

# Town of Florence

## Comprehensive Annual Financial Report

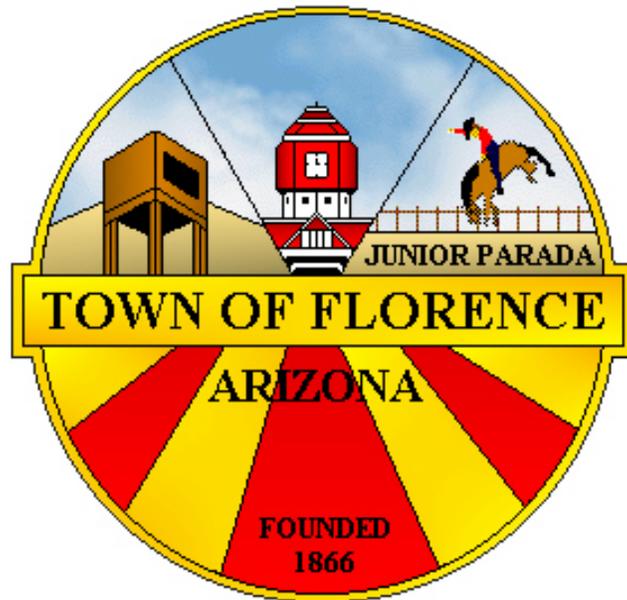
### Fiscal Year 15/16





# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016



**Florence, Arizona**



**TOWN OF FLORENCE, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**For the fiscal year ending June 30, 2016**



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 9, 2016

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, 2016. 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, 2016. 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 26,513. 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 corrections industry 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 3,000 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 7.1 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 2016 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 2015-2016 fiscal year the Town of Florence focused on completing existing capital improvement projects. These projects included completing the construction of new buildings, roadway improvements and utility upgrades that improve the quality of life for the residents.

- ***Library and Community Center:*** The Town was in the final stages of construction of the new library and community center building at the end of the prior fiscal year and has since been completed and is fully operational.

- ***Diversion Dam Road:*** The Town began improvements on Diversion Dam Road Phase I which widened the road and will install a traffic signal in the coming year. This is a major intersection for the Town at Highway 79 which will prove critical to transportation as Florence continues to grow.
- ***Wastewater Treatment Facility:*** The Town's wastewater treatment facility is undergoing upgrades to facilitate higher grade effluent water which includes chlorine and filtration systems.
- ***Water Utility:*** The Town continues to work on improving existing infrastructure that is in need of immediate attention. Efforts include expansion and recharge permitting efforts.

***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 2016 the Town held a special election approving expenditures to exceed the state imposed limitation by no more than \$15 million. This was the second consecutive year in which the Town voted to exceed the state imposed limitation.

The Town voters subsequently approved Home Rule in August of 2016 which allowed the Town Council the ability to set the expenditure annually for the next four fiscal years beginning in 2017-2018.

## **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.

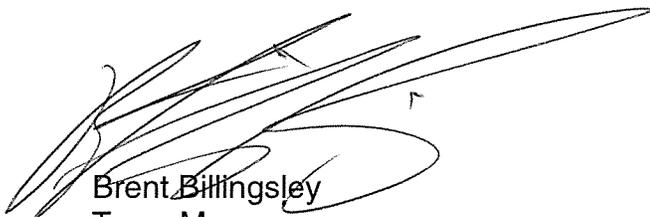
## AWARDS AND ACKNOWLEDGEMENTS

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, 2015. 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,



Brent Billingsley  
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, 2015**

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**

Brent Billingsley – 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  
Chris Salas – 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

# Organizational Chart

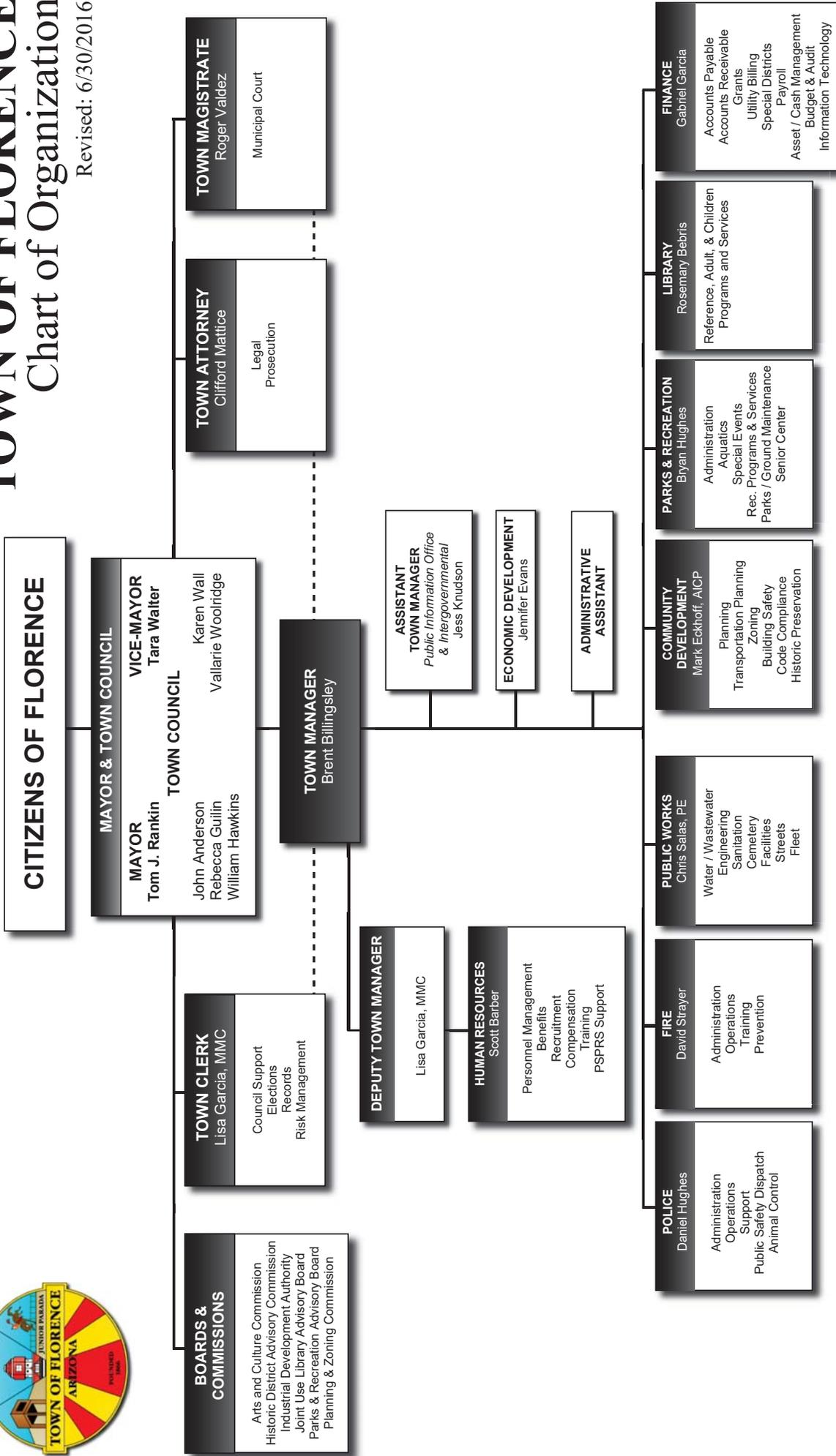




# TOWN OF FLORENCE

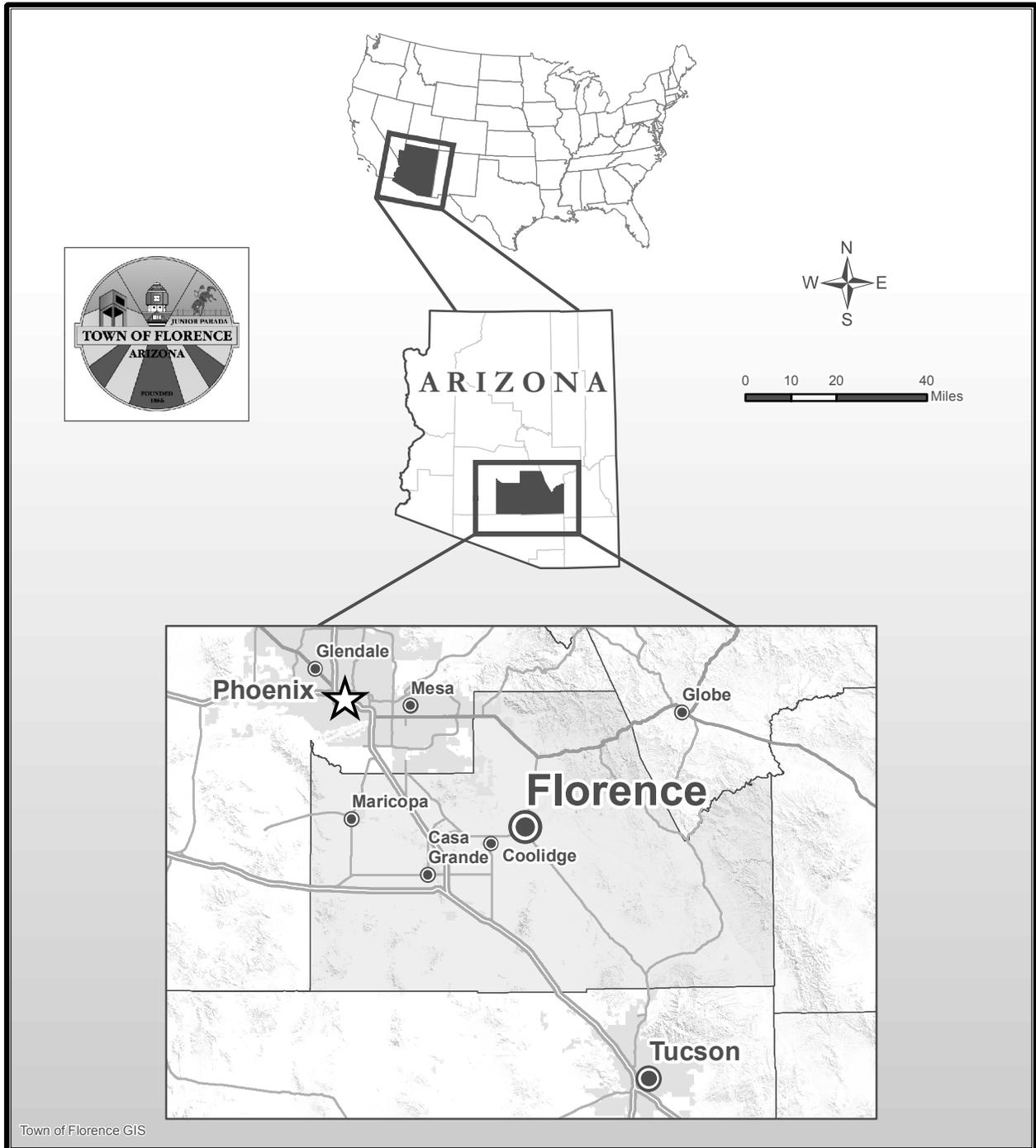
## Chart of Organization

Revised: 6/30/2016



# 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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Fax (480) 839-1749

**Scottsdale**  
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Scottsdale, AZ 85253-4517  
(480) 483-1170  
Fax (480) 483-7126

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Florence, Arizona, as of June 30, 2016, 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. 72, *Fair Value Measurement and Application*. For the Town of Florence, GASB Statement No. 72 has added disclosures related to Note 2 of the financial statements. 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative*

*Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 9, 2016 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 9, 2016

## **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, 2016. 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, 2016 by \$134.9 million. Of this amount, \$16.1 million (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased \$2.2 million from \$132.6 million to \$134.9 million. Net position in governmental activities decreased \$600,000 as the Town spent money to improve roadway infrastructure while net position in business-type activities increased \$2.8 million with assets increasing due to investment in infrastructure and an overall decrease in both accounts and notes payable as these projects are nearing completion.
- As of the end of the current fiscal year, the Town of Florence's governmental funds reported combined ending fund balances of \$36.1 million, an increase of \$6.2 million in comparison to the year before. This net is the effect of increased capital through the issuance of a Pinal County Excise Tax Obligation to fund future road projects and increased fiscal conservativeness by the Town in holding off on some capital expenditures thus increasing fund balance for use in future years.
- Approximately 24 percent or \$8.6 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) decreased \$4.1 million.
- At the end of the fiscal year, the Town had \$23.3 million in debt outstanding compared to \$18.1 million last year. The Town issued a \$4.5 million Pledged Excise Tax Obligation for road projects.

### 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 20 - 23 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 26 – 36 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 38 - 42 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 45 - 46 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 49 - 92 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 106 - 109 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, 2016 with a comparison to net position as of June 30, 2015.

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

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 43,559	\$ 41,312	\$ 17,877	\$ 18,338	\$ 61,436	\$ 59,650
Capital assets	89,364	89,696	18,527	16,958	107,891	106,654
Total assets	<u>132,923</u>	<u>131,008</u>	<u>36,404</u>	<u>35,296</u>	<u>169,327</u>	<u>166,304</u>
Deferred outflows of resources	<u>2,722</u>	<u>2,286</u>	<u>222</u>	<u>191</u>	<u>2,944</u>	<u>2,477</u>
Other liabilities	3,500	6,151	862	2,262	4,362	8,413
Long-term liabilities	27,648	21,377	4,363	4,593	32,011	25,970
Total liabilities	<u>31,148</u>	<u>27,528</u>	<u>5,225</u>	<u>6,855</u>	<u>36,373</u>	<u>34,383</u>
Deferred inflows of resources	<u>861</u>	<u>1,536</u>	<u>182</u>	<u>204</u>	<u>1,043</u>	<u>1,740</u>
Net position:						
Net investment in capital assets	69,337	75,422	15,097	13,130	84,434	88,552
Restricted	31,504	26,798	2,817	2,903	34,321	29,701
Unrestricted	<u>2,795</u>	<u>2,010</u>	<u>13,305</u>	<u>12,395</u>	<u>16,100</u>	<u>14,405</u>
Total net position	<u>\$ 103,636</u>	<u>\$ 104,230</u>	<u>\$ 31,219</u>	<u>\$ 28,428</u>	<u>\$ 134,855</u>	<u>\$ 132,658</u>

The largest portion of the Town's net position is net investment in capital assets, which makes up 63 percent or \$84.4 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 49.

An additional portion (25% or \$34.3 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 position (12% or \$16.1 million) may be used to meet the Town's ongoing obligations to citizens and creditors.

Total governmental activities liabilities had a net increase of \$2 million largely due to issuance of Pledged Excise Tax Obligation in Governmental Funds and decreased liabilities in the Enterprise Funds.

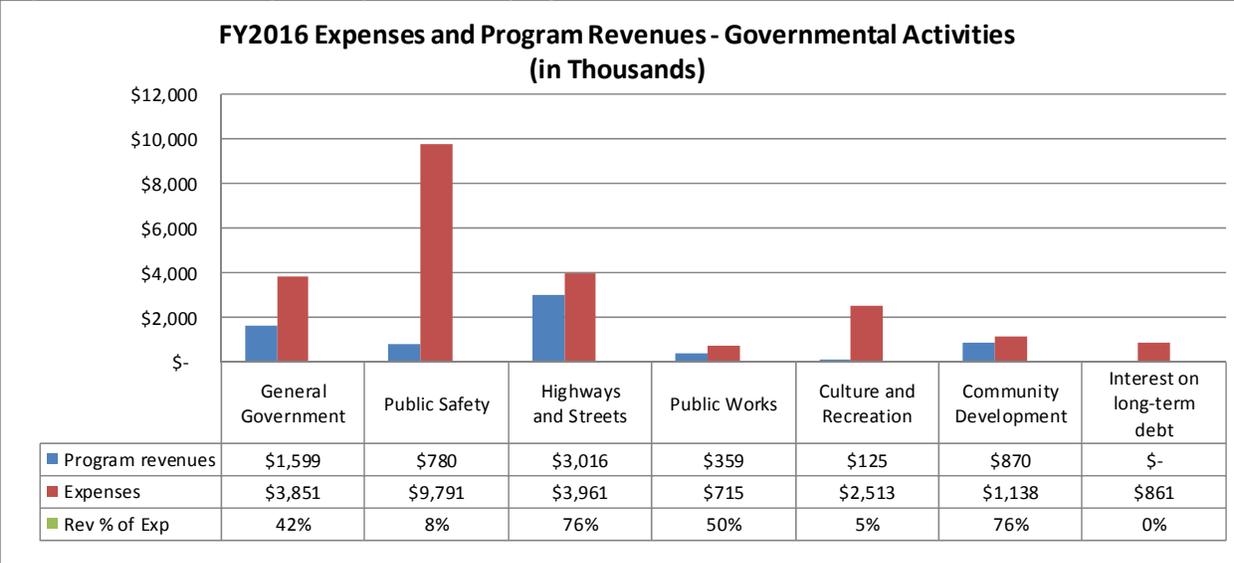
As illustrated in both the table above and table below, the Town's overall financial position showed an increase in net position during this fiscal year as reflected by increased fiscal conservativeness by the Town. The Town's total net position increased \$2.2 million from \$132.7 million to \$134.9 million. Net position in governmental activities decreased \$600,000 going from \$104.2 million to \$103.6 million. Net position in business-type activities increased \$2.7 million from \$28.4 million to \$31.2 million.

<b>Changes in Net Position</b>						
<b>(in Thousands)</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Government</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Program revenues						
Charges for services	\$ 2,213	\$ 1,987	\$ 7,829	\$ 7,346	\$ 10,042	\$ 9,333
Operating grants	3,845	3,255	-	-	3,845	3,255
Capital grants and contributions	-	-	-	-	-	-
	691	1,404	20	4	711	1,408
General revenues	-	-	-	-	-	-
Taxes	6,878	6,341	-	-	6,878	6,341
Intergovernmental	6,931	6,701	-	-	6,931	6,701
Investment earnings (losses)	355	315	189	212	544	527
Miscellaneous	318	277	26	19	344	296
<b>Total revenues</b>	<b>21,231</b>	<b>20,280</b>	<b>8,064</b>	<b>7,581</b>	<b>29,295</b>	<b>27,861</b>
Expenses						
General government	3,851	4,818	-	-	3,851	4,818
Public safety	9,791	8,081	-	-	9,791	8,081
Highways and streets	3,961	3,410	-	-	3,961	3,410
Public works	715	805	-	-	715	805
Culture and recreation	2,513	2,813	-	-	2,513	2,813
Community development	1,139	949	-	-	1,139	949
Interest on long-term debt	862	950	-	-	862	950
Water	-	-	1,418	1,784	1,418	1,784
Sewer	-	-	2,020	2,486	2,020	2,486
Sanitation	-	-	828	813	828	813
<b>Total expenses</b>	<b>22,832</b>	<b>21,826</b>	<b>4,266</b>	<b>5,083</b>	<b>27,098</b>	<b>26,909</b>
Excess before transfers	(1,601)	(1,546)	3,798	2,498	2,197	952
Transfers in (out)	1,007	1,050	(1,007)	(1,050)	-	-
<b>Change in net position</b>	<b>(594)</b>	<b>(496)</b>	<b>2,791</b>	<b>1,448</b>	<b>2,197</b>	<b>952</b>
Beginning net position,	104,230	111,611	28,428	28,139	132,658	139,750
Restatement	-	(6,885)	-	(1,159)	-	(8,044)
<b>Beginning net position - restated</b>	<b>104,230</b>	<b>104,726</b>	<b>28,428</b>	<b>26,980</b>	<b>132,658</b>	<b>131,706</b>
<b>Ending net position</b>	<b>\$ 103,636</b>	<b>\$ 104,230</b>	<b>\$ 31,219</b>	<b>\$ 28,428</b>	<b>\$ 134,855</b>	<b>\$ 132,658</b>

Changes in net position, shown above, illustrates the Town's total revenues and expenses for the fiscal year ended June 30, 2016 compared to the same period ended June 30, 2015.

**Governmental activities**

Total revenues increased by \$951,000 primarily due to increased revenues in charges for services, taxes, intergovernmental and investment earnings. Investment earnings increased by \$40,000 going from \$315,000 to \$355,000 primarily because of the decrease activity in the implementation of capital improvement projects.



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.

**Business-type activities**

Business-type activities total revenues increased by \$483,000 from \$7.6 million to \$8.1 million primarily due to an increase in revenue from charges for services. Business-type total expenditures decreased \$816,000 from \$5.1 million to \$4.3 million due to a decrease in expenditures as the Town is becoming more efficient in operations and evaluating current utility rates.

**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 \$36.1 million, an increase of \$6.2 million in comparison to the year before. This net increase is due the issue of a \$4.7 million Pinal County Excise Tax Obligation for future road construction.

Approximately 24 percent of the combined ending fund balances (\$8.6 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 (\$223,866) 2) restricted for particular purposes (\$26.2 million), or 3) assigned for particular purposes (\$1.1 million).

*General Fund.* The General Fund is the chief operating fund of the Town. At the end of FY2016, unassigned fund balance of the General Fund was \$ 8.6 million making up 98 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 increased \$626,348 this fiscal year as operational costs decreased and revenues increased.

*Highway User Revenue Fund.* The Highway User Revenue Fund, a major fund, ended the current year with a total fund balance of \$12.9 million, consisting of \$11.7 million restricted fund balance and \$674,185 assigned fund balance. Revenues must be used for streets and highway purposes. The Town issued a Pinal County Excise Tax Obligation in the amount of \$4.7 million which is restricted for capital projects that are planned in the coming years. This obligation is primarily responsible for the large increase in fund balance in the Highway User Revenue Fund from last year.

*Impact Fees Fund.* The Impact Fees Fund, a major fund, ended the current year with a total fund balance of \$932,572, a decrease of \$769,247. Impact fee projects included a ladder truck for the Anthem Fire Station, completion of the Library, Main Street Park Equipment and Diversion Dam Phase I. 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 \$3.9 million, an increase of \$527,884 over the prior year. The primary reason for this is the Town scaled back the investment in capital projects.

### ***Proprietary Funds***

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

Unrestricted net position for each fund at the end of the year is as follows: Water - \$6.1 million, Sewer - \$5.8 million and Sanitation - \$1.4 million. 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 \$1.1 million. Operating revenue increased and operating expenses decreased resulting in operating income of \$1.5 million.

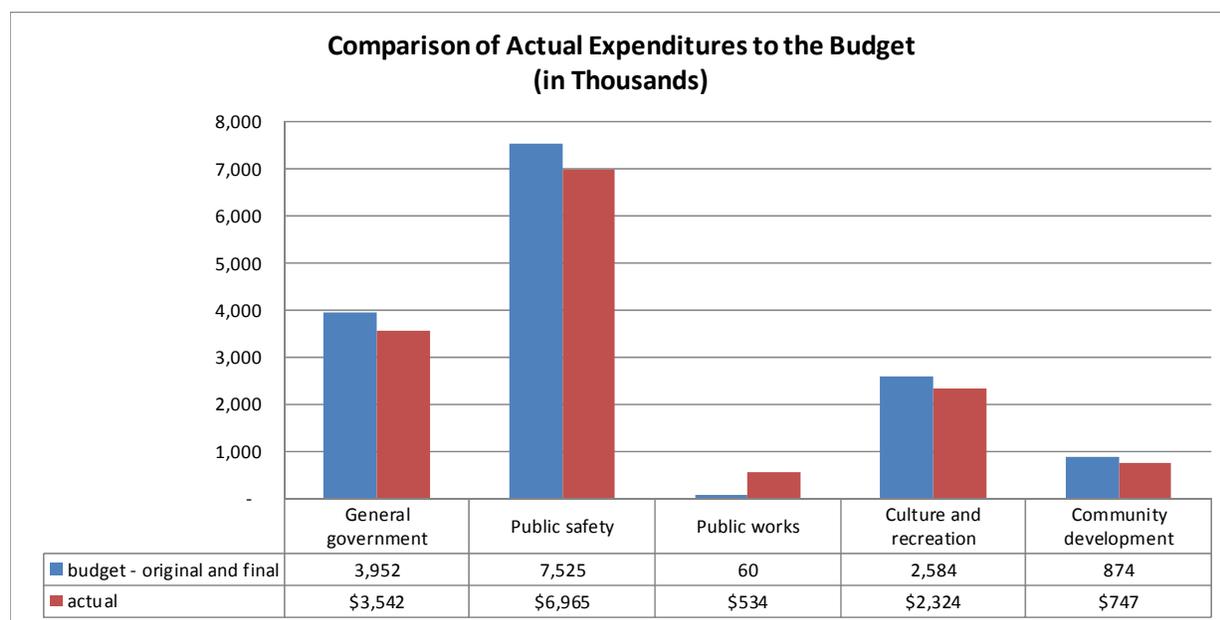
A significant portion of the increase in fund balance was related to a \$481,922 decrease in the amount spent for contractual services as the Town utilized internal staff and became less reliant on outside services.

The total net position in the Sewer Utility fund grew by \$1.7 million primarily due to an increase in operating revenue and a decrease in operating expenses, resulting in operating income of \$2.3 million. A significant portion of the reduction of expenses was related to a \$530,112 decrease in contractual services as the Town utilized internal staff and became less reliant on outside services.

Total net position decreased in the Sanitation Fund by \$103,615 mainly due to an operating loss of \$69,696 and transfer out of \$48,800. 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 \$14.113 million was spent compared to a total final budget of \$14.996 million, resulting in a positive variance (budget savings) of \$883,028. 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, 2016, amounts to \$107.9 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 \$1.24 million. Additions to capital assets included completion of Recreation and Library Center, Diversion Dam Phase 1 and infrastructure improvements to enterprise funds.

**Town of Florence Capital Assets**  
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 32,546,409	\$ 32,546,409	\$ 394,073	\$ 394,073	\$ 32,940,482	\$ 32,940,482
Buildings, infrastructure	51,853,493	39,623,975	7,587,226	8,593,961	59,440,719	48,217,936
Vehicles, furniture and equipment	2,824,271	3,303,901	201,988	200,057	3,026,259	3,503,958
Construction in progress	2,140,113	14,222,110	10,343,214	7,769,424	12,483,327	21,991,534
<b>Total</b>	<b>\$ 89,364,286</b>	<b>\$ 89,696,395</b>	<b>\$ 18,526,501</b>	<b>\$ 16,957,515</b>	<b>\$ 107,890,787</b>	<b>\$ 106,653,910</b>

Additional information on the Town of Florence's capital assets can be found in Note 4 on pages 64 - 65 in the notes to the financial statements.

**Long-term Debt**

At the end of the fiscal year, the Town had \$23.3 million in debt outstanding compared to \$18.1 million last year. The Town has notes payable outstanding totaling \$3.8 million at year end and a capital lease outstanding in the amount of \$285,746. A large portion of the debt listed below consists of general obligation bonds (\$10.3 million) and special assessment lien bonds (\$3.9 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	
	2016	2015	2016	2015	2016	2015
General obligation bonds - CFDs	\$ 10,335,000	\$ 8,540,000	\$ -	\$ -	\$ 10,335,000	\$ 8,540,000
Special assessment debt - CFDs	3,922,390	4,476,850	-	-	3,922,390	4,476,850
Special assessment debt - Town	218,000	282,000	-	-	218,000	282,000
Revenue bond debt - Town	4,740,000	-	-	-	4,740,000	-
Notes payable	338,551	385,188	3,429,461	3,827,612	3,768,012	4,212,800
Capital leases	285,746	567,382	-	-	285,746	567,382
<b>Total</b>	<b>\$ 19,839,687</b>	<b>\$ 14,251,420</b>	<b>\$ 3,429,461</b>	<b>\$ 3,827,612</b>	<b>\$ 23,269,148</b>	<b>\$ 18,079,032</b>

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 66 - 71 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 7.1 percent, up slightly 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 (53%). 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 small 1 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. However, it should be noted that the Town Council did not raise rates the past two fiscal year and that the Town is in the process of completing a new study during the 2016-2017 year.

The Town's total budget for FY2017 is \$37.7 million, which includes approximately \$1.2 million in capital or capital-related expenditures.

## **Requests for Information**

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

## **FINANCIAL SECTION**

### **BASIC FINANCIAL STATEMENTS**



**FINANCIAL SECTION**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF NET POSITION  
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,864,088	\$ 3,576,024	\$ 10,440,112
Receivables (net of allowance for uncollectibles)	1,553,066	808,305	2,361,371
Special assessment receivable	5,272,334	-	5,272,334
Due from other governments	311,542	-	311,542
Internal balances	(11,948)	11,948	-
Prepays	223,866	247,232	471,098
Restricted cash equivalents	5,456,116	-	5,456,116
Investments	23,617,180	13,233,774	36,850,954
Net pension asset	272,295	-	272,295
Capital assets			
Land and construction in progress	34,686,522	10,737,287	45,423,809
Other capital assets (net of accumulated depreciation)	54,677,764	7,789,214	62,466,978
Total assets	<u>132,922,825</u>	<u>36,403,784</u>	<u>169,326,609</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	1,749,204	146,056	1,895,260
Deferred outflows of employer contributions to pensions	972,517	75,982	1,048,499
Total deferred outflows of resources	<u>2,721,721</u>	<u>222,038</u>	<u>2,943,759</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	832,776	202,898	1,035,674
Customer deposits	154,311	127,702	282,013
Accrued wages and benefits	687,900	11,637	699,537
Accrued interest payable	501,676	57,255	558,931
Other accrued liabilities	9,470	2,386	11,856
Retainages	26,490	-	26,490
Current portion of			
Compensated absences	384,500	31,830	416,330
Capital leases	285,746	-	285,746
Notes payable	49,435	428,643	478,078
Bonds payable	568,150	-	568,150
Long-term portion of			
Compensated absences	84,486	-	84,486
Notes payable	289,116	3,000,818	3,289,934
Bonds payable	18,835,341	-	18,835,341
Net pension liability	8,438,483	1,362,046	9,800,529
Total liabilities	<u>31,147,880</u>	<u>5,225,215</u>	<u>36,373,095</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	860,973	182,284	1,043,257
Total deferred inflows of resources	<u>860,973</u>	<u>182,284</u>	<u>1,043,257</u>

See accompanying notes.

NET POSITION			
Net investment in capital assets	69,336,498	15,097,040	84,433,538
Restricted for			
Debt service	8,679,936	2,567,074	11,247,010
Highways and streets	12,234,084	-	12,234,084
Capital projects	9,539,179	249,739	9,788,918
Economic development	693,120	-	693,120
Community facilities	285,877	-	285,877
Public safety	71,740	-	71,740
Unrestricted	<u>2,795,259</u>	<u>13,304,470</u>	<u>16,099,729</u>
 Total net position	 <u>\$ 103,635,693</u>	 <u>\$ 31,218,323</u>	 <u>\$ 134,854,016</u>

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 3,850,698	\$ 1,412,182	\$ 186,761	\$ -
Public safety	9,790,715	173,282	373,819	232,816
Highways and streets	3,961,384	33	3,016,256	-
Public works	714,647	-	-	359,301
Culture and recreation	2,513,486	8,672	17,260	99,280
Community development	1,138,496	619,027	250,500	-
Interest on long-term debt	862,286	-	-	-
Total governmental activities	<u>22,831,712</u>	<u>2,213,196</u>	<u>3,844,596</u>	<u>691,397</u>
Business-type activities				
Water	1,418,370	2,920,345	-	7,920
Sewer	2,021,295	4,162,105	-	12,198
Sanitation	827,655	746,862	-	-
Total business-type activities	<u>4,267,320</u>	<u>7,829,312</u>	<u>-</u>	<u>20,118</u>
Total primary government	<u>\$ 27,099,032</u>	<u>\$ 10,042,508</u>	<u>\$ 3,844,596</u>	<u>\$ 711,515</u>

General revenues  
Property taxes  
Sales and use taxes  
Franchise taxes  
Shared revenues  
  State sales taxes  
  Urban revenue sharing  
  Auto-in-lieu  
Investment income  
Interest income  
Net increase in the fair value of investments

Miscellaneous  
Transfers in (out)  
  Total general revenues and transfers  
  Change in net position  
Net position-July 1, 2015

Net position-June 30, 2016

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (2,251,755)	\$ -	\$ (2,251,755)
(9,010,798)	-	(9,010,798)
(945,095)	-	(945,095)
(355,346)	-	(355,346)
(2,388,274)	-	(2,388,274)
(268,969)	-	(268,969)
(862,286)	-	(862,286)
<u>(16,082,523)</u>	<u>-</u>	<u>(16,082,523)</u>
-	1,509,895	1,509,895
-	2,153,008	2,153,008
-	(80,793)	(80,793)
<u>-</u>	<u>3,582,110</u>	<u>3,582,110</u>
<u>(16,082,523)</u>	<u>3,582,110</u>	<u>(12,500,413)</u>
2,015,288	-	2,015,288
4,314,061	-	4,314,061
548,613	-	548,613
2,449,973	-	2,449,973
3,074,531	-	3,074,531
1,406,399	-	1,406,399
345,256	184,224	529,480
9,696	5,332	15,028
317,887	25,562	343,449
1,006,670	(1,006,670)	-
<u>15,488,374</u>	<u>(791,552)</u>	<u>14,696,822</u>
(594,149)	2,790,558	2,196,409
<u>104,229,842</u>	<u>28,427,765</u>	<u>132,657,607</u>
<u>\$ 103,635,693</u>	<u>\$ 31,218,323</u>	<u>\$ 134,854,016</u>



**FINANCIAL SECTION**

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUND FINANCIAL STATEMENTS

TOWN OF FLORENCE, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	General	Highway User	Community Facilities Districts- Debt Service
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,750,375	\$ 1,702,398	\$ 514,210
Receivables (net of allowance for uncollectibles)	1,212,904	319,680	5,116,562
Due from other governments	-	-	13,766
Due from other funds	281,251	82	-
Prepays	166,575	57,291	-
Restricted assets			
Cash and cash equivalents	2,500	4,598,000	855,616
Investments	6,478,604	6,300,056	1,902,934
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 9,892,209</u>	<u>\$ 12,977,507</u>	<u>\$ 8,403,088</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	\$ 224,534	\$ 470,602	\$ 88
Customer deposits	154,311	-	-
Accrued wages and benefits	669,330	15,736	-
Other accrued liabilities	7,030	2,440	-
Due to other funds	-	-	-
Retainages	-	26,490	-
Total liabilities	<u>1,055,205</u>	<u>515,268</u>	<u>88</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	106,180	4,658	5,134,537
Total deferred inflows of resources	<u>106,180</u>	<u>4,658</u>	<u>5,134,537</u>
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid items	166,575	57,291	-
Restricted			
Public safety	-	-	-
Debt service	-	-	3,268,463
Capital projects	-	-	-
Highways and Streets	-	11,726,105	-
Economic development	-	-	-
Community Facilities Districts operations	-	-	-
Assigned			
Capital projects	-	-	-
Highways and Streets	-	674,185	-
Unassigned	8,564,249	-	-
Total fund balances	<u>8,730,824</u>	<u>12,457,581</u>	<u>3,268,463</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,892,209</u>	<u>\$ 12,977,507</u>	<u>\$ 8,403,088</u>

Community Facilities Districts- Capital Improvements	Impact Fees	Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
\$ 923,671	\$ 198,132	\$ 830,217	\$ 945,085	\$ 6,864,088
3,056	3,152	4,286	165,760	6,825,400
-	-	-	297,776	311,542
-	-	-	-	281,333
-	-	-	-	223,866
-	-	-	-	5,456,116
1,632,514	733,224	3,072,379	3,497,469	23,617,180
<u>\$ 2,559,241</u>	<u>\$ 934,508</u>	<u>\$ 3,906,882</u>	<u>\$ 4,906,090</u>	<u>\$ 43,579,525</u>
\$ 110,348	\$ -	\$ -	\$ 27,204	\$ 832,776
-	-	-	-	154,311
-	-	-	2,834	687,900
-	-	-	-	9,470
-	542	-	292,739	293,281
-	-	-	-	26,490
110,348	542	-	322,777	2,004,228
1,352	1,394	1,896	196,446	5,446,463
1,352	1,394	1,896	196,446	5,446,463
-	-	-	-	223,866
-	-	-	71,740	71,740
-	-	-	116,548	3,385,011
2,447,541	424,593	3,447,463	3,219,582	9,539,179
-	507,979	-	-	12,234,084
-	-	-	693,120	693,120
-	-	-	285,877	285,877
-	-	457,523	-	457,523
-	-	-	-	674,185
-	-	-	-	8,564,249
2,447,541	932,572	3,904,986	4,386,867	36,128,834
<u>\$ 2,559,241</u>	<u>\$ 934,508</u>	<u>\$ 3,906,882</u>	<u>\$ 4,906,090</u>	<u>\$ 43,579,525</u>



TOWN OF FLORENCE, ARIZONA  
 RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 GOVERNMENTAL FUNDS  
 June 30, 2016

Fund balance - total governmental funds balance sheet		\$ 36,128,834
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.		272,295
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 119,842,017	
Less accumulated depreciation	<u>(30,477,731)</u>	89,364,286
Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net position.		
Special assessments	5,294,925	
Grant revenue	32,806	
Interest income	12,552	
Sale of property	43,915	
Other	<u>62,265</u>	5,446,463
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	(8,438,483)	
Compensated absences	(468,986)	
Capital leases	(285,746)	
Notes payable	(338,551)	
Bonds payable	<u>(19,403,491)</u>	(28,935,257)
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	1,749,204	
Deferred outflows of employer contributions	972,517	
Deferred inflows of resources related to pensions	<u>(860,973)</u>	1,860,748
Interest payable on long-term debt is not reported in the governmental funds.		<u>(501,676)</u>
Net position of governmental activities - statement of net position		<u><u>\$ 103,635,693</u></u>

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2016

REVENUES	General	Highway User	Community Facilities Districts- Debt Service
Taxes	\$ 3,318,796	\$ 3,016,256	\$ 1,044,815
Franchise fees	548,613	-	-
Licenses and permits	613,337	-	-
Intergovernmental revenues	6,930,903	-	-
Charges for services	940,189	-	-
Fines	146,875	-	-
Special assessments	-	-	1,083,987
Investment income			
Interest income	131,837	85,460	21,940
Net increase in the fair value of investments	2,952	2,290	799
Contributions and donations	44,566	-	-
Miscellaneous	359,510	224,188	150
Total revenues	<u>13,037,578</u>	<u>3,328,194</u>	<u>2,151,691</u>
<b>EXPENDITURES</b>			
<b>Current</b>			
General government	3,541,487	-	73,555
Public safety	6,964,971	-	-
Highways and streets	-	2,177,138	-
Public works	534,798	-	-
Culture and recreation	2,324,500	-	-
Community development	747,016	-	-
Capital outlay	-	915,771	-
<b>Debt service</b>			
Principal	-	-	759,460
Interest and fiscal charges	-	-	816,276
Total expenditures	<u>14,112,772</u>	<u>3,092,909</u>	<u>1,649,291</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,075,194)</u>	<u>235,285</u>	<u>502,400</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,704,147	557,669	-
Transfers out	(2,607)	(535,316)	-
Proceeds from obligations	-	4,740,000	-
Bond premium	-	-	-
Total other financing sources and uses	<u>1,701,540</u>	<u>4,762,353</u>	<u>-</u>
Net change in fund balances	626,346	4,997,638	502,400
Fund balances - beginning of year	<u>8,104,478</u>	<u>7,459,943</u>	<u>2,766,063</u>
Fund balances - end of year	<u>\$ 8,730,824</u>	<u>\$ 12,457,581</u>	<u>\$ 3,268,463</u>

Community Facilities Districts- Capital Improvements	Impact Fees	Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,464,561	\$ 501,177	\$ 9,345,605
-	-	-	-	548,613
-	-	-	-	613,337
-	-	-	1,095,357	8,026,260
-	413,917	-	25,154	1,379,260
-	-	-	3,168	150,043
-	-	-	64,353	1,148,340
9,622	22,076	31,553	44,656	347,144
664	685	932	1,374	9,696
-	-	-	1,500	46,066
40	1,192	1,126	60,109	646,315
<u>10,326</u>	<u>437,870</u>	<u>1,498,172</u>	<u>1,796,848</u>	<u>22,260,679</u>
-	-	-	60,982	3,676,024
206,848	-	-	341,398	7,513,217
-	-	-	-	2,177,138
-	-	-	102,184	636,982
-	-	-	78,139	2,402,639
133,967	-	-	259,591	1,140,574
1,757,123	-	1,369,253	288,495	4,330,642
-	-	-	392,272	1,151,732
-	-	-	56,652	872,928
<u>2,097,938</u>	<u>-</u>	<u>1,369,253</u>	<u>1,579,713</u>	<u>23,901,876</u>
<u>(2,087,612)</u>	<u>437,870</u>	<u>128,919</u>	<u>217,135</u>	<u>(1,641,197)</u>
20,634	-	758,628	362,270	3,403,348
-	(1,207,117)	(359,663)	(291,975)	(2,396,678)
2,000,000	-	-	-	6,740,000
165,829	-	-	-	165,829
<u>2,186,463</u>	<u>(1,207,117)</u>	<u>398,965</u>	<u>70,295</u>	<u>7,912,499</u>
98,851	(769,247)	527,884	287,430	6,271,302
2,348,690	1,701,819	3,377,102	4,099,437	29,857,532
<u>\$ 2,447,541</u>	<u>\$ 932,572</u>	<u>\$ 3,904,986</u>	<u>\$ 4,386,867</u>	<u>\$ 36,128,834</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, 2016

Net change in fund balances - total governmental funds		\$ 6,271,302
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, assets contributed to the Town are not reported in the fund statements and are reported in the statement of activities.		
Expenditures for capitalized assets	\$ 2,282,483	
Less current year depreciation	<u>(2,614,592)</u>	(332,109)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds and revenues received in the current year that were accrued in the Statement of Activities in prior years are reported as revenues in the funds.		
Special assessments	(672,548)	
Grant revenue	23,839	
Interest income	(1,888)	
Sale of property	(3,331)	
Other	<u>29,300</u>	(624,628)
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.		
		(48,112)
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	972,517	
Pension expense	<u>(1,122,453)</u>	(149,936)
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.		
		(164,901)
Repayment of long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Issuance of bond debt	(6,740,000)	
Capital lease principal retirement	281,636	
Note payable principal retirement	46,637	
Bond principal retirement	<u>823,460</u>	(5,588,267)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>42,502</u>
Change in net position of governmental activities		<u>\$ (594,149)</u>

TOWN OF FLORENCE, ARIZONA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget- Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 3,346,400	\$ 3,346,400	\$ 3,318,796	\$ (27,604)
Franchise fees	592,600	592,600	548,613	(43,987)
Licenses and permits	521,000	521,000	613,337	92,337
Intergovernmental revenues	6,818,300	6,818,300	6,930,903	112,603
Charges for services	739,500	739,500	940,189	200,689
Fines	195,800	195,800	146,875	(48,925)
Investment income				
Interest income	85,000	85,000	131,837	46,837
Net increase in the fair value of investments	-	-	2,952	2,952
Contributions and donations	14,800	14,800	44,566	29,766
Miscellaneous	51,600	51,600	359,510	307,910
<b>Total revenues</b>	<b>12,365,000</b>	<b>12,365,000</b>	<b>13,037,578</b>	<b>672,578</b>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>General government</b>				
Town council	145,100	145,100	92,500	52,600
Administration	1,681,000	1,681,000	1,222,769	458,231
Legal	482,600	482,600	686,459	(203,859)
Finance	850,300	850,300	818,881	31,419
Human resources	257,100	257,100	239,925	17,175
Grants	75,900	75,900	20,559	55,341
Information technology	460,300	460,300	460,394	(94)
<b>Public safety</b>				
Courts	222,500	222,500	199,953	22,547
Police	4,238,900	4,238,900	3,869,533	369,367
Fire	3,062,900	3,062,900	2,895,485	167,415
<b>Public works</b>				
Engineering	60,100	60,100	60,321	(221)
Facilities maintenance	-	-	474,477	(474,477)
<b>Culture and recreation</b>				
Parks and recreation	2,151,400	2,151,400	1,931,462	219,938
Library	416,200	416,200	376,088	40,112
Cemetery	17,300	17,300	16,950	350
<b>Community development</b>				
Planning	709,900	709,900	611,006	98,894
Economic development	164,300	164,300	136,010	28,290
<b>Total expenditures</b>	<b>14,995,800</b>	<b>14,995,800</b>	<b>14,112,772</b>	<b>883,028</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(2,630,800)</b>	<b>(2,630,800)</b>	<b>(1,075,194)</b>	<b>1,555,606</b>

OTHER FINANCING SOURCES (USES)				
Transfers in	1,478,100	1,478,100	1,704,147	226,047
Transfers out	-	-	(2,607)	(2,607)
Total other financing sources and uses	<u>1,478,100</u>	<u>1,478,100</u>	<u>1,701,540</u>	<u>223,440</u>
Net change in fund balance	<u>(1,152,700)</u>	<u>(1,152,700)</u>	<u>626,346</u>	<u>1,779,046</u>
Fund balance - beginning of year	<u>8,104,478</u>	<u>8,104,478</u>	<u>8,104,478</u>	<u>-</u>
Fund balance - end of year	<u>\$ 6,951,778</u>	<u>\$ 6,951,778</u>	<u>\$ 8,730,824</u>	<u>\$ 1,779,046</u>

TOWN OF FLORENCE, ARIZONA  
HIGHWAY USER FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 2,880,000	\$ 2,880,000	\$ 3,016,256	\$ 136,256
Investment income				
Interest income	25,000	25,000	85,460	60,460
Net increase in the fair value of investments	-	-	2,290	2,290
Miscellaneous	15,300	15,300	224,188	208,888
<b>Total revenues</b>	<b>2,920,300</b>	<b>2,920,300</b>	<b>3,328,194</b>	<b>407,894</b>
<b>EXPENDITURES</b>				
Current				
Highways and streets	4,813,000	4,544,598	2,177,138	2,367,460
Capital outlay	1,184,200	1,452,602	915,771	536,831
<b>Total expenditures</b>	<b>5,997,200</b>	<b>5,997,200</b>	<b>3,092,909</b>	<b>2,904,291</b>
Excess (deficiency) of revenues over (under) expenditures	(3,076,900)	(3,076,900)	235,285	3,312,185
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	964,900	964,900	557,669	(407,231)
Transfers out	(498,700)	(498,700)	(535,316)	(36,616)
Proceeds from obligations	-	-	4,740,000	4,740,000
<b>Total other financing sources and uses</b>	<b>466,200</b>	<b>466,200</b>	<b>4,762,353</b>	<b>4,296,153</b>
Net change in fund balance	(2,610,700)	(2,610,700)	4,997,638	7,608,338
Fund balance - beginning of year	7,459,943	7,459,943	7,459,943	-
<b>Fund balance - end of year</b>	<b>\$ 4,849,243</b>	<b>\$ 4,849,243</b>	<b>\$ 12,457,581</b>	<b>\$ 7,608,338</b>

**FINANCIAL SECTION**

FUND FINANCIAL STATEMENTS

PROPRIETARY FUND FINANCIAL STATEMENTS

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2016

	Business-type Activities-Enterprise Funds			
ASSETS	Water	Sewer	Sanitation	Total
Current assets				
Cash and cash equivalents	\$ 1,378,111	\$ 1,873,676	\$ 324,237	\$ 3,576,024
Receivables, net of uncollectibles	336,503	419,009	52,793	808,305
Due from other funds	11,948	-	-	11,948
Prepaid expense	-	247,232	-	247,232
Total current assets	<u>1,726,562</u>	<u>2,539,917</u>	<u>377,030</u>	<u>4,643,509</u>
Noncurrent assets				
Investments	5,099,967	6,933,903	1,199,904	13,233,774
Capital assets:				
Land	120,100	273,973	-	394,073
Buildings and improvements	4,034,101	10,616,609	-	14,650,710
Machinery and equipment	853,928	208,480	549,036	1,611,444
Construction in progress	7,296,993	3,046,221	-	10,343,214
Less accumulated depreciation	<u>(4,068,981)</u>	<u>(3,859,988)</u>	<u>(543,971)</u>	<u>(8,472,940)</u>
Total capital assets, net	<u>8,236,141</u>	<u>10,285,295</u>	<u>5,065</u>	<u>18,526,501</u>
Total noncurrent assets	<u>13,336,108</u>	<u>17,219,198</u>	<u>1,204,969</u>	<u>31,760,275</u>
Total assets	<u>15,062,670</u>	<u>19,759,115</u>	<u>1,581,999</u>	<u>36,403,784</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	56,142	77,343	12,571	146,056
Deferred outflows of employer contributions to pensions	28,574	40,944	6,464	75,982
Total deferred outflows of resources	<u>84,716</u>	<u>118,287</u>	<u>19,035</u>	<u>222,038</u>
LIABILITIES				
Current liabilities				
Accounts payable	78,333	117,510	7,055	202,898
Customer deposits	84,745	-	42,957	127,702
Accrued wages and benefits	4,428.00	6,181	1,028	11,637
Accrued interest payable	-	57,255	-	57,255
Other accrued liabilities	638.00	1,478	270	2,386
Compensated absences	13,943	14,502	3,385	31,830
Notes payable	-	428,643	-	428,643
Total current liabilities	<u>182,087</u>	<u>625,569</u>	<u>54,695</u>	<u>862,351</u>
Noncurrent liabilities				
Notes payable	-	3,000,818	-	3,000,818
Net pension liability	523,327	726,884	111,835	1,362,046
Total noncurrent liabilities	<u>523,327</u>	<u>3,727,702</u>	<u>111,835</u>	<u>4,362,864</u>
Total liabilities	<u>705,414</u>	<u>4,353,271</u>	<u>166,530</u>	<u>5,225,215</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	70,756	95,757	15,771	182,284
Total deferred inflows of resources	<u>70,756</u>	<u>95,757</u>	<u>15,771</u>	<u>182,284</u>

NET POSITION				
Net investment in capital assets	8,236,141	6,855,834	5,065	15,097,040
Restricted for				
Debt service	-	2,567,074	-	2,567,074
Capital projects	10,381	192,320	47,038	249,739
Unrestricted	<u>6,124,694</u>	<u>5,813,146</u>	<u>1,366,630</u>	<u>13,304,470</u>
Total net position	<u>\$ 14,371,216</u>	<u>\$ 15,428,374</u>	<u>\$ 1,418,733</u>	<u>\$ 31,218,323</u>

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2016

	Business-type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating revenues				
Water sales	\$ 2,680,577	\$ -	\$ -	\$ 2,680,577
Water connection fees	4,805	-	-	4,805
Service establishment fees	25,080	-	-	25,080
Sewer service fees	-	2,949,995	-	2,949,995
Sewer connection fees	-	2,850	-	2,850
DOC usage fees	-	1,209,260	-	1,209,260
Water standpipe	5,558	-	-	5,558
Hydro-sprinkler fees	4,511	-	-	4,511
Central Arizona Project	161,792	-	-	161,792
Refuse collection fees	-	-	746,862	746,862
Effluent charges	38,022	-	-	38,022
Miscellaneous	14,716	2,588	8,258	25,562
Total operating revenue	<u>2,935,061</u>	<u>4,164,693</u>	<u>755,120</u>	<u>7,854,874</u>
Operating expenses				
Personal services	385,457	589,898	107,493	1,082,848
Supplies	57,341	239,205	3,757	300,303
Contractual services and maintenance	814,374	833,032	693,578	2,340,984
Depreciation	161,198	242,150	19,988	423,336
Miscellaneous	-	2,500	-	2,500
Total operating expenses	<u>1,418,370</u>	<u>1,906,785</u>	<u>824,816</u>	<u>4,149,971</u>
Operating income (loss)	<u>1,516,691</u>	<u>2,257,908</u>	<u>(69,696)</u>	<u>3,704,903</u>
Nonoperating revenues (expense)				
Interest income	71,194	95,781	17,249	184,224
Net increase in the fair value of investments	2,067	2,794	471	5,332
Interest expense	-	(114,510)	-	(114,510)
Gain (loss) on sale of assets	-	-	(2,839)	(2,839)
Total nonoperating revenues (expense)	<u>73,261</u>	<u>(15,935)</u>	<u>14,881</u>	<u>72,207</u>
Income before development fees and transfers	1,589,952	2,241,973	(54,815)	3,777,110
Development fees	7,920	12,198	-	20,118
Transfers in	123,884	204,964	-	328,848
Transfers out	(530,600)	(756,118)	(48,800)	(1,335,518)
Change in net position	<u>1,191,156</u>	<u>1,703,017</u>	<u>(103,615)</u>	<u>2,790,558</u>
Net position, beginning of year	<u>13,180,060</u>	<u>13,725,357</u>	<u>1,522,348</u>	<u>28,427,765</u>
Net position-end of year	<u>\$ 14,371,216</u>	<u>\$ 15,428,374</u>	<u>\$ 1,418,733</u>	<u>\$ 31,218,323</u>

See accompanying notes.

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2016

	<u>Business-type Activities-Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 2,936,133	\$ 4,178,589	\$ 764,397	\$ 7,879,119
Payments to suppliers	(1,831,155)	(1,328,736)	(729,291)	(3,889,182)
Payments to employees	(334,438)	(514,641)	(99,933)	(949,012)
Net cash provided (used) by operating activities	<u>770,540</u>	<u>2,335,212</u>	<u>(64,827)</u>	<u>3,040,925</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers to other funds	(530,600)	(756,118)	(48,800)	(1,335,518)
Transfers from other funds	123,884	204,964	-	328,848
Net cash used by noncapital financing activities	<u>(406,716)</u>	<u>(551,154)</u>	<u>(48,800)</u>	<u>(1,006,670)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and construction of capital assets	(829,342)	(1,391,605)	-	(2,220,947)
Development fees received	7,920	12,198	-	20,118
Principal paid on capital debt	-	(398,151)	-	(398,151)
Interest paid on capital debt	-	(121,157)	-	(121,157)
Net cash provided (used) by capital and related financing activities	<u>(821,422)</u>	<u>(1,898,715)</u>	<u>-</u>	<u>(2,720,137)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Receipts of investments	227,007	-	57,361	284,368
Interest received	73,766	100,580	18,225	192,571
Net cash provided (used) by investing activities	<u>300,773</u>	<u>15,054</u>	<u>75,586</u>	<u>391,413</u>
Net increase (decrease) in cash and cash equivalents	(156,825)	(99,603)	(38,041)	(294,469)
Cash and cash equivalents at beginning of year	<u>1,534,936</u>	<u>1,973,279</u>	<u>362,278</u>	<u>3,870,493</u>
Cash and cash equivalents at end of year	<u>\$ 1,378,111</u>	<u>\$ 1,873,676</u>	<u>\$ 324,237</u>	<u>\$ 3,576,024</u>

See accompanying notes.

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS (CONTINUED)  
Year Ended June 30, 2016

	Business-type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,516,691	\$ 2,257,908	\$ (69,696)	\$ 3,704,903
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	161,198	242,150	19,988	423,336
Pension expense	80,588	123,913	13,408	217,909
Employer pension contributions	(28,574)	(40,944)	(6,464)	(75,982)
Provision for bad debt	6,677	-	205	6,882
(Increase) decrease in:				
Accounts receivable	9,994	13,896	2,955	26,845
Due from other funds	(11,948)	-	-	(11,948)
Prepays	-	(56,734)	-	(56,734)
Increase (decrease) in:				
Accounts payable	(959,823)	(197,970)	(32,106)	(1,189,899)
Customer deposits	(3,651)	-	6,117	2,466
Accrued wages and benefits	1,828	3,185	545	5,558
Other accrued liabilities	383	705	150	1,238
Compensated absences	(2,823)	(10,897)	71	(13,649)
Total adjustments	(746,151)	77,304	4,869	(663,978)
Net cash provided (used) by operating activities:	<u>\$ 770,540</u>	<u>\$ 2,335,212</u>	<u>\$ (64,827)</u>	<u>\$ 3,040,925</u>
Noncash investing, capital, and financing activities:				
Loss on sale of assets	\$ -	\$ -	\$ 2,839	\$ 2,839
Change in fair value of investments	2,067	2,794	471	5,332

**FINANCIAL SECTION**

FUND FINANCIAL STATEMENTS

FIDUCIARY FUND FINANCIAL STATEMENTS



TOWN OF FLORENCE, ARIZONA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2016

	<u>Pension Trust</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,858
U.S. Government bonds	249,224
Equities	<u>63,790</u>
Total assets	<u>315,872</u>
<b>LIABILITIES</b>	
Accounts payable	<u>375</u>
Total liabilities	<u>375</u>
<b>NET POSITION</b>	
Held in trust for pension benefits and other purposes	<u>\$ 315,497</u>

TOWN OF FLORENCE, ARIZONA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
Year Ended June 30, 2016

	<u>Pension Trust</u>
ADDITIONS	
Contributions	
Employee	\$ 8,458
Total contributions	<u>8,458</u>
Investment income	
Interest earnings	<u>2,290</u>
Total additions	<u>10,748</u>
DEDUCTIONS	
Pension withdrawals	<u>10,477</u>
Total deductions	<u>10,477</u>
Change in net position	271
Net position-beginning of year	<u>315,226</u>
Net position-end of year	<u>\$ 315,497</u>

## **FINANCIAL SECTION**

### **NOTES TO FINANCIAL STATEMENTS**



TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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, 2016

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, 2016, 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, 2016

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, 2016

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, 2016

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.

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, 2016

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, 2016

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, 2016

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:

Assets	Years
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 position.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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. However, on May 19, 2015, the Town held a special election to approve an amount in excess of the State imposed expenditure limitation for the fiscal year ended June 30, 2016 in which the voters approved the measure. Additional expenditures may be authorized if directly necessitated by a natural or man-made disaster as prescribed in the state constitution. The Town did not exceed their one time approved expenditure override during the year ended June 30, 2016.

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

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

TOWN OF FLORENCE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Budgetary Data (Continued)

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

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, 2016, expenditures exceeded appropriations in the following General Fund departments (the legal level of budgetary control):

General Fund:	
General government	
Legal	\$ 203,859
Information technology	94
Public works	
Engineering	221
Facilities maintenance	<u>474,477</u>
 Total	 <u><u>\$ 678,651</u></u>

P. Change in Accounting Principle

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 establish standards for measuring fair value and applying fair value to certain investments and disclosures related to all fair value measurements. Town of Florence adopted GASB No. 72 in fiscal year 2016. The adoption of GASB No. 72 has added disclosures in Note 2 of Town of Florence financial statements.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 2 DEPOSITS AND INVESTMENTS

At June 30, 2016, the Town had \$1,575 of cash on hand. The carrying amount of the Town's cash in bank totaled \$3,751,483 and the bank balance was \$3,977,661. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the Securities Investor Protection Act, \$1,212,925 was covered by collateral held in the pledging bank's trust department not in the Town's name, and \$1,764,736 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.

The Town invests in the Local Government Investment Pool 5 and Pool 7 (LGIP), investment pools 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 and the Investment Risk Management Committee have 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 22 days for Pool 5 and 73 days for Pool 7. The net asset value per share for each of the pools at June 30, 2016 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, 2016, the Town's funds invested with the State Treasurer totaled \$713,267.

At June 30, 2016, the Town held a repurchase agreement with National Bank that had a carry amount of \$5,976,208.

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 \$5,454,967 invested with Wells Fargo Brokerage Services. The accounts are invested in a money market fund that invests in U.S. government obligations and repurchase agreements.

TOWN OF FLORENCE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

The Town also holds \$36,850,953 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 \$315,601 are held by Securian Retirement Services and consist of a money market fund, government bonds and equity securities.

*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	
<b>Primary Government</b>					
Repurchase Agreement	\$ 5,976,208	\$ 5,976,208	\$ -	\$ -	\$ -
Money Market Funds	5,453,967	5,453,967	-	-	-
LGIP Pool 5	222,175	222,175	-	-	-
LGIP Pool 7	491,092	491,092	-	-	-
U.S. Government Bonds	36,850,954	3,099,580	10,580,900	23,170,474	-
	<u>48,994,396</u>	<u>15,243,022</u>	<u>10,580,900</u>	<u>23,170,474</u>	<u>-</u>
<b>Fiduciary Fund</b>					
Money Market Funds	2,587	2,587	-	-	-
U.S. Government Bonds	249,224	-	-	249,224	-
Equities	63,790	-	-	-	63,790
	<u>315,601</u>	<u>2,587</u>	<u>-</u>	<u>249,224</u>	<u>63,790</u>
<b>Total</b>	<u>\$ 49,309,997</u>	<u>\$ 15,245,609</u>	<u>\$ 10,580,900</u>	<u>\$ 23,419,698</u>	<u>\$ 63,790</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, 2016

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

*Credit risk* – Custodial 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. The Town does not have a formal investment policy regarding credit risk. However, the Town is prohibited by State law from investing in investments other than obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, towns or duly organized school districts, improvement districts in this state and the State Treasurer’s Local Investment Pool. 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
<b>Primary Government</b>					
Repurchase Agreement	\$ 5,976,208	\$ -	\$ -	\$ -	\$ 5,976,208
Money Market Funds	5,453,967	5,453,967	-	-	-
LGIP	713,267	222,175	-	-	491,092
U.S. Government Bonds	36,850,954	-	36,850,954	-	-
	<u>48,994,396</u>	<u>5,676,142</u>	<u>36,850,954</u>	<u>-</u>	<u>6,467,300</u>
<b>Fiduciary Fund</b>					
Money Market Funds	2,587	-	-	-	2,587
U.S. Government Bonds	249,224	-	249,224	-	-
Equities	63,790	-	-	-	63,790
	<u>315,601</u>	<u>-</u>	<u>249,224</u>	<u>-</u>	<u>66,377</u>
<b>Total</b>	<u>\$ 49,309,997</u>	<u>\$ 5,676,142</u>	<u>\$ 37,100,178</u>	<u>\$ -</u>	<u>\$ 6,533,677</u>

*Concentration of Credit Risk* - At June 30, 2016, the Town’s investments are included as follows:

Investment Type	Total	Concentration
Repurchase Agreement	\$ 5,976,208	12.12%
Money Market Funds	5,456,554	11.07%
LGIP	713,267	1.45%
U.S. Government Bonds	37,100,178	75.24%
Equities	<u>63,790</u>	0.13%
<b>Total</b>	<u>\$ 49,309,997</u>	100.00%

TOWN OF FLORENCE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

*Custodial credit risk-investments* - For an investment, this is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the investment in U.S. Government Bonds of \$37,100,178 and equities of \$63,790, the Town has a custodial credit risk exposure of \$37,163,968 because the related instruments are uninsured, unregistered, and held by the Town's brokerage firm. The Town held repurchase agreement investments of \$5,976,208 of which the underlying securities are held by the investments' counterparty, not in the name of the Town. The Town does not have a formal investment policy regarding custodial credit risk.

*Fair Value Measurement* - Investments are measured at fair value. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows at June 30, 2016:

<u>2016</u> Investments By Fair Value Level	Amount	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
U.S. Treasury Notes	\$ 90,310	\$ -	\$ 90,310	\$ -
U.S. Government Bonds	249,224		249,224	-
Federal Nat'l Mtg Association	13,838,385	-	13,838,385	-
Federal Farm Credit Bank	15,313,769	-	15,313,769	-
Federal Home Loan MTG Corp	1,506,915	-	1,506,915	-
Federal Home Loan Bank	6,101,575	-	6,101,575	-
<b>Total Investments by Fair Value Level</b>	<b>37,100,178</b>	<b>\$ -</b>	<b>\$ 37,100,178</b>	<b>\$ -</b>
 External Investment Pool Measured at Fair Value				
State Investment Pool (LGIP)	713,267			
<b>Total Investments Measured at Fair Value</b>	<b>37,813,445</b>			
 Investments Measured at Amortized Costs				
Repurchase Agreement	5,976,208			
Mutual Funds	63,790			
Money Market Funds	5,456,554			
<b>Total Investments Measured at Amortized Costs</b>	<b>11,496,552</b>			
<b>Total Investments</b>	<b>\$ 49,309,997</b>			

TOWN OF FLORENCE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

Investments categorized as Level 2 are valued significant other observable inputs for those investments. Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the Town held. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

NOTE 3 RECEIVABLES

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

Receivables:	General	Highway User	Community	Community	Impact Fees	Capital Improvements	Non-Major Gov. Funds	Total Gov. Funds
			Facilities Districts- Debt Service	Facilities Districts- Capital Improvements				
Taxes	\$ 817,146	\$ 309,149	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,126,295
Interest	13,577	10,531	3,673	3,056	3,152	4,286	6,315	44,590
Accounts	382,181	-	-	-	-	-	-	382,181
Assessments	-	-	5,112,889	-	-	-	159,445	5,272,334
	<u>\$ 1,212,904</u>	<u>\$ 319,680</u>	<u>\$ 5,116,562</u>	<u>\$ 3,056</u>	<u>\$ 3,152</u>	<u>\$ 4,286</u>	<u>\$ 165,760</u>	<u>\$ 6,825,400</u>

The following table summarizes the Town's receivables for the enterprise funds as of June 30, 2016.

Receivables:	Water Fund	Sewer Fund	Sanitation Fund	Total
Interest	\$ 9,509	\$ 12,853	\$ 2,167	\$ 24,529
Accounts	342,594	416,956	55,426	814,976
	<u>352,103</u>	<u>429,809</u>	<u>57,593</u>	<u>839,505</u>
Less:				
Allowance	(15,600)	(10,800)	(4,800)	(31,200)
Net receivables	<u>\$ 336,503</u>	<u>\$ 419,009</u>	<u>\$ 52,793</u>	<u>\$ 808,305</u>

Revenues of the enterprise funds are reported net of uncollectible amounts. There were uncollectible amounts related to revenues of the current period in the amount of \$6,677 for the water fund and \$205 for the sanitation fund.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 4 CAPITAL ASSETS

A summary of capital assets activity for the fiscal year ended June 30, 2016 follows:

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 32,546,409	\$ -	\$ -	\$ 32,546,409
Construction in progress	14,222,110	2,093,149	(14,175,146)	2,140,113
Total capital assets not being depreciated	46,768,519	2,093,149	(14,175,146)	34,686,522
Capital assets, being depreciated:				
Buildings, infrastructure and improvements	60,434,008	14,235,552	-	74,669,560
Vehicles, furniture and equipment	10,357,007	128,928	-	10,485,935
Total capital assets being depreciated	70,791,015	14,364,480	-	85,155,495
Less accumulated depreciation for:				
Buildings and improvements	(20,810,033)	(2,006,034)	-	(22,816,067)
Vehicles, furniture and equipment	(7,053,106)	(608,558)	-	(7,661,664)
Total accumulated depreciation	(27,863,139)	(2,614,592)	-	(30,477,731)
Total capital assets, being depreciated, net	42,927,876	11,749,888	-	54,677,764
Governmental activities capital assets, net	\$ 89,696,395	\$ 13,843,037	\$ (14,175,146)	\$ 89,364,286

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 4 CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 394,073	\$ -	\$ -	\$ 394,073
Construction in progress	7,769,424	2,573,790 *	-	10,343,214
Total capital assets not being depreciated	<u>8,163,497</u>	<u>2,573,790</u>	<u>-</u>	<u>10,737,287</u>
Capital assets, being depreciated:				
Buildings, infrastructure and improvements	15,368,822	62,367	(780,480) *	14,650,709
Vehicles, machinery and equipment	1,675,734	115,133	(179,422)	1,611,445
Total capital assets being depreciated	<u>17,044,556</u>	<u>177,500</u>	<u>(959,902)</u>	<u>16,262,154</u>
Less accumulated depreciation for:				
Buildings, infrastructure and improvements	(6,774,861)	(312,974)	24,352	(7,063,483)
Vehicles, machinery and equipment	(1,475,677)	(110,363)	176,583	(1,409,457)
Total accumulated depreciation	<u>(8,250,538)</u>	<u>(423,337)</u>	<u>200,935</u>	<u>(8,472,940)</u>
Total capital assets, being depreciated, net	<u>8,794,018</u>	<u>(245,837)</u>	<u>(758,967)</u>	<u>7,789,214</u>
Business-Type activities capital assets, net	<u>\$ 16,957,515</u>	<u>\$ 2,327,953</u>	<u>\$ (758,967)</u>	<u>\$ 18,526,501</u>

\* Transfer of \$756,128 between buildings and CIP.

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 286,447
Public safety	779,863
Highway and streets	1,475,831
Culture and recreation	72,451
Total depreciation expense	<u>\$ 2,614,592</u>
Business-type activities	
Water	\$ 161,198
Sewer	242,150
Sanitation	19,988
Total depreciation expense	<u>\$ 423,336</u>

TOWN OF FLORENCE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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, 2016 in governmental activities.

Year Ending, June 30	Principal
2017	\$ 289,915
2018	-
2019	-
Total requirements	<u>289,915</u>
Less interest	<u>4,169</u>
Present value of remaining payments	<u><u>\$ 285,746</u></u>

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

Asset	Governmental Activities
Vehicles	\$ 1,395,508
Less accumulated depreciation	<u>(204,929)</u>
Net	<u><u>\$ 1,190,578</u></u>

NOTE 6 NOTES PAYABLE

The Town has a note payable to a private party for the purchase of land. The note is payable in annual installments of \$69,748 including interest at 6%. The note is secured by a deed of trust, assignments of rents, security agreement and fixture filings. The balance was \$338,551 at June 30, 2016.

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, 2016, the Town has an outstanding balance of \$3,429,461. 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, 2016, 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 \$247,232 with WIFA at June 30, 2016.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 6 NOTES PAYABLE (Continued)

The annual debt service requirements to maturity as of June 30, 2016, are as follows:

Year Ending, June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	62,410	7,338	488,824	45,172
2022 - 2025	59,883	3,593	1,138,263	29,649
Total	\$ 338,551	\$ 73,664	\$ 3,429,461	\$ 410,984

NOTE 7 BONDS PAYABLE

*Bonds payable from the Town* at June 30, 2016, consisted of the outstanding special assessment and excise tax revenue obligation bonds presented below.

The bonds issued in 1994 to acquire Arizona Sierra Utility have an outstanding principal of \$218,000. 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.

In December 2015 the Town issued \$4,740,000 of pledged excise tax revenue obligation series 2015 bonds at a stated interest rate of 2.22% to finance transportation capital projects within the Town. The bonds are secured and payable from pledged excise tax revenues. The bonds mature in July 2027.

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 7 BONDS PAYABLE (Continued)

*Bonds payable from 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, 2016

NOTE 7 BONDS PAYABLE (Continued)

*Bonds payable from Community Facilities Districts (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 was 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.

In June 2016 the Merrill Ranch Community Facilities District #2 issued \$2,000,000 of GO Series 2016 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, 2016

NOTE 7 BONDS PAYABLE (Continued)

*Bonds payable from Community Facilities Districts (Continued)*

A summary of long-term bond debt payable at June 30, 2016, follows:

Description	Interest Rate	Maturity	Outstanding	
			Principal June 30, 2016	Due Within One Year
Utility Improvement District #1 Revenue Bonds 1994	8.45%	1/1/2019	\$ 218,000	\$ 64,000
Merrill Ranch CFD #1 Special Assessment Bonds 2006	4.30 - 5.30%	7/1/2030	1,162,000	77,000
Merrill Ranch CFD #2 Special Assessment Bonds 2006	4.30 - 5.30%	7/1/2030	1,298,000	79,000
Merrill Ranch CFD #1 General Obligation Bonds 2008A	6.00 - 7.40%	7/15/2033	3,760,000	105,000
Merrill Ranch CFD #1 Special Assessment Bonds 2009	9.00%	7/1/2034	258,950	7,080
Merrill Ranch CFD #2 Special Assessment Bonds 2009	9.00%	7/1/2034	609,850	16,620
Merrill Ranch CFD #2 Special Assessment Bonds 2010	7.75%	7/1/2035	165,940	4,220
Merrill Ranch CFD #1 Special Assessment Bonds 2010	7.50%	7/1/2035	258,650	6,230
Merrill Ranch CFD #2 General Obligation Bonds 2010	5.86%	7/15/2035	2,820,000	85,000
Merrill Ranch CFD #1 Special Assessment Bonds 2012	6.88%	7/1/2037	169,000	4,000
Merrill Ranch CFD #2 General Obligation Bonds 2013	1.50 - 6.75%	7/15/2038	1,755,000	25,000
Town of Florence Pledge Excise Tax Revenue Obligation, Series 2015	2.22%	7/1/2027	4,740,000	-
Merrill Ranch CFD #2 General Obligation Bonds 2016	2.00 - 5.25%	7/15/2040	2,000,000	95,000
Total			<u>\$ 19,215,390</u>	<u>\$ 568,150</u>

Annual debt service requirements to maturity on governmental bonds payable at June 30, 2016 are summarized as follows:

Fiscal year ending June 30,	Governmental Activities	
	Principal	Interest
2017	\$ 568,150	\$ 934,287
2018	937,070	940,827
2019	571,270	908,594
2020	906,710	869,425
2021	541,470	839,394
2022 - 2026	4,473,000	3,623,962
2027 - 2031	4,306,370	2,469,032
2032 - 2036	4,350,350	1,251,598
2037 - 2041	2,561,000	516,743
Total	<u>\$ 19,215,390</u>	<u>\$ 12,353,862</u>

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 8 CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable	\$ 13,298,850	\$ 6,740,000	\$ 823,460	\$ 19,215,390	\$ 568,150
Notes payable	385,188	-	46,637	338,551	49,435
Capital leases	567,382	-	281,636	285,746	285,746
Compensated absences	511,488	440,122	482,624	468,986	384,500
Net pension liability	7,721,499	716,984	-	8,438,483	-
Premiums	23,200	165,829	928	188,101	-
Governmental activities long-term liabilities	<u>\$ 22,507,607</u>	<u>\$ 8,062,935</u>	<u>\$ 1,635,285</u>	<u>\$ 28,935,257</u>	<u>\$ 1,287,831</u>
<b>Business-type activities:</b>					
Notes payable	\$ 3,827,612	\$ -	\$ 398,150	\$ 3,429,462	\$ 428,643
Compensated absences	45,479	30,740	44,389	31,830	31,830
Net pension liability	1,167,339	194,707	-	1,362,046	-
Business-type activities long-term liabilities	<u>\$ 5,040,430</u>	<u>\$ 225,447</u>	<u>\$ 442,539</u>	<u>\$ 4,823,338</u>	<u>\$ 460,473</u>

NOTE 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2016 all interfund balances consisted of short term loans made to cover operating cash deficits by the General Fund. At June 30, 2016, interfund receivables/payables consisted of the following:

Fund	Receivable Amount	Payable Amount
General Fund	\$ 281,251	\$ -
Highway User	82	-
Impact Fees	-	542
Non-Major Governmental Funds	-	292,739
Water	11,948	-
Total	<u>\$ 293,281</u>	<u>\$ 293,281</u>

TOWN OF FLORENCE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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

At June 30, 2016, there were the following interfund transfers.

Fund	Transfers Out	Transfers In
General Fund	\$ 2,607	\$ 1,704,147
Highway User	535,316	557,669
CFD Capital Improvements	-	20,634
Impact Fees	1,207,117	-
Capital Improvements	359,663	758,628
Non-Major Governmental Funds	291,975	362,270
Water	530,600	123,884
Sewer	756,118	204,964
Sanitation	48,800	-
	<u>\$ 3,732,196</u>	<u>\$ 3,732,196</u>
Total		

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, 2016.

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, 2016

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, 2016; 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, 2016, 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 Activites	Total
Net pension asset	\$ 272,295	\$ -	\$ -
Net pension liabilities	8,438,483	1,362,046	9,800,529
Deferred outflows of resources	2,721,721	222,038	2,943,759
Deferred inflows of resources	860,973	182,284	1,043,257
Pension expense	773,688	142,711	916,399

The Town reported \$972,517 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 website at [www.azasrs.gov](http://www.azasrs.gov).

TOWN OF FLORENCE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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 retirement benefit option chosen determines the survivor benefit. 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, 2016

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, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 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, 2016 were \$582,551. 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	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ended June 30		
2016	\$ 26,846	\$ 6,443
2015	32,639	6,528
2014	30,437	12,175

During fiscal year 2016, the Town paid for ASRS pension and OPEB contributions as follows: 72 percent from the General Fund, 9 percent from the water fund, 13 percent from the sewer fund, 2 percent from the sanitation fund and 4 percent from other non-major funds.

**Pension Liability** - At June 30, 2016, the Town reported a liability of \$9,160,327 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. 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, 2014, to the measurement date of June 30, 2015. 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, 2015. The Town's proportion measured as of June 30, 2015, was 0.058809 percent, which was an increase of 0.002497% from its proportion measured as of June 30, 2014.

The Town's reported liability at June 30, 2016, increased by \$828,143 from the Town's prior year liability of \$8,332,184 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, 2016

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, 2016, the Town recognized pension expense for ASRS of \$790,220. At June 30, 2016, 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	\$ 249,965	\$ 480,010
Net difference between projected and actual earnings on pension plan investments	-	293,568
Changes in proportion and differences between Town contributions and proportionate share of contributions	499,446	-
Town contributions subsequent to the measurement date	<u>582,551</u>	<u>-</u>
Total	<u>\$ 1,331,962</u>	<u>\$ 773,578</u>

The \$582,551 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, 2017. 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	
2017	\$ 100,143
2018	(149,994)
2019	(186,236)
2020	211,920
Thereafter	-

TOWN OF FLORENCE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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, 2014
Actuarial roll forward date	June 20, 2015
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, 2014, 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	Asset Class	Long-Term	
		Target Allocation	Expected Arithmetic Real Rate of Return
	Equity	58%	6.79%
	Fixed Income	25%	3.70%
	Real estate	10%	4.25%
	Multi-asset	5%	3.41%
	Commodities	2%	3.93%
	Total	100%	

TOWN OF FLORENCE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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	\$ 12,003,158	\$ 9,160,327	\$ 7,212,055

**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 includes financial statements and required supplementary information for the PSPRS plans. The report is available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

TOWN OF FLORENCE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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
<b>Retirement and Disability</b>		
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	
<b>Survivor Benefits</b>		
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, 2016

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. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. 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, 2016, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police	PSPRS Fire
Inactive employees or beneficiaries		
currently receiving benefits	6	-
Inactive employees entitled to		
by not yet receiving benefits	3	1
Active employees	<u>30</u>	<u>28</u>
Total	<u><u>39</u></u>	<u><u>29</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, 2016, are indicated below. Rates are a percentage of active members' annual covered payroll.

	PSPRS Police	PSPRS Fire
Active members - Pension	<u>11.65%</u>	<u>11.65%</u>
Town		
Pension	15.04%	11.27%
Health insurance permium benefit	0.29%	0.39%

In addition, the Town was required by statute to contribute at the actuarially determined rate of 28.62 percent for the PSPRS of annual covered payroll of retired police and fire members who worked for the Town in positions that an employee who contributes to the PSPRS would typically fill.

TOWN OF FLORENCE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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, 2016, were:

	PSPRS Police	PSPRS Fire
Pension		
Contributions made	\$ 280,703	\$ 185,246
Health Insurance Permium Benefit		
Annual OPEB cost contributions made	5,413	6,410

During fiscal year 2016, the Town paid 100 percent of the PSPRS pension and OPEB contributions from the General Fund.

**Pension Liability** - At June 30, 2016, the Town reported the Police Department PSPRS net pension liabilities of \$640,203 and a Fire Department PSPRS net pension asset of \$272,295.

The net pension liability and asset were measured as of June 30, 2015, and the total pension liabilities used to calculate the net pension liability and asset were determined by an actuarial valuation as of that date.

In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments change the basis for future cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent. The change in the Town's net pension liability as a result of the statutory adjustments is not known.

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

PSPRS	
Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	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  
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NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Actuarial assumptions used in the June 30, 2015, 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 expected
Asset Class	Allocation	geometric real rate of return
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk Parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	<u>100.00%</u>	

**Pension Discount Rates** – The discount rate used to measure the PSPRS total pension liabilities was 7.82 percent. 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, 2016

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, 2015	\$ 5,013,874	\$ 4,457,220	\$ 556,654
Changes for the year:			
Service Cost	342,618		342,618
Interest on the total pension liability	400,319		400,319
Changes of benefit terms	-		-
Differences between expected and actual experience in the measurement of the pension liability	(65,501)		(65,501)
Changes of assumptions or other inputs	-		-
Contributions - employer		225,441	(225,441)
Contributions - employee		208,870	(208,870)
Net investment income		167,656	(167,656)
Benefit payments, including refunds of employee contributions	(171,147)	(171,147)	-
Administrative expense		(4,474)	4,474
Other changes		(3,606)	3,606
Net changes	506,289	422,740	83,549
Balances at June 30, 2016	\$ 5,520,163	\$ 4,879,960	\$ 640,203

TOWN OF FLORENCE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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, 2015	\$ 2,612,785	\$ 3,004,606	\$ (391,821)
Changes for the year:			
Service Cost	334,719		334,719
Interest on the total pension liability	217,485		217,485
Changes of benefit terms	-		-
Differences between expected and actual experience in the measurement of the pension liability	312,802		312,802
Changes of assumptions or other inputs	-		-
Contributions - employer		182,645	(182,645)
Contributions - employee		213,250	(213,250)
Net investment income		122,465	(122,465)
Benefit payments, including refunds of employee contributions	(19,275)	(19,275)	-
Administrative expense		(3,377)	3,377
Other changes		230,497	(230,497)
Net changes	845,731	726,205	119,526
Balances at June 30, 2016	\$ 3,458,516	\$ 3,730,811	\$ (272,295)

TOWN OF FLORENCE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
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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	\$ 6,303,572	\$ 5,520,163	\$ 4,871,498
Plan fiduciary net position	4,879,960	4,879,960	4,879,960
Net pension liability (asset)	\$ 1,423,612	\$ 640,203	\$ (8,462)

PSPRS - Fire	1% Decrease	Current	1% increase
	(6.85%)	Discount Rate (7.85%)	(8.85%)
Total pension liability	\$ 4,097,516	\$ 3,458,516	\$ 2,939,892
Plan fiduciary net position	3,730,811	3,730,811	3,730,811
Net pension liability (asset)	\$ 366,705	\$ (272,295)	\$ (790,919)

**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, 2016, the Town recognized \$229,702 and (\$103,523) of Police Department and Fire Department PSPRS pension expense, respectively.

TOWN OF FLORENCE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
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NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

**Pension Deferred Outflows/Inflows of Resources** - At June 30, 2016, 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	\$ 17,579	\$ 57,203
Changes of assumptions or other inputs	377,623	-
Net difference between projected and actual earnings on pension plan investments	153,798	130,871
Town contributions subsequent to the measurement date	<u>280,703</u>	<u>-</u>
Total	<u>\$ 829,703</u>	<u>\$ 188,074</u>
PSPRS - Fire	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 463,800	\$ -
Changes of assumptions or other inputs	23,375	-
Net difference between projected and actual earnings on pension plan investments	109,674	81,604
Town contributions subsequent to the measurement date	<u>185,246</u>	<u>-</u>
Total	<u>\$ 782,095</u>	<u>\$ 81,604</u>

TOWN OF FLORENCE, ARIZONA  
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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, 2017. 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
2017	\$ 53,873	\$ 40,849
2018	53,873	40,849
2019	53,871	40,848
2020	97,494	68,048
2021	59,046	40,631
Thereafter	42,769	284,020

**Agent plan OPEB actuarial assumptions** - The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014, 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  
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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 2016 contribution requirements:

PSPRS - OPEB Contribution Requirements

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	22 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% - 8% for PSPRS
Wage growth	4% for PSPRS

TOWN OF FLORENCE, ARIZONA  
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NOTE 12 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

**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		Annual OPEB	Percentage of	Net OPEB
Year Ended June 30,	Cost	Annual Cost	Contributed	Obligation
2015	\$ 5,413	100%	\$ -	
2014	19,199	100%	-	
2013	15,527	100%	-	
PSPRS - Fire		Annual OPEB	Percentage of	Net OPEB
Year Ended June 30,	Cost	Annual Cost	Contributed	Obligation
2015	\$ 6,410	100%	\$ -	
2014	12,107	100%	-	
2013	9,924	100%	-	

TOWN OF FLORENCE, ARIZONA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016

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, 2015, along with the actuarial assumptions and methods used in those valuations follow:

	PSPRS Police	PSPRS Fire
Actuarial value of assets (a)	\$ 216,721	\$ 108,369
Actuarial accrued liability (b)	146,230	130,865
Unfunded actuarial accrued liability (funded excess) (b) - (a)	(70,491)	22,496
Funded ratio (a)/(b)	148.21%	82.81%
Annual covered payroll (c)	\$ 1,799,178	\$ 1,671,510
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)	0.00%	1.35%

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, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4% - 8% 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, 2016

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, 2016. The Town's required matching contributions for the plan were covered by the accumulated forfeited funds for the year ended June 30, 2016. As of June 30, 2016, there were seven 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 fair 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, 2016. 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.

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, 2016	Encumbered Fund
<b>Diversion Dam Phase II (T-17)</b> <i>R.K. Sanders, Inc.</i>	26,490	HURF

TOWN OF FLORENCE, ARIZONA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 14      SUBSEQUENT EVENTS

On July 7, 2016, the Town issued \$987,000 in Special Assessment Lien Bonds to finance capital projects within the Merrill Ranch Community Facilities District No. 1 at a stated interest rate of 5.750% maturing in July 2040.

## **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, 2016

Arizona Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2006
Town's proportion of the net pension liability	0.056311%	0.056311%	Information not available
Town's proportionate share of the net pension liability	\$ 9,160,327	\$ 8,332,184	
Town's covered payroll	5,439,862	5,072,813	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	168.39%	164.25%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	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, 2016

Florence Police Dept.  
 Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2006
Total pension liability			
Service cost	\$ 342,618	\$ 318,072	Information not available
Interest on the total pension liability	400,319	316,736	
Changes on benefit terms	-	69,287	
Differences between expected and actual experience in the measurement of the pension liability	(65,501)	23,569	
Changes of assumptions or other inputs	-	506,321	
Benefit payments, including refunds of employee contributions	(171,147)	(191,863)	
Net change in total pension liability	506,289	1,042,122	
Total pension liability - beginning	5,013,874	3,971,752	
Total pension liability - ending (a)	<u>\$ 5,520,163</u>	<u>\$ 5,013,874</u>	
Plan fiduciary net position			
Contributions - employer	\$ 225,441	\$ 221,399	
Contributions - employee	208,870	192,212	
Net investment income	167,656	518,949	
Benefit payments, including refunds of employee contributions	(171,147)	(191,863)	
Administrative expense	(4,474)	(4,213)	
Other changes	(3,606)	(112,902)	
Net change in plan fiduciary net position	422,740	623,582	
Plan fiduciary net position - beginning	4,457,220	3,833,638	
Plan fiduciary net position - ending (b)	<u>\$ 4,879,960</u>	<u>\$ 4,457,220</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 640,203</u>	<u>\$ 556,654</u>	

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, 2016

Florence Police Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2006
Plan fiduciary net position as a percentage of the total pension liability (asset)	88.40%	88.90%	Information not available
Covered payroll	\$ 1,846,771	\$ 1,713,615	
Town's net pension liability (asset) as a percentage of covered payroll	34.67%	32.48%	

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, 2016

Florence Fire Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2006
Total pension liability			
Service cost	\$ 334,719	\$ 256,499	Information not available
Interest on the total pension liability	217,485	164,612	
Changes on benefit terms	-	(9,051)	
Differences between expected and actual experience in the measurement of the pension liability	312,802	204,613	
Changes of assumptions or other inputs	-	27,389	
Benefit payments, including refunds of employee contributions	(19,275)	-	
Net change in total pension liability	845,731	644,062	
Total pension liability - beginning	2,612,785	1,968,723	
Total pension liability - ending (a)	<u>\$ 3,458,516</u>	<u>\$ 2,612,785</u>	
Plan fiduciary net position			
Contributions - employer	\$ 182,645	\$ 176,996	
Contributions - employee	213,250	161,991	
Net investment income	122,465	323,597	
Benefit payments, including refunds of employee contributions	(19,275)	-	
Administrative expense	(3,377)	(2,627)	
Other changes	230,497	179,386	
Net change in plan fiduciary net position	726,205	839,343	
Plan fiduciary net position - beginning	3,004,606	2,165,263	
Plan fiduciary net position - ending (b)	<u>\$ 3,730,811</u>	<u>\$ 3,004,606</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ (272,295)</u>	<u>\$ (391,821)</u>	

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, 2016

Florence Fire Dept.  
 Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2006
Plan fiduciary net position as a percentage of the total pension liability (asset)	88.40%	88.90%	Information not available
Covered payroll	\$ 1,761,335	\$ 1,846,771	
Town's net pension liability (asset) as a percentage of covered payroll	36.35%	30.14%	

TOWN OF FLORENCE, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF TOWN PENSION CONTRIBUTIONS  
 June 30, 2016

Arizona Retirement System	Reporting Fiscal Year			2013 through 2006
	2016	2015	2014	
Statutorily required contribution	\$ 589,871	\$ 591,857	\$ 542,791	Information not available
Town's contributions in relation to the statutorily required contribution	589,871	591,857	542,791	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 5,436,599	\$ 5,439,862	\$ 5,072,813	
Town's contributions as a percentage of covered payroll	10.85%	10.88%	10.70%	

Florence Police Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year			2013 through 2006
	2016	2015	2014	
Actuarially determined contribution	\$ 225,441	\$ 219,027	\$ 221,399	Information not available
Town's contributions in relation to the actuarially determined contribution	225,441	219,027	221,399	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 1,498,943	\$ 1,846,771	\$ 1,713,615	
Town's contributions as a percentage of covered payroll	15.04%	11.86%	12.92%	

Florence Fire Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year			2013 through 2006
	2016	2015	2014	
Actuarially determined contribution	\$ 182,645	\$ 185,997	\$ 176,996	Information not available
Town's contributions in relation to the actuarially determined contribution	182,645	185,997	176,996	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered payroll	\$ 1,620,630	\$ 1,761,335	\$ 1,594,559	
Town's contributions as a percentage of covered payroll	11.27%	10.56%	11.10%	

TOWN OF FLORENCE, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO THE PENSION PLAN SCHEDULES  
June 30, 2016

NOTE 1 CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2016, the Town implemented the provisions of GASB Statement No. 82, Pension Issues. The statement changed the measure of payroll that is required to be presented in required supplementary information from covered-employee payroll to covered payroll. Accordingly, payroll amounts presented in the pension plan schedules and related ratios for prior periods have been restated.

TOWN OF FLORENCE, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 NOTES TO THE PENSION PLAN SCHEDULES  
 June 30, 2016

NOTE 2 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	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market
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 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0% for PSPRS. 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 2014 actuarial valuation, wage growth was decreased from 4.5% - 4.0% for PSPRS. 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 3 FACTORS THAT AFFECT TRENDS

Changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

TOWN OF FLORENCE, ARIZONA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS  
 June 30, 2016

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						
6/30/2015	\$ 216,721	\$ 146,230	\$ (70,491)	148.21%	\$ 1,799,178	0.00%
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%

The health insurance subsidy payment reported for FY 2015 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						
6/30/2015	\$ 108,369	\$ 130,865	\$ 22,496	82.81%	\$ 1,671,510	1.35%
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%

The health insurance subsidy payment reported for FY 2015 was \$0

TOWN OF FLORENCE, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION  
NOTES TO THE SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS  
June 30, 2016

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

TOWN OF FLORENCE, ARIZONA  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 June 30, 2016

	Special Revenue			
	Grants	Economic Development	Community Services	Community Facilities Districts
<b>ASSETS</b>				
Cash and cash equivalents	\$ 15,757	\$ 141,610	\$ 15,249	\$ 63,149
Receivables (net of allowance for uncollectibles)	-	902	106	460
Due from other governments	296,734	-	-	1,042
Investments	58,314	524,056	56,432	233,694
<b>Total assets</b>	<b>\$ 370,805</b>	<b>\$ 666,568</b>	<b>\$ 71,787</b>	<b>\$ 298,345</b>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	\$ 8,790	\$ 6,684	\$ -	\$ 11,730
Accrued wages and benefits	2,834	-	-	-
Due to other funds	292,739	-	-	-
<b>Total liabilities</b>	<b>304,363</b>	<b>6,684</b>	<b>-</b>	<b>11,730</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue	32,806	400	47	738
<b>Total deferred inflows of resources</b>	<b>32,806</b>	<b>400</b>	<b>47</b>	<b>738</b>
<b>FUND BALANCES</b>				
Restricted				
Public safety	-	-	71,740	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Economic development	33,636	659,484	-	-
Community Facilities Districts operations	-	-	-	285,877
<b>Total fund balances</b>	<b>33,636</b>	<b>659,484</b>	<b>71,740</b>	<b>285,877</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 370,805</b>	<b>\$ 666,568</b>	<b>\$ 71,787</b>	<b>\$ 298,345</b>

<u>Capital Projects</u>			
<u>Debt Service</u>	<u>Construction Tax</u>	<u>Food Tax</u>	<u>Total</u>
\$ 24,958	\$ 615,017	\$ 69,345	\$ 945,085
159,618	4,256	418	165,760
-	-	-	297,776
<u>92,360</u>	<u>2,275,988</u>	<u>256,625</u>	<u>3,497,469</u>
<u>\$ 276,936</u>	<u>\$ 2,895,261</u>	<u>\$ 326,388</u>	<u>\$ 4,906,090</u>
-	-	-	27,204
-	-	-	2,834
-	-	-	292,739
<u>-</u>	<u>-</u>	<u>-</u>	<u>322,777</u>
160,388	1,882	185	196,446
<u>160,388</u>	<u>1,882</u>	<u>185</u>	<u>196,446</u>
-	-	-	71,740
116,548	-	-	116,548
-	2,893,379	326,203	3,219,582
-	-	-	693,120
-	-	-	285,877
<u>116,548</u>	<u>2,893,379</u>	<u>326,203</u>	<u>4,386,867</u>
<u>\$ 276,936</u>	<u>\$ 2,895,261</u>	<u>\$ 326,388</u>	<u>\$ 4,906,090</u>

TOWN OF FLORENCE, ARIZONA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2016

	Special Revenue			
	Grants	Economic Development	Community Services	Community Facilities Districts
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ 96,414
Intergovernmental revenues	1,095,357	-	-	-
Charges for services	-	-	12,276	5,130
Fines	-	-	3,168	-
Special assessments	-	-	-	-
Investment income				
Interest income	-	7,349	760	3,208
Net increase in the fair value of investments	-	196	23	101
Contributions and donations	1,500	-	-	-
Miscellaneous	3,697	55,326	7	19
Total revenues	<u>1,100,554</u>	<u>62,871</u>	<u>16,234</u>	<u>104,872</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,435	-	-	59,547
Public safety	336,839	-	4,559	-
Public works	45,938	56,246	-	-
Culture & recreation	78,139	-	-	-
Community development	258,059	-	1,482	50
Capital outlay	288,495	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>1,008,905</u>	<u>56,246</u>	<u>6,041</u>	<u>59,597</u>
Excess (deficiency) of revenues over (under) expenditures	<u>91,649</u>	<u>6,625</u>	<u>10,193</u>	<u>45,275</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,607	-	-	-
Transfers out	(99,280)	(163,061)	-	(20,634)
Total other financing sources and uses	<u>(96,673)</u>	<u>(163,061)</u>	<u>-</u>	<u>(20,634)</u>
Net change in fund balances	(5,024)	(156,436)	10,193	24,641
Fund balances - beginning of year	<u>38,660</u>	<u>815,920</u>	<u>61,547</u>	<u>261,236</u>
Fund balances - end of year	<u>\$ 33,636</u>	<u>\$ 659,484</u>	<u>\$ 71,740</u>	<u>\$ 285,877</u>

Capital Projects

Debt Service	Construction Tax	Food Tax	Total
\$ -	\$ 122,205	\$ 282,558	\$ 501,177
-	-	-	1,095,357
7,748	-	-	25,154
-	-	-	3,168
64,353	-	-	64,353
1,386	30,253	1,700	44,656
38	925	91	1,374
-	-	-	1,500
62	802	196	60,109
<u>73,587</u>	<u>154,185</u>	<u>284,545</u>	<u>1,796,848</u>
-	-	-	60,982
-	-	-	341,398
-	-	-	102,184
-	-	-	78,139
-	-	-	259,591
-	-	-	288,495
392,272	-	-	392,272
56,652	-	-	56,652
<u>448,924</u>	<u>-</u>	<u>-</u>	<u>1,579,713</u>
<u>(375,337)</u>	<u>154,185</u>	<u>284,545</u>	<u>217,135</u>
359,663	-	-	362,270
(9,000)	-	-	(291,975)
<u>350,663</u>	<u>-</u>	<u>-</u>	<u>70,295</u>
(24,674)	154,185	284,545	287,430
<u>141,222</u>	<u>2,739,194</u>	<u>41,658</u>	<u>4,099,437</u>
<u>\$ 116,548</u>	<u>\$ 2,893,379</u>	<u>\$ 326,203</u>	<u>\$ 4,386,867</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, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual Amounts	Final Budget- Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,068,600	\$ 1,068,600	\$ 1,044,815	\$ (23,785)
Special assessments	687,700	687,700	1,083,987	396,287
Investment income				
Interest income	7,000	7,000	21,940	14,940
Net increase in the fair value of investments	-	-	799	799
Miscellaneous	-	-	150	150
<b>Total revenues</b>	<u>1,763,300</u>	<u>1,763,300</u>	<u>2,151,691</u>	<u>388,391</u>
<b>EXPENDITURES</b>				
Current				
General government	81,300	81,300	73,555	7,745
Community development	276,400	276,400	-	276,400
Capital outlay	37,700	37,700	-	37,700
Debt service				
Principal	922,400	922,400	759,460	162,940
Interest and fiscal charges	1,119,300	1,119,300	816,276	303,024
<b>Total expenditures</b>	<u>2,437,100</u>	<u>2,437,100</u>	<u>1,649,291</u>	<u>787,809</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(673,800)</u>	<u>(673,800)</u>	<u>502,400</u>	<u>1,176,200</u>
Net change in fund balance	(673,800)	(673,800)	502,400	1,176,200
Fund balance - beginning of year	<u>2,766,063</u>	<u>2,766,063</u>	<u>2,766,063</u>	<u>-</u>
<b>Fund balance - end of year</b>	<u>\$ 2,092,263</u>	<u>\$ 2,092,263</u>	<u>\$ 3,268,463</u>	<u>\$ 1,176,200</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>REVENUES</b>				
Investment income				
Interest income	\$ 3,300	\$ 3,300	\$ 9,622	\$ 6,322
Net increase in the fair value of investments	-	-	664	664
Miscellaneous	-	-	40	40
<b>Total revenues</b>	<b>3,300</b>	<b>3,300</b>	<b>10,326</b>	<b>7,026</b>
<b>EXPENDITURES</b>				
Current				
General government	375,200	375,200	-	375,200
Public safety	2,841,000	2,841,000	206,848	2,634,152
Highways & streets	40,000	40,000	-	40,000
Community development	375,500	375,500	133,967	241,533
Capital outlay	4,680,900	4,680,900	1,757,123	2,923,777
<b>Total expenditures</b>	<b>8,312,600</b>	<b>8,312,600</b>	<b>2,097,938</b>	<b>6,214,662</b>
Excess (deficiency) of revenues over (under) expenditures	(8,309,300)	(8,309,300)	(2,087,612)	6,221,688
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	20,634	20,634
Proceeds from obligations	5,980,700	5,980,700	2,000,000	(3,980,700)
Bond premium	-	-	165,829	165,829
<b>Total other financing sources and uses</b>	<b>5,980,700</b>	<b>5,980,700</b>	<b>2,186,463</b>	<b>(3,794,237)</b>
Net change in fund balance	(2,328,600)	(2,328,600)	98,851	2,427,451
Fund balance - beginning of year	2,348,690	2,348,690	2,348,690	-
<b>Fund balance - end of year</b>	<b>\$ 20,090</b>	<b>\$ 20,090</b>	<b>\$ 2,447,541</b>	<b>\$ 2,427,451</b>

TOWN OF FLORENCE, ARIZONA  
IMPACT FEES FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 314,600	\$ 314,600	\$ 413,917	\$ 99,317
Investment income				
Interest income	15,700	15,700	22,076	6,376
Net increase in the fair value of investments	-	-	685	685
Miscellaneous	-	-	1,192	1,192
<b>Total revenues</b>	<b>330,300</b>	<b>330,300</b>	<b>437,870</b>	<b>107,570</b>
<b>EXPENDITURES</b>				
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>330,300</b>	<b>330,300</b>	<b>437,870</b>	<b>107,570</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(955,000)	(955,000)	(1,207,117)	(252,117)
<b>Total other financing sources and uses</b>	<b>(955,000)</b>	<b>(955,000)</b>	<b>(1,207,117)</b>	<b>(252,117)</b>
<b>Net change in fund balance</b>	<b>(624,700)</b>	<b>(624,700)</b>	<b>(769,247)</b>	<b>(144,547)</b>
<b>Fund balance - beginning of year</b>	<b>1,701,819</b>	<b>1,701,819</b>	<b>1,701,819</b>	<b>-</b>
<b>Fund balance - end of year</b>	<b>\$ 1,077,119</b>	<b>\$ 1,077,119</b>	<b>\$ 932,572</b>	<b>\$ (144,547)</b>

TOWN OF FLORENCE, ARIZONA  
 CAPITAL IMPROVEMENTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,464,561	\$ 264,561
Investment income				
Interest income	32,400	32,400	31,553	(847)
Net increase in the fair value of investments	-	-	932	932
Miscellaneous	-	-	1,126	1,126
<b>Total revenues</b>	<b>1,232,400</b>	<b>1,232,400</b>	<b>1,498,172</b>	<b>265,772</b>
<b>EXPENDITURES</b>				
Current				
General government	2,000,000	578,220	-	578,220
Capital outlay	2,848,000	4,269,781	1,369,253	2,900,528
<b>Total expenditures</b>	<b>4,848,000</b>	<b>4,848,001</b>	<b>1,369,253</b>	<b>3,478,748</b>
Excess (deficiency) of revenues over (under) expenditures	(3,615,600)	(3,615,601)	128,919	3,744,520
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	758,628	758,628
Transfers out	(359,800)	(359,800)	(359,663)	137
<b>Total other financing sources and uses</b>	<b>(359,800)</b>	<b>(359,800)</b>	<b>398,965</b>	<b>758,765</b>
Net change in fund balance	(3,975,400)	(3,975,401)	527,884	4,503,285
Fund balance - beginning of year	3,377,102	3,377,102	3,377,102	-
<b>Fund balance - end of year</b>	<b>\$ (598,298)</b>	<b>\$ (598,299)</b>	<b>\$ 3,904,986</b>	<b>\$ 4,503,285</b>



**OTHER SUPPLEMENTARY INFORMATION**

BUDGETARY COMPARISON SCHEDULES  
NON-MAJOR GOVERNMENTAL FUNDS



## **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  
GRANTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ 220,900	\$ 220,900	\$ 1,095,357	\$ 874,457
Contributions and donations	-	-	1,500	1,500
Miscellaneous	2,500,000	2,500,000	3,697	(2,496,303)
Total revenues	<u>2,720,900</u>	<u>2,720,900</u>	<u>1,100,554</u>	<u>(1,620,346)</u>
<b>EXPENDITURES</b>				
Current				
General government	-	-	1,435	(1,435)
Public safety	219,100	219,100	336,839	(117,739)
Public works	-	-	45,938	(45,938)
Culture and recreation	1,800	1,800	78,139	(76,339)
Community development	-	-	258,059	(258,059)
Capital outlay	2,500,000	2,500,000	288,495	2,211,505
Total expenditures	<u>2,720,900</u>	<u>2,720,900</u>	<u>1,008,905</u>	<u>1,711,995</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>91,649</u>	<u>91,649</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	2,607	2,607
Transfers out	-	-	(99,280)	(99,280)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(96,673)</u>	<u>(96,673)</u>
Net change in fund balance	-	-	(5,024)	(5,024)
Fund balance - beginning of year	<u>38,660</u>	<u>38,660</u>	<u>38,660</u>	<u>-</u>
Fund balance - end of year	<u>\$ 38,660</u>	<u>\$ 38,660</u>	<u>\$ 33,636</u>	<u>\$ (5,024)</u>

TOWN OF FLORENCE, ARIZONA  
ECONOMIC DEVELOPMENT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Investment income				
Interest income	\$ 4,400	\$ 4,400	\$ 7,349	\$ 2,949
Net increase in the fair value of investments	-	-	196	196
Miscellaneous	48,700	48,700	55,326	6,626
Total revenues	<u>53,100</u>	<u>53,100</u>	<u>62,871</u>	<u>9,771</u>
<b>EXPENDITURES</b>				
Current				
Public works	58,700	58,700	56,246	2,454
Community development	48,700	48,700	-	48,700
Total expenditures	<u>107,400</u>	<u>107,400</u>	<u>56,246</u>	<u>51,154</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(54,300)</u>	<u>(54,300)</u>	<u>6,625</u>	<u>60,925</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(78,900)</u>	<u>(78,900)</u>	<u>(163,061)</u>	<u>(84,161)</u>
Total other financing sources and uses	<u>(78,900)</u>	<u>(78,900)</u>	<u>(163,061)</u>	<u>(84,161)</u>
Net change in fund balance	<u>(133,200)</u>	<u>(133,200)</u>	<u>(156,436)</u>	<u>(23,236)</u>
Fund balance - beginning of year	<u>815,920</u>	<u>815,920</u>	<u>815,920</u>	<u>-</u>
Fund balance - end of year	<u>\$ 682,720</u>	<u>\$ 682,720</u>	<u>\$ 659,484</u>	<u>\$ (23,236)</u>

TOWN OF FLORENCE, ARIZONA  
COMMUNITY SERVICES  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 10,200	\$ 10,200	\$ 12,276	\$ 2,076
Fines	3,000	3,000	3,168	168
Investment income				
Interest income	200	200	760	560
Net increase in the fair value of investments	-	-	23	23
Miscellaneous	-	-	7	7
Total revenues	<u>13,400</u>	<u>13,400</u>	<u>16,234</u>	<u>2,834</u>
<b>EXPENDITURES</b>				
Current				
Public safety	3,800	3,800	4,559	(759)
Community development	<u>5,100</u>	<u>5,100</u>	<u>1,482</u>	<u>3,618</u>
Total expenditures	<u>8,900</u>	<u>8,900</u>	<u>6,041</u>	<u>2,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,500</u>	<u>4,500</u>	<u>10,193</u>	<u>5,693</u>
Net change in fund balance	4,500	4,500	10,193	5,693
Fund balance - beginning of year	<u>61,547</u>	<u>61,547</u>	<u>61,547</u>	<u>-</u>
Fund balance - end of year	<u>\$ 66,047</u>	<u>\$ 66,047</u>	<u>\$ 71,740</u>	<u>\$ 5,693</u>

TOWN OF FLORENCE, ARIZONA  
COMMUNITY FACILITIES DISTRICTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Taxes	\$ 98,600	\$ 98,600	\$ 96,414	\$ (2,186)
Charges for services	-	-	5,130	5,130
Investment income				
Interest income	2,200	2,200	3,208	1,008
Net increase in the fair value of investments	-	-	101	101
Miscellaneous	-	-	19	19
<b>Total revenues</b>	<b>100,800</b>	<b>100,800</b>	<b>104,872</b>	<b>4,072</b>
<b>EXPENDITURES</b>				
Current				
General government	60,200	60,200	59,547	653
Community development	1,000	1,000	50	950
<b>Total expenditures</b>	<b>61,200</b>	<b>61,200</b>	<b>59,597</b>	<b>1,603</b>
Excess (deficiency) of revenues over (under) expenditures	39,600	39,600	45,275	5,675
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	-	-	(20,634)	(20,634)
<b>Total other financing sources and uses</b>	<b>-</b>	<b>-</b>	<b>(20,634)</b>	<b>(20,634)</b>
Net change in fund balance	39,600	39,600	24,641	(14,959)
Fund balance - beginning of year	261,236	261,236	261,236	-
<b>Fund balance - end of year</b>	<b>\$ 300,836</b>	<b>\$ 300,836</b>	<b>\$ 285,877</b>	<b>\$ (14,959)</b>

TOWN OF FLORENCE, ARIZONA  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Charges for services	\$ 9,000	\$ 9,000	\$ 7,748	\$ (1,252)
Special assessments	60,200	60,200	64,353	4,153
Investment income				
Interest income	200	200	1,386	1,186
Net increase in the fair value of investments	-	-	38	38
Miscellaneous	-	-	62	62
<b>Total revenues</b>	<b>69,400</b>	<b>69,400</b>	<b>73,587</b>	<b>4,187</b>
<b>EXPENDITURES</b>				
Debt service				
Principal	392,400	392,400	392,272	128
Interest and fiscal charges	56,800	56,800	56,652	148
<b>Total expenditures</b>	<b>449,200</b>	<b>449,200</b>	<b>448,924</b>	<b>276</b>
Excess (deficiency) of revenues over (under) expenditures	(379,800)	(379,800)	(375,337)	4,463
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	359,800	359,800	359,663	(137)
Transfers out	(9,000)	(9,000)	(9,000)	-
<b>Total other financing sources and uses</b>	<b>350,800</b>	<b>350,800</b>	<b>350,663</b>	<b>(137)</b>
Net change in fund balance	(29,000)	(29,000)	(24,674)	4,326
Fund balance - beginning of year	141,222	141,222	141,222	-
<b>Fund balance - end of year</b>	<b>\$ 112,222</b>	<b>\$ 112,222</b>	<b>\$ 116,548</b>	<b>\$ 4,326</b>

TOWN OF FLORENCE, ARIZONA  
CONSTRUCTION TAX  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 56,000	\$ 56,000	\$ 122,205	\$ 66,205
Investment income				
Interest income	2,000	2,000	30,253	28,253
Net increase in the fair value of investments	-	-	925	925
Miscellaneous	-	-	802	802
Total revenues	<u>58,000</u>	<u>58,000</u>	<u>154,185</u>	<u>96,185</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,000</u>	<u>58,000</u>	<u>154,185</u>	<u>96,185</u>
Net change in fund balance	58,000	58,000	154,185	96,185
Fund balance - beginning of year	<u>2,739,194</u>	<u>2,739,194</u>	<u>2,739,194</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,797,194</u>	<u>\$ 2,797,194</u>	<u>\$ 2,893,379</u>	<u>\$ 96,185</u>

TOWN OF FLORENCE, ARIZONA  
 FOOD TAX  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
 BUDGET AND ACTUAL  
 Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 265,600	\$ 265,600	\$ 282,558	\$ 16,958
Investment income				
Interest income	5,900	5,900	1,700	(4,200)
Net increase in the fair value of investments	-	-	91	91
Miscellaneous	-	-	196	196
Total revenues	<u>271,500</u>	<u>271,500</u>	<u>284,545</u>	<u>13,045</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>271,500</u>	<u>271,500</u>	<u>284,545</u>	<u>13,045</u>
Net change in fund balance	271,500	271,500	284,545	13,045
Fund balance - beginning of year	<u>41,658</u>	<u>41,658</u>	<u>41,658</u>	<u>-</u>
Fund balance - end of year	<u>\$ 313,158</u>	<u>\$ 313,158</u>	<u>\$ 326,203</u>	<u>\$ 13,045</u>

## STATISTICAL SECTION

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

<b>Contents</b>	<b>Page</b>
<b>Financial Trends</b>	<b>128-139</b>
These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>140-141</b>
These schedules contain information to help the reader assess the Town's most significant local revenue source, sales tax.	
<b>Debt Capacity</b>	<b>142-144</b>
These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	
<b>Demographics and Economic Information</b>	<b>145-146</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	
<b>Operations</b>	<b>147-150</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	

**Town of Florence, Arizona**

**Table 1**

**Government-wide**

**Net Position**

(Accrual Basis of Accounting)

Last Ten Fiscal Years

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Invested in capital assets, net of related debt	\$ 38,967,000	\$ 50,480,000	\$ 57,868,000	\$ 58,303,000
Restricted	24,945,000	22,965,000	22,567,000	25,772,000
Unrestricted	<u>9,171,000</u>	<u>12,643,000</u>	<u>18,077,000</u>	<u>18,248,000</u>
Total governmental activities net position	<u>73,083,000</u>	<u>86,088,000</u>	<u>98,512,000</u>	<u>102,323,000</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Invested in capital assets, net of related debt	7,146,000	6,314,000	6,007,000	6,012,000
Restricted	894,000	1,014,000	1,042,000	987,000
Unrestricted	<u>5,824,000</u>	<u>8,022,000</u>	<u>8,392,000</u>	<u>10,290,000</u>
Total business-type activities net position	<u>13,864,000</u>	<u>15,350,000</u>	<u>15,441,000</u>	<u>17,289,000</u>
<b>PRIMARY GOVERNMENT</b>				
Invested in capital assets, net of related debt	46,113,000	56,794,000	63,875,000	64,315,000
Restricted	25,839,000	23,979,000	23,609,000	26,759,000
Unrestricted	<u>14,995,000</u>	<u>20,665,000</u>	<u>26,469,000</u>	<u>28,538,000</u>
Total primary government net position	<u>\$ 86,947,000</u>	<u>\$ 101,438,000</u>	<u>\$ 113,953,000</u>	<u>\$ 119,612,000</u>

2011	2012	2013	2014	2015	2016
\$ 54,390,000	\$ 56,527,095	\$ 55,769,932	\$ 61,395,040	\$ 75,421,775	\$ 69,337,465
33,045,000	22,880,295	23,628,884	28,844,637	26,798,037	31,503,936
14,628,000	26,882,692	26,821,517	21,371,306	1,885,480	2,795,259
<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>	<u>103,636,660</u>
6,053,000	6,032,112	6,199,045	6,375,459	13,129,903	15,097,040
1,047,000	2,162,035	2,208,022	2,677,331	2,903,176	2,816,813
13,206,000	15,156,389	18,071,833	19,085,727	12,394,686	13,304,470
<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>	<u>31,218,323</u>
60,443,000	62,559,207	61,968,977	67,770,499	88,551,678	84,434,505
34,092,000	25,042,330	25,836,906	31,521,968	29,701,213	34,320,749
27,834,000	42,039,081	44,893,350	40,457,033	14,280,166	16,099,729
<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>	<u>\$ 134,854,983</u>

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

	2007	2008	2009	2010
<b>EXPENSES</b>				
<b>Governmental activities</b>				
General government	\$ 4,450,592	\$ 6,636,693	\$ 6,284,516	\$ 6,683,000
Public safety	4,116,005	5,276,621	5,970,645	5,571,657
Highways and streets	2,313,950	3,252,395	2,356,534	3,478,242
Public works	81,859	39,093	25,893	28,195
Culture and recreation	1,563,986	1,567,834	1,365,332	1,394,734
Community development	509,797	664,920	731,667	623,087
Interest on long-term debt	513,491	409,166	398,057	615,090
Total governmental activities	<u>13,549,680</u>	<u>17,846,722</u>	<u>17,132,644</u>	<u>18,394,005</u>
<b>Business-type activities</b>				
Water	1,376,209	1,685,957	1,437,206	1,390,873
Sewer	1,490,388	1,744,521	2,918,348	1,900,408
Solid waste	577,193	685,265	626,381	663,473
Solid waste impact fees	247,326	61,584	-	-
Total business-type activities	<u>3,691,116</u>	<u>4,177,327</u>	<u>4,981,935</u>	<u>3,954,754</u>
Total primary government expenses	<u>17,240,796</u>	<u>22,024,049</u>	<u>22,114,579</u>	<u>22,348,759</u>

	2011	2012	2013	2014	2015	2016
\$	6,932,444	\$ 3,452,054	\$ 4,055,352	\$ 8,262,562	\$ 4,818,029	\$ 3,850,698
	5,313,251	4,008,506	5,528,833	4,816,583	8,081,544	9,790,715
	2,960,896	3,064,386	3,001,939	2,728,013	3,409,782	3,961,384
	41,693	202,167	293,202	579,857	805,196	714,647
	1,257,819	1,450,633	1,684,400	1,699,128	2,813,496	2,513,486
	630,865	2,407,647	1,082,103	858,152	948,650	1,138,496
	685,365	911,203	888,193	816,839	949,903	861,319
	<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>	<u>22,830,745</u>
	1,321,927	1,293,664	1,362,620	1,618,878	1,783,823	1,418,370
	1,806,536	1,819,735	1,747,616	2,140,836	2,486,417	2,021,295
	661,964	699,249	682,078	825,239	812,811	827,655
	<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>4,267,320</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>	<u>27,098,065</u>

(Continued)

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

	2007	2008	2009	2010
<b>PROGRAM REVENUES</b>				
<b>Governmental activities</b>				
Charges for services:				
General government	1,509,423	1,254,301	1,177,447	942,808
Public safety	161,788	180,201	276,078	298,993
Highway and streets	-	-	-	-
Culture and recreation	8,414	7,265	12,657	10,390
Community development	1,803,778	1,831,769	1,261,113	1,429,227
Interest on long-term debt	-	-	-	-
Operating grants and contributions	321,773	4,077,695	3,578,527	3,182,649
Capital grants and contributions	757,391	8,545,492	9,800,741	3,429,189
Total governmental activities	<u>4,562,567</u>	<u>15,896,723</u>	<u>16,106,563</u>	<u>9,293,256</u>
<b>Business-type activities</b>				
Charges for services:				
Water	1,780,026	2,216,245	2,392,682	2,597,067
Sewer	1,809,021	2,089,828	2,256,995	2,665,332
Solid waste	610,084	754,996	799,442	916,984
Water impact fees	11,135	13,723	-	11,101
Liquid waste	32,896	32,896	6,591	13,684
Solid waste	88,200	65,576	31,105	30,660
Operating grants and contributions	-	-	-	20,000
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>4,331,362</u>	<u>5,173,264</u>	<u>5,486,815</u>	<u>6,254,828</u>
Total primary government program revenues	<u>8,893,929</u>	<u>21,069,987</u>	<u>21,593,378</u>	<u>15,548,084</u>
<b>NET REVENUE (EXPENSE)</b>				
Governmental activities	(8,987,113)	(1,949,999)	(1,026,081)	(9,100,749)
Business-type activities	640,246	995,937	504,880	2,300,074
Total primary government	<u>(8,346,867)</u>	<u>(954,062)</u>	<u>(521,201)</u>	<u>(6,800,675)</u>

2011	2012	2013	2014	2015	2016
947,188	733,487	875,429	1,117,187	1,374,728	1,412,182
306,789	310,166	331,103	216,740	175,084	173,282
-	-	-	41	41	33
9,466	7,401	4,316	8,964	9,882	8,672
474,938	525,659	798,678	507,094	427,676	619,027
-	-	-	-	-	-
3,179,055	2,579,917	2,700,108	2,810,427	3,254,978	3,844,596
<u>1,339,952</u>	<u>1,500,250</u>	<u>953,145</u>	<u>5,403,053</u>	<u>1,404,328</u>	<u>691,397</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>	<u>6,749,189</u>
2,961,152	2,793,341	2,691,199	2,834,647	2,738,692	2,920,345
3,218,251	3,165,051	3,536,085	3,824,435	3,891,568	4,162,105
979,401	1,019,021	1,082,281	678,596	716,166	746,862
-	-	-	-	-	-
27,369	-	-	-	-	-
16,058	5,580	-	-	-	-
-	-	-	-	-	-
-	-	28,503	-	3,718	20,118
<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>7,849,430</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>	<u>14,598,619</u>
(11,564,945)	(9,839,716)	(10,871,243)	(9,697,628)	(15,179,883)	(16,081,556)
<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>3,582,110</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>	<u>(12,499,446)</u>

(Continued)

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

	2007	2008	2009	2010
<b>GENERAL REVENUES</b>				
<b>Governmental activities</b>				
Taxes				
Sales taxes	3,726,230	5,737,272	4,282,871	3,707,169
Property taxes	341,664	985,758	1,840,508	2,096,826
Franchise taxes	288,426	358,071	366,481	371,537
State shared revenues	9,479,728	6,174,545	6,196,804	5,443,456
Investment income	1,239,799	1,135,669	19,251	334,969
Loss on Sale of Assets	-	-	-	-
Miscellaneous	349,265	237,361	163,863	254,305
Donation of capital assets	7,711,966	-	-	-
Transfers in (out)	348,792	326,795	580,388	703,556
Total governmental activities	<u>23,485,870</u>	<u>14,955,471</u>	<u>13,450,166</u>	<u>12,911,818</u>
<b>Business-type activities</b>				
Investment income	393,180	315,277	(1,839)	101,815
Loss on Sale of Assets	-	-	-	-
Miscellaneous	81,230	500,657	169,364	149,025
Transfers in (out)	(348,972)	(326,795)	(580,388)	(703,556)
Total business-type activities	<u>125,438</u>	<u>489,139</u>	<u>(412,863)</u>	<u>(452,716)</u>
<b>CHANGES IN NET POSITION</b>				
Governmental activities	14,498,757	13,005,472	12,424,085	12,911,818
Business-type activities	<u>765,684</u>	<u>1,485,076</u>	<u>92,017</u>	<u>(452,716)</u>
Total primary government	<u>\$ 15,264,441</u>	<u>\$ 14,490,548</u>	<u>\$ 12,516,102</u>	<u>\$ 12,459,102</u>

2011	2012	2013	2014	2015	2016
3,099,031	4,907,353	3,671,468	4,059,769	3,827,397	4,314,061
1,832,156	1,863,163	1,565,087	1,716,952	1,941,594	2,015,288
371,757	373,761	385,591	520,410	571,559	548,613
4,852,275	5,231,428	5,811,613	6,257,959	6,701,102	6,930,903
195,754	766,154	(259,780)	795,796	315,395	354,952
-	-	-	-	(224,556)	-
272,229	179,340	34,430	250,318	377,242	317,887
-	-	-	-	-	-
681,590	745,275	445,415	1,485,165	1,049,532	1,006,670
<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>	<u>15,488,374</u>
64,367	278,145	(111,009)	339,968	212,020	189,556
-	-	-	-	(45,949)	-
223,339	340,737	139,034	52,089	64,631	25,562
(681,590)	(745,275)	(445,415)	(1,485,165)	(1,049,532)	(1,006,670)
<u>(393,884)</u>	<u>(126,393)</u>	<u>(417,390)</u>	<u>(1,093,108)</u>	<u>(818,830)</u>	<u>(791,552)</u>
(260,153)	4,226,758	782,581	5,388,741	(620,618)	(593,182)
3,017,920	3,043,952	3,128,364	1,659,617	1,448,263	2,790,558
<u>\$ 2,757,767</u>	<u>\$ 7,270,710</u>	<u>\$ 3,910,945</u>	<u>\$ 7,048,358</u>	<u>\$ 827,645</u>	<u>\$ 2,197,376</u>

(Concluded)

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>GENERAL FUND</b>				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Reserved	-	-	-	-
Unreserved	<u>4,377,961</u>	<u>9,115,927</u>	<u>10,344,343</u>	<u>11,107,505</u>
Total General Fund	<u>4,377,961</u>	<u>9,115,927</u>	<u>10,344,343</u>	<u>11,107,505</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Unreserved	<u>24,009,357</u>	<u>21,240,051</u>	<u>25,505,919</u>	<u>27,050,641</u>
Total all other governmental funds	<u>24,009,357</u>	<u>21,240,051</u>	<u>25,505,919</u>	<u>27,050,641</u>
<b>Total governmental funds</b>	<u><u>\$ 28,387,318</u></u>	<u><u>\$ 30,355,978</u></u>	<u><u>\$ 35,850,262</u></u>	<u><u>\$ 38,158,146</u></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.

<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
\$ 64,468	\$ 66,671	\$ 66,700	\$ 63,968	\$ 42,742	\$ 166,575
-	-	-	-	-	-
-	-	-	-	-	-
12,094,137	14,703,424	11,357,149	8,433,419	8,061,736	8,564,249
-	-	-	-	-	-
-	-	-	-	-	-
<u>12,158,605</u>	<u>14,770,095</u>	<u>11,423,849</u>	<u>8,497,387</u>	<u>8,104,478</u>	<u>8,730,824</u>
-	652,624	1,151,553	14,238	-	57,291
21,509,635	17,149,931	17,635,228	26,633,138	20,760,864	26,209,011
652,292	10,865,249	14,946,996	-	-	-
7,537,864	595,691	710,956	9,893,863	992,190	1,131,708
-	-	-	(54,351)	-	-
-	-	-	-	-	-
<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>27,398,010</u>
<u>\$ 41,858,396</u>	<u>\$ 44,033,590</u>	<u>\$ 45,868,582</u>	<u>\$ 44,984,275</u>	<u>\$ 29,857,532</u>	<u>\$ 36,128,834</u>

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

	2007	2008	2009	2010
<b>REVENUES</b>				
Taxes*	\$ 8,169,629	\$ 10,837,524	\$ 9,604,773	\$ 9,090,410
Intergovernmental	6,398,529	6,439,856	7,314,699	5,728,725
Fines and forfeits	74,031	92,304	147,949	132,006
Licenses and permits	554,462	612,530	414,270	425,005
Charges for services	2,821,017	2,536,992	2,113,020	2,094,688
Investment income	1,239,799	1,135,669	19,251	334,969
Contributions	7,184	5,636	26,607	40,051
Special assessments	444,740	592,372	859,365	810,148
Miscellaneous	349,065	233,881	157,697	203,882
Total revenues	<u>20,058,456</u>	<u>22,486,764</u>	<u>20,657,631</u>	<u>18,859,884</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,142,739	3,363,465	3,631,445	3,314,037
Public safety	3,894,394	5,047,297	5,209,649	5,214,936
Highways and streets	1,209,696	2,245,359	1,497,896	1,823,091
Public works	2,656	-	1,328	2,427
Culture and recreation	1,349,633	1,527,826	1,431,507	1,298,065
Community development	901,958	792,679	852,276	712,206
Capital outlay	2,761,698	7,175,581	6,398,226	4,632,680
Debt Service:				
Principal	353,735	392,017	652,336	971,769
Interest and debt cost	418,413	302,068	469,072	672,634
Total expenditures	<u>14,034,922</u>	<u>20,846,292</u>	<u>20,143,735</u>	<u>18,641,845</u>
Excess of revenues over (under) expenditures	6,023,534	1,640,472	513,896	218,039
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,166,889	846,848	1,659,619	2,006,197
Transfers out	(817,917)	(520,053)	(1,079,231)	(1,302,641)
Sale of capital assets	9,290	1,393	10,000	289
Issuance of long-term debt	445,000	-	-	1,386,000
Bond premium	-	-	-	-
Total other financing sources (uses)	<u>803,262</u>	<u>328,188</u>	<u>590,388</u>	<u>2,089,845</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u><u>\$ 6,826,796</u></u>	<u><u>\$ 1,968,660</u></u>	<u><u>\$ 1,104,284</u></u>	<u><u>\$ 2,307,884</u></u>
Debt service as a percentage of noncapital expenditures	6.85%	5.08%	8.16%	11.74%

Notes:

\* Taxes consist of sales, property, and franchise taxes

	2011	2012	2013	2014	2015	2016
\$	8,197,401	\$ 9,511,918	\$ 8,153,474	\$ 8,930,412	\$ 9,176,916	\$ 9,894,218
	5,230,895	6,123,769	6,306,573	6,767,071	7,381,412	8,026,260
	155,862	149,668	175,058	198,608	157,016	150,043
	352,062	291,697	389,434	438,522	526,694	613,337
	1,189,716	1,100,044	1,425,455	1,124,212	1,237,474	1,379,260
	191,295	766,154	(259,780)	658,692	419,208	356,840
	30,713	100,522	16,206	20,618	15,657	46,066
	866,452	840,591	905,924	1,017,577	1,185,546	1,148,340
	265,314	164,893	113,512	246,829	382,504	646,315
	<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>	<u>22,260,679</u>
	3,429,221	2,944,893	3,469,628	5,183,343	5,608,718	3,602,024
	4,966,311	5,423,446	5,791,565	7,008,249	7,954,879	7,587,217
	1,528,943	1,653,929	1,596,838	1,947,936	2,752,728	2,177,138
	1,425	168,975	167,397	481,598	746,264	636,982
	1,134,885	1,362,291	1,623,120	1,636,101	2,026,120	2,402,639
	710,314	925,382	757,219	707,699	932,867	1,140,574
	4,397,001	3,321,325	2,311,315	5,028,258	14,135,118	4,330,642
	366,849	879,340	804,176	839,790	1,580,563	1,151,732
	<u>786,733</u>	<u>942,200</u>	<u>909,081</u>	<u>886,179</u>	<u>945,302</u>	<u>872,928</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>	<u>23,901,876</u>
	(841,972)	1,427,475	(204,483)	(4,316,612)	(16,200,132)	(1,641,197)
	1,223,451	2,412,935	6,618,130	9,320,084	8,433,435	3,403,348
	(541,861)	(1,667,660)	(6,172,715)	(7,834,919)	(7,383,903)	(2,396,678)
	10,161	2,414	5,060	72,973	(100,693)	-
	3,850,500	-	1,589,000	1,850,000	-	6,740,000
	-	-	-	24,167	-	165,829
	<u>4,542,251</u>	<u>747,689</u>	<u>2,039,475</u>	<u>3,432,305</u>	<u>948,839</u>	<u>7,912,499</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>	<u>\$ 6,271,302</u>
	8.93%	12.69%	11.21%	9.55%	11.71%	9.37%

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

Industry	2016			2007		
	Tax Paid	Rank	Percentage of Total	Tax Paid	Rank	Percentage of Total
Construction	\$ 1,392,927	1	32.66%	\$ 1,246,171	1	65.19%
Retail Trade	\$ 903,025	2	21.17%	\$ 171,265	3	8.96%
Communications and Utilities	\$ 524,980	3	12.31%	\$ 194,802	2	10.19%
Restaurants and Bars	\$ 470,777	4	11.04%	\$ 84,902	4	4.44%
All Other	\$ 314,241	5	7.37%	\$ 84,214	5	4.41%
Manufacturing	\$ 231,516	6	5.43%	\$ 28,035	8	1.47%
Real Estate, Rental & Leasing	\$ 182,663	7	4.28%	\$ 55,357	6	2.90%
Wholesale Trades	\$ 100,524	8	2.36%	\$ 7,020	10	0.37%
Finance and Insurance	\$ 92,884	9	2.18%	\$ 7,153	9	0.37%
Services	\$ 51,264	10	1.20%	\$ 32,575	7	1.70%
<b>Total</b>	<b><u>\$ 4,264,802</u></b>		<b><u>100.00%</u></b>	<b><u>\$ 1,911,493</u></b>		<b><u>100.00%</u></b>

Source: Arizona Department of Revenue

Notes:

- Based upon June 30, 2016 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, 2016

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	Pledged Excise Tax Revenue Obligation	Notes Payable	Capital Leases	GO Bonds - CFDs	Special Assessment Bonds - CFDs
2016	\$ -	\$ 218,000	\$ 4,740,000	\$ 338,551	\$ 285,746	\$ 10,523,101	\$ 3,922,390
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

**Business-  
type**

Fiscal Year Ended June 30	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
2016	\$ 3,429,462	\$ 23,457,250	6.66%	884.75
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

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, 2016

<b>Governmental Unit</b>	<b>Debt Outstanding</b>	<b>Estimated Percentage Applicable (1)</b>	<b>Estimated Share of Overlapping Debt</b>
<b>Debt repaid with property taxes:</b>			
Pinal County Community College District	\$ 82,770,000	4.28%	\$ 3,542,556
Florence Unified School District No. 1	37,170,000	25.32%	<u>9,411,444</u>
Total Overlapping Debt			<u>12,954,000</u>
Town of Florence Direct Debt			<u>20,027,788</u>
Total Direct and overlapping debt			<u><u>\$ 32,981,788</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			
2016	\$ 64,352	\$ 64,000	\$ 23,829		0.73	
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	

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

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

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

Fiscal Year	Population	Estimated Personal Income (In thousands)	Estimated Per Capita Personal Income	October Enrollment	Education Level in Years of Schooling	Town Unemployment Rate
2016	26,513	\$ 352,252	\$ 13,286	2,417	13 to 16	7.1%
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%

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	2016			2007		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
State of Arizona	1,971	1	27.93%	3,009	1	36.24%
Pinal County Government	1,850	2	26.22%	2,261	2	27.23%
Correctional Corporation of America	871	3	12.34%	958	3	11.54%
DHS/ICE/DOJ - Federal Government	598	4	8.47%	362	5	4.36%
Florence Schools	401	5	5.68%	417	4	5.02%
GEO - Private Prison System	321	6	4.55%	155	6	1.87%
Town of Florence	200	7	2.83%	161	7	1.94%
<b>Total Town Employment</b>	<b><u>7,057</u></b>		<b>88.03%</b>	<b><u>8,302</u></b>		<b>88.21%</b>

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

Notes:

- Total Town employment equal to FTE's (Full Time Equivalents)

**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	
2016	29.74	95.32	19.62	34.57	7.25	12.43	1.06	199.99
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

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

Function	2007	2008	2009	2010
<b>Police</b>				
Total arrests	222	308	400	406
Moving violation citations	602	981	105	1,000
Total calls for service	7,823	7,314	7,456	5,757
Total 911 calls	2,853	4,501	5,125	5,849
Total part I crimes	398	430	402	351
<b>Fire</b>				
All emergency responses	1,679	1,902	2,105	2,042
Fire and hazmat responses	119	83	127	108
Emergency medical responses	1,155	1,376	1,605	1,654
Other responses	405	443	373	280
<b>Highways and Streets</b>				
Street resurfacing (miles)	0.67	2.50	2.90	1.40
Potholes repaired (estimate)	3,824	5,968	5,094	5,730
Streets maintained (miles)	99.22	99.22	99.22	108.08
<b>Community Development</b>				
Building permits issued	799	703	606	436
Code enforcement cases	188	125	126	80
<b>Parks, Recreation and Library</b>				
Attendance at aquatics facilities	2,386	3,081	3,216	2,561
Attendance at other facilities	22,972	19,008	30,000	24,444
Library visits	113,957	119,564	154,645	130,636
Library materials checked out	60,922	77,756	98,114	103,277
<b>Sanitation</b>				
Homes serviced	2,248	2,643	2,603	3,246
Tons of refuse and garbage hauled	5,812	5,771	5,468	5,569
<b>Water</b>				
Water service connections	3,235	3,266	3,278	3,287
Water consumption (millions gallons/day)	1.92	1.91	1.87	1.90
Water consumption (millions gallons/year)	701	697	683	694
<b>Sewer</b>				
Sewer service connections	3,211	3,241	3,251	3,260
Sewage treated (millions gallons per day)	1.58	1.68	2.02	2.04
Sewage treated (millions gallons per year)	575	613	737	745

<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
278	264	597	599	563	706
836	701	931	1,637	908	1,519
4,996	5,450	6,341	11,429	11,291	13,453
5,392	5,023	5,796	1,962	1,187	1,069
296	214	363	243	263	306
2,074	2,083	3,469	3,036	2,691	2,885
102	114	133	91	117	123
1,239	1,290	1,941	1,900	1,905	2,024
733	679	1,395	1,042	669	738
3.40	-	2.00	0.50	1.75	3.70
2,978	4,869	6,000	6,600	6,600	7,500
108.08	108.08	110.00	110.00	114.50	126.33
465	78	135	337	615	626
43	19	70	23	148	39
2,441	2,840	1,578	5,000	1,313	27,943
33,936	22,116	30,604	32,600	21,054	56,502
119,254	118,121	99,943	102,623	85,210	N/A
65,120	60,550	60,091	67,726	61,187	70,993
3,446	3,519	3,400	2,967	3,092	3,276
5,319	5,096	5,165	4,003	4,714	N/A
3,295	3,295	3,257	4,002	3,633	3,594
1.98	2.04	1.37	1.71	1.40	1.40
723	745	500	624	518	511
3,268	3,268	3,230	3,337	3,350	3,350
2.06	2.07	1.63	1.64	1.60	1.60
753	757	594	599	584	584

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Public Safety</b>										
Police stations	1	1	1	1	1	1	1	1.5	1.5	1.5
Police vehicles	26	29	34	38	41	42	44	48	57	54
Fire stations	1	2	2	2	2	2	2	2	2	2
Fire apparatus	6	5	8	8	6	6	7	6	7	8
Other fire vehicles	3	4	4	4	4	5	5	6	5	6
<b>Highways and Streets</b>										
Street (miles)	97	99	99	99	108	108	108	108	113	113
Streetlights	680	889	964	985	1,039	1,039	1,060	1,060	1,182	1,182
Traffic signals own	-	1	1	1	1	1	2	2	2	2
Traffic signals don't own	2	2	2	2	2	2	2	2	2	2
<b>Culture and Recreation</b>										
Parks	6	7	8	8	8	8	8	8	8	11
Parks acreage	289	289	289	289	289	289	289	341	343	349
Fitness center	1	1	1	1	1	1	1	1	1	1
Swimming pool**	1	1	1	1	1	1	1	1	1	1
Libraries**	1	1	1	1	1	1	1	1	1	1
<b>Wastewater</b>										
Sanitary sewers (miles)	45.5	45.5	45.7	45.7	45.7	45.7	45.7	45.7	54.5	54.5
Storm sewers (miles)	1.5	4.7	6.8	7.2	7.5	7.8	8.4	8.4	8.4	8.4
Treatment capacity (thousands of gallons)	1,920	1,920	2,920	2,920	2,920	2,920	2,920	2,920	2,920	2,920

\*\*School owned prior to 2016

# **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, 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, Arizona as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Florence, Arizona's basic financial statements, and have issued our report thereon dated December 9, 2016.

**Internal Control over Financial Reporting**

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

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

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

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## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Henry + Horne LLP*

Casa Grande, Arizona  
December 9, 2016



HENRY & HORNE, LLP  
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE  
UNIFORM GUIDANCE

The Honorable Mayor and Town Council  
Town of Florence, Arizona

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Florence, Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of Florence, Arizona's major federal programs for the year ended June 30, 2016. Town of Florence, Arizona's major federal programs 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Town of Florence, Arizona'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, Arizona's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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### ***Opinion on Each Major Federal Program***

In our opinion, the Town of Florence, Arizona, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

### **Report on Internal Control over Compliance**

Management of the Town of Florence, Arizona, 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, Arizona'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 each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Florence, Arizona's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Henry + Horne LLP*

Casa Grande, Arizona  
December 9, 2016

TOWN OF FLORENCE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2016

Grantor/Program	CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development:			
Pass-through programs from:			
State of Arizona, Department of Housing Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	107-15	\$ 185,583
Home Investment Partnerships Program	14.239	302-15	<u>249,500</u> *
Total U.S. Department of Housing and Urban Development			<u>435,083</u>
U.S. Department of the Interior			
Pass-through program from:			
Arizona State Parks Board/State Historic Preservation Office Historic Preservation Fund Grants-In-Aid	15.904	441511	<u>1,590</u>
U.S. Department of Justice			
Direct program:			
Bulletproof Vest Partnership Program	16.607	N/A	2,297
Pass through program from:			
Arizona Criminal Justice Division National Criminal History Improvement Program	16.554	NCP 14-15-007	<u>29,384</u>
Total U.S. Department of Justice			<u>31,681</u>
U.S. Department of Transportation			
Pass-through programs from:			
Arizona Governor's Office of Highway Safety State and Community Highway Safety- Selective Traffic Enforcement	20.600	2016-PT-011	6,916
State and Community Highway Safety- DUI Alcohol Enforcement OT/ERE	20.600	2016-AL-009	2,500
State and Community Highway Safety- Occupant Protection Ed/Equip	20.600	2016-OP-012	279
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2015-HV-007	<u>2,588</u>
Total U.S. Department of Transportation			<u>12,283</u>
Institute of Museum and Library Services			
Pass-through program from:			
Arizona State Library Archives & Public Records Grants to States - LSTA Grant	45.310	2015-35017-9	<u>11,400</u>
Executive Office of the President			
Pass-through programs from:			
City of Tucson High Intensity Drug Trafficking Areas Program	95.001	HT-15-2522	<u>91,462</u>
U.S. Department of Homeland Security			
Direct program:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2013-FH-00406	149,071
Pass-through programs from:			
Arizona Department of Homeland Security Homeland Security Grant - Operation Stonegarden OT/Mileage	97.067	140316-01	45,938
Homeland Security Grant - Operation Stonegarden Equipment	97.067	140316-02	511
Homeland Security Grant - Operation Stonegarden OT/Mileage	97.067	150316-01	27,966
Homeland Security Grant - Operation Stonegarden Equipment	97.067	150316-02	<u>40,129</u>
Subtotal Department of Homeland Security pass-through programs			114,544
Total U.S. Department of Homeland Security			<u>263,615</u>
Total Expenditures of Federal Awards			<u>\$ 847,114</u>

\*denotes major program

TOWN OF FLORENCE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2016

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Florence under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Town of Florence, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town of Florence.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- B) The Town of Florence has elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

TOWN OF FLORENCE, ARIZONA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2016

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

yes  no

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for each Major program listed below:

Home Investments Partnerships Program

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

yes  no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.239	Home Investments Partnerships Program

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

\$750,000

Auditee qualified as low-risk auditee?

yes  no

TOWN OF FLORENCE, ARIZONA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

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

None noted.

SECTION III – FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None noted.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YB Finding No. 2015-001

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

Current Status: The Town has restricted the ability to change, or authorize changes to user rights in the Town's accounting software effective.