,341,345	1,341,345
-	1,804,206	1,804,206
-	400,203	400,203
-	3,545,754	3,545,754
(10,869,334)	3,545,754	(7,323,580)
1,565,087	-	1,565,087
3,671,468	-	3,671,468
385,591	-	385,591
2,090,169	-	2,090,169
2,608,448	-	2,608,448
1,112,996	-	1,112,996
172,019	77,861	249,880
(431,799)	(188,870)	(620,669)
(100,339)	-	(100,339)
134,769	139,034	273,803
445,415	(445,415)	-
11,653,824	(417,390)	11,236,434
784,490	3,128,364	3,912,854
106,290,082	23,350,536	129,640,618
(852,330)	-	(852,330)
105,437,752	23,350,536	128,788,288
\$ 106,222,242	\$ 26,478,900	\$ 132,701,142

TOWN OF FLORENCE, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	General	Highway User	Community Facilities Districts- Debt Service
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,303,777	\$ 1,481,839	\$ 621,908
Receivables (net of allowance for uncollectibles)	1,191,531	237,082	5,137,171
Due from other governments	-	-	5,703
Due from other funds	1,400,000	-	-
Prepays	66,700	-	-
Restricted assets			
Cash and cash equivalents	-	30,000	1,065,684
Investments	7,665,629	4,930,697	2,069,346
Total assets	<u>\$ 12,627,637</u>	<u>\$ 6,679,618</u>	<u>\$ 8,899,812</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 363,517	\$ 136,625	\$ 10,588
Customer deposits	212,685	-	-
Accrued wages and benefits	708,816	-	-
Due to			
Other governments	-	-	-
Other funds	-	-	-
Total liabilities	<u>1,285,018</u>	<u>136,625</u>	<u>10,588</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	89,182	-	5,133,712
Total deferred inflows of resources	<u>89,182</u>	<u>-</u>	<u>5,133,712</u>
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid items	66,700	-	-
Restricted			
Court	-	-	-
Debt service	-	-	3,755,512
Capital projects	-	-	-
Highways and Streets	-	6,542,993	-
Economic development	-	-	-
Community Facilities			
Districts operations	-	-	-
Committed			
Capital projects	-	-	-
Unassigned	11,186,737	-	-
Total fund balances	<u>11,253,437</u>	<u>6,542,993</u>	<u>3,755,512</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 12,627,637</u>	<u>\$ 6,679,618</u>	<u>\$ 8,899,812</u>

Community Facilities Districts- Capital Improvements	Impact Fees	Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
\$ 298,558	\$ 1,395,256	\$ 2,375,295	\$ 1,487,059	\$ 9,963,692
1,995	9,272	16,033	324,377	6,917,461
-	-	-	25,615	31,318
-	-	-	-	1,400,000
-	-	1,151,553	-	1,218,253
615,100	-	212,491	-	1,923,275
993,427	4,642,601	7,903,599	4,948,066	33,153,365
<u>\$ 1,909,080</u>	<u>\$ 6,047,129</u>	<u>\$ 11,658,971</u>	<u>\$ 6,785,117</u>	<u>\$ 54,607,364</u>
\$ -	\$ -	\$ 368,491	\$ 7,160	\$ 886,381
-	-	-	-	212,685
-	-	-	-	708,816
-	-	-	4,854	4,854
1,400,000	-	-	-	1,400,000
<u>1,400,000</u>	<u>-</u>	<u>368,491</u>	<u>12,014</u>	<u>3,212,736</u>
-	-	-	303,152	5,526,046
<u>-</u>	<u>-</u>	<u>-</u>	<u>303,152</u>	<u>5,526,046</u>
-	-	1,151,553	-	1,218,253
-	-	-	25,711	25,711
-	-	-	237,973	3,993,485
509,080	5,379,163	-	4,978,481	10,866,724
-	667,966	-	39,681	7,250,640
-	-	-	966,754	966,754
-	-	-	221,351	221,351
-	-	10,138,927	-	10,138,927
-	-	-	-	11,186,737
<u>509,080</u>	<u>6,047,129</u>	<u>11,290,480</u>	<u>6,469,951</u>	<u>45,868,582</u>
<u>\$ 1,909,080</u>	<u>\$ 6,047,129</u>	<u>\$ 11,658,971</u>	<u>\$ 6,785,117</u>	<u>\$ 54,607,364</u>



TOWN OF FLORENCE, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
June 30, 2013

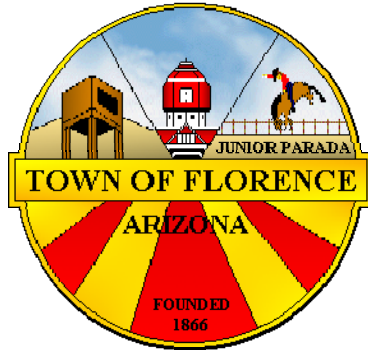
Fund balance - total governmental funds balance sheet		\$ 45,868,582
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 93,589,632	
Less accumulated depreciation	<u>(22,997,929)</u>	70,591,703
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	(452,369)	
Capital leases	(1,118,561)	
Notes payable	(470,690)	
Bonds payable	<u>(13,232,520)</u>	(15,274,140)
Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net position.		
Special assessments		5,490,204
Interest payable on long-term debt is not reported in the governmental funds.		<u>(454,107)</u>
Net position of governmental activities - statement of net position		<u><u>\$ 106,222,242</u></u>

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2013

	General	Highway User	Community Facilities Districts- Debt Service
REVENUES			
Taxes	\$ 3,127,885	\$ 2,527,057	\$ 725,461
Franchise fees	385,591	-	-
Licenses and permits	389,434	-	-
Intergovernmental revenues	5,811,613	-	-
Charges for services	770,022	-	-
Fines	172,493	-	-
Special assessments	-	-	812,421
Investment income			
Interest income	35,683	24,456	4,883
Net decrease in the fair value of investments	(103,900)	(62,315)	(30,289)
Contributions and donations	16,206	-	-
Miscellaneous	56,467	21,830	29
Total revenues	<u>10,661,494</u>	<u>2,511,028</u>	<u>1,512,505</u>
EXPENDITURES			
Current			
General government	2,710,284	-	63,791
Public safety	5,643,762	-	-
Highways and streets	-	1,596,838	-
Public works	151,676	-	-
Culture and recreation	1,623,120	-	-
Community development	626,870	-	27,692
Capital outlay	-	225,462	-
Debt service			
Principal	-	-	431,580
Interest and fiscal charges	-	-	832,834
Total expenditures	<u>10,755,712</u>	<u>1,822,300</u>	<u>1,355,897</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(94,218)</u>	<u>688,728</u>	<u>156,608</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,054,074	3,046	16,788
Transfers out	(4,481,205)	(309,912)	(140,000)
Sale of capital assets	4,691	369	-
Proceeds from obligations	-	-	-
Proceeds from capital leases	-	30,000	-
Total other financing sources and uses	<u>(3,422,440)</u>	<u>(276,497)</u>	<u>(123,212)</u>
Net change in fund balances	<u>(3,516,658)</u>	<u>412,231</u>	<u>33,396</u>
Fund balances - beginning of year	<u>14,770,095</u>	<u>6,130,762</u>	<u>3,722,116</u>
Fund balances - end of year	<u>\$ 11,253,437</u>	<u>\$ 6,542,993</u>	<u>\$ 3,755,512</u>



Community Facilities Districts- Capital Improvements	Impact Fees	Capital Improvements	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,000,661	\$ 386,819	\$ 7,767,883
-	-	-	-	385,591
-	-	-	-	389,434
-	-	-	494,960	6,306,573
-	616,484	-	38,949	1,425,455
-	-	-	2,565	175,058
-	-	-	93,503	905,924
10,183	21,607	52,367	22,840	172,019
(12,724)	(59,150)	(102,286)	(61,135)	(431,799)
-	-	-	-	16,206
-	-	120	35,066	113,512
(2,541)	578,941	950,862	1,013,567	17,225,856
251,717	-	243,002	200,834	3,469,628
-	-	51,887	95,916	5,791,565
-	-	-	-	1,596,838
-	-	-	15,721	167,397
-	-	-	-	1,623,120
38,287	22,788	-	41,582	757,219
225,443	238,273	1,558,484	63,653	2,311,315
-	-	-	372,596	804,176
-	-	-	76,247	909,081
515,447	261,061	1,853,373	866,549	17,430,339
(517,988)	317,880	(902,511)	147,018	(204,483)
140,000	245,324	4,705,769	453,129	6,618,130
(16,788)	(243,564)	(361,422)	(619,824)	(6,172,715)
-	-	-	-	5,060
189,000	-	-	-	189,000
-	-	1,370,000	-	1,400,000
312,212	1,760	5,714,347	(166,695)	2,039,475
(205,776)	319,640	4,811,836	(19,677)	1,834,992
714,856	5,727,489	6,478,644	6,489,628	44,033,590
\$ 509,080	\$ 6,047,129	\$ 11,290,480	\$ 6,469,951	\$ 45,868,582



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, 2013

Net change in fund balances - total governmental funds \$1,834,992

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.

Sale of capital assets	\$ (105,399)	
Expenditures for capitalized assets	2,142,565	
Less current year depreciation	<u>(2,009,505)</u>	27,661

Revenues received in the current year that were accrued in the statement of activities in prior years		
Special assessments		(240,160)

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.		8,628
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Repayment of long-term debt are expenditures in the governmental  
funds, but the repayment reduces long-term liabilities in the statement  
of net position.

Issuance of bond debt	(189,000)	
Issuance of capital lease	(1,400,000)	
Capital lease principal retirement	281,439	
Note payable principal retirement	39,157	
Bond principal retirement	<u>483,580</u>	(784,824)

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>(61,807)</u>
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Change in net position of governmental activities		<u><u>\$ 784,490</u></u>
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TOWN OF FLORENCE, ARIZONA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 2,569,615	\$ 2,569,615	\$ 3,127,885	\$ 558,270
Franchise fees	390,000	390,000	385,591	(4,409)
Licenses and permits	223,000	223,000	389,434	166,434
Intergovernmental revenues	5,849,868	5,849,868	5,811,613	(38,255)
Charges for services	579,500	579,500	770,022	190,522
Fines	140,200	140,200	172,493	32,293
Investment income				
Interest income	100,000	100,000	35,683	(64,317)
Net decrease in the fair value of investments	-	-	(103,900)	(103,900)
Contributions and donations	19,000	19,000	16,206	(2,794)
Miscellaneous	29,500	29,500	56,467	26,967
Total revenues	<u>9,900,683</u>	<u>9,900,683</u>	<u>10,661,494</u>	<u>760,811</u>
EXPENDITURES				
Current				
General government				
Town council	137,361	137,361	117,073	20,288
Administration	1,102,070	1,102,070	971,958	130,112
Legal	181,685	181,685	175,083	6,602
Finance	666,265	666,265	713,835	(47,570)
Human resources	184,310	184,310	174,051	10,259
Grants	79,765	79,765	61,859	17,906
Information technology	606,810	606,810	496,425	110,385
Public safety				
Courts	264,044	264,044	221,715	42,329
Police	3,782,085	3,782,085	3,166,386	615,699
Fire	2,358,522	2,358,522	2,255,661	102,861
Public works				
Engineering	144,450	144,450	99,858	44,592
Facilities maintenance	74,475	74,475	51,818	22,657
Culture and recreation				
Parks and recreation	1,461,569	1,461,569	1,298,060	163,509
Library	327,820	327,820	311,734	16,086
Cemetery	27,400	27,400	13,326	14,074
Community development				
Planning	571,110	571,110	428,892	142,218
Economic development	569,355	569,355	197,978	371,377
Total expenditures	<u>12,539,096</u>	<u>12,539,096</u>	<u>10,755,712</u>	<u>1,783,384</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,638,413)</u>	<u>(2,638,413)</u>	<u>(94,218)</u>	<u>2,544,195</u>

OTHER FINANCING  
SOURCES (USES)

Transfers in	1,176,831	1,176,831	1,054,074	(122,757)
Transfers out	-	-	(4,481,205)	(4,481,205)
Sale of capital assets	5,000	5,000	4,691	(309)
Total other financing sources and uses	1,181,831	1,181,831	(3,422,440)	(4,604,271)
Net change in fund balance	(1,456,582)	(1,456,582)	(3,516,658)	(2,060,076)
Fund balance - beginning of year	14,770,095	14,770,095	14,770,095	-
Fund balance - end of year	\$ 13,313,513	\$ 13,313,513	\$ 11,253,437	\$ (2,060,076)

TOWN OF FLORENCE, ARIZONA  
HIGHWAY USER FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
REVENUES	Original	Final	Actual Amounts	
Taxes	\$ 2,703,723	\$ 2,703,723	\$ 2,527,057	\$ (176,666)
Investment income				
Interest income	40,000	40,000	24,456	(15,544)
Net decrease in the fair value of investments	-	-	(62,315)	(62,315)
Miscellaneous	6,400	6,400	21,830	15,430
Total revenues	<u>2,750,123</u>	<u>2,750,123</u>	<u>2,511,028</u>	<u>(239,095)</u>
EXPENDITURES				
Current				
Highways and streets	2,473,415	2,473,415	1,596,838	876,577
Capital outlay	3,138,220	3,138,220	225,462	2,912,758
Total expenditures	<u>5,611,635</u>	<u>5,611,635</u>	<u>1,822,300</u>	<u>3,789,335</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,861,512)</u>	<u>(2,861,512)</u>	<u>688,728</u>	<u>3,550,240</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,046	3,046
Transfers out	(446,565)	(446,565)	(309,912)	136,653
Sale of capital assets	-	-	369	369
Proceeds from capital leases	1,284,000	1,284,000	30,000	(1,254,000)
Total other financing sources and uses	<u>837,435</u>	<u>837,435</u>	<u>(276,497)</u>	<u>(1,113,932)</u>
Net change in fund balance	<u>(2,024,077)</u>	<u>(2,024,077)</u>	<u>412,231</u>	<u>2,436,308</u>
Fund balance - beginning of year	6,130,762	6,130,762	6,130,762	-
Fund balance - end of year	<u>\$ 4,106,685</u>	<u>\$ 4,106,685</u>	<u>\$ 6,542,993</u>	<u>\$ 2,436,308</u>

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2013

	Business-type Activities-Enterprise Funds			
ASSETS				
Current assets	Water	Sewer	Sanitation	Total
Cash and cash equivalents	\$ 2,269,623	\$ 1,897,728	\$ 407,365	\$ 4,574,716
Receivables, net of uncollectibles	327,194	376,877	56,924	760,995
Prepaid expense	-	152,541	-	152,541
Total current assets	<u>2,596,817</u>	<u>2,427,146</u>	<u>464,289</u>	<u>5,488,252</u>
Noncurrent assets				
Investments	7,551,985	6,314,534	1,355,472	15,221,991
Capital assets:				
Land	120,100	273,973	-	394,073
Buildings and improvements	4,797,052	10,571,770	-	15,368,822
Machinery and equipment	679,067	284,263	1,071,071	2,034,401
Construction in progress	622,284	246,390	-	868,674
Less accumulated depreciation	(3,765,147)	(3,199,557)	(900,902)	(7,865,606)
Total capital assets, net	<u>2,453,356</u>	<u>8,176,839</u>	<u>170,169</u>	<u>10,800,364</u>
Total noncurrent assets	<u>10,005,341</u>	<u>14,491,373</u>	<u>1,525,641</u>	<u>26,022,355</u>
Total assets	<u>12,602,158</u>	<u>16,918,519</u>	<u>1,989,930</u>	<u>31,510,607</u>
LIABILITIES				
Current liabilities				
Accounts payable	114,225	84,080	30,364	228,669
Customer deposits	71,878	-	17,992	89,870
Accrued interest payable	-	76,819	-	76,819
Compensated absences	9,104	12,022	8,835	29,961
Notes payable	-	388,421	-	388,421
Total current liabilities	<u>195,207</u>	<u>561,342</u>	<u>57,191</u>	<u>813,740</u>
Noncurrent liabilities				
Compensated absences	1,540	2,034	1,495	5,069
Notes payable	-	4,212,898	-	4,212,898
Total noncurrent liabilities	<u>1,540</u>	<u>4,214,932</u>	<u>1,495</u>	<u>4,217,967</u>
Total liabilities	<u>196,747</u>	<u>4,776,274</u>	<u>58,686</u>	<u>5,031,707</u>
NET POSITION				
Net investment in capital assets	2,453,356	3,575,520	170,169	6,199,045
Restricted for				
Debt service	-	1,686,838	-	1,686,838
Capital projects	119,855	356,012	45,317	521,184
Unrestricted	9,832,200	6,523,875	1,715,758	18,071,833
Total net position	<u>\$ 12,405,411</u>	<u>\$ 12,142,245</u>	<u>\$ 1,931,244</u>	<u>\$ 26,478,900</u>

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2013

	Business-type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating revenues				
Water sales	\$ 2,438,962	\$ -	\$ -	\$ 2,438,962
Water connection fees	4,511	-	-	4,511
Service establishment fees	18,125	-	-	18,125
Sewer service fees	-	2,519,614	-	2,519,614
Sewer connection fees	-	2,850	-	2,850
DOC usage fees	-	1,013,621	-	1,013,621
Water standpipe	3,207	-	-	3,207
Hydro-sprinkler fees	49,397	-	-	49,397
Central Arizona Project	120,832	-	-	120,832
Refuse collection fees	-	-	1,082,281	1,082,281
Effluent charges	56,165	-	-	56,165
Miscellaneous	55,740	51,334	31,960	139,034
Total operating revenue	<u>2,746,939</u>	<u>3,587,419</u>	<u>1,114,241</u>	<u>7,448,599</u>
Operating expenses				
Personal services	314,485	309,955	284,993	909,433
Supplies	60,027	110,381	62,100	232,508
Contractual services and maintenance	815,673	878,951	244,658	1,939,282
Depreciation	172,435	294,691	90,327	557,453
Total operating expenses	<u>1,362,620</u>	<u>1,593,978</u>	<u>682,078</u>	<u>3,638,676</u>
Operating income	<u>1,384,319</u>	<u>1,993,441</u>	<u>432,163</u>	<u>3,809,923</u>
Nonoperating revenues (expense)				
Development fees	12,766	15,737	-	28,503
Interest income	39,498	31,035	7,328	77,861
Net decrease in the fair value of investments	(94,776)	(77,150)	(16,944)	(188,870)
Interest expense	-	(153,638)	-	(153,638)
Total nonoperating revenues (expense)	<u>(42,512)</u>	<u>(184,016)</u>	<u>(9,616)</u>	<u>(236,144)</u>
Income before transfers	<u>1,341,807</u>	<u>1,809,425</u>	<u>422,547</u>	<u>3,573,779</u>
Transfers in	348,515	-	-	348,515
Transfers out	(417,922)	(305,088)	(70,920)	(793,930)
Change in net position	<u>1,272,400</u>	<u>1,504,337</u>	<u>351,627</u>	<u>3,128,364</u>
Total net position-beginning of year	<u>11,133,011</u>	<u>10,637,908</u>	<u>1,579,617</u>	<u>23,350,536</u>
Total net position-end of year	<u>\$ 12,405,411</u>	<u>\$ 12,142,245</u>	<u>\$ 1,931,244</u>	<u>\$ 26,478,900</u>



TOWN OF FLORENCE, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2013

	Business-type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 2,750,492	\$ 3,545,034	\$ 1,147,864	\$ 7,443,390
Payments to suppliers	(764,926)	(957,501)	(276,394)	(1,998,821)
Payments to employees	(313,455)	(311,024)	(281,937)	(906,416)
Net cash provided by operating activities	1,672,111	2,276,509	589,533	4,538,153
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	(417,922)	(305,088)	(70,920)	(793,930)
Transfers from other funds	348,515	-	-	348,515
Net cash used by noncapital financing activities	(69,407)	(305,088)	(70,920)	(445,415)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(348,515)	-	-	(348,515)
Development fees received	12,766	15,737	-	28,503
Principal paid on capital debt	-	(375,870)	-	(375,870)
Interest paid on capital debt	-	(159,913)	-	(159,913)
Net cash used by capital and related financing activities	(335,749)	(520,046)	-	(884,298)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(367,709)	(636,468)	(311,956)	(1,316,133)
Interest received	42,642	33,041	7,275	82,958
Net cash used by investing activities	(325,067)	(603,427)	(304,681)	(1,233,175)
Net increase in cash and cash equivalents	941,888	847,948	213,932	2,003,768
Cash and cash equivalents at beginning of year	1,327,735	1,049,780	193,433	2,570,948
Cash and cash equivalents at end of year	\$ 2,269,623	\$ 1,897,728	\$ 407,365	\$ 4,574,716

See accompanying notes.

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
Year Ended June 30, 2013

	Business-type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 1,384,319	\$ 1,993,441	\$ 432,163	\$ 3,809,923
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	172,435	294,691	90,327	557,453
(Increase) decrease in:				
Accounts receivable	(3,839)	(42,385)	24,381	(21,843)
Prepays	-	(52,249)	-	(52,249)
Increase (decrease) in:				
Accounts payable	110,774	84,080	30,364	225,218
Customer deposits	7,392	-	9,242	16,634
Compensated absences	1,030	(1,069)	3,056	3,017
Total adjustments	287,792	283,068	157,370	728,230
Net cash provided by operating activities:	<u>\$ 1,672,111</u>	<u>\$ 2,276,509</u>	<u>\$ 589,533</u>	<u>\$ 4,538,153</u>
Noncash investing, capital, and financing activities:				
Change in fair value of investments	\$ (94,776)	\$ (77,150)	\$ (16,944)	\$ (188,870)

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2013

	<u>Pension Trust</u>
ASSETS	
Cash and cash equivalents	\$ 2,631
U.S. Government bonds	264,627
Equities	<u>39,953</u>
Total assets	<u>307,211</u>
LIABILITIES	
Accounts payable	<u>138</u>
Total liabilities	<u>138</u>
NET POSITION	
Held in trust for pension benefits and other purposes	<u><u>\$ 307,073</u></u>

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
Year Ended June 30, 2013

	<u>Pension Trust</u>
ADDITIONS	
Contributions	
Employee	\$ 5,111
Total contributions	<u>5,111</u>
Investment income	
Interest	<u>15,547</u>
Total additions	<u>20,658</u>
DEDUCTIONS	
Pension withdrawals	<u>7,920</u>
Total deductions	<u>7,920</u>
Change in net position	12,738
Net position-beginning of year	<u>294,335</u>
Net position-end of year	<u><u>\$ 307,073</u></u>

## **FINANCIAL SECTION**

### NOTES TO FINANCIAL STATEMENTS



TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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, Accounting Standards Codification. 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, 2013

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, 2013, 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 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, the Town's Manager 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, 2013

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, the Town's Manager 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 \$1,587,000. 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, 2013

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.

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.

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.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

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.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Receivables and Payables (Continued)

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.

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:

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

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Budgetary Data (Continued)

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 2013.

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.

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, 2013, expenditures exceeded appropriations in the non-major funds (the legal level of budgetary control) by \$344,874 in aggregate. These over expenditures were funded by available fund balances.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Impact of Recently Issued Accounting Principles

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. GASBS No. 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The Town adopted GASBS No. 62 in fiscal year 2013. The adoption of GASBS No. 62 does not have any impact on the Town's financial statements.

In June 2011, the GASB issued Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. The Town adopted GASBS No. 63 in fiscal year 2013. The adoption of GASBS No. 63 has impacted the presentation of the Town's financial statements.

In March 2012, the GASB issued Statement No. 65, Items previously reported as assets and liabilities. GASBS No. 65 provides reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities, and other related disclosures. In addition, the reporting of such items should be limited to those instances identified by the Governmental Accounting Standards Board. Statement No. 65 also changes the determination of the major fund calculations and limits the use of the term deferred in financial statement presentation. Although the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, The Town elected to early implement it in fiscal year 2013. The adoption of GASBS No. 65 has impacted the presentation of the Town's financial statements.



TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 2 DEPOSITS AND INVESTMENTS

At June 30, 2013, the Town had \$1,550 of cash on hand. The carrying amount of the Town's cash in bank totaled \$1,659,103 and the bank balance was \$1,717,711. Federal Depository Insurance covered the Town's deposits at June 30, 2013, to the extent of \$250,000. Deposits of \$1,467,711 were collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the depositor-government's name.

Investments

The Town's portfolio complies with Arizona Revised Statutes (ARS) and The Town's investment policy. ARS authorizes The Town 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.

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, 2013 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, 2013, the Town's funds invested with the State Treasurer totaled \$613,477.

At June 30, 2013, the Town held a repurchase agreement with National Bank that had a carry amount of \$12,492,886.

The Town's Community Facilities Districts have \$1,694,668 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.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The Town also holds \$48,375,355 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 \$307,211 are held by Securian Retirement Services and consist of a money market fund and a variable annuity.

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	12,492,886	\$ 12,492,886	\$ -	\$ -	\$ -
Money Market Funds	1,694,668	1,694,668	-	-	-
LGIP	613,477	613,477	-	-	-
U.S. Government Bonds	48,375,355	-	-	48,375,355	-
	<u>63,176,386</u>	<u>14,801,031</u>	<u>-</u>	<u>48,375,355</u>	<u>-</u>
Fiduciary Fund					
Money Market Funds	2,631	2,631	-	-	-
U.S. Government Bonds	264,627	-	-	264,627	-
Equities	39,953	-	-	-	39,953
	<u>307,211</u>	<u>2,631</u>	<u>-</u>	<u>264,627</u>	<u>39,953</u>
Total	<u>\$ 63,483,597</u>	<u>\$ 14,803,662</u>	<u>\$ -</u>	<u>\$ 48,639,982</u>	<u>\$ 39,953</u>

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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	\$ 12,492,886	\$ -	\$ -	\$ -	\$ 12,492,886
Money Market Funds	1,694,668	-	1,592,502	-	102,166
LGIP	613,477	124,090	-	-	489,387
U.S. Government Bonds	48,375,355	-	48,375,355	-	-
	<u>63,176,386</u>	<u>124,090</u>	<u>49,967,857</u>	<u>-</u>	<u>13,084,439</u>
Fiduciary Fund					
Money Market Funds	2,631	-	-	-	2,631
U.S. Government Bonds	264,627	-	264,627	-	-
Equities	39,953	-	-	-	39,953
	<u>307,211</u>	<u>-</u>	<u>264,627</u>	<u>-</u>	<u>42,584</u>
Total	<u>\$ 63,483,597</u>	<u>\$ 124,090</u>	<u>\$ 50,232,484</u>	<u>\$ -</u>	<u>\$ 13,127,023</u>

Concentration of Credit Risk

At June 30, 2013, the Town's investments are included as follows:

Investment Type	Total	Concentration
Repurchase Agreement	\$ 12,492,886	19.68%
Money Market Funds	1,697,299	2.67%
LGIP	613,477	0.97%
U.S. Government Bonds	48,639,982	76.62%
Equities	39,953	0.06%
Total	<u>\$ 63,483,597</u>	100.00%

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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:

		Highway	Community Facilities Districts-	Community Facilities Districts- Capital	Impact	Capital	Non-Major	Total
Receivables:	General	User	Debt Service	Improvements	Fees	Improvements	Gov. Funds	Gov. Funds
Taxes	\$ 830,937	\$ 227,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,058,252
Interest	26,703	9,767	4,748	1,995	9,272	16,033	9,582	78,100
Accounts	333,891	-	-	-	-	-	12,263	346,154
Assessments	-	-	5,132,423	-	-	-	302,532	5,434,955
	<u>1,191,531</u>	<u>237,082</u>	<u>5,137,171</u>	<u>1,995</u>	<u>9,272</u>	<u>16,033</u>	<u>324,377</u>	<u>6,917,461</u>

The following table summarizes the Town's receivables for the enterprise funds as of June 30, 2013.

Receivables:	Water Fund	Sewer Fund	Sanitation Fund	Total
Interest	\$ 14,855	\$ 12,092	\$ 2,656	\$ 29,603
Accounts	317,762	368,085	60,983	746,830
	<u>332,617</u>	<u>380,177</u>	<u>63,639</u>	<u>776,433</u>
Less:				
Allowance	(5,423)	(3,300)	(6,715)	(15,438)
Net receivables	<u>\$ 327,194</u>	<u>\$ 376,877</u>	<u>\$ 56,924</u>	<u>\$ 760,995</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, 2013

NOTE 4 CAPITAL ASSETS

A summary of capital assets activity for the fiscal year ended June 30, 2013 follows:

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 32,697,655	\$ 51,253	\$ -	\$ 32,748,908
Construction in progress	3,013,906	1,000,293	-	4,014,199
Total capital assets not being depreciated	35,711,561	1,051,546	-	36,763,107
Capital assets, being depreciated:				
Buildings, infrastructure and improvements	48,453,473	125,716	-	48,579,189
Vehicles, furniture and equipment	7,679,834	965,303	(397,801)	8,247,336
Total capital assets being depreciated	56,133,307	1,091,019	(397,801)	56,826,525
Less accumulated depreciation for:				
Buildings and improvements	(15,388,240)	(1,506,121)	-	(16,894,361)
Vehicles, furniture and equipment	(5,892,586)	(503,384)	292,402	(6,103,568)
Total accumulated depreciation	(21,280,826)	(2,009,505)	292,402	(22,997,929)
Total capital assets, being depreciated, net	34,852,481	(918,486)	(105,399)	33,828,596
Governmental activities capital assets, net	\$ 70,564,042	\$ 133,060	\$ (105,399)	\$ 70,591,703

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

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	520,159	348,515	-	868,674
Total capital assets not being depreciated	914,232	348,515	-	1,262,747
Capital assets, being depreciated:				
Buildings, infrastructure and improvements	15,368,822	-	-	15,368,822
Vehicles, machinery and equipment	2,077,350	-	(42,949)	2,034,401
Total capital assets being depreciated	17,446,172	-	(42,949)	17,403,223
Less accumulated depreciation for:				
Buildings, infrastructure and improvements	(5,660,556)	(420,033)	-	(6,080,589)
Vehicles, machinery and equipment	(1,690,546)	(137,420)	42,949	(1,785,017)
Total accumulated depreciation	(7,351,102)	(557,453)	42,949	(7,865,606)
Total capital assets, being depreciated, net	10,095,070	(557,453)	-	9,537,617
Business-Type activities capital assets, net	\$ 11,009,302	\$ (208,938)	\$ -	\$ 10,800,364

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 148,983
Public safety	326,697
Highway and streets	1,434,814
Culture and recreation	94,905
Community development	4,106
Total depreciation expense	\$ 2,009,505
Business-type activities	
Water	\$ 172,435
Sewer	294,691
Sanitation	90,327
Total depreciation expense	\$ 557,453

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 5 CAPITAL LEASES

The Town entered into a lease agreement for capital purchases of \$1,400,000. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The lease is payable in annual installments of \$289,915 including interest at 1.4%. The following schedule presents future minimum lease payments as of June 30, 2013 in governmental activities.

<u>Year Ending, June 30</u>	<u>Principal</u>
2014	\$ 289,915
2015	289,915
2016	289,915
2017	289,915
Total requirements	<u>1,159,660</u>
Less interest	<u>41,099</u>
Present value of remaining payments	<u><u>1,118,561</u></u>

At June 30, 2013, \$1,151,553 of the \$1,400,000 capital lease had been prepaid for the construction of a fire truck. The remaining balance was used to purchase vehicles subsequent to year end and is classified as restricted cash at June 30, 2013.

NOTE 6 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 \$273,594 including interest at 6%. The note is secured by a deed of trust, assignments of rents, security agreement and fixture filings. The balance was \$470,690 at June 30, 2013.

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, 2013, the Town has an outstanding balance of \$4,601,319. 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, 2013, the Town has not drawn down any funds from this note. Payments are due semi-annually including interest at 3.750%.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 6 NOTES PAYABLE (Continued)

The annual debt service requirements to maturity as of June 30, 2013, are as follows:

Year Ending, June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	106,358
2018	52,400	17,347	442,955	91,806
2019 - 2023	236,716	36,004	2,525,117	221,820
Total	<u>\$ 470,690</u>	<u>\$ 150,767</u>	<u>\$ 4,601,319</u>	<u>\$ 821,739</u>

NOTE 7 BONDS PAYABLE

Bonds payable at June 30, 2013, consisted of the outstanding special assessment bonds presented below.

The bonds issued in 1994 to acquire Arizona Sierra Utility have an outstanding principal of \$388,000. 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.

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) and Special Assessment 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.



TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 7        BONDS PAYABLE (Continued)

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.

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.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 7 BONDS PAYABLE (Continued)

In July 2012 the Merrill Ranch Community Facilities District #1 assessment area five issued \$189,000 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 is due in July 2014.

A summary of long-term bond debt payable at June 30, 2013, follows:

Description	Interest Rate	Maturity	Outstanding Principal June 30, 2013	Due Within One Year
Utility Improvement District #1 Revenue Bonds 1994	8.45%	1/1/2019	\$ 388,000	\$ 51,000
Merrill Ranch CFD #1 Special Assessment Bonds 2006	4.30 - 5.30%	7/1/2030	1,940,000	69,000
Merrill Ranch CFD #2 Special Assessment Bonds 2006	4.30 - 5.30%	7/1/2030	1,998,000	70,000
Merrill Ranch CFD #1 General Obligation Bonds 2008A	6.00 - 7.40%	7/15/2033	4,045,000	90,000
Merrill Ranch CFD #1 Special Assessment Bonds 2009	9.00%	7/1/2034	333,880	5,470
Merrill Ranch CFD #2 Special Assessment Bonds 2009	9.00%	7/1/2034	793,930	12,840
Merrill Ranch CFD #2 Special Assessment Bonds 2010	7.75%	7/1/2035	198,870	3,370
Merrill Ranch CFD #1 Special Assessment Bonds 2010	7.50%	7/1/2035	285,840	5,010
Merrill Ranch CFD #2 General Obligation Bonds 2010	5.86%	7/15/2035	3,060,000	80,000
Merrill Ranch CFD #1 Special Assessment Bonds 2012	6.88%	7/1/2037	189,000	-
Total			<u>\$ 13,232,520</u>	<u>\$ 386,690</u>

Annual debt service requirements to maturity on governmental bonds payable at June 30, 2013 are summarized as follows:

Fiscal year ending June 30,	Governmental Activities	
	Principal	Interest
2014	\$ 386,690	\$ 843,479
2015	407,980	821,947
2016	431,460	798,758
2017	452,150	772,746
2018	486,070	744,303
2019 - 2023	2,532,970	3,259,690
2024 - 2028	3,315,910	2,350,842
2029 - 2033	3,821,480	1,125,023
2034 - 2038	1,397,810	120,323
Total	<u>\$ 13,232,520</u>	<u>\$ 10,837,111</u>

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 8 CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable	\$ 13,527,100	\$ 189,000	\$ 483,580	\$ 13,232,520	\$ 386,690
Notes payable	509,847	-	39,157	470,690	41,506
Capital leases	-	1,400,000	281,439	1,118,561	273,594
Compensated absences	390,562	372,024	310,217	452,369	292,956
Governmental activities long-term liabilities	<u>\$ 14,427,509</u>	<u>\$ 1,961,024</u>	<u>\$ 1,114,393</u>	<u>\$ 15,274,140</u>	<u>\$ 994,746</u>
<b>Business-type activities:</b>					
Notes payable	\$ 4,977,189	\$ -	\$ 375,870	\$ 4,601,319	\$ 388,421
Compensated absences	32,013	33,151	30,134	35,030	29,962
Business-type activities long-term liabilities	<u>\$ 5,009,202</u>	<u>\$ 33,151</u>	<u>\$ 406,004</u>	<u>\$ 4,636,349</u>	<u>\$ 418,383</u>

NOTE 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2013 the community facilities district capital improvement fund, a blended component unit of the Town, issued a short term loan payable to the Town's general fund. Loans payable from component units are reported as interfund payables. At June 30, 2013, interfund receivables/payables to component units consisted of the following:

Fund	Receivable Amount	Payable Amount
General Fund	\$ 1,400,000	\$ -
CFD Capital Improvements	-	1,400,000
Total	<u>\$ 1,400,000</u>	<u>\$ 1,400,000</u>

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

At June 30, 2013, there were the following interfund transfers.

Fund	Transfers	Transfers
	Out	In
General Fund	\$ 4,481,205	\$ 1,054,074
Highway User	309,912	3,046
CFD Debt Service	140,000	16,788
CFD Capital Improvements	16,788	140,000
Impact Fees	243,564	245,324
Capital Improvements	361,422	4,705,769
Non-Major Governmental Funds	619,824	453,129
Water	417,922	348,515
Sewer	305,088	-
Sanitation	70,920	-
Total	<u>\$ 6,966,645</u>	<u>\$ 6,966,645</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 10 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, 2013.

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, 2013

NOTE 11 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, 2013; however, the Town expects no material disallowances of expenditures.

NOTE 12 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, 2013

NOTE 12 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, 2013, 2012 and 2011 active ASRS members and the Town were each required by statute to contribute at the actuarially determined rates of 11.14, 10.74 and 9.85 percent (rate includes 0.24, 0.24 and 0.25 for long-term disability) respectively of the member's annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2013, 2012, and 2011 were \$507,334, \$466,241, and \$421,120, 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
2013	\$ 466,802	\$ 29,602	\$ 10,930	\$ 507,334
2012	427,605	28,218	10,418	466,241
2011	385,207	25,224	10,689	421,120

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, 2013, active PSPRS members were required by statute to contribute 9.55 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 13.83% and 11.28% for covered payroll totaling \$209,787 and \$143,732 to the Plan for the Police and Firefighters, respectively.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 12 RETIREMENT PLANS (Continued)

**Annual Pension Cost**

The Town's pension cost for the agent plan for the year ended June 30, 2013, and related information follows:

Contribution Rates:	PSPRS – Police	PSPRS - Fire
City – retirement	10.57%	12.75%
City – health insurance premium	0.71%	1.08%
Plan members	7.65%	7.65%
Annual pension cost		
Retirement	\$ 196,582	\$ 132,508
Health insurance premium	\$ 13,205	\$ 11,224
Pension contributions made		
Retirement	\$ 196,582	\$ 132,508
Health insurance premium	\$ 13,205	\$ 11,224
Actuarial valuation date	June 30, 2011	June 30, 2011
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Actuarial assumptions:		
Investment rate of return	8.3%	8.3%
Projected salary increases	5.0% - 8.0%	5.0% - 8.0%
Includes inflation at cost-of-living adjustment	5.0%	5.0%
Amortization method	Level Percent Closed	Level Percent Closed
Remaining amortization period	25 years underfunded 20 years overfunded	25 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, 2013

NOTE 12 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, 2013	\$ 196,582	100.0%	-
June 30, 2012	166,857	100.0%	-
June 30, 2011	152,628	100.0%	-
PSPRS - Police - Health Insurance			
June 30, 2013	13,205	100.0%	-
June 30, 2012	19,137	100.0%	-
June 30, 2011	17,007	100.0%	-
PSPRS - Fire - Pension			
June 30, 2013	132,508	100.0%	-
June 30, 2012	103,472	100.0%	-
June 30, 2011	87,688	100.0%	-
PSPRS - Fire - Health Insurance			
June 30, 2013	11,224	100.0%	-
June 30, 2012	7,950	100.0%	-
June 30, 2011	6,224	100.0%	-

Schedule of Funding Progress - An analysis of funding progress for each of the agent plans as most recent actuarial valuations; June 30, 2011 reporting period determines the rates for fiscal year 2013. 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, 2011	\$ 3,655,097	\$ 3,462,988	\$ (192,109)	105.5%	\$1,450,956	-13.2%
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%



TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 12 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)
2011		\$ 111,483	\$ 111,483	0.0%	\$1,450,956	7.68%
2010	-	122,574	122,574	0.0%	1,570,453	7.81%
2009	-	111,299	111,299	0.0%	1,673,904	6.65%

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)
2011	\$ 1,568,407	\$ 1,375,795	\$ (192,612)	114.0%	\$1,071,927	-17.9%
2010	1,310,962	983,701	(327,261)	133.3%	1,077,609	-30.4%
2009	1,070,878	810,901	(259,977)	132.1%	1,099,057	-23.7%

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)
2011	\$ -	\$ 55,378	\$ 55,378	0.0%	\$1,071,927	5.17%
2010	-	30,517	30,517	0.0%	1,077,609	2.83%
2009	-	23,781	23,781	0.0%	1,099,057	2.16%

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, 2013

NOTE 12 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
2011	2013	0.61%	0.47%	1.08%	\$ 17,277
2010	2012	0.74%	0.47%	1.21%	21,150
2009	2011	0.75%	0.41%	1.16%	21,612

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
2011	2013	0.38%	0.33%	0.71%	\$ 8,391
2010	2012	0.47%	0.17%	0.64%	7,676
2009	2011	0.43%	0.13%	0.56%	6,850

The Health Insurance Subsidy payments reported for valuation year 2011 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, 2013. The Town's required matching contributions for the plan were covered by the accumulated forfeited funds for the year ended June 30, 2013. As of June 30, 2013, there were 7 eligible employees participating in the plan. The plan is administered by Securian Financial.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013

NOTE 12 RETIREMENT PLANS (Continued)

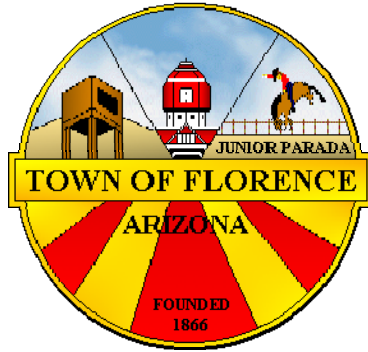
As of June 30, 2013, the plan's assets consisted of the following:

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 13 COMMITMENTS

The Town entered into several contracts for construction. The following is a schedule of the balances at June 30, 2013 for work not yet completed.

Project - Contractor	June 30, 2013
<b>Fire Station 2 Project</b>	
<i>Florence Anthem - Core Construction</i>	\$ 2,820,000
<i>Florence Anthem - Baxter Group Design</i>	70,900
<b>Curb Cuts 2012</b>	
<i>ADA - Standard Construction</i>	288,091
Total Commitment Amount	<u>\$ 3,178,991</u>



## **OTHER SUPPLEMENTARY INFORMATION**

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



## **Non-Major Government Funds Financial Statements**

### **Special Revenue Funds**

- Grants Fund – Accounts for revenues and expenditures of grants received by The Town from various federal, state and other agencies.
- Economic Development Fund – Accounts for ad valorem property tax collected to pay for the operation of the Streetlight Improvement Districts.
- Community Services Fund – Accounts for fines and fee revenue collected by the municipal court. These funds are to be spent for purposes authorized by the Arizona Supreme Court or Arizona Revised Statutes.
- Community Facilities Districts Fund – Accounts for ad valorem property tax collected to pay for the administration costs of these special districts, which were formed for the purpose of financing the acquisition, construction, operation and maintenance of the public infrastructure benefiting the community.

### **Debt Service Fund**

- This fund accounts for the accumulation of resources and the servicing of long-term debt not financed by proprietary funds. Revenues are transferred from the Capital Improvements Fund.

### **Capital Projects Fund**

- Construction Tax Fund – Accounts for Town sales tax collected for governmental construction projects. Funds are transferred to the Capital Improvement Fund for specific projects and must be used for the construction of Town facilities.
- Food Tax Fund – Accounts for Town sales tax collected on sales of food for home consumption. Funds are transferred to the Capital Improvement Fund for specific projects and must be used for improvements to Town recreational grounds and facilities.

TOWN OF FLORENCE, ARIZONA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2013

	Special Revenue			
	Grants	Economic Development	Community Services	Community Facilities Districts
<b>ASSETS</b>				
Cash and cash equivalents	\$ 14,321	\$ 207,186	\$ 10,269	\$ 51,495
Receivables (net of allowance for uncollectibles)	2,219	11,338	68	438
Due from other governments	24,654	-	451	510
Investments	47,652	689,394	34,170	171,346
Total assets	<u>\$ 88,846</u>	<u>\$ 907,918</u>	<u>\$ 44,958</u>	<u>\$ 223,789</u>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	\$ -	\$ 4,310	\$ 412	\$ 2,438
Due to other governments	-	4,854	-	-
Total liabilities	<u>-</u>	<u>9,164</u>	<u>412</u>	<u>2,438</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Restricted				
Court	-	-	25,711	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Highways and Streets	39,681	-	-	-
Economic development	49,165	898,754	18,835	-
Community Facilities Districts operations	-	-	-	221,351
Total fund balances	<u>88,846</u>	<u>898,754</u>	<u>44,546</u>	<u>221,351</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 88,846</u>	<u>\$ 907,918</u>	<u>\$ 44,958</u>	<u>\$ 223,789</u>

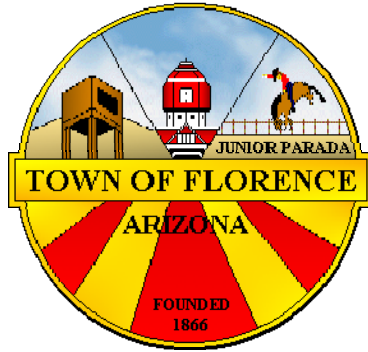


	Capital Projects		Total
Debt Service	Construction Tax	Food Tax	
\$ 55,097	\$ 781,749	\$ 366,942	\$ 1,487,059
302,697	5,234	2,383	324,377
-	-	-	25,615
183,331	2,601,205	1,220,968	4,948,066
<u>\$ 541,125</u>	<u>\$ 3,388,188</u>	<u>\$ 1,590,293</u>	<u>\$ 6,785,117</u>
\$ -	\$ -	\$ -	\$ 7,160
-	-	-	4,854
<u>-</u>	<u>-</u>	<u>-</u>	<u>12,014</u>
303,152	-	-	303,152
<u>303,152</u>	<u>-</u>	<u>-</u>	<u>303,152</u>
-	-	-	25,711
237,973	-	-	237,973
-	3,388,188	1,590,293	4,978,481
-	-	-	39,681
-	-	-	966,754
-	-	-	221,351
<u>237,973</u>	<u>3,388,188</u>	<u>1,590,293</u>	<u>6,469,951</u>
<u>\$ 541,125</u>	<u>\$ 3,388,188</u>	<u>\$ 1,590,293</u>	<u>\$ 6,785,117</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, 2013

	Special Revenue			
	Grants	Economic Development	Community Services	Community Facilities Districts
REVENUES				
Taxes	\$ -	\$ 1,754	\$ -	\$ 66,965
Intergovernmental revenues	494,960	-	-	-
Charges for services	-	-	9,757	2,790
Fines	-	-	2,565	-
Special assessments	-	-	-	-
Investment income				
Interest income	-	2,805	181	468
Net decrease in the fair value of investments	-	(8,255)	(434)	(2,793)
Miscellaneous	-	35,066	-	-
Total revenues	<u>494,960</u>	<u>31,370</u>	<u>12,069</u>	<u>67,430</u>
EXPENDITURES				
Current:				
General government	11,177	39,232	-	150,425
Public safety	92,166	-	3,750	-
Public works	15,721	-	-	-
Community development	6,542	-	2,103	32,937
Capital outlay	63,653	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>189,259</u>	<u>39,232</u>	<u>5,853</u>	<u>183,362</u>
Excess (deficiency) of revenues over (under) expenditures	<u>305,701</u>	<u>(7,862)</u>	<u>6,216</u>	<u>(115,932)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	93,466	-	-	-
Transfers out	(358,911)	-	-	-
Total other financing sources and uses	<u>(265,445)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	40,256	(7,862)	6,216	(115,932)
Fund balances - beginning of year	48,590	906,616	38,330	337,283
Fund balances - end of year	<u>\$ 88,846</u>	<u>\$ 898,754</u>	<u>\$ 44,546</u>	<u>\$ 221,351</u>

Capital Projects			
Debt Service	Construction Tax	Food Tax	Total
\$ -	\$ 97,765	\$ 220,335	\$ 386,819
-	-	-	494,960
26,402	-	-	38,949
-	-	-	2,565
93,503	-	-	93,503
385	12,634	6,367	22,840
(1,055)	(33,392)	(15,206)	(61,135)
-	-	-	35,066
119,235	77,007	211,496	1,013,567
-	-	-	200,834
-	-	-	95,916
-	-	-	15,721
-	-	-	41,582
-	-	-	63,653
372,596	-	-	372,596
76,247	-	-	76,247
448,843	-	-	866,549
(329,608)	77,007	211,496	147,018
359,663	-	-	453,129
-	(260,913)	-	(619,824)
359,663	(260,913)	-	(166,695)
30,055	(183,906)	211,496	(19,677)
207,918	3,572,094	1,378,797	6,489,628
\$ 237,973	\$ 3,388,188	\$ 1,590,293	\$ 6,469,951



## **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, 2013

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 774,394	\$ 774,394	\$ 725,461	\$ (48,933)
Special assessments	521,345	521,345	812,421	291,076
Investment income				
Interest income	85,000	85,000	4,883	(80,117)
Net decrease in the fair value of investments	-	-	(30,289)	(30,289)
Miscellaneous	-	-	29	29
Total revenues	<u>1,380,739</u>	<u>1,380,739</u>	<u>1,512,505</u>	<u>131,766</u>
EXPENDITURES				
Current				
General government	63,763	63,763	63,791	(28)
Community development	-	-	27,692	(27,692)
Debt service				
Principal	1,607,711	1,607,711	431,580	1,176,131
Interest and fiscal charges	896,171	896,171	832,834	63,337
Total expenditures	<u>2,567,645</u>	<u>2,567,645</u>	<u>1,355,897</u>	<u>1,211,748</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,186,906)</u>	<u>(1,186,906)</u>	<u>156,608</u>	<u>1,343,514</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	102,900	102,900	16,788	(86,112)
Transfers out	-	-	(140,000)	(140,000)
Total other financing sources and uses	<u>102,900</u>	<u>102,900</u>	<u>(123,212)</u>	<u>(226,112)</u>
Net change in fund balance	<u>(1,084,006)</u>	<u>(1,084,006)</u>	<u>33,396</u>	<u>1,117,402</u>
Fund balance - beginning of year	3,722,116	3,722,116	3,722,116	-
Fund balance - end of year	<u>\$ 2,638,110</u>	<u>\$ 2,638,110</u>	<u>\$ 3,755,512</u>	<u>\$ 1,117,402</u>

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, 2013

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Investment income				
Interest income	\$ -	\$ -	\$ 10,183	\$ 10,183
Net decrease in the fair value of investments	-	-	(12,724)	(12,724)
Total revenues	-	-	(2,541)	(2,541)
EXPENDITURES				
Current				
General government	160,000	160,000	251,717	(91,717)
Community development	-	-	38,287	(38,287)
Capital outlay	2,064,800	2,064,800	225,443	1,839,357
Total expenditures	2,224,800	2,224,800	515,447	1,709,353
Excess (deficiency) of revenues over (under) expenditures	(2,224,800)	(2,224,800)	(517,988)	1,706,812
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	140,000	140,000
Transfers out	(102,900)	(102,900)	(16,788)	86,112
Proceeds from obligations	2,179,000	2,179,000	189,000	(1,990,000)
Total other financing sources and uses	2,076,100	2,076,100	312,212	(1,763,888)
Net change in fund balance	(148,700)	(148,700)	(205,776)	(57,076)
Fund balance - beginning of year	714,856	714,856	714,856	-
Fund balance - end of year	\$ 566,156	\$ 566,156	\$ 509,080	\$ (57,076)



TOWN OF FLORENCE, ARIZONA  
IMPACT FEES FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Charges for services	\$ 343,920	\$ 343,920	\$ 616,484	\$ 272,564
Investment income				
Interest income	51,000	51,000	21,607	(29,393)
Net decrease in the fair value of investments	-	-	(59,150)	(59,150)
Total revenues	<u>394,920</u>	<u>394,920</u>	<u>578,941</u>	<u>184,021</u>
EXPENDITURES				
Current				
Community development	151,300	151,300	22,788	128,512
Capital outlay	<u>4,709,269</u>	<u>4,709,269</u>	<u>238,273</u>	<u>4,470,996</u>
Total expenditures	<u>4,860,569</u>	<u>4,860,569</u>	<u>261,061</u>	<u>4,599,508</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,465,649)</u>	<u>(4,465,649)</u>	<u>317,880</u>	<u>4,783,529</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	245,324	245,324
Transfers out	<u>-</u>	<u>-</u>	<u>(243,564)</u>	<u>(243,564)</u>
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>1,760</u>	<u>1,760</u>
Net change in fund balance	<u>(4,465,649)</u>	<u>(4,465,649)</u>	<u>319,640</u>	<u>4,785,289</u>
Fund balance - beginning of year	<u>5,727,489</u>	<u>5,727,489</u>	<u>5,727,489</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,261,840</u>	<u>\$ 1,261,840</u>	<u>\$ 6,047,129</u>	<u>\$ 4,785,289</u>

TOWN OF FLORENCE, ARIZONA  
CAPITAL IMPROVEMENTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,000,661	\$ 661
Investment income				
Interest income	50,000	50,000	52,367	2,367
Net decrease in the fair value of investments	-	-	(102,286)	(102,286)
Miscellaneous	-	-	120	120
Total revenues	<u>1,050,000</u>	<u>1,050,000</u>	<u>950,862</u>	<u>(99,138)</u>
EXPENDITURES				
Current				
General government	3,213,200	3,213,200	243,002	2,970,198
Public safety	92,300	92,300	51,887	40,413
Culture and recreation	15,000	15,000	-	15,000
Capital outlay	<u>2,272,700</u>	<u>2,272,700</u>	<u>1,558,484</u>	<u>714,216</u>
Total expenditures	<u>5,593,200</u>	<u>5,593,200</u>	<u>1,853,373</u>	<u>3,739,827</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,543,200)</u>	<u>(4,543,200)</u>	<u>(902,511)</u>	<u>3,640,689</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	4,705,769	4,705,769
Transfers out	(69,748)	(69,748)	(361,422)	(291,674)
Proceeds from capital leases	<u>1,420,000</u>	<u>1,420,000</u>	<u>1,370,000</u>	<u>(50,000)</u>
Total other financing sources and uses	<u>1,350,252</u>	<u>1,350,252</u>	<u>5,714,347</u>	<u>4,364,095</u>
Net change in fund balance	<u>(3,192,948)</u>	<u>(3,192,948)</u>	<u>4,811,836</u>	<u>8,004,784</u>
Fund balance - beginning of year	<u>6,478,644</u>	<u>6,478,644</u>	<u>6,478,644</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,285,696</u>	<u>\$ 3,285,696</u>	<u>\$ 11,290,480</u>	<u>\$ 8,004,784</u>

## **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, 2013

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Intergovernmental revenues	\$ 1,137,911	\$ 1,137,911	\$ 494,960	\$ (642,951)
Miscellaneous	5,000	5,000	-	(5,000)
Total revenues	<u>1,142,911</u>	<u>1,142,911</u>	<u>494,960</u>	<u>(647,951)</u>
EXPENDITURES				
Current				
General government	13,800	13,800	11,177	2,623
Public safety	101,571	101,571	92,166	9,405
Public works	399,810	399,810	15,721	384,089
Community development	7,410	7,410	6,542	868
Capital outlay	<u>766,723</u>	<u>766,723</u>	<u>63,653</u>	<u>703,070</u>
Total expenditures	<u>1,289,314</u>	<u>1,289,314</u>	<u>189,259</u>	<u>1,100,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(146,403)</u>	<u>(146,403)</u>	<u>305,701</u>	<u>452,104</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	125,310	125,310	93,466	(31,844)
Transfers out	<u>(146,408)</u>	<u>(146,408)</u>	<u>(358,911)</u>	<u>(212,503)</u>
Total other financing sources and uses	<u>(21,098)</u>	<u>(21,098)</u>	<u>(265,445)</u>	<u>(244,347)</u>
Net change in fund balance	<u>(167,501)</u>	<u>(167,501)</u>	<u>40,256</u>	<u>207,757</u>
Fund balance - beginning of year	<u>48,590</u>	<u>48,590</u>	<u>48,590</u>	<u>-</u>
Fund balance - end of year	<u>\$ (118,911)</u>	<u>\$ (118,911)</u>	<u>\$ 88,846</u>	<u>\$ 207,757</u>

TOWN OF FLORENCE, ARIZONA  
ECONOMIC DEVELOPMENT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ -	\$ -	\$ 1,754	\$ 1,754
Intergovernmental revenues	399,000	399,000	-	(399,000)
Investment income				
Interest income	6,200	6,200	2,805	(3,395)
Net decrease in the fair value of investments	-	-	(8,255)	(8,255)
Miscellaneous	45,000	45,000	35,066	(9,934)
Total revenues	<u>450,200</u>	<u>450,200</u>	<u>31,370</u>	<u>(418,830)</u>
EXPENDITURES				
Current				
General government	56,000	56,000	39,232	16,768
Community development	53,000	53,000	-	53,000
Capital outlay	454,209	454,209	-	454,209
Total expenditures	<u>563,209</u>	<u>563,209</u>	<u>39,232</u>	<u>523,977</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(113,009)</u>	<u>(113,009)</u>	<u>(7,862)</u>	<u>105,147</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	55,209	55,209	-	(55,209)
Transfers out	<u>(19,500)</u>	<u>(19,500)</u>	<u>-</u>	<u>19,500</u>
Total other financing sources and uses	<u>35,709</u>	<u>35,709</u>	<u>-</u>	<u>(35,709)</u>
Net change in fund balance	<u>(77,300)</u>	<u>(77,300)</u>	<u>(7,862)</u>	<u>69,438</u>
Fund balance - beginning of year	906,616	906,616	906,616	-
Fund balance - end of year	<u>\$ 829,316</u>	<u>\$ 829,316</u>	<u>\$ 898,754</u>	<u>\$ 69,438</u>

TOWN OF FLORENCE, ARIZONA  
COMMUNITY SERVICES  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Charges for services	\$ 4,000	\$ 4,000	\$ 9,757	\$ 5,757
Fines	3,000	3,000	2,565	(435)
Investment income				
Interest income	310	310	181	(129)
Net decrease in the fair value of investments	-	-	(434)	(434)
Total revenues	<u>7,310</u>	<u>7,310</u>	<u>12,069</u>	<u>4,759</u>
EXPENDITURES				
Current				
Public safety	3,750	3,750	3,750	-
Community development	25,950	25,950	2,103	23,847
Capital outlay	-	-	-	-
Total expenditures	<u>29,700</u>	<u>29,700</u>	<u>5,853</u>	<u>23,847</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,390)</u>	<u>(22,390)</u>	<u>6,216</u>	<u>28,606</u>
Net change in fund balance	<u>(22,390)</u>	<u>(22,390)</u>	<u>6,216</u>	<u>28,606</u>
Fund balance - beginning of year	38,330	38,330	38,330	-
Fund balance - end of year	<u>\$ 15,940</u>	<u>\$ 15,940</u>	<u>\$ 44,546</u>	<u>\$ 28,606</u>

TOWN OF FLORENCE, ARIZONA  
COMMUNITY FACILITIES DISTRICTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 71,482	\$ 71,482	\$ 66,965	\$ (4,517)
Charges for services	-	-	2,790	2,790
Investment income				
Interest income	1,900	1,900	468	(1,432)
Net decrease in the fair value of investments	-	-	(2,793)	(2,793)
Miscellaneous	2,874	2,874	-	(2,874)
Total revenues	<u>76,256</u>	<u>76,256</u>	<u>67,430</u>	<u>(8,826)</u>
EXPENDITURES				
Current				
General government	128,775	128,775	150,425	(21,650)
Community development	1,825	1,825	32,937	(31,112)
Total expenditures	<u>130,600</u>	<u>130,600</u>	<u>183,362</u>	<u>(52,762)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,344)</u>	<u>(54,344)</u>	<u>(115,932)</u>	<u>(61,588)</u>
Net change in fund balance	(54,344)	(54,344)	(115,932)	(61,588)
Fund balance - beginning of year	337,283	337,283	337,283	-
Fund balance - end of year	<u>\$ 282,939</u>	<u>\$ 282,939</u>	<u>\$ 221,351</u>	<u>\$ (61,588)</u>



TOWN OF FLORENCE, ARIZONA  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Charges for services	\$ 10,000	\$ 10,000	\$ 26,402	\$ 16,402
Special assessments	77,200	77,200	93,503	16,303
Investment income				
Interest income	1,000	1,000	385	(615)
Net decrease in the fair value of investments	-	-	(1,055)	(1,055)
Total revenues	<u>88,200</u>	<u>88,200</u>	<u>119,235</u>	<u>31,035</u>
EXPENDITURES				
Debt service				
Principal	91,157	91,157	372,596	(281,439)
Interest and fiscal charges	65,574	65,574	76,247	(10,673)
Total expenditures	<u>156,731</u>	<u>156,731</u>	<u>448,843</u>	<u>(292,112)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(68,531)</u>	<u>(68,531)</u>	<u>(329,608)</u>	<u>(261,077)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	69,748	69,748	359,663	289,915
Total other financing sources and uses	<u>69,748</u>	<u>69,748</u>	<u>359,663</u>	<u>289,915</u>
Net change in fund balance	1,217	1,217	30,055	28,838
Fund balance - beginning of year	207,918	207,918	207,918	-
Fund balance - end of year	<u>\$ 209,135</u>	<u>\$ 209,135</u>	<u>\$ 237,973</u>	<u>\$ 28,838</u>

TOWN OF FLORENCE, ARIZONA  
CONSTRUCTION TAX  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 100,000	\$ 100,000	\$ 97,765	\$ (2,235)
Investment income				
Interest income	30,000	30,000	12,634	(17,366)
Net decrease in the fair value of investments	-	-	(33,392)	(33,392)
Total revenues	130,000	130,000	77,007	(52,993)
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	130,000	130,000	77,007	(52,993)
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(260,913)	(260,913)
Total other financing sources and uses	-	-	(260,913)	(260,913)
Net change in fund balance	130,000	130,000	(183,906)	(313,906)
Fund balance - beginning of year	3,572,094	3,572,094	3,572,094	-
Fund balance - end of year	\$ 3,702,094	\$ 3,702,094	\$ 3,388,188	\$ (313,906)

## TOWN OF FLORENCE, ARIZONA

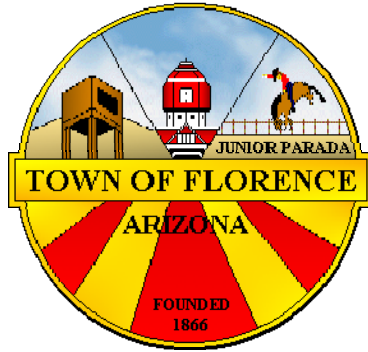
## FOOD TAX

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

## BUDGET AND ACTUAL

Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 180,000	\$ 180,000	\$ 220,335	\$ 40,335
Investment income				
Interest income	11,000	11,000	6,367	(4,633)
Net decrease in the fair value of investments	-	-	(15,206)	(15,206)
Total revenues	<u>191,000</u>	<u>191,000</u>	<u>211,496</u>	<u>20,496</u>
EXPENDITURES				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	<u>191,000</u>	<u>191,000</u>	<u>211,496</u>	<u>20,496</u>
Net change in fund balance	<u>191,000</u>	<u>191,000</u>	<u>211,496</u>	<u>20,496</u>
Fund balance - beginning of year	<u>1,378,797</u>	<u>1,378,797</u>	<u>1,378,797</u>	-
Fund balance - end of year	<u>\$ 1,569,797</u>	<u>\$ 1,569,797</u>	<u>\$ 1,590,293</u>	<u>\$ 20,496</u>



## **STATISTICAL SECTION**



# Statistical Section

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This part of the town of Florence's Comprehensive Annual Financial Report gives detailed information to help readers better understand what the information in the financial statements, note disclosures and required supplemental information says about the Town's overall financial health.

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	<b>98</b>
These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>110</b>
These schedules contain information to help the reader assess the Town's most significant local revenue source, sales tax.	
<b>Debt Capacity</b>	<b>112</b>
These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	
<b>Demographics and Economic Information</b>	<b>115</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	
<b>Operations</b>	<b>117</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	

**Town of Florence, Arizona**

**Table 1**

**Government-wide**

**Net Position**

(Accrual Basis of Accounting)

Last Ten Fiscal Years

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>GOVERNMENTAL ACTIVITIES</b>					
Invested in capital assets, net of related debt	\$ 14,226,000	\$ 24,622,000	\$ 31,151,000	\$ 38,967,000	\$ 50,480,000
Restricted	-	6,655,000	21,237,000	24,945,000	22,965,000
Unrestricted	6,472,000	3,984,000	6,196,000	9,171,000	12,643,000
Total governmental activities net position	<u>20,698,000</u>	<u>35,261,000</u>	<u>58,584,000</u>	<u>73,083,000</u>	<u>86,088,000</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Invested in capital assets, net of related debt	5,925,000	5,866,000	5,840,000	7,146,000	6,314,000
Restricted	2,440,000	421,000	795,000	894,000	1,014,000
Unrestricted	2,762,000	5,455,000	6,464,000	5,824,000	8,022,000
Total business-type activities net position	<u>11,127,000</u>	<u>11,742,000</u>	<u>13,099,000</u>	<u>13,864,000</u>	<u>15,350,000</u>
<b>PRIMARY GOVERNMENT</b>					
Invested in capital assets, net of related debt					
related debt	20,151,000	30,488,000	36,991,000	46,113,000	56,794,000
Restricted	2,440,000	7,076,000	22,032,000	25,839,000	23,979,000
Unrestricted	9,234,000	9,439,000	12,660,000	14,995,000	20,665,000
Total primary government net position	<u>\$ 31,825,000</u>	<u>\$ 47,003,000</u>	<u>\$ 71,683,000</u>	<u>\$ 86,947,000</u>	<u>\$ 101,438,000</u>



2009	2010	2011	2012	2013
\$ 57,868,000	\$ 58,303,000	\$ 54,390,000	\$ 56,527,095	\$ 55,769,932
22,567,000	25,772,000	33,045,000	22,880,295	23,628,884
18,077,000	18,248,000	14,628,000	26,882,692	26,821,517
<u>98,512,000</u>	<u>102,323,000</u>	<u>102,063,000</u>	<u>106,290,082</u>	<u>106,220,333</u>
6,007,000	6,012,000	6,053,000	6,032,112	6,199,045
1,042,000	987,000	1,047,000	2,162,035	2,208,022
8,392,000	10,290,000	13,206,000	15,156,389	18,071,833
<u>15,441,000</u>	<u>17,289,000</u>	<u>20,306,000</u>	<u>23,350,536</u>	<u>26,478,900</u>
63,875,000	64,315,000	60,443,000	62,559,207	61,968,977
23,609,000	26,759,000	34,092,000	25,042,330	25,836,906
26,469,000	28,538,000	27,834,000	42,039,081	44,893,350
<u>\$ 113,953,000</u>	<u>\$ 119,612,000</u>	<u>\$ 122,369,000</u>	<u>\$ 129,640,618</u>	<u>\$ 132,699,233</u>

**Town of Florence, Arizona**

**Table 2**

**Government-wide**

**Changes in Net Position**

(Accrual Basis of Accounting)

Last Ten Fiscal Years

	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>EXPENSES</b>					
<b>Governmental activities</b>					
General government	\$ 1,963,202	\$ 1,540,863	\$ 2,894,997	\$ 4,450,592	\$ 6,636,693
Public safety	2,223,457	2,505,870	3,062,938	4,116,005	5,276,621
Highways and streets	1,328,962	1,821,183	2,100,353	2,313,950	3,252,395
Public works	-	-	46,973	81,859	39,093
Culture and recreation	1,144,459	1,122,254	1,248,161	1,563,986	1,567,834
Community development	131,596	793,144	530,069	509,797	664,920
Interest on long-term debt	241,836	306,219	198,000	513,491	409,166
Total governmental activities	<u>7,033,512</u>	<u>8,089,533</u>	<u>10,081,491</u>	<u>13,549,680</u>	<u>17,846,722</u>
<b>Business-type activities</b>					
Water	1,343,189	1,093,517	1,168,376	1,376,209	1,685,957
Sewer	821,113	1,045,656	1,263,193	1,490,388	1,744,521
Solid waste	456,265	457,941	509,602	577,193	685,265
Solid waste impact fees	-	-	-	247,326	61,584
Total business-type activities	<u>2,620,567</u>	<u>2,597,114</u>	<u>2,941,171</u>	<u>3,691,116</u>	<u>4,177,327</u>
Total primary government expenses	<u>9,654,079</u>	<u>10,686,647</u>	<u>13,022,662</u>	<u>17,240,796</u>	<u>22,024,049</u>

	2009	2010	2011	2012	2013
\$	6,284,516	\$ 6,683,000	\$ 6,932,444	\$ 3,452,054	\$ 4,055,352
	5,970,645	5,571,657	5,313,251	4,008,506	5,528,833
	2,356,534	3,478,242	2,960,896	3,064,386	3,001,939
	25,893	28,195	41,693	202,167	293,202
	1,365,332	1,394,734	1,257,819	1,450,633	1,684,400
	731,667	623,087	630,865	2,407,647	1,082,103
	398,057	615,090	685,365	911,203	888,193
	<u>17,132,644</u>	<u>18,394,005</u>	<u>17,822,333</u>	<u>15,496,596</u>	<u>16,534,022</u>
	1,437,206	1,390,873	1,321,927	1,293,664	1,362,620
	2,918,348	1,900,408	1,806,536	1,819,735	1,747,616
	626,381	663,473	661,964	699,249	682,078
	-	-	-	-	-
	<u>4,981,935</u>	<u>3,954,754</u>	<u>3,790,427</u>	<u>3,812,648</u>	<u>3,792,314</u>
	<u>22,114,579</u>	<u>22,348,759</u>	<u>21,612,760</u>	<u>19,309,244</u>	<u>20,326,336</u>
					(continued)

**Town of Florence, Arizona**

**Table 2**

**Government-wide**

**Changes in Net Position**

(Accrual Basis of Accounting)

Last Ten Fiscal Years

	2004	2005	2006	2007	2008
<b>PROGRAM REVENUES</b>					
<b>Governmental activities</b>					
Charges for services:					
General government	122,043	728,483	1,849,897	1,509,423	1,254,301
Public safety	73,012	42,798	117,558	161,788	180,201
Highway and streets				-	
Public works				-	
Culture and recreation	106,154	10,371	9,520	8,414	7,265
Community development	230,292	294,944	2,199,167	1,803,778	1,831,769
Interest on long-term debt				-	
Operating grants and contributions	2,632,645	133,904	328,329	321,773	4,077,695
Capital grants and contributions	-	639,196	5,204,518	757,391	8,545,492
Total governmental activities	<u>3,164,146</u>	<u>1,849,696</u>	<u>9,708,989</u>	<u>4,562,567</u>	<u>15,896,723</u>
<b>Business-type Activities</b>					
Charges for services:					
Water	1,420,421	1,418,071	1,495,620	1,780,026	2,216,245
Sewer	1,299,743	1,406,793	1,597,904	1,809,021	2,089,828
Solid waste	493,261	513,564	531,440	610,084	754,996
Water impact fees	-	-	13,088	11,135	13,723
Liquid waste	-	-	-	32,896	32,896
Solid waste	-	-	75,480	88,200	65,576
Operating grants and contributions		-	556,467		
Capital grants and contributions	-	-	-	-	-
Total business-type activities	<u>3,213,425</u>	<u>3,338,428</u>	<u>4,269,999</u>	<u>4,331,362</u>	<u>5,173,264</u>
Total primary government program revenues	<u>6,377,571</u>	<u>5,188,124</u>	<u>13,978,988</u>	<u>8,893,929</u>	<u>21,069,987</u>
<b>NET REVENUE (EXPENSE)</b>					
Governmental activities	(3,869,366)	(6,239,837)	(372,502)	(8,987,113)	(1,949,999)
Business-type activities	<u>592,858</u>	<u>741,314</u>	<u>1,328,828</u>	<u>640,246</u>	<u>995,937</u>
Total primary government	<u>(3,276,508)</u>	<u>(5,498,523)</u>	<u>956,326</u>	<u>(8,346,867)</u>	<u>(954,062)</u>

2009	2010	2011	2012	2013
1,177,447	942,808	947,188	733,487	875,429
276,078	298,993	306,789	310,166	331,103
-	-	-	-	-
-	-	-	-	-
12,657	10,390	9,466	7,401	4,316
1,261,113	1,429,227	474,938	525,659	798,678
-	-	-	-	-
3,578,527	3,182,649	3,179,055	2,579,917	2,700,108
9,800,741	3,429,189	1,339,952	1,500,250	953,145
16,106,563	9,293,256	6,257,388	5,656,880	5,662,779
2,392,682	2,597,067	2,961,152	2,793,341	2,691,199
2,256,995	2,665,332	3,218,251	3,165,051	3,536,085
799,442	916,984	979,401	1,019,021	1,082,281
	11,101	-	-	-
6,591	13,684	27,369	-	-
31,105	30,660	16,058	-	-
	20,000	-	-	-
-	-	-	5,580	28,503
5,486,815	6,254,828	7,202,231	6,982,993	7,338,068
21,593,378	15,548,084	13,459,619	12,639,873	13,000,847
(1,026,081)	(9,100,749)	(11,564,945)	(9,839,716)	(10,871,243)
504,880	2,300,074	3,411,804	3,170,345	3,545,754
(521,201)	(6,800,675)	(8,153,141)	(6,669,371)	(7,325,489)

(continued)

**Town of Florence, Arizona**

**Table 2**

**Government-wide**

**Changes in Net Position**

(Accrual Basis of Accounting)

Last Ten Fiscal Years

	2004	2005	2006	2007	2008
<b>GENERAL REVENUES</b>					
<b>Governmental activities</b>					
Taxes					
Sales taxes	1,057,422	1,215,402	1,841,988	3,726,230	5,737,272
Property taxes	247,197	264,550	277,249	341,664	985,758
Franchise taxes	197,816	212,421	231,441	288,426	358,071
State shared revenues	3,313,637	6,566,314	8,211,458	9,479,728	6,174,545
Investment income	74,551	187,057	539,299	1,239,799	1,135,669
Miscellaneous	531,283	515,841	443,340	349,265	237,361
Donation of capital assets	-	9,805,747	11,880,996	7,711,966	-
Transfers in (out)	-	269,736	269,736	348,792	326,795
Total governmental activities	<u>5,421,906</u>	<u>19,037,068</u>	<u>23,695,507</u>	<u>23,485,870</u>	<u>14,955,471</u>
<b>Business-type activities</b>					
Investment income	59,340	120,596	240,958	393,180	315,277
Miscellaneous	13,241	22,391	56,795	81,230	500,657
Transfers in (out)	-	(269,736)	(269,736)	(348,972)	(326,795)
Total business-type activities	<u>72,581</u>	<u>(126,749)</u>	<u>28,017</u>	<u>125,438</u>	<u>489,139</u>
<b>CHANGES IN NET POSITION</b>					
Governmental activities	1,552,540	12,797,231	23,323,005	14,498,757	13,005,472
Business-type activities	665,439	614,565	1,356,845	765,684	1,485,076
Total primary government	<u>\$ 2,217,979</u>	<u>\$ 13,411,796</u>	<u>\$ 24,679,850</u>	<u>\$ 15,264,441</u>	<u>\$ 14,490,548</u>

2009	2010	2011	2012	2013
4,282,871	3,707,169	3,099,031	4,907,353	3,671,468
1,840,508	2,096,826	1,832,156	1,863,163	1,565,087
366,481	371,537	371,757	373,761	385,591
6,196,804	5,443,456	4,852,275	5,231,428	5,811,613
19,251	334,969	195,754	766,154	(259,780)
163,863	254,305	272,229	179,340	34,430
-	-	-	-	-
580,388	703,556	681,590	745,275	445,415
<u>13,450,166</u>	<u>12,911,818</u>	<u>11,304,792</u>	<u>14,066,474</u>	<u>11,653,824</u>
(1,839)	101,815	64,367	278,145	(111,009)
169,364	149,025	223,339	340,737	139,034
(580,388)	(703,556)	(681,590)	(745,275)	(445,415)
<u>(412,863)</u>	<u>(452,716)</u>	<u>(393,884)</u>	<u>(126,393)</u>	<u>(417,390)</u>
12,424,085	3,811,069	(260,153)	4,226,758	782,581
92,017	1,847,358	3,017,920	3,043,952	3,128,364
<u>\$ 12,516,102</u>	<u>\$ 5,658,427</u>	<u>\$ 2,757,767</u>	<u>\$ 7,270,710</u>	<u>\$ 3,910,945</u>
				(concluded)

**Town of Florence, Arizona**  
**Table 3**  
**Governmental Funds**  
**Fund Balances**  
(Modified Accrual Basis of Accounting)  
Last Ten Fiscal Years

	2004	2005	2006	2007	2008
<b>GENERAL FUND</b>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Reserved	-	-	-	-	-
Unreserved	1,845,522	3,387,077	1,419,261	4,377,961	9,115,927
Total General Fund	<u>1,845,522</u>	<u>3,387,077</u>	<u>1,419,261</u>	<u>4,377,961</u>	<u>9,115,927</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>					
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Unreserved	4,626,540	6,673,323	20,141,261	24,009,357	21,240,051
Total all other governmental funds	<u>4,626,540</u>	<u>6,673,323</u>	<u>20,141,261</u>	<u>24,009,357</u>	<u>21,240,051</u>
 Total governmental funds	 <u>\$ 6,472,062</u>	 <u>\$ 10,060,400</u>	 <u>\$ 21,560,522</u>	 <u>\$ 28,387,318</u>	 <u>\$ 30,355,978</u>

Notes:

- The Town implemented GASB 54 for the year ended June 30, 2011. GASB 54 requires a new way of reporting the components of fund balance that will focus on the extent to which the Town is bound to honor constraints on the specific purposes for which the amounts in fund balance can be spent. Prior to fiscal year 2011, fund balance was reported with a focus on the extent to which financial resources are available for appropriation.



2009	2010	2011	2012	2013
\$ -	\$ -	\$ 64,468	\$ 66,671	\$ 66,700
-	-	-	-	-
-	-	-	-	-
-	-	12,094,137	14,703,424	11,357,149
-	-	-	-	-
10,344,343	11,107,505	-	-	-
<u>10,344,343</u>	<u>11,107,505</u>	<u>12,158,605</u>	<u>14,770,095</u>	<u>11,423,849</u>
-	-	-	652,624	1,151,553
-	-	21,509,635	17,149,931	17,635,228
-	-	652,292	10,865,249	14,946,996
-	-	7,537,864	595,691	710,956
-	-	-	-	-
25,505,919	27,050,641	-	-	-
<u>25,505,919</u>	<u>27,050,641</u>	<u>29,699,791</u>	<u>29,263,495</u>	<u>34,444,733</u>
<u>\$ 35,850,262</u>	<u>\$ 38,158,146</u>	<u>\$ 41,858,396</u>	<u>\$ 44,033,590</u>	<u>\$ 45,868,582</u>

**Town of Florence, Arizona**  
**Table 4**  
**Governmental Funds**  
**Changes in Fund Balances**  
(Modified Accrual Basis of Accounting)  
Last Ten Fiscal Years

	2004	2005	2006	2007	2008
<b>REVENUES</b>					
Taxes*	\$ 1,662,261	\$ 4,378,611	\$ 5,783,812	\$ 8,169,629	\$ 10,837,524
Intergovernmental	5,946,282	4,393,816	5,197,348	6,398,529	6,439,856
Fines and forfeits	36,993	40,969	57,748	74,031	92,304
Licenses and permits	106,051	111,165	745,510	554,462	612,530
Charges for services	388,457	915,216	3,372,884	2,821,017	2,536,992
Investment income	74,551	187,057	539,299	1,239,799	1,135,669
Contributions	-	27,070	70,726	7,184	5,636
Special Assessments	-	491,800	120,463	444,740	592,372
Miscellaneous	531,283	528,623	443,340	349,065	233,881
Total revenues	<u>8,745,878</u>	<u>11,074,327</u>	<u>16,331,130</u>	<u>20,058,456</u>	<u>22,486,764</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,877,547	1,349,611	2,625,700	3,142,739	3,363,465
Public safety	2,029,222	2,340,234	3,196,610	3,894,394	5,047,297
Highways and streets	1,620,365	985,065	986,405	1,209,696	2,245,359
Public works	-	-	1,328	2,656	-
Culture and recreation	1,053,519	1,041,367	1,185,801	1,349,633	1,527,826
Community development	131,596	693,495	644,507	901,958	792,679
Capital outlay	139,996	636,144	963,962	2,761,698	7,175,581
Debt Service:					
Principal	508,076	738,559	342,736	353,735	392,017
Interest and debt cost	241,836	230,674	172,695	418,413	302,068
Total expenditures	<u>7,602,157</u>	<u>8,015,149</u>	<u>10,119,744</u>	<u>14,034,922</u>	<u>20,846,292</u>
Excess or revenues over (under) expenditures	<u>1,143,721</u>	<u>3,059,178</u>	<u>6,211,386</u>	<u>6,023,534</u>	<u>1,640,472</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	76,390	481,611	5,268,398	1,166,889	846,848
Transfers out	(76,390)	(211,875)	(4,998,662)	(817,917)	(520,053)
Sale of capital assets	-	-	-	9,290	1,393
Issuance of long-term debt	-	-	5,019,000	445,000	-
Total other financing sources (uses)	<u>-</u>	<u>269,736</u>	<u>5,288,736</u>	<u>803,262</u>	<u>328,188</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 1,143,721</u>	<u>\$ 3,328,914</u>	<u>\$ 11,500,122</u>	<u>\$ 6,826,796</u>	<u>\$ 1,968,660</u>
Debt service as a percentage of noncapital expenditures	10.05%	13.14%	5.63%	6.85%	5.08%

Notes:

\* Taxes consists of sales, property and franchise taxes

	2009	2010	2011	2012	2013
\$	9,604,773	\$ 9,090,410	\$ 8,197,401	\$ 9,511,918	\$ 8,153,474
	7,314,699	5,728,725	5,230,895	6,123,769	6,306,573
	147,949	132,006	155,862	149,668	175,058
	414,270	425,005	352,062	291,697	389,434
	2,113,020	2,094,688	1,189,716	1,100,044	1,425,455
	19,251	334,969	191,295	766,154	(259,780)
	26,607	40,051	30,713	100,522	16,206
	859,365	810,148	866,452	840,591	905,924
	157,697	203,882	265,314	164,893	113,512
	<u>20,657,631</u>	<u>18,859,884</u>	<u>16,479,710</u>	<u>19,049,256</u>	<u>17,225,856</u>
	3,631,445	3,314,037	3,429,221	2,944,893	3,469,628
	5,209,649	5,214,936	4,966,311	5,423,446	5,791,565
	1,497,896	1,823,091	1,528,943	1,653,929	1,596,838
	1,328	2,427	1,425	168,975	167,397
	1,431,507	1,298,065	1,134,885	1,362,291	1,623,120
	852,276	712,206	710,314	925,382	757,219
	6,398,226	4,632,680	4,397,001	3,321,325	2,311,315
	652,336	971,769	366,849	879,340	804,176
	469,072	672,634	786,733	942,200	909,081
	<u>20,143,735</u>	<u>18,641,845</u>	<u>17,321,682</u>	<u>17,621,781</u>	<u>17,430,339</u>
	<u>513,896</u>	<u>218,039</u>	<u>(841,972)</u>	<u>1,427,475</u>	<u>(204,483)</u>
	1,659,619	2,006,197	1,223,451	2,412,935	6,618,130
	(1,079,231)	(1,302,641)	(541,861)	(1,667,660)	(6,172,715)
	10,000	289	10,161	2,414	5,060
	-	1,386,000	3,850,500	-	1,589,000
	<u>590,388</u>	<u>2,089,845</u>	<u>4,542,251</u>	<u>747,689</u>	<u>2,039,475</u>
\$	<u>1,104,284</u>	<u>\$ 2,307,884</u>	<u>\$ 3,700,279</u>	<u>\$ 2,175,164</u>	<u>\$ 1,834,992</u>
	8.16%	11.74%	8.93%	12.69%	11.21%

**Town of Florence, Arizona**  
**Table 5**  
**Sales Tax Revenue by Industry**  
Current and Nine Years Ago

Industry	2013			2004		
	Tax Paid	Rank	Percentage of Total	Tax Paid	Rank	Percentage of Total
Construction	\$ 1,064,293	1	29.45%	\$ 257,984	2	24.32%
Retail Trade	\$ 791,635	2	21.91%	\$ 284,234	1	26.80%
Communications and Utilities	\$ 557,563	3	15.43%	\$ 91,360	4	8.61%
Restaurants and Bars	\$ 548,292	4	15.17%	\$ 76,649	5	7.23%
Real Estate, Rental, Leasing and Fire Insurance	\$ 136,449	5	3.78%	\$ 27,552	8	2.60%
Arts and Entertainment	\$ 125,870	6	3.48%	\$ 180		0.02%
Wholesale Trades	\$ 95,615	7	2.65%	\$ 37,716	6	3.56%
Services	\$ 90,102	8	2.49%	\$ 29,255	7	2.76%
Accommodations	\$ 70,061	9	1.94%	\$ 4,106		0.39%
Manufacturing	\$ 51,883	10	1.44%	\$ 24,372	9	2.30%
All Other	<u>\$ 81,683</u>		<u>2.26%</u>	<u>\$ 227,207</u>		<u>21.42%</u>
Total	<u>\$ 3,613,446</u>		<u>70.55%</u>	<u>\$ 1,060,615</u>		<u>75.68%</u>

Source: Arizona Department of Revenue

Notes:

- Based upon June 30, 2013 reports. Will not agree with sales tax recorded in Financial Statements.

**Town of Florence, Arizona**  
**Table 6**  
**Direct and Overlapping Sales Tax Rates**  
As of June 30, 2013

Type of Tax	Rates		
	Town	State and Pinal County	Combined
Privilege tax, except retail, utilities and telecommunication	2.00%	6.60%	8.60%
Retail	2.00%	6.60%	8.60%
Hotel/Motel	4.00%	6.60%	10.60%
Restaurant/Bar	2.00%	6.60%	8.60%
Utilities/Telecommunications	2.00%	6.60%	8.60%
Construction	4.00%	6.60%	10.60%

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

**Town of Florence, Arizona**  
**Table 7**  
**Ratios of Outstanding Debt by Type**  
Last Ten Fiscal Years

<b>Governmental Activities</b>						
<b>Fiscal Year Ended June 30,</b>	<b>Certificates of Participation</b>	<b>Special Assessment Bonds</b>	<b>Notes Payable</b>	<b>Capital Leases</b>	<b>GO Bonds - CFDs</b>	<b>Special Assessment Bonds - CFDs</b>
2013	\$ -	\$ 388,000	\$ 470,690	\$ 1,118,561	\$ 7,105,000	\$ 5,739,520
2012	-	440,000	509,847	-	7,265,000	5,822,100
2011	-	482,000	546,788	-	7,770,000	6,117,500
2010	-	610,000	581,637	-	4,285,000	5,956,000
2009	250,000	655,000	614,514	22,892	4,627,000	4,849,000
2008	480,000	695,000	645,530	56,383	429,000	4,967,000
2007	710,000	735,000	674,790	88,885	445,000	5,019,000
2006	920,000	765,000	729,396	123,014	-	5,019,000
2005	1,120,000	795,000	811,598	153,550	-	-
2004	1,310,000	1,235,000	890,521	183,184	-	-

<b>Business-type Activities</b>					
<b>Fiscal Year Ended June 30,</b>	<b>Notes Payable</b>	<b>Revenue Bonds</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
2013	\$ 4,601,319	\$ -	\$ 19,423,090	5.78%	\$ 703.38
2012	4,977,189	-	19,014,136	6.09%	\$ 706.32
2011	6,591,457	-	21,507,745	7.38%	\$ 815.15
2010	6,992,889	-	18,425,526	6.83%	\$ 721.52
2009	6,033,490	-	17,051,896	5.96%	\$ 657.25
2008	6,228,819	-	13,501,732	5.66%	\$ 558.83
2007	5,343,488	-	13,016,163	6.30%	\$ 593.52
2006	5,093,191	-	12,649,601	6.63%	\$ 602.46
2005	672,691	-	3,552,839	1.99%	\$ 175.59
2004	500,000	55,000	4,173,705	2.70%	\$ 239.98

Notes:

- Details regarding the Town's outstanding debt can be found in the notes to the financial statements.
- See the Demographic and Economic Statistics (Table 7) for personal income and population data.

**Town of Florence, Arizona**  
**Table 8**  
**Direct and Overlapping Governmental Activities Debt**  
As of June 30, 2013

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable(1)</b>	<b>Estimated Share of Overlapping Debt</b>
Debt repaid with property taxes:			
Pinal County Community College District	\$ 91,340,000	3.70%	\$ 3,379,580
Florence Unified School District No. 1	41,300,000	29.70%	<u>12,266,100</u>
Total overlapping debt			15,645,680
Town of Florence direct debt			<u>14,821,771</u>
Total direct and overlapping debt			<u><u>\$ 30,467,451</u></u>

Sources: Pinal County Department of Finance, Pinal County Assessor's Office, Town Finance Department

Notes:

(1) The percentage of overlapping debt applicable to the Town is computed on the ratio of secondary assessed valuation.

**Town of Florence, Arizona**

**Table 9**

**Pledged Revenue Coverage**

Last Ten Fiscal Years

Fiscal Year Ended June 30	Special Assessment Bonds				
	Special Assessment Collections	Debt Service		Coverage	
		Principal	Interest		
2013	\$ 93,503	\$ 52,000	\$ 37,180	1.05	
2012	83,252	42,000	42,335	0.99	
2011	87,323	45,000	49,644	0.92	
2010	97,723	45,000	53,446	0.99	
2009	119,909	40,000	57,038	1.24	
2008	112,497	40,000	60,418	1.12	
2007	118,162	30,000	63,375	1.27	
2006	120,464	30,000	83,866	1.06	
2005	491,800	45,000	104,358	3.29	
2004	159,826	40,000	107,738	1.08	

Notes:

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



**Town of Florence, Arizona**  
**Table 10**  
**Demographic and Economical Statistics**  
Last Ten Fiscal Years

<b>Fiscal</b>		<b>Estimated</b>	<b>Estimated</b>	<b>October</b>	<b>Education</b>	<b>Town</b>
<b>Year</b>	<b>Population</b>	<b>Personal</b>	<b>Per Capita</b>	<b>School</b>	<b>Level in Years</b>	<b>Unemployment</b>
		<b>Income (1)(2)</b>	<b>Personal</b>	<b>Enrollment</b>	<b>of Schooling</b>	<b>Rate</b>
		<b>(in thousands)</b>	<b>Income (1)(2)</b>			
2013	27,614	\$ 336,183	\$ 12,174	2,469	13 to 16	18.1%
2012	26,920	312,128	11,595	2,368	13 to 16	18.5%
2011	26,385	291,236	11,038	2,411	13 to 16	21.3%
2010	25,537	269,695	10,561	2,568	13 to 16	11.6%
2009	25,944	285,999	11,024	3,038	13 to 16	12.1%
2008	24,161	238,457	9,870	3,479	13 to 16	7.1%
2007	21,930	206,604	9,421	2,868	13 to 16	3.5%
2006	20,997	190,790	9,087	1,860	13 to 16	4.2%
2005	20,234	178,478	8,821	1,741	13 to 16	4.8%
2004	17,392	154,527	8,885	1,425	13 to 16	5.1%

Sources: Central Arizona Governments, Bureau of Economic Analysis, Arizona Department of Commerce, Bureau of Labor and Statistics, Arizona Department of Education, US Census Bureau

Notes:

- (1) 2013 based on historical trends
- (2) estimated based on County data

**Town of Florence, Arizona**

**Table 11**

**Principal Employers**

Current Year and Nine Years Ago

Major Employer	2013			2004		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Pinal County Government	2,700	1	50.3%	1,825	2	25.46%
Arizona State Prison Complex	750	2	14.0%	2,630	1	36.69%
Correctional Corporation of America	500	3	9.3%	1,300	3	18.14%
Town of Florence	165	4	3.1%	93	5	1.30%
Florence Schools	150	5	2.8%	320	4	4.46%
Callstreamz	<u>100</u>	6	1.9%	<u>n/a</u>		
Total	<u>4,365</u>		<u>81.4%</u>	<u>6,168</u>		<u>86.05%</u>

Source: Town of Florence Official Statements

Notes:

- Total Town employment is an estimate

**Town of Florence, Arizona**  
**Table 12**  
**Full-time Equivalent Town Government Employees by Function**  
Last Ten Fiscal Years

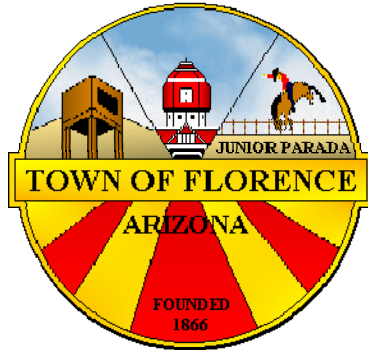
Fiscal Year	Function/Program							Total
	General Government	Public Safety	Highways and Streets	Culture and Recreation	Community Development	Water and Sewer	Sanitation	
2013	30.70	72.50	20.80	19.25	6.00	11.00	5.00	165.25
2012	30.70	71.50	20.30	16.25	6.00	10.50	5.00	160.25
2011	28.00	65.00	30.00	15.00	6.00	14.00	5.00	163.00
2010	27.00	65.00	32.00	16.00	7.00	14.00	5.00	166.00
2009	28.00	66.00	32.00	16.00	9.00	15.00	5.00	171.00
2008	20.00	66.00	32.00	14.00	9.00	15.00	5.00	161.00
2007	23.00	64.00	29.00	16.00	9.00	15.00	5.00	161.00
2006	16.00	42.00	15.00	13.00	4.00	9.00	4.00	103.00
2005	14.00	36.00	15.00	13.00	2.00	9.00	4.00	93.00
2004	14.00	36.00	14.00	14.00	2.00	9.00	4.00	93.00

**Town of Florence, Arizona**  
**Table 13**  
**Operating Indicators by Function**  
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Police</b>										
Total arrests	252	192	202	222	308	400	406	278	264	597
Moving violations citations	485	419	419	602	981	105	1,000	836	701	931
Total calls for service	6,565	7,179	6,966	7,823	7,314	7,456	5,757	4,996	5,450	6,341
Total 911 calls	not avail	not avail	not avail	2,853	4,501	5,125	5,849	5,392	5,023	5,796
Total Part I Crimes	307	358	382	398	430	402	351	296	214	363
<b>Fire</b>										
All emergency responses	1,680	1,813	1,643	1,679	1,902	2,105	2,042	2,074	2,083	3,469
Fire and hazmat responses	72	98	90	119	83	127	108	102	114	133
Emergency medical responses	1,359	1,545	1,334	1,155	1,376	1,605	1,654	1,239	1,290	1,941
Other responses	349	170	219	405	443	373	280	733	679	1,395
<b>Highways and Streets</b>										
Street resurfacing (miles)	6.00	1.90	4.30	0.67	2.50	2.90	1.40	3.40	-	2.00
Potholes repaired (estimate)	2,919	10,637	7,240	3,824	5,968	5,094	5,730	2,978	4,869	6,000
Streets maintained (miles)	73.41	94.81	96.99	99.22	99.22	99.22	108.08	108.08	108.08	110
<b>Community Development</b>										
Building permits issued	149	631	713	799	703	606	436	465	78	135
Code enforcement cases	not avail	not avail	38	188	125	126	80	43	19	70
<b>Parks, Recreation and Library</b>										
Attendance at aquatics facilities	2,411	392	2,662	2,386	3,081	3,216	2,561	2,441	2,840	1,578
Attendance at other facilities	15,425	17,015	18,929	22,972	19,008	30,000	24,444	33,936	22,116	30,604
Library visits	92,995	119,895	147,100	113,957	119,564	154,645	130,636	119,254	118,121	99,943
Library materials checked out	47,917	47,746	55,975	60,922	77,756	98,114	103,277	65,120	60,550	60,091
<b>Sanitation</b>										
Homes serviced	2,447	2,572	1,942	2,248	2,643	2,603	3,246	3,446	3,519	3,400
Tons of refuse and garbage hauled	4,409	4,535	4,938	5,812	5,771	5,468	5,569	5,319	5,096	5,165
<b>Water</b>										
Water service connections	3,183	3,187	3,191	3,235	3,266	3,278	3,287	3,295	3,295	3,257
Water consumption (millions gallons per day)	1.43	1.49	1.84	1.92	1.91	1.87	1.90	1.98	2.04	1.37
Water consumption (millions gallons per year)	522	544	672	701	697	683	694	723	745	500
<b>Sewer</b>										
Sewer service connections	3,159	3,163	3,167	3,211	3,241	3,251	3,260	3,268	3,268	3,230
Sewage treated (millions gallons per day)	1.49	1.58	1.68	1.58	1.68	2.02	2.04	2.06	2.07	1.63
Sewage treated (millions gallons per year)	544	577	614	575	613	737	745	753	757	594

**Town of Florence, Arizona**  
**Table 14**  
**Capital Asset Statistics by Function**  
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Public Safety</u>										
Police Stations	1	1	1	1	1	1	1	1	1	1
Police Vehicles	22	26	26	26	29	34	38	41	42	44
Fire Stations	1	1	1	1	1	2	2	2	2	2
Fire Apparatus	4	6	7	6	5	8	8	6	6	7
Other Fire Vehicles	3	3	3	3	4	4	4	4	5	5
<u>Highways and Streets</u>										
Street (miles)	69	73	95	97	99	99	99	108	108	108
Streetlights	376	376	386	680	889	964	985	1,039	1,039	1,060
Traffic signals Own	-	-	-	-	1	1	1	1	1	2
Traffic signals Don't Own	2	2	2	2	2	2	2	2	2	2
<u>Culture and Recreation</u>										
Parks	6	6	6	6	7	8	8	8	8	8
Parks Acreage	289	289	289	289	289	289	289	289	289	289
Fitness Center	1	1	1	1	1	1	1	1	1	1
Swimming Pool - owned by school	1	1	1	1	1	1	1	1	1	1
Libraries - owned by school	1	1	1	1	1	1	1	1	1	1
<u>Wastewater</u>										
Sanitary Sewers (miles)	45.5	45.5	45.5	45.5	45.5	45.7	45.7	45.7	45.7	45.7
Storm Sewers (miles)	0.0	0.3	0.3	1.5	4.7	6.8	7.2	7.5	7.8	8.4
Treatment capacity (thousands of gallons)	1,420	1,420	1,920	1,920	1,920	2,920	2,920	2,920	2,920	2,920



## **COMPLIANCE REPORT**







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

To the Honorable Mayor and Town Council  
Town of Florence  
Florence, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Florence, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Florence, Arizona's basic financial statements and have issued our report thereon dated November 21, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Florence, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Florence, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Florence, Arizona's internal control.

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

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

**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

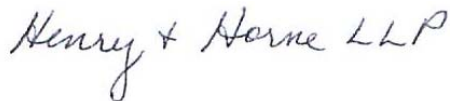
**Casa Grande**  
1115 E. Cottonwood Lane  
Suite 100  
Casa Grande, AZ 85122-2950  
(520) 836-8201  
Fax (520) 426-9432

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Henry & Horne LLP".

Casa Grande, Arizona  
November 21, 2013

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