



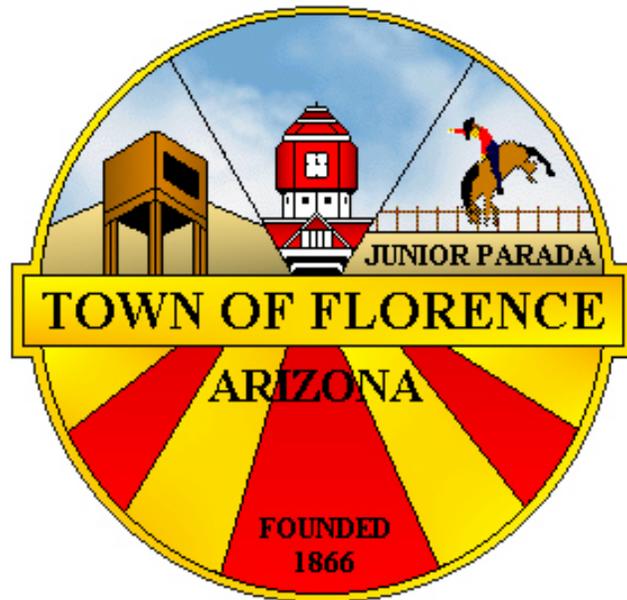
Comprehensive Annual Financial Report

For the Year Ended
June 30, 2014



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014



Florence, Arizona

TOWN OF FLORENCE, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ending June 30, 2014



Prepared by:
Finance Department

Mike Farina
Finance Director

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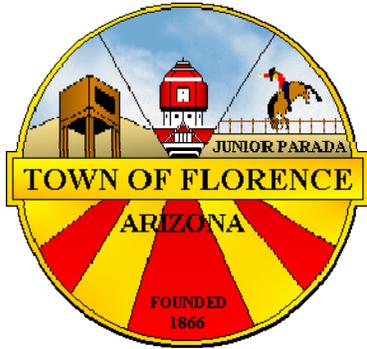
III. STATISTICAL SECTION

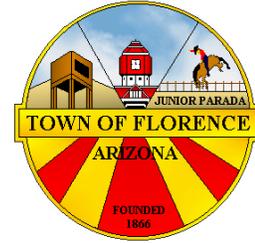
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INTRODUCTORY SECTION





Town of Florence

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

December 10, 2014

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, 2014. 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, 2014. 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-

1920s 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 25,428. 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 No. 1 and Merrill Ranch Community Facilities District No. 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; emergency medical services; construction and maintenance of highways, streets and other infrastructure; cultural and recreational activities; library services; 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 the 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 3,700 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 primary 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 at 3,191 acres, is one of Arizona's largest master-planned communities. To date, there are over 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. Construction on a new onsite restaurant located next to the golf pro shop will be completed in early 2015. 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.



The Town's unemployment rate is 7.5 percent. This is significantly lower than the past five years, which averaged 16.3 percent.

The makeup of Town general fund revenue has remained relatively consistent over the past ten years, with state-shared revenue, local sales tax, property tax and charges for services being the largest sources, in that order. State-shared revenue is primarily based on population and represented approximately 50 percent of the total 2014 fiscal year revenue. Worth noting, prison inmates make up more than 50 percent of the total population. Sales tax, property tax and charges for services made up 18, 7 and 6 percent, respectively.

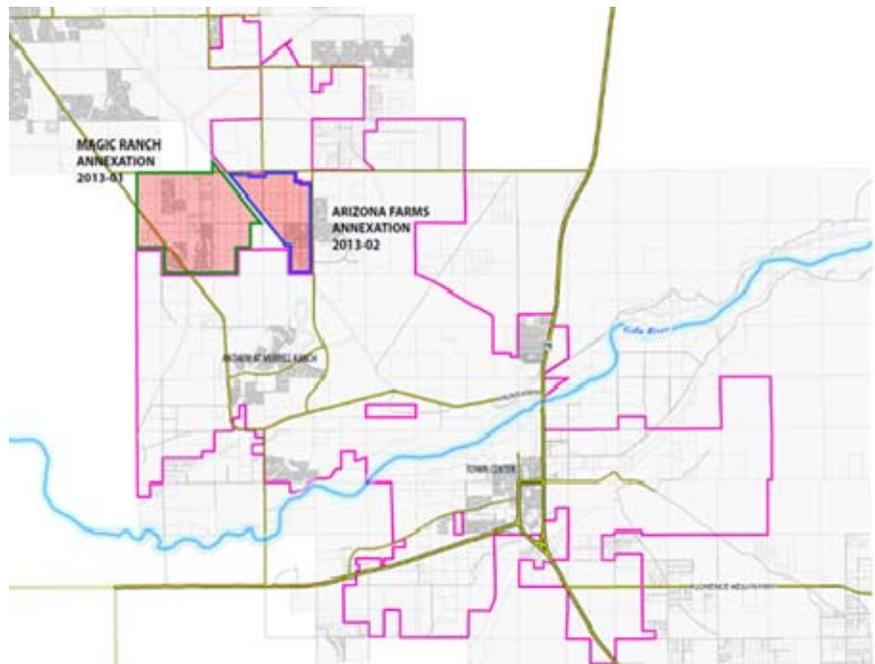
LONG-TERM FINANCIAL PLANNING

The Town is strategically planning for its economic and financial future. During the 2015 fiscal year budget process, the Town set forth the following strategic goals.

- Provide exceptional public safety and community services.
- 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.
- Improve the quality of life and create an equal or complementary service level base for all Town residents and create new services for younger children and active adults.

MAJOR INITIATIVES

Annexations: Since last fiscal year, the Town has been pursuing a couple of annexations, Magic Ranch and Arizona Farms (Crestfield Manor and Wildhorse Estates), which 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,

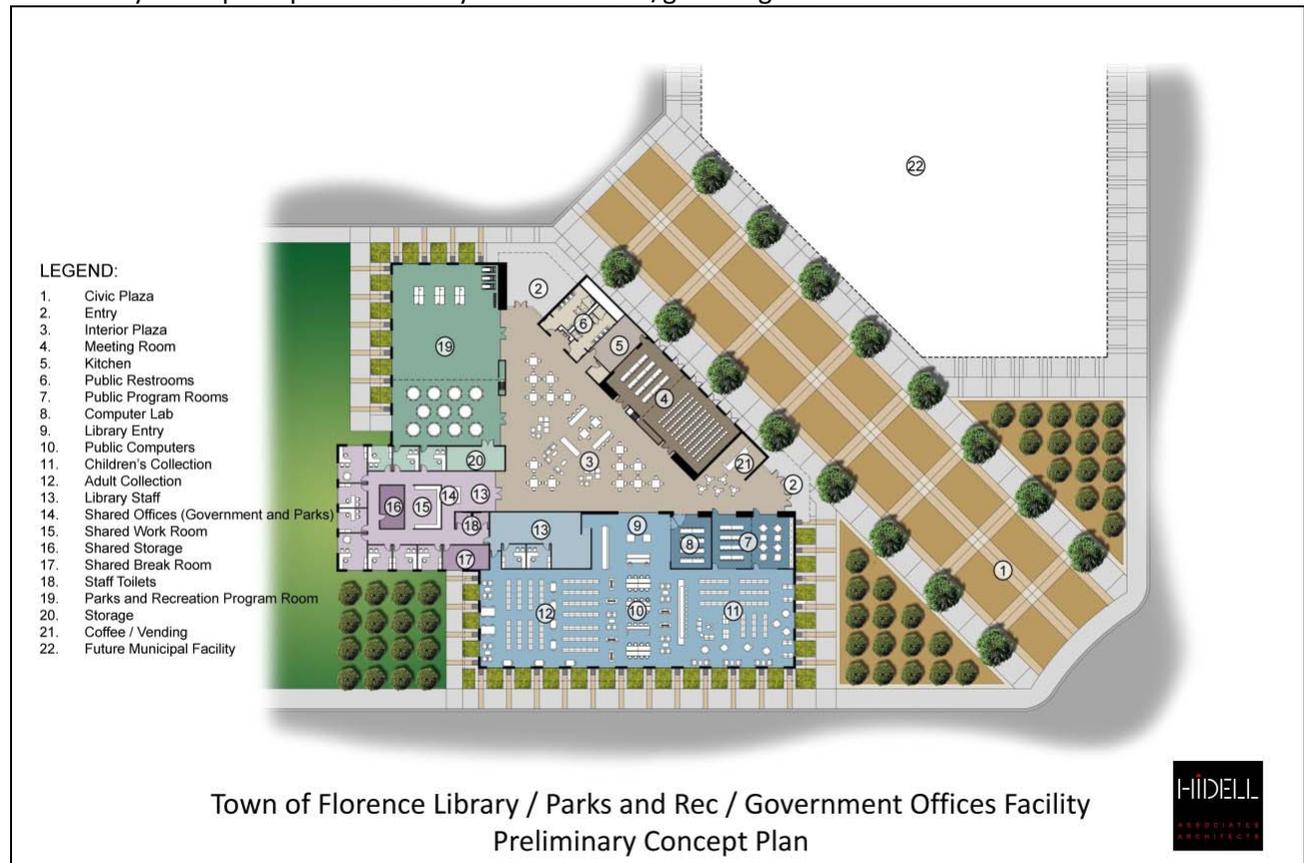


the two annexations already have over 1,000 lots that are ready for vertical development, with construction in Magic Ranch already started. A 10-year pro forma fiscal impact analysis of the annexations was performed and concluded that the annexations would generate a positive fiscal impact.

By August 2014, the Town had obtained the required amount of petition signatures and valuation to move forward with the annexation and on Sep. 2, the Town Council adopted an ordinance approving the annexations. However, the annexations were challenged and the process is in court as of the date of this report.

Library, Aquatics Center, Recreation Complex: The Town started planning and design for the construction of a new library, aquatics center and recreation complex. The 12,000 sq. ft. (est.) library will share a 30,000 sq. ft. (est.) building with recreation and general government offices. The aquatics center will consist of an outdoor swimming pool and water park and the remainder of the project will contain multi-use sports fields, and courts for tennis and pickle ball.

Preliminary conceptual plan for Library and recreation/general government offices



Preliminary conceptual plan for aquatics center



Preliminary conceptual plan for the sports fields and sport courts



This project has been on the books, as part of the Town's Capital Improvement Plan, for approximately 10 years and will serve to enhance the recreational opportunities provided to Town residents and beyond, adults and youth, for many years to come. The project is the first phase of the development of the newly adopted Territory Square plan and will serve to enhance community and economic development of the entire Town.

Territory Square (formerly known as the North End Framework Vision Plan) is a multi-faceted, multi-owner project that strategically crafts a variety of economic, planning and engineering enhancements on 623 acres along the Gila River. The plan was embraced by the community and received unanimous approval by the Town Council and Planning and Zoning Commission in fiscal year 2012-13. With Territory Square 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.

Alternative Expenditure Limitation (Home Rule Option) vs. the State-imposed Expenditure Limitation: The Town's four year alternative expenditure limitation (Home Rule Option) expired with fiscal year 2014-15. As allowed by the state constitution, the Town submitted a question to the voters in the August 2014 primary election asking voters to approve the Home Rule Option for the next four fiscal years, beginning with 2015-16. Since 1982 and every four years after that, voters have approved the Home Rule Option. This year, the proposition failed making the Town subject to the state-imposed limitation, which is calculated by formula using 1979-80 expenditures escalated by annual inflation and population growth.

The estimated state-imposed expenditure limitation for fiscal year 2015-16 is \$17 million and the Town estimates that it would have to reduce its annual budget, including capital and operating expenditures, by nearly \$13 million to achieve the state cap.

The failure of the alternative expenditure limitation does not impact revenue only the ability to spend it. As such, the Town will continue to collect all of the revenue it has collected in the past.

The Town is not allowed to hold an alternative expenditure limitation election for two years. However, the state constitution allows the Town to ask voters to allow the Town to exceed the state-imposed limitation by a specific amount prior to the start of the fiscal year. The Town is preparing to hold such an election in May 2015 for fiscal year 2015-16 and will plan to do so again in May 2017 for fiscal year 2016-17. So as the Town prepares for the election, it will be preparing two budgets for fiscal year 2015-16: one at the state-imposed limitation amount and the other in case the May election is passed by the voters.

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 Town received the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. We are very pleased and proud to have received this award for the second straight year. 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. Lastly, and specifically, we are deeply appreciative of the dedication and hard work of Marcia Goerdts, Accounting Manager and the accounting staff during the year end and audit processes.

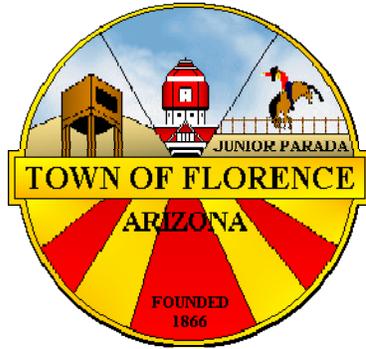
Respectfully submitted,



Charles Montoya
Town Manager



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, 2013

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
Wayne Costa – Public Works Director
Mark Eckhoff – Community Development Director
Mike Farina – Finance Director
Bryan Hughes – Parks & Recreation Director
Daniel Hughes – Police Chief
John Mitchell – Utilities Director
Peter Zick – Fire Chief

Organizational Chart

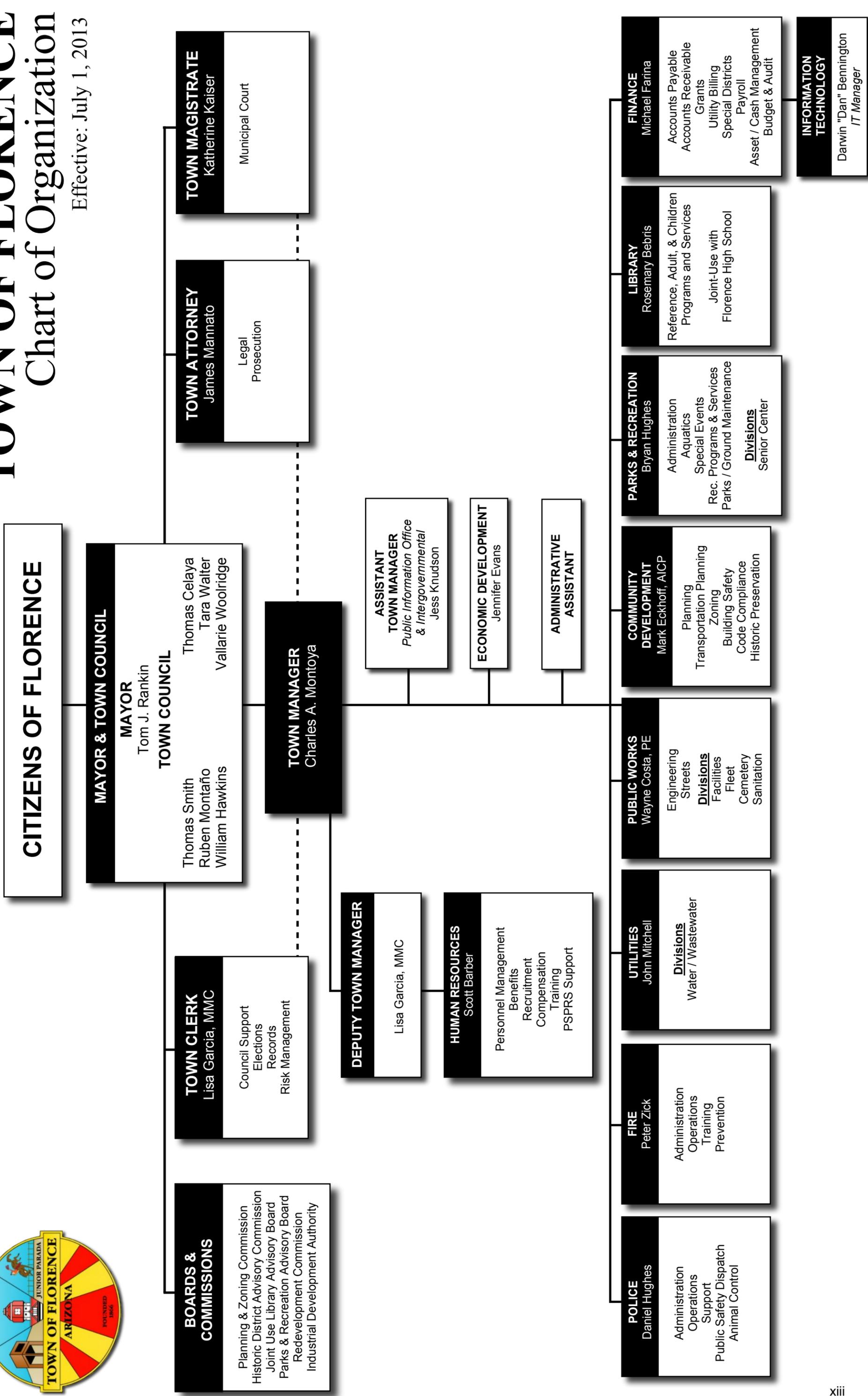




TOWN OF FLORENCE

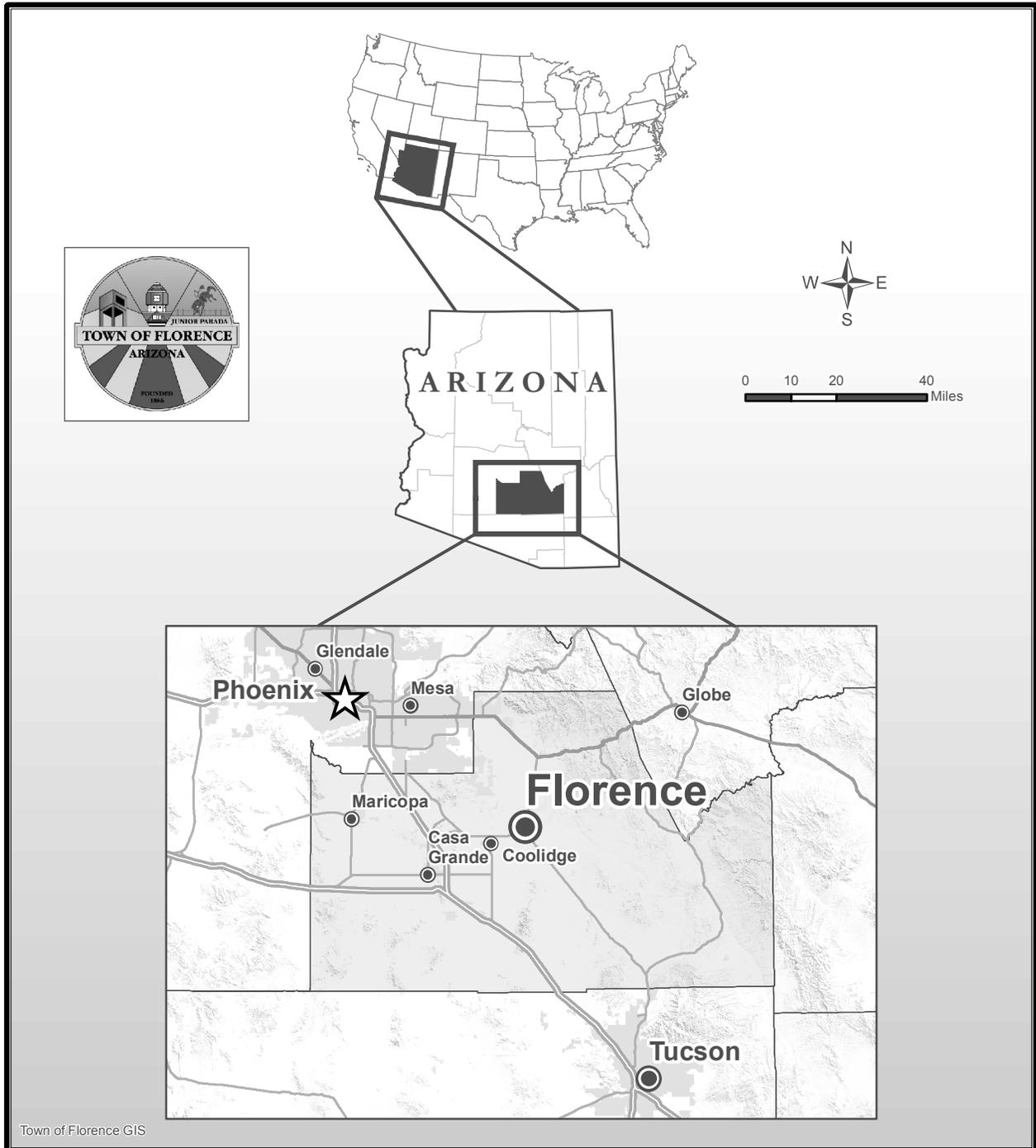
Chart of Organization

Effective: July 1, 2013



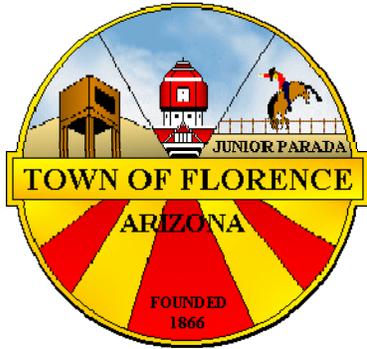
TOWN OF FLORENCE

PINAL COUNTY, ARIZONA LOCATION MAP



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, 2014, 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.

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Fax (480) 839-1749

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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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Florence, Arizona, as of June 30, 2014, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Florence, Arizona's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014 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
December 10, 2014

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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, 2014. 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, 2014 by \$140 million. Of this amount, \$40.3 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 \$6.9 million from \$133 million to \$140 million. This increase is the result of revenues outpacing expenses in both governmental and business-type activities. Net position in governmental activities increased \$5 million and net position in business-type activities increased \$1.6 million. Revenue from both governmental and business-type activities fund capital needs, as well as maintenance and operations, and therefore, the investment of revenues in capital assets increased the Town's net position.
- As of the end of the current fiscal year, the Town of Florence's governmental funds reported combined ending fund balances of \$45.0 million, a decrease of \$884,000 million in comparison to the year before. This net decrease is due to one-time expenditures for capital assets, which totaled over \$5 million and includes a new fire truck and fire station No. 2.
- Approximately 19 percent or \$8.4 million of the combined ending fund balances constitutes unassigned fund balance, which is available for spending at the Town's discretion. Except for a very small portion (-\$54,351), the combined unassigned fund balance is the Town's General Fund, which is over 68 percent of the General Fund's expenditures.
- The Town's investment in capital assets (net of depreciation) increased \$6.4 million. Additions to capital assets included a new fire station (\$3.0 million), fire apparatus (\$1.2 million) and developer donated public infrastructure (\$3.6 million).
- At the end of the fiscal year, the Town had \$20.0 million in debt outstanding compared to \$19.4 million last year. General obligation bonds, totaling \$1.85 million, were issued by Merrill Ranch Community Facilities District No. 2 to reimburse a developer for construction of public infrastructure.

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 No. 1 and Merrill Ranch Community Facilities District No. 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, Community 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 7 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, 2014 with a comparison to net position as of June 30, 2013.

Condensed Statement of Net Position
(in Thousands)

| | Governmental Activities | | Business-type Activities | | Total Government | |
|----------------------------------|----------------------------|-------------------|-----------------------------|------------------|---------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 53,312 | \$ 53,171 | \$ 22,328 | \$ 20,710 | \$ 75,640 | \$ 73,881 |
| Capital assets | 77,251 | 70,592 | 10,588 | 10,800 | 87,839 | 81,392 |
| Total assets | <u>130,563</u> | <u>123,763</u> | <u>32,916</u> | <u>31,510</u> | <u>163,479</u> | <u>155,273</u> |
| Other liabilities | 3,710 | 3,262 | 952 | 813 | 4,662 | 4,075 |
| Long-term liabilities | <u>15,242</u> | <u>14,279</u> | <u>3,825</u> | <u>4,218</u> | <u>19,067</u> | <u>18,497</u> |
| Total liabilities | <u>18,952</u> | <u>17,541</u> | <u>4,777</u> | <u>5,031</u> | <u>23,729</u> | <u>22,572</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 61,395 | 55,770 | 6,376 | 6,199 | 67,771 | 61,969 |
| Restricted | 28,845 | 28,815 | 2,677 | 2,208 | 31,522 | 31,023 |
| Unrestricted | <u>21,371</u> | <u>21,637</u> | <u>19,086</u> | <u>18,072</u> | <u>40,457</u> | <u>39,709</u> |
| Total net position | <u>\$ 111,611</u> | <u>\$ 106,222</u> | <u>\$ 28,139</u> | <u>\$ 26,479</u> | <u>\$ 139,750</u> | <u>\$ 132,701</u> |

The largest portion of the Town's net position is net investment in capital assets, which makes up 48 percent or \$67.8 million of the Town's total net position. Capital assets include items such as infrastructure, buildings and improvements, vehicles, equipment and land. The Town uses capital assets to provide services to citizens; 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 (23% or \$31.5 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 (29% or \$40.5 million) may be used to meet the Town's ongoing obligations to citizens and creditors.

Total governmental activities liabilities had a net increase of \$1.4 million due to the issuance of \$1.85 million general obligation bonds by the Community Facilities District No. 2 coupled with the payment of principal on other outstanding debt.

As illustrated in both the table above and table below, 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 \$7.0 million from \$132.7 million to \$139.7 million. This increase is the result of revenues outpacing expenses in both governmental and business-type activities. Net position in governmental activities increased \$5.4 million going from \$106.2 million to \$111.6 million. Net position in business-type activities increased \$1.6 million going from \$26.5 million to \$28.1 million. Revenue from both governmental and business-type activities fund capital needs, as well as maintenance and operations, and therefore, the investment of revenues in capital assets increased the Town's net position.

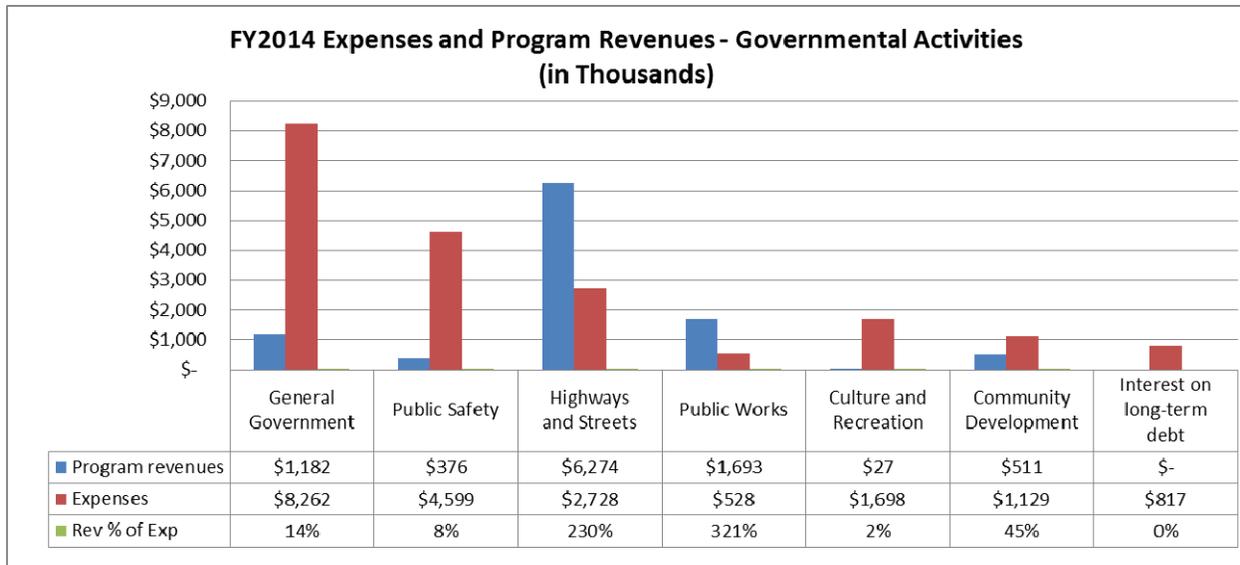
Changes in Net Position
(in Thousands)

| | Governmental Activities | | Business-type Activities | | Total Government | |
|--|----------------------------|-------------------|-----------------------------|------------------|---------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Program revenues | | | | | | |
| Charges for services | \$ 1,850 | \$ 2,010 | \$ 7,338 | \$ 7,310 | \$ 9,188 | \$ 9,320 |
| Operating grants | 2,810 | 2,700 | - | - | 2,810 | 2,700 |
| Capital grants and contributions | 5,403 | 955 | - | 28 | 5,403 | 983 |
| General revenues | | | | | | |
| Taxes | 6,297 | 5,622 | - | - | 6,297 | 5,622 |
| Intergovernmental | 6,258 | 5,812 | - | - | 6,258 | 5,812 |
| Investment earnings (losses) | 796 | (260) | 340 | (111) | 1,136 | (371) |
| Miscellaneous | 250 | 34 | 52 | 139 | 302 | 173 |
| Total revenues | 23,664 | 16,873 | 7,730 | 7,366 | 31,394 | 24,239 |
| Expenses | | | | | | |
| General government | 8,262 | 4,056 | - | - | 8,262 | 4,056 |
| Public safety | 4,817 | 5,529 | - | - | 4,817 | 5,529 |
| Highways and streets | 2,728 | 3,002 | - | - | 2,728 | 3,002 |
| Public works | 580 | 293 | - | - | 580 | 293 |
| Culture and recreation | 1,699 | 1,684 | - | - | 1,699 | 1,684 |
| Community development | 858 | 1,082 | - | - | 858 | 1,082 |
| Interest on long-term debt | 817 | 888 | - | - | 817 | 888 |
| Water | - | - | 1,619 | 1,362 | 1,619 | 1,362 |
| Sewer | - | - | 2,141 | 1,748 | 2,141 | 1,748 |
| Sanitation | - | - | 825 | 682 | 825 | 682 |
| Total expenses | 19,761 | 16,534 | 4,585 | 3,792 | 24,346 | 20,326 |
| Excess before transfers | 3,903 | 339 | 3,145 | 3,574 | 7,048 | 3,913 |
| Transfers in (out) | 1,485 | 445 | (1,485) | (445) | - | - |
| Change in net position | 5,388 | 784 | 1,660 | 3,129 | 7,048 | 3,913 |
| Beginning net position, Restatement | 106,222 | 106,290 | 26,479 | 23,350 | 132,701 | 129,640 |
| | - | (852) | - | - | - | (852) |
| Beginning net position - restated | 106,222 | 105,438 | 26,479 | 23,350 | 132,701 | 128,788 |
| Ending net position | \$ 111,610 | \$ 106,222 | \$ 28,139 | \$ 26,479 | \$ 139,749 | \$ 132,701 |

Changes in net position, shown above, illustrates the Town's total revenues and expenses for the fiscal year ended June 30, 2014 compared to the same period ended June 30, 2013.

Governmental activities

Total revenues increased by \$6.6 million primarily because capital grants and contributions increased \$4.4 million going from \$1 million to \$5.4 million primarily because of donations of public infrastructure received from developers. Investment earnings increased by nearly \$1.4 million going from negative \$371,000 to plus \$980,000 primarily because of the increase in the value of the Town's investment portfolio.



The chart above illustrates the extent to which the governmental activities function expenses are covered by program revenues. As with most governments, services provided to citizens are mostly funded through various taxes and not program revenues. In other words, expenses are significantly greater than program revenues in most of the functional areas. However, this year, Public Works and Highways and Streets program revenues outpace expenses. Again, this is because of the donated public infrastructure from developers (capital contributions).

Business-type activities

Business-type activities expenses increased from \$3.8 million to \$4.6 million due to the addition of a director-level position, which not only added to the salary and benefits in the Town's utility services function but having the added position provided the ability to accomplish more during the year.

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 \$45.0 million, a decrease of \$884,000 million in comparison to the year before. This net decrease is due to one-time expenditures for capital assets, which totaled over \$5 million and includes a new fire truck and fire station #2.

Approximately 19 percent of the combined ending fund balances (\$8.4 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 (\$78,000), 2) restricted for particular purposes (\$26.6 million), or 3) assigned for particular purposes (\$9.9 million).

General Fund. The General Fund is the chief operating fund of the Town. At the end of FY2014, unassigned fund balance of the General Fund was \$8.4 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 68 percent of expenditures.

The fund balance of the General Fund decreased \$2.8 million this fiscal year. The largest contributing factor to this decrease was a transfer of nearly \$4 million of excess fund balance out of the General Fund into the Capital Improvement Projects Fund to facilitate current and future capital project needs.

Highway User Revenue Fund. The Highway User Revenue Fund, a major fund, ended the current year with a total fund balance of \$6.9 million, consisting of \$6.2 million restricted fund balance and \$620,000 assigned fund balance. Revenues must be used for streets and highway purposes. Revenues outpaced expenditures, leading to the increase of \$317,000 in fund balance. Only \$196,000 was expended on capital projects; however, a significant portion of the fund balance is planned for capital projects, which will lead to future expenditures exceeding revenues and a decrease in fund balance.

Impact Fees Fund. The Impact Fees Fund, a major fund, ended the current year with a total fund balance of \$4.7 million, a decrease of \$1.4 million. Impact fees were used this year to complete construction on Fire Station No. 2. The entire fund balance is restricted.

Capital Improvements Fund. The Capital Improvements Fund, a major fund, ended the current year with a total fund balance of \$13.1 million, an increase of \$1.8 million over the prior year. This primary reason for this increase is a \$4 million transfer from the General Fund to facilitate current and future capital project needs.

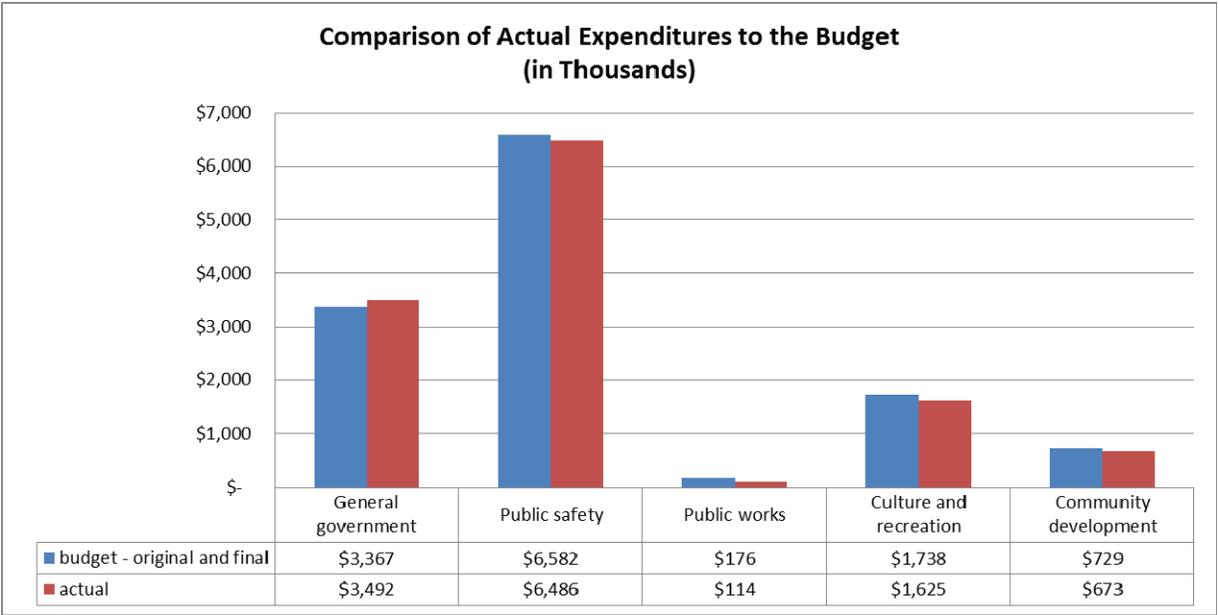
Proprietary Funds

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 - \$10.4 million, Sewer - \$7.1 million and Sanitation - \$1.6 million. The unrestricted net position of each fund makes up the majority of their respective total net positions. Net position in the Water Utility Fund and Sewer Utility fund grew \$617,000 and \$1.2 million, respectively. Net position decreased in the Sanitation Fund by \$141,000.

General Fund Budgetary Highlights

A total of \$12.4 million was spent compared to a total final budget of \$12.6 million, resulting in a positive variance (budget savings) of just over \$200,000. 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, 2014, amounts to \$87.8 million. Investment in capital assets includes land, buildings, utility facilities, vehicles and equipment, park facilities, roads, highways and bridges. Overall, the Town's investment in capital assets (net of depreciation) increased \$6.4 million. Additions to capital assets included a new fire station (\$3.0 million), fire apparatus (\$1.2 million) and developer donated public infrastructure (\$3.6 million).

Town of Florence's Capital Assets

(net of accumulated depreciation)

| | Governmental activities | | Business-type activities | | Total | |
|--|-------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
| | FY2014 | FY2013 | FY2014 | FY2013 | FY2014 | FY2013 |
| Land | \$ 32,564,037 | \$ 32,748,908 | \$ 394,073 | \$ 394,073 | \$ 32,958,110 | \$ 33,142,981 |
| Buildings, infrastructure and improvements | 40,937,898 | 31,684,828 | 8,910,164 | 9,288,233 | 49,848,062 | 40,973,061 |
| Vehicles, furniture and equipment | 3,275,457 | 2,143,768 | 163,421 | 249,384 | 3,438,878 | 2,393,152 |
| Construction in progress | 473,796 | 4,014,199 | 1,120,699 | 868,674 | 1,594,495 | 4,882,873 |
| Total | <u>\$ 77,251,188</u> | <u>\$ 70,591,703</u> | <u>\$ 10,588,357</u> | <u>\$ 10,800,364</u> | <u>\$ 87,839,545</u> | <u>\$ 81,392,067</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 \$20.0 million in debt outstanding compared to \$19.4 million last year. The Town has notes payable outstanding totaling \$4.6 million at year end and a capital lease outstanding in the amount of \$844,967. A large portion of the debt listed below

consists of general obligation bonds (\$8.8 million) and special assessment lien bonds (\$5.4 million) of the Town's component units, Merrill Ranch Community Facilities Districts No. 1 and No. 2. The Town bears no liability for the debt of these legally separate entities. In fiscal year 2014, \$1.85 million general obligation bonds were issued by Merrill Ranch Community Facilities District No. 2 to reimburse a developer for construction of public infrastructure.

Town of Florence's Outstanding Debt

| | Governmental activities | | Business-type activities | | Total | |
|---------------------------------|-------------------------|----------------------|--------------------------|---------------------|----------------------|----------------------|
| | FY2014 | FY2013 | FY2014 | FY2013 | FY2014 | FY2013 |
| General obligation bonds - CFDs | \$ 8,785,000 | \$ 7,105,000 | \$ - | \$ - | \$ 8,785,000 | \$ 7,105,000 |
| Special assessment debt - CFDs | 5,435,830 | 5,739,520 | - | - | 5,435,830 | 5,739,520 |
| Special assessment debt - Town | 337,000 | 388,000 | - | - | 337,000 | 388,000 |
| Notes payable | 429,185 | 470,690 | 4,212,897 | 4,601,319 | 4,642,082 | 5,072,009 |
| Capital leases | 844,967 | 1,118,561 | - | - | 844,967 | 1,118,561 |
| Total | \$ 15,831,982 | \$ 14,821,771 | \$ 4,212,897 | \$ 4,601,319 | \$ 20,044,879 | \$ 19,423,090 |

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 6 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 7.5 percent. This is significantly lower than the past five years, which averaged 16.3 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 (48%). 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 (19%). The Town projects a 5 percent increase in sales tax for the upcoming budget year based on the projected increase 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.

A water and sewer rate study, which provides recommended rates to be escalated annually, was adopted in 2011. The 2011 study actually reinforced rates and fees set forth in a 2009 study with an indication that the annual increases stated in the 2009 study would be sufficient through Fiscal Year 2016-2017. Based on the study results and recommendations, Town Council approved a 5 percent increase in water rates and 10 percent increase in sewer rates for the following fiscal year.

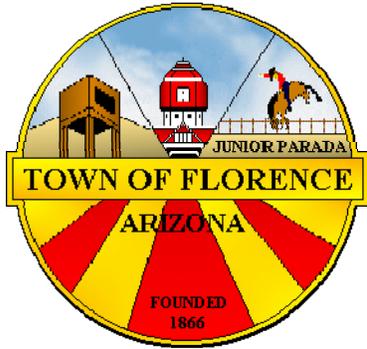
The Town's total budget for FY2015 is \$66.8 million, which includes approximately \$30 million in capital or capital-related expenditures and \$10 million carried forward from the FY2014 budget to cover unfinished projects.

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.

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS



TOWN OF FLORENCE, ARIZONA
STATEMENT OF NET POSITION
June 30, 2014

| | Primary Government | | |
|--|----------------------------|-----------------------------|-----------------------|
| | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 10,299,280 | \$ 5,084,730 | \$ 15,384,010 |
| Receivables (net of allowance for uncollectibles) | 1,467,942 | 814,261 | 2,282,203 |
| Special assessment receivable | 5,898,534 | - | 5,898,534 |
| Due from other governments | 135,604 | - | 135,604 |
| Prepays | 78,206 | 206,244 | 284,450 |
| Restricted cash equivalents | 2,572,917 | - | 2,572,917 |
| Investments | 32,859,383 | 16,222,600 | 49,081,983 |
| Capital assets | | | |
| Land and construction in progress | 33,037,833 | 1,514,772 | 34,552,605 |
| Other capital assets (net of accumulated depreciation) | 44,213,355 | 9,073,585 | 53,286,940 |
| Total assets | <u>130,563,054</u> | <u>32,916,192</u> | <u>163,479,246</u> |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | 1,109,088 | 342,064 | 1,451,152 |
| Customer deposits | 211,988 | 104,676 | 316,664 |
| Accrued wages and benefits | 838,771 | 2,839 | 841,610 |
| Accrued interest payable | 400,572 | 70,334 | 470,906 |
| Other accrued liabilities | 31,387 | 466 | 31,853 |
| Due to other governments | 4,854 | - | 4,854 |
| Retainages | 4,989 | - | 4,989 |
| Current portion of | | | |
| Compensated absences | 311,841 | 30,617 | 342,458 |
| Capital leases | 277,586 | - | 277,586 |
| Notes payable | 43,997 | 401,390 | 445,387 |
| Bonds payable | 474,980 | - | 474,980 |
| Long-term portion of | | | |
| Compensated absences | 182,433 | 13,781 | 196,214 |
| Capital leases | 567,381 | - | 567,381 |
| Notes payable | 385,187 | 3,811,508 | 4,196,695 |
| Bonds payable | 14,107,017 | - | 14,107,017 |
| Total liabilities | <u>18,952,071</u> | <u>4,777,675</u> | <u>23,729,746</u> |
| NET POSITION | | | |
| Net investment in capital assets | 61,395,040 | 6,375,459 | 67,770,499 |
| Restricted for | | | |
| Debt service | 8,989,528 | 2,135,520 | 11,125,048 |
| Highways and streets | 7,013,329 | - | 7,013,329 |
| Capital projects | 11,640,659 | 541,811 | 12,182,470 |
| Economic development | 871,312 | - | 871,312 |
| Community facilities | 238,664 | - | 238,664 |
| Courts | 51,464 | - | 51,464 |
| Unrestricted | 21,410,987 | 19,085,727 | 40,496,714 |
| Total net position | <u>\$ 111,610,983</u> | <u>\$ 28,138,517</u> | <u>\$ 139,749,500</u> |

TOWN OF FLORENCE, ARIZONA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government | | | | |
| Governmental activities | | | | |
| General government | \$ 8,262,562 | \$ 1,117,187 | \$ 65,663 | \$ - |
| Public safety | 4,816,583 | 216,740 | 89,333 | 69,561 |
| Highways and streets | 2,728,013 | 41 | 2,633,281 | - |
| Public works | 579,857 | - | - | 5,333,492 |
| Culture and recreation | 1,699,128 | 8,964 | 18,400 | - |
| Community development | 858,152 | 507,094 | 3,750 | - |
| Interest on long-term debt | 816,839 | - | - | - |
| Total governmental activities | <u>19,761,134</u> | <u>1,850,026</u> | <u>2,810,427</u> | <u>5,403,053</u> |
| Business-type activities | | | | |
| Water | 1,618,878 | 2,834,647 | - | - |
| Sewer | 2,140,836 | 3,824,435 | - | - |
| Sanitation | 825,239 | 678,596 | - | - |
| Total business-type activities | <u>4,584,953</u> | <u>7,337,678</u> | <u>-</u> | <u>-</u> |
| Total primary government | <u>\$ 24,346,087</u> | <u>\$ 9,187,704</u> | <u>\$ 2,810,427</u> | <u>\$ 5,403,053</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 increase in the fair value of investments
Miscellaneous
Transfers in (out)
 Total general revenues and transfers
 Change in net position
Net position-July 1, 2013
Net position-June 30, 2014

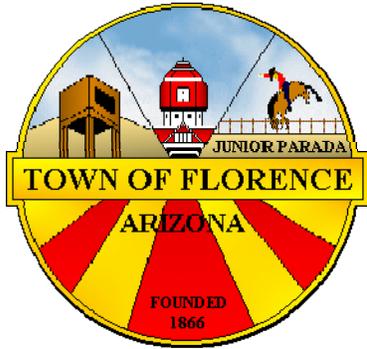
Net (Expense) Revenue and Changes in Net Assets

| <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------------------|-------------------------------------|-----------------------|
| \$ (7,079,712) | \$ - | \$ (7,079,712) |
| (4,440,949) | - | (4,440,949) |
| (94,691) | - | (94,691) |
| 4,753,635 | - | 4,753,635 |
| (1,671,764) | - | (1,671,764) |
| (347,308) | - | (347,308) |
| (816,839) | - | (816,839) |
| <u>(9,697,628)</u> | <u>-</u> | <u>(9,697,628)</u> |
| - | 1,215,769 | 1,215,769 |
| - | 1,683,599 | 1,683,599 |
| - | (146,643) | (146,643) |
| <u>-</u> | <u>2,752,725</u> | <u>2,752,725</u> |
| <u>(9,697,628)</u> | <u>2,752,725</u> | <u>(6,944,903)</u> |
| 1,716,952 | - | 1,716,952 |
| 4,059,769 | - | 4,059,769 |
| 520,410 | - | 520,410 |
| 2,222,724 | - | 2,222,724 |
| 2,846,311 | - | 2,846,311 |
| 1,188,924 | - | 1,188,924 |
| 469,008 | 178,989 | 647,997 |
| 326,788 | 160,979 | 487,767 |
| 250,318 | 52,089 | 302,407 |
| 1,485,165 | (1,485,165) | - |
| <u>15,086,369</u> | <u>(1,093,108)</u> | <u>13,993,261</u> |
| 5,388,741 | 1,659,617 | 7,048,358 |
| 106,222,242 | 26,478,900 | 132,701,142 |
| <u>\$ 111,610,983</u> | <u>\$ 28,138,517</u> | <u>\$ 139,749,500</u> |

TOWN OF FLORENCE, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

| | General | Highway User | Community Facilities Districts- Debt Service |
|---|----------------------|---------------------|--|
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,075,241 | \$ 1,585,615 | \$ 257,584 |
| Receivables (net of allowance for uncollectibles) | 1,171,351 | 245,302 | 5,641,821 |
| Due from other governments | - | - | 5,244 |
| Due from other funds | 121,346 | - | - |
| Prepays | 63,968 | - | - |
| Restricted assets | | | |
| Cash and cash equivalents | 2,500 | 30,000 | 1,712,488 |
| Investments | 6,620,961 | 5,058,831 | 821,810 |
| Total assets | \$ 10,055,367 | \$ 6,919,748 | \$ 8,438,947 |
| LIABILITIES | | | |
| Accounts payable and other current liabilities | \$ 344,683 | \$ 49,980 | \$ - |
| Customer deposits | 211,988 | - | - |
| Accrued wages and benefits | 833,956 | 2,811 | - |
| Other accrued liabilities | 30,255 | 873 | - |
| Due to | | | |
| Other governments | - | - | - |
| Other funds | - | - | - |
| Retainages | - | - | - |
| Total liabilities | 1,420,882 | 53,664 | - |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred revenue | 137,098 | 6,022 | 5,648,492 |
| Total deferred inflows of resources | 137,098 | 6,022 | 5,648,492 |
| FUND BALANCES | | | |
| Nonspendable | | | |
| Prepaid items | 63,968 | - | - |
| Restricted | | | |
| Court | - | - | - |
| Debt service | - | - | 2,790,455 |
| Capital projects | - | - | - |
| Highways and Streets | - | 6,239,974 | - |
| Economic development | - | - | - |
| Community Facilities Districts operations | - | - | - |
| Assigned | | | |
| Capital projects | - | - | - |
| Highways and Streets | - | 620,088 | - |
| Unassigned | 8,433,419 | - | - |
| Total fund balances | 8,497,387 | 6,860,062 | 2,790,455 |
| Total liabilities, deferred inflows of resources and fund balances | \$ 10,055,367 | \$ 6,919,748 | \$ 8,438,947 |

| Community Facilities Districts- Capital Improvements | Impact Fees | Capital Improvements | Non-Major Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------|------------------------------------|--------------------------------|
| \$ 414,402 | \$ 1,114,663 | \$ 3,219,815 | \$ 1,627,158 | \$ 10,294,478 |
| 2,910 | 7,704 | 16,286 | 281,102 | 7,366,476 |
| - | - | - | 130,360 | 135,604 |
| - | - | - | - | 121,346 |
| - | - | - | 14,238 | 78,206 |
| 615,359 | - | 212,570 | - | 2,572,917 |
| 1,322,131 | 3,556,280 | 10,272,674 | 5,191,373 | 32,844,060 |
| <u>\$ 2,354,802</u> | <u>\$ 4,678,647</u> | <u>\$ 13,721,345</u> | <u>\$ 7,244,231</u> | <u>\$ 53,413,087</u> |
| \$ - | \$ 23,617 | \$ 656,059 | \$ 15,946 | \$ 1,090,285 |
| - | - | - | - | 211,988 |
| - | - | - | 923 | 837,690 |
| - | - | - | 18 | 31,146 |
| - | - | - | 4,854 | 4,854 |
| - | - | - | 121,346 | 121,346 |
| - | - | 4,989 | - | 4,989 |
| <u>-</u> | <u>23,617</u> | <u>661,048</u> | <u>143,087</u> | <u>2,302,298</u> |
| 1,535 | 4,106 | 8,611 | 320,650 | 6,126,514 |
| <u>1,535</u> | <u>4,106</u> | <u>8,611</u> | <u>320,650</u> | <u>6,126,514</u> |
| - | - | - | 14,238 | 78,206 |
| - | - | - | 51,464 | 51,464 |
| - | - | - | 209,663 | 3,000,118 |
| 2,353,267 | 3,877,569 | 3,777,911 | 5,409,823 | 15,418,570 |
| - | 773,355 | - | - | 7,013,329 |
| - | - | - | 871,312 | 871,312 |
| - | - | - | 238,664 | 238,664 |
| - | - | 9,273,775 | - | 9,273,775 |
| - | - | - | - | 620,088 |
| - | - | - | (14,670) | 8,418,749 |
| <u>2,353,267</u> | <u>4,650,924</u> | <u>13,051,686</u> | <u>6,780,494</u> | <u>44,984,275</u> |
| <u>\$ 2,354,802</u> | <u>\$ 4,678,647</u> | <u>\$ 13,721,345</u> | <u>\$ 7,244,231</u> | <u>\$ 53,413,087</u> |



TOWN OF FLORENCE, ARIZONA
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
 GOVERNMENTAL FUNDS
 June 30, 2014

| | | |
|--|---------------------|------------------------------|
| Fund balance - total governmental funds balance sheet | | \$ 44,984,275 |
| 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 | \$ 102,766,489 | |
| Less accumulated depreciation | <u>(25,515,301)</u> | 77,251,188 |
| 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 | (494,274) | |
| Capital leases | (844,967) | |
| Certificate of participation | - | |
| Notes payable | (429,184) | |
| Bonds payable | <u>(14,581,997)</u> | (16,350,422) |
| Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net position. | | |
| Special assessments | 5,905,276 | |
| Franchise fees | 33,750 | |
| Interest income | 137,104 | |
| Sale of property | <u>50,384</u> | 6,126,514 |
| Interest payable on long-term debt is not reported in the governmental funds. | | <u>(400,572)</u> |
| Net position of governmental activities - statement of net position | | <u><u>\$ 111,610,983</u></u> |

TOWN OF FLORENCE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2014

| REVENUES | General | Highway User | Community Facilities Districts- Debt Service |
|--|---------------------|---------------------|--|
| Taxes | \$ 3,129,538 | \$ 2,633,281 | \$ 842,450 |
| Franchise fees | 520,410 | - | - |
| Licenses and permits | 438,522 | - | - |
| Intergovernmental revenues | 6,257,959 | - | - |
| Charges for services | 698,543 | - | - |
| Fines | 195,686 | - | - |
| Special assessments | - | - | 950,415 |
| Investment income | | | |
| Interest income | 94,794 | 50,276 | 12,404 |
| Net increase in the fair value of investments | 94,754 | 51,389 | 9,644 |
| Contributions and donations | 20,618 | - | - |
| Miscellaneous | 150,169 | 29,616 | 607 |
| Total revenues | <u>11,600,993</u> | <u>2,764,562</u> | <u>1,815,520</u> |
| EXPENDITURES | | | |
| Current | | | |
| General government | 3,492,010 | - | 69,608 |
| Public safety | 6,486,165 | - | - |
| Highways and streets | - | 1,706,690 | - |
| Public works | 114,025 | - | - |
| Culture and recreation | 1,624,776 | - | - |
| Community development | 672,588 | - | 29,874 |
| Capital outlay | - | 196,238 | - |
| Debt service | | | |
| Principal | - | - | 473,690 |
| Interest and fiscal charges | - | - | 807,405 |
| Total expenditures | <u>12,389,564</u> | <u>1,902,928</u> | <u>1,380,577</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(788,571)</u> | <u>861,634</u> | <u>434,943</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers in | 1,935,065 | 19,500 | - |
| Transfers out | (3,975,517) | (564,065) | (1,400,000) |
| Sale of capital assets | 72,973 | - | - |
| Proceeds from obligations | - | - | - |
| Bond premium | - | - | - |
| Total other financing sources and uses | <u>(1,967,479)</u> | <u>(544,565)</u> | <u>(1,400,000)</u> |
| Net change in fund balances | <u>(2,756,050)</u> | <u>317,069</u> | <u>(965,057)</u> |
| Fund balances - beginning of year | 11,253,437 | 6,542,993 | 3,755,512 |
| Fund balances - end of year | <u>\$ 8,497,387</u> | <u>\$ 6,860,062</u> | <u>\$ 2,790,455</u> |

| Community Facilities Districts- Capital Improvements | Impact Fees | Capital Improvements | Non-Major Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------|------------------------------------|--------------------------------|
| \$ - | \$ - | \$ 1,380,169 | \$ 424,564 | \$ 8,410,002 |
| - | - | - | - | 520,410 |
| - | - | - | - | 438,522 |
| - | - | - | 509,112 | 6,767,071 |
| - | 400,896 | - | 24,773 | 1,124,212 |
| - | - | - | 2,922 | 198,608 |
| - | - | - | 67,162 | 1,017,577 |
| 11,326 | 37,508 | 74,973 | 50,623 | 331,904 |
| 13,104 | 35,031 | 73,490 | 49,376 | 326,788 |
| - | - | - | - | 20,618 |
| 162 | 6,102 | 4,592 | 55,581 | 246,829 |
| <u>24,592</u> | <u>479,537</u> | <u>1,533,224</u> | <u>1,184,113</u> | <u>19,402,541</u> |
| 158,822 | 233 | 1,315,611 | 147,059 | 5,183,343 |
| - | 217,875 | 36,965 | 267,244 | 7,008,249 |
| - | 234 | 241,012 | - | 1,947,936 |
| - | - | 13,398 | 354,175 | 481,598 |
| - | 466 | 8,219 | 2,640 | 1,636,101 |
| - | - | 2,173 | 3,064 | 707,699 |
| - | 2,952,683 | 1,762,677 | 116,660 | 5,028,258 |
| - | - | - | 366,100 | 839,790 |
| - | - | - | 78,774 | 886,179 |
| <u>158,822</u> | <u>3,171,491</u> | <u>3,380,055</u> | <u>1,335,716</u> | <u>23,719,153</u> |
| <u>(134,230)</u> | <u>(2,691,954)</u> | <u>(1,846,831)</u> | <u>(151,603)</u> | <u>(4,316,612)</u> |
| 1,400,000 | 1,444,827 | 3,967,700 | 552,992 | 9,320,084 |
| (1,295,750) | (149,078) | (359,663) | (90,846) | (7,834,919) |
| - | - | - | - | 72,973 |
| 1,850,000 | - | - | - | 1,850,000 |
| 24,167 | - | - | - | 24,167 |
| <u>1,978,417</u> | <u>1,295,749</u> | <u>3,608,037</u> | <u>462,146</u> | <u>3,432,305</u> |
| <u>1,844,187</u> | <u>(1,396,205)</u> | <u>1,761,206</u> | <u>310,543</u> | <u>(884,307)</u> |
| <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>\$ 2,353,267</u> | <u>\$ 4,650,924</u> | <u>\$ 13,051,686</u> | <u>\$ 6,780,494</u> | <u>\$ 44,984,275</u> |



TOWN OF FLORENCE, ARIZONA
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2014

| | | |
|--|--------------------|---------------------------|
| Net change in fund balances - total governmental funds | | \$ (884,307) |
| 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. | | |
| Contributions | \$3,640,239 | |
| Sale of capital assets | (81,431) | |
| Expenditures for capitalized assets | 5,655,291 | |
| Less current year depreciation | <u>(2,554,614)</u> | 6,659,485 |
| Revenues received in the current year that were accrued in the statement of activities in prior years | | |
| Special assessments | | 468,412 |
| Sale of property | | (2,956) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Franchise fees | 33,750 | |
| Interest income | <u>137,104</u> | 170,854 |
| 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. | | |
| | | 53,535 |
| Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. | | |
| | | (24,167) |
| 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 | (1,850,000) | |
| Capital lease principal retirement | 273,594 | |
| Note payable principal retirement | 41,506 | |
| Bond principal retirement | <u>524,690</u> | (1,010,210) |
| 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>(41,905)</u> |
| Change in net position of governmental activities | | <u><u>\$5,388,741</u></u> |

TOWN OF FLORENCE, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2014

| | Budgeted Amounts | | | Variance with Final Budget- Positive (Negative) |
|--|--------------------|--------------------|-------------------|--|
| | Original | Final | Actual Amounts | |
| REVENUES | | | | |
| Taxes | \$ 3,015,126 | \$ 3,015,126 | \$ 3,129,538 | \$ 114,412 |
| Franchise fees | 420,180 | 420,180 | 520,410 | 100,230 |
| Licenses and permits | 284,000 | 284,000 | 438,522 | 154,522 |
| Intergovernmental revenues | 6,174,993 | 6,174,993 | 6,257,959 | 82,966 |
| Charges for services | 750,533 | 750,533 | 698,543 | (51,990) |
| Fines | 180,410 | 180,410 | 195,686 | 15,276 |
| Investment income | | | | |
| Interest income | 23,000 | 23,000 | 94,794 | 71,794 |
| Net increase in the fair value of investments | - | - | 94,754 | 94,754 |
| Contributions and donations | 21,500 | 21,500 | 20,618 | (882) |
| Miscellaneous | 67,020 | 67,020 | 150,169 | 83,149 |
| Total revenues | 10,936,762 | 10,936,762 | 11,600,993 | 664,231 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| Town council | 152,324 | 152,324 | 105,556 | 46,768 |
| Administration | 1,296,489 | 1,296,489 | 1,551,412 | (254,923) |
| Legal | 255,460 | 255,460 | 271,823 | (16,363) |
| Finance | 813,647 | 813,647 | 754,061 | 59,586 |
| Human resources | 214,794 | 217,794 | 220,663 | (2,869) |
| Grants | 95,300 | 95,300 | 62,089 | 33,211 |
| Information technology | 536,365 | 536,365 | 526,406 | 9,959 |
| Public safety | | | | |
| Courts | 278,448 | 278,448 | 248,078 | 30,370 |
| Police | 3,771,703 | 3,768,703 | 3,601,241 | 167,462 |
| Fire | 2,534,446 | 2,534,446 | 2,636,846 | (102,400) |
| Public works | | | | |
| Engineering | 176,435 | 176,435 | 114,025 | 62,410 |
| Culture and recreation | | | | |
| Parks and recreation | 1,345,340 | 1,345,340 | 1,251,579 | 93,761 |
| Library | 367,040 | 367,040 | 359,800 | 7,240 |
| Cemetery | 25,550 | 25,550 | 13,397 | 12,153 |
| Community development | | | | |
| Planning | 561,700 | 561,700 | 515,574 | 46,126 |
| Economic development | 167,665 | 167,665 | 157,014 | 10,651 |
| Total expenditures | 12,592,706 | 12,592,706 | 12,389,564 | 203,142 |
| Excess (deficiency) of revenues over (under) expenditures | (1,655,944) | (1,655,944) | (788,571) | 867,373 |

| OTHER FINANCING SOURCES (USES) | | | | |
|--|----------------------|----------------------|---------------------|-----------------------|
| Transfers in | 1,507,137 | 1,507,137 | 1,935,065 | 427,928 |
| Transfers out | (716,308) | (716,308) | (3,975,517) | (3,259,209) |
| Sale of capital assets | - | - | 72,973 | 72,973 |
| Total other financing sources and uses | <u>790,829</u> | <u>790,829</u> | <u>(1,967,479)</u> | <u>(2,758,308)</u> |
| Net change in fund balance | <u>(865,115)</u> | <u>(865,115)</u> | <u>(2,756,050)</u> | <u>(1,890,935)</u> |
| Fund balance - beginning of year | 11,253,437 | 11,253,437 | 11,253,437 | - |
| Fund balance - end of year | <u>\$ 10,388,322</u> | <u>\$ 10,388,322</u> | <u>\$ 8,497,387</u> | <u>\$ (1,890,935)</u> |

TOWN OF FLORENCE, ARIZONA
HIGHWAY USER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2014

| | Budgeted Amounts | | | Variance with Final Budget- Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | Original | Final | Actual Amounts | |
| REVENUES | | | | |
| Taxes | \$ 2,574,987 | \$ 2,574,987 | \$ 2,633,281 | \$ 58,294 |
| Investment income | | | | |
| Interest income | 15,000 | 15,000 | 50,276 | 35,276 |
| Net increase in the fair value of investments | - | - | 51,389 | 51,389 |
| Miscellaneous | 2,000 | 2,000 | 29,616 | 27,616 |
| Total revenues | <u>2,591,987</u> | <u>2,591,987</u> | <u>2,764,562</u> | <u>172,575</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Highways and streets | 1,950,186 | 1,950,186 | 1,706,690 | 243,496 |
| Capital outlay | 4,527,000 | 4,527,000 | 196,238 | 4,330,762 |
| Total expenditures | <u>6,477,186</u> | <u>6,477,186</u> | <u>1,902,928</u> | <u>4,574,258</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(3,885,199)</u> | <u>(3,885,199)</u> | <u>861,634</u> | <u>4,746,833</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 9,750 | 9,750 | 19,500 | 9,750 |
| Transfers out | (773,535) | (773,535) | (564,065) | 209,470 |
| Total other financing sources and uses | <u>(763,785)</u> | <u>(763,785)</u> | <u>(544,565)</u> | <u>219,220</u> |
| Net change in fund balance | <u>(4,648,984)</u> | <u>(4,648,984)</u> | <u>317,069</u> | <u>4,966,053</u> |
| Fund balance - beginning of year | 6,542,993 | 6,542,993 | 6,542,993 | - |
| Fund balance - end of year | <u>\$ 1,894,009</u> | <u>\$ 1,894,009</u> | <u>\$ 6,860,062</u> | <u>\$ 4,966,053</u> |

TOWN OF FLORENCE, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

| ASSETS | Business-type Activities-Enterprise Funds | | | | Governmental |
|------------------------------------|---|----------------------|---------------------|----------------------|---|
| | Water | Sewer | Sanitation | Total | Activities - Internal Service Funds |
| Current assets | | | | | |
| Cash and cash equivalents | \$ 2,483,568 | \$ 2,198,577 | \$ 402,585 | \$ 5,084,730 | \$ 4,802 |
| Receivables, net of uncollectibles | 351,830 | 414,433 | 47,998 | 814,261 | - |
| Prepaid expense | - | 206,244 | - | 206,244 | - |
| Total current assets | <u>2,835,398</u> | <u>2,819,254</u> | <u>450,583</u> | <u>6,105,235</u> | <u>4,802</u> |
| Noncurrent assets | | | | | |
| Investments | 7,923,710 | 7,014,460 | 1,284,430 | 16,222,600 | 15,323 |
| Capital assets: | | | | | |
| Land | 120,100 | 273,973 | - | 394,073 | - |
| Buildings and improvements | 4,797,052 | 10,571,770 | - | 15,368,822 | - |
| Machinery and equipment | 729,995 | 261,187 | 1,031,788 | 2,022,970 | - |
| Construction in progress | 817,334 | 303,365 | - | 1,120,699 | - |
| Less accumulated depreciation | (3,939,368) | (3,447,100) | (931,739) | (8,318,207) | - |
| Total capital assets, net | <u>2,525,113</u> | <u>7,963,195</u> | <u>100,049</u> | <u>10,588,357</u> | <u>-</u> |
| Total noncurrent assets | <u>10,448,823</u> | <u>14,977,655</u> | <u>1,384,479</u> | <u>26,810,957</u> | <u>15,323</u> |
| Total assets | <u>13,284,221</u> | <u>17,796,909</u> | <u>1,835,062</u> | <u>32,916,192</u> | <u>20,125</u> |
| LIABILITIES | | | | | |
| Current liabilities | | | | | |
| Accounts payable | 168,380 | 161,089 | 12,595 | 342,064 | 18,803 |
| Customer deposits | 74,536 | - | 30,140 | 104,676 | - |
| Accrued wages and benefits | 1,072 | 1,541 | 226 | 2,839 | 1,081 |
| Accrued interest payable | - | 70,334 | - | 70,334 | - |
| Other accrued liabilities | 100 | 313 | 53 | 466 | 241 |
| Compensated absences | 12,537 | 16,669 | 1,411 | 30,617 | - |
| Notes payable | - | 401,390 | - | 401,390 | - |
| Total current liabilities | <u>256,625</u> | <u>651,336</u> | <u>44,425</u> | <u>952,386</u> | <u>20,125</u> |
| Noncurrent liabilities | | | | | |
| Compensated absences | 5,643 | 7,503 | 635 | 13,781 | - |
| Notes payable | - | 3,811,508 | - | 3,811,508 | - |
| Total noncurrent liabilities | <u>5,643</u> | <u>3,819,011</u> | <u>635</u> | <u>3,825,289</u> | <u>-</u> |
| Total liabilities | <u>262,268</u> | <u>4,470,347</u> | <u>45,060</u> | <u>4,777,675</u> | <u>20,125</u> |
| NET POSITION | | | | | |
| Net investment in capital assets | 2,525,113 | 3,750,297 | 100,049 | 6,375,459 | - |
| Restricted for | | | | | |
| Debt service | - | 2,135,520 | - | 2,135,520 | - |
| Capital projects | 121,663 | 373,995 | 46,153 | 541,811 | - |
| Unrestricted | 10,375,177 | 7,066,750 | 1,643,800 | 19,085,727 | - |
| Total net position | <u>\$ 13,021,953</u> | <u>\$ 13,326,562</u> | <u>\$ 1,790,002</u> | <u>\$ 28,138,517</u> | <u>-</u> |

TOWN OF FLORENCE, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2014

| | Business-type Activities-Enterprise Funds | | | | Governmental |
|---|---|----------------------|---------------------|----------------------|---|
| | Water | Sewer | Sanitation | Total | Activities - Internal Service Funds |
| Operating revenues | | | | | |
| Water sales | \$ 2,650,813 | \$ - | \$ - | \$ 2,650,813 | \$ 1,050,927 |
| Water connection fees | 2,065 | - | - | 2,065 | - |
| Service establishment fees | 23,770 | - | - | 23,770 | - |
| Sewer service fees | - | 2,774,516 | - | 2,774,516 | - |
| Sewer connection fees | - | 1,900 | - | 1,900 | - |
| DOC usage fees | - | 1,048,019 | - | 1,048,019 | - |
| Water standpipe | 3,550 | - | - | 3,550 | - |
| Hydro-sprinkler fees | 10,024 | - | - | 10,024 | - |
| Central Arizona Project | 131,072 | - | - | 131,072 | - |
| Refuse collection fees | - | - | 678,596 | 678,596 | - |
| Effluent charges | 13,353 | - | - | 13,353 | - |
| Miscellaneous | 15,900 | 7,423 | 28,766 | 52,089 | - |
| Total operating revenue | <u>2,850,547</u> | <u>3,831,858</u> | <u>707,362</u> | <u>7,389,767</u> | <u>1,050,927</u> |
| Operating expenses | | | | | |
| Personal services | 384,091 | 535,444 | 86,753 | 1,006,288 | 354,609 |
| Supplies | 44,913 | 160,506 | 3,642 | 209,061 | 362,175 |
| Contractual services and maintenance | 1,058,231 | 1,032,415 | 664,724 | 2,755,370 | 178,878 |
| Other charges | - | - | - | - | 155,265 |
| Depreciation | 131,643 | 270,618 | 70,120 | 472,381 | - |
| Miscellaneous | - | 1,184 | - | 1,184 | - |
| Total operating expenses | <u>1,618,878</u> | <u>2,000,167</u> | <u>825,239</u> | <u>4,444,284</u> | <u>1,050,927</u> |
| Operating income (loss) | <u>1,231,669</u> | <u>1,831,691</u> | <u>(117,877)</u> | <u>2,945,483</u> | <u>-</u> |
| Nonoperating revenues (expense) | | | | | |
| Interest income | 89,416 | 74,808 | 14,765 | 178,989 | - |
| Net increase in the fair value of investments | 78,618 | 69,443 | 12,918 | 160,979 | - |
| Interest expense | - | (140,669) | - | (140,669) | - |
| Total nonoperating revenues (expense) | <u>168,034</u> | <u>3,582</u> | <u>27,683</u> | <u>199,299</u> | <u>-</u> |
| Income before transfers | 1,399,703 | 1,835,273 | (90,194) | 3,144,782 | - |
| Transfers out | (783,161) | (650,956) | (51,048) | (1,485,165) | - |
| Change in net position | 616,542 | 1,184,317 | (141,242) | 1,659,617 | - |
| Total net position-beginning of year | 12,405,411 | 12,142,245 | 1,931,244 | 26,478,900 | - |
| Total net position-end of year | <u>\$13,021,953</u> | <u>\$ 13,326,562</u> | <u>\$ 1,790,002</u> | <u>\$ 28,138,517</u> | <u>-</u> |

TOWN OF FLORENCE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014

| | Business-type Activities-Enterprise Funds | | | | Governmental |
|---|---|--------------------|-------------------|---------------------|---|
| | Water | Sewer | Sanitation | Total | Activities - Internal Service Funds |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$ 2,831,158 | \$3,797,664 | \$ 728,700 | \$ 7,357,522 | \$ 1,050,927 |
| Payments to suppliers | (1,048,889) | (1,170,486) | (686,082) | (2,905,457) | (677,274) |
| Payments to employees | (375,483) | (523,787) | (94,811) | (994,081) | (353,528) |
| Net cash provided (used) by operating activities | <u>1,406,786</u> | <u>2,103,391</u> | <u>(52,193)</u> | <u>3,457,984</u> | <u>20,125</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Transfers to other funds | (783,161) | (650,956) | (51,048) | (1,485,165) | - |
| Net cash used by noncapital financing activities | <u>(783,161)</u> | <u>(650,956)</u> | <u>(51,048)</u> | <u>(1,485,165)</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Acquisition and construction of capital assets | (203,400) | (56,974) | - | (260,374) | - |
| Principal paid on capital debt | - | (388,421) | - | (388,421) | - |
| Interest paid on capital debt | - | (147,154) | - | (147,154) | - |
| Net cash used by capital and related financing activities | <u>(203,400)</u> | <u>(592,549)</u> | <u>-</u> | <u>(795,949)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Receipts (purchase) of investments | (293,107) | (630,483) | 83,960 | (839,630) | (15,323) |
| Interest received | 86,827 | 71,446 | 14,501 | 172,774 | - |
| Net cash provided (used) by investing activities | <u>(206,280)</u> | <u>(559,037)</u> | <u>98,461</u> | <u>(666,856)</u> | <u>(15,323)</u> |
| Net increase (decrease) in cash and cash equivalents | 213,945 | 300,849 | (4,780) | 510,014 | 4,802 |
| Cash and cash equivalents at beginning of year | <u>2,269,623</u> | <u>1,897,728</u> | <u>407,365</u> | <u>4,574,716</u> | <u>-</u> |
| Cash and cash equivalents at end of year | <u>\$ 2,483,568</u> | <u>\$2,198,577</u> | <u>\$ 402,585</u> | <u>\$ 5,084,730</u> | <u>\$ 4,802</u> |

TOWN OF FLORENCE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
Year Ended June 30, 2014

| | Business-type Activities-Enterprise Funds | | | | Governmental |
|---|---|--------------|--------------|--------------|---|
| | Water | Sewer | Sanitation | Total | Activities - Internal Service Funds |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | \$ 1,231,669 | \$ 1,831,691 | \$ (117,877) | \$ 2,945,483 | \$ - |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation expense | 131,643 | 270,618 | 70,120 | 472,381 | - |
| (Increase) decrease in: | | | | | |
| Accounts receivable | (22,047) | (34,194) | 9,190 | (47,051) | - |
| Prepays | - | (53,703) | - | (53,703) | - |
| Increase (decrease) in: | | | | | |
| Accounts payable | 54,155 | 77,009 | (17,769) | 113,395 | 18,803 |
| Customer deposits | 2,658 | - | 12,148 | 14,806 | - |
| Accrued wages and benefits | 1,072 | 1,541 | 226 | 2,839 | 1,081 |
| Other accrued liabilities | 100 | 313 | 53 | 466 | 241 |
| Compensated absences | 7,536 | 10,116 | (8,284) | 9,368 | - |
| Total adjustments | 175,117 | 271,700 | 65,684 | 512,501 | 20,125 |
| Net cash provided (used) by operating activities: | \$ 1,406,786 | \$ 2,103,391 | \$ (52,193) | \$ 3,457,984 | \$ 20,125 |
| Noncash investing, capital, and financing activities: | | | | | |
| Change in fair value of investments | \$ 78,618 | \$ 69,443 | \$ 12,918 | \$ 160,979 | \$ - |

TOWN OF FLORENCE, ARIZONA
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2014

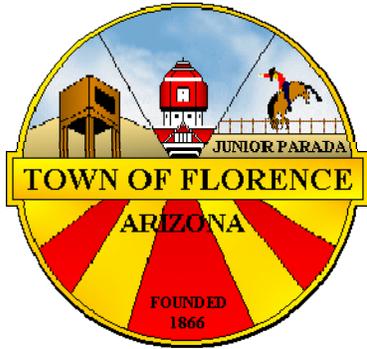
| | <u>Pension Trust</u> |
|---|--------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 2,700 |
| U.S. Government bonds | 276,666 |
| Equities | 44,010 |
| Interest receivable | <u>9</u> |
| Total assets | <u>323,385</u> |
| LIABILITIES | |
| Accounts payable | <u>162</u> |
| Total liabilities | <u>162</u> |
| NET POSITION | |
| Held in trust for pension benefits and other purposes | <u><u>\$ 323,223</u></u> |

TOWN OF FLORENCE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2014

| | <u>Pension Trust</u> |
|--------------------------------|----------------------|
| ADDITIONS | |
| Contributions | |
| Employee | \$ 5,446 |
| Total contributions | <u>5,446</u> |
| Investment income | |
| Interest | 33,726 |
| Change in market value | - |
| Total investment earnings | <u>33,726</u> |
| Total additions | <u>39,172</u> |
| DEDUCTIONS | |
| Pension withdrawals | <u>23,022</u> |
| Miscellaneous | - |
| Total deductions | <u>23,022</u> |
| Change in net position | 16,150 |
| Net position-beginning of year | <u>307,073</u> |
| Net position-end of year | <u>\$ 323,223</u> |

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS



TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 position 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, 2014

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, 2014, 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.

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 \$1,639,000. 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, 2014

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 and the Town's internal service funds are charges for fleet maintenance and facilities maintenance. 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, 2014

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.

Enterprise funds account for the operations, including debt service, 1) that are financed and operated in a manner similar to private business enterprises where the intent of the Town Council is that the costs (including depreciation) of providing goods and services to the general public on a continuing basis be financed primarily through user charges and fees, or 2) where the Town Council has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Town currently operates the following enterprise 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.

Internal service funds account for operations that provide services to other Town departments or the Town, as a whole, on a cost reimbursement basis. The internal service funds are presented as one column on the proprietary fund financial statements. Combining fund financial statements are also presented for the internal service funds, but they are not part of the basic financial statements. The Town currently operates the following internal service funds:

Fleet Maintenance Fund - This fund is used to account for the Town's fleet maintenance.

Facilities Maintenance Fund - This fund is used to account for the Town's facilities maintenance.

The Town reports the following fiduciary fund:

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

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Special Revenue Funds

Grants
Economic Development
Community Services
Community Facilities District

Debt Service Fund

Capital Project Funds

Food Tax
Construction Tax

Fiduciary funds are reported by fund type.

E. Cash and Cash Equivalents

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

F. Investments

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

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Investments (Continued)

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

G. Receivables and Payables

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

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

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

H. Prepaid Items

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

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

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

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

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

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

J. Compensated Absences

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

K. Long-term Obligations

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

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Activity

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

M. Estimates

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

N. Budgetary Data

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

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

Prior to June 30, the Town Council legally enacts the budget, through the passage of an ordinance. The ordinance sets the limit for expenditures for the year, within the voter mandated state expenditure limitation. Additional expenditures may be authorized if directly necessitated by a natural or man-made disaster as prescribed in the state constitution.

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 laps at the end of the fiscal year.

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Budgetary Data (Continued)

Encumbered amounts are re-appropriated 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, 2014, expenditures exceeded appropriations in following General Fund departments (the legal level of budgetary control):

| | |
|--------------------|-------------------|
| General Fund: | |
| General government | |
| Administration | \$ 254,923 |
| Legal | 16,363 |
| Human resources | 2,869 |
| Public safety | |
| Fire | 102,400 |
| Total | <u>\$ 376,555</u> |

These overexpenditures were funded by greater than anticipated revenues in that fund.

P. Deficit fund equity

Deficit fund balance in the amount of \$14,670 existed in the non-major Grants Fund at June 30, 2014. It is expected that through normal operations that the deficit fund balance will be eliminated in the following fiscal year.

NOTE 2 DEPOSITS AND INVESTMENTS

At June 30, 2014, the Town had \$1,550 of cash on hand. The carrying amount of the Town's cash in bank totaled \$1,642,284 and the bank balance was \$1,756,856. Federal Depository Insurance covered the Town's deposits at June 30, 2014, to the extent of \$292,212. Deposits of \$1,464,644 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.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

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 59 days. The net asset value per share of the pool at June 30, 2014 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, 2014, the Town's funds invested with the State Treasurer totaled \$665,822.

At June 30, 2014, the Town held a repurchase agreement with National Bank that had a carry amount of \$13,555,157.

The Town's Community Facilities Districts have \$2,092,162 invested with Wells Fargo Brokerage Services. The accounts are invested in a money market fund that invests in U.S. government obligations and repurchase agreements.

The Town also holds \$49,081,984 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 \$323,327 are held by Securian Retirement Services and consist of a money market fund, government bonds and equity securities.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

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

| Investment Type | Total | Remaining Maturity (In Months) | | | Not Applicable |
|-----------------------|----------------------|--------------------------------|---------------------|----------------------|------------------|
| | | 12 Months or Less | 13 to 24 Months | 25 to 60 Months | |
| Primary Government | | | | | |
| Repurchase Agreement | \$ 13,555,157 | \$ 13,555,157 | \$ - | \$ - | \$ - |
| Money Market Funds | 2,092,162 | 2,092,162 | - | - | - |
| LGIP | 665,822 | 665,822 | - | - | - |
| U.S. Government Bonds | 49,081,984 | - | 7,197,790 | 41,884,194 | - |
| | <u>65,395,125</u> | <u>16,313,141</u> | <u>7,197,790</u> | <u>41,884,194</u> | <u>-</u> |
| Fiduciary Fund | | | | | |
| Money Market Funds | 2,651 | 2,651 | - | - | - |
| U.S. Government Bonds | 276,666 | - | - | 276,666 | - |
| Equities | 44,010 | - | - | - | 44,010 |
| | <u>323,327</u> | <u>2,651</u> | <u>-</u> | <u>276,666</u> | <u>44,010</u> |
| Total | <u>\$ 65,718,452</u> | <u>\$ 16,315,792</u> | <u>\$ 7,197,790</u> | <u>\$ 42,160,860</u> | <u>\$ 44,010</u> |

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 | \$ 13,555,157 | \$ - | \$ - | \$ - | \$ 13,555,157 |
| Money Market Funds | 2,092,162 | 2,092,162 | - | - | - |
| LGIP | 665,822 | 176,184 | - | - | 489,638 |
| U.S. Government Bonds | 49,081,984 | - | 46,884,344 | 2,197,640 | - |
| | <u>65,395,125</u> | <u>2,268,346</u> | <u>46,884,344</u> | <u>2,197,640</u> | <u>14,044,795</u> |
| Fiduciary Fund | | | | | |
| Money Market Funds | 2,651 | - | - | - | 2,651 |
| U.S. Government Bonds | 276,666 | - | 276,666 | - | - |
| Equities | 44,010 | - | - | - | 44,010 |
| | <u>323,327</u> | <u>-</u> | <u>276,666</u> | <u>-</u> | <u>46,661</u> |
| Total | <u>\$ 65,718,452</u> | <u>\$ 2,268,346</u> | <u>\$ 47,161,010</u> | <u>\$ 2,197,640</u> | <u>\$ 14,091,456</u> |

Concentration of Credit Risk

At June 30, 2014, the Town's investments are included as follows:

| Investment Type | Total | Concentration |
|-----------------------|----------------------|---------------|
| Repurchase Agreement | \$ 13,555,157 | 20.63% |
| Money Market Funds | 2,094,813 | 3.19% |
| LGIP | 665,822 | 1.01% |
| U.S. Government Bonds | 49,358,650 | 75.11% |
| Equities | <u>44,010</u> | 0.07% |
| Total | <u>\$ 65,718,452</u> | 100.00% |

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 3 RECEIVABLES

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

| Receivables: | General | Highway User | Community | Community | Impact Fees | Capital Improvements | Non-Major Gov. Funds | Total Gov. Funds |
|--------------|---------------------|-------------------|--|---|-----------------|-------------------------|----------------------------|------------------------|
| | | | Facilities Districts- Debt Service | Facilities Districts- Capital Improvements | | | | |
| Taxes | \$ 625,601 | \$ 233,913 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 859,514 |
| Interest | 20,999 | 11,389 | 2,074 | 2,910 | 7,704 | 16,286 | 10,907 | 72,269 |
| Accounts | 524,751 | - | - | - | - | - | 11,408 | 536,159 |
| Assessments | - | - | 5,639,747 | - | - | - | 258,787 | 5,898,534 |
| | <u>\$ 1,171,351</u> | <u>\$ 245,302</u> | <u>\$ 5,641,821</u> | <u>\$ 2,910</u> | <u>\$ 7,704</u> | <u>\$ 16,286</u> | <u>\$ 281,102</u> | <u>\$ 7,366,476</u> |

The following table summarizes the Town's receivables for the enterprise funds as of June 30, 2014.

| Receivables: | Water | Sewer | Sanitation | Total |
|-----------------|-------------------|-------------------|------------------|-------------------|
| | Fund | Fund | Fund | |
| Interest | \$ 17,444 | \$ 15,454 | \$ 2,920 | \$ 35,818 |
| Accounts | 343,309 | 407,779 | 49,673 | 800,761 |
| | <u>360,753</u> | <u>423,233</u> | <u>52,593</u> | <u>836,579</u> |
| Less: | | | | |
| Allowance | (8,923) | (8,800) | (4,595) | (22,318) |
| Net receivables | <u>\$ 351,830</u> | <u>\$ 414,433</u> | <u>\$ 47,998</u> | <u>\$ 814,261</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, 2014

NOTE 4 CAPITAL ASSETS

A summary of capital assets activity for the fiscal year ended June 30, 2014 follows:

| Governmental Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|---------------|----------------|-------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 32,748,908 | \$ 143,491 | \$ (328,362) | \$ 32,564,037 |
| Construction in progress | 4,014,199 | 5,703,955 | (9,244,358) | 473,796 |
| Total capital assets not being depreciated | 36,763,107 | 5,847,446 | (9,572,720) | 33,037,833 |
| Capital assets, being depreciated: | | | | |
| Buildings, infrastructure and improvements | 48,579,189 | 11,256,395 | (82,751) | 59,752,833 |
| Vehicles, furniture and equipment | 8,247,336 | 1,801,651 | (73,164) | 9,975,823 |
| Total capital assets being depreciated | 56,826,525 | 13,058,046 | (155,915) | 69,728,656 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (16,894,361) | (1,939,087) | 18,513 | (18,814,935) |
| Vehicles, furniture and equipment | (6,103,568) | (615,527) | 18,729 | (6,700,366) |
| Total accumulated depreciation | (22,997,929) | (2,554,614) | 37,242 | (25,515,301) |
| Total capital assets, being depreciated, net | 33,828,596 | 10,503,432 | (118,673) | 44,213,355 |
| Governmental activities capital assets, net | \$ 70,591,703 | \$ 16,350,878 | \$ (9,691,393) | \$ 77,251,188 |

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 4 CAPITAL ASSETS (Continued)

| Business-Type Activities | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------|-----------|-------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 394,073 | \$ - | \$ - | \$ 394,073 |
| Construction in progress | 868,674 | 252,025 | - | 1,120,699 |
| Total capital assets not being depreciated | 1,262,747 | 252,025 | - | 1,514,772 |
| Capital assets, being depreciated: | | | | |
| Buildings, infrastructure and improvements | 15,368,822 | - | - | 15,368,822 |
| Vehicles, machinery and equipment | 2,034,401 | 8,350 | (19,782) | 2,022,969 |
| Total capital assets being depreciated | 17,403,223 | 8,350 | (19,782) | 17,391,791 |
| Less accumulated depreciation for: | | | | |
| Buildings, infrastructure and improvements | (6,080,589) | (378,069) | - | (6,458,658) |
| Vehicles, machinery and equipment | (1,785,018) | (94,312) | 19,782 | (1,859,548) |
| Total accumulated depreciation | (7,865,607) | (472,381) | 19,782 | (8,318,206) |
| Total capital assets, being depreciated, net | 9,537,616 | (464,031) | - | 9,073,585 |
| Business-Type activities capital assets, net | \$ 10,800,363 | \$ (212,006) | \$ - | \$ 10,588,357 |

Depreciation expense was charged to functions/programs as follows:

| | |
|----------------------------|--------------|
| Governmental activities: | |
| General government | \$ 304,357 |
| Public safety | 744,629 |
| Highway and streets | 1,442,303 |
| Culture and recreation | 63,027 |
| Community development | 298 |
| Total depreciation expense | \$ 2,554,614 |
| Business-type activities | |
| Water | \$ 131,643 |
| Sewer | 270,618 |
| Sanitation | 70,120 |
| Total depreciation expense | \$ 472,381 |

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

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, 2014 in governmental activities.

| <u>Year Ending, June 30</u> | <u>Principal</u> |
|-------------------------------------|--------------------------|
| 2015 | \$ 289,915 |
| 2016 | 289,915 |
| 2017 | <u>289,915</u> |
| Total requirements | 869,745 |
| Less interest | <u>24,778</u> |
| Present value of remaining payments | <u><u>\$ 844,967</u></u> |

Vehicles and related accumulated depreciation under capital lease are as follows:

| | <u>Governmental Activities</u> |
|-------------------------------|------------------------------------|
| Asset | |
| Vehicles | \$ 1,395,508 |
| Less accumulated depreciation | <u>(18,862)</u> |
| Net | <u><u>\$ 1,376,646</u></u> |

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 \$69,748 including interest at 6%. The note is secured by a deed of trust, assignments of rents, security agreement and fixture filings. The balance was \$429,184 at June 30, 2014.

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, 2014, the Town has an outstanding balance of \$4,212,898. 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, 2014, 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, 2014

NOTE 6 NOTES PAYABLE (Continued)

The annual debt service requirements to maturity as of June 30, 2014, are as follows:

| Year Ending, June 30 | Governmental Activities | | Business-type Activities | |
|----------------------|-------------------------|-------------------|--------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 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 | 55,545 | 14,203 | 457,746 | 76,769 |
| 2020 - 2023 | 181,171 | 21,801 | 2,067,371 | 145,051 |
| Total | <u>\$ 429,184</u> | <u>\$ 122,526</u> | <u>\$ 4,212,898</u> | <u>\$ 674,488</u> |

NOTE 7 BONDS PAYABLE

Bonds payable at June 30, 2014, consisted of the outstanding special assessment bonds presented below.

The bonds issued in 1994 to acquire Arizona Sierra Utility have an outstanding principal of \$337,000. 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, 2014

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, 2014

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.

In December 2013 the Merrill Ranch Community Facilities District #2 issued \$1,850,000 of GO Series 2013 bonds at a premium to pay 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.

A summary of long-term bond debt payable at June 30, 2014, follows:

| Description | Interest Rate | Maturity | Outstanding Principal June 30, 2014 | Due Within One Year |
|---|---------------|-----------|---|------------------------|
| Utility Improvement District #1 Revenue Bonds 1994 | 8.45% | 1/1/2019 | \$ 337,000 | \$ 55,000 |
| Merrill Ranch CFD #1 Special Assessment Bonds 2006 | 4.30 - 5.30% | 7/1/2030 | 1,816,000 | 71,000 |
| Merrill Ranch CFD #2 Special Assessment Bonds 2006 | 4.30 - 5.30% | 7/1/2030 | 1,868,000 | 72,000 |
| Merrill Ranch CFD #1 General Obligation Bonds 2008A | 6.00 - 7.40% | 7/15/2033 | 3,955,000 | 95,000 |
| Merrill Ranch CFD #1 Special Assessment Bonds 2009 | 9.00% | 7/1/2034 | 318,410 | 5,960 |
| Merrill Ranch CFD #2 Special Assessment Bonds 2009 | 9.00% | 7/1/2034 | 768,090 | 13,990 |
| Merrill Ranch CFD #2 Special Assessment Bonds 2010 | 7.75% | 7/1/2035 | 195,500 | 3,640 |
| Merrill Ranch CFD #1 Special Assessment Bonds 2010 | 7.50% | 7/1/2035 | 280,830 | 5,390 |
| Merrill Ranch CFD #2 General Obligation Bonds 2010 | 5.86% | 7/15/2035 | 2,980,000 | 80,000 |
| Merrill Ranch CFD #1 Special Assessment Bonds 2012 | 6.88% | 7/1/2037 | 189,000 | 3,000 |
| Merrill Ranch CFD #2 General Obligation Bonds 2013 | 1.50 - 6.75% | 7/15/2038 | 1,850,000 | 70,000 |
| Total | | | \$ 14,557,830 | \$ 474,980 |

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 7 BONDS PAYABLE (Continued)

Annual debt service requirements to maturity on governmental bonds payable at June 30, 2014 are summarized as follows:

| Fiscal year ending June 30, | Governmental Activities | |
|-----------------------------|-------------------------|----------------------|
| | Principal | Interest |
| 2015 | \$ 474,980 | \$ 926,456 |
| 2016 | 452,460 | 895,085 |
| 2017 | 473,150 | 868,771 |
| 2018 | 507,070 | 839,915 |
| 2019 | 536,270 | 808,357 |
| 2020 - 2024 | 2,705,490 | 3,552,474 |
| 2025 - 2029 | 3,653,950 | 2,565,383 |
| 2030 - 2034 | 3,959,540 | 1,258,809 |
| 2035 - 2039 | 1,794,920 | 285,010 |
| Total | <u>\$ 14,557,830</u> | <u>\$ 12,000,260</u> |

NOTE 8 CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2014 was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|----------------------|---------------------|---------------------|----------------------|------------------------|
| Governmental activities: | | | | | |
| Bonds payable | \$ 13,232,520 | \$ 1,850,000 | \$ 524,690 | \$ 14,557,830 | \$ 474,980 |
| Notes payable | 470,690 | - | 41,506 | 429,184 | 43,997 |
| Capital leases | 1,118,561 | - | 273,594 | 844,967 | 277,586 |
| Compensated absences | 452,369 | 406,264 | 364,359 | 494,274 | 311,841 |
| Premiums | - | 24,167 | - | 24,167 | - |
| Governmental activities long-term liabilities | <u>\$ 15,274,140</u> | <u>\$ 2,280,431</u> | <u>\$ 1,204,149</u> | <u>\$ 16,350,422</u> | <u>\$ 1,108,404</u> |
| | | | | | |
| Business-type activities: | | | | | |
| Notes payable | \$ 4,601,319 | \$ - | \$ 388,421 | \$ 4,212,898 | \$ 401,390 |
| Compensated absences | 35,030 | 33,893 | 24,525 | 44,398 | 30,617 |
| Business-type activities long-term liabilities | <u>\$ 4,636,349</u> | <u>\$ 33,893</u> | <u>\$ 412,946</u> | <u>\$ 4,257,296</u> | <u>\$ 432,007</u> |

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2014 all interfund balances consisted of short term loans made to cover operating cash deficits by the General Fund. At June 30, 2014, interfund receivables/payables consisted of the following:

| Fund | Receivable Amount | Payable Amount |
|------------------------------|----------------------|-------------------|
| General Fund | \$ 121,346 | \$ - |
| Non-Major Governmental Funds | - | 121,346 |
| Total | \$ 121,346 | \$ 121,346 |

At June 30, 2014, there were the following interfund transfers.

| Fund | Transfers Out | Transfers In |
|------------------------------|------------------|-----------------|
| General Fund | \$ 3,975,517 | \$ 1,935,065 |
| Highway User | 564,065 | 19,500 |
| CFD Debt Service | 1,400,000 | - |
| CFD Capital Improvements | 1,295,750 | 1,400,000 |
| Impact Fees | 149,078 | 1,444,827 |
| Capital Improvements | 359,663 | 3,967,700 |
| Non-Major Governmental Funds | 90,846 | 552,992 |
| Water | 783,161 | - |
| Sewer | 650,956 | - |
| Sanitation | 51,048 | - |
| Total | \$ 9,320,084 | \$ 9,320,084 |

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, 2014.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 10 RISK MANAGEMENT (Continued)

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.

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, 2014; 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, 2014

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, 2014, 2013 and 2012 active ASRS members and the Town were each required by statute to contribute at the actuarially determined rates of 11.54, 11.14 and 10.74 percent (rates include 0.24 for long-term disability) of the member's annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2014, 2013, and 2012 were \$588,552, \$507,334, and \$466,241, 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, | <u>Retirement</u> | <u>Health Insurance</u> | <u>Long-term Disability</u> | <u>Total</u> |
|-------------------------|-------------------|-------------------------|---------------------------------|--------------|
| 2014 | \$ 545,711 | \$ 30,601 | \$ 12,240 | \$ 588,552 |
| 2013 | 482,287 | 30,584 | 11,293 | 524,164 |
| 2012 | 428,473 | 27,349 | 10,419 | 466,241 |

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, 2014, active PSPRS members were required by statute to contribute 7.65 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 13.83% and 11.73% 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, 2014

NOTE 12 RETIREMENT PLANS (Continued)

Annual Pension Cost

The Town's pension cost for the agent plan for the year ended June 30, 2014, and related information follows:

| Contribution Rates: | PSPRS – Police | PSPRS - Fire |
|---|---|---|
| City – retirement | 12.92% | 11.10% |
| City – health insurance premium | 0.91% | 0.63% |
| Plan members | 7.65% | 7.65% |
| Annual pension cost | | |
| Retirement | \$ 220,442 | \$ 174,845 |
| Health insurance premium | \$ 15,527 | \$ 9,924 |
| Pension contributions made | | |
| Retirement | \$ 220,442 | \$ 174,845 |
| Health insurance premium | \$ 15,527 | \$ 9,924 |
| Actuarial valuation date | June 30, 2012 | June 30, 2012 |
| Actuarial cost method | Projected Unit Credit | Projected Unit Credit |
| Actuarial assumptions: | | |
| Investment rate of return | 8.0% | 8.0% |
| Projected salary increases | 5.0% - 9.0% | 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 | 24 years underfunded 20 years overfunded | 24 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, 2014

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, 2014 | \$ 220,442 | 100.0% | - |
| June 30, 2013 | 193,405 | 100.0% | - |
| June 30, 2012 | 166,857 | 100.0% | - |
| PSPRS - Police - Health Insurance | | | |
| June 30, 2014 | 15,527 | 100.0% | - |
| June 30, 2013 | 16,382 | 100.0% | - |
| June 30, 2012 | 19,137 | 100.0% | - |
| PSPRS - Fire - Pension | | | |
| June 30, 2014 | 174,845 | 100.0% | - |
| June 30, 2013 | 134,685 | 100.0% | - |
| June 30, 2012 | 103,472 | 100.0% | - |
| PSPRS - Fire - Health Insurance | | | |
| June 30, 2014 | 9,924 | 100.0% | - |
| June 30, 2013 | 9,047 | 100.0% | - |
| June 30, 2012 | 7,950 | 100.0% | - |

Schedule of Funding Progress - An analysis of funding progress for each of the agent plans as most recent actuarial valuations; June 30, 2012 reporting period determines the rates for fiscal year 2014.

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, 2012 | \$4,156,244 | \$ 4,139,939 | \$ (16,305) | 100.4% | \$1,610,463 | -1.0% |
| 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% |

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 12 RETIREMENT PLANS (Continued)

PSPRS - Florence Police Health Insurance 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, 2012 | \$ - | \$ 132,533 | \$ 132,533 | 0.0% | \$1,610,463 | 8.23% |
| 2011 | - | 111,483 | 111,483 | 0.0% | 1,450,956 | 7.68% |
| 2010 | - | 122,574 | 122,574 | 0.0% | 1,570,453 | 7.81% |

PSPRS - Florence Fire Pension Plan:

| Valuation Date | 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) |
|----------------|------------------------------------|---------------------------------------|--------------------|--------------------|----------------------------|--|
| June 30, 2012 | \$2,076,445 | \$ 1,766,639 | \$ (309,806) | 117.5% | \$1,204,750 | -25.7% |
| 2011 | 1,568,407 | 1,375,795 | (192,612) | 114.0% | 1,071,927 | -18.0% |
| 2010 | 1,310,962 | 983,701 | (327,261) | 133.3% | 1,077,609 | -30.4% |

PSPRS – Florence Fire Health Insurance Plan:

| Valuation Date | 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) |
|----------------|------------------------------------|---------------------------------------|--------------------|--------------------|----------------------------|--|
| June 30, 2012 | \$ - | \$ 62,844 | \$ 62,844 | 0.0% | \$1,240,750 | 5.07% |
| 2011 | - | 55,378 | 55,378 | 0.0% | 1,071,927 | 5.17% |
| 2010 | - | 30,517 | 30,517 | 0.0% | 1,077,609 | 2.83% |

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, 2014

NOTE 12 RETIREMENT PLANS (Continued)

Annual Required Contribution:

PSPRS - Florence Police Health Insurance Plan:

| Valuation Date | Fiscal Year Ended | Normal Cost (a) | Actuarial Accrued Liability (b) | Total (a+b) | Dollar Amount |
|----------------|-------------------|-----------------|---------------------------------|-------------|---------------|
| June 30, | 30-Jun | | | | |
| 2012 | 2014 | 0.47% | 0.44% | 0.91% | \$ 16,157 |
| 2011 | 2013 | 0.61% | 0.47% | 1.08% | 17,277 |
| 2010 | 2012 | 0.74% | 0.47% | 1.21% | 21,150 |

PSPRS – Florence Fire Health Insurance Plan:

| Valuation Date | Fiscal Year Ended | Normal Cost (a) | Actuarial Accrued Liability (b) | Total (a+b) | Dollar Amount |
|----------------|-------------------|-----------------|---------------------------------|-------------|---------------|
| June 30, | 30-Jun | | | | |
| 2012 | 2014 | 0.33% | 0.30% | 0.63% | \$ 8,618 |
| 2011 | 2013 | 0.38% | 0.33% | 0.71% | 8,391 |
| 2010 | 2012 | 0.47% | 0.17% | 0.64% | 7,676 |

The Health Insurance Subsidy payments reported for valuation year 2012 were \$3,800 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, 2014. The Town's required matching contributions for the plan were covered by the accumulated forfeited funds for the year ended June 30, 2014. As of June 30, 2014, 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, 2014

NOTE 12 RETIREMENT PLANS (Continued)

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 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction commitments - The Town has active construction projects as of June 30, 2014. As discussed earlier in Note 1.N, Budgetary Data, the encumbrances and related appropriation lapse at the end of the year, but are re-appropriated and become part of the subsequent year's budget because performance under the executory contract is expected in the next fiscal year.

Encumbrances - As discussed in Note 1.N, Budgetary Data, encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

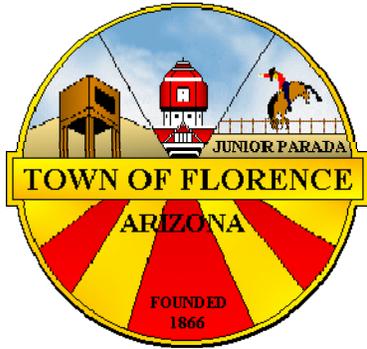
NOTE 13 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS (Continued)

At year end the Town's commitments with contractors and amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

| Project - Contractor | June 30, 2014 | Fund |
|--|---------------------|----------------------|
| Library and Recreation Complex Project | | |
| <i>Low Mountain Construction</i> | \$ 302,494 | Capital Improvements |
| <i>Rummel Construction</i> | 671,089 | Capital Improvements |
| <i>Swan Architects</i> | 270,600 | Capital Improvements |
| North Florence Wastewater Treatment Plant Project | | |
| <i>Felix Construction</i> | 137,298 | Sewer |
| <i>SW Groundwater Consultants</i> | 38,350 | Water |
| <i>Water Works Engineering</i> | 110,983 | Water |
| South Florence Wastewater Treatment Plant Project | | |
| <i>Water Works Engineering</i> | 389,423 | Sewer |
| <i>Felix Construction</i> | 92,022 | Sewer |
| Well 3B Project | | |
| <i>Water Works Engineering</i> | 70,577 | Water |
| <i>Sun Western Contractors</i> | 1,576,265 | Water |
| Well 4 and Well 5 Project | | |
| <i>EPS Group</i> | 56,881 | Water |
| Downtown Waterline Alignment Project | | |
| <i>Sunrise Engineering</i> | 37,728 | Water |
| Bailey Street Waterline Extension Project | | |
| <i>Sunrise Engineering</i> | 53,179 | Water |
| Padilla Park Project | | |
| <i>Haydon Building Corporation</i> | 399,429 | Capital Improvements |
| Total Commitment Amount | <u>\$ 4,206,318</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, 2014

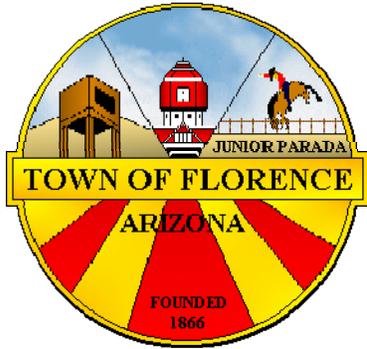
| | Special Revenue | | | |
|---|-------------------|-------------------------|-----------------------|--------------------------------------|
| | Grants | Economic Development | Community Services | Community Facilities Districts |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 40,565 | \$ 177,150 | \$ 12,218 | \$ 57,073 |
| Receivables (net of allowance for uncollectibles) | - | 12,725 | 95 | 362 |
| Due from other governments | 129,381 | - | 580 | 399 |
| Prepays | - | - | - | - |
| Investments | 2,820 | 691,789 | 38,980 | 182,087 |
| Total assets | <u>\$ 172,766</u> | <u>\$ 881,664</u> | <u>\$ 51,873</u> | <u>\$ 239,921</u> |
| LIABILITIES | | | | |
| Accounts payable and other current liabilities | \$ 9,865 | \$ 4,791 | \$ 364 | \$ 926 |
| Accrued wages and benefits | 809 | - | - | 114 |
| Other accrued liabilities | - | - | - | 18 |
| Due to other governments | - | 4,854 | - | - |
| Due to other funds | 121,346 | - | - | - |
| Total liabilities | <u>132,020</u> | <u>9,645</u> | <u>364</u> | <u>1,058</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred revenue | 55,416 | 707 | 45 | 199 |
| Total deferred inflows of resources | <u>55,416</u> | <u>707</u> | <u>45</u> | <u>199</u> |
| FUND BALANCES | | | | |
| Nonspendable | | | | |
| Prepaid items | - | - | - | - |
| Restricted | | | | |
| Public safety | - | - | 51,464 | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | - |
| Economic development | - | 871,312 | - | - |
| Community Facilities Districts operations | - | - | - | 238,664 |
| Unassigned | (14,670) | - | - | - |
| Total fund balances | <u>(14,670)</u> | <u>871,312</u> | <u>51,464</u> | <u>238,664</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 172,766</u> | <u>\$ 881,664</u> | <u>\$ 51,873</u> | <u>\$ 239,921</u> |

| <u>Capital Projects</u> | | | |
|-------------------------|---------------------|---------------------|---------------------|
| Debt Service | Construction Tax | Food Tax | Total |
| \$ 50,165 | \$ 848,878 | \$ 441,109 | \$ 1,627,158 |
| 259,028 | 5,876 | 3,016 | 281,102 |
| - | - | - | 130,360 |
| 14,238 | - | - | 14,238 |
| 160,051 | 2,708,306 | 1,407,340 | 5,191,373 |
| <u>\$ 483,482</u> | <u>\$ 3,563,060</u> | <u>\$ 1,851,465</u> | <u>\$ 7,244,231</u> |
| - | - | - | 15,946 |
| - | - | - | 923 |
| - | - | - | 18 |
| - | - | - | 4,854 |
| - | - | - | 121,346 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>143,087</u> |
| 259,581 | 3,107 | 1,595 | 320,650 |
| <u>259,581</u> | <u>3,107</u> | <u>1,595</u> | <u>320,650</u> |
| 14,238 | - | - | 14,238 |
| - | - | - | 51,464 |
| 209,663 | - | - | 209,663 |
| - | 3,559,953 | 1,849,870 | 5,409,823 |
| - | - | - | 871,312 |
| - | - | - | 238,664 |
| - | - | - | (14,670) |
| <u>223,901</u> | <u>3,559,953</u> | <u>1,849,870</u> | <u>6,780,494</u> |
| <u>\$ 483,482</u> | <u>\$ 3,563,060</u> | <u>\$ 1,851,465</u> | <u>\$ 7,244,231</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, 2014

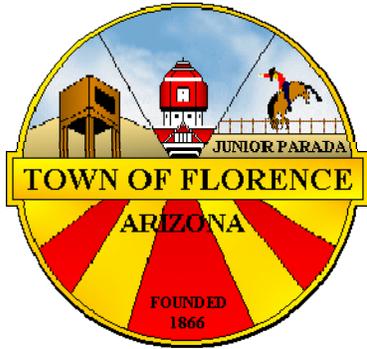
| REVENUES | Special Revenue | | | |
|---|--------------------|----------------------|--------------------|--------------------------------|
| | Grants | Economic Development | Community Services | Community Facilities Districts |
| Taxes | \$ - | \$ - | \$ - | \$ 77,764 |
| Intergovernmental revenues | 509,112 | - | - | - |
| Charges for services | - | - | 9,868 | 4,488 |
| Fines | - | - | 2,922 | - |
| Special assessments | - | - | - | - |
| Investment income | | | | |
| Interest income | - | 6,187 | 370 | 2,561 |
| Net increase in the fair value of investments | - | 6,031 | 384 | 1,696 |
| Miscellaneous | - | 51,139 | 33 | 86 |
| Total revenues | 509,112 | 63,357 | 13,577 | 86,595 |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 77,777 | - | - | 69,282 |
| Public safety | 263,494 | - | 3,750 | - |
| Public works | 302,376 | 51,799 | - | - |
| Culture & recreation | 2,640 | - | - | - |
| Community development | - | - | 3,064 | - |
| Capital outlay | 116,660 | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total expenditures | 762,947 | 51,799 | 6,814 | 69,282 |
| Excess (deficiency) of revenues over (under) expenditures | (253,835) | 11,558 | 6,763 | 17,313 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 193,174 | - | 155 | - |
| Transfers out | (42,855) | (39,000) | - | - |
| Total other financing sources and uses | 150,319 | (39,000) | 155 | - |
| Net change in fund balances | (103,516) | (27,442) | 6,918 | 17,313 |
| Fund balances - beginning of year | 88,846 | 898,754 | 44,546 | 221,351 |
| Fund balances - end of year | \$ (14,670) | \$ 871,312 | \$ 51,464 | \$ 238,664 |

| <u>Capital Projects</u> | | | |
|-------------------------|---------------------|---------------------|---------------------|
| Debt Service | Construction Tax | Food Tax | Total |
| \$ - | \$ 115,609 | \$ 231,191 | \$ 424,564 |
| - | - | - | 509,112 |
| 10,417 | - | - | 24,773 |
| - | - | - | 2,922 |
| 67,162 | - | - | 67,162 |
| 1,150 | 26,378 | 13,977 | 50,623 |
| 1,141 | 26,515 | 13,609 | 49,376 |
| 260 | 3,263 | 800 | 55,581 |
| <u>80,130</u> | <u>171,765</u> | <u>259,577</u> | <u>1,184,113</u> |
| - | - | - | 147,059 |
| - | - | - | 267,244 |
| - | - | - | 354,175 |
| - | - | - | 2,640 |
| - | - | - | 3,064 |
| - | - | - | 116,660 |
| 366,100 | - | - | 366,100 |
| 78,774 | - | - | 78,774 |
| <u>444,874</u> | <u>-</u> | <u>-</u> | <u>1,335,716</u> |
| <u>(364,744)</u> | <u>171,765</u> | <u>259,577</u> | <u>(151,603)</u> |
| 359,663 | - | - | 552,992 |
| (8,991) | - | - | (90,846) |
| <u>350,672</u> | <u>-</u> | <u>-</u> | <u>462,146</u> |
| (14,072) | 171,765 | 259,577 | 310,543 |
| 237,973 | 3,388,188 | 1,590,293 | 6,469,951 |
| <u>\$ 223,901</u> | <u>\$ 3,559,953</u> | <u>\$ 1,849,870</u> | <u>\$ 6,780,494</u> |



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, 2014

| | Budgeted Amounts | | | Variance with Final Budget- Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | Original | Final | Actual Amounts | |
| REVENUES | | | | |
| Taxes | \$ 767,840 | \$ 767,840 | \$ 842,450 | \$ 74,610 |
| Special assessments | 720,134 | 720,134 | 950,415 | 230,281 |
| Investment income | | | | |
| Interest income | 16,000 | 16,000 | 12,404 | (3,596) |
| Net increase in the fair value of investments | - | - | 9,644 | 9,644 |
| Miscellaneous | - | - | 607 | 607 |
| Total revenues | <u>1,503,974</u> | <u>1,503,974</u> | <u>1,815,520</u> | <u>311,546</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 77,625 | 77,625 | 69,608 | 8,017 |
| Community development | - | - | 29,874 | (29,874) |
| Debt service | | | | |
| Principal | 1,739,768 | 1,739,768 | 473,690 | 1,266,078 |
| Interest and fiscal charges | 841,653 | 841,653 | 807,405 | 34,248 |
| Total expenditures | <u>2,659,046</u> | <u>2,659,046</u> | <u>1,380,577</u> | <u>1,278,469</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(1,155,072)</u> | <u>(1,155,072)</u> | <u>434,943</u> | <u>1,590,015</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | - | - | (1,400,000) | (1,400,000) |
| Total other financing sources and uses | <u>-</u> | <u>-</u> | <u>(1,400,000)</u> | <u>(1,400,000)</u> |
| Net change in fund balance | (1,155,072) | (1,155,072) | (965,057) | 190,015 |
| Fund balance - beginning of year | 3,755,512 | 3,755,512 | 3,755,512 | - |
| Fund balance - end of year | <u>\$ 2,600,440</u> | <u>\$ 2,600,440</u> | <u>\$ 2,790,455</u> | <u>\$ 190,015</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, 2014

| | Budgeted Amounts | | | Variance with |
|--|-----------------------|-----------------------|---------------------|---|
| | Original | Final | Actual Amounts | Final Budget- Positive (Negative) |
| REVENUES | | | | |
| Interest income | \$ 1,000 | \$ 1,000 | \$ 11,326 | \$ 10,326 |
| Net increase in the fair value of investments | - | - | 13,104 | 13,104 |
| Miscellaneous | - | - | 162 | 162 |
| Total revenues | 1,000 | 1,000 | 24,592 | 23,592 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 945,875 | 945,875 | 158,822 | 787,053 |
| Public safety | 612,960 | 612,960 | - | 612,960 |
| Community development | 133,932 | 133,932 | - | 133,932 |
| Capital outlay | 3,155,725 | 3,155,725 | - | 3,155,725 |
| Total expenditures | 4,848,492 | 4,848,492 | 158,822 | 4,689,670 |
| Excess (deficiency) of revenues over (under) expenditures | (4,847,492) | (4,847,492) | (134,230) | 4,713,262 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 1,400,000 | 1,400,000 |
| Transfers out | - | - | (1,295,750) | (1,295,750) |
| Proceeds from obligations | 3,189,000 | 3,189,000 | 1,850,000 | (1,339,000) |
| Bond premium | - | - | 24,167 | 24,167 |
| Total other financing sources and uses | 3,189,000 | 3,189,000 | 1,978,417 | (1,210,583) |
| Net change in fund balance | (1,658,492) | (1,658,492) | 1,844,187 | 3,502,679 |
| Fund balance - beginning of year | 509,080 | 509,080 | 509,080 | - |
| Fund balance - end of year | \$ (1,149,412) | \$ (1,149,412) | \$ 2,353,267 | \$ 3,502,679 |

TOWN OF FLORENCE, ARIZONA
IMPACT FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2014

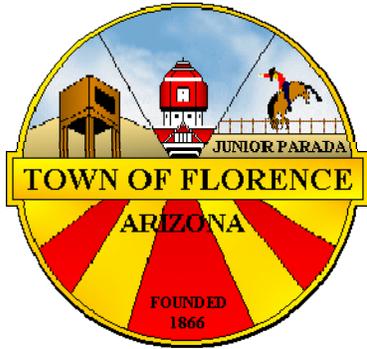
| | Budgeted Amounts | | | Variance with |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | Actual Amounts | Final Budget- Positive (Negative) |
| REVENUES | | | | |
| Charges for services | \$ 863,745 | \$ 863,745 | \$ 400,896 | \$ (462,849) |
| Investment income | | | | |
| Interest income | 8,100 | 8,100 | 37,508 | 29,408 |
| Net increase in the fair value of investments | - | - | 35,031 | 35,031 |
| Miscellaneous | 1,295,749 | 1,295,749 | 6,102 | (1,289,647) |
| Total revenues | 2,167,594 | 2,167,594 | 479,537 | (1,688,057) |
| EXPENDITURES | | | | |
| Current | | | | |
| Community development | - | - | - | - |
| Capital outlay | 4,200,921 | 4,200,921 | 2,952,683 | 1,248,238 |
| Total expenditures | 5,674,968 | 5,674,968 | 3,171,491 | 2,503,477 |
| Excess (deficiency) of revenues over (under) expenditures | (3,507,374) | (3,507,374) | (2,691,954) | 815,420 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 149,078 | 149,078 | 1,444,827 | 1,295,749 |
| Transfers out | (149,078) | (149,078) | (149,078) | - |
| Total other financing sources and uses | - | - | 1,295,749 | 1,295,749 |
| Net change in fund balance | (3,507,374) | (3,507,374) | (1,396,205) | 2,111,169 |
| Fund balance - beginning of year | 6,047,129 | 6,047,129 | 6,047,129 | - |
| Fund balance - end of year | \$ 2,539,755 | \$ 2,539,755 | \$ 4,650,924 | \$ 2,111,169 |

TOWN OF FLORENCE, ARIZONA
CAPITAL IMPROVEMENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|---------------------|---------------------|----------------------|---|
| | Original | Final | | Final Budget- Positive (Negative) |
| REVENUES | | | | |
| Taxes | \$ 1,100,000 | \$ 1,100,000 | \$ 1,380,169 | \$ 280,169 |
| Investment income | | | | |
| Interest income | 55,000 | 55,000 | 74,973 | 19,973 |
| Net increase in the fair value of investments | - | - | 73,490 | 73,490 |
| Miscellaneous | - | - | 4,592 | 4,592 |
| Total revenues | 1,155,000 | 1,155,000 | 1,533,224 | 378,224 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 3,510,800 | 3,506,600 | 1,315,611 | 2,190,989 |
| Public safety | 94,000 | 94,000 | 36,965 | 57,035 |
| Highways & streets | 800,000 | 800,000 | 241,012 | 558,988 |
| Public works | 176,500 | 176,500 | 13,398 | 163,102 |
| Culture and recreation | 217,900 | 217,900 | 8,219 | 209,681 |
| Community development | 444,856 | 444,856 | 2,173 | 442,683 |
| Capital outlay | 2,288,212 | 2,292,412 | 1,762,677 | 529,735 |
| Total expenditures | 7,532,268 | 7,532,268 | 3,380,055 | 4,152,213 |
| Excess (deficiency) of revenues over (under) expenditures | (6,377,268) | (6,377,268) | (1,846,831) | 4,530,437 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 3,967,700 | 3,967,700 |
| Transfers out | (359,663) | (359,663) | (359,663) | - |
| Proceeds from capital leases | 30,000 | 30,000 | - | (30,000) |
| Total other financing sources and uses | (329,663) | (329,663) | 3,608,037 | 3,937,700 |
| Net change in fund balance | (6,706,931) | (6,706,931) | 1,761,206 | 8,468,137 |
| Fund balance - beginning of year | 11,290,480 | 11,290,480 | 11,290,480 | - |
| Fund balance - end of year | \$ 4,583,549 | \$ 4,583,549 | \$ 13,051,686 | \$ 8,468,137 |

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, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|------------------|------------------|--------------------|---|
| | Original | Final | | Final Budget- Positive (Negative) |
| REVENUES | | | | |
| Intergovernmental revenues | \$ 1,264,011 | \$ 1,264,011 | \$ 509,112 | \$ (754,899) |
| Total revenues | <u>1,264,011</u> | <u>1,264,011</u> | <u>509,112</u> | <u>(754,899)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 366,576 | 366,576 | 77,777 | 288,799 |
| Public safety | 198,798 | 198,798 | 263,494 | (64,696) |
| Public works | 384,676 | 384,676 | 302,376 | 82,300 |
| Culture and recreation | - | - | 2,640 | (2,640) |
| Community development | 1,770 | 1,770 | - | 1,770 |
| Total expenditures | <u>1,412,344</u> | <u>1,412,344</u> | <u>762,947</u> | <u>649,397</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(148,333)</u> | <u>(148,333)</u> | <u>(253,835)</u> | <u>(105,502)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 178,839 | 178,839 | 193,174 | 14,335 |
| Transfers out | <u>(94,048)</u> | <u>(94,048)</u> | <u>(42,855)</u> | <u>51,193</u> |
| Total other financing sources and uses | <u>84,791</u> | <u>84,791</u> | <u>150,319</u> | <u>65,528</u> |
| Net change in fund balance | <u>(63,542)</u> | <u>(63,542)</u> | <u>(103,516)</u> | <u>(39,974)</u> |
| Fund balance - beginning of year | 88,846 | 88,846 | 88,846 | - |
| Fund balance - end of year | <u>\$ 25,304</u> | <u>\$ 25,304</u> | <u>\$ (14,670)</u> | <u>\$ (39,974)</u> |

TOWN OF FLORENCE, ARIZONA
ECONOMIC DEVELOPMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget- Positive (Negative) |
|--|-------------------|-------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Investment income | | | | |
| Interest income | \$ 1,250 | \$ 1,250 | \$ 6,187 | \$ 4,937 |
| Net increase in the fair value of investments | - | - | 6,031 | 6,031 |
| Miscellaneous | 45,000 | 45,000 | 51,139 | 6,139 |
| Total revenues | <u>46,250</u> | <u>46,250</u> | <u>63,357</u> | <u>17,107</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Public works | 50,000 | 50,000 | 51,799 | (1,799) |
| Community development | 45,000 | 45,000 | - | 45,000 |
| Total expenditures | <u>95,000</u> | <u>95,000</u> | <u>51,799</u> | <u>43,201</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(48,750)</u> | <u>(48,750)</u> | <u>11,558</u> | <u>60,308</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers out | <u>(19,500)</u> | <u>(19,500)</u> | <u>(39,000)</u> | <u>(19,500)</u> |
| Total other financing sources and uses | <u>(19,500)</u> | <u>(19,500)</u> | <u>(39,000)</u> | <u>(19,500)</u> |
| Net change in fund balance | <u>(68,250)</u> | <u>(68,250)</u> | <u>(27,442)</u> | <u>40,808</u> |
| Fund balance - beginning of year | 898,754 | 898,754 | 898,754 | - |
| Fund balance - end of year | <u>\$ 830,504</u> | <u>\$ 830,504</u> | <u>\$ 871,312</u> | <u>\$ 40,808</u> |

TOWN OF FLORENCE, ARIZONA
COMMUNITY SERVICES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2014

| | Budgeted Amounts | | | Variance with Final Budget- Positive (Negative) |
|--|------------------|------------------|------------------|--|
| | Original | Final | Actual Amounts | |
| REVENUES | | | | |
| Charges for services | \$ 5,000 | \$ 5,000 | \$ 9,868 | \$ 4,868 |
| Fines | 3,000 | 3,000 | 2,922 | (78) |
| Investment income | | | | |
| Interest income | 285 | 285 | 370 | 85 |
| Net increase in the fair value of investments | - | - | 384 | 384 |
| Miscellaneous | - | - | 33 | 33 |
| Total revenues | 8,285 | 8,285 | 13,577 | 5,292 |
| EXPENDITURES | | | | |
| Current | | | | |
| Public safety | 3,750 | 3,750 | 3,750 | - |
| Community development | 5,100 | 5,100 | 3,064 | 2,036 |
| Total expenditures | 8,850 | 8,850 | 6,814 | 2,036 |
| Excess (deficiency) of revenues over (under) expenditures | (565) | (565) | 6,763 | 7,328 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 155 | 155 |
| Total other financing sources and uses | - | - | 155 | 155 |
| Net change in fund balance | (565) | (565) | 6,918 | 7,483 |
| Fund balance - beginning of year | 44,546 | 44,546 | 44,546 | - |
| Fund balance - end of year | \$ 43,981 | \$ 43,981 | \$ 51,464 | \$ 7,483 |

TOWN OF FLORENCE, ARIZONA
COMMUNITY FACILITIES DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | Final Budget- Positive (Negative) |
| REVENUES | | | | |
| Taxes | \$ 70,877 | \$ 70,877 | \$ 77,764 | \$ 6,887 |
| Charges for services | - | - | 4,488 | 4,488 |
| Investment income | | | | |
| Interest income | 700 | 700 | 2,561 | 1,861 |
| Net increase in the fair value of investments | - | - | 1,696 | 1,696 |
| Miscellaneous | 3,678 | 3,678 | 86 | (3,592) |
| Total revenues | 75,255 | 75,255 | 86,595 | 11,340 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 95,356 | 95,356 | 69,282 | 26,074 |
| Community development | 1,250 | 1,250 | - | 1,250 |
| Total expenditures | 96,606 | 96,606 | 69,282 | 27,324 |
| Net change in fund balance | (21,351) | (21,351) | 17,313 | 38,664 |
| Fund balance - beginning of year | 221,351 | 221,351 | 221,351 | - |
| Fund balance - end of year | \$ 200,000 | \$ 200,000 | \$ 238,664 | \$ 38,664 |

TOWN OF FLORENCE, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2014

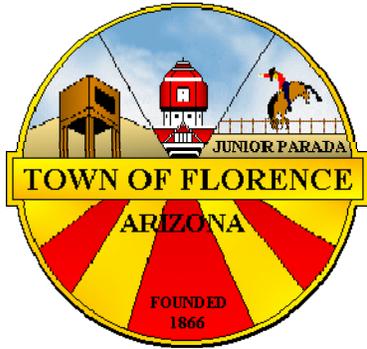
| | Budgeted Amounts | | | Variance with Final Budget- Positive (Negative) |
|--|-------------------|-------------------|-------------------|--|
| | Original | Final | Actual Amounts | |
| REVENUES | | | | |
| Charges for services | \$ 9,000 | \$ 9,000 | \$ 10,417 | \$ 1,417 |
| Special assessments | 60,200 | 60,200 | 67,162 | 6,962 |
| Investment income | | | | |
| Interest income | 200 | 200 | 1,150 | 950 |
| Net increase in the fair value of investments | - | - | 1,141 | 1,141 |
| Miscellaneous | - | - | 260 | 260 |
| Total revenues | 69,400 | 69,400 | 80,130 | 10,730 |
| EXPENDITURES | | | | |
| Current | | | | |
| Debt service | | | | |
| Principal | 366,100 | 366,100 | 366,100 | - |
| Interest and fiscal charges | 78,849 | 78,849 | 78,774 | 75 |
| Total expenditures | 444,949 | 444,949 | 444,874 | 75 |
| Excess (deficiency) of revenues over (under) expenditures | (375,549) | (375,549) | (364,744) | 10,805 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 359,663 | 359,663 | 359,663 | - |
| Transfers out | (9,000) | (9,000) | (8,991) | 9 |
| Total other financing sources and uses | 350,663 | 350,663 | 350,672 | 9 |
| Net change in fund balance | (24,886) | (24,886) | (14,072) | 10,814 |
| Fund balance - beginning of year | 237,973 | 237,973 | 237,973 | - |
| Fund balance - end of year | \$ 213,087 | \$ 213,087 | \$ 223,901 | \$ 10,814 |

TOWN OF FLORENCE, ARIZONA
CONSTRUCTION TAX
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | Final Budget- Positive (Negative) |
| REVENUES | | | | |
| Taxes | \$ 160,000 | \$ 160,000 | \$ 115,609 | \$ (44,391) |
| Investment income | | | | |
| Interest income | 30,000 | 30,000 | 26,378 | (3,622) |
| Net increase in the fair value of investments | - | - | 26,515 | 26,515 |
| Miscellaneous | - | - | 3,263 | 3,263 |
| Total revenues | <u>190,000</u> | <u>190,000</u> | <u>171,765</u> | <u>(18,235)</u> |
| EXPENDITURES | | | | |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | 190,000 | 190,000 | 171,765 | (18,235) |
| Fund balance - beginning of year | 3,388,188 | 3,388,188 | 3,388,188 | - |
| Fund balance - end of year | <u>\$ 3,578,188</u> | <u>\$ 3,578,188</u> | <u>\$ 3,559,953</u> | <u>\$ (18,235)</u> |

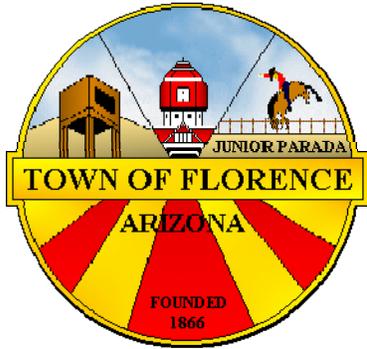
TOWN OF FLORENCE, ARIZONA
 FOOD TAX
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 Year Ended June 30, 2014

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | Final Budget- Positive (Negative) |
| REVENUES | | | | |
| Taxes | \$ 210,000 | \$ 210,000 | \$ 231,191 | \$ 21,191 |
| Investment income | | | | |
| Interest income | 20,000 | 20,000 | 13,977 | (6,023) |
| Net increase in the fair value of investments | - | - | 13,609 | 13,609 |
| Miscellaneous | - | - | 800 | 800 |
| Total revenues | <u>230,000</u> | <u>230,000</u> | <u>259,577</u> | <u>29,577</u> |
| EXPENDITURES | | | | |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | 230,000 | 230,000 | 259,577 | 29,577 |
| Fund balance - beginning of year | 1,590,293 | 1,590,293 | 1,590,293 | - |
| Fund balance - end of year | <u>\$ 1,820,293</u> | <u>\$ 1,820,293</u> | <u>\$ 1,849,870</u> | <u>\$ 29,577</u> |



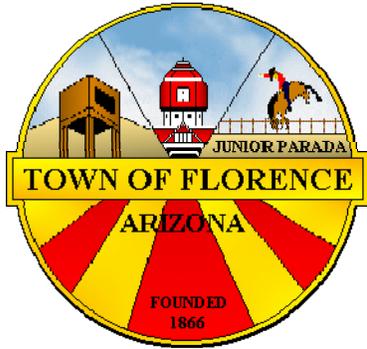
OTHER SUPPLEMENTARY INFORMATION

INTERNAL SERVICE FUNDS
COMBINING FINANCIAL STATEMENTS



TOWN OF FLORENCE, ARIZONA
 COMBINING STATEMENT OF NET POSTION
 INTERNAL SERVICE FUNDS
 June 30, 2014

| | Internal Service Funds | | |
|----------------------------|------------------------|-------------------------|---------------|
| | Fleet Maintenance | Facility Maintenance | Total |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 929 | \$ 3,873 | \$ 4,802 |
| Total current assets | <u>929</u> | <u>3,873</u> | <u>4,802</u> |
| Noncurrent assets | | | |
| Investments | 2,966 | 12,357 | 15,323 |
| Total noncurrent assets | <u>2,966</u> | <u>12,357</u> | <u>15,323</u> |
| Total assets | <u>3,895</u> | <u>16,230</u> | <u>20,125</u> |
| LIABILITIES | | | |
| Accounts payable | 3,341 | 15,462 | 18,803 |
| Accrued wages and benefits | 449 | 632 | 1,081 |
| Other accrued liabilities | <u>105</u> | <u>136</u> | <u>241</u> |
| Total liabilities | <u>3,895</u> | <u>16,230</u> | <u>20,125</u> |
| NET POSITION | | | |
| Total net position | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |



TOWN OF FLORENCE, ARIZONA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 For The Year Ended June 30, 2014

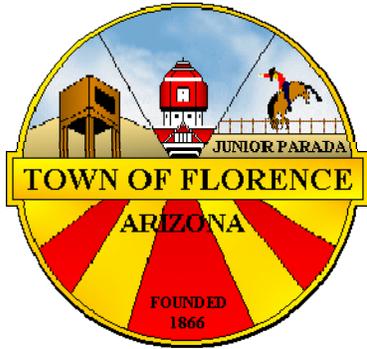
| | Internal Service Funds | | |
|--------------------------------------|------------------------|-------------------------|------------------|
| | Fleet Maintenance | Facility Maintenance | Total |
| Operating revenues | | | |
| Charges for services | \$ 666,499 | \$ 384,428 | \$ 1,050,927 |
| Total operating revenue | <u>666,499</u> | <u>384,428</u> | <u>1,050,927</u> |
| Operating expenses | | | |
| Personal services | 150,575 | 204,034 | 354,609 |
| Supplies | 342,605 | 19,570 | 362,175 |
| Services and maintenance | 171,380 | 7,498 | 178,878 |
| Other charges | 1,939 | 153,326 | 155,265 |
| Total operating expenses | <u>666,499</u> | <u>384,428</u> | <u>1,050,927</u> |
| Change in net position | - | - | - |
| Total net position-beginning of year | - | - | - |
| Total net position-end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

TOWN OF FLORENCE, ARIZONA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For The Year Ended June 30, 2014

| | Internal Service Funds | | |
|---|------------------------|-------------------------|-----------------|
| | Fleet Maintenance | Facility Maintenance | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers and users | \$ 666,499 | \$ 384,428 | \$ 1,050,927 |
| Payments to suppliers | (512,478) | (164,796) | (677,274) |
| Payments to employees | (150,126) | (203,402) | (353,528) |
| Net cash provided by operating activities | <u>3,895</u> | <u>16,230</u> | <u>20,125</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of investments | <u>(2,966)</u> | <u>(12,357)</u> | <u>(15,323)</u> |
| Net cash used by investing activities | <u>(2,966)</u> | <u>(12,357)</u> | <u>(15,323)</u> |
| Net increase in cash and cash equivalents | 929 | 3,873 | 4,802 |
| Cash and cash equivalents at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash and cash equivalents at end of year | <u>\$ 929</u> | <u>\$ 3,873</u> | <u>\$ 4,802</u> |

TOWN OF FLORENCE, ARIZONA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 For The Year Ended June 30, 2014

| | Internal Service Funds | | |
|--|------------------------|-------------------------|------------------|
| | Fleet Maintenance | Facility Maintenance | Total |
| Reconciliation of operating income to net cash provided by operating activities: | | | |
| Operating income | \$ - | \$ - | \$ - |
| Increase (decrease) in: | | | |
| Accounts payable | 3,341 | 15,462 | 18,803 |
| Accrued wages and benefits | 449 | 632 | 1,081 |
| Other accrued liabilities | 105 | 136 | 241 |
| Total adjustments | <u>3,895</u> | <u>16,230</u> | <u>20,125</u> |
| Net cash provided by operating activities: | <u>\$ 3,895</u> | <u>\$ 16,230</u> | <u>\$ 20,125</u> |



STATISTICAL SECTION

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.

| Contents | Page |
|--|----------------|
| Financial Trends | 104-115 |
| These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time. | |
| Revenue Capacity | 116-117 |
| These schedules contain information to help the reader assess the Town's most significant local revenue source, sales tax. | |
| Debt Capacity | 118-120 |
| 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. | |
| Demographics and Economic Information | 121-122 |
| 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. | |
| Operations | 123-126 |
| 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

| | 2005 | 2006 | 2007 | 2008 |
|---|---------------------|---------------------|---------------------|-----------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Invested in capital assets, net of related debt | \$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 | 3,984,000 | 6,196,000 | 9,171,000 | 12,643,000 |
| Total governmental activities net position | <u>35,261,000</u> | <u>58,584,000</u> | <u>73,083,000</u> | <u>86,088,000</u> |
| BUSINESS-TYPE ACTIVITIES | | | | |
| Invested in capital assets, net of related debt | 5,866,000 | 5,840,000 | 7,146,000 | 6,314,000 |
| Restricted | 421,000 | 795,000 | 894,000 | 1,014,000 |
| Unrestricted | 5,455,000 | 6,464,000 | 5,824,000 | 8,022,000 |
| Total business-type activities net position | <u>11,742,000</u> | <u>13,099,000</u> | <u>13,864,000</u> | <u>15,350,000</u> |
| PRIMARY GOVERNMENT | | | | |
| Invested in capital assets, net of related debt | 30,488,000 | 36,991,000 | 46,113,000 | 56,794,000 |
| Restricted | 7,076,000 | 22,032,000 | 25,839,000 | 23,979,000 |
| Unrestricted | 9,439,000 | 12,660,000 | 14,995,000 | 20,665,000 |
| Total primary government net position | <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 | 2014 |
|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| \$ 57,868,000 | \$ 58,303,000 | \$ 54,390,000 | \$ 56,527,095 | \$ 55,769,932 | \$ 61,395,040 |
| 22,567,000 | 25,772,000 | 33,045,000 | 22,880,295 | 23,628,884 | 28,844,637 |
| 18,077,000 | 18,248,000 | 14,628,000 | 26,882,692 | 26,821,517 | 21,371,306 |
| <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> | <u>111,610,983</u> |
| 6,007,000 | 6,012,000 | 6,053,000 | 6,032,112 | 6,199,045 | 6,375,459 |
| 1,042,000 | 987,000 | 1,047,000 | 2,162,035 | 2,208,022 | 2,677,331 |
| 8,392,000 | 10,290,000 | 13,206,000 | 15,156,389 | 18,071,833 | 19,085,727 |
| <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> | <u>28,138,517</u> |
| 63,875,000 | 64,315,000 | 60,443,000 | 62,559,207 | 61,968,977 | 67,770,499 |
| 23,609,000 | 26,759,000 | 34,092,000 | 25,042,330 | 25,836,906 | 31,521,968 |
| 26,469,000 | 28,538,000 | 27,834,000 | 42,039,081 | 44,893,350 | 40,457,033 |
| <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> | <u>\$ 139,749,500</u> |

Town of Florence, Arizona
Table 2
Government-wide
Changes in Net Position
(Accrual Basis of Accounting)
Last Ten Fiscal Years

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

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 6,284,516 | \$ 6,683,000 | \$ 6,932,444 | \$ 3,452,054 | \$ 4,055,352 | \$ 8,262,562 |
| 5,970,645 | 5,571,657 | 5,313,251 | 4,008,506 | 5,528,833 | 4,816,583 |
| 2,356,534 | 3,478,242 | 2,960,896 | 3,064,386 | 3,001,939 | 2,728,013 |
| 25,893 | 28,195 | 41,693 | 202,167 | 293,202 | 579,857 |
| 1,365,332 | 1,394,734 | 1,257,819 | 1,450,633 | 1,684,400 | 1,699,128 |
| 731,667 | 623,087 | 630,865 | 2,407,647 | 1,082,103 | 858,152 |
| 398,057 | 615,090 | 685,365 | 911,203 | 888,193 | 816,839 |
| <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> | <u>19,761,134</u> |
| 1,437,206 | 1,390,873 | 1,321,927 | 1,293,664 | 1,362,620 | 1,618,878 |
| 2,918,348 | 1,900,408 | 1,806,536 | 1,819,735 | 1,747,616 | 2,140,836 |
| 626,381 | 663,473 | 661,964 | 699,249 | 682,078 | 825,239 |
| - | - | - | - | - | - |
| <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>4,584,953</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> | <u>24,346,087</u> |

(continued)

Town of Florence, Arizona
Table 2
Government-wide
Changes in Net Position
(Accrual Basis of Accounting)
Last Ten Fiscal Years

| | 2005 | 2006 | 2007 | 2008 |
|---|--------------------|-------------------|--------------------|-------------------|
| PROGRAM REVENUES | | | | |
| Governmental activities | | | | |
| Charges for services: | | | | |
| General government | 728,483 | 1,849,897 | 1,509,423 | 1,254,301 |
| Public safety | 42,798 | 117,558 | 161,788 | 180,201 |
| Highway and streets | - | - | - | - |
| Culture and recreation | 10,371 | 9,520 | 8,414 | 7,265 |
| Community development | 294,944 | 2,199,167 | 1,803,778 | 1,831,769 |
| Interest on long-term debt | - | - | - | - |
| Operating grants and contributions | 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>1,849,696</u> | <u>9,708,989</u> | <u>4,562,567</u> | <u>15,896,723</u> |
| Business-type activities | | | | |
| Charges for services: | | | | |
| Water | 1,418,071 | 1,495,620 | 1,780,026 | 2,216,245 |
| Sewer | 1,406,793 | 1,597,904 | 1,809,021 | 2,089,828 |
| Solid waste | 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>3,338,428</u> | <u>4,269,999</u> | <u>4,331,362</u> | <u>5,173,264</u> |
| Total primary government program revenues | <u>5,188,124</u> | <u>13,978,988</u> | <u>8,893,929</u> | <u>21,069,987</u> |
| NET REVENUE (EXPENSE) | | | | |
| Governmental activities | (6,239,837) | (372,502) | (8,987,113) | (1,949,999) |
| Business-type activities | 741,314 | 1,328,828 | 640,246 | 995,937 |
| Total primary government | <u>(5,498,523)</u> | <u>956,326</u> | <u>(8,346,867)</u> | <u>(954,062)</u> |

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1,177,447 | 942,808 | 947,188 | 733,487 | 875,429 | 1,117,187 |
| 276,078 | 298,993 | 306,789 | 310,166 | 331,103 | 216,740 |
| - | - | - | - | - | 41 |
| 12,657 | 10,390 | 9,466 | 7,401 | 4,316 | 8,964 |
| 1,261,113 | 1,429,227 | 474,938 | 525,659 | 798,678 | 507,094 |
| - | - | - | - | - | - |
| 3,578,527 | 3,182,649 | 3,179,055 | 2,579,917 | 2,700,108 | 2,810,427 |
| 9,800,741 | 3,429,189 | 1,339,952 | 1,500,250 | 953,145 | 5,403,053 |
| <u>16,106,563</u> | <u>9,293,256</u> | <u>6,257,388</u> | <u>5,656,880</u> | <u>5,662,779</u> | <u>10,063,506</u> |
| 2,392,682 | 2,597,067 | 2,961,152 | 2,793,341 | 2,691,199 | 2,834,647 |
| 2,256,995 | 2,665,332 | 3,218,251 | 3,165,051 | 3,536,085 | 3,824,435 |
| 799,442 | 916,984 | 979,401 | 1,019,021 | 1,082,281 | 678,596 |
| - | 11,101 | - | - | - | - |
| 6,591 | 13,684 | 27,369 | - | - | - |
| 31,105 | 30,660 | 16,058 | 5,580 | - | - |
| - | 20,000 | - | - | - | - |
| - | - | - | - | 28,503 | - |
| <u>5,486,815</u> | <u>6,254,828</u> | <u>7,202,231</u> | <u>6,982,993</u> | <u>7,338,068</u> | <u>7,337,678</u> |
| <u>21,593,378</u> | <u>15,548,084</u> | <u>13,459,619</u> | <u>12,639,873</u> | <u>13,000,847</u> | <u>17,401,184</u> |
| (1,026,081) | (9,100,749) | (11,564,945) | (9,839,716) | (10,871,243) | (9,697,628) |
| 504,880 | 2,300,074 | 3,411,804 | 3,170,345 | 3,545,754 | 2,752,725 |
| <u>(521,201)</u> | <u>(6,800,675)</u> | <u>(8,153,141)</u> | <u>(6,669,371)</u> | <u>(7,325,489)</u> | <u>(6,944,903)</u> |

(continued)

Town of Florence, Arizona
Table 2
Government-wide
Changes in Net Position
(Accrual Basis of Accounting)
Last Ten Fiscal Years

| | 2005 | 2006 | 2007 | 2008 |
|---------------------------------|----------------------|----------------------|----------------------|----------------------|
| GENERAL REVENUES | | | | |
| Governmental activities | | | | |
| Taxes | | | | |
| Sales taxes | 1,215,402 | 1,841,988 | 3,726,230 | 5,737,272 |
| Property taxes | 264,550 | 277,249 | 341,664 | 985,758 |
| Franchise taxes | 212,421 | 231,441 | 288,426 | 358,071 |
| State shared revenues | 6,566,314 | 8,211,458 | 9,479,728 | 6,174,545 |
| Investment income | 187,057 | 539,299 | 1,239,799 | 1,135,669 |
| Miscellaneous | 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>19,037,068</u> | <u>23,695,507</u> | <u>23,485,870</u> | <u>14,955,471</u> |
| Business-type activities | | | | |
| Investment income | 120,596 | 240,958 | 393,180 | 315,277 |
| Miscellaneous | 22,391 | 56,795 | 81,230 | 500,657 |
| Transfers in (out) | (269,736) | (269,736) | (348,972) | (326,795) |
| Total business-type activities | <u>(126,749)</u> | <u>28,017</u> | <u>125,438</u> | <u>489,139</u> |
| CHANGES IN NET POSITION | | | | |
| Governmental activities | 12,797,231 | 23,323,005 | 14,498,757 | 13,005,472 |
| Business-type activities | 614,565 | 1,356,845 | 765,684 | 1,485,076 |
| Total primary government | <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 | 2014 |
|----------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| 4,282,871 | 3,707,169 | 3,099,031 | 4,907,353 | 3,671,468 | 4,059,769 |
| 1,840,508 | 2,096,826 | 1,832,156 | 1,863,163 | 1,565,087 | 1,716,952 |
| 366,481 | 371,537 | 371,757 | 373,761 | 385,591 | 520,410 |
| 6,196,804 | 5,443,456 | 4,852,275 | 5,231,428 | 5,811,613 | 6,257,959 |
| 19,251 | 334,969 | 195,754 | 766,154 | (259,780) | 795,796 |
| 163,863 | 254,305 | 272,229 | 179,340 | 34,430 | 250,318 |
| - | - | - | - | - | - |
| 580,388 | 703,556 | 681,590 | 745,275 | 445,415 | 1,485,165 |
| <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> | <u>15,086,369</u> |
| (1,839) | 101,815 | 64,367 | 278,145 | (111,009) | 339,968 |
| 169,364 | 149,025 | 223,339 | 340,737 | 139,034 | 52,089 |
| (580,388) | (703,556) | (681,590) | (745,275) | (445,415) | (1,485,165) |
| <u>(412,863)</u> | <u>(452,716)</u> | <u>(393,884)</u> | <u>(126,393)</u> | <u>(417,390)</u> | <u>(1,093,108)</u> |
| 12,424,085 | 3,811,069 | (260,153) | 4,226,758 | 782,581 | 15,086,369 |
| 92,017 | 1,847,358 | 3,017,920 | 3,043,952 | 3,128,364 | (1,093,108) |
| <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> | <u>\$ 13,993,261</u> |

(concluded)

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

| | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| GENERAL FUND | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Reserved | - | - | - | - |
| Unreserved | <u>3,387,077</u> | <u>1,419,261</u> | <u>4,377,961</u> | <u>9,115,927</u> |
| Total General Fund | <u>3,387,077</u> | <u>1,419,261</u> | <u>4,377,961</u> | <u>9,115,927</u> |
| ALL OTHER GOVERNMENTAL FUNDS | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | - | - | - |
| Committed | - | - | - | - |
| Assigned | - | - | - | - |
| Unassigned | - | - | - | - |
| Unreserved | <u>6,673,323</u> | <u>20,141,261</u> | <u>24,009,357</u> | <u>21,240,051</u> |
| Total all other governmental funds | <u>6,673,323</u> | <u>20,141,261</u> | <u>24,009,357</u> | <u>21,240,051</u> |
| Total governmental funds | <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 focuses 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 | 2014 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ - | \$ - | \$ 64,468 | \$ 66,671 | \$ 66,700 | \$ 63,968 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | 12,094,137 | 14,703,424 | 11,357,149 | 8,433,419 |
| - | - | - | - | - | - |
| 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> | <u>8,497,387</u> |
| - | - | - | 652,624 | 1,151,553 | 14,238 |
| - | - | 21,509,635 | 17,149,931 | 17,635,228 | 26,633,138 |
| - | - | 652,292 | 10,865,249 | 14,946,996 | - |
| - | - | 7,537,864 | 595,691 | 710,956 | 9,893,863 |
| - | - | - | - | - | (54,351) |
| 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>36,486,888</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> | <u>\$ 44,984,275</u> |

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

| | 2005 | 2006 | 2007 | 2008 |
|---|---------------------|----------------------|---------------------|---------------------|
| REVENUES | | | | |
| Taxes* | \$ 4,378,611 | \$ 5,783,812 | \$ 8,169,629 | \$ 10,837,524 |
| Intergovernmental | 4,393,816 | 5,197,348 | 6,398,529 | 6,439,856 |
| Fines and forfeits | 40,969 | 57,748 | 74,031 | 92,304 |
| Licenses and permits | 111,165 | 745,510 | 554,462 | 612,530 |
| Charges for services | 915,216 | 3,372,884 | 2,821,017 | 2,536,992 |
| Investment income | 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 | 528,623 | 443,340 | 349,065 | 233,881 |
| Total revenues | <u>11,074,327</u> | <u>16,331,130</u> | <u>20,058,456</u> | <u>22,486,764</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,349,611 | 2,625,700 | 3,142,739 | 3,363,465 |
| Public safety | 2,340,234 | 3,196,610 | 3,894,394 | 5,047,297 |
| Highways and streets | 985,065 | 986,405 | 1,209,696 | 2,245,359 |
| Public works | - | 1,328 | 2,656 | - |
| Culture and recreation | 1,041,367 | 1,185,801 | 1,349,633 | 1,527,826 |
| Community development | 693,495 | 644,507 | 901,958 | 792,679 |
| Capital outlay | 636,144 | 963,962 | 2,761,698 | 7,175,581 |
| Debt Service: | | | | |
| Principal | 738,559 | 342,736 | 353,735 | 392,017 |
| Interest and debt cost | 230,674 | 172,695 | 418,413 | 302,068 |
| Total expenditures | <u>8,015,149</u> | <u>10,119,744</u> | <u>14,034,922</u> | <u>20,846,292</u> |
| Excess of revenues over (under) expenditures | 3,059,178 | 6,211,386 | 6,023,534 | 1,640,472 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 481,611 | 5,268,398 | 1,166,889 | 846,848 |
| Transfers out | (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 | - |
| Bond premium | - | - | - | - |
| Total other financing sources (uses) | <u>269,736</u> | <u>5,288,736</u> | <u>803,262</u> | <u>328,188</u> |
| NET CHANGE IN FUND BALANCES | <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 | 13.14% | 5.63% | 6.85% | 5.08% |

Notes:

* Taxes consist of sales, property, and franchise taxes

| 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 9,604,773 | \$ 9,090,410 | \$ 8,197,401 | \$ 9,511,918 | \$ 8,153,474 | \$ 8,930,412 |
| 7,314,699 | 5,728,725 | 5,230,895 | 6,123,769 | 6,306,573 | 6,767,071 |
| 147,949 | 132,006 | 155,862 | 149,668 | 175,058 | 198,608 |
| 414,270 | 425,005 | 352,062 | 291,697 | 389,434 | 438,522 |
| 2,113,020 | 2,094,688 | 1,189,716 | 1,100,044 | 1,425,455 | 1,124,212 |
| 19,251 | 334,969 | 191,295 | 766,154 | (259,780) | 658,692 |
| 26,607 | 40,051 | 30,713 | 100,522 | 16,206 | 20,618 |
| 859,365 | 810,148 | 866,452 | 840,591 | 905,924 | 1,017,577 |
| 157,697 | 203,882 | 265,314 | 164,893 | 113,512 | 246,829 |
| <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> | <u>19,402,541</u> |
| 3,631,445 | 3,314,037 | 3,429,221 | 2,944,893 | 3,469,628 | 5,183,343 |
| 5,209,649 | 5,214,936 | 4,966,311 | 5,423,446 | 5,791,565 | 7,008,249 |
| 1,497,896 | 1,823,091 | 1,528,943 | 1,653,929 | 1,596,838 | 1,947,936 |
| 1,328 | 2,427 | 1,425 | 168,975 | 167,397 | 481,598 |
| 1,431,507 | 1,298,065 | 1,134,885 | 1,362,291 | 1,623,120 | 1,636,101 |
| 852,276 | 712,206 | 710,314 | 925,382 | 757,219 | 707,699 |
| 6,398,226 | 4,632,680 | 4,397,001 | 3,321,325 | 2,311,315 | 5,028,258 |
| 652,336 | 971,769 | 366,849 | 879,340 | 804,176 | 839,790 |
| 469,072 | 672,634 | 786,733 | 942,200 | 909,081 | 886,179 |
| <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>23,719,153</u> |
| 513,896 | 218,039 | (841,972) | 1,427,475 | (204,483) | (4,316,612) |
| 1,659,619 | 2,006,197 | 1,223,451 | 2,412,935 | 6,618,130 | 9,320,084 |
| (1,079,231) | (1,302,641) | (541,861) | (1,667,660) | (6,172,715) | (7,834,919) |
| 10,000 | 289 | 10,161 | 2,414 | 5,060 | 72,973 |
| - | 1,386,000 | 3,850,500 | - | 1,589,000 | 1,850,000 |
| - | - | - | - | - | 24,167 |
| <u>590,388</u> | <u>2,089,845</u> | <u>4,542,251</u> | <u>747,689</u> | <u>2,039,475</u> | <u>3,432,305</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> | <u>\$ (884,307)</u> |
| 8.16% | 11.74% | 8.93% | 12.69% | 11.21% | 9.55% |

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

| Industry | 2014 | | | 2005 | | |
|-------------------------------|---------------------|------|---------------------|---------------------|------|---------------------|
| | Tax Paid | Rank | Percentage of Total | Tax Paid | Rank | Percentage of Total |
| Construction | \$ 1,518,773 | 1 | 37.19% | \$ 320,100 | 1 | 27.13% |
| Retail Trade | \$ 878,661 | 2 | 21.51% | \$ 243,354 | 3 | 20.62% |
| Communications and Utilities | \$ 642,081 | 3 | 15.72% | \$ 288,471 | 2 | 24.45% |
| Restaurants and Bars | \$ 514,114 | 4 | 12.59% | \$ 99,286 | 4 | 8.41% |
| Real Estate, Rental & Leasing | \$ 148,557 | 5 | 3.64% | \$ 66,309 | 5 | 5.62% |
| Accommodations | \$ 74,863 | 6 | 1.83% | \$ 11,569 | 9 | 0.98% |
| Services | \$ 69,233 | 7 | 1.70% | \$ 36,054 | 6 | 3.06% |
| Wholesale Trades | \$ 68,337 | 8 | 1.67% | \$ 15,071 | 8 | 1.28% |
| Manufacturing | \$ 64,655 | 9 | 1.58% | \$ 34,809 | 7 | 2.95% |
| Arts & Entertainment | \$ 36,657 | 10 | 0.90% | \$ 112 | 10 | 0.01% |
| All Other | <u>\$ 68,260</u> | | <u>1.67%</u> | <u>\$ 64,850</u> | | <u>5.50%</u> |
| Total | <u>\$ 4,084,191</u> | | <u>100.00%</u> | <u>\$ 1,179,985</u> | | <u>100.00%</u> |

Source: Arizona Department of Revenue

Notes:

- Based upon June 30, 2014 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, 2014

| Type of Tax | Rates | | |
|---|-------|---------------------------|----------|
| | Town | State and Pinal County | Combined |
| Privilege tax, except retail, utilities and telecommunication | 2.00% | 6.70% | 8.70% |
| Retail | 2.00% | 6.70% | 8.70% |
| Hotel/Motel | 4.00% | 6.70% | 10.70% |
| Restaurant/Bar | 2.00% | 6.70% | 8.70% |
| Utilities/Telecommunications | 2.00% | 6.70% | 8.70% |
| Construction | 4.00% | 6.70% | 10.70% |

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

| Governmental Activities | | | | | | |
|--|--|---|--------------------------|---------------------------|----------------------------|--|
| Fiscal Year Ended June 30 | Certificates of Participation | Special Assessment Bonds | Notes Payable | Capital Leases | GO Bonds - CFDs | Special Assessment Bonds - CFDs |
| 2014 | \$ - | \$ 337,000 | \$ 429,185 | \$ 844,967 | \$ 8,809,167 | \$ 5,435,830 |
| 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 | - | - |

Business-type

| Fiscal Year Ended June 30 | Notes Payable | Total Primary Government | Percentage of Personal Income | Per Capita |
|--|----------------------|---|--|-------------------|
| 2014 | \$ 4,212,898 | \$ 20,069,047 | 5.29% | \$ 764.10 |
| 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 |

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, 2014

| Governmental Unit | Debt Outstanding | Estimated Percentage Applicable (1) | Estimated Share of Overlapping Debt |
|---|-----------------------------|--|--|
| Debt repaid with property taxes: | | | |
| Pinal County Community College District | \$ 88,680,000 | 3.68% | \$ 3,263,424 |
| Florence Unified School District No. 1 | 39,700,000 | 29.51% | <u>11,715,470</u> |
| Total Overlapping Debt | | | <u>14,978,894</u> |
| Town of Florence Direct Debt | | | <u>15,856,148</u> |
| Total Direct and overlapping debt | | | <u><u>\$ 30,835,042</u></u> |

Sources: Pinal County Treasurer's Office, Stifel, Nicolaus & Co. Inc., and Official Statements.

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 | | |
| 2014 | \$ 67,161 | \$ 51,000 | \$ 32,786 | 0.80 | |
| 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 | |

- *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 Economic Statistics
 Last Ten Fiscal Years

| Fiscal Year | Population | Estimated Personal Income (In thousands) | Estimated Per Capita Personal Income | October Enrollment | Education Level in Years of Schooling | Town Unemployment Rate |
|-------------|------------|--|--------------------------------------|--------------------|---------------------------------------|------------------------|
| 2014 | 26,265 | \$ 379,634 | \$ 14,454 | 2,346 | 13 to 16 | 7.5% |
| 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 | 10,038 | 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% |

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

Town of Florence, Arizona
Table 11
Principal Employers
Current Year and Nine Years Ago

| Major Employer | 2014 | | | 2005 | | |
|-------------------------------------|---------------------|------|-------------------------------------|---------------------|------|-------------------------------------|
| | Employees | Rank | Percentage of Total Town Employment | Employees | Rank | Percentage of Total Town Employment |
| State of Arizona | 2,250 | 1 | 29.46% | 1,713 | 2 | 30.81% |
| Pinal County Government | 2,035 | 2 | 26.65% | 1,848 | 1 | 33.24% |
| Correctional Corporation of America | 946 | 3 | 12.39% | 368 | 3 | 6.62% |
| DHS/ICE/DOJ - Federal Government | 625 | 4 | 8.18% | 250 | 5 | 4.50% |
| GEO - Private Prison System | 321 | 5 | 4.20% | - | 7 | 0.00% |
| Florence Schools | 289 | 6 | 3.78% | 280 | 4 | 5.04% |
| Town of Florence | 171 | 7 | 2.24% | 100 | 6 | 1.80% |
| Total Town Employment | <u>7,637</u> | | 86.91% | <u>5,559</u> | | 82.01% |

Source: Town of Florence Official Statements, Employer Human Resource Departments

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 | |
| 2014 | 30.42 | 76.48 | 20.46 | 22.76 | 5.00 | 14.55 | 1.55 | 171.22 |
| 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 |

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

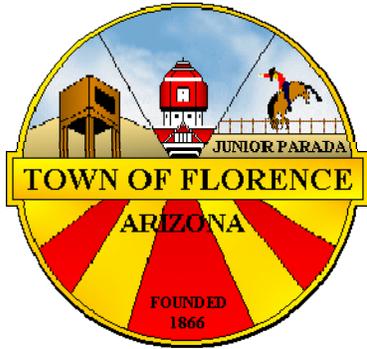
| Function | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|-----------|-----------|---------|---------|---------|---------|
| Police | | | | | | |
| Total arrests | 192 | 202 | 222 | 308 | 400 | 406 |
| Moving violation citations | 419 | 419 | 602 | 981 | 105 | 1,000 |
| Total calls for service | 7,179 | 6,966 | 7,823 | 7,314 | 7,456 | 5,757 |
| Total 911 calls | not avail | not avail | 2,853 | 4,501 | 5,125 | 5,849 |
| Total part I crimes | 358 | 382 | 398 | 430 | 402 | 351 |
| Fire | | | | | | |
| All emergency responses | 1,813 | 1,643 | 1,679 | 1,902 | 2,105 | 2,042 |
| Fire and hazmat responses | 98 | 90 | 119 | 83 | 127 | 108 |
| Emergency medical responses | 1,545 | 1,334 | 1,155 | 1,376 | 1,605 | 1,654 |
| Other responses | 170 | 219 | 405 | 443 | 373 | 280 |
| Highways and Streets | | | | | | |
| Street resurfacing (miles) | 1.90 | 4.30 | 0.67 | 2.50 | 2.90 | 1.40 |
| Potholes repaired (estimate) | 10,637 | 7,240 | 3,824 | 5,968 | 5,094 | 5,730 |
| Streets maintained (miles) | 94.81 | 96.99 | 99.22 | 99.22 | 99.22 | 108.08 |
| Community Development | | | | | | |
| Building permits issued | 631 | 713 | 799 | 703 | 606 | 436 |
| Code enforcement cases | not avail | 38 | 188 | 125 | 126 | 80 |
| Parks, Recreation and Library | | | | | | |
| Attendance at aquatics facilities | 392 | 2,662 | 2,386 | 3,081 | 3,216 | 2,561 |
| Attendance at other facilities | 17,015 | 18,929 | 22,972 | 19,008 | 30,000 | 24,444 |
| Library visits | 119,895 | 147,100 | 113,957 | 119,564 | 154,645 | 130,636 |
| Library materials checked out | 47,746 | 55,975 | 60,922 | 77,756 | 98,114 | 103,277 |
| Sanitation | | | | | | |
| Homes serviced | 2,572 | 1,942 | 2,248 | 2,643 | 2,603 | 3,246 |
| Tons of refuse and garbage hauled | 4,535 | 4,938 | 5,812 | 5,771 | 5,468 | 5,569 |
| Water | | | | | | |
| Water service connections | 3,187 | 3,191 | 3,235 | 3,266 | 3,278 | 3,287 |
| Water consumption (millions gallons/day) | 1.49 | 1.84 | 1.92 | 1.91 | 1.87 | 1.90 |
| Water consumption (millions gallons/year) | 544 | 672 | 701 | 697 | 683 | 694 |
| Sewer | | | | | | |
| Sewer service connections | 3,163 | 3,167 | 3,211 | 3,241 | 3,251 | 3,260 |
| Sewage treated (millions gallons per day) | 1.58 | 1.68 | 1.58 | 1.68 | 2.02 | 2.04 |
| Sewage treated (millions gallons per year) | 577 | 614 | 575 | 613 | 737 | 745 |

| 2011 | 2012 | 2013 | 2014 |
|-------------|-------------|-------------|-------------|
| 278 | 264 | 597 | 599 |
| 836 | 701 | 931 | 1,637 |
| 4,996 | 5,450 | 6,341 | 11,429 |
| 5,392 | 5,023 | 5,796 | 1,962 |
| 296 | 214 | 363 | 243 |
| 2,074 | 2,083 | 3,469 | 3,036 |
| 102 | 114 | 133 | 91 |
| 1,239 | 1,290 | 1,941 | 1,900 |
| 733 | 679 | 1,395 | 1,042 |
| 3.40 | - | 2.00 | 0.50 |
| 2,978 | 4,869 | 6,000 | 6,600 |
| 108.08 | 108.08 | 110.00 | 110.00 |
| 465 | 78 | 135 | 337 |
| 43 | 19 | 70 | 23 |
| 2,441 | 2,840 | 1,578 | 5,000 |
| 33,936 | 22,116 | 30,604 | 32,600 |
| 119,254 | 118,121 | 99,943 | 102,623 |
| 65,120 | 60,550 | 60,091 | 67,726 |
| 3,446 | 3,519 | 3,400 | 2,967 |
| 5,319 | 5,096 | 5,165 | 4,003 |
| 3,295 | 3,295 | 3,257 | 4,002 |
| 1.98 | 2.04 | 1.37 | 1.71 |
| 723 | 745 | 500 | 624 |
| 3,268 | 3,268 | 3,230 | 3,337 |
| 2.06 | 2.07 | 1.63 | 1.64 |
| 753 | 757 | 594 | 599 |

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

| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Public Safety | | | | | | | | | | |
| Police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1.5 |
| Police vehicles | 26 | 26 | 26 | 29 | 34 | 38 | 41 | 42 | 44 | 48 |
| Fire stations | 1 | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Fire apparatus | 6 | 7 | 6 | 5 | 8 | 8 | 6 | 6 | 7 | 6 |
| Other fire vehicles | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 5 | 5 | 6 |
| Highways and Streets | | | | | | | | | | |
| Street (miles) | 73 | 95 | 97 | 99 | 99 | 99 | 108 | 108 | 108 | 108 |
| Streetlights | 376 | 386 | 680 | 889 | 964 | 985 | 1,039 | 1,039 | 1,060 | 1,060 |
| Traffic signals own | - | - | - | 1 | 1 | 1 | 1 | 1 | 2 | 2 |
| Traffic signals don't own | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Culture and Recreation | | | | | | | | | | |
| Parks | 6 | 6 | 6 | 7 | 8 | 8 | 8 | 8 | 8 | 8 |
| Parks acreage | 289 | 289 | 289 | 289 | 289 | 289 | 289 | 289 | 289 | 341 |
| Fitness center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Swimming pool-school owned | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Libraries - owned by school | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Wastewater | | | | | | | | | | |
| Sanitary sewers (miles) | 45.5 | 45.5 | 45.5 | 45.5 | 45.7 | 45.7 | 45.7 | 45.7 | 45.7 | 45.7 |
| Storm sewers (miles) | 0.3 | 0.3 | 1.5 | 4.7 | 6.8 | 7.2 | 7.5 | 7.8 | 8.4 | 8.4 |
| Treatment capacity (thousands of gallons) | 1,420 | 1,920 | 1,920 | 1,920 | 2,920 | 2,920 | 2,920 | 2,920 | 2,920 | 2,920 |

COMPLIANCE REPORT





HENRY & HORNE, LLP
Certified Public Accountants

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 Board of Directors
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 the Town of Florence as of and for the years ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Florence basic financial statements, and have issued our report thereon dated December 10, 2014.

Internal Control Over Financial Reporting

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

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Fax (480) 483-7126

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

Compliance and Other Matters

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

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.

Henry + Horne LLP

Casa Grande, Arizona
December 10, 2014



HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

To the Board of Directors
Town of Florence
Florence, Arizona

Report on Compliance for Each Major Federal Program

We have audited the Town of Florence's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Town of Florence's major federal program for the year ended June 30, 2014. Town of Florence's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Town of Florence's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Florence's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town of Florence's compliance.

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1115 E. Cottonwood Lane
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Opinion on the Major Federal Program

In our opinion, Town of Florence, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Town of Florence, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Florence's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Florence's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Henry + Horne LLP

Casa Grande, Arizona
December 10, 2014

TOWN OF FLORENCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

| Grantor/Program | CFDA Number | Grantor's Number | Expenditures | |
|--|----------------|-------------------|---------------|---------------------|
| U.S. Department of Housing and Urban Development: | | | | |
| Passed through Arizona Department of Housing | | | | |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii | 14.228 | 111-12 | | <u>\$ 281,329 *</u> |
| U.S. Department of the Interior | | | | |
| Passed through Arizona State Parks Board | | | | |
| Historic Preservation Fund Grants-In-Aid | 15.904 | 441216/ AZ-12-016 | 5,000 | |
| Historic Preservation Fund Grants-In-Aid | 15.904 | 441311/ AZ-13-011 | <u>900</u> | <u>5,900</u> |
| Total U.S. Department of the Interior | | | | <u>5,900</u> |
| U.S. Department of Justice | | | | |
| Bulletproof Vest Partnership Program | 16.607 | 2012 | 891 | |
| Bulletproof Vest Partnership Program | 16.607 | 2013 | <u>1,215</u> | <u>2,106</u> |
| Total U.S. Department of Justice | | | | <u>2,106</u> |
| U.S. Department of Transportation | | | | |
| Passed through Arizona Governor's Office of Highway Safety | | | | |
| State and Community Highway Safety | 20.600 | 2013-PT-025 | 2,551 | |
| State and Community Highway Safety | 20.600 | 2014-PT-025 | 2,778 | |
| State and Community Highway Safety | 20.600 | 2014-PT-042 | 22,205 | |
| State and Community Highway Safety | 20.600 | 2014-PT-043 | 9,973 | |
| State and Community Highway Safety | 20.600 | 2014-OP-010 | 893 | |
| State and Community Highway Safety | 20.600 | 2014-OP-018 | <u>2,500</u> | 40,900 |
| Minimum Penalties for Repeat Offenders for Driving | | | | |
| While Intoxicated | 20.608 | 2013-164-093 | 51 | |
| Minimum Penalties for Repeat Offenders for Driving | | | | |
| While Intoxicated | 20.608 | 2013-164-094 | <u>4,585</u> | 4,636 |
| Passed through Arizona Emergency Response Commission | | | | |
| Interagency Hazardous Materials Public Sector Training and Planning Grants | 20.703 | 2ES40760 | | <u>22,867</u> |
| Total U.S. Department of Transportation | | | | <u>68,403</u> |
| Executive Office of the President | | | | |
| Passed through City of Tucson | | | | |
| High Intensity Drug Trafficking Areas Program | 95.001 | HT-12-2226 | 5,235 | |
| High Intensity Drug Trafficking Areas Program | 95.001 | HT-13-2323 | 54,334 | |
| High Intensity Drug Trafficking Areas Program | 95.001 | HT-14-2326 | <u>37,280</u> | <u>96,849</u> |
| Total Executive Office of the President | | | | <u>96,849</u> |
| U.S. Department of Homeland Security | | | | |
| Staffing for Adequate Fire and Emergency Response (SAFER) | 97.083 | EMW-2013-FH-00406 | | 62,992 |
| Passed through Arizona Department of Homeland Security | | | | |
| Homeland Security Grant Program | 97.067 | 130317-01 | 29,281 | |
| Homeland Security Grant Program | 97.067 | 130317-02 | <u>15,521</u> | <u>44,802</u> |
| Total U.S. Department of Homeland Security | | | | <u>107,794</u> |
| Total Expenditures of Federal Awards | | | | <u>\$ 562,381</u> |

*denotes major program

TOWN OF FLORENCE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2014

NOTE 1 BASIS OF ACCOUNTING

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

NOTE 2 CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the Catalog of Federal Domestic Assistance.

TOWN OF FLORENCE
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2014

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? reported yes X none

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? reported yes X none

Type of auditors' report issued on compliance for each major program identified below: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes X no

Identification of major programs:

| CFDA Numbers | Name of Federal Program or Cluster |
|--------------|---|
| 14.228 | Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii |

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

Auditee qualified as low-risk auditee? yes X no