



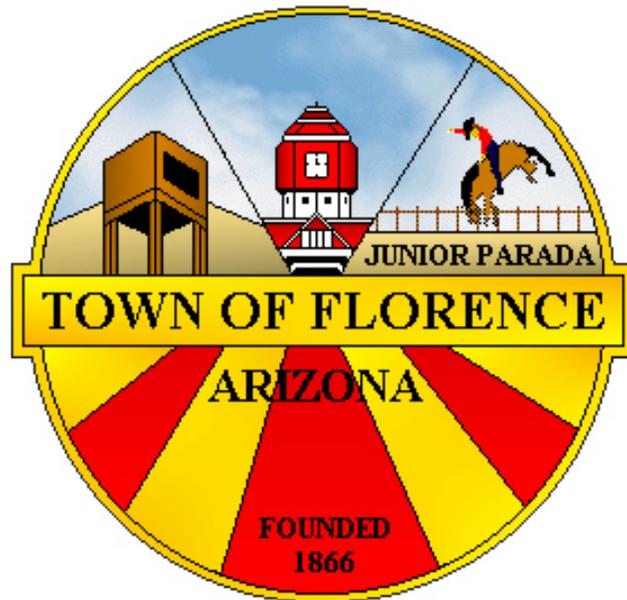
Comprehensive Annual Financial Report

For the Year Ended
June 30, 2015



Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015



Florence, Arizona



TOWN OF FLORENCE, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ending June 30, 2015



Prepared by:
Finance Department

Marcia Goerd
Accounting Manager

Gabe Garcia
Finance Director

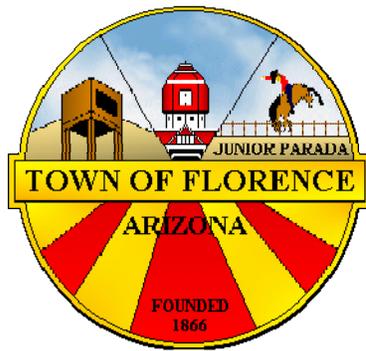


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INTRODUCTORY SECTION





Town of Florence

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

December 11, 2015

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, 2015. 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, 2015. 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 62.7 square miles and an estimated population of 26,099. 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 was completed in 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 percent. This is significantly lower than the past five years, which averaged 14.5 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 2015 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 19, 7 and 7 percent, respectively.

LONG-TERM FINANCIAL PLANNING

The Town is strategically planning for its economic and financial future. During the 2016 fiscal year budget process, the Town set forth the following strategic goals.

- Focus on road improvement projects including operations, repairs and maintenance to improve transportation infrastructure
- Economic development and revitalization of the downtown corridor to foster opportunities for growth
- 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
- Continue to provide a high level of service and improve quality of life for our residents while maintaining sound financial practices

MAJOR INITIATIVES

Investment in Capital Assets: During the 2014-2015 fiscal year the Town of Florence dedicated itself to making large capital improvements to its facilities and infrastructure. These projects included the construction of new buildings, roadway improvements and utility upgrades that improve the quality of life for the residents.

- ***Aquatics Center:*** The Town has completed construction of the aquatics center and scheduled its grand opening just after the end of the 2014-2015 fiscal year.

- **Library and Community Center:** The Town was in the final stages of construction of the new library and community center building. This project will be finished shortly after the close of the 2014-2015 fiscal year and operational by fall of 2015.
- **Main Street Extension:** The Town completed an extension from Main Street to Highway 79. This extension will allow traffic to flow through the downtown historic district and gain access to the new aquatics, library and community center facilities. This extension opened in correlation with the opening of the aquatics center.
- **Wastewater Treatment Facility:** The Town's wastewater treatment facility is undergoing an expansion and upgrade of effluent water which includes chlorine and filtration systems.
- **Water Utility:** The Town's water utility purchased and installed a new water tank on the north reservoir upgrade. In addition, there were major upgrades to water wells in the service areas.

Alternative Expenditure Limitation (Home Rule Option) vs. the State-imposed Expenditure Limitation: The Town's four year alternative expenditure limitation expired at the end of the 2014-2015 fiscal year, the expiration of the alternative expenditure limitation does not affect the amount of money received by the Town but does affect the ability to spend it.

Under the state imposed limitation the town would be authorized to spend just over \$17 million dollars.

However, the state constitution provides that cities and towns subject to the state imposed limitation may hold a special election to pose the question to voters to allow the Town to exceed the state imposed limitation by a specific amount.

In May of 2015 the Town held a special election approving expenditures to exceed the state imposed limitation by no more than \$15 million. The Town plans on having the same election in May of 2016 and will also be eligible to petition the voters to approve the alternative expenditure limitation for the 2017-2018 fiscal years forward.

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, 2014. We are very pleased and proud to have received this award for the third 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 Goerd, Accounting Manager and the accounting staff during the year end and audit processes.

Respectfully submitted,



Lisa Garcia
Interim-Town Manager



Gabriel Garcia
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, 2014

Executive Director/CEO





Town Council, Appointed Officials and Senior Management Staff

Town Council

Tom J. Rankin – Mayor

Tara Walter – Vice Mayor
John Anderson – Councilmember
Rebecca Guilin – Councilmember

Karen Wall – Councilmember
Vallarie Woolridge – Councilmember
William Hawkins – Councilmember

Appointed Officials

Vacant – Town Manager
Lisa Garcia – Town Clerk

Clifford Mattice – Town Attorney
Roger Valdez – Town Magistrate

Senior Management

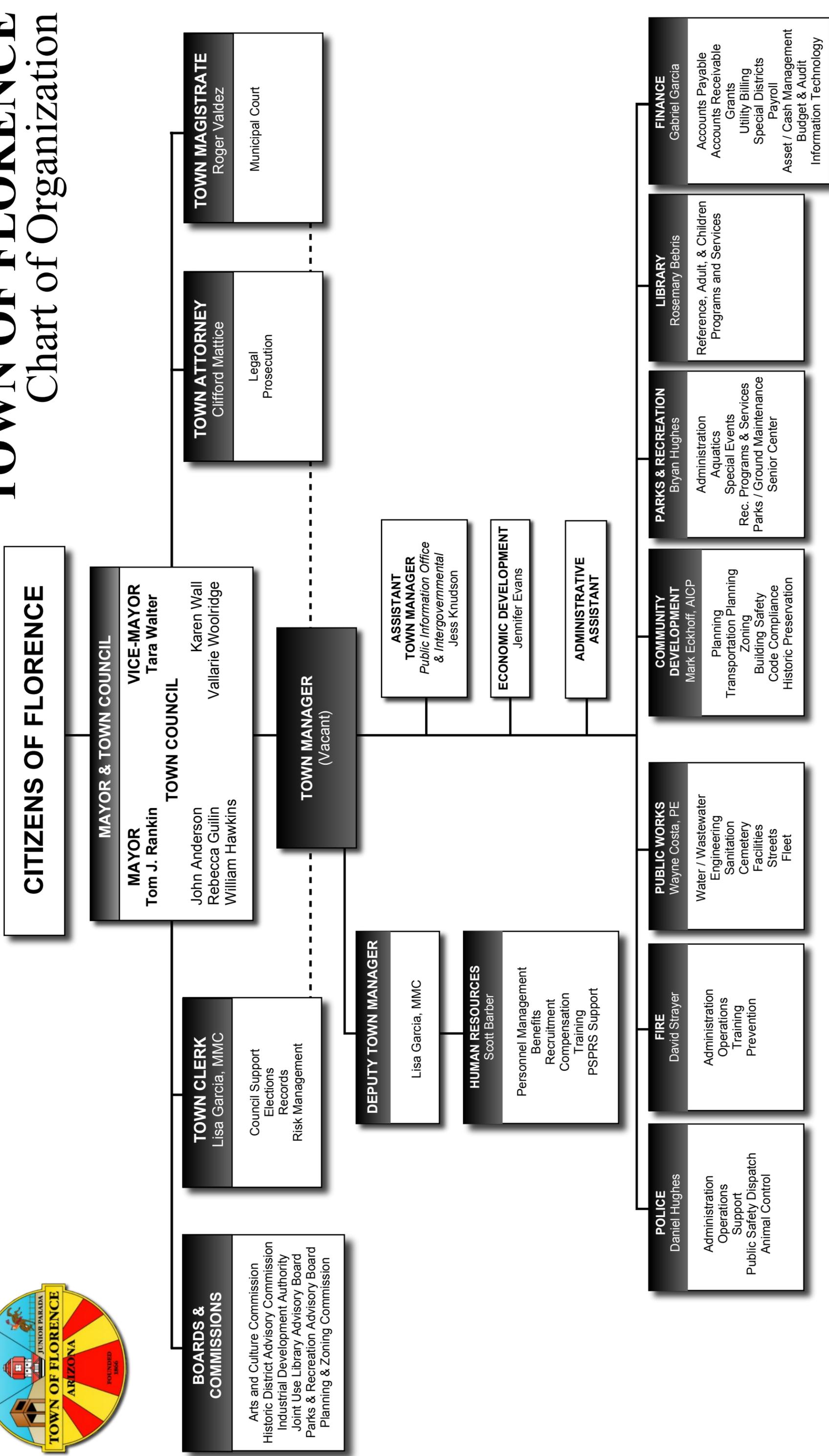
Lisa Garcia – Deputy Town Manager/Town Clerk
Jess Knudson – Assistant Town Manager
Scott Barber – Human Resource Director
Rose Bebris – Library Director
Wayne Costa – Public Works Director
Mark Eckhoff – Community Development Director
Gabe Garcia – Finance Director
Bryan Hughes – Parks & Recreation Director
Daniel Hughes – Police Chief
David Strayer – Fire Chief





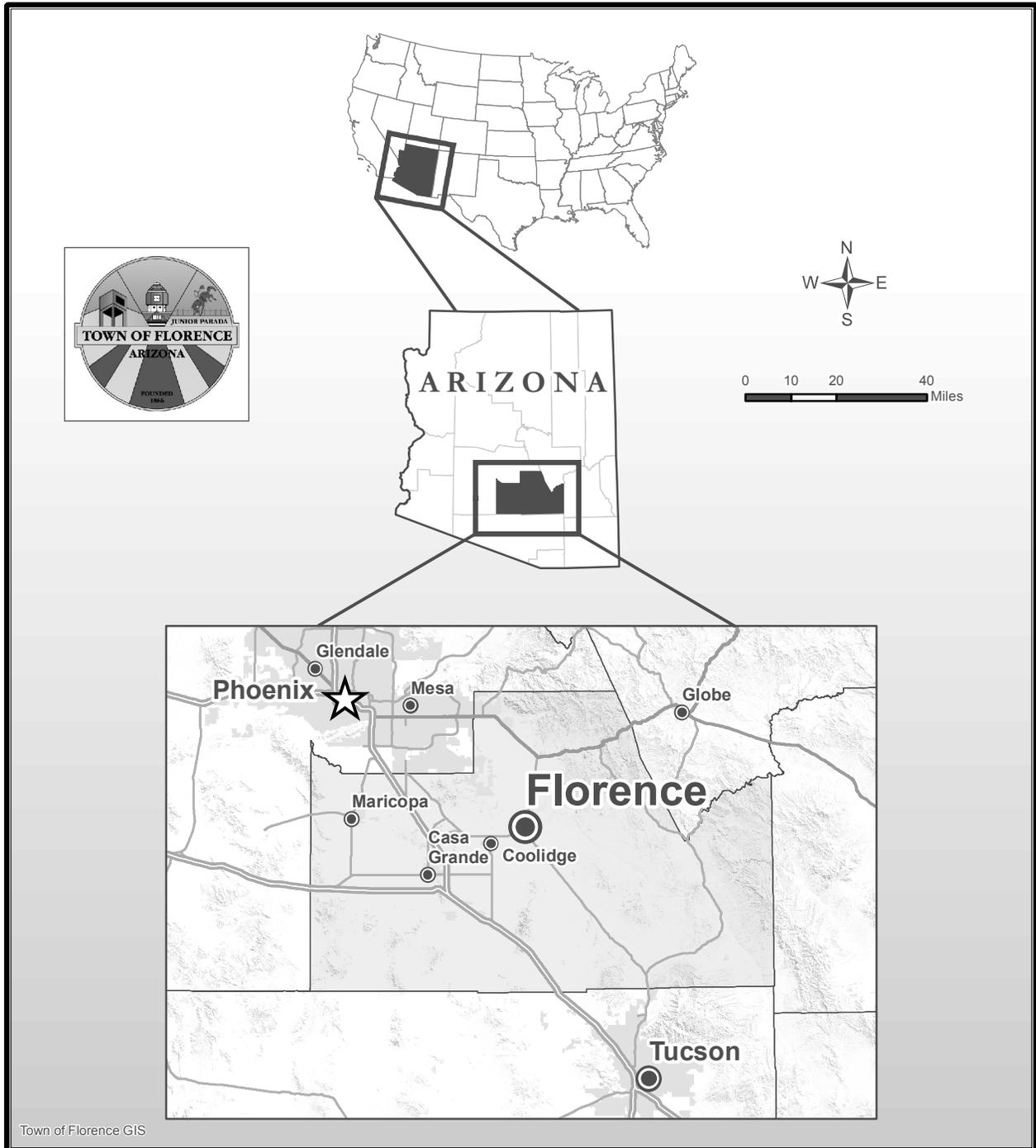
TOWN OF FLORENCE

Chart of Organization



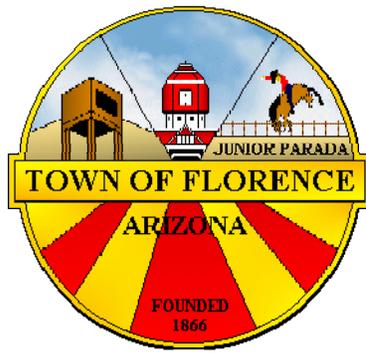
TOWN OF FLORENCE

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Florence, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility 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.

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

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

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

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, 2015, 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.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 to the financial statements, the Governmental Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, and GASB Statement No. 69, Government Combinations and Disposals of Governmental Operations, that could have a material impact on the financial statements. For the Town of Florence, GASB Statement No. 69 has not impacted the financial statements; however, GASB Statements No. 68 and No. 71 have impacted the presentation of the financial statements by establishing standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. As discussed in Note 14 to the financial statements, the adoption of GASB Statements 68 and 71 resulted in the restatement of beginning net position for governmental activities, business-type activities and the related enterprise funds net position. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information as listed in the table of contents 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.

Compliance Over the Use of Highway User Revenue Fund and Other Dedicated State Transportation Revenue Monies

In connection with our audit, nothing came to our attention that caused us to believe that the Town of Florence, Arizona failed to use highway user revenue fund monies received by the Town pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2, and any other dedicated state transportation revenues received by the Town of Florence solely for the authorized transportation purposes, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town of Florence's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.

The communication related to compliance over the use of highway user revenue fund and other dedicated state transportation revenue monies in the preceding paragraph is intended solely for the information and use of the members of the Arizona State Legislature, the Board of Supervisors, management, and other responsible parties with the Town and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015 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 11, 2015

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, 2015. 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, 2015 by \$133 million. Of this amount, \$14.4 million (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position decreased \$7.1 million from \$140 million to \$133 million. This decrease is primarily attributed to the result of a change in accounting principle in both governmental and business-type activities per GASB 68 requirements (see notes to the financial statement). Net position in governmental activities decreased \$7.4 million while net position in business-type activities increased \$289,000. This change in accounting principle required the Town to book net pension liabilities of \$7.7 million in governmental activities and \$1.2 million in business-type activities.
- As of the end of the current fiscal year, the Town of Florence's governmental funds reported combined ending fund balances of \$29.9 million, a decrease of \$15.1 million in comparison to the year before. This net decrease is due to one-time expenditures for capital assets, which totaled over \$15.1 million and includes a new aquatics center, library and community center.
- Approximately 27 percent or \$8.1 million of the combined ending fund balances constitutes unassigned fund balance, which is available for spending at the Town's discretion. The Town's investment in capital assets (net of depreciation) increased \$20.8 million.
- At the end of the fiscal year, the Town had \$18.1 million in debt outstanding compared to \$20.0 million last year.

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 18 - 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 - 33 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 34 - 39 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 40 - 41 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 45 - 87 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 104 - 107 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, 2015 with a comparison to net position as of June 30, 2014.

Condensed Statement of Net Position
(in Thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 41,311	\$ 53,312	\$ 18,338	\$ 22,328	\$ 59,649	\$ 75,640
Capital assets	89,696	77,251	16,958	10,588	106,654	87,839
Total assets	<u>131,007</u>	<u>130,563</u>	<u>35,296</u>	<u>32,916</u>	<u>166,303</u>	<u>163,479</u>
Deferred outflows of resources	2,286	-	191	-	2,477	-
Other liabilities	6,151	3,710	2,262	952	8,413	4,662
Long-term liabilities	21,377	15,242	4,593	3,825	25,970	19,067
Total liabilities	<u>27,528</u>	<u>18,952</u>	<u>6,855</u>	<u>4,777</u>	<u>34,383</u>	<u>23,729</u>
Deferred inflows of resources	1,536	-	204	-	1,740	-
Net position:						
Net investment in capital assets	75,422	61,395	13,130	6,376	88,552	67,771
Restricted	26,798	28,805	2,903	2,677	29,701	31,482
Unrestricted	2,010	21,411	12,395	19,086	14,405	40,497
Total net position	<u>\$ 104,230</u>	<u>\$ 111,611</u>	<u>\$ 28,428</u>	<u>\$ 28,139</u>	<u>\$ 132,658</u>	<u>\$ 139,750</u>

The largest portion of the Town's net position is net investment in capital assets, which makes up 67 percent or \$88.6 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 45.

An additional portion (22% or \$29.7 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 (11% or \$14.4 million) may be used to meet the Town's ongoing obligations to citizens and creditors.

Total governmental activities liabilities had a net increase of \$8.6 million largely due to booking a \$7.7 million net pension liability per GASB 68 and an increase in accounts payable attributable to the numerous construction projects that the Town has undertaken this fiscal year.

As illustrated in both the table above and table below, the Town's overall financial position showed a decrease in net position during this fiscal year as reflected by booking of the net pension liability of the Town. The Town's total net position decreased \$7.1 million from \$139.8 million to \$132.7 million. This increase is the result of a GASB pronouncement that more accurately reflects the net pension liability of municipalities for financial statement reporting. Net position in governmental activities decreased \$7.4 million going from \$111.6 million to \$104.2 million. Net position in business-type activities increased \$289,000 from \$28.1 million to \$28.4 million.

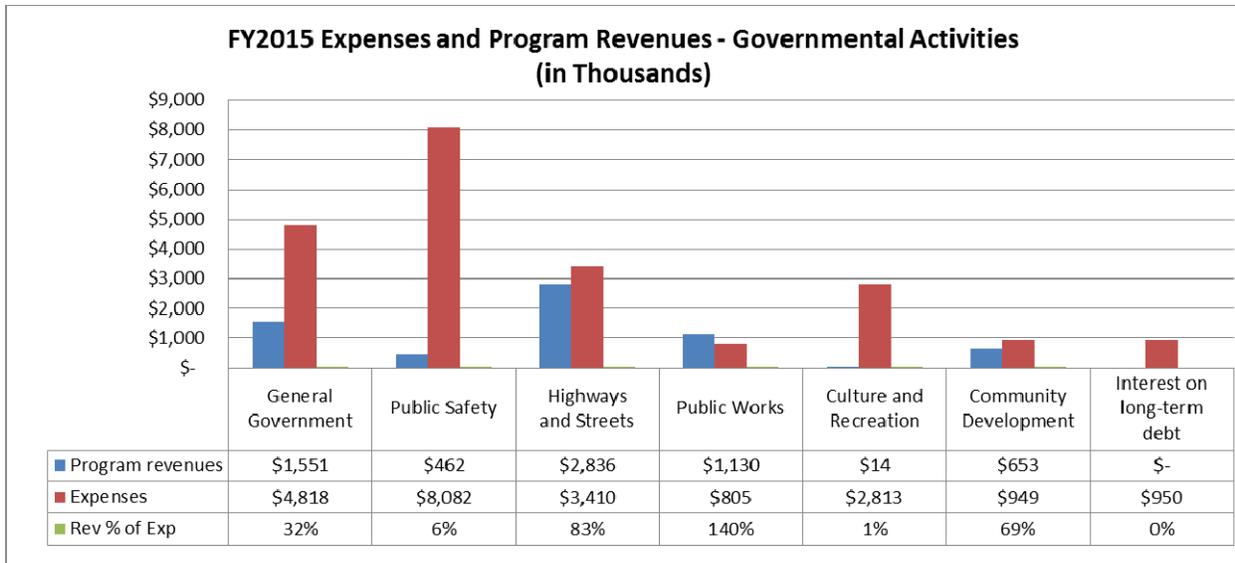
Changes in Net Position
(in Thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Program revenues						
Charges for services	\$ 1,987	\$ 1,850	\$ 7,346	\$ 7,338	\$ 9,333	\$ 9,188
Operating grants	3,255	2,810	-	-	3,255	2,810
Capital grants and contributions	1,404	5,403	4	-	1,408	5,403
General revenues						
Taxes	6,341	6,297	-	-	6,341	6,297
Intergovernmental	6,701	6,258	-	-	6,701	6,258
Investment earnings (losses)	315	796	212	340	527	1,136
Miscellaneous	277	250	19	52	296	302
Total revenues	20,280	23,664	7,581	7,730	27,861	31,394
Expenses						
General government	4,818	8,262	-	-	4,818	8,262
Public safety	8,081	4,816	-	-	8,081	4,816
Highways and streets	3,410	2,728	-	-	3,410	2,728
Public works	805	580	-	-	805	580
Culture and recreation	2,813	1,699	-	-	2,813	1,699
Community development	949	858	-	-	949	858
Interest on long-term debt	950	817	-	-	950	817
Water	-	-	1,784	1,619	1,784	1,619
Sewer	-	-	2,486	2,141	2,486	2,141
Sanitation	-	-	813	825	813	825
Total expenses	21,826	19,760	5,083	4,585	26,909	24,345
Excess before transfers	(1,546)	3,904	2,498	3,145	952	7,049
Transfers in (out)	1,050	1,485	(1,050)	(1,485)	-	-
Change in net position	(496)	5,389	1,448	1,660	952	7,049
Beginning net position, Restatement	111,611 (6,885)	106,222 -	28,139 (1,159)	26,479 -	139,750 (8,044)	132,701 -
Beginning net position - restated	104,726	106,222	26,980	26,479	131,706	132,701
Ending net position	\$ 104,230	\$ 111,611	\$ 28,428	\$ 28,139	\$ 132,658	\$ 139,750

Changes in net position, shown above, illustrates the Town's total revenues and expenses for the fiscal year ended June 30, 2015 compared to the same period ended June 30, 2014.

Governmental activities

Total revenues decreased by \$3.4 million primarily because capital grants and contributions decreased \$4.0 million going from \$5.4 million to \$1.4 million as there was a substantial gift by a developer in the prior fiscal year. Investment earnings decreased by nearly \$481,000 going from \$796,000 to \$315,000 primarily because of the decrease in the total amount invested in the Town's investment portfolio as money was reinvested into capital assets.



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 program revenues outpace expenses.

Business-type activities

Business-type activities total revenues decreased by \$149,000 from \$7.7 million to \$7.6 million primarily due to investment earnings decreasing as funds were liquidated in the investment account to fund capital projects. Business-type total expenditures increased \$498,000 from \$4.6 million to \$5.1 million due to an increase in expenditures related to contractual services and maintenance as the Town continues its commitment to infrastructure repairs, maintenance and operations.

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 \$29.9 million, a decrease of \$15.1 million in comparison to

the year before. This net decrease is due to one-time expenditures for capital assets, which totaled over \$15.1 million and includes a new aquatics, library and community center facilities.

Approximately 27 percent of the combined ending fund balances (\$8.1 million) constitutes unassigned fund balance, which is available for spending at the Town's discretion. The remainder of fund balance is non-spendable, restricted, committed or assigned to indicate that it is 1) not in spendable form (\$42,742), 2) restricted for particular purposes (\$20.8 million), or 3) assigned for particular purposes (\$992,190).

General Fund. The General Fund is the chief operating fund of the Town. At the end of FY2015, unassigned fund balance of the General Fund was \$8.1 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. The fund balance decreased \$392,909 this fiscal year as operational costs increased due to the addition of buildings and infrastructure.

Highway User Revenue Fund. The Highway User Revenue Fund, a major fund, ended the current year with a total fund balance of \$7.5 million, consisting of \$6.9 million restricted fund balance and \$539,925 assigned fund balance. Revenues must be used for streets and highway purposes. Revenues outpaced expenditures, leading to the increase of \$600,000 in fund balance. Only \$179,173 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 \$1.7 million, a decrease of \$2.9 million. Impact fees were used this year to complete construction on the library and community center. 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 \$3.4 million, a decrease of \$9.7 million over the prior year. The primary reason for this decrease is investment in capital improvement projects.

Proprietary Funds

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

Unrestricted net position for each fund at the end of the year is as follows: Water - \$5.3 million, Sewer - \$5.6 million and Sanitation - \$1.4 million. Each fund's net position was also affected by GASB 68 net pension liability booked this year. The unrestricted net position of each fund makes up the majority of their respective total net positions.

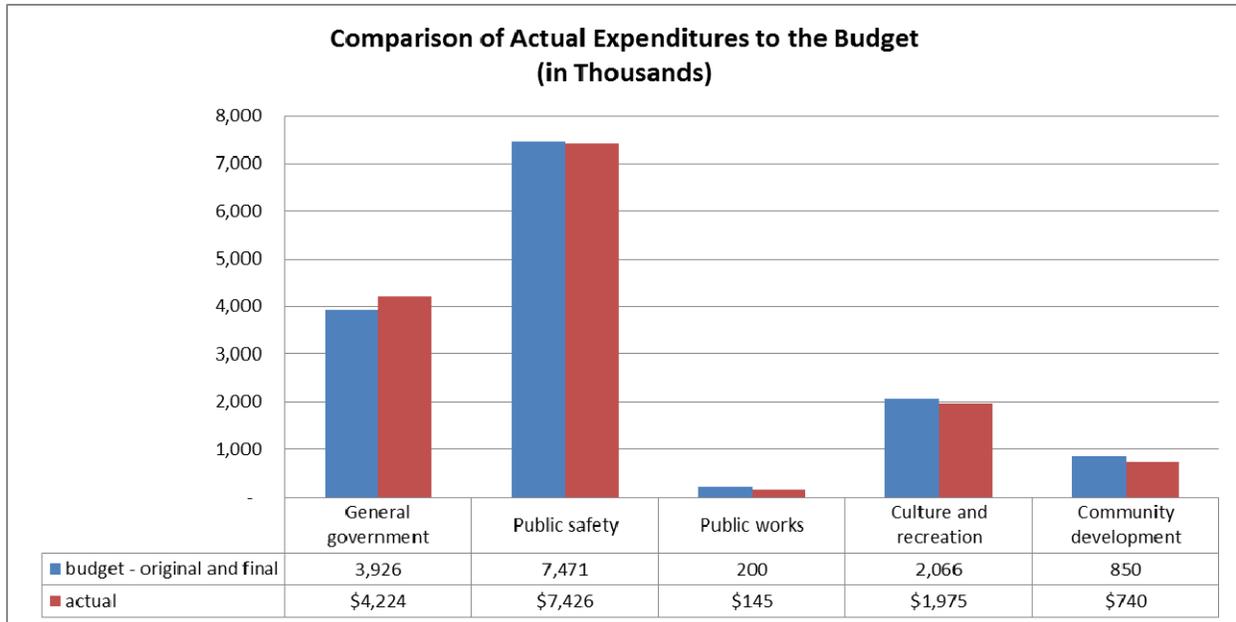
Total net position in the Water Utility Fund increased by \$158,107 largely due to assets increasing \$1.6 million to \$14.9 million from \$13.3 million and net pension liability of \$461,604 was booked as part of GASB 68 (see notes to financial statements).

The total net position in the Sewer Utility fund grew by \$398,795 primarily due to assets increasing \$851,294 to \$18.7 million from \$17.8 million and net pension liability of \$451,604 was booked as part of GASB 68 (see notes to financial statements).

Net position decreased in the Sanitation Fund by \$267,654 primarily due to the booking of \$100,820 net pension liability as part of GASB 68 (see notes to the financial statements). The Town of Florence outsourced the operation several years ago and is phasing out of this proprietary operation, as the operation is liquidated the net position will decrease.

General Fund Budgetary Highlights

A total of \$14.509 million was spent compared to a total final budget of \$14.512 million, resulting in a positive variance (budget savings) of \$3,000. 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, 2015, amounts to \$106.7 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 \$18.8 million. Additions to capital assets included a new aquatics facility, library & community center, as well as major improvements to expanding the wastewater and water treatment facilities.

Town of Florence Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 32,546,409	\$ 32,564,037	\$ 394,073	\$ 394,073	\$ 32,940,482	\$ 32,958,110
Buildings, infrastructure	39,623,975	40,937,898	8,593,961	8,910,164	48,217,936	49,848,062
Vehicles, furniture and equipment	3,303,901	3,275,457	200,057	163,421	3,503,958	3,438,878
Construction in progress	14,222,110	473,796	7,769,424	1,120,699	21,991,534	1,594,495
Total	\$ 89,696,395	\$ 77,251,188	\$ 16,957,515	\$ 10,588,357	\$ 106,653,910	\$ 87,839,545

Additional information on the Town of Florence's capital assets can be found in Note 4 on pages 60 - 61 in the notes to the financial statements.

Long-term Debt

At the end of the fiscal year, the Town had \$18.1 million in debt outstanding compared to \$20.0 million last year. The Town has notes payable outstanding totaling \$4.2 million at year end and a capital lease outstanding in the amount of \$567,382. A large portion of the debt listed below consists of general obligation bonds (\$8.5 million) and special assessment lien bonds (\$4.5 million) of the Town's component units, Merrill Ranch Community Facilities Districts No. 1 and No. 2.

Town of Florence Outstanding Debt

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
General obligation bonds - CFDs	\$ 8,540,000	\$ 8,785,000	-	\$ -	\$ 8,540,000	\$ 8,785,000
Special assessment debt - CFDs	4,476,850	5,435,830	-	-	4,476,850	5,435,830
Special assessment debt - Town	282,000	337,000	-	-	282,000	337,000
Notes payable	385,188	429,185	3,827,612	4,212,897	4,212,800	4,642,082
Capital leases	567,382	844,967	-	-	567,382	844,967
Total	\$ 14,251,420	\$ 15,831,982	\$ 3,827,612	\$ 4,212,897	\$ 18,079,032	\$ 20,044,879

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 61 - 66 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 7.0 percent, down one-half percent from the prior year. This is significantly lower than the past five years, which averaged 14.5 percent. Inflationary increases are expected to remain low for the upcoming year.

The majority of the General Fund's resources come from state-shared revenues (54%). 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 3 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.

The Town's total budget for FY2016 is \$45.1 million, which includes approximately \$4.8 million in capital or capital-related expenditures.

Requests for Information

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

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS

TOWN OF FLORENCE, ARIZONA
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 7,677,925	\$ 3,870,493	\$ 11,548,418
Receivables (net of allowance for uncollectibles)	1,338,658	850,379	2,189,037
Special assessment receivable	5,944,305	-	5,944,305
Due from other governments	129,985	-	129,985
Prepays	42,742	190,498	233,240
Restricted cash equivalents	1,284,016	-	1,284,016
Investments	24,501,642	13,427,284	37,928,926
Net pension asset	391,821	-	391,821
Capital assets			
Land and construction in progress	46,768,519	8,163,497	54,932,016
Other capital assets (net of accumulated depreciation)	42,927,876	8,794,018	51,721,894
Total assets	<u>131,007,489</u>	<u>35,296,169</u>	<u>166,303,658</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	1,368,133	112,513	1,480,646
Deferred outflows of employer contributions to pensions	918,288	78,593	996,881
Total deferred outflows of resources	<u>2,286,421</u>	<u>191,106</u>	<u>2,477,527</u>
LIABILITIES			
Accounts payable and other current liabilities	3,250,505	1,392,797	4,643,302
Customer deposits	156,695	125,236	281,931
Accrued wages and benefits	619,187	6,079	625,266
Accrued interest payable	453,564	63,902	517,466
Other accrued liabilities	8,343	1,148	9,491
Retainages	531,958	225,786	757,744
Current portion of			
Compensated absences	350,390	32,532	382,922
Capital leases	281,636	-	281,636
Notes payable	46,636	414,793	461,429
Bonds payable	452,460	-	452,460
Long-term portion of			
Compensated absences	161,098	12,947	174,045
Capital leases	285,746	-	285,746
Notes payable	338,552	3,412,819	3,751,371
Bonds payable	12,869,590	-	12,869,590
Net pension liability	7,721,499	1,167,339	8,888,838
Total liabilities	<u>27,527,859</u>	<u>6,855,378</u>	<u>34,383,237</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	1,536,209	204,132	1,740,341
Total deferred inflows of resources	<u>1,536,209</u>	<u>204,132</u>	<u>1,740,341</u>

See accompanying notes.

NET POSITION			
Net investment in capital assets	75,421,775	13,129,903	88,551,678
Restricted for			
Debt service	8,944,458	2,351,297	11,295,755
Highways and streets	7,869,603	-	7,869,603
Capital projects	8,845,273	551,879	9,397,152
Economic development	815,920	-	815,920
Community facilities	261,236	-	261,236
Public safety	61,547	-	61,547
Unrestricted	<u>2,010,030</u>	<u>12,394,686</u>	<u>14,404,716</u>
 Total net position	 <u>\$ 104,229,842</u>	 <u>\$ 28,427,765</u>	 <u>\$ 132,657,607</u>

TOWN OF FLORENCE, ARIZONA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 4,818,029	\$ 1,374,728	\$ 176,009	\$ -
Public safety	8,081,544	175,084	184,306	102,793
Highways and streets	3,409,782	41	2,665,155	171,211
Public works	805,196	-	-	1,130,324
Culture and recreation	2,813,496	9,882	4,200	-
Community development	948,650	427,676	225,308	-
Interest on long-term debt	949,903	-	-	-
Total governmental activities	<u>21,826,600</u>	<u>1,987,411</u>	<u>3,254,978</u>	<u>1,404,328</u>
Business-type activities				
Water	1,783,823	2,738,692	-	1,665
Sewer	2,486,417	3,891,568	-	2,053
Sanitation	812,811	716,166	-	-
Total business-type activities	<u>5,083,051</u>	<u>7,346,426</u>	<u>-</u>	<u>3,718</u>
Total primary government	<u>\$ 26,909,651</u>	<u>\$ 9,333,837</u>	<u>\$ 3,254,978</u>	<u>\$ 1,408,046</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
Loss on sale of assets
Miscellaneous
Transfers in (out)
 Total general revenues and transfers
Change in net position
Net position-July 1, 2014
Restatement
Net position - restated

Net position-June 30, 2015

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (3,267,292)	\$ -	\$ (3,267,292)
(7,619,361)	-	(7,619,361)
(573,375)	-	(573,375)
325,128	-	325,128
(2,799,414)	-	(2,799,414)
(295,666)	-	(295,666)
(949,903)	-	(949,903)
<u>(15,179,883)</u>	<u>-</u>	<u>(15,179,883)</u>
-	956,534	956,534
-	1,407,204	1,407,204
-	(96,645)	(96,645)
<u>-</u>	<u>2,267,093</u>	<u>2,267,093</u>
<u>(15,179,883)</u>	<u>2,267,093</u>	<u>(12,912,790)</u>
1,941,594	-	1,941,594
3,827,397	-	3,827,397
571,559	-	571,559
2,333,703	-	2,333,703
3,091,291	-	3,091,291
1,276,108	-	1,276,108
304,166	206,503	510,669
11,229	5,517	16,746
(100,006)	(45,949)	(145,955)
377,242	64,631	441,873
1,049,532	(1,049,532)	-
<u>14,683,815</u>	<u>(818,830)</u>	<u>13,864,985</u>
<u>(496,068)</u>	<u>1,448,263</u>	<u>952,195</u>
111,610,983	28,138,517	139,749,500
<u>(6,885,073)</u>	<u>(1,159,015)</u>	<u>(8,044,088)</u>
<u>104,725,910</u>	<u>26,979,502</u>	<u>131,705,412</u>
<u>\$ 104,229,842</u>	<u>\$ 28,427,765</u>	<u>\$ 132,657,607</u>

TOWN OF FLORENCE, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Highway User	Community Facilities Districts- Debt Service
ASSETS			
Cash and cash equivalents	\$ 1,821,179	\$ 1,607,876	\$ 332,779
Receivables (net of allowance for uncollectibles)	992,979	319,320	5,738,977
Due from other governments	-	-	16,610
Due from other funds	132,099	-	-
Prepays	42,742	-	-
Restricted assets			
Cash and cash equivalents	2,500	-	1,281,516
Investments	6,319,808	5,577,948	1,154,458
Total assets	\$ 9,311,307	\$ 7,505,144	\$ 8,524,340
LIABILITIES			
Accounts payable and other current liabilities	\$ 353,423	\$ 32,733	\$ 91
Customer deposits	156,695	-	-
Accrued wages and benefits	609,548	6,122	-
Other accrued liabilities	6,952	805.00	-
Due to other funds	-	-	-
Retainages	-	-	-
Total liabilities	1,126,618	39,660	91
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	80,211	5,541	5,758,186
Total deferred inflows of resources	80,211	5,541	5,758,186
FUND BALANCES			
Nonspendable			
Prepaid items	42,742	-	-
Restricted			
Public safety	-	-	-
Debt service	-	-	2,766,063
Capital projects	-	-	-
Highways and Streets	-	6,920,018	-
Economic development	-	-	-
Community Facilities Districts operations	-	-	-
Assigned			
Capital projects	-	-	-
Highways and Streets	-	539,925	-
Unassigned	8,061,736	-	-
Total fund balances	8,104,478	7,459,943	2,766,063
Total liabilities, deferred inflows of resources and fund balances	\$ 9,311,307	\$ 7,505,144	\$ 8,524,340

Community Facilities Districts- Capital Improvements	Impact Fees	Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
\$ 1,007,462	\$ 380,293	\$ 1,509,966	\$ 919,526	\$ 7,579,081
3,584	3,488	8,198	216,417	7,282,963
-	-	-	113,375	129,985
-	-	-	-	132,099
-	-	-	-	42,742
-	-	-	-	1,284,016
1,358,986	1,319,288	5,238,282	3,189,965	24,158,735
<u>\$ 2,370,032</u>	<u>\$ 1,703,069</u>	<u>\$ 6,756,446</u>	<u>\$ 4,439,283</u>	<u>\$ 40,609,621</u>
\$ -	\$ -	\$ 2,844,452	\$ 5,454	\$ 3,236,153
-	-	-	-	156,695
-	-	-	656	616,326
-	-	-	10	7,767
20,059	-	-	112,040	132,099
-	-	531,958	-	531,958
20,059	-	3,376,410	118,160	4,680,998
1,283	1,250	2,934	221,686	6,071,091
1,283	1,250	2,934	221,686	6,071,091
-	-	-	-	42,742
-	-	-	61,547	61,547
-	-	-	141,222	2,907,285
2,348,690	790,894	2,924,837	2,780,852	8,845,273
-	910,925	-	38,660	7,869,603
-	-	-	815,920	815,920
-	-	-	261,236	261,236
-	-	452,265	-	452,265
-	-	-	-	539,925
-	-	-	-	8,061,736
2,348,690	1,701,819	3,377,102	4,099,437	29,857,532
<u>\$ 2,370,032</u>	<u>\$ 1,703,069</u>	<u>\$ 6,756,446</u>	<u>\$ 4,439,283</u>	<u>\$ 40,609,621</u>



TOWN OF FLORENCE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2015

Fund balance - total governmental funds balance sheet		\$ 29,857,532
Amounts reported for governmental activities in the statement of net position are different because:		
Net pension assets held in trust for future benefits are not available for Town operations and, therefore, are not reported in the funds.		391,821
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 117,559,534	
Less accumulated depreciation	<u>(27,863,139)</u>	89,696,395
Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net position.		
Special assessments	5,990,553	
Interest income	33,292	
Sale of property	<u>47,246</u>	6,071,091
Long-term liabilities, including net pension liabilities bonds payable and their related costs, are not due and payable in the current period and therefore are not reported in the funds.		
Net pension liability	(7,721,499)	
Compensated absences	(511,488)	
Capital leases	(567,382)	
Certificate of participation	-	
Notes payable	(385,188)	
Bonds payable	<u>(13,322,050)</u>	(22,507,607)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	1,368,133	
Deferred outflows of employer contributions	918,288	
Deferred inflows of resources related to pensions	<u>(1,536,209)</u>	750,212
Interest payable on long-term debt is not reported in the governmental funds.		(453,564)
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
The assets and liabilities of the internal service fund are reported with governmental activities.		<u>423,962</u>
Net position of governmental activities - statement of net position		<u>\$ 104,229,842</u>

TOWN OF FLORENCE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

REVENUES	General	Highway User	Community Facilities Districts- Debt Service
Taxes	\$ 3,173,608	\$ 2,836,366	\$ 994,674
Franchise fees	571,559	-	-
Licenses and permits	526,694	-	-
Intergovernmental revenues	6,701,202	-	-
Charges for services	831,934	-	-
Fines	154,949	-	-
Special assessments	-	-	1,115,412
Investment income			
Interest income	99,483	78,282	14,551
Net increase in the fair value of investments	4,221	2,591	533
Contributions and donations	5,881	-	-
Miscellaneous	288,573	25,917	378
Total revenues	<u>12,358,104</u>	<u>2,943,156</u>	<u>2,125,548</u>
EXPENDITURES			
Current			
General government	4,224,203	-	68,643
Public safety	7,424,913	-	-
Highways and streets	-	1,676,380	-
Public works	144,836	-	-
Culture and recreation	1,974,634	-	-
Community development	739,717	-	-
Capital outlay	1,146	179,173	-
Debt service			
Principal	-	-	1,203,980
Interest and fiscal charges	-	-	877,317
Total expenditures	<u>14,509,449</u>	<u>1,855,553</u>	<u>2,149,940</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,151,345)</u>	<u>1,087,603</u>	<u>(24,392)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,644,236	9,900	-
Transfers out	(1,011)	(406,268)	-
Sale of capital assets	115,211	(91,354)	-
Total other financing sources and uses	<u>1,758,436</u>	<u>(487,722)</u>	<u>-</u>
Net change in fund balances	<u>(392,909)</u>	<u>599,881</u>	<u>(24,392)</u>
Fund balances - beginning of year	<u>8,497,387</u>	<u>6,860,062</u>	<u>2,790,455</u>
Fund balances - end of year	<u>\$ 8,104,478</u>	<u>\$ 7,459,943</u>	<u>\$ 2,766,063</u>

Community Facilities Districts- Capital Improvements	Impact Fees	Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,095,971	\$ 504,738	\$ 8,605,357
-	-	-	-	571,559
-	-	-	-	526,694
-	-	-	680,210	7,381,412
-	379,548	-	25,992	1,237,474
-	-	-	2,067	157,016
-	-	-	70,134	1,185,546
19,225	46,432	83,001	67,005	407,979
600	584	1,373	1,327	11,229
-	-	-	9,776	15,657
103	3,815	2,870	60,848	382,504
<u>19,928</u>	<u>430,379</u>	<u>1,183,215</u>	<u>1,422,097</u>	<u>20,482,427</u>
1,623	-	964,067	98,980	5,357,516
22,882	-	140,465	320,473	7,908,733
-	-	634,344	-	2,310,724
-	-	9,640	99,658	254,134
-	-	22,375	29,111	2,026,120
-	-	-	8,179	747,896
-	4,871	15,136,410	229,971	15,551,571
-	-	-	376,583	1,580,563
-	-	-	67,985	945,302
<u>24,505</u>	<u>4,871</u>	<u>16,907,301</u>	<u>1,230,940</u>	<u>36,682,559</u>
<u>(4,577)</u>	<u>425,508</u>	<u>(15,724,086)</u>	<u>191,157</u>	<u>(16,200,132)</u>
-	-	6,474,613	304,686	8,433,435
-	(3,374,613)	(425,111)	(3,176,900)	(7,383,903)
-	-	-	-	23,857
<u>-</u>	<u>(3,374,613)</u>	<u>6,049,502</u>	<u>(2,872,214)</u>	<u>1,073,389</u>
<u>(4,577)</u>	<u>(2,949,105)</u>	<u>(9,674,584)</u>	<u>(2,681,057)</u>	<u>(15,126,743)</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>
<u>\$ 2,348,690</u>	<u>\$ 1,701,819</u>	<u>\$ 3,377,102</u>	<u>\$ 4,099,437</u>	<u>\$ 29,857,532</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, 2015

Net change in fund balances - total governmental funds \$ (15,126,743)

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

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

Sale of capital assets	\$ (123,863)	
Expenditures for capitalized assets	15,119,066	
Less current year depreciation	<u>(2,549,996)</u>	12,445,207

Revenues received in the current year that were accrued in the statement of activities in prior years

Special assessments		51,528
Sale of property		(3,138)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Interest income		(103,813)
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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.

(52,992)

Town pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Town pension contributions	882,162	
Pension expense	<u>(576,158)</u>	306,004

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.

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

Capital lease principal retirement	277,585	
Note payable principal retirement	43,996	
Bond principal retirement	<u>1,258,980</u>	1,580,561

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. (17,214)

Internal service funds are used by management to charge the costs of fleet maintenance and facility maintenance services to individual funds. The net income of certain activities of internal service funds is reported with governmental activities. 423,565

Change in net position of governmental activities \$ (496,068)

TOWN OF FLORENCE, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 3,500,300	\$ 3,500,300	\$ 3,173,608	\$ (326,692)
Franchise fees	563,600	563,600	571,559	7,959
Licenses and permits	538,100	538,100	526,694	(11,406)
Intergovernmental revenues	6,686,300	6,686,300	6,701,202	14,902
Charges for services	677,900	677,900	831,934	154,034
Fines	190,200	190,200	154,949	(35,251)
Investment income				
Interest income	110,000	110,000	99,483	(10,517)
Net increase in the fair value of investments	-	-	4,221	4,221
Contributions and donations	9,000	9,000	5,881	(3,119)
Miscellaneous	57,400	57,400	288,573	231,173
Total revenues	12,332,800	12,332,800	12,358,104	25,304
EXPENDITURES				
Current				
General government				
Town council	158,200	158,200	116,287	41,913
Administration	1,392,100	1,679,700	1,811,617	(131,917)
Legal	269,500	269,800	661,667	(391,867)
Finance	839,800	841,100	870,771	(29,671)
Human resources	253,800	253,800	236,711	17,089
Grants	95,200	95,200	12,071	83,129
Information technology	615,000	628,000	515,079	112,921
Public safety				
Courts	292,200	292,200	269,835	22,365
Police	3,952,800	4,244,400	4,038,222	206,178
Fire	2,809,200	2,933,900	3,116,856	(182,956)
Public works				
Engineering	192,700	200,400	144,836	55,564
Culture and recreation				
Parks and recreation	1,602,300	1,669,900	1,559,680	110,220
Library	380,600	387,200	408,377	(21,177)
Cemetery	9,000	9,000	6,577	2,423
Community development				
Planning	668,800	676,400	594,066	82,334
Economic development	182,700	173,100	145,651	27,449
Total expenditures	13,713,900	14,512,300	14,509,449	2,851
Excess (deficiency) of revenues over (under) expenditures	(1,381,100)	(2,179,500)	(2,151,345)	28,155

OTHER FINANCING				
SOURCES (USES)				
Transfers in	1,711,200	1,711,200	1,644,236	(66,964)
Transfers out	(798,400)	-	(1,011)	(1,011)
Sale of capital assets	-	-	115,211	115,211
Total other financing sources and uses	<u>912,800</u>	<u>1,711,200</u>	<u>1,758,436</u>	<u>47,236</u>
Net change in fund balance	<u>(468,300)</u>	<u>(468,300)</u>	<u>(392,909)</u>	<u>75,391</u>
Fund balance - beginning of year	<u>8,497,387</u>	<u>8,497,387</u>	<u>8,497,387</u>	<u>-</u>
Fund balance - end of year	<u>\$ 8,029,087</u>	<u>\$ 8,029,087</u>	<u>\$ 8,104,478</u>	<u>\$ 75,391</u>



TOWN OF FLORENCE, ARIZONA
HIGHWAY USER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 2,806,500	\$ 2,806,500	\$ 2,836,366	\$ 29,866
Investment income				
Interest income	25,000	25,000	78,282	53,282
Net increase in the fair value of investments	-	-	2,591	2,591
Miscellaneous	12,000	12,000	25,917	13,917
Total revenues	<u>2,843,500</u>	<u>2,843,500</u>	<u>2,943,156</u>	<u>99,656</u>
EXPENDITURES				
Current				
Highways and streets	1,528,800	1,731,500	1,676,380	55,120
Capital outlay	<u>6,727,700</u>	<u>6,727,700</u>	<u>179,173</u>	<u>6,548,527</u>
Total expenditures	<u>8,256,500</u>	<u>8,459,200</u>	<u>1,855,553</u>	<u>6,603,647</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,413,000)</u>	<u>(5,615,700)</u>	<u>1,087,603</u>	<u>6,703,303</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,900	9,900	9,900	-
Transfers out	(619,800)	(417,100)	(406,268)	10,832
Sale of capital assets	<u>-</u>	<u>-</u>	<u>(91,354)</u>	<u>(91,354)</u>
Total other financing sources and uses	<u>(609,900)</u>	<u>(407,200)</u>	<u>(487,722)</u>	<u>(80,522)</u>
Net change in fund balance	<u>(6,022,900)</u>	<u>(6,022,900)</u>	<u>599,881</u>	<u>6,622,781</u>
Fund balance - beginning of year	<u>6,860,062</u>	<u>6,860,062</u>	<u>6,860,062</u>	<u>-</u>
Fund balance - end of year	<u>\$ 837,162</u>	<u>\$ 837,162</u>	<u>\$ 7,459,943</u>	<u>\$ 6,622,781</u>

TOWN OF FLORENCE, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

ASSETS	Business-type Activities-Enterprise Funds				Governmental
	Water	Sewer	Sanitation	Total	Activities - Internal Service Funds
Current assets					
Cash and cash equivalents	\$ 1,534,936	\$ 1,973,279	\$ 362,278	\$ 3,870,493	\$ 98,844
Receivables, net of uncollectibles	355,746	437,704	56,929	850,379	-
Prepaid expense	-	190,498	-	190,498	-
Total current assets	1,890,682	2,601,481	419,207	4,911,370	98,844
Noncurrent assets					
Investments	5,324,907	6,845,583	1,256,794	13,427,284	342,907
Capital assets:					
Land	120,100	273,973	-	394,073	-
Buildings and improvements	4,797,052	10,571,771	-	15,368,823	-
Machinery and equipment	853,810	248,538	573,385	1,675,733	-
Construction in progress	5,987,142	1,782,282	-	7,769,424	-
Less accumulated depreciation	(4,029,620)	(3,675,425)	(545,493)	(8,250,538)	-
Total capital assets, net	7,728,484	9,201,139	27,892	16,957,515	-
Total noncurrent assets	13,053,391	16,046,722	1,284,686	30,384,799	342,907
Total assets	14,944,073	18,648,203	1,703,893	35,296,169	441,751
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows of resources related to pensions	43,528	59,268	9,717	112,513	41,119
Deferred outflows of employer contributions to pensions	29,695	41,792	7,106	78,593	36,126
Total deferred outflows of resources	73,223	101,060	16,823	191,106	77,245
LIABILITIES					
Current liabilities					
Accounts payable	1,038,156	315,480	39,161	1,392,797	14,352
Customer deposits	88,396	-	36,840	125,236	-
Accrued wages and benefits	2,600.00	2,996.00	483.00	6,079	2,861
Accrued interest payable	-	63,902.00	-	63,902	-
Other accrued liabilities	255.00	773.00	120.00	1,148	576
Retainages payable	160,487	65,299	-	225,786	-
Compensated absences	11,993	18,168	2,371	32,532	-
Notes payable	-	414,793	-	414,793	-
Total current liabilities	1,301,887	881,411	78,975	2,262,273	17,789
Noncurrent liabilities					
Compensated absences	4,773	7,231	943	12,947	-
Notes payable	-	3,412,819	-	3,412,819	-
Net pension liability	451,604	614,915	100,820	1,167,339	426,607
Total noncurrent liabilities	456,377	4,034,965	101,763	4,593,105	426,607
Total liabilities	1,758,264	4,916,376	180,738	6,855,378	444,396
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources related to pensions	78,972	107,530	17,630	204,132	74,600
Total deferred inflows of resources	78,972	107,530	17,630	204,132	74,600

NET POSITION					
Net investment in capital assets	7,728,484	5,373,527	27,892	13,129,903	-
Restricted for					
Debt service	-	2,351,297	-	2,351,297	-
Capital projects	124,779	380,470	46,630	551,879	-
Unrestricted	<u>5,326,797</u>	<u>5,620,063</u>	<u>1,447,826</u>	<u>12,394,686</u>	<u>-</u>
Total net position	<u>\$ 13,180,060</u>	<u>\$ 13,725,357</u>	<u>\$ 1,522,348</u>	<u>\$ 28,427,765</u>	<u>-</u>



TOWN OF FLORENCE, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-type Activities-Enterprise Funds				Governmental
	Water	Sewer	Sanitation	Total	Activities - Internal Service Funds
Operating revenues					
Water sales	\$ 2,555,554	\$ -	\$ -	\$ 2,555,554	\$ 1,548,996
Water connection fees	3,265	-	-	3,265	-
Service establishment fees	23,688	-	-	23,688	-
Sewer service fees	-	2,764,828	-	2,764,828	-
Sewer connection fees	-	1,900	-	1,900	-
DOC usage fees	-	1,124,840	-	1,124,840	-
Water standpipe	3,299	-	-	3,299	-
Central Arizona Project	141,312	-	-	141,312	-
Refuse collection fees	-	-	716,166	716,166	-
Effluent charges	11,574	-	-	11,574	-
Miscellaneous	12,084	44,644	7,903	64,631	74
Total operating revenue	<u>2,750,776</u>	<u>3,936,212</u>	<u>724,069</u>	<u>7,411,057</u>	<u>1,549,070</u>
Operating expenses					
Personal services	347,874	522,671	98,322	968,867	498,044
Supplies	35,845	225,150	1,392	262,387	307,845
Contractual services and maintenance	1,296,296	1,363,144	691,429	3,350,869	169,486
Other charges	-	-	-	-	150,130
Depreciation	103,808	240,974	21,668	366,450	-
Miscellaneous	-	6,674	-	6,674	-
Total operating expenses	<u>1,783,823</u>	<u>2,358,613</u>	<u>812,811</u>	<u>4,955,247</u>	<u>1,125,505</u>
Operating income (loss)	<u>966,953</u>	<u>1,577,599</u>	<u>(88,742)</u>	<u>2,455,810</u>	<u>423,565</u>
Nonoperating revenues (expense)					
Interest income	93,148	96,032	17,323	206,503	-
Net increase in the fair value of investments	2,021	2,954	542	5,517	-
Interest expense	-	(127,804)	-	(127,804)	-
Gain (loss) on sale of assets	-	1,227	(47,176)	(45,949)	-
Total nonoperating revenues (expense)	<u>95,169</u>	<u>(27,591)</u>	<u>(29,311)</u>	<u>38,267</u>	<u>-</u>
Income before development fees and transfers	<u>1,062,122</u>	<u>1,550,008</u>	<u>(118,053)</u>	<u>2,494,077</u>	<u>423,565</u>
Development fees	1,665	2,053	-	3,718	-
Transfers out	(457,296)	(542,736)	(49,500)	(1,049,532)	-
Change in net position	<u>606,491</u>	<u>1,009,325</u>	<u>(167,553)</u>	<u>1,448,263</u>	<u>423,565</u>
Net position, beginning of year	13,021,953	13,326,562	1,790,002	28,138,517	-
Restatement	(448,384)	(610,530)	(100,101)	(1,159,015)	(423,565)
Net position, beginning of year - restated	<u>12,573,569</u>	<u>12,716,032</u>	<u>1,689,901</u>	<u>26,979,502</u>	<u>(423,565)</u>
Net position-end of year	<u>\$13,180,060</u>	<u>\$ 13,725,357</u>	<u>\$ 1,522,348</u>	<u>\$ 28,427,765</u>	<u>-</u>

TOWN OF FLORENCE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2015

	Business-type Activities-Enterprise Funds				Governmental
	Water	Sewer	Sanitation	Total	Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 2,755,357	\$ 3,915,139	\$ 722,061	\$ 7,392,557	\$ 1,549,070
Payments to suppliers	(462,210)	(1,424,371)	(666,188)	(2,552,769)	(631,577)
Payments to employees	(338,791)	(509,134)	(95,271)	(943,196)	(495,867)
Net cash provided (used) by operating activities	1,954,356	1,981,634	(39,398)	3,896,592	421,626
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers to other funds	(457,296)	(542,736)	(49,500)	(1,049,532)	-
Net cash used by noncapital financing activities	(457,296)	(542,736)	(49,500)	(1,049,532)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sale of capital assets	-	1,227	3,313	4,540	-
Acquisition and construction of capital assets	(5,146,692)	(1,413,619)	-	(6,560,311)	-
Development fees received	1,665	2,053	-	3,718	-
Principal paid on capital debt	-	(385,286)	-	(385,286)	-
Interest paid on capital debt	-	(134,236)	-	(134,236)	-
Net cash provided (used) by capital and related financing activities	(5,145,027)	(1,929,861)	3,313	(7,071,575)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Receipts of investments	2,600,824	171,831	28,178	2,800,833	-
Purchase of investments	-	-	-	-	(327,584)
Interest received	98,511	93,834	17,100	209,445	-
Net cash provided (used) by investing activities	2,699,335	265,665	45,278	3,010,278	(327,584)
Net increase (decrease) in cash and cash equivalents	(948,632)	(225,298)	(40,307)	(1,214,237)	94,042
Cash and cash equivalents at beginning of year	2,483,568	2,198,577	402,585	5,084,730	4,802
Cash and cash equivalents at end of year	\$ 1,534,936	\$ 1,973,279	\$ 362,278	\$ 3,870,493	\$ 98,844

TOWN OF FLORENCE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
Year Ended June 30, 2015

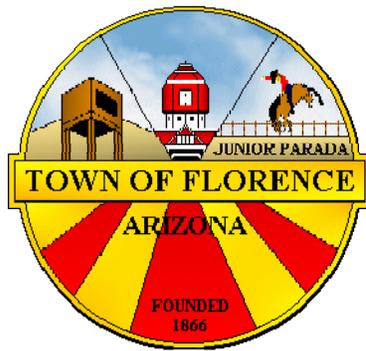
	Business-type Activities-Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Sanitation	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 966,953	\$ 1,577,599	\$ (88,742)	\$ 2,455,810	\$ 423,565
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	103,808	240,974	21,668	366,450	-
Pension expense	38,664	52,647	8,632	99,943	36,523
Employer pension contributions	(29,695)	(41,792)	(7,106)	(78,593)	(36,126)
Provision for bad debt	22,666	-	-	22,666	-
(Increase) decrease in:					
Accounts receivable	(31,945)	(21,073)	(8,708)	(61,726)	-
Prepays	-	15,746	-	15,746	-
Increase (decrease) in:					
Accounts payable	869,776	154,391	26,566	1,050,733	(4,451)
Customer deposits	13,860	-	6,700	20,560	-
Accrued wages and benefits	1,528	1,455	257	3,240	1,780
Other accrued liabilities	155	460	67	682	335
Compensated absences	(1,414)	1,227	1,268	1,081	-
Total adjustments	987,403	404,035	49,344	1,440,782	(1,939)
Net cash provided (used) by operating activities:	\$ 1,954,356	\$ 1,981,634	\$ (39,398)	\$ 3,896,592	\$ 421,626
Noncash investing, capital, and financing activities:					
Change in fair value of investments	\$ 2,021	\$ 2,954	\$ 542	\$ 5,517	\$ -

TOWN OF FLORENCE, ARIZONA
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2015

	<u>Pension Trust</u>
ASSETS	
Cash and cash equivalents	\$ 3,154
U.S. Government bonds	255,137
Equities	<u>57,583</u>
Total assets	<u>315,874</u>
LIABILITIES	
Accounts payable	<u>648</u>
Total liabilities	<u>648</u>
NET POSITION	
Held in trust for pension benefits and other purposes	<u>\$ 315,226</u>

TOWN OF FLORENCE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2015

	<u>Pension Trust</u>
ADDITIONS	
Contributions	
Employee	\$ 8,636
Total contributions	<u>8,636</u>
Investment income	
Change in market value	<u>(10,410)</u>
Total investment earnings	<u>(10,410)</u>
Total additions	<u>(1,774)</u>
DEDUCTIONS	
Pension withdrawals	<u>6,223</u>
Total deductions	<u>6,223</u>
Change in net position	(7,997)
Net position-beginning of year	<u>323,223</u>
Net position-end of year	<u>\$ 315,226</u>



FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS



TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015

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, 2015, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned - all other spendable amounts.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 \$1,725,000. 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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015, expenditures exceeded appropriations in following General Fund departments (the legal level of budgetary control):

General Fund:	
General government	
Administration	\$ 131,917
Legal	391,867
Finance	29,671
Public safety	
Fire	182,956
Culture and recreation	
Library	<u>21,177</u>
Total	<u><u>\$ 736,411</u></u>

Additionally, the Impact Fees fund expenditures exceeded appropriations by \$4,871. These over expenditures were funded by greater than anticipated revenues in that fund.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Change in Accounting Principle

In June 2012, the GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions, as amended in November 2013 by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. The requirements of these Statements are effective for financial statements for periods beginning after June 15, 2014. Town of Florence adopted GASBS Nos. 68 and 71 in fiscal year 2015. The adoption of GASBS Nos. 68 and 71 has impacted the presentation of Town of Florence financial statements.

In January 2013, the GASB issued Statement No. 69, Government Combinations and Disposals of Governmental Operations. GASBS No. 69 establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2013. Town of Florence adopted GASBS No. 69 in fiscal year 2015. The adoption of GASBS No. 69 does not have an impact on Town of Florence financial statements.

NOTE 2 DEPOSITS AND INVESTMENTS

Custodial credit risk-deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. State law requires collateral for deposits at 102 percent of all deposits federal depository insurance does not cover. At June 30, 2015, the Town had \$1,550 of cash on hand. The carrying amount of the Town's cash in bank totaled \$2,584,184 and the bank balance was \$2,829,362. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the Securities Investor Protection Act, \$1,214,171 was covered by collateral held in the pledging bank's trust department in the Town's name, and \$615,191 was uninsured and uncollateralized.

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.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

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

The dollar weighted average portfolio maturity is 40 days. The net asset value per share of the pool at June 30, 2015 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, 2015, the Town's funds invested with the State Treasurer totaled \$698,869.

At June 30, 2015, the Town held a repurchase agreement with National Bank that had a carry amount of \$8,132,240.

The Town utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

The Town's Community Facilities Districts have \$1,416,134 invested with Wells Fargo Brokerage Services. The accounts are invested in a money market fund that invests in U.S. government obligations and repurchase agreements.

The Town also holds \$37,928,926 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 \$315,331 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, 2015

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	\$ 8,132,240	\$ 8,132,240	\$ -	\$ -	\$ -
Money Market Funds	1,416,134	1,416,134	-	-	-
LGIP	698,869	698,869	-	-	-
U.S. Government Bonds	37,928,926	2,096,540	6,093,068	29,739,318	-
	<u>48,176,169</u>	<u>12,343,783</u>	<u>6,093,068</u>	<u>29,739,318</u>	<u>-</u>
Fiduciary Fund					
Money Market Funds	2,611	2,611	-	-	-
U.S. Government Bonds	255,137	-	-	276,666	-
Equities	57,583	-	-	-	57,583
	<u>315,331</u>	<u>2,611</u>	<u>-</u>	<u>276,666</u>	<u>57,583</u>
Total	<u>\$ 48,491,500</u>	<u>\$ 12,346,394</u>	<u>\$ 6,093,068</u>	<u>\$ 30,015,984</u>	<u>\$ 57,583</u>

The Town has no policy regarding interest rate risk. State law limits investments into securities having maturities no greater than five (5) years. The maximum maturity for investments in repurchase agreements is 180 days.

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Credit Risk of Investments - 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+	A	Unrated
Primary Government					
Repurchase Agreement	\$ 8,132,240	\$ -	\$ -	\$ -	\$ 8,132,240
Money Market Funds	1,416,134	1,416,134	-	-	-
LGIP	698,869	208,872	-	-	489,997
U.S. Government Bonds	37,928,926	-	35,832,386	2,096,540	-
	<u>48,176,169</u>	<u>1,625,006</u>	<u>35,832,386</u>	<u>2,096,540</u>	<u>8,622,237</u>
Fiduciary Fund					
Money Market Funds	2,611	-	-	-	2,611
U.S. Government Bonds	255,137	-	255,137	-	-
Equities	57,583	-	-	-	57,583
	<u>315,331</u>	<u>-</u>	<u>255,137</u>	<u>-</u>	<u>60,194</u>
Total	<u>\$ 48,491,500</u>	<u>\$ 1,625,006</u>	<u>\$ 36,087,523</u>	<u>\$ 2,096,540</u>	<u>\$ 8,682,431</u>

The Town has no policy regarding credit risk of investments. State law requires the following for credit risk of investments:

1. Commercial paper must be of prime quality and be rated within the top two ratings by a nationally recognized rating agency.
2. Bonds, debentures, notes, and other evidences of indebtedness that are denominated in United States dollars must be rated "A" or better at the time of purchase by at least two nationally recognized rating agencies.
3. Fixed income securities must carry one of the two highest ratings by Moody's investors service and Standard and Poor's rating service. If only one of the above-mentioned services rates the security, it must carry the highest rating of that service.

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk - At June 30, 2015, the Town's investments are included as follows:

Investment Type	Total	Concentration
Repurchase Agreement	\$ 8,132,240	16.77%
Money Market Funds	1,418,745	2.93%
LGIP	698,869	1.44%
U.S. Government Bonds	38,184,063	78.74%
Equities	<u>57,583</u>	0.12%
Total	<u>\$ 48,491,500</u>	100.00%

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:

	General	Highway User	Community				Non-Major Gov. Funds	Total Gov. Funds
			Community Facilities Districts- Debt Service	Community Facilities Districts- Capital Improvements	Impact Fees	Capital Improvements		
Receivables:								
Taxes	\$ 724,093	\$ 258,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 982,693
Interest	25,315	15,481	3,185	3,584	3,488	8,198	7,904	67,155
Accounts	243,571	45,239	-	-	-	-	-	288,810
Assessments	-	-	5,735,792	-	-	-	208,513	5,944,305
	<u>\$ 992,979</u>	<u>\$ 319,320</u>	<u>\$ 5,738,977</u>	<u>\$ 3,584</u>	<u>\$ 3,488</u>	<u>\$ 8,198</u>	<u>\$ 216,417</u>	<u>\$ 7,282,963</u>

The following table summarizes the Town's receivables for the enterprise funds as of June 30, 2015.

	Water Fund	Sewer Fund	Sanitation Fund	Total
Receivables:				
Interest	\$ 12,081	\$ 17,652	\$ 3,143	\$ 32,876
Accounts	352,588	428,852	58,381	839,821
	<u>364,669</u>	<u>446,504</u>	<u>61,524</u>	<u>872,697</u>
Less:				
Allowance	(8,923)	(8,800)	(4,595)	(22,318)
Net receivables	<u>\$ 355,746</u>	<u>\$ 437,704</u>	<u>\$ 56,929</u>	<u>\$ 850,379</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, 2015

NOTE 4 CAPITAL ASSETS

A summary of capital assets activity for the fiscal year ended June 30, 2015 follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 32,564,037	\$ -	\$ (17,628)	\$ 32,546,409
Construction in progress	473,796	13,748,314	-	14,222,110
Total capital assets not being depreciated	<u>33,037,833</u>	<u>13,748,314</u>	<u>(17,628)</u>	<u>46,768,519</u>
Capital assets, being depreciated:				
Buildings, infrastructure and improvements	59,752,833	681,175	-	60,434,008
Vehicles, furniture and equipment	9,975,823	689,577	(308,393)	10,357,007
Total capital assets being depreciated	<u>69,728,656</u>	<u>1,370,752</u>	<u>(308,393)</u>	<u>70,791,015</u>
Less accumulated depreciation for:				
Buildings and improvements	(18,814,935)	(1,995,098)	-	(20,810,033)
Vehicles, furniture and equipment	(6,700,366)	(554,898)	202,158	(7,053,106)
Total accumulated depreciation	<u>(25,515,301)</u>	<u>(2,549,996)</u>	<u>202,158</u>	<u>(27,863,139)</u>
Total capital assets, being depreciated, net	<u>44,213,355</u>	<u>(1,179,244)</u>	<u>(106,235)</u>	<u>42,927,876</u>
Governmental activities capital assets, net	<u>\$ 77,251,188</u>	<u>\$ 12,569,070</u>	<u>\$ (123,863)</u>	<u>\$ 89,696,395</u>
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 394,073	\$ -	\$ -	\$ 394,073
Construction in progress	1,120,699	6,648,725	-	7,769,424
Total capital assets not being depreciated	<u>1,514,772</u>	<u>6,648,725</u>	<u>-</u>	<u>8,163,497</u>
Capital assets, being depreciated:				
Buildings, infrastructure and improvements	15,368,822	-	-	15,368,822
Vehicles, machinery and equipment	2,022,969	137,372	(484,607)	1,675,734
Total capital assets being depreciated	<u>17,391,791</u>	<u>137,372</u>	<u>(484,607)</u>	<u>17,044,556</u>
Less accumulated depreciation for:				
Buildings, infrastructure and improvements	(6,458,658)	(316,203)	-	(6,774,861)
Vehicles, machinery and equipment	(1,859,548)	(50,247)	434,118	(1,475,677)
Total accumulated depreciation	<u>(8,318,206)</u>	<u>(366,450)</u>	<u>434,118</u>	<u>(8,250,538)</u>
Total capital assets, being depreciated, net	<u>9,073,585</u>	<u>(229,078)</u>	<u>(50,489)</u>	<u>8,794,018</u>
Business-Type activities capital assets, net	<u>\$ 10,588,357</u>	<u>\$ 6,419,647</u>	<u>\$ (50,489)</u>	<u>\$ 16,957,515</u>

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 4 CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 264,142
Public safety	750,701
Highway and streets	1,463,595
Culture and recreation	71,558
Community development	-
	<u> </u>
Total depreciation expense	<u>\$ 2,549,996</u>
Business-type activities	
Water	\$ 103,808
Sewer	240,974
Sanitation	21,668
	<u> </u>
Total depreciation expense	<u>\$ 366,450</u>

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, 2015 in governmental activities.

Year Ending, June 30	Principal
2016	\$ 289,915
2017	289,915
2018	-
	<u> </u>
Total requirements	579,830
Less interest	12,448
	<u> </u>
Present value of remaining payments	<u>\$ 567,382</u>

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

Asset	Governmental
	<u>Activities</u>
Vehicles	\$ 1,395,508
Less accumulated depreciation	<u>(111,895)</u>
Net	<u>\$ 1,283,612</u>

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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 \$385,188 at June 30, 2015.

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, 2015, the Town has an outstanding balance of \$3,827,612. 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, 2015, the Town has drawn down \$70,943 of this note. Payments are due semi-annually including interest at 3.750%. Due to WIFA's required schedule amortization of the loan, the Town has a deposit totaling \$190,498 with WIFA at June 30, 2015.

The annual debt service requirements to maturity as of June 30, 2015, are as follows:

Year Ending, June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 46,636	\$ 23,111	\$ 414,793	\$ 120,439
2017	49,435	20,313	428,643	106,358
2018	52,401	17,347	442,955	91,806
2019	55,545	14,203	457,746	76,769
2020	58,877	10,870	473,030	61,230
2021 - 2024	122,294	10,931	1,610,445	83,821
Total	\$ 385,188	\$ 96,775	\$ 3,827,612	\$ 540,423

NOTE 7 BONDS PAYABLE

Bonds payable at June 30, 2015, consisted of the outstanding special assessment bonds presented below.

The bonds issued in 1994 to acquire Arizona Sierra Utility have an outstanding principal of \$282,000. The bonds are secured and payable from special assessments levied against the real property benefited by said improvements. If the assessments are not paid, the properties subject to such assessments are sold at auction. If there is no purchaser for any property offered for sale, the Town will get ownership of the property subject to any tax liens and will be liable for the remaining debt. The Town Council is required to appropriate from the General Fund of the Town the amount of the total unpaid assessments or the amount of each semiannual assessment until the total debt is paid.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 BONDS PAYABLE (Continued)

Community Facilities Districts (CFDs), special purpose districts created specifically to acquire or construct public infrastructure within specified areas of the Town, are authorized under state law to issue General Obligation (GO) 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.

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

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

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

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

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 BONDS PAYABLE (Continued)

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

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

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.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 7 BONDS PAYABLE (Continued)

A summary of long-term bond debt payable at June 30, 2015, follows:

Description	Interest Rate	Maturity	Outstanding	
			Principal June 30, 2015	Due Within One Year
Utility Improvement District #1 Revenue Bonds 1994	8.45%	1/1/2019	282,000	\$ 64,000
Merrill Ranch CFD #1 Special Assessment Bonds 2006	4.30 - 5.30%	7/1/2030	1,351,000	73,000
Merrill Ranch CFD #2 Special Assessment Bonds 2006	4.30 - 5.30%	7/1/2030	1,475,000	75,000
Merrill Ranch CFD #1 General Obligation Bonds 2008A	6.00 - 7.40%	7/15/2033	3,860,000	100,000
Merrill Ranch CFD #1 Special Assessment Bonds 2009	9.00%	7/1/2034	281,450	6,500
Merrill Ranch CFD #2 Special Assessment Bonds 2009	9.00%	7/1/2034	733,100	15,250
Merrill Ranch CFD #2 Special Assessment Bonds 2010	7.75%	7/1/2035	185,860	3,920
Merrill Ranch CFD #1 Special Assessment Bonds 2010	7.50%	7/1/2035	264,440	5,790
Merrill Ranch CFD #2 General Obligation Bonds 2010	5.86%	7/15/2035	2,900,000	80,000
Merrill Ranch CFD #1 Special Assessment Bonds 2012	6.88%	7/1/2037	186,000	4,000
Merrill Ranch CFD #2 General Obligation Bonds 2013	1.50 - 6.75%	7/15/2038	1,780,000	25,000
Total			<u>\$ 13,298,850</u>	<u>\$ 452,460</u>

Annual debt service requirements to maturity on governmental bonds payable at June 30, 2015 are summarized as follows:

Fiscal year ending June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 452,460	\$ 851,220
2017	473,150	824,906
2018	507,070	796,050
2019	536,270	764,492
2020	477,710	730,272
2021 - 2025	2,874,780	3,162,049
2026 - 2030	3,489,710	2,120,611
2031 - 2035	3,140,660	965,069
2036 - 2040	1,347,040	180,685
Total	<u>\$ 13,298,850</u>	<u>\$ 10,395,354</u>

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 14,557,830	\$ -	\$ 1,258,980	\$ 13,298,850	\$ 452,460
Notes payable	429,184	-	43,996	385,188	46,636
Capital leases	844,967	-	277,585	567,382	281,636
Compensated absences	494,274	483,269	466,055	511,488	350,390
Premiums	24,167	-	967	23,200	-
Governmental activities long-term liabilities	<u>\$ 16,350,422</u>	<u>\$ 483,269</u>	<u>\$ 2,047,583</u>	<u>\$ 14,786,108</u>	<u>\$ 1,131,122</u>
Business-type activities:					
Notes payable	\$ 4,212,898	\$ -	\$ 385,286	\$ 3,827,612	\$ 414,793
Compensated absences	44,397	39,512	38,430	45,479	32,532
Business-type activities long-term liabilities	<u>\$ 4,257,295</u>	<u>\$ 39,512</u>	<u>\$ 423,716</u>	<u>\$ 3,873,091</u>	<u>\$ 447,325</u>

NOTE 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2015 all interfund balances consisted of short term loans made to cover operating cash deficits by the General Fund. At June 30, 2015, interfund receivables/payables consisted of the following:

Fund	Receivable Amount	Payable Amount
General Fund	\$ 132,099	\$ -
CFD Capital Improvements	-	20,059
Non-Major Governmental Funds	-	112,040
Total	<u>\$ 132,099</u>	<u>\$ 132,099</u>

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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

At June 30, 2015, there were the following interfund transfers.

Fund	Transfers Out	Transfers In
General Fund	\$ 1,011	\$ 1,644,236
Highway User	406,268	9,900
Impact Fees	3,374,613	-
Capital Improvements	425,111	6,474,613
Non-Major Governmental Funds	3,176,900	304,686
Water	457,296	-
Sewer	542,736	-
Sanitation	49,500	-
	\$ 8,433,435	\$ 8,433,435
Total	\$ 8,433,435	\$ 8,433,435

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, 2015.

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

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

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

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, 2015; however, the Town expects no material disallowances of expenditures.

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The Town contributes to the plans described below. The plans are component units of the State of Arizona.

At June 30, 2015, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net pension asset	\$ 391,821	\$ -	\$ -
Net pension liabilities	7,721,499	1,167,339	8,888,838
Deferred outflows of resources	2,286,421	191,106	2,477,527
Deferred inflows of resources	1,536,209	204,132	1,740,341
Pension expense	612,680	99,943	712,623

The Town reported \$996,881 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

A. Arizona State Retirement System

Plan Description – Town employees not covered by the other pension plan described below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Arizona State Retirement System (Continued)

Benefits Provided - The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

ASRS	Retirement	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* and years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*with actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Arizona State Retirement System (Continued)

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. The Town's contributions to the pension plan for the year ended June 30, 2015 were \$591,857. The Town's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS	Year ended June 30	Health Benefit Supplement Fund	Long-Term Disability Fund
	2015	\$ 32,639	\$ 6,528
	2014	30,437	12,175
	2013	27,829	11,132

During fiscal year 2015, the Town paid for ASRS pension and OPEB contributions as follows: 66 percent from the General Fund, 5 percent from the water fund, 7 percent from the sewer fund, 1 percent from the sanitation fund, 6 percent from the internal service funds and 15 percent from other non-major funds.

Pension Liability - At June 30, 2015, the Town reported a liability of \$8,332,184 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The Town's proportion measured as of June 30, 2014, was 0.056311 percent, which was an increase of 0.003281% from its proportion measured as of June 30, 2013.

The Town's reported liability at June 30, 2015, decreased by \$483,728 from the Town's prior year liability of \$8,815,912 because of changes in the ASRS' net pension liability and the Town's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability.

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Arizona State Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources - For the year ended June 30, 2015, the Town Audit Audit Audit Audit Audit Audit Audit Audit recognized pension expense for ASRS of \$713,359. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 423,466	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,457,042
Changes in proportion and differences between Town contributions and proportionate share of contributions	379,630	-
Town contributions subsequent to the measurement date	<u>591,857</u>	<u>-</u>
Total	<u>\$ 1,394,953</u>	<u>\$ 1,457,042</u>

The \$591,857 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30	
2016	\$ 15,088
2017	15,088
2018	259,509
2019	364,261
Thereafter	-

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Arizona State Retirement System (Continued)

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

ASRS	
Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 20, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ASRS		Target	Long-Term
	Asset Class	Allocation	Expected Real Rate of Return
	Equity	63%	7.03%
	Fixed Income	25%	3.20%
	Real estate	8%	4.50%
	Commodities	4%	4.75%
	Total	<u>100%</u>	

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

A. Arizona State Retirement System (Continued)

Discount Rate - The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Town's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate - The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% increase (9%)
Town's proportionate share of the net pension liability	\$ 5,656,276	\$ 4,475,083	\$ 3,834,227

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

B. Public Safety Personnel Retirement System

Plan Description – Town police department employees and fire department employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS). The PSPRS administers an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan (agent plans). A seven-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The PSPRS issues a publicly available financial report that include their financial statements and required supplementary information. The reports are available on the PSPRS web site at www.psprs.com.

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Benefits Provided - The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefits		
Retired Members	80% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees Covered by Benefit Terms - At June 30, 2015, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police	PSPRS Fire
Inactive employees or beneficiaries		
currently receiving benefits	5	-
Inactive employees entitled to		
by not yet receiving benefits	3	-
Active employees	<u>29</u>	<u>30</u>
Total	<u><u>37</u></u>	<u><u>30</u></u>

Contributions and Annual OPEB Cost - State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2015, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Fire
Active members - Pension	<u>12.87%</u>	<u>11.26%</u>
Town		
Pension	11.86%	10.56%

In addition, the Town was required by statute to contribute at the actuarially determined rate of 19.65 percent for the PSPRS of annual covered payroll of retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the PSPRS.

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

For the agent plans, the Town's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2015, were:

	PSPRS Police	PSPRS Fire
Pension Contributions made	\$ 219,027	\$ 185,997

Health Insurance Permium Benefit

During fiscal year 2015, the Town paid 100 percent of the PSPRS pension and OPEB contributions from the General Fund.

Pension Liability - At June 30, 2015, the Town reported the Police Department PSPRS net pension liabilities of \$556,654 and a Fire Department PSPRS net pension asset of \$391,821.

The net pension liability and asset were measured as of June 30, 2014, and the total pension liabilities used to calculate the net pension liability and asset were determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

Pension Actuarial Assumptions - The significant actuarial assumptions used to measure the total pension liabilities were as follows:

PSPRS	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Discount rate	7.85%
Projected salary increases	4.0% - 8.0%
Inflation	3.0% - 4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Actuarial assumptions used in the June 30, 2014, valuations were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS	Target	Long-Term
Asset Class	Allocation	Expected Real Rate of Return
U.S. equity	16.00%	7.60%
Non-U.S. equity	14.00%	8.63%
Private equity	11.00%	9.50%
Fixed income	7.00%	4.75%
Credit opportunities	13.00%	8.00%
Absolute return	4.00%	6.75%
GTAA	10.00%	5.73%
Real assets	8.00%	5.96%
Real estate	11.00%	6.50%
Risk Parity	4.00%	6.04%
Short term investments	2.00%	3.25%
Total	100.00%	

Pension Discount Rates – A 7.85 percent discount rates was used to measure the total pension liabilities.

The projection of cash flows used to determine the PSPRS discount rates assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Changes in the Net Pension Liability

PSPRS - Police	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 3,971,752	\$ 3,833,638	\$ 138,114
Changes for the year:			
Service Cost	318,072		318,072
Interest on the total pension liability	316,736		316,736
Changes of benefit terms	69,287		69,287
Differences between expected and actual experience in the measurement of the pension liability	23,569		23,569
Changes of assumptions or other inputs	506,321		506,321
Contributions - employer		221,399	(221,399)
Contributions - employee		192,212	(192,212)
Net investment income		518,949	(518,949)
Benefit payments, including refunds of employee contributions	(191,863)	(191,863)	-
Administrative expense		(4,213)	4,213
Other changes		(112,902)	112,902
Net changes	1,042,122	623,582	418,540
Balances at June 30, 2015	\$ 5,013,874	\$ 4,457,220	\$ 556,654

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Changes in the Net Pension Asset

PSPRS - Fire	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at June 30, 2014	\$ 1,968,723	\$ 2,165,263	\$ (196,540)
Changes for the year:			
Service Cost	256,499		256,499
Interest on the total pension liability	164,612		164,612
Changes of benefit terms	(9,051)		(9,051)
Differences between expected and actual experience in the measurement of the pension liability	204,613		204,613
Changes of assumptions or other inputs	27,389		27,389
Contributions - employer		176,996	(176,996)
Contributions - employee		161,991	(161,991)
Net investment income		323,597	(323,597)
Benefit payments, including refunds of employee contributions	-	-	-
Administrative expense		(2,627)	2,627
Other changes		179,386	(179,386)
Net changes	644,062	839,343	(195,281)
Balances at June 30, 2015	\$ 2,612,785	\$ 3,004,606	\$ (391,821)

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Sensitivity of the Town's Net Pension Liability and Asset to Changes in the Discount Rate - The following table presents the Town's net pension liability and asset calculated using the discount rates noted above, as well as what the Town's net pension liability and asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

PSPRS - Police	1% Decrease	Current	1% increase
	(6.85%)	Discount Rate (7.85%)	(8.85%)
Total pension liability	\$ 5,733,560	\$ 5,013,874	\$ 4,419,376
Plan fiduciary net position	<u>4,457,220</u>	<u>4,457,220</u>	<u>4,457,220</u>
Net pension liability (asset)	\$ 1,276,340	\$ 556,654	\$ (37,844)

PSPRS - Fire	1% Decrease	Current	1% increase
	(6.85%)	Discount Rate (7.85%)	(8.85%)
Total pension liability	\$ 3,116,763	\$ 2,612,785	\$ 2,204,866
Plan fiduciary net position	<u>3,004,606</u>	<u>3,004,606</u>	<u>3,004,606</u>
Net pension liability (asset)	\$ 112,157	\$ (391,821)	\$ (799,740)

Pension Plans' Fiduciary Net Position - Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Pension Expense - For the year ended June 30, 2015, the Town recognized \$194,416 and (\$195,152) of Police Department and Fire Department PSPRS pension expense, respectively.

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Pension Deferred Outflows/Inflows of Resources - At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS - Police	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,574	\$ -
Changes of assumptions or other inputs	441,972	-
Net difference between projected and actual earnings on pension plan investments	-	174,494
Town contributions subsequent to the measurement date	<u>219,027</u>	<u>-</u>
Total	<u>\$ 681,573</u>	<u>\$ 174,494</u>
PSPRS - Fire	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 189,622	\$ -
Changes of assumptions or other inputs	25,382	-
Net difference between projected and actual earnings on pension plan investments	-	108,805
Town contributions subsequent to the measurement date	<u>185,997</u>	<u>-</u>
Total	<u>\$ 401,001</u>	<u>\$ 108,805</u>

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

The amounts reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	PSPRS Police	PSPRS Fire
2016	\$ 23,721	\$ (10,204)
2017	23,721	(10,204)
2018	23,721	(10,204)
2019	23,721	(10,204)
2020	67,344	16,998
Thereafter	125,824	130,017

Agent plan OPEB actuarial assumptions - The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Projections of benefits are based on (1) the plans as the Town and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

PSPRS - OPEB Contribution Requirements

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5% - 8.5% for PSPRS
Wage growth	4.5% for PSPRS

Agent plan OPEB trend information - Annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years follows for each of the agent plans:

PSPRS - Police		Percentage of	
Year Ended June 30,	Annual OPEB Cost	Annual Cost Contributed	Net OPEB Obligation
2015	\$ 18,652	100%	\$ -
2014	15,527	100%	-
2013	16,382	100%	-
PSPRS - Fire		Percentage of	
Year Ended June 30,	Annual OPEB Cost	Annual Cost Contributed	Net OPEB Obligation
2015	\$ 12,329	100%	\$ -
2014	9,924	100%	-
2013	9,047	100%	-

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Agent plan OPEB funded status - The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow:

	PSPRS Police	PSPRS Fire
Actuarial value of assets (a)	\$ 192,545	\$ 91,668
Actuarial accrued liability (b)	150,541	98,726
Unfunded actuarial accrued liability (funded excess) (b) - (a)	(42,004)	7,058
Funded ratio (a)/(b)	127.90%	92.85%
Annual covered payroll (c)	\$ 1,721,954	\$ 1,770,958
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)	0.00%	0.40%

The actuarial methods and assumptions used are the same for all the PSPRS health insurance premium benefit plans (unless noted), and for the most recent valuation date are as follows:

PSPRS - OPEB Funded Status	
Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	24 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases includes inflation at	4% - 8% for PSPRS 4% for PSPRS

C. 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.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

C. Florence Volunteer Firefighter Retirement Profit Sharing Plan and Trust Fund (Continued)

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, 2015. The Town's required matching contributions for the plan were covered by the accumulated forfeited funds for the year ended June 30, 2015. As of June 30, 2015, there were 7 eligible employees participating in the plan. The plan is administered by Securian Financial.

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, 2015. 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, 2015

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:

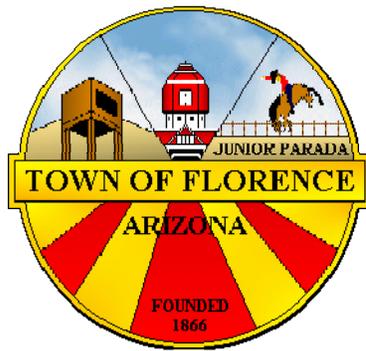
Project - Contractor	June 30, 2015	Fund
Library and Recreation Complex Project <i>Low Mountain Construction</i>	\$ 1,264,210	Capital Improvements
Baseball Field #3 <i>Wright Engineering Corp</i>	691	Capital Improvements
Community Dev Remodel <i>Overton Builders, LLC.</i>	1,146	Capital Improvements
Main St. Extension (T-13) <i>Low Mountain Construction</i>	10,702	HURF
<i>Baxter Design</i>	3,175	HURF
Traffic Signal Imp @ FS #2 (T-28) <i>Kimbrell Electric, Inc</i>	199,082	HURF
<i>Lee Engineering</i>	740	HURF
Diversion Dam Phase II (T-17) <i>R.K. Sanders, Inc.</i>	1,021,985	HURF
New Water Well #2 (WU-23) <i>Arizona Beeman Drilling</i>	99,574	Water
<i>Southwest Ground-Water Consulting</i>	2,858	Water
North Reservoir Upgrade (WU-26) <i>Water Works Engineering</i>	13,824	Water
<i>Garney Companies</i>	372,796	Water
Waterline Alignment (WU-38) <i>Sunrise Engineering</i>	1,930	Water
SCADA Tie-In Project (WU-64) <i>Ripple Industries</i>	1,949	Water
Waterline Extension (WU-69) <i>EPS Group</i>	17,237	Water
<i>McCain Construction</i>	33,840	Water
Waterline Extension @ Bailey (WU-73) <i>Sunrise Engineering</i>	1,010	Water
SWWTP & Filtration Mgmt (SU-08) <i>Garney Companies</i>	849,892	Sewer
<i>Water Works Engineering</i>	124,750	Sewer
Lagoon Project (SU19/20) <i>Blount Contracting</i>	10,000	Sewer
<i>Sunrise Engineering</i>	500	Sewer
SWWTP Chlorine Sys (SU-83) WIFA <i>Blount Contracting</i>	68,736	Sewer
<i>Sunrise Engineering</i>	276,429	Sewer
Total Commitment Amount	<u>\$ 4,377,056</u>	

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 14 RESTATEMENT

The Town of Florence adopted GASB Statement No. 68 Accounting and Financial Reporting for Pensions, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. As a result, the effect on fiscal year 2015 is as follows:

	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund	Sanitation Fund	Internal Service Funds
Net Position as previously reported at June 30, 2014	\$ 111,610,983	\$ 28,138,517	\$ 13,021,953	\$ 13,326,562	\$ 1,790,002	\$ -
Restatement -						
Implementation of GASB 68:						
Net pension liability (measurement date as of June 30, 2013)	(7,750,515)	(1,235,109)	(477,822)	(650,614)	(106,673)	(451,374)
Deferred outflows - Town contributions made during fiscal year 2014	865,442	76,094	29,438	40,084	6,572	27,809
Total restatement	(6,885,073)	(1,159,015)	(448,384)	(610,530)	(100,101)	(423,565)
Net position as restated, July 1, 2014	\$ 104,725,910	\$ 26,979,502	\$ 12,573,569	\$ 12,716,032	\$ 1,689,901	\$ (423,565)



REQUIRED SUPPLEMENTARY INFORMATION



TOWN OF FLORENCE, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 COST-SHARING PENSION PLAN
 June 30, 2015

Arizona Retirement System

	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Town's proportion of the net pension liability	0.056311%	Information not available
Town's proportionate share of the net pension liability	\$ 8,332,184	Information not available
Town's covered-employee payroll	5,439,862	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	153.17%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

TOWN OF FLORENCE, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
 AGENT PENSION PLAN
 June 30, 2015

Florence Police Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Total pension liability		
Service cost	\$ 318,072.00	Information not available
Interest on the total pension liability	316,736	
Changes on benefit terms	69,287	
Differences between expected and actual experience in the measurement of the pension liability	23,569	
Changes of assumptions or other inputs	506,321	
Benefit payments, including refunds of employee contributions	(191,863)	
Net change in total pension liability	1,042,122	
Total pension liability - beginning	3,971,752	
Total pension liability - ending (a)	\$ 5,013,874	
Plan fiduciary net position		
Contributions - employer	\$ 221,399	
Contributions - employee	192,212	
Net investment income	518,949	
Benefit payments, including refunds of employee contributions	(191,863)	
Administrative expense	(4,213)	
Other changes	(112,902)	
Net change in plan fiduciary net position	623,582	
Plan fiduciary net position - beginning	3,833,638	
Plan fiduciary net position - ending (b)	\$ 4,457,220	
Town's net pension liability (asset) - ending (a) - (b)	\$ 556,654	

TOWN OF FLORENCE, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
 AGENT PENSION PLAN (CONTINUED)
 June 30, 2015

Florence Police Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Plan fiduciary net position as a percentage of the total pension liability (asset)	88.90%	Information not available
Covered-employee payroll	\$ 1,846,771	
Town's net pension liability (asset) as a percentage of covered-employee payroll	30.14%	

TOWN OF FLORENCE, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
 AGENT PENSION PLAN (CONTINUED)
 June 30, 2015

Florence Fire Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Total pension liability		
Service cost	\$ 256,499	Information not available
Interest on the total pension liability	164,612	
Changes on benefit terms	(9,051)	
Differences between expected and actual experience in the measurement of the pension liability	204,613	
Changes of assumptions or other inputs	27,389	
Benefit payments, including refunds of employee contributions	-	
Net change in total pension liability	644,062	
Total pension liability - beginning	1,968,723	
Total pension liability - ending (a)	\$ 2,612,785	
Plan fiduciary net position		
Contributions - employer	\$ 176,996	
Contributions - employee	161,991	
Net investment income	323,597	
Benefit payments, including refunds of employee contributions	-	
Administrative expense	(2,627)	
Other changes	179,386	
Net change in plan fiduciary net position	839,343	
Plan fiduciary net position - beginning	2,165,263	
Plan fiduciary net position - ending (b)	\$ 3,004,606	
Town's net pension liability (asset) - ending (a) - (b)	\$ (391,821)	

TOWN OF FLORENCE, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE TOWN'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
 AGENT PENSION PLAN (CONCLUDED)
 June 30, 2015

Florence Fire Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)	
	2015 (2014)	2014 through 2006
Plan fiduciary net position as a percentage of the total pension liability (asset)	88.90%	Information not available
Covered-employee payroll	\$ 1,846,771	
Town's net pension liability (asset) as a percentage of covered-employee payroll	30.14%	

TOWN OF FLORENCE, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOWN PENSION CONTRIBUTIONS
 June 30, 2015

Arizona Retirement System	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Statutorily required contribution	\$ 591,857	\$ 542,791	Information not available
Town's contributions in relation to the statutorily required contribution	591,857	542,791	
Town's contribution deficiency (excess)	\$ -	\$ -	
Town's covered-employee payroll	\$ 5,439,862	\$ 5,072,813	
Town's contributions as a percentage of covered-employee payroll	10.88%	10.70%	
Florence Police Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Actuarially determined contribution	\$ 219,027	\$ 221,399	Information not available
Town's contributions in relation to the actuarially determined contribution	219,027	221,399	
Town's contribution deficiency (excess)	\$ -	\$ -	
Town's covered-employee payroll	\$ 1,846,771	\$ 1,713,615	
Town's contributions as a percentage of covered-employee payroll	11.86%	12.92%	
Florence Fire Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year		
	2015	2014	2013 through 2006
Actuarially determined contribution	\$ 185,997	\$ 176,996	Information not available
Town's contributions in relation to the actuarially determined contribution	185,997	176,996	
Town's contribution deficiency (excess)	\$ -	\$ -	
Town's covered-employee payroll	\$ 1,761,335	\$ 1,594,559	
Town's contributions as a percentage of covered-employee payroll	10.56%	11.10%	

TOWN OF FLORENCE, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 NOTES TO THE PENSION PLAN SCHEDULES
 June 30, 2015

NOTE 1 ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period as of the 2013 actuarial valuation	23 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions: Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% – 9.0% to 4.5% – 8.5% for PSPRS.
Wage growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

NOTE 2 FACTORS THAT AFFECT TRENDS

Changes of benefit terms include the payout of Retro PBI and a change in the employee contribution rate. Changes of assumptions include a decrease in the wage assumption from 4.5% to 4.0% as well the inclusion of an assumption to explicitly value future PBI. In 2014 other changes also include the removal of assets specifically set aside for Health Insurance from Pension Assets.

TOWN OF FLORENCE, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
 June 30, 2015

Health Insurance Premium Benefit

Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b) - (a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL (funding excess) as a percentage of covered payroll (b) - (a)/(c)
PSPRS Police						
6/30/2014	\$ 192,545	\$ 150,541	\$ (42,004)	127.90%	\$ 1,721,954	0.00%
6/30/2013	-	130,591	130,591	0.00%	1,603,691	8.14%
6/30/2012	-	132,533	132,533	0.00%	1,610,463	8.23%

The health insurance subsidy payment reported for FY 2014 was \$4,320

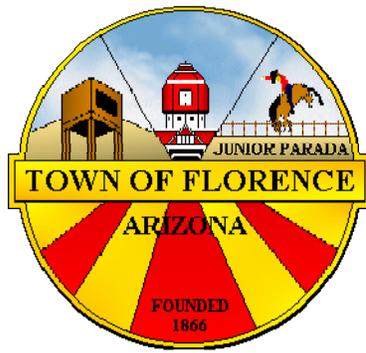
Actuarial Valuation Date	Actuarial value of assets (a)	Actuarial accrued liability (b)	Unfunded actuarial accrued liability (UAAL) (funding excess) (b) - (a)	Funded ratio (a)/(b)	Annual covered payroll (c)	UAAL (funding excess) as a percentage of covered payroll (b) - (a)/(c)
PSPRS Fire						
6/30/2014	\$ 91,668	\$ 98,726	\$ 7,058	92.85%	\$ 1,770,958	0.40%
6/30/2013	-	74,997	74,997	0.00%	1,350,329	5.55%
6/30/2012	-	62,844	62,844	0.00%	1,240,750	5.07%

The health insurance subsidy payment reported for FY 2014 was \$0

TOWN OF FLORENCE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
June 30, 2015

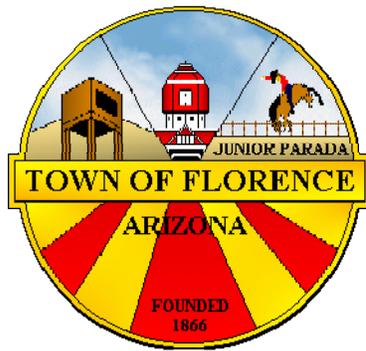
NOTE 1 FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.



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, 2015

	Special Revenue			
	Grants	Economic Development	Community Services	Community Facilities Districts
ASSETS				
Cash and cash equivalents	\$ 11,021	\$ 183,379	\$ 13,753	\$ 58,229
Receivables (net of allowance for uncollectibles)	-	1,412	126	524
Due from other governments	111,941	-	-	1,434
Investments	38,233	636,169	47,713	202,004
Total assets	\$ 161,195	\$ 820,960	\$ 61,592	\$ 262,191
LIABILITIES				
Accounts payable and other current liabilities	\$ 920	\$ 4,534	\$ -	\$ -
Accrued wages and benefits	608	-	-	48
Other accrued liabilities	-	-	-	10
Due to other funds	112,040	-	-	-
Total liabilities	113,568	4,534	-	58
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	8,967	506	45	897
Total deferred inflows of resources	8,967	506	45	897
FUND BALANCES				
Restricted				
Public safety	-	-	61,547	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Highways and Streets	38,660	-	-	-
Economic development	-	815,920	-	-
Community Facilities Districts operations	-	-	-	261,236
Total fund balances	38,660	815,920	61,547	261,236
Total liabilities, deferred inflows of resources and fund balances	\$ 161,195	\$ 820,960	\$ 61,592	\$ 262,191

<u>Capital Projects</u>			
Debt Service	Construction Tax	Food Tax	Total
\$ 31,706	\$ 612,117	\$ 9,321	\$ 919,526
208,812	5,543	-	216,417
-	-	-	113,375
109,991	2,123,518	32,337	3,189,965
<u>\$ 350,509</u>	<u>\$ 2,741,178</u>	<u>\$ 41,658</u>	<u>\$ 4,439,283</u>
\$ -	\$ -	\$ -	\$ 5,454
-	-	-	656
-	-	-	10
-	-	-	112,040
<u>-</u>	<u>-</u>	<u>-</u>	<u>118,160</u>
209,287	1,984	-	221,686
<u>209,287</u>	<u>1,984</u>	<u>-</u>	<u>221,686</u>
-	-	-	61,547
141,222	-	-	141,222
-	2,739,194	41,658	2,780,852
-	-	-	38,660
-	-	-	815,920
-	-	-	261,236
<u>141,222</u>	<u>2,739,194</u>	<u>41,658</u>	<u>4,099,437</u>
<u>\$ 350,509</u>	<u>\$ 2,741,178</u>	<u>\$ 41,658</u>	<u>\$ 4,439,283</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, 2015

REVENUES	Special Revenue			
	Grants	Economic Development	Community Services	Community Facilities Districts
Taxes	\$ -	\$ -	\$ -	\$ 91,814
Intergovernmental revenues	680,210	-	-	-
Charges for services	-	-	12,375	4,488
Fines	-	-	2,067	-
Special assessments	-	-	-	-
Investment income				
Interest income	-	7,681	606	2,582
Net increase in the fair value of investments	-	237	22	89
Contributions and donations	9,776	-	-	-
Miscellaneous	-	58,074	20	53
Total revenues	689,986	65,992	15,090	99,026
EXPENDITURES				
Current:				
General government	22,526	-	-	76,454
Public safety	316,723	-	3,750	-
Public works	46,174	53,484	-	-
Culture & recreation	29,111	-	-	-
Community development	6,922	-	1,257	-
Capital outlay	229,971	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	651,427	53,484	5,007	76,454
Excess (deficiency) of revenues over (under) expenditures	38,559	12,508	10,083	22,572
OTHER FINANCING SOURCES (USES)				
Transfers in	14,771	-	-	-
Transfers out	-	(67,900)	-	-
Total other financing sources and uses	14,771	(67,900)	-	-
Net change in fund balances	53,330	(55,392)	10,083	22,572
Fund balances - beginning of year	(14,670)	871,312	51,464	238,664
Fund balances - beginning of year - restated	(14,670)	871,312	51,464	238,664
Fund balances - end of year	\$ 38,660	\$ 815,920	\$ 61,547	\$ 261,236

Capital Projects

Debt Service	Construction Tax	Food Tax	Total
\$ -	\$ 138,903	\$ 274,021	\$ 504,738
-	-	-	680,210
9,129	-	-	25,992
-	-	-	2,067
70,134	-	-	70,134
1,498	37,371	17,267	67,005
51	928	-	1,327
-	-	-	9,776
162	2,039	500	60,848
<u>80,974</u>	<u>179,241</u>	<u>291,788</u>	<u>1,422,097</u>
-	-	-	98,980
-	-	-	320,473
-	-	-	99,658
-	-	-	29,111
-	-	-	8,179
-	-	-	229,971
376,583	-	-	376,583
67,985	-	-	67,985
<u>444,568</u>	<u>-</u>	<u>-</u>	<u>1,230,940</u>
<u>(363,594)</u>	<u>179,241</u>	<u>291,788</u>	<u>191,157</u>
289,915	-	-	304,686
(9,000)	(1,000,000)	(2,100,000)	(3,176,900)
<u>280,915</u>	<u>(1,000,000)</u>	<u>(2,100,000)</u>	<u>(2,872,214)</u>
(82,679)	(820,759)	(1,808,212)	(2,681,057)
223,901	3,559,953	1,849,870	6,780,494
<u>223,901</u>	<u>3,559,953</u>	<u>1,849,870</u>	<u>6,780,494</u>
<u>\$ 141,222</u>	<u>\$ 2,739,194</u>	<u>\$ 41,658</u>	<u>\$ 4,099,437</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, 2015

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 981,800	\$ 981,800	\$ 994,674	\$ 12,874
Special assessments	699,000	699,000	1,115,412	416,412
Investment income				
Interest income	8,500	8,500	14,551	6,051
Net increase in the fair value of investments	-	-	533	533
Miscellaneous	-	-	378	378
Total revenues	<u>1,689,300</u>	<u>1,689,300</u>	<u>2,125,548</u>	<u>436,248</u>
EXPENDITURES				
Current				
General government	73,000	73,000	68,643	4,357
Capital outlay	9,600	9,600	-	9,600
Debt service				
Principal	1,209,700	1,209,700	1,203,980	5,720
Interest and fiscal charges	1,107,800	1,107,800	877,317	230,483
Total expenditures	<u>2,400,100</u>	<u>2,400,100</u>	<u>2,149,940</u>	<u>250,160</u>
Net change in fund balance	(710,800)	(710,800)	(24,392)	686,408
Fund balance - beginning of year	<u>2,790,455</u>	<u>2,790,455</u>	<u>2,790,455</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,079,655</u>	<u>\$ 2,079,655</u>	<u>\$ 2,766,063</u>	<u>\$ 686,408</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, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Investment income				
Interest income	\$ 6,400	\$ 6,400	\$ 19,225	\$ 12,825
Net increase in the fair value of investments	-	-	600	600
Miscellaneous	-	-	103	103
Total revenues	<u>6,400</u>	<u>6,400</u>	<u>19,928</u>	<u>13,528</u>
EXPENDITURES				
Current				
General government	375,200	375,200	1,623	373,577
Public safety	2,641,000	2,641,000	22,882	2,618,118
Community development	134,000	134,000	-	134,000
Capital outlay	<u>979,400</u>	<u>979,400</u>	<u>-</u>	<u>979,400</u>
Total expenditures	<u>4,129,600</u>	<u>4,129,600</u>	<u>24,505</u>	<u>4,105,095</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,123,200)</u>	<u>(4,123,200)</u>	<u>(4,577)</u>	<u>4,118,623</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from obligations	<u>3,502,700</u>	<u>3,502,700</u>	<u>-</u>	<u>(3,502,700)</u>
Total other financing sources and uses	<u>3,502,700</u>	<u>3,502,700</u>	<u>-</u>	<u>(3,502,700)</u>
Net change in fund balance	(620,500)	(620,500)	(4,577)	615,923
Fund balance - beginning of year	<u>2,353,267</u>	<u>2,353,267</u>	<u>2,353,267</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,732,767</u>	<u>\$ 1,732,767</u>	<u>\$ 2,348,690</u>	<u>\$ 615,923</u>

TOWN OF FLORENCE, ARIZONA
IMPACT FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

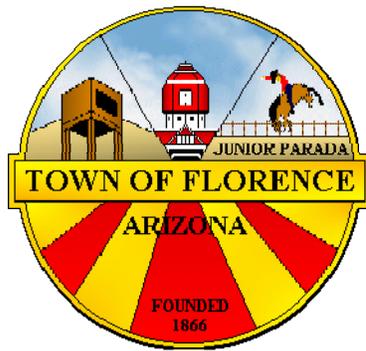
	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Charges for services	\$ 314,600	\$ 314,600	\$ 379,548	\$ 64,948
Investment income				
Interest income	23,100	23,100	46,432	23,332
Net increase in the fair value of investments	-	-	584	584
Miscellaneous	-	-	3,815	3,815
Total revenues	<u>337,700</u>	<u>337,700</u>	<u>430,379</u>	<u>92,679</u>
EXPENDITURES				
Capital outlay	-	-	4,871	(4,871)
Total expenditures	<u>-</u>	<u>-</u>	<u>4,871</u>	<u>(4,871)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>337,700</u>	<u>337,700</u>	<u>425,508</u>	<u>87,808</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(3,356,100)	(3,356,100)	(3,374,613)	(18,513)
Total other financing sources and uses	<u>(3,356,100)</u>	<u>(3,356,100)</u>	<u>(3,374,613)</u>	<u>(18,513)</u>
Net change in fund balance	<u>(3,018,400)</u>	<u>(3,018,400)</u>	<u>(2,949,105)</u>	<u>69,295</u>
Fund balance - beginning of year	<u>4,650,924</u>	<u>4,650,924</u>	<u>4,650,924</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,632,524</u>	<u>\$ 1,632,524</u>	<u>\$ 1,701,819</u>	<u>\$ 69,295</u>

TOWN OF FLORENCE, ARIZONA
CAPITAL IMPROVEMENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 1,509,000	\$ 1,509,000	\$ 1,095,971	\$ (413,029)
Investment income				
Interest income	52,400	52,400	83,001	30,601
Net increase in the fair value of investments	-	-	1,373	1,373
Miscellaneous	-	-	2,870	2,870
Total revenues	1,561,400	1,561,400	1,183,215	(378,185)
EXPENDITURES				
Current				
General government	1,857,500	1,465,500	964,067	501,433
Public safety	94,000	94,000	140,465	(46,465)
Highways & streets	-	750,000	634,344	115,656
Public works	110,000	107,300	9,640	97,660
Culture and recreation	37,200	33,300	22,375	10,925
Community development	442,700	442,700	-	442,700
Capital outlay	20,426,900	20,075,500	15,136,410	4,939,090
Total expenditures	22,968,300	22,968,300	16,907,301	6,060,999
Excess (deficiency) of revenues over (under) expenditures	(21,406,900)	(21,406,900)	(15,724,086)	5,682,814
OTHER FINANCING SOURCES (USES)				
Transfers in	6,456,100	6,456,100	6,474,613	18,513
Transfers out	(652,000)	(652,000)	(425,111)	226,889
Proceeds from capital leases	5,000,000	5,000,000	-	(5,000,000)
Total other financing sources and uses	10,804,100	10,804,100	6,049,502	(4,754,598)
Net change in fund balance	(10,602,800)	(10,602,800)	(9,674,584)	928,216
Fund balance - beginning of year	13,051,686	13,051,686	13,051,686	-
Fund balance - end of year	\$ 2,448,886	\$ 2,448,886	\$ 3,377,102	\$ 928,216

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 1,014,000	\$ 1,014,000	\$ 680,210	\$ (333,790)
Contributions and donations	-	-	9,776	9,776
Miscellaneous	2,500,000	2,500,000	-	(2,500,000)
Total revenues	3,514,000	3,514,000	689,986	(2,824,014)
EXPENDITURES				
Current				
General government	-	-	22,526	(22,526)
Public safety	192,100	192,100	316,723	(124,623)
Public works	-	-	46,174	(46,174)
Culture and recreation	-	-	29,111	(29,111)
Community development	1,800	1,800	6,922	(5,122)
Capital outlay	3,344,700	3,344,700	229,971	3,114,729
Total expenditures	3,538,600	3,538,600	651,427	2,887,173
Excess (deficiency) of revenues over (under) expenditures	(24,600)	(24,600)	38,559	63,159
OTHER FINANCING SOURCES (USES)				
Transfers in	24,600	24,600	14,771	(9,829)
Total other financing sources and uses	24,600	24,600	14,771	(9,829)
Net change in fund balance	-	-	53,330	53,330
Fund balance - beginning of year	(14,670)	(14,670)	(14,670)	-
Fund balance - end of year	\$ (14,670)	\$ (14,670)	\$ 38,660	\$ 53,330

TOWN OF FLORENCE, ARIZONA
ECONOMIC DEVELOPMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Investment income				
Interest income	\$ 4,400	\$ 4,400	\$ 7,681	\$ 3,281
Net increase in the fair value of investments	-	-	237	237
Miscellaneous	47,300	47,300	58,074	10,774
Total revenues	<u>51,700</u>	<u>51,700</u>	<u>65,992</u>	<u>14,292</u>
EXPENDITURES				
Current				
Public works	53,300	53,300	53,484	(184)
Community development	47,300	47,300	-	47,300
Capital outlay	-	-	-	-
Total expenditures	<u>100,600</u>	<u>100,600</u>	<u>53,484</u>	<u>47,116</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(48,900)</u>	<u>(48,900)</u>	<u>12,508</u>	<u>61,408</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(67,900)</u>	<u>(67,900)</u>	<u>(67,900)</u>	<u>-</u>
Total other financing sources and uses	<u>(67,900)</u>	<u>(67,900)</u>	<u>(67,900)</u>	<u>-</u>
Net change in fund balance	<u>(116,800)</u>	<u>(116,800)</u>	<u>(55,392)</u>	<u>61,408</u>
Fund balance - beginning of year	<u>871,312</u>	<u>871,312</u>	<u>871,312</u>	<u>-</u>
Fund balance - end of year	<u>\$ 754,512</u>	<u>\$ 754,512</u>	<u>\$ 815,920</u>	<u>\$ 61,408</u>

TOWN OF FLORENCE, ARIZONA
COMMUNITY SERVICES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 10,200	\$ 10,200	\$ 12,375	\$ 2,175
Fines	3,000	3,000	2,067	(933)
Investment income				
Interest income	200	200	606	406
Net increase in the fair value of investments	-	-	22	22
Miscellaneous	-	-	20	20
Total revenues	<u>13,400</u>	<u>13,400</u>	<u>15,090</u>	<u>1,690</u>
EXPENDITURES				
Current				
Public safety	3,800	3,800	3,750	50
Community development	<u>5,100</u>	<u>5,100</u>	<u>1,257</u>	<u>3,843</u>
Total expenditures	<u>8,900</u>	<u>8,900</u>	<u>5,007</u>	<u>3,893</u>
Net change in fund balance	4,500	4,500	10,083	5,583
Fund balance - beginning of year	<u>51,464</u>	<u>51,464</u>	<u>51,464</u>	<u>-</u>
Fund balance - end of year	<u>\$ 55,964</u>	<u>\$ 55,964</u>	<u>\$ 61,547</u>	<u>\$ 5,583</u>

TOWN OF FLORENCE, ARIZONA
COMMUNITY FACILITIES DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 90,600	\$ 90,600	\$ 91,814	\$ 1,214
Charges for services	-	-	4,488	4,488
Investment income				
Interest income	2,200	2,200	2,582	382
Net increase in the fair value of investments	-	-	89	89
Miscellaneous	-	-	53	53
Total revenues	<u>92,800</u>	<u>92,800</u>	<u>99,026</u>	<u>6,226</u>
EXPENDITURES				
Current				
General government	94,300	94,300	76,454	17,846
Community development	1,300	1,300	-	1,300
Total expenditures	<u>95,600</u>	<u>95,600</u>	<u>76,454</u>	<u>19,146</u>
Net change in fund balance	(2,800)	(2,800)	22,572	25,372
Fund balance - beginning of year	<u>238,664</u>	<u>238,664</u>	<u>238,664</u>	<u>-</u>
Fund balance - end of year	<u>\$ 235,864</u>	<u>\$ 235,864</u>	<u>\$ 261,236</u>	<u>\$ 25,372</u>

TOWN OF FLORENCE, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

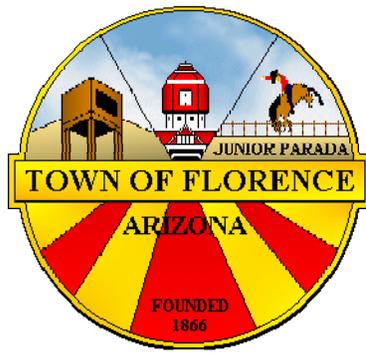
	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Charges for services	\$ 9,000	\$ 9,000	\$ 9,129	\$ 129
Special assessments	60,200	60,200	70,134	9,934
Investment income				
Interest income	200	200	1,498	1,298
Net increase in the fair value of investments	-	-	51	51
Miscellaneous	-	-	162	162
Total revenues	69,400	69,400	80,974	11,574
EXPENDITURES				
Debt service				
Principal	376,600	376,600	376,583	17
Interest and fiscal charges	158,200	158,200	67,985	90,215
Total expenditures	534,800	534,800	444,568	90,232
Excess (deficiency) of revenues over (under) expenditures	(465,400)	(465,400)	(363,594)	101,806
OTHER FINANCING SOURCES (USES)				
Transfers in	449,800	449,800	289,915	(159,885)
Transfers out	(9,000)	(9,000)	(9,000)	-
Total other financing sources and uses	440,800	440,800	280,915	(159,885)
Net change in fund balance	(24,600)	(24,600)	(82,679)	(58,079)
Fund balance - beginning of year	223,901	223,901	223,901	-
Fund balance - end of year	\$ 199,301	\$ 199,301	\$ 141,222	\$ (58,079)

TOWN OF FLORENCE, ARIZONA
CONSTRUCTION TAX
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2015

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 55,200	\$ 55,200	\$ 138,903	\$ 83,703
Investment income				
Interest income	18,000	18,000	37,371	19,371
Net increase in the fair value of investments	-	-	928	928
Miscellaneous	-	-	2,039	2,039
Total revenues	<u>73,200</u>	<u>73,200</u>	<u>179,241</u>	<u>106,041</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>73,200</u>	<u>73,200</u>	<u>179,241</u>	<u>106,041</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>
Total other financing sources and uses	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>-</u>
Net change in fund balance	<u>(926,800)</u>	<u>(926,800)</u>	<u>(820,759)</u>	<u>106,041</u>
Fund balance - beginning of year	<u>3,559,953</u>	<u>3,559,953</u>	<u>3,559,953</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,633,153</u>	<u>\$ 2,633,153</u>	<u>\$ 2,739,194</u>	<u>\$ 106,041</u>

TOWN OF FLORENCE, ARIZONA
 FOOD TAX
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 257,900	\$ 257,900	\$ 274,021	\$ 16,121
Investment income				
Interest income	10,000	10,000	17,267	7,267
Miscellaneous	-	-	500	500
Total revenues	<u>267,900</u>	<u>267,900</u>	<u>291,788</u>	<u>23,888</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>267,900</u>	<u>267,900</u>	<u>291,788</u>	<u>23,888</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,100,000)	(2,100,000)	(2,100,000)	-
Total other financing sources and uses	<u>(2,100,000)</u>	<u>(2,100,000)</u>	<u>(2,100,000)</u>	<u>-</u>
Net change in fund balance	(1,832,100)	(1,832,100)	(1,808,212)	23,888
Fund balance - beginning of year	<u>1,849,870</u>	<u>1,849,870</u>	<u>1,849,870</u>	<u>-</u>
Fund balance - end of year	<u>\$ 17,770</u>	<u>\$ 17,770</u>	<u>\$ 41,658</u>	<u>\$ 23,888</u>



OTHER SUPPLEMENTARY INFORMATION

INTERNAL SERVICE FUNDS
COMBINING FINANCIAL STATEMENTS



TOWN OF FLORENCE, ARIZONA
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 June 30, 2015

	Internal Service Funds		
	Fleet Maintenance	Facility Maintenance	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 40,677	\$ 58,167	\$ 98,844
Investments	141,116	201,791	342,907
Total assets	<u>181,793</u>	<u>259,958</u>	<u>441,751</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions			
	17,026	24,093	41,119
Deferred outflows of employer contributions to pensions			
	14,701	21,425	36,126
Total deferred outflows of resources	<u>31,727</u>	<u>45,518</u>	<u>77,245</u>
LIABILITIES			
Current liabilities			
Accounts payable	4,730	9,622	14,352
Accrued wages and benefits	1,026	1,835	2,861
Other accrued liabilities	233	343	576
Total current liabilities	<u>5,989</u>	<u>11,800</u>	<u>17,789</u>
Noncurrent liabilities			
Net pension liability	176,642	249,965	426,607
Total noncurrent liabilities	<u>176,642</u>	<u>249,965</u>	<u>426,607</u>
Total liabilities	<u>182,631</u>	<u>261,765</u>	<u>444,396</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions			
	30,889	43,711	74,600
Total deferred inflows of resources	<u>30,889</u>	<u>43,711</u>	<u>74,600</u>
NET POSITION			
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
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, 2015

	Internal Service Funds		
	Fleet Maintenance	Facility Maintenance	Total
Operating revenues			
Charges for services	\$ 825,117	\$ 723,879	\$ 1,548,996
Miscellaneous	74	-	74
Total operating revenue	<u>825,191</u>	<u>723,879</u>	<u>1,549,070</u>
Operating expenses			
Personal services	205,118	292,926	498,044
Supplies	287,895	19,950	307,845
Services and maintenance	155,122	14,364	169,486
Other charges	1,674	148,456	150,130
Total operating expenses	<u>649,809</u>	<u>475,696</u>	<u>1,125,505</u>
Operating income	<u>175,382</u>	<u>248,183</u>	<u>423,565</u>
Net position-beginning of year	-	-	-
Restatement	<u>(175,382)</u>	<u>(248,183)</u>	<u>(423,565)</u>
Net position, beginning of year - restated	<u>(175,382)</u>	<u>(248,183)</u>	<u>(423,565)</u>
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, 2015

	Internal Service Funds		
	Fleet Maintenance	Facility Maintenance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 825,191	\$ 723,879	\$ 1,549,070
Payments to suppliers	(443,174)	(188,403)	(631,577)
Payments to employees	(204,119)	(291,748)	(495,867)
Net cash provided by operating activities	<u>177,898</u>	<u>243,728</u>	<u>421,626</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	<u>(138,150)</u>	<u>(189,434)</u>	<u>(327,584)</u>
Net cash used by investing activities	<u>(138,150)</u>	<u>(189,434)</u>	<u>(327,584)</u>
Net increase in cash and cash equivalents	39,748	54,294	94,042
Cash and cash equivalents at beginning of year	<u>929</u>	<u>3,873</u>	<u>4,802</u>
Cash and cash equivalents at end of year	<u>\$ 40,677</u>	<u>\$ 58,167</u>	<u>\$ 98,844</u>

TOWN OF FLORENCE, ARIZONA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS (Continued)
 For The Year Ended June 30, 2015

	Internal Service Funds		
	Fleet Maintenance	Facility Maintenance	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 175,382	\$ 248,183	\$ 423,565
Adjustments to reconcile operating income to net cash provided by operating activities:			
Pension expense	15,123	21,400	36,523
Employer pension contributions	(14,701)	(21,425)	(36,126)
Increase (decrease) in:			
Accounts payable	1,389	(5,840)	(4,451)
Accrued wages and benefits	577	1,203	1,780
Other accrued liabilities	128	207	335
Total adjustments	2,516	(4,455)	(1,939)
Net cash provided by operating activities:	\$ 177,898	\$ 243,728	\$ 421,626

STATISTICAL SECTION



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	134-145
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	146-147
These schedules contain information to help the reader assess the Town's most significant local revenue source, sales tax.	
Debt Capacity	148-150
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	151-152
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	153-156
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

	2006	2007	2008	2009
GOVERNMENTAL ACTIVITIES				
Invested in capital assets, net of related debt	\$ 31,151,000	\$ 38,967,000	\$ 50,480,000	\$ 57,868,000
Restricted	21,237,000	24,945,000	22,965,000	22,567,000
Unrestricted	<u>6,196,000</u>	<u>9,171,000</u>	<u>12,643,000</u>	<u>18,077,000</u>
Total governmental activities net position	<u>58,584,000</u>	<u>73,083,000</u>	<u>86,088,000</u>	<u>98,512,000</u>
BUSINESS-TYPE ACTIVITIES				
Invested in capital assets, net of related debt	5,840,000	7,146,000	6,314,000	6,007,000
Restricted	795,000	894,000	1,014,000	1,042,000
Unrestricted	<u>6,464,000</u>	<u>5,824,000</u>	<u>8,022,000</u>	<u>8,392,000</u>
Total business-type activities net position	<u>13,099,000</u>	<u>13,864,000</u>	<u>15,350,000</u>	<u>15,441,000</u>
PRIMARY GOVERNMENT				
Invested in capital assets, net of related debt	36,991,000	46,113,000	56,794,000	63,875,000
Restricted	22,032,000	25,839,000	23,979,000	23,609,000
Unrestricted	<u>12,660,000</u>	<u>14,995,000</u>	<u>20,665,000</u>	<u>26,469,000</u>
Total primary government net position	<u>\$ 71,683,000</u>	<u>\$ 86,947,000</u>	<u>\$ 101,438,000</u>	<u>\$ 113,953,000</u>

2010	2011	2012	2013	2014	2015
\$ 58,303,000	\$ 54,390,000	\$ 56,527,095	\$ 55,769,932	\$ 61,395,040	\$ 75,421,775
25,772,000	33,045,000	22,880,295	23,628,884	28,844,637	26,798,037
18,248,000	14,628,000	26,882,692	26,821,517	21,371,306	1,885,480
<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>	<u>104,105,292</u>
6,012,000	6,053,000	6,032,112	6,199,045	6,375,459	13,129,903
987,000	1,047,000	2,162,035	2,208,022	2,677,331	2,903,176
10,290,000	13,206,000	15,156,389	18,071,833	19,085,727	12,394,686
<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>	<u>28,427,765</u>
64,315,000	60,443,000	62,559,207	61,968,977	67,770,499	88,551,678
26,759,000	34,092,000	25,042,330	25,836,906	31,521,968	29,701,213
28,538,000	27,834,000	42,039,081	44,893,350	40,457,033	14,280,166
<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>	<u>\$ 132,533,057</u>

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

	2006	2007	2008	2009
EXPENSES				
Governmental activities				
General government	\$ 2,894,997	\$ 4,450,592	\$ 6,636,693	\$ 6,284,516
Public safety	3,062,938	4,116,005	5,276,621	5,970,645
Highways and streets	2,100,353	2,313,950	3,252,395	2,356,534
Public works	46,973	81,859	39,093	25,893
Culture and recreation	1,248,161	1,563,986	1,567,834	1,365,332
Community development	530,069	509,797	664,920	731,667
Interest on long-term debt	198,000	513,491	409,166	398,057
Total governmental activities	<u>10,081,491</u>	<u>13,549,680</u>	<u>17,846,722</u>	<u>17,132,644</u>
Business-type activities				
Water	1,168,376	1,376,209	1,685,957	1,437,206
Sewer	1,263,193	1,490,388	1,744,521	2,918,348
Solid waste	509,602	577,193	685,265	626,381
Solid waste impact fees		247,326	61,584	-
Total business-type activities	<u>2,941,171</u>	<u>3,691,116</u>	<u>4,177,327</u>	<u>4,981,935</u>
Total primary government expenses	<u>13,022,662</u>	<u>17,240,796</u>	<u>22,024,049</u>	<u>22,114,579</u>

	2010	2011	2012	2013	2014	2015
\$	6,683,000	\$ 6,932,444	\$ 3,452,054	\$ 4,055,352	\$ 8,262,562	\$ 4,818,029
	5,571,657	5,313,251	4,008,506	5,528,833	4,816,583	8,081,544
	3,478,242	2,960,896	3,064,386	3,001,939	2,728,013	3,409,782
	28,195	41,693	202,167	293,202	579,857	805,196
	1,394,734	1,257,819	1,450,633	1,684,400	1,699,128	2,813,496
	623,087	630,865	2,407,647	1,082,103	858,152	948,650
	615,090	685,365	911,203	888,193	816,839	949,903
	<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>	<u>21,826,600</u>
	1,390,873	1,321,927	1,293,664	1,362,620	1,618,878	1,783,823
	1,900,408	1,806,536	1,819,735	1,747,616	2,140,836	2,486,417
	663,473	661,964	699,249	682,078	825,239	812,811
	-	-	-	-	-	-
	<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>5,083,051</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>	<u>26,909,651</u>

(Continued)

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

	2006	2007	2008	2009
PROGRAM REVENUES				
Governmental activities				
Charges for services:				
General government	1,849,897	1,509,423	1,254,301	1,177,447
Public safety	117,558	161,788	180,201	276,078
Highway and streets	-	-	-	-
Culture and recreation	9,520	8,414	7,265	12,657
Community development	2,199,167	1,803,778	1,831,769	1,261,113
Interest on long-term debt	-	-	-	-
Operating grants and contributions	328,329	321,773	4,077,695	3,578,527
Capital grants and contributions	5,204,518	757,391	8,545,492	9,800,741
Total governmental activities	<u>9,708,989</u>	<u>4,562,567</u>	<u>15,896,723</u>	<u>16,106,563</u>
Business-type activities				
Charges for services:				
Water	1,495,620	1,780,026	2,216,245	2,392,682
Sewer	1,597,904	1,809,021	2,089,828	2,256,995
Solid waste	531,440	610,084	754,996	799,442
Water impact fees	13,088	11,135	13,723	-
Liquid waste	-	32,896	32,896	6,591
Solid waste	75,480	88,200	65,576	31,105
Operating grants and contributions	556,467	-	-	-
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>4,269,999</u>	<u>4,331,362</u>	<u>5,173,264</u>	<u>5,486,815</u>
Total primary government program revenues	<u>13,978,988</u>	<u>8,893,929</u>	<u>21,069,987</u>	<u>21,593,378</u>
NET REVENUE (EXPENSE)				
Governmental activities	(372,502)	(8,987,113)	(1,949,999)	(1,026,081)
Business-type activities	<u>1,328,828</u>	<u>640,246</u>	<u>995,937</u>	<u>504,880</u>
Total primary government	<u>956,326</u>	<u>(8,346,867)</u>	<u>(954,062)</u>	<u>(521,201)</u>

2010	2011	2012	2013	2014	2015
942,808	947,188	733,487	875,429	1,117,187	1,374,728
298,993	306,789	310,166	331,103	216,740	175,084
-	-	-	-	41	41
10,390	9,466	7,401	4,316	8,964	9,882
1,429,227	474,938	525,659	798,678	507,094	427,676
-	-	-	-	-	-
3,182,649	3,179,055	2,579,917	2,700,108	2,810,427	3,254,978
3,429,189	1,339,952	1,500,250	953,145	5,403,053	1,404,328
<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>	<u>6,646,717</u>
2,597,067	2,961,152	2,793,341	2,691,199	2,834,647	2,738,692
2,665,332	3,218,251	3,165,051	3,536,085	3,824,435	3,891,568
916,984	979,401	1,019,021	1,082,281	678,596	716,166
11,101	-	-	-	-	-
13,684	27,369	-	-	-	-
30,660	16,058	5,580	-	-	-
20,000	-	-	-	-	-
-	-	-	28,503	-	3,718
<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>7,350,144</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>	<u>13,996,861</u>
(9,100,749)	(11,564,945)	(9,839,716)	(10,871,243)	(9,697,628)	(15,179,883)
<u>2,300,074</u>	<u>3,411,804</u>	<u>3,170,345</u>	<u>3,545,754</u>	<u>2,752,725</u>	<u>2,267,093</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>	<u>(12,912,790)</u>

(Continued)

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

	2006	2007	2008	2009
GENERAL REVENUES				
Governmental activities				
Taxes				
Sales taxes	1,841,988	3,726,230	5,737,272	4,282,871
Property taxes	277,249	341,664	985,758	1,840,508
Franchise taxes	231,441	288,426	358,071	366,481
State shared revenues	8,211,458	9,479,728	6,174,545	6,196,804
Investment income	539,299	1,239,799	1,135,669	19,251
Loss on Sale of Assets	-	-	-	-
Miscellaneous	443,340	349,265	237,361	163,863
Donation of capital assets	11,880,996	7,711,966	-	-
Transfers in (out)	269,736	348,792	326,795	580,388
Total governmental activities	<u>23,695,507</u>	<u>23,485,870</u>	<u>14,955,471</u>	<u>13,450,166</u>
Business-type activities				
Investment income	240,958	393,180	315,277	(1,839)
Loss on Sale of Assets	-	-	-	-
Miscellaneous	56,795	81,230	500,657	169,364
Transfers in (out)	(269,736)	(348,972)	(326,795)	(580,388)
Total business-type activities	<u>28,017</u>	<u>125,438</u>	<u>489,139</u>	<u>(412,863)</u>
CHANGES IN NET POSITION				
Governmental activities	23,323,005	14,498,757	13,005,472	12,424,085
Business-type activities	<u>1,356,845</u>	<u>765,684</u>	<u>1,485,076</u>	<u>92,017</u>
Total primary government	<u>\$ 24,679,850</u>	<u>\$ 15,264,441</u>	<u>\$ 14,490,548</u>	<u>\$ 12,516,102</u>

2010	2011	2012	2013	2014	2015
3,707,169	3,099,031	4,907,353	3,671,468	4,059,769	3,827,397
2,096,826	1,832,156	1,863,163	1,565,087	1,716,952	1,941,594
371,537	371,757	373,761	385,591	520,410	571,559
5,443,456	4,852,275	5,231,428	5,811,613	6,257,959	6,701,102
334,969	195,754	766,154	(259,780)	795,796	315,395
-	-	-	-	-	(224,556)
254,305	272,229	179,340	34,430	250,318	377,242
-	-	-	-	-	-
703,556	681,590	745,275	445,415	1,485,165	1,049,532
<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>	<u>14,559,265</u>
101,815	64,367	278,145	(111,009)	339,968	212,020
-	-	-	-	-	(45,949)
149,025	223,339	340,737	139,034	52,089	64,631
<u>(703,556)</u>	<u>(681,590)</u>	<u>(745,275)</u>	<u>(445,415)</u>	<u>(1,485,165)</u>	<u>(1,049,532)</u>
<u>(452,716)</u>	<u>(393,884)</u>	<u>(126,393)</u>	<u>(417,390)</u>	<u>(1,093,108)</u>	<u>(818,830)</u>
3,811,069	(260,153)	4,226,758	782,581	5,388,741	(620,618)
1,847,358	3,017,920	3,043,952	3,128,364	1,659,617	1,448,263
<u>\$ 5,658,427</u>	<u>\$ 2,757,767</u>	<u>\$ 7,270,710</u>	<u>\$ 3,910,945</u>	<u>\$ 7,048,358</u>	<u>\$ 827,645</u>

(Concluded)

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

	2006	2007	2008	2009
GENERAL FUND				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	-	-	-	-
Unreserved	1,419,261	4,377,961	9,115,927	10,344,343
Total General Fund	<u>1,419,261</u>	<u>4,377,961</u>	<u>9,115,927</u>	<u>10,344,343</u>
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Unreserved	20,141,261	24,009,357	21,240,051	25,505,919
Total all other governmental funds	<u>20,141,261</u>	<u>24,009,357</u>	<u>21,240,051</u>	<u>25,505,919</u>
Total governmental funds	<u>\$ 21,560,522</u>	<u>\$ 28,387,318</u>	<u>\$ 30,355,978</u>	<u>\$ 35,850,262</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.

2010	2011	2012	2013	2014	2015
\$ -	\$ 64,468	\$ 66,671	\$ 66,700	\$ 63,968	\$ 42,742
-	-	-	-	-	-
-	-	-	-	-	-
-	12,094,137	14,703,424	11,357,149	8,433,419	7,937,186
-	-	-	-	-	-
11,107,505	-	-	-	-	-
<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>	<u>7,979,928</u>
-	-	652,624	1,151,553	14,238	-
-	21,509,635	17,149,931	17,635,228	26,633,138	20,760,864
-	652,292	10,865,249	14,946,996	-	-
-	7,537,864	595,691	710,956	9,893,863	992,190
-	-	-	-	(54,351)	-
27,050,641	-	-	-	-	-
<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>21,753,054</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>	<u>\$ 29,732,982</u>

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

	2006	2007	2008	2009
REVENUES				
Taxes*	\$ 5,783,812	\$ 8,169,629	\$ 10,837,524	\$ 9,604,773
Intergovernmental	5,197,348	6,398,529	6,439,856	7,314,699
Fines and forfeits	57,748	74,031	92,304	147,949
Licenses and permits	745,510	554,462	612,530	414,270
Charges for services	3,372,884	2,821,017	2,536,992	2,113,020
Investment income	539,299	1,239,799	1,135,669	19,251
Contributions	70,726	7,184	5,636	26,607
Special assessments	120,463	444,740	592,372	859,365
Miscellaneous	443,340	349,065	233,881	157,697
Total revenues	<u>16,331,130</u>	<u>20,058,456</u>	<u>22,486,764</u>	<u>20,657,631</u>
EXPENDITURES				
Current:				
General government	2,625,700	3,142,739	3,363,465	3,631,445
Public safety	3,196,610	3,894,394	5,047,297	5,209,649
Highways and streets	986,405	1,209,696	2,245,359	1,497,896
Public works	1,328	2,656	-	1,328
Culture and recreation	1,185,801	1,349,633	1,527,826	1,431,507
Community development	644,507	901,958	792,679	852,276
Capital outlay	963,962	2,761,698	7,175,581	6,398,226
Debt Service:				
Principal	342,736	353,735	392,017	652,336
Interest and debt cost	172,695	418,413	302,068	469,072
Total expenditures	<u>10,119,744</u>	<u>14,034,922</u>	<u>20,846,292</u>	<u>20,143,735</u>
Excess of revenues over (under) expenditures	6,211,386	6,023,534	1,640,472	513,896
OTHER FINANCING SOURCES (USES)				
Transfers in	5,268,398	1,166,889	846,848	1,659,619
Transfers out	(4,998,662)	(817,917)	(520,053)	(1,079,231)
Sale of capital assets	-	9,290	1,393	10,000
Issuance of long-term debt	5,019,000	445,000	-	-
Bond premium	-	-	-	-
Total other financing sources (uses)	<u>5,288,736</u>	<u>803,262</u>	<u>328,188</u>	<u>590,388</u>
NET CHANGE IN FUND BALANCES	<u>\$ 11,500,122</u>	<u>\$ 6,826,796</u>	<u>\$ 1,968,660</u>	<u>\$ 1,104,284</u>
Debt service as a percentage of noncapital expenditures	5.63%	6.85%	5.08%	8.16%

Notes:

* Taxes consist of sales, property, and franchise taxes

	2010	2011	2012	2013	2014	2015
\$	9,090,410	\$ 8,197,401	\$ 9,511,918	\$ 8,153,474	\$ 8,930,412	\$ 9,176,916
	5,728,725	5,230,895	6,123,769	6,306,573	6,767,071	7,381,412
	132,006	155,862	149,668	175,058	198,608	157,016
	425,005	352,062	291,697	389,434	438,522	526,694
	2,094,688	1,189,716	1,100,044	1,425,455	1,124,212	1,237,474
	334,969	191,295	766,154	(259,780)	658,692	419,208
	40,051	30,713	100,522	16,206	20,618	15,657
	810,148	866,452	840,591	905,924	1,017,577	1,185,546
	203,882	265,314	164,893	113,512	246,829	382,504
	<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>	<u>20,482,427</u>
	3,314,037	3,429,221	2,944,893	3,469,628	5,183,343	5,608,718
	5,214,936	4,966,311	5,423,446	5,791,565	7,008,249	7,954,879
	1,823,091	1,528,943	1,653,929	1,596,838	1,947,936	2,752,728
	2,427	1,425	168,975	167,397	481,598	746,264
	1,298,065	1,134,885	1,362,291	1,623,120	1,636,101	2,026,120
	712,206	710,314	925,382	757,219	707,699	932,867
	4,632,680	4,397,001	3,321,325	2,311,315	5,028,258	14,135,118
	971,769	366,849	879,340	804,176	839,790	1,580,563
	672,634	786,733	942,200	909,081	886,179	945,302
	<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>	<u>36,682,559</u>
	218,039	(841,972)	1,427,475	(204,483)	(4,316,612)	(16,200,132)
	2,006,197	1,223,451	2,412,935	6,618,130	9,320,084	8,433,435
	(1,302,641)	(541,861)	(1,667,660)	(6,172,715)	(7,834,919)	(7,383,903)
	289	10,161	2,414	5,060	72,973	(100,693)
	1,386,000	3,850,500	-	1,589,000	1,850,000	-
	-	-	-	-	24,167	-
	<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>948,839</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>	<u>\$ (15,251,293)</u>
	11.74%	8.93%	12.69%	11.21%	9.55%	11.71%

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

Industry	2015			2006		
	Tax Paid	Rank	Percentage of Total	Tax Paid	Rank	Percentage of Total
Construction	\$ 1,258,239	1	34.98%	\$ 685,997	1	40.27%
Retail Trade	\$ 972,638	2	27.04%	\$ 306,189	3	17.98%
Communications and Utilities	\$ 604,384	3	16.80%	\$ 334,284	2	19.63%
Restaurants and Bars	\$ 405,678	4	11.28%	\$ 149,005	4	8.75%
Real Estate, Rental & Leasing	\$ 172,180	5	4.79%	\$ 84,423	5	4.96%
Services	\$ 129,815	6	3.61%	\$ 36,197	6	2.13%
Wholesale Trades	\$ 61,329	7	1.71%	\$ 7,697	8	0.45%
Manufacturing	\$ 58,626	8	1.63%	\$ 35,515	7	2.09%
Finance and Insurance	\$ 19,008	9	0.53%	\$ 2,083	9	0.12%
All Other	\$ (85,206)		-2.37%	\$ 61,928		3.64%
Total	\$ 3,596,691		100.00%	\$ 1,703,318		100.00%

Source: Arizona Department of Revenue

Notes:

- Based upon June 30, 2015 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, 2015

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	
2015	\$ -	\$ 282,000	\$ 385,188	\$ 567,382	\$ 8,563,200	\$ 4,476,850	
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	

Business-type

Fiscal Year Ended June 30	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
2015	\$ 3,827,612	\$ 18,102,232	5.33%	\$ 693.60
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

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 10) for personal income and population data.

Town of Florence, Arizona
Table 8
Direct and Overlapping Governmental Activities Debt
As of June 30, 2015

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Pinal County Community College District	\$ 85,940,000	3.80%	\$ 3,265,720
Florence Unified School District No. 1	38,465,000	28.97%	11,143,311
Total Overlapping Debt			<u>14,409,031</u>
Town of Florence Direct Debt			<u>14,274,620</u>
Total Direct and overlapping debt			<u><u>\$ 28,683,651</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				Coverage
	Special Assessment Collections	Debt Service			
		Principal	Interest		
2015	\$ 70,134	\$ 55,000	\$ 28,477	0.84	
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	

- *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 School Enrollment	Education Level in Years of Schooling	Town Unemployment Rate
2015	26,099	\$ 339,783	\$ 13,019	\$ 2,466	13 to 16	7.0%
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%

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	2015			2006		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
State of Arizona	2,107	1	29.01%	2,615	1	34.78%
Pinal County Government	1,910	2	26.29%	2,074	2	27.58%
Correctional Corporation of America	907	3	12.49%	850	3	11.30%
DHS/ICE/DOJ - Federal Government	592	4	8.15%	285	5	3.79%
Florence Schools	479	5	6.59%	393	4	5.23%
GEO - Private Prison System	320	6	4.41%	120	6	1.60%
Town of Florence	176	7	2.42%	103	7	1.37%
Total Town Employment	<u>7,264</u>		89.36%	<u>7,519</u>		85.65%

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	
2015	31.88	79.75	22.33	20.25	6.00	14.55	1.55	176.31
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

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

Function	2006	2007	2008	2009
Police				
Total arrests	202	222	308	400
Moving violation citations	419	602	981	105
Total calls for service	6,966	7,823	7,314	7,456
Total 911 calls	not avail	2,853	4,501	5,125
Total part I crimes	382	398	430	402
Fire				
All emergency responses	1,643	1,679	1,902	2,105
Fire and hazmat responses	90	119	83	127
Emergency medical responses	1,334	1,155	1,376	1,605
Other responses	219	405	443	373
Highways and Streets				
Street resurfacing (miles)	4.30	0.67	2.50	2.90
Potholes repaired (estimate)	7,240	3,824	5,968	5,094
Streets maintained (miles)	96.99	99.22	99.22	99.22
Community Development				
Building permits issued	713	799	703	606
Code enforcement cases	38	188	125	126
Parks, Recreation and Library				
Attendance at aquatics facilities	2,662	2,386	3,081	3,216
Attendance at other facilities	18,929	22,972	19,008	30,000
Library visits	147,100	113,957	119,564	154,645
Library materials checked out	55,975	60,922	77,756	98,114
Sanitation				
Homes serviced	1,942	2,248	2,643	2,603
Tons of refuse and garbage hauled	4,938	5,812	5,771	5,468
Water				
Water service connections	3,191	3,235	3,266	3,278
Water consumption (millions gallons/day)	1.84	1.92	1.91	1.87
Water consumption (millions gallons/year)	672	701	697	683
Sewer				
Sewer service connections	3,167	3,211	3,241	3,251
Sewage treated (millions gallons per day)	1.68	1.58	1.68	2.02
Sewage treated (millions gallons per year)	614	575	613	737

2010	2011	2012	2013	2014	2015
406	278	264	597	599	563
1,000	836	701	931	1,637	908
5,757	4,996	5,450	6,341	11,429	11,291
5,849	5,392	5,023	5,796	1,962	1,187
351	296	214	363	243	263
2,042	2,074	2,083	3,469	3,036	2,691
108	102	114	133	91	117
1,654	1,239	1,290	1,941	1,900	1,905
280	733	679	1,395	1,042	669
1.40	3.40	-	2.00	0.50	1.75
5,730	2,978	4,869	6,000	6,600	6,600
108.08	108.08	108.08	110.00	110.00	114.50
436	465	78	135	337	615
80	43	19	70	23	148
2,561	2,441	2,840	1,578	5,000	1,313
24,444	33,936	22,116	30,604	32,600	21,054
130,636	119,254	118,121	99,943	102,623	85,210
103,277	65,120	60,550	60,091	67,726	61,187
3,246	3,446	3,519	3,400	2,967	3,092
5,569	5,319	5,096	5,165	4,003	4,714
3,287	3,295	3,295	3,257	4,002	3,633
1.90	1.98	2.04	1.37	1.71	1.40
694	723	745	500	624	518
3,260	3,268	3,268	3,230	3,337	3,350
2.04	2.06	2.07	1.63	1.64	1.60
745	753	757	594	599	584

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Safety										
Police stations	1	1	1	1	1	1	1	1	1.5	1.5
Police vehicles	26	26	29	34	38	41	42	44	48	57
Fire stations	1	1	2	2	2	2	2	2	2	2
Fire apparatus	7	6	5	8	8	6	6	7	6	7
Other fire vehicles	3	3	4	4	4	4	5	5	6	5
Highways and Streets										
Street (miles)	95	97	99	99	99	108	108	108	108	113
Streetlights	386	680	889	964	985	1,039	1,039	1,060	1,060	1,182
Traffic signals own	-	-	1	1	1	1	1	2	2	2
Traffic signals don't own	2	2	2	2	2	2	2	2	2	2
Culture and Recreation										
Parks	6	6	7	8	8	8	8	8	8	8
Parks acreage	289	289	289	289	289	289	289	289	341	343
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	45.7	45.7	45.7	45.7	45.7	45.7	54.5
Storm sewers (miles)	0.3	1.5	4.7	6.8	7.2	7.5	7.8	8.4	8.4	8.4
Treatment capacity (thousands of gallons)	1,920	1,920	1,920	2,920	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

The Honorable Mayor and Town Council
Town of Florence
Florence, Arizona

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Florence as of and for the year ended June 30, 2015, 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 11, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as finding 2015-001 that we consider to be a significant deficiency.

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

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

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

Compliance and Other Matters

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

Management's Response to Findings

The Town of Florence's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Florence's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Henry + Horne LLP

Casa Grande, Arizona
December 11, 2015



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

The Honorable Mayor and Town Council
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, 2015. Town of Florence's major federal program are 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 programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *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 programs. However, our audit does not provide a legal determination of the Town of Florence's compliance.

Tempe
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Tempe, AZ 85284-3487
(480) 839-4900
Fax (480) 839-1749

Scottsdale
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Opinion on the Major Federal Programs

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 programs for the year ended June 30, 2015.

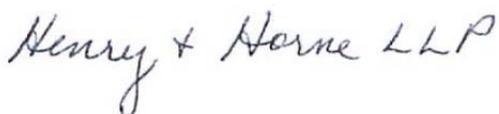
Report on Internal Control Over Compliance

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for 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.



Casa Grande, Arizona
December 11, 2015

TOWN OF FLORENCE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2015

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	107-15	\$ 26,825
Home Investment Partnerships Program	14.239	302-15	<u>6,922</u>
Total U.S. Department of Housing and Urban Development			<u>33,747</u>
U.S. Department of the Interior			
Passed through Arizona State Parks Board Historic Preservation Fund Grants-In-Aid	15.904	441411/ AZ-14-011	<u>1,100</u>
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607	2014	<u>1,010</u>
U.S. Department of Transportation			
Passed through Maricopa Association of Governments Highway Planning and Construction	20.205	N/A	171,211 *
Highway Safety Cluster			
Passed through Arizona Governor's Office of Highway Safety			
State and Community Highway Safety	20.600	2014-PT-025	12,827
National Priority Safety Program	20.616	2015-164-009 (405d)	<u>6,750</u>
Total Highway Safety Cluster			19,577
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2015-164-009 (164)	<u>45,086</u>
Passed through Arizona Emergency Response Commission Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	ERF: PCA - 51000	<u>4,423</u>
Total U.S. Department of Transportation			<u>240,297</u>
U.S. Environmental Protection Agency			
Passed through Water Infrastructure Finance Authority of Arizona Capitalization Grants for Clean Water State Revolving Funds	66.458	Loan # 910138-10	<u>70,943</u>
Executive Office of the President			
Passed through City of Tucson High Intensity Drug Trafficking Areas Program	95.001	HT-15-2522	<u>60,777</u>
U.S. Department of Homeland Security			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2013-FH-00406	176,980 *
Passed through Arizona Department of Homeland Security Homeland Security Grant Program	97.067	130317-02	<u>110,685</u>
Total U.S. Department of Homeland Security			<u>287,665</u>
Total Expenditures of Federal Awards			<u>\$ 695,539</u>

*denotes major program

TOWN OF FLORENCE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2015

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, 2015

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:

Unmodified

Internal control over financial reporting:

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

___ yes X no

X yes ___ none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major programs:

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

___ yes X no

___ yes X none reported

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
20.205	Highway Planning and Construction
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

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

\$300,000

Auditee qualified as low-risk auditee?

___ yes X no

TOWN OF FLORENCE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

SECTION II – FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

FINDING: 2015-001

CRITERIA

The ability to change, or authorize changes to user rights in the Town's accounting software should be restricted to management.

CONDITION/CONTEXT

The ability to change user rights in the capital asset module of the Town's accounting software was not restricted to management.

EFFECT

Due to unauthorized changes in the capital asset module, there was a lack of segregation of duties in the user rights causing several capital asset related account balances to be incorrectly recorded at year end which required management to make significant corrections at year end. Should the condition continue, it could result in future uncorrected misstatements.

CAUSE

User rights were not properly restricted.

RECOMMENDATION

It is recommended that management restrict the ability to change, or authorize changes to user rights in the Town's accounting software.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

Management concurs with this recommendation and will restrict the ability to change, or authorize changes to user rights in the Town's accounting software.