

Town of Florence

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017



TOWN OF FLORENCE, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ending June 30, 2017



Prepared by:
Finance Department

Joan Miller
Accounting Manager

Joe Jarvis
Finance Director

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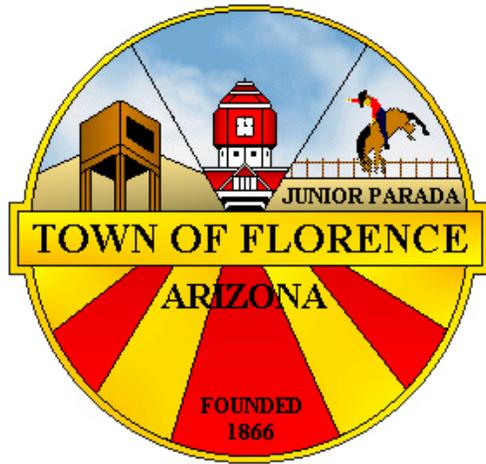
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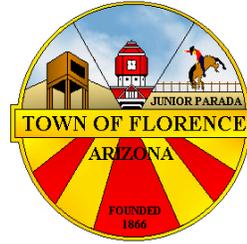
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INTRODUCTORY SECTION





Town of Florence

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

December 13, 2017

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, 2017. State law requires that the Town publishes, 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 opinion on the Town's financial statements for the year ended June 30, 2017. 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. In addition, the framework allows 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. The MD&A complements this letter of transmittal and they 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. 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 25,779. 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 a council-manager form of government. The Mayor is elected, and all 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, Town Clerk, and Town Magistrate.

The financial reporting entity of the Town includes all 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 that 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 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; and water and wastewater 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 1909, the corrections industry has been a source of employment for people in Pinal and other counties. This industry alone provides employment opportunities and consists of Arizona State Prison facilities, Core Civic and GEO Group. Florence is also home to several local, county, state and federal agencies, which provide 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 daily. It is estimated that over 5,000 commuters travel to Florence for work daily. 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. Anthem at Merrill Ranch is one of the State's largest master-planned communities. To date, there are over 2,000 single-family homes including other amenities, such as two community centers, an 18-hole golf course, as well as, an outdoor swimming pool and water park. With commercial expansion and another 6,500 homes planned, Anthem is sure to add to the Town's economy.



The Town's unemployment rate is 5.4%. This is significantly lower than previous years. 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 2017 fiscal year revenue. Worth noting, prison inmates make up more than 60 percent of the total population.

STRATEGIC PLAN

The Town Council approved the Strategic Plan during the fiscal year 2016-2017. The priorities of the plan included:

- Community Vitality
- Economic Prosperity
- Leadership and Governance
- Partnership and Relationships
- Transportation and Infrastructure

MAJOR INITIATIVES

Investment in Capital Assets: During the 2016-2017 fiscal year, the Town of Florence focused on completing existing capital improvement projects. These projects included roadway improvements and utility upgrades that improve the quality of life for the residents.

- ***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 needs immediate attention. Efforts include expansion and recharge permitting efforts.

Alternative Expenditure Limitation (Home Rule Option)

The Town voters 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 fiscal year 2017-2018.

RELEVANT FINANCIAL POLICIES

The Town's fund balance policy covers the General Fund, Highway User Revenue Fund, and enterprise funds. The fund balance in the General Fund must retain \$500,000 for emergencies, 10 percent of revenues for operational reserves, of which 20 percent is for facility maintenance. The fund balance in the Highway User Revenue Fund must be reserved for operational reserves in the amount of 15 percent of the operating revenues, and the fund balances in the enterprise funds 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.

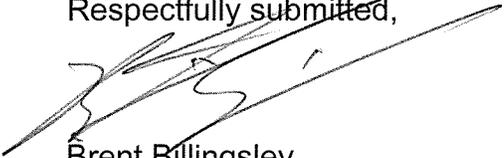
AWARDS AND ACKNOWLEDGEMENTS

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, 2016. We are very pleased and proud to have received this award for the fifth straight year. 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 one year. We believe that our current CAFR meets the Certificate of Achievement requirements and we are submitting the Town's CAFR 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 unfailing support in maintaining the highest professionalism in the management of the Town's finances. We appreciate the dedication and hard work of the accounting staff during the audit process.

Respectfully submitted,



Brent Billingsley
Town Manager



Joe Jarvis, MPA
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, 2016

Christopher P. Morrill

Executive Director/CEO



Town Council, Appointed Officials and Senior Management Staff

Town Council

Tara Walter – Mayor

Vallarie Woolridge – Vice Mayor
Rebecca Guilin – Councilmember
William Hawkins – Councilmember

John Anderson – Councilmember
Kristen Larsen – Councilmember
Karen Wall – Councilmember

Appointed Officials

Brent Billingsley – Town Manager
Clifford Mattice – Town Attorney

Lisa Garcia – Town Clerk
Roger Valdez – Town Magistrate

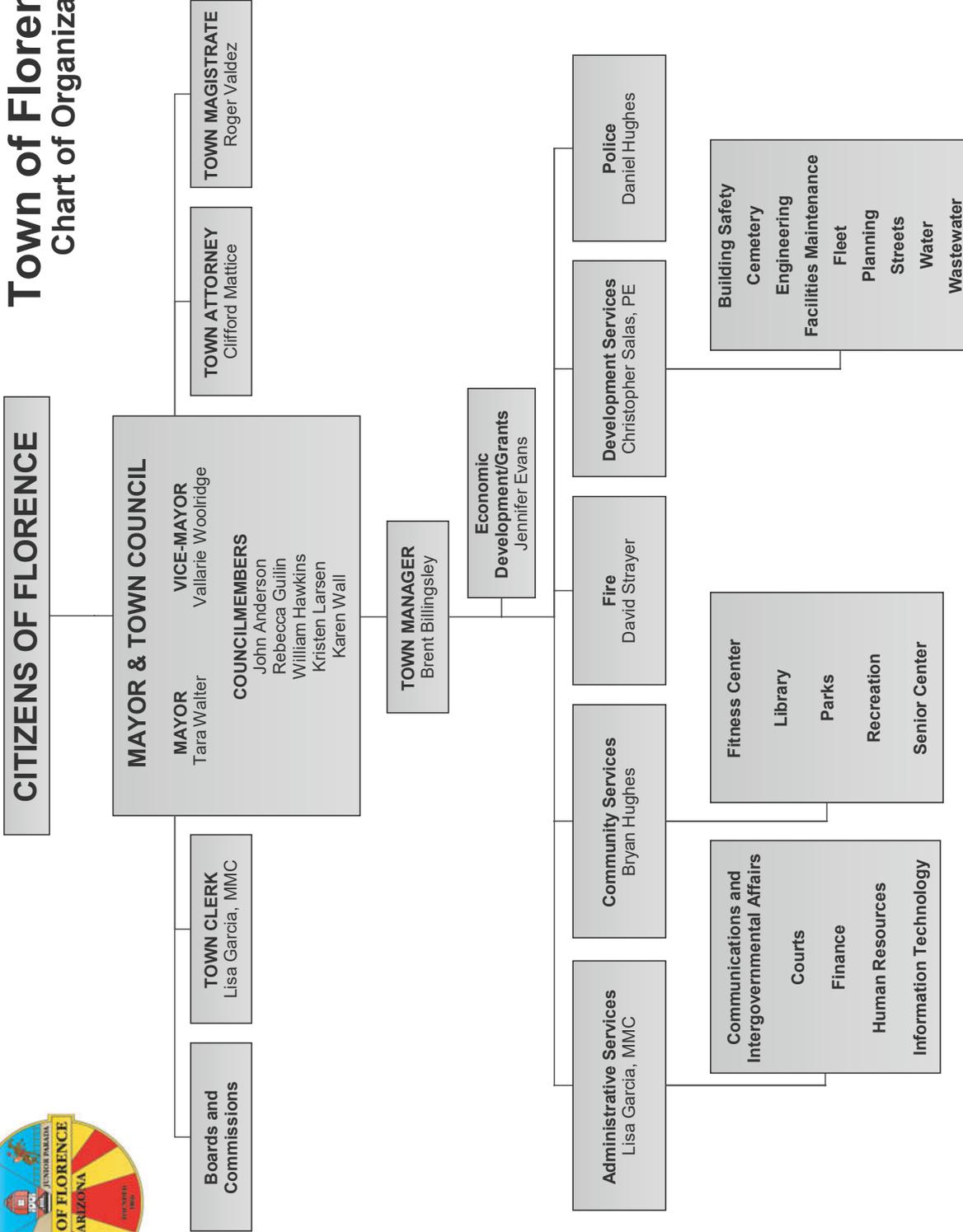
Senior Management

Lisa Garcia – Deputy Town Manager/Town Clerk
Jess Knudson – PIO/Assistant Town Manager
Scott Barber – Human Resource Director
Bryan Hughes – Library Director
Bryan Hughes – Parks & Recreation Director
Chris Salas – Public Works Director
Chris Salas – Community Development Director
Joe Jarvis – Finance Director
Daniel Hughes – Police Chief
David Strayer – Fire Chief



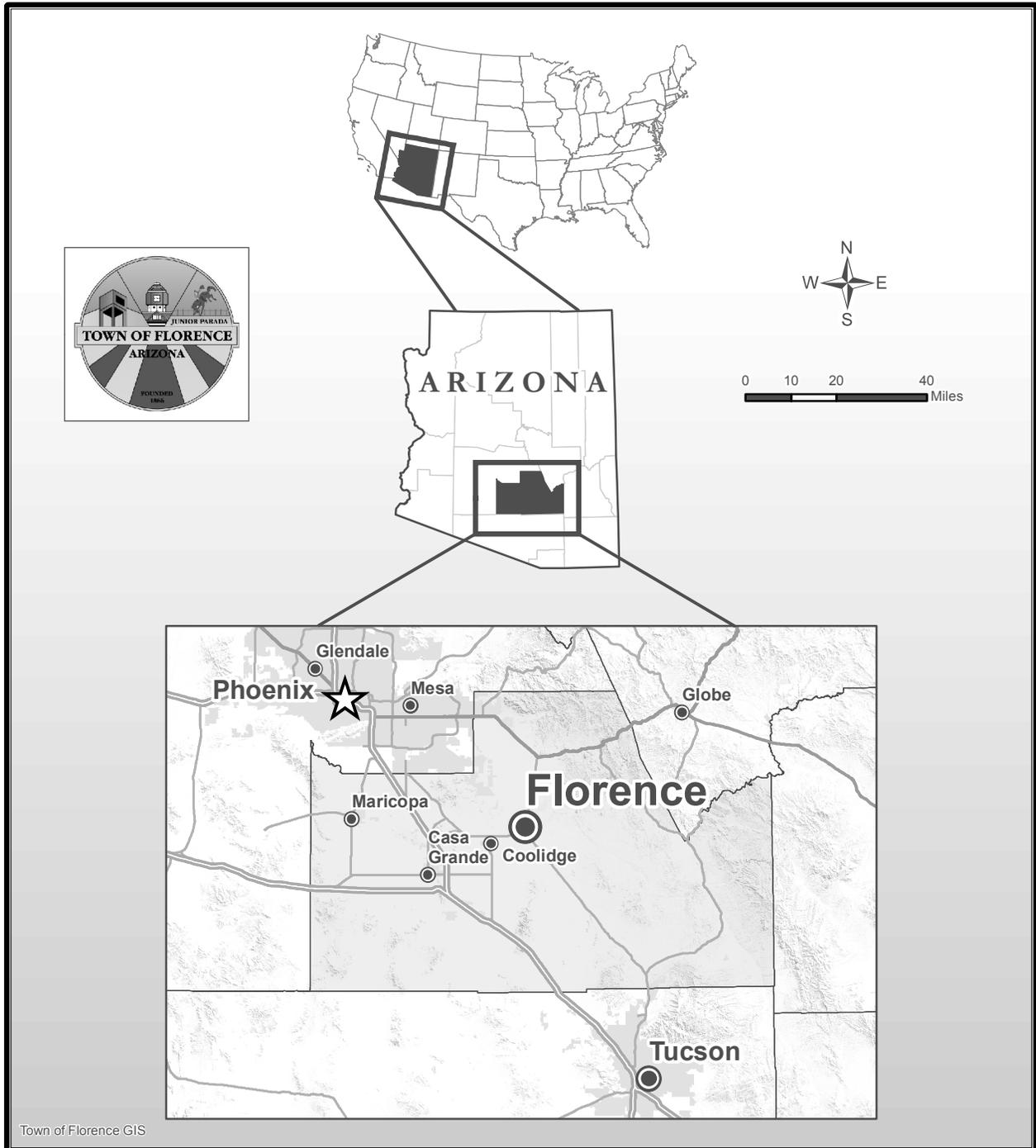
Town of Florence

Chart of Organization



TOWN OF FLORENCE

PINAL COUNTY, ARIZONA LOCATION MAP



FINANCIAL SECTION



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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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, 2017, 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.

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 other supplementary information is 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 is 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, 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 13, 2017 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 13, 2017

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, 2017. 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 - v of this report.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Florence exceeded its liabilities and deferred inflows of resources as of June 30, 2017 by \$139.3 million. Of this amount, \$17.8 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 \$4.4 million from \$134.9 million to \$139.2 million. Net position in governmental activities increased \$1.8 million as the Town spent money to improve roadway infrastructure and net position in business-type activities increased \$2.6 million with assets increasing due to investment in infrastructure and an increase in both personnel costs.
- As of the end of the current fiscal year, the Town of Florence's governmental funds reported combined ending fund balances of \$38.7 million, an increase of \$2.6 million in comparison to the year before. This is primarily due to an investment in infrastructure and an increase in revenue.
- Approximately 25 percent or \$9.8 million of the combined ending fund balances constitutes unassigned fund balance, which is available for spending at the Town's discretion.
- The Town's investment in capital assets (net of depreciation) increased \$783,385.
- At the end of the fiscal year, the Town had \$24.0 million in debt outstanding compared to \$23.2 million last year. The Town issued a \$4.2 million in bond proceeds for Community Facilities District (CFD) bonds for infrastructure within the CFD.

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 that is similar to a private-sector business.

The *Statement of Net Position* presents information on 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).

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. 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 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 - 43 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 47 - 48 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 51 - 94 of this report.

Combining statements (referred to earlier as 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 110 - 113 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, and deferred outflows of resources, liabilities, and deferred inflows of resources and resulting net position (assets and deferred outflows of resources minus liabilities and deferred inflows of resources) as of June 30, 2017 with a comparison to net position as of June 30, 2016.

Condensed Statement of Net Position
(in Thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 46,111	\$ 43,559	\$ 20,579	\$ 17,877	\$ 66,690	\$ 61,436
Capital assets	89,316	89,364	19,358	18,527	108,674	107,891
Total assets	<u>135,427</u>	<u>132,923</u>	<u>39,937</u>	<u>36,404</u>	<u>175,364</u>	<u>169,327</u>
Deferred outflows of resources	<u>3,894</u>	<u>861</u>	<u>290</u>	<u>182</u>	<u>4,184</u>	<u>1,043</u>
Other liabilities	3,353	3,500	1,326	862	4,679	4,362
Long-term liabilities	28,601	27,648	4,805	4,363	33,406	32,011
Total liabilities	<u>31,954</u>	<u>31,148</u>	<u>6,131</u>	<u>5,225</u>	<u>38,085</u>	<u>36,373</u>
Deferred inflows of resources	<u>1,916</u>	<u>861</u>	<u>266</u>	<u>182</u>	<u>2,182</u>	<u>1,043</u>
Net position:						
Net investment in capital assets	73,657	69,337	15,417	15,097	89,074	84,434
Restricted	29,399	31,504	3,058	2,817	32,457	34,321
Unrestricted	<u>2,395</u>	<u>2,795</u>	<u>15,355</u>	<u>13,305</u>	<u>17,750</u>	<u>16,100</u>
Total net position	<u>\$ 105,451</u>	<u>\$ 103,636</u>	<u>\$ 33,830</u>	<u>\$ 31,219</u>	<u>\$ 139,281</u>	<u>\$ 134,855</u>

The largest portion of the Town's net position is net investment in capital assets, which makes up 64 percent or \$89.0 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 51.

An additional portion (23% or \$32.4 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 (13% or \$17.8 million) may be used to meet the Town's ongoing obligations to citizens and creditors.

Total governmental activities liabilities had a net increase of \$806,000 primarily due to the satisfaction of the capital lease obligation for a fire truck and increased 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 \$4.4 million from \$134.9 million to \$139.2 million. Net position in governmental activities increased \$1.8 million going from \$103.6 million to \$105.5 million. Net position in business-type activities increased \$2.6 million from \$31.2 million to \$33.8 million.

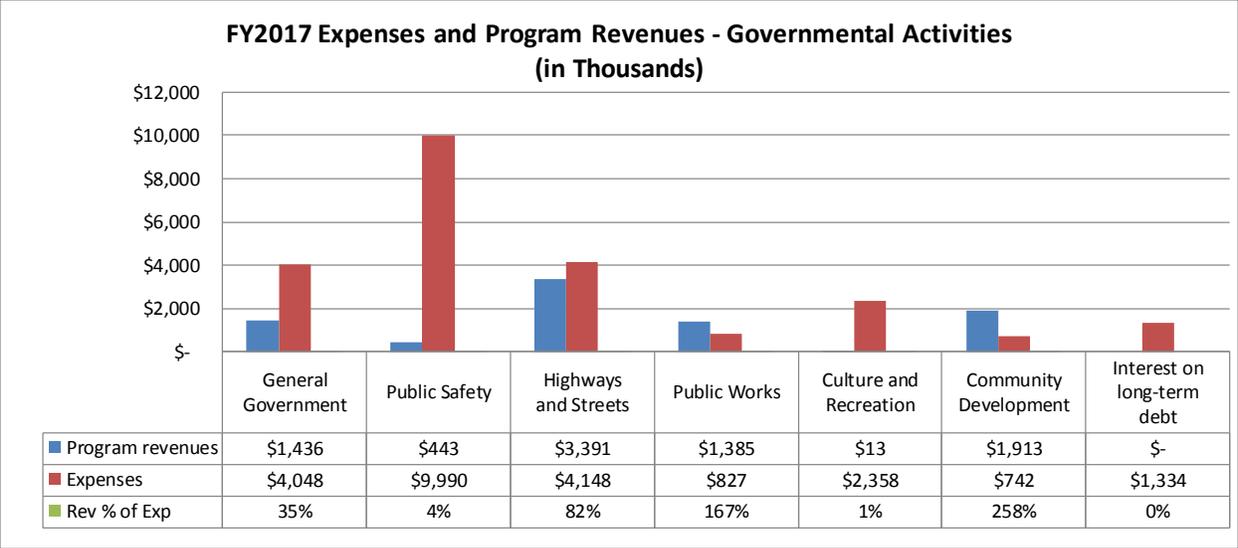
Changes in Net Position
(in Thousands)

	Governmental Activities	Business-type Activities	Total Government
	2017		
Program revenues			
Charges for services	\$ 2,145	\$ 7,936	\$ 10,081
Operating grants	3,671	-	\$ 3,671
Capital grants and contributions	2,764	24	\$ 2,788
General revenues			\$ -
Taxes	7,143	-	7,143
Intergovernmental	8,276	-	8,276
Investment earnings	47	45	92
Donation of capital assets	-	-	-
Miscellaneous	165	57	222
Total revenues	<u>24,211</u>	<u>8,062</u>	<u>32,273</u>
Expenditures/Expenses			
General government	4,048		4,048
Public safety	9,990		9,990
Highways and streets	4,148		4,148
Public works	827		827
Culture and recreation	2,358		2,358
Community development	742		742
Interest on long-term debt	1,334		1,334
Water		1,442	1,442
Sewer		2,095	2,095
Sanitation		863	863
Non-Major Enterprise			-
Total expenditures/expenses	<u>23,447</u>	<u>4,400</u>	<u>27,847</u>
Excess before transfers	764	3,662	4,426
Transfers in (out)	<u>1,051</u>	<u>(1,051)</u>	<u>-</u>
Change in net position	<u>1,815</u>	<u>2,611</u>	<u>4,426</u>
Beginning net position	<u>103,636</u>	<u>31,219</u>	<u>134,855</u>
Ending net position	<u>\$ 105,451</u>	<u>\$ 33,830</u>	<u>\$ 139,281</u>

Changes in net position, shown above, illustrates the Town's total revenues and expenses for the fiscal year ended June 30, 2017 compared to the same period ended June 30, 2016.

Governmental activities

Total revenues increased by \$3 million primarily due to increased revenues in capital grants and contributions, taxes, and intergovernmental. Investment earnings decreased by \$308,000 going from \$355,000 to \$47,000 primarily due to decreased 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 primarily remained unchanged. Business-type total expenditures increased \$134,000 from \$4.3 million to \$4.4 million due to an increase in expenditures for infrastructure improvements and personnel costs.

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. 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 a particular purpose 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 \$38.7 million, an increase of \$2.6 million in comparison to the fiscal year before. This is primarily due to an investment in infrastructure and an increase in revenue.

Approximately 25 percent of the combined ending fund balances (\$9.8 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 (\$80,004) 2) restricted for particular purposes (\$28.1 million), or 3) assigned for particular purposes (\$728,000).

General Fund. The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$9.9 million making up 99 percent of the total fund balance. As a measure of the fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The fund balance increased \$1.2 million this fiscal year.

Highway User Revenue Fund. The Highway User Revenue Fund, a major fund, ended the current year with a total fund balance of \$11.9 million, consisting of \$11.9 million restricted fund balance and \$13,503 assigned fund balance. Revenues must be used for streets and highway purposes.

Impact Fees Fund. The Impact Fees Fund, a major fund, ended the current year with a total fund balance of \$1.4 million, an increase of \$431,188. This increase is primarily due to the purchase belt-press in the Town’s wastewater. 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 \$4.7 million, an increase of \$782,743 over the prior year. This increase is primarily due to the Town did not completing significant 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 - \$6.9 million, Sewer - \$7.2 million and Sanitation - \$1.3 million. The unrestricted net position of each fund consists of a majority of their respective total net positions.

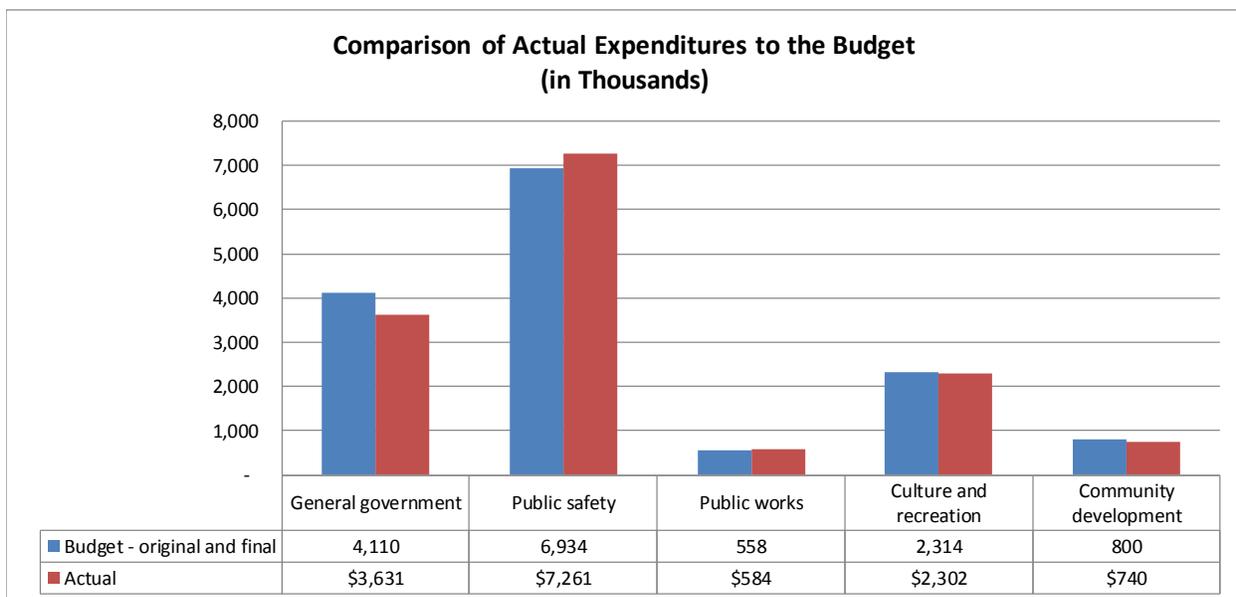
Total net position in the Water Utility Fund increased by \$1.1 million. Operating revenue increased, and operating expenses increased resulting in operating income of \$1.5 million.

The total net position in the Sewer Utility fund grew by \$1.6 million primarily due to an increase in operating revenue and an increase in operating expenses, resulting in operating income of \$2.2 million.

Total net position decreased in the Sanitation Fund by \$113,476 mainly due to an operating loss of \$54,239 and transfer out of \$73,944. 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 \$14.5 million was spent compared to a total final budget of \$14.7 million, resulting in a positive variance (budget savings) of \$198,055. 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, 2017, amounts to \$108.7 million. Investment in capital assets includes land, buildings, utility facilities, vehicles and equipment, park facilities, roads, highways and bridges. Overall, the Town's investment in capital assets (net of depreciation) increased \$783,385. Additions to capital assets included new vehicles, road improvements, and infrastructure improvements in the enterprise funds.

Town of Florence Capital Assets
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 32,546,409	\$ 32,546,409	\$ 394,073	\$ 394,073	\$ 32,940,482	\$ 32,940,482
Buildings, infrastructure	54,085,797	51,853,493	17,944,989	7,587,226	\$ 72,030,786	59,440,719
Vehicles, furniture and equipment	2,511,566	2,824,271	575,850	201,988	\$ 3,087,416	3,026,259
Construction in progress	172,371	2,140,113	443,117	10,343,214	\$ 615,488	12,483,327
Total	\$ 89,316,143	\$ 89,364,286	\$ 19,358,029	\$ 18,526,501	\$ 108,674,172	\$ 107,890,787

Additional information on the Town of Florence's capital assets can be found in Note 4 on pages 66 - 67 in the notes to the financial statements.

Long-term Debt

At the end of the fiscal year, the Town had \$24.2 million in debt outstanding compared to \$23.2 million last fiscal year end. The Town has notes payable outstanding totaling \$4.2 million at year end and no capital lease obligations. A large portion of the debt listed below consists of general obligation bonds (\$10.1 million) and special assessment lien bonds (\$4.7 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	
	2017	2016	2017	2016	2017	2016
General obligation bonds - CFDs	\$ 10,125,000	\$ 10,335,000	-	-	\$ 10,125,000	\$ 10,335,000
Excise Tax Revenue Obligation -	4,740,000	4,740,000	-	-	4,740,000	4,740,000
Special assessment debt - CFDs	4,764,240	3,922,390	-	-	4,764,240	3,922,390
Special assessment debt - Town	154,000	218,000	-	-	154,000	218,000
Notes payable	289,116	338,551	3,941,530	3,429,461	4,230,646	3,768,012
Capital leases	-	285,746	-	-	-	285,746
Total	\$ 20,072,356	\$ 19,839,687	\$ 3,941,530	\$ 3,429,461	\$ 24,013,886	\$ 23,269,148

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 68 - 73 in this report, Notes 5, 6, and 7 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 5.4 percent, significantly lower than the prior year. This is significantly lower than the past five years, which averaged 11.6 percent.

Most of the General Fund's resources come from state-shared revenues (59%). 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 (25%). 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 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 2017-2018 fiscal year.

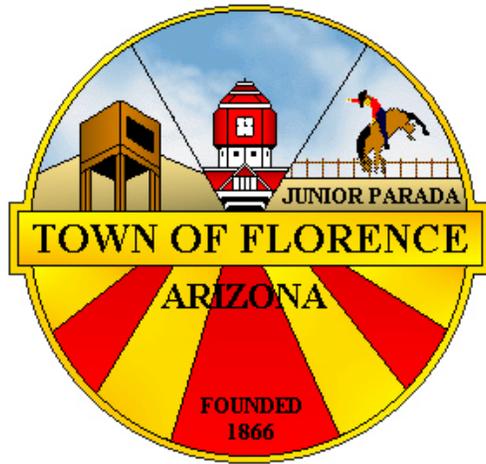
The Town's total budget for FY2018 is \$41.4 million, which includes expenditures within the Community Facilities District.

Requests for Information

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

FINANCIAL SECTION

BASIC FINANCIAL STATEMENTS



FINANCIAL SECTION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF FLORENCE, ARIZONA
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 12,990,431	\$ 7,283,741	\$ 20,274,172
Receivables (net of allowance for uncollectibles)	1,363,022	813,857	2,176,879
Special assessment receivable	5,774,804	-	5,774,804
Due from other governments	49,664	-	49,664
Internal balances	(609,584)	609,584	-
Prepays	80,004	-	80,004
Restricted cash equivalents	6,001,490	-	6,001,490
Investments	20,461,607	11,871,850	32,333,457
Capital assets			
Land and construction in progress	32,718,780	837,190	33,555,970
Other capital assets (net of accumulated depreciation)	56,597,363	18,520,839	75,118,202
Total assets	<u>135,427,581</u>	<u>39,937,061</u>	<u>175,364,642</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	2,950,165	210,032	3,160,197
Deferred outflows of employer contributions to pensions	943,711	80,129	1,023,840
Total deferred outflows of resources	<u>3,893,876</u>	<u>290,161</u>	<u>4,184,037</u>
LIABILITIES			
Accounts payable and other current liabilities	725,959	589,588	1,315,547
Customer deposits	125,258	139,911	265,169
Accrued wages and benefits	543,568	15,095	558,663
Accrued interest payable	464,754	60,355	525,109
Other accrued liabilities	2,708	2,869	5,577
Retainages	53,431	-	53,431
Current portion of			
Compensated absences	412,998	33,410	446,408
Notes payable	52,401	485,118	537,519
Bonds payable	972,070	-	972,070
Long-term portion of			
Compensated absences	65,012	1,839	66,851
Notes payable	236,715	3,456,411	3,693,126
Bonds payable	18,991,672	-	18,991,672
Net pension liability	9,307,632	1,346,848	10,654,480
Total liabilities	<u>31,954,178</u>	<u>6,131,444</u>	<u>38,085,622</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	-	35	35
Deferred inflows of resources related to pensions	1,915,741	265,982	2,181,723
Total deferred inflows of resources	<u>1,915,741</u>	<u>266,017</u>	<u>2,181,758</u>

See accompanying notes.

NET POSITION			
Net investment in capital assets	73,657,354	15,416,500	89,073,854
Restricted for			
Debt service	10,039,198	2,782,851	12,822,049
Highways and streets	6,823,763	-	6,823,763
Capital projects	11,573,249	275,095	11,848,344
Economic development	528,350	-	528,350
Community facilities	351,186	-	351,186
Public safety	83,484	-	83,484
Unrestricted	<u>2,394,954</u>	<u>15,355,315</u>	<u>17,750,269</u>
 Total net position	 <u>\$ 105,451,538</u>	 <u>\$ 33,829,761</u>	 <u>\$ 139,281,299</u>

TOWN OF FLORENCE, ARIZONA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 4,048,228	\$ 1,360,404	\$ 75,572	\$ -
Public safety	9,109,350	215,601	201,572	25,809
Highways and streets	4,148,226	-	3,391,318	-
Public works	827,149	-	-	1,384,875
Culture and recreation	2,358,257	9,805	2,765	-
Community development	741,827	558,946	-	473,154
Interest on long-term debt	1,333,967	-	-	-
Total governmental activities	<u>22,567,004</u>	<u>2,144,756</u>	<u>3,671,227</u>	<u>1,883,838</u>
Business-type activities				
Water	1,441,641	2,956,627	-	9,900
Sewer	2,094,994	4,169,513	-	14,338
Sanitation	863,346	809,521	-	-
Total business-type activities	<u>4,399,981</u>	<u>7,935,661</u>	<u>-</u>	<u>24,238</u>
Total primary government	<u>\$ 26,966,985</u>	<u>\$ 10,080,417</u>	<u>\$ 3,671,227</u>	<u>\$ 1,908,076</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 change in the fair value of investments

Miscellaneous
Transfers in (out)
 Total general revenues and transfers
 Change in net position
Net position - beginning of year

Net position - end of year

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,612,252)	\$ -	\$ (2,612,252)
(8,666,368)	-	(8,666,368)
(756,908)	-	(756,908)
557,726	-	557,726
(2,345,687)	-	(2,345,687)
290,273	-	290,273
(1,333,967)	-	(1,333,967)
<u>(14,867,183)</u>	<u>-</u>	<u>(14,867,183)</u>
-	1,524,886	1,524,886
-	2,088,857	2,088,857
-	(53,825)	(53,825)
<u>-</u>	<u>3,559,918</u>	<u>3,559,918</u>
<u>(14,867,183)</u>	<u>3,559,918</u>	<u>(11,307,265)</u>
2,133,736	-	2,133,736
4,392,219	-	4,392,219
617,196	-	617,196
2,805,600	-	2,805,600
3,806,084	-	3,806,084
1,664,532	-	1,664,532
208,793	183,172	391,965
(162,094)	(138,287)	(300,381)
166,374	57,223	223,597
1,050,588	(1,050,588)	-
<u>16,683,028</u>	<u>(948,480)</u>	<u>15,734,548</u>
1,815,845	2,611,438	4,427,283
<u>103,635,693</u>	<u>31,218,323</u>	<u>134,854,016</u>
<u>\$ 105,451,538</u>	<u>\$ 33,829,761</u>	<u>\$ 139,281,299</u>



FINANCIAL SECTION

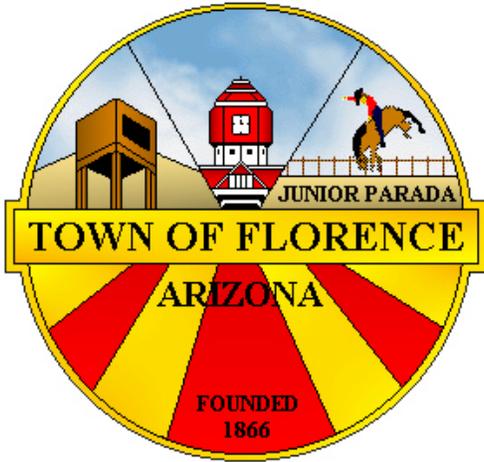
FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUND FINANCIAL STATEMENTS

TOWN OF FLORENCE, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General	Highway User	Community Facilities Districts- Debt Service
ASSETS			
Cash and cash equivalents	\$ 3,999,221	\$ 2,684,967	\$ 1,082,252
Receivables (net of allowance for uncollectibles)	1,057,559	282,216	5,658,994
Due from other governments	-	-	15,753
Due from other funds	522,831	345,136	-
Prepays	80,004	-	-
Restricted assets			
Cash and cash equivalents	2,980	5,045,186	924,897
Investments	6,597,065	4,376,257	1,763,974
Total assets	\$ 12,259,660	\$ 12,733,762	\$ 9,445,870
LIABILITIES			
Accounts payable and other current liabilities	\$ 342,457	\$ 341,143	\$ -
Customer deposits	125,258	-	-
Accrued wages and benefits	524,360	16,526	-
Other accrued liabilities	414	2,294	-
Due to other funds	1,343,699	445,950	48,376
Retainages	-	53,431	-
Total liabilities	2,336,188	859,344	48,376
DEFERRED INFLOWS OF RESOURCES			
Deferred revenue	26,542	5,469	5,757,005
Total deferred inflows of resources	26,542	5,469	5,757,005
FUND BALANCES			
Nonspendable			
Prepaid items	80,004	-	-
Restricted			
Public safety	-	-	-
Debt service	-	437,614	3,640,489
Capital projects	-	4,594,069	-
Highways and Streets	-	6,823,763	-
Economic development	-	-	-
Community Facilities Districts operations	-	-	-
Assigned			
Capital projects	-	13,503	-
Highways and Streets	-	-	-
Unassigned	9,816,926	-	-
Total fund balances	9,896,930	11,868,949	3,640,489
Total liabilities, deferred inflows of resources and fund balances	\$ 12,259,660	\$ 12,733,762	\$ 9,445,870

Community Facilities Districts- Capital Improvements	Impact Fees	Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
\$ 1,229,792	\$ 518,040	\$ 1,683,006	\$ 1,793,153	\$ 12,990,431
3,422	2,378	7,723	125,534	7,137,826
-	-	-	33,911	49,664
2,294	-	282,765	109,642	1,262,668
-	-	-	-	80,004
28,427	-	-	-	6,001,490
1,214,123	844,360	2,743,150	2,922,678	20,461,607
<u>\$ 2,478,058</u>	<u>\$ 1,364,778</u>	<u>\$ 4,716,644</u>	<u>\$ 4,984,918</u>	<u>\$ 47,983,690</u>
\$ -	\$ -	\$ 25,608	\$ 16,751	\$ 725,959
-	-	-	-	125,258
-	-	-	2,682	543,568
-	-	-	-	2,708
-	-	-	34,227	1,872,252
-	-	-	-	53,431
-	-	25,608	53,660	3,323,176
1,465	1,018	3,307	123,272	5,918,078
<u>1,465</u>	<u>1,018</u>	<u>3,307</u>	<u>123,272</u>	<u>5,918,078</u>
-	-	-	-	80,004
-	-	-	83,484	83,484
-	-	-	85,120	4,163,223
2,476,593	1,363,760	3,973,050	3,759,846	16,167,318
-	-	-	-	6,823,763
-	-	-	528,350	528,350
-	-	-	351,186	351,186
-	-	714,679	-	728,182
-	-	-	-	-
-	-	-	-	9,816,926
<u>2,476,593</u>	<u>1,363,760</u>	<u>4,687,729</u>	<u>4,807,986</u>	<u>38,742,436</u>
<u>\$ 2,478,058</u>	<u>\$ 1,364,778</u>	<u>\$ 4,716,644</u>	<u>\$ 4,984,918</u>	<u>\$ 47,983,690</u>



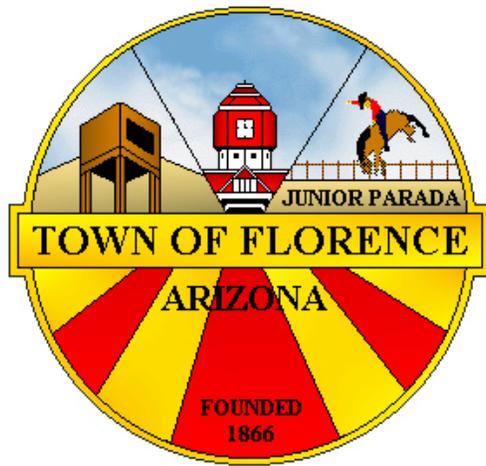
TOWN OF FLORENCE, ARIZONA
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
June 30, 2017

Fund balance - total governmental funds balance sheet		\$ 38,742,436
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 122,020,664	
Less accumulated depreciation	<u>(32,704,521)</u>	89,316,143
Deferred revenue is shown on the governmental funds, but is not deferred on the statement of net position.		
Special assessments	5,875,975	
Interest income	41,818	
Other	<u>285</u>	5,918,078
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	(9,307,632)	
Compensated absences	(478,010)	
Capital leases	-	
Notes payable	(289,116)	
Bonds payable	<u>(19,963,742)</u>	(30,038,500)
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	2,950,165	
Deferred outflows of employer contributions	943,711	
Deferred inflows of resources related to pensions	<u>(1,915,741)</u>	1,978,135
Interest payable on long-term debt is not reported in the governmental funds.		
		<u>(464,754)</u>
Net position of governmental activities - statement of net position		<u>\$ 105,451,538</u>

TOWN OF FLORENCE, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	General	Highway User	Community Facilities Districts- Debt Service
REVENUES			
Taxes	\$ 3,488,761	\$ 3,391,318	\$ 1,128,919
Franchise fees	617,196	-	-
Licenses and permits	591,611	-	-
Intergovernmental revenues	8,276,216	-	-
Charges for services	817,117	-	-
Fines	186,459	-	-
Special assessments	-	-	836,668
Investment income			
Interest income	22,557	81,959	24,606
Net change in the fair value of investments	-	(52,394)	(20,772)
Contributions and donations	5,758	-	-
Miscellaneous	81,093	67,605	130
Total revenues	<u>14,086,768</u>	<u>3,488,488</u>	<u>1,969,551</u>
EXPENDITURES			
Current			
General government	3,630,681	-	56,521
Public safety	7,260,858	-	-
Highways and streets	-	2,666,597	-
Public works	584,088	-	-
Culture and recreation	2,302,272	-	-
Community development	740,330	-	-
Capital outlay	-	870,132	-
Debt service			
Principal	-	-	455,150
Interest and fiscal charges	-	109,905	863,817
Bond issuance cost	-	-	98,405
Total expenditures	<u>14,518,229</u>	<u>3,646,634</u>	<u>1,473,893</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(431,461)</u>	<u>(158,146)</u>	<u>495,658</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,588,704	19,616	77,963
Transfers out	(3,304)	(460,116)	-
Sale of capital assets	12,167	10,014	-
Refunding bonds issued	-	-	3,245,000
Special assessment bonds issued	-	-	-
Payment to refunded bond escrow agent	-	-	(3,446,595)
Total other financing sources and uses	<u>1,597,567</u>	<u>(430,486)</u>	<u>(123,632)</u>
Net change in fund balances	<u>1,166,106</u>	<u>(588,632)</u>	<u>372,026</u>
Fund balances - beginning of year	<u>8,730,824</u>	<u>12,457,581</u>	<u>3,268,463</u>
Fund balances - end of year	<u>\$ 9,896,930</u>	<u>\$ 11,868,949</u>	<u>\$ 3,640,489</u>

Community Facilities Districts- Capital Improvements	Impact Fees	Capital Improvements	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,270,334	\$ 637,941	\$ 9,917,273
-	-	-	-	617,196
-	-	-	-	591,611
-	-	-	331,811	8,608,027
-	428,717	-	52,410	1,298,244
-	-	-	3,167	189,626
-	-	-	54,575	891,243
20,775	11,176	38,911	41,633	241,617
(14,036)	(9,750)	(31,676)	(33,466)	(162,094)
-	-	-	4,749	10,507
35	1,045	989	49,301	200,198
<u>6,774</u>	<u>431,188</u>	<u>1,278,558</u>	<u>1,142,121</u>	<u>22,403,448</u>
249	-	-	137,456	3,824,907
25	-	-	296,918	7,557,801
-	-	-	-	2,666,597
-	-	-	94,941	679,029
-	-	-	4	2,302,276
5,875	-	15,376	1,878	763,459
880,610	-	120,776	11,644	1,883,162
-	-	-	399,181	854,331
-	-	-	44,331	1,018,053
-	-	-	-	98,405
<u>886,759</u>	<u>-</u>	<u>136,152</u>	<u>986,353</u>	<u>21,648,020</u>
<u>(879,985)</u>	<u>431,188</u>	<u>1,142,406</u>	<u>155,768</u>	<u>755,428</u>
-	-	-	362,967	2,049,250
(77,963)	-	(359,663)	(97,616)	(998,662)
-	-	-	-	22,181
-	-	-	-	3,245,000
987,000	-	-	-	987,000
-	-	-	-	(3,446,595)
<u>909,037</u>	<u>-</u>	<u>(359,663)</u>	<u>265,351</u>	<u>1,858,174</u>
29,052	431,188	782,743	421,119	2,613,602
2,447,541	932,572	3,904,986	4,386,867	36,128,834
<u>\$ 2,476,593</u>	<u>\$ 1,363,760</u>	<u>\$ 4,687,729</u>	<u>\$ 4,807,986</u>	<u>\$ 38,742,436</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, 2017

Net change in fund balances - total governmental funds		\$ 2,613,602
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, assets contributed to the Town are not reported in the fund statements and are reported in the statement of activities.		
Contributions	\$ 473,154	
Expenditures for capitalized assets	1,906,908	
Less current year depreciation	<u>(2,428,205)</u>	(48,143)
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	548,226	
Grant revenue	(32,806)	
Sale of property	(43,915)	
Other	<u>110</u>	471,615
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.		
		36,922
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	943,711	
Pension expense	<u>(1,967,768)</u>	(1,024,057)
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.		
		7,599
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	(4,232,000)	
Capital lease principal retirement	285,746	
Note payable principal retirement	49,435	
Bond principal retirement	<u>3,664,150</u>	(232,669)
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>(9,024)</u>
Change in net position of governmental activities		<u>\$ 1,815,845</u>

TOWN OF FLORENCE, ARIZONA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 3,501,100	\$ 3,501,100	\$ 3,488,761	\$ (12,339)
Franchise fees	584,100	584,100	617,196	33,096
Licenses and permits	529,500	529,500	591,611	62,111
Intergovernmental revenues	7,516,255	7,516,255	8,276,216	759,961
Charges for services	774,660	774,660	817,117	42,457
Fines	145,750	145,750	186,459	40,709
Investment income				
Interest income	100,000	100,000	22,557	(77,443)
Contributions and donations	4,330	4,330	5,758	1,428
Miscellaneous	40,500	40,500	81,093	40,593
Total revenues	<u>13,196,195</u>	<u>13,196,195</u>	<u>14,086,768</u>	<u>890,573</u>
EXPENDITURES				
Current				
General government				
Town council	128,821	128,821	102,513	26,308
Administration	1,793,983	1,793,983	1,559,116	234,867
Legal	621,596	621,596	462,039	159,557
Finance	791,328	791,328	811,575	(20,247)
Human resources	252,836	252,836	236,897	15,939
Information technology	521,011	521,011	458,541	62,470
Public safety				
Courts	178,000	178,000	187,620	(9,620)
Police	3,837,512	3,837,512	3,797,774	39,738
Fire	2,918,693	2,918,693	3,275,464	(356,771)
Public works				
Engineering	80,225	80,225	142,945	(62,720)
Facilities maintenance	477,648	477,648	441,143	36,505
Culture and recreation				
Parks and recreation	1,921,410	1,921,410	1,942,333	(20,923)
Library	384,278	384,278	351,410	32,868
Cemetery	8,400	8,400	8,529	(129)
Community development				
Planning	654,982	654,982	616,150	38,832
Economic development	145,561	145,561	124,180	21,381
Total expenditures	<u>14,716,284</u>	<u>14,716,284</u>	<u>14,518,229</u>	<u>198,055</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,520,089)</u>	<u>(1,520,089)</u>	<u>(431,461)</u>	<u>1,088,628</u>

OTHER FINANCING SOURCES (USES)				
Transfers in	1,588,453	1,588,453	1,588,704	251
Transfers out	-	-	(3,304)	(3,304)
Sale of capital assets	-	-	12,167	12,167
Total other financing sources and uses	<u>1,588,453</u>	<u>1,588,453</u>	<u>1,597,567</u>	<u>9,114</u>
Net change in fund balance	68,364	68,364	1,166,106	1,097,742
Fund balance - beginning of year	<u>8,730,824</u>	<u>8,730,824</u>	<u>8,730,824</u>	<u>-</u>
Fund balance - end of year	<u><u>\$ 8,799,188</u></u>	<u><u>\$ 8,799,188</u></u>	<u><u>\$ 9,896,930</u></u>	<u><u>\$ 1,097,742</u></u>

TOWN OF FLORENCE, ARIZONA
HIGHWAY USER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 3,264,577	\$ 3,264,577	\$ 3,391,318	\$ 126,741
Investment income				
Interest income	50,000	50,000	81,959	31,959
Net change in the fair value of investments	-	-	(52,394)	(52,394)
Miscellaneous	4,716,500	4,716,500	67,605	(4,648,895)
Total revenues	<u>8,031,077</u>	<u>8,031,077</u>	<u>3,488,488</u>	<u>(4,542,589)</u>
EXPENDITURES				
Current				
Highways and streets	6,335,899	6,335,899	2,666,597	3,669,302
Capital outlay	-	-	870,132	(870,132)
Debt service				
Interest and fiscal charges	109,905	109,905	109,905	-
Total expenditures	<u>6,445,804</u>	<u>6,445,804</u>	<u>3,646,634</u>	<u>2,799,170</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,585,273</u>	<u>1,585,273</u>	<u>(158,146)</u>	<u>(1,743,419)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	18,900	18,900	19,616	716
Transfers out	(477,470)	(477,470)	(460,116)	17,354
Sale of capital assets	-	-	10,014	10,014
Total other financing sources and uses	<u>(458,570)</u>	<u>(458,570)</u>	<u>(430,486)</u>	<u>28,084</u>
Net change in fund balance	<u>1,126,703</u>	<u>1,126,703</u>	<u>(588,632)</u>	<u>(1,715,335)</u>
Fund balance - beginning of year	<u>12,457,581</u>	<u>12,457,581</u>	<u>12,457,581</u>	<u>-</u>
Fund balance - end of year	<u>\$ 13,584,284</u>	<u>\$ 13,584,284</u>	<u>\$ 11,868,949</u>	<u>\$ (1,715,335)</u>

FINANCIAL SECTION

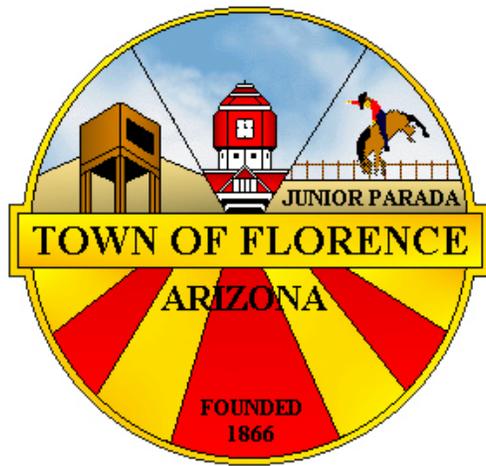
FUND FINANCIAL STATEMENTS

PROPRIETARY FUND FINANCIAL STATEMENTS

TOWN OF FLORENCE, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,736,517	\$ 4,023,121	\$ 524,103	\$ 7,283,741
Receivables, net of uncollectibles	336,796	423,247	53,814	813,857
Due from other funds	161,879	405,407	42,298	609,584
Total current assets	<u>3,235,192</u>	<u>4,851,775</u>	<u>620,215</u>	<u>8,707,182</u>
Noncurrent assets				
Investments	4,460,279	6,557,330	854,241	11,871,850
Capital assets:				
Land	120,100	273,973	-	394,073
Buildings and improvements	11,609,257	13,256,484	-	24,865,741
Machinery and equipment	954,015	545,800	258,940	1,758,755
Construction in progress	72,969	370,148	-	443,117
Less accumulated depreciation	(4,160,539)	(3,684,178)	(258,940)	(8,103,657)
Total capital assets, net	<u>8,595,802</u>	<u>10,762,227</u>	<u>-</u>	<u>19,358,029</u>
Total noncurrent assets	<u>13,056,081</u>	<u>17,319,557</u>	<u>854,241</u>	<u>31,229,879</u>
Total assets	<u>16,291,273</u>	<u>22,171,332</u>	<u>1,474,456</u>	<u>39,937,061</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources related to pensions	80,021	111,450	18,561	210,032
Deferred outflows of employer contributions to pensions	30,091	42,219	7,819	80,129
Total deferred outflows of resources	<u>110,112</u>	<u>153,669</u>	<u>26,380</u>	<u>290,161</u>
LIABILITIES				
Current liabilities				
Accounts payable	183,390	402,990	3,208	589,588
Customer deposits	87,983	-	51,895	139,878
Accrued wages and benefits	5,752	7,980	1,363	15,095
Accrued interest payable	-	60,355	-	60,355
Other accrued liabilities	650	1,865	387	2,902
Compensated absences	9,290	19,693	4,427	33,410
Notes payable	-	485,118	-	485,118
Total current liabilities	<u>287,065</u>	<u>978,001</u>	<u>61,280</u>	<u>1,326,346</u>
Noncurrent liabilities				
Compensated absences	511	1,084	244	1,839
Notes payable	-	3,456,411	-	3,456,411
Net pension liability	517,654	718,782	110,412	1,346,848
Total noncurrent liabilities	<u>518,165</u>	<u>4,176,277</u>	<u>110,656</u>	<u>4,805,098</u>
Total liabilities	<u>805,230</u>	<u>5,154,278</u>	<u>171,936</u>	<u>6,131,444</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	-	-	35	35
Deferred inflows of resources related to pensions	101,996	140,378	23,608	265,982
Total deferred inflows of resources	<u>101,996</u>	<u>140,378</u>	<u>23,643</u>	<u>266,017</u>

NET POSITION				
Net investment in capital assets	8,595,802	6,820,698	-	15,416,500
Restricted for				
Debt service	-	2,782,851	-	2,782,851
Capital projects	20,239	207,698	47,158	275,095
Unrestricted	<u>6,878,118</u>	<u>7,219,098</u>	<u>1,258,099</u>	<u>15,355,315</u>
Total net position	<u>\$ 15,494,159</u>	<u>\$ 17,030,345</u>	<u>\$ 1,305,257</u>	<u>\$ 33,829,761</u>



TOWN OF FLORENCE, ARIZONA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business-type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Total
Operating revenues				
Water sales	\$ 2,734,781	\$ -	\$ -	\$ 2,734,781
Water connection fees	1,210	-	-	1,210
Service establishment fees	22,595	-	-	22,595
Sewer service fees	-	2,899,765	-	2,899,765
Sewer connection fees	-	2,850	-	2,850
DOC usage fees	-	1,265,323	-	1,265,323
Water standpipe	6,484	-	-	6,484
Hydro-sprinkler fees	1,785	-	-	1,785
Central Arizona Project	165,888	-	-	165,888
Refuse collection fees	-	-	798,537	798,537
Effluent charges	20,834	-	-	20,834
Miscellaneous	29,046	17,607	10,570	57,223
Total operating revenue	<u>2,982,623</u>	<u>4,185,545</u>	<u>809,107</u>	<u>7,977,275</u>
Operating expenses				
Personal services	402,848	570,508	112,066	1,085,422
Supplies	76,652	876,869	2,410	955,931
Contractual services and maintenance	846,511	271,377	746,747	1,864,635
Depreciation	115,630	256,190	2,123	373,943
Miscellaneous	-	2,500	-	2,500
Total operating expenses	<u>1,441,641</u>	<u>1,977,444</u>	<u>863,346</u>	<u>4,282,431</u>
Operating income (loss)	<u>1,540,982</u>	<u>2,208,101</u>	<u>(54,239)</u>	<u>3,694,844</u>
Nonoperating revenues (expense)				
Interest income	69,122	100,439	13,611	183,172
Net change in the fair value of investments	(51,671)	(76,728)	(9,888)	(138,287)
Interest expense	-	(117,550)	-	(117,550)
Gain on sale of assets	3,050	1,575	10,984	15,609
Total nonoperating revenues (expense)	<u>20,501</u>	<u>(92,264)</u>	<u>14,707</u>	<u>(57,056)</u>
Income before development fees and transfers	1,561,483	2,115,837	(39,532)	3,637,788
Development fees	9,900	14,338	-	24,238
Transfers in	-	118,967	-	118,967
Transfers out	(448,440)	(647,171)	(73,944)	(1,169,555)
Change in net position	<u>1,122,943</u>	<u>1,601,971</u>	<u>(113,476)</u>	<u>2,611,438</u>
Net position, beginning of year	<u>14,371,216</u>	<u>15,428,374</u>	<u>1,418,733</u>	<u>31,218,323</u>
Net position-end of year	<u>\$ 15,494,159</u>	<u>\$ 17,030,345</u>	<u>\$ 1,305,257</u>	<u>\$ 33,829,761</u>

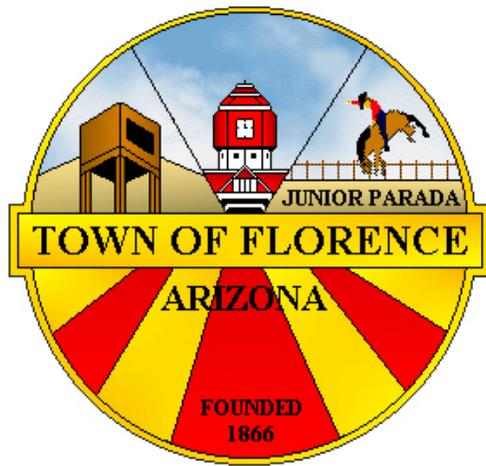
See accompanying notes.

TOWN OF FLORENCE, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2017

	Business-type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 2,838,727	\$ 3,781,754	\$ 774,969	\$ 7,395,450
Payments to suppliers	(818,094)	(617,647)	(752,887)	(2,188,628)
Payments to employees	(405,495)	(561,297)	(111,376)	(1,078,168)
Net cash provided (used) by operating activities	<u>1,615,138</u>	<u>2,602,810</u>	<u>(89,294)</u>	<u>4,128,654</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	(448,440)	(647,171)	(73,944)	(1,169,555)
Transfers from other funds	-	118,967	-	118,967
Net cash provided (used) by noncapital financing activities	<u>(448,440)</u>	<u>(528,204)</u>	<u>(73,944)</u>	<u>(1,050,588)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	3,050	1,575	13,926	18,551
Acquisition and construction of capital assets	(475,291)	(733,122)	-	(1,208,413)
Development fees received	9,900	14,338	-	24,238
Proceeds from capital debt	-	1,229,057	-	1,229,057
Principal paid on capital debt	-	(716,989)	-	(716,989)
Interest paid on capital debt	-	(114,450)	-	(114,450)
Net cash provided (used) by capital and related financing activities	<u>(462,341)</u>	<u>(319,591)</u>	<u>13,926</u>	<u>(768,006)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Receipts of investments	588,017	299,845	335,775	1,223,637
Interest received	66,032	94,585	13,403	174,020
Net cash provided (used) by investing activities	<u>654,049</u>	<u>394,430</u>	<u>349,178</u>	<u>1,397,657</u>
Net increase (decrease) in cash and cash equivalents	1,358,406	2,149,445	199,866	3,707,717
Cash and cash equivalents at beginning of year	<u>1,378,111</u>	<u>1,873,676</u>	<u>324,237</u>	<u>3,576,024</u>
Cash and cash equivalents at end of year	<u>\$ 2,736,517</u>	<u>\$ 4,023,121</u>	<u>\$ 524,103</u>	<u>\$ 7,283,741</u>

See accompanying notes.

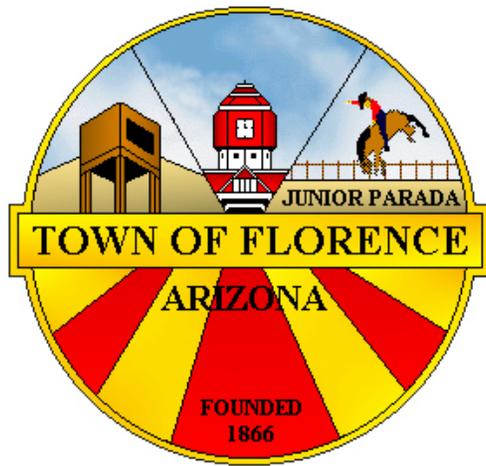
	Business-type Activities-Enterprise Funds			
	Water	Sewer	Sanitation	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,540,982	\$ 2,208,101	\$ (54,239)	\$ 3,694,844
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation expense	115,630	256,190	2,123	373,943
Pension expense	30,262	43,356	6,888	80,506
Employer pension contributions	(30,091)	(42,219)	(7,819)	(80,129)
Provision for bad debt	7,518	-	1,853	9,371
(Increase) decrease in:				
Accounts receivable	(4,721)	1,616	(2,631)	(5,736)
Due from other funds	(149,931)	(405,407)	(42,298)	(597,636)
Prepays	-	247,232	-	247,232
Increase (decrease) in:				
Accounts payable	105,057	285,480	(3,847)	386,690
Customer deposits	3,238	-	8,938	12,176
Accrued wages and benefits	1,324	1,799	335	3,458
Other accrued liabilities	12	387	117	516
Compensated absences	(4,142)	6,275	1,286	3,419
Total adjustments	<u>74,156</u>	<u>394,709</u>	<u>(35,055)</u>	<u>433,810</u>
Net cash provided (used) by operating activities:	<u>\$ 1,615,138</u>	<u>\$ 2,602,810</u>	<u>\$ (89,294)</u>	<u>\$ 4,128,654</u>
Noncash investing, capital, and financing activities:				
Change in fair value of investments	\$ (51,671)	\$ (76,728)	\$ (9,888)	\$ (138,287)



FINANCIAL SECTION

FUND FINANCIAL STATEMENTS

FIDUCIARY FUND FINANCIAL STATEMENTS



TOWN OF FLORENCE, ARIZONA
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2017

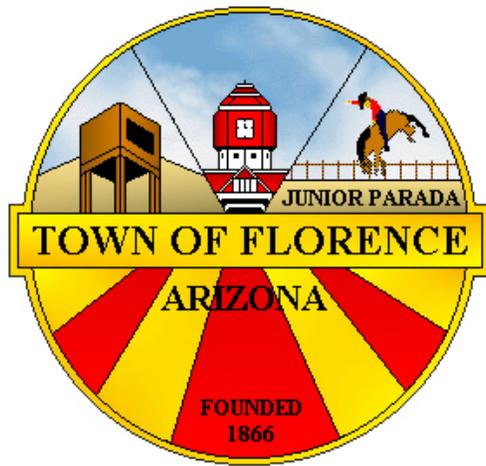
	<u>Pension Trust</u>
ASSETS	
Cash and cash equivalents	\$ 2,861
U.S. Government bonds	251,116
Equities	<u>81,710</u>
Total assets	<u>335,687</u>
LIABILITIES	
Accounts payable	<u>318</u>
Total liabilities	<u>318</u>
NET POSITION	
Held in trust for pension benefits and other purposes	<u><u>\$ 335,369</u></u>

TOWN OF FLORENCE, ARIZONA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2017

	<u>Pension Trust</u>
ADDITIONS	
Contributions	
Employee	\$ 10,691
Total contributions	<u>10,691</u>
Investment income	
Interest earnings	22,253
Total additions	<u>32,944</u>
DEDUCTIONS	
Pension withdrawals	<u>13,072</u>
Change in net position	19,872
Net position-beginning of year	<u>315,497</u>
Net position-end of year	<u><u>\$ 335,369</u></u>

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS



TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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, 2017

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, 2017, 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. The General Fund is the only fund that reports a positive unassigned fund balance amount.

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 \$1,906,000. 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.

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, 2017

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, 2017

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, 2017

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. The cost of prepaid items is recorded as expenditures/expenses when consumed (consumption method).

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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. However, donated capital assets are reported at their acquisition value.

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, 2017

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 17, 2016, 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, 2017 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, 2017.

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, 2017

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, 2017, expenditures exceeded appropriations in the following General Fund departments (the legal level of budgetary control):

General Fund:	
General government:	
Finance	\$ 20,247
Public Safety:	
Courts	9,620
Fire	356,771
Public works:	
Engineering	62,720
Culture and Recreation:	
Parks and Recreation	20,923
Cemetery	129
	<hr/>
Total	<u><u>\$ 470,410</u></u>

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 DEPOSITS AND INVESTMENTS

At June 30, 2017, the Town had \$1,850 of cash on hand. The carrying amount of the Town's cash in bank totaled \$7,865,495 and the bank balance was \$8,087,459. Of the bank balance, \$1,000,000 was covered by federal depository insurance and the Securities Investor Protection Act, \$1,213,287 was covered by collateral held in the pledging bank's trust department not in the Town's name, and \$5,874,386 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 36.5 days for Pool 5 and 80.3 days for Pool 7. The net asset value per share for each of the pools at June 30, 2017 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, 2017, the Town's funds invested with the State Treasurer totaled \$728,252.

At June 30, 2017, the Town held a repurchase agreement with National Bank that had a carry amount of \$11,681,416.

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.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 DEPOSITS AND INVESTMENTS (Continued)

The Town's Community Facilities Districts have \$5,998,863 invested with Wells Fargo Brokerage Services. The accounts are invested in a money market fund that invests in U.S. government obligations and repurchase agreements.

The Town also holds \$32,333,457 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 \$335,473 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	
Primary Government					
Repurchase Agreement	\$ 11,681,416	\$ 11,681,416	\$ -	\$ -	\$ -
Money Market Funds	5,998,863	5,998,863	-	-	-
LGIP Pool 5	234,760	234,760	-	-	-
LGIP Pool 7	493,492	493,492	-	-	-
U.S. Government Bonds	32,333,457	5,814,500	2,987,750	23,531,207	-
	<u>50,741,988</u>	<u>24,223,031</u>	<u>2,987,750</u>	<u>23,531,207</u>	<u>-</u>
Fiduciary Fund					
Money Market Funds	2,647	2,647	-	-	-
U.S. Government Bonds	251,116	-	-	251,116	-
Equities	81,710	-	-	-	81,710
	<u>335,473</u>	<u>2,647</u>	<u>-</u>	<u>251,116</u>	<u>81,710</u>
Total	<u>\$ 51,077,461</u>	<u>\$ 24,225,678</u>	<u>\$ 2,987,750</u>	<u>\$ 23,782,323</u>	<u>\$ 81,710</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, 2017

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
Primary Government					
Repurchase Agreement	\$ 11,681,416	\$ -	\$ -	\$ -	\$ 11,681,416
Money Market Funds	5,998,863	5,998,863	-	-	-
LGIP	728,252	234,760	-	-	493,492
U.S. Government Bonds	32,333,457	-	32,333,457	-	-
	<u>50,741,988</u>	<u>6,233,623</u>	<u>32,333,457</u>	<u>-</u>	<u>12,174,908</u>
Fiduciary Fund					
Money Market Funds	2,647	-	-	-	2,647
U.S. Government Bonds	251,116	-	251,116	-	-
Equities	81,710	-	-	-	81,710
	<u>335,473</u>	<u>-</u>	<u>251,116</u>	<u>-</u>	<u>84,357</u>
Total	<u>\$ 51,077,461</u>	<u>\$ 6,233,623</u>	<u>\$ 32,584,573</u>	<u>\$ -</u>	<u>\$ 12,259,265</u>

Concentration of Credit Risk - At June 30, 2017, the Town’s investments are included as follows:

Investment Type	Total	Concentration
Repurchase Agreement	\$ 11,681,416	22.87%
Money Market Funds	6,001,510	11.75%
LGIP	728,252	1.43%
U.S. Government Bonds	32,584,573	63.79%
Equities	<u>81,710</u>	0.16%
Total	<u>\$ 51,077,461</u>	100.00%

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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 \$32,584,573 and equities of \$81,710, the Town has a custodial credit risk exposure of \$32,666,143 because the related instruments are uninsured, unregistered, and held by the Town's brokerage firm. The Town held repurchase agreement investments of \$11,681,416 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, 2017:

Investments By Fair Value Level	2017 Amount	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
U.S. Government Bonds	\$ 251,116	\$ -	\$ 251,116	\$ -
Federal Nat'l Mtg Association	4,799,010	-	4,799,010	-
Federal Farm Credit Bank	12,045,800	-	12,045,800	-
Federal Home Loan MTG Corp	4,978,950	-	4,978,950	-
Federal Home Loan Bank	10,509,697	-	10,509,697	-
Total Investments by Fair Value Level	32,584,573	\$ -	\$ 32,584,573	\$ -
External Investment Pool Measured at Fair Value				
State Investment Pool (LGIP)	728,252			
Total Investments Measured at Fair Value	33,312,825			
Investments Measured at Amortized Costs				
Repurchase Agreement	11,681,416			
Mutual Funds	81,710			
Money Market Funds	6,001,510			
Total Investments Measured at Amortized Costs	17,764,636			
Total Investments	\$ 51,077,461			

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

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:

	General	Highway User	Community Facilities Districts- Debt Service	Community Facilities Districts- Capital Improvements	Impact Fees	Capital Improvements	Non-Major Gov. Funds	Total Gov. Funds
Receivables:								
Taxes	\$ 828,598	\$ 267,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,095,990
Interest	17,707	14,824	5,065	3,422	2,378	7,723	8,159	59,278
Accounts	211,254	-	-	-	-	-	-	211,254
Assessments	-	-	5,653,929	-	-	-	117,375	5,771,304
	<u>\$1,057,559</u>	<u>\$ 282,216</u>	<u>\$ 5,658,994</u>	<u>\$ 3,422</u>	<u>\$ 2,378</u>	<u>\$ 7,723</u>	<u>\$ 125,534</u>	<u>\$ 7,137,826</u>

The following table summarizes the Town's receivables for the enterprise funds as of June 30, 2017.

	Water Fund	Sewer Fund	Sanitation Fund	Total
Receivables:				
Interest	\$ 12,599	\$ 18,707	\$ 2,410	\$ 33,716
Accounts	<u>339,797</u>	<u>415,340</u>	<u>56,204</u>	<u>811,341</u>
	<u>352,396</u>	<u>434,047</u>	<u>58,614</u>	<u>845,057</u>
Less:				
Allowance	<u>(15,600)</u>	<u>(10,800)</u>	<u>(4,800)</u>	<u>(31,200)</u>
Net receivables	<u>\$ 336,796</u>	<u>\$ 423,247</u>	<u>\$ 53,814</u>	<u>\$ 813,857</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 \$7,518 for the water fund, \$4,486 for the sewer fund and \$1,853 for the sanitation fund.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 CAPITAL ASSETS

A summary of capital assets activity for the fiscal year ended June 30, 2017 follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 32,546,409	\$ -	\$ -	\$ 32,546,409
Construction in progress	2,140,113	75,420	(2,043,162)	172,371
Total capital assets not being depreciated	34,686,522	75,420	(2,043,162)	32,718,780
Capital assets, being depreciated:				
Buildings, infrastructure and improvements	74,669,560	4,198,611	-	78,868,171
Vehicles, furniture and equipment	10,485,935	149,193	(201,415)	10,433,713
Total capital assets being depreciated	85,155,495	4,347,804	(201,415)	89,301,884
Less accumulated depreciation for:				
Buildings and improvements	(22,816,067)	(1,966,307)	-	(24,782,374)
Vehicles, furniture and equipment	(7,661,664)	(461,898)	201,415	(7,922,147)
Total accumulated depreciation	(30,477,731)	(2,428,205)	201,415	(32,704,521)
Total capital assets, being depreciated, net	54,677,764	1,919,599	-	56,597,363
Governmental activities capital assets, net	\$ 89,364,286	\$ 1,995,019	\$ (2,043,162)	\$ 89,316,143

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4 CAPITAL ASSETS (Continued)

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 394,073	\$ -	\$ -	\$ 394,073
Construction in progress	10,343,214	499,071	(10,399,168)	443,117
Total capital assets not being depreciated	<u>10,737,287</u>	<u>499,071</u>	<u>(10,399,168)</u>	<u>837,190</u>
Capital assets, being depreciated:				
Buildings, infrastructure and improvements	14,650,709	10,647,032	(432,000)	24,865,741
Vehicles, machinery and equipment	1,611,445	461,478	(314,168)	1,758,755
Total capital assets being depreciated	<u>16,262,154</u>	<u>11,108,510</u>	<u>(746,168)</u>	<u>26,624,496</u>
Less accumulated depreciation for:				
Buildings, infrastructure and improvements	(7,063,483)	(289,269)	432,000	(6,920,752)
Vehicles, machinery and equipment	(1,409,457)	(84,674)	311,226	(1,182,905)
Total accumulated depreciation	<u>(8,472,940)</u>	<u>(373,943)</u>	<u>743,226</u>	<u>(8,103,657)</u>
Total capital assets, being depreciated, net	<u>7,789,214</u>	<u>10,734,567</u>	<u>(2,942)</u>	<u>18,520,839</u>
Business-Type activities capital assets, net	<u>\$ 18,526,501</u>	<u>\$ 11,233,638</u>	<u>\$ (10,402,110)</u>	<u>\$ 19,358,029</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 265,942
Public safety	627,037
Highway and streets	1,462,775
Culture and recreation	72,451
Total depreciation expense	<u>\$ 2,428,205</u>
Business-type activities	
Water	\$ 115,630
Sewer	256,190
Sanitation	2,123
Total depreciation expense	<u>\$ 373,943</u>

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 5 NOTES PAYABLE

The Town has a note payable to a private party for the purchase of land. The note is payable in annual installments of \$69,748 including interest at 6%. The note is secured by a deed of trust, assignments of rents, security agreement and fixture filings. The balance was \$289,117 at June 30, 2017.

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, 2017, the Town has an outstanding balance of \$3,018,017. 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, 2017, the Town has an outstanding balance of \$923,512. Payments are due semi-annually including interest at 3.750%.

The annual debt service requirements to maturity as of June 30, 2017, are as follows:

Year Ending, June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 52,401	\$ 17,347	\$ 485,118	\$ 76,459
2019	55,545	14,203	500,983	66,818
2020	58,877	10,870	517,369	56,865
2021	62,410	7,338	534,291	46,589
2022	59,883	3,593	551,769	35,980
2023 - 2027	-	-	1,108,752	66,541
2028 - 2032	-	-	243,248	10,278
Total	<u>\$ 289,116</u>	<u>\$ 53,351</u>	<u>\$ 3,941,530</u>	<u>\$ 359,530</u>

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 BONDS PAYABLE

Bonds payable from the Town at June 30, 2017, 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 \$154,000. 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.

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.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 BONDS PAYABLE (Continued)

Bonds payable from Community Facilities Districts (CFDs) (Continued)

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

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

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

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

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.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 BONDS PAYABLE (Continued)

Bonds payable from Community Facilities Districts (CFDs) (Continued)

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.

In July 2016 the Merrill Ranch Community Facilities District #1 issued \$987,000 of special assessment bonds 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 February 2017 the Merrill Ranch Community Facilities District #1 issued \$3,245,000 of GO Series 2017 refunding bonds with an interest rate of 2.97%. The proceeds were used to advance refund a portion of outstanding GO 2008 Series A bonds of \$3,446,595 with interest rates ranging from 6.00% to 7.40%. The net proceeds of \$3,245,000 together with a debt service contribution of \$300,000 were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds in three payment ending July 15, 2018. As a result, a portion of those GO 2008 Series A bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The District advance refunded the bonds to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$300,000. 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, 2017

NOTE 6 BONDS PAYABLE (Continued)

Bonds payable from Community Facilities Districts (CFDs) (Continued)

A summary of long-term bond debt payable at June 30, 2017, follows:

Description	Interest Rate	Maturity	Outstanding	
			Principal June 30, 2017	Due Within One Year
Utility Improvement District #1 Revenue Bonds 1994	8.45%	1/1/2019	\$ 154,000	\$ 73,000
Merrill Ranch CFD #1 Special Assessment Bonds 2006	4.30 - 5.30%	7/1/2030	1,109,000	56,000
Merrill Ranch CFD #2 Special Assessment Bonds 2006	4.30 - 5.30%	7/1/2030	1,239,000	62,000
Merrill Ranch CFD #1 General Obligation Bonds 2008A	6.00 - 7.40%	7/15/2033	510,000	115,000
Merrill Ranch CFD #1 Special Assessment Bonds 2009	9.00%	7/1/2034	253,870	5,720
Merrill Ranch CFD #2 Special Assessment Bonds 2009	9.00%	7/1/2034	596,230	15,110
Merrill Ranch CFD #2 Special Assessment Bonds 2010	7.75%	7/1/2035	161,720	4,550
Merrill Ranch CFD #1 Special Assessment Bonds 2010	7.50%	7/1/2035	252,420	6,690
Merrill Ranch CFD #2 General Obligation Bonds 2010	5.86%	7/15/2035	2,735,000	90,000
Merrill Ranch CFD #1 Special Assessment Bonds 2012	6.88%	7/1/2037	165,000	4,000
Merrill Ranch CFD #2 General Obligation Bonds 2013	1.50 - 6.75%	7/15/2038	1,730,000	25,000
Town of Florence Pledge Excise Tax Revenue Obligation, Series 2015	2.22%	7/1/2027	4,740,000	385,000
Merrill Ranch CFD #2 General Obligation Bonds 2016	2.00 - 5.25%	7/15/2040	1,905,000	45,000
Merrill Ranch CFD#1 General Obligation Bonds 2017	2.97%	7/15/2029	3,245,000	65,000
Merrill Ranch CFD#1 Special Assessment Bonds 2016	5.75%	7/1/2040	987,000	20,000
Total			<u>\$ 19,783,240</u>	<u>\$ 972,070</u>

Annual debt service requirements to maturity on governmental bonds payable at June 30, 2017 are summarized as follows:

Fiscal year ending June 30,	Governmental Activities	
	Principal	Interest
2018	\$ 972,070	\$ 882,277
2019	1,272,270	841,367
2020	995,710	792,381
2021	1,030,470	751,411
2022	1,063,540	711,527
2023 - 2027	5,921,320	2,937,570
2028 - 2032	4,194,200	1,796,375
2033 - 2037	2,358,660	941,999
2038 - 2042	1,975,000	225,845
Total	<u>\$ 19,783,240</u>	<u>\$ 9,880,752</u>

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 CHANGES IN LONG-TERM LIABILITIES

Long-term liabilities activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable	\$ 19,215,390	\$ 4,232,000	\$ 3,664,150	\$ 19,783,240	\$ 972,070
Notes payable	338,551	-	49,435	289,116	52,401
Capital leases	285,746	-	285,746	-	-
Compensated absences	468,986	450,761	441,737	478,010	412,998
Net pension liability	8,438,483	869,149	-	9,307,632	-
Premiums	188,101	-	7,599	180,502	-
Governmental activities long-term liabilities	<u>\$ 28,935,257</u>	<u>\$ 5,551,910</u>	<u>\$ 4,448,667</u>	<u>\$ 30,038,500</u>	<u>\$ 1,437,469</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Notes payable	\$ 3,429,462	\$ 1,229,057	\$ 716,989	\$ 3,941,530	\$ 485,118
Compensated absences	31,830	32,989	29,570	35,249	33,410
Net pension liability	1,362,046	-	15,198	1,346,848	-
Business-type activities long-term liabilities	<u>\$ 4,823,338</u>	<u>\$ 1,262,046</u>	<u>\$ 761,757</u>	<u>\$ 5,323,627</u>	<u>\$ 518,528</u>

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2017 all interfund balances consisted of short term loans made to cover operating cash deficits by the General Fund. At June 30, 2017, interfund receivables/payables consisted of the following:

Fund	Receivable Amount	Payable Amount
General Fund	\$ 522,831	\$ 1,343,699
Highway User	345,136	445,950
CFD Debt Service	-	48,376
CFD Capital Improvements	2,294	-
Capital Improvements	282,765	-
Non-Major Governmental Funds	109,642	34,227
Water	161,879	-
Sewer	405,407	-
Sanitation	42,298	-
Total	\$ 1,872,252	\$ 1,872,252

At June 30, 2017, there were the following interfund transfers.

Fund	Transfers Out	Transfers In
General Fund	\$ 3,304	\$ 1,588,704
Highway User	460,116	19,616
CFD Debt Service	-	77,963
CFD Capital Improvements	77,963	-
Capital Improvements	359,663	-
Non-Major Governmental Funds	97,616	362,967
Water	448,440	-
Sewer	647,171	118,967
Sanitation	73,944	-
Total	\$ 2,168,217	\$ 2,168,217

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.

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 9 RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has authority to assess its members additional premiums should reserve and annual premiums be insufficient to meet the pool's obligations. The Town has no known claims in excess of \$250,000 for the fiscal year ending June 30, 2017.

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

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

NOTE 10 CONTINGENT LIABILITIES

Federal and State grants and loans – The Town has received a number of grants and loans from both the Federal and State governments. Although the programs have been audited, not all audits have been approved as of June 30, 2017; however, the Town expects no material disallowances of expenditures.

NOTE 11 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, 2017, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-type Activities	Total
Net pension liabilities	\$ 9,307,632	\$ 1,346,848	\$ 10,654,480
Deferred outflows of resources	3,893,876	290,161	4,184,037
Deferred inflows of resources	1,915,741	265,982	2,181,723
Pension expense	1,967,768	80,506	2,048,274

The Town reported \$943,711 of pension contributions as expenditures in the governmental funds related to all pension plans to which it contributes.

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 11 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

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.

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, 2017

NOTE 11 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, 2017, statute required active ASRS members to contribute at the actuarially determined rate of 11.48 percent (11.34 percent for retirement and 0.14 percent for long-term disability) of the members' annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.48 percent (10.78 percent for retirement, 0.56 percent for health insurance premium benefit, and 0.14 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, 2017 were \$576,464. The Town's contributions for the current and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows:

ASRS	Year ended June 30	Health Benefit	Long-Term
		Supplement	Disability
		Fund	Fund
	2017	\$ 29,946	\$ 7,487
	2016	26,846	6,443
	2015	32,639	6,528

During fiscal year 2017, the Town paid for ASRS pension and OPEB contributions as follows: 72 percent from the General Fund, 15 percent from the Highway User Revenue Fund, 5 percent from the Water Fund, 7 percent from the Sewer Fund, and 1 percent from the Sanitation Fund.

Pension Liability - At June 30, 2017, the Town reported a liability of \$9,043,805 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2016. 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, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

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, 2016. The Town's proportion measured as of June 30, 2016, was 0.056026 percent, which was a decrease of 0.002783% from its proportion measured as of June 30, 2015.

The Town's reported liability at June 30, 2017, decreased by \$116,522 from the Town's prior year liability of \$9,160,327 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, 2017

NOTE 11 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, 2017, the Town recognized pension expense for ASRS of \$617,234. At June 30, 2017, 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	\$ 54,959	\$ 622,148
Changes of assumptions or other inputs	-	478,490
Net difference between projected and actual earnings on pension plan investments	980,047	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	204,902	314,643
Town contributions subsequent to the measurement date	<u>576,464</u>	<u>-</u>
Total	<u>\$ 1,816,372</u>	<u>\$ 1,415,281</u>

The \$576,464 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, 2018. 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	\$ (389,566)
2018	(431,333)
2019	370,725
2020	274,801
Thereafter	-

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 11 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, 2015
Actuarial roll forward date	June 20, 2016
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, 2015, 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 8.75 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	Target	Long-Term
	Allocation	Expected Arithmetic Real Rate of Return
Equity	58%	6.73%
Fixed Income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Total	100%	

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 11 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 8.75 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	\$ 11,531,538	\$ 9,043,805	\$ 7,049,187

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.

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 11 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

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

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, and age 52.5
Final average salary is based on	Highest 36 months of last 20 years	Highest 60 months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefits		
Retired Members	80% of retired member's pension benefit	
Active Members	40% of average monthly compensation or 100% of average monthly compensation if death was the result of injuries received on the job. If there is no surviving spouse or eligible children, the beneficiary is entitled to 2 times the member's contributions.	

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 11 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, 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, 2017, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS Police	PSPRS Fire
Inactive employees or beneficiaries		
currently receiving benefits	7	1
Inactive employees entitled to		
by not yet receiving benefits	3	1
Active employees	<u>30</u>	<u>25</u>
Total	<u><u>40</u></u>	<u><u>27</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, 2017, are indicated below. Rates are a percentage of active members' annual covered payroll.

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 11 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

	PSPRS Police	PSPRS Fire
Active members - Pension	11.65%	11.65%
PSPRS members with an initial membership date on or before July 19, 2011:		
Town		
Pension	14.97%	11.48%
Health insurance permium benefit	0.22%	0.45%
PSPRS members with an initial membership date after July 19, 2011:		
Town		
Pension	13.93%	11.17%
Health insurance permium benefit	0.22%	0.45%

In addition, statute required the Town to contribute at the actuarially determined rate indicated below of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the PSPRS would typically fill.

	PSPRS Police	PSPRS Fire
Pension	2.19%	0.61%
Health insurance permium benefit	0.00%	0.09%

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, 2017, 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 2017, the Town paid 100 percent of the PSPRS pension and OPEB contributions from the General Fund.

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 11 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Pension Liability - At June 30, 2017, the Town reported the Police Department PSPRS net pension liabilities of \$1,262,913 and a Fire Department PSPRS net pension liability of \$347,762.

The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities were determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2016, reflect the following changes of benefit terms and actuarial assumptions.

- 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.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS.

The net pension liabilities measured as of June 30, 2017, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town's net pension liabilities as a result of these changes 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, 2016
Actuarial cost method	Entry age normal
Investment rate of return	7.50%
Projected salary increases	4.0% - 8.0%
Inflation	4.00%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 11 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Actuarial assumptions used in the June 30, 2016, 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 7.50 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 Asset Class	Target	Long-Term
	Allocation	Expected Arithmetic 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	100.00%	

Pension Discount Rates – At June 30, 2016, the discount rate used to measure the PSPRS total pension liability was 7.50 percent, which was a decrease of 0.35 from the discount rate used as of June 30, 2015. 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 liability.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 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, 2016	\$ 5,520,163	\$ 4,879,960	\$ 640,203
Changes for the year:			
Service Cost	365,808		365,808
Interest on the total pension liability	439,533		439,533
Changes of benefit terms	325,653		325,653
Differences between expected and actual experience in the measurement of the pension liability	(282,127)		(282,127)
Changes of assumptions or other inputs	271,137		271,137
Contributions - employer		278,284	(278,284)
Contributions - employee		215,558	(215,558)
Net investment income		29,001	(29,001)
Benefit payments, including refunds of employee contributions	(207,846)	(207,846)	-
Administrative expense		(4,574)	4,574
Other changes		(20,975)	20,975
Net changes	912,158	289,448	622,710
Balances at June 30, 2017	\$ 6,432,321	\$ 5,169,408	\$ 1,262,913

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 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, 2016	\$ 3,458,516	\$ 3,730,811	\$ (272,295)
Changes for the year:			
Service Cost	286,511		286,511
Interest on the total pension liability	282,339		282,339
Changes of benefit terms	452,222		452,222
Differences between expected and actual experience in the measurement of the pension liability	(357,287)		(357,287)
Changes of assumptions or other inputs	213,139		213,139
Contributions - employer		204,006	(204,006)
Contributions - employee		189,829	(189,829)
Net investment income		22,354	(22,354)
Benefit payments, including refunds of employee contributions	(10,192)	(10,192)	-
Administrative expense		(3,617)	3,617
Other changes		(155,705)	155,705
Net changes	866,732	246,675	620,057
Balances at June 30, 2017	\$ 4,325,248	\$ 3,977,486	\$ 347,762

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 11 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Sensitivity of the Town's Net Pension Liability to Changes in the Discount Rate - The following table presents the Town's net pension liabilities calculated using the discount rate of 7.50 percent, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

PSPRS - Police	1% Decrease	Current	1% increase
	(6.50%)	Discount Rate (7.50%)	(8.50%)
Total pension liability	\$ 7,411,017	\$ 6,432,321	\$ 5,630,467
Plan fiduciary net position	5,169,408	5,169,408	5,169,408
Net pension liability (asset)	<u>\$ 2,241,609</u>	<u>\$ 1,262,913</u>	<u>\$ 461,059</u>
PSPRS - Fire	1% Decrease	Current	1% increase
	(6.50%)	Discount Rate (7.50%)	(8.50%)
Total pension liability	\$ 5,156,135	\$ 4,325,248	\$ 3,657,095
Plan fiduciary net position	3,977,486	3,977,486	3,977,486
Net pension liability (asset)	<u>\$ 1,178,649</u>	<u>\$ 347,762</u>	<u>\$ (320,391)</u>

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, 2017, the Town recognized \$675,450 and \$755,590 of Police Department and Fire Department PSPRS pension expense, respectively.

TOWN OF FLORENCE, ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 11 PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (Continued)

B. Public Safety Personnel Retirement System (Continued)

Pension Deferred Outflows/Inflows of Resources - At June 30, 2017, 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	\$ 14,584	\$ 295,400
Changes of assumptions or other inputs	550,167	-
Net difference between projected and actual earnings on pension plan investments	406,786	87,248
Town contributions subsequent to the measurement date	<u>260,050</u>	<u>-</u>
Total	<u>\$ 1,231,587</u>	<u>\$ 382,648</u>
PSPRS - Fire	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 425,176	\$ 329,391
Changes of assumptions or other inputs	217,866	-
Net difference between projected and actual earnings on pension plan investments	305,710	54,403
Town contributions subsequent to the measurement date	<u>187,326</u>	<u>-</u>
Total	<u>\$ 1,136,078</u>	<u>\$ 383,794</u>

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 11 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, 2018. 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	PSPRS
	Police	Fire
2018	\$ 125,345	\$ 85,458
2019	125,343	85,457
2020	168,966	112,657
2021	130,516	85,239
2022	48,796	29,376
Thereafter	(10,077)	166,771

Agent plan OPEB actuarial assumptions - The health insurance premium benefit contribution requirements for the year ended June 30, 2017, were established by the June 30, 2015, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

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

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 11 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 2017 contribution requirements:

PSPRS - OPEB Contribution Requirements

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%/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
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 11 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			Percentage of	
Year Ended June 30,	Annual OPEB Cost		Annual Cost Contributed	Net OPEB Obligation
2017	\$ 3,822		100%	\$ -
2016	5,413		100%	-
2015	19,199		100%	-
PSPRS - Fire			Percentage of	
Year Ended June 30,	Annual OPEB Cost		Annual Cost Contributed	Net OPEB Obligation
2017	\$ 7,343		100%	\$ -
2016	6,410		100%	-
2015	12,107		100%	-

TOWN OF FLORENCE, ARIZONA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 11 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, 2016, 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, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	20 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	7.50%
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, 2017

NOTE 11 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, 2017. The Town's required matching contributions for the plan were covered by the accumulated forfeited funds for the year ended June 30, 2017. As of June 30, 2017, 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 12 CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction commitments - The Town has active construction projects as of June 30, 2017. 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 did not have commitments with contractors or any amount of encumbrances expected to be honored upon performance by the vendor in the next year.

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, 2017

Arizona Retirement System

	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
Town's proportion of the net pension liability	0.056026%	0.058809%	0.056311%	Information not available
Town's proportionate share of the net pension liability	\$ 9,043,805	\$ 9,160,327	\$ 8,332,184	
Town's covered payroll	5,369,134	5,439,862	5,072,813	
Town's proportionate share of the net pension liability as a percentage of its covered payroll	168.44%	168.39%	164.25%	
Plan fiduciary net position as a percentage of the total pension liability	67.06%	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, 2017

Florence Police Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability				Information not available
Service cost	\$ 365,808	\$ 342,618	\$ 318,072	
Interest on the total pension liability	439,533	400,319	316,736	
Changes on benefit terms	325,653	-	69,287	
Differences between expected and actual experience in the measurement of the pension liability	(282,127)	(65,501)	23,569	
Changes of assumptions or other inputs	271,137	-	506,321	
Benefit payments, including refunds of employee contributions	(207,846)	(171,147)	(191,863)	
Net change in total pension liability	912,158	506,289	1,042,122	
Total pension liability - beginning	5,520,163	5,013,874	3,971,752	
Total pension liability - ending (a)	<u>\$ 6,432,321</u>	<u>\$ 5,520,163</u>	<u>\$ 5,013,874</u>	
Plan fiduciary net position				
Contributions - employer	\$ 278,284	\$ 225,441	\$ 221,399	
Contributions - employee	215,558	208,870	192,212	
Net investment income	29,001	167,656	518,949	
Benefit payments, including refunds of employee contributions	(207,846)	(171,147)	(191,863)	
Administrative expense	(4,574)	(4,474)	(4,213)	
Other changes	(20,975)	(3,606)	(112,902)	
Net change in plan fiduciary net position	289,448	422,740	623,582	
Plan fiduciary net position - beginning	4,879,960	4,457,220	3,833,638	
Plan fiduciary net position - ending (b)	<u>\$ 5,169,408</u>	<u>\$ 4,879,960</u>	<u>\$ 4,457,220</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 1,262,913</u>	<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, 2017

Florence Police Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
Plan fiduciary net position as a percentage of the total pension liability (asset)	80.37%	88.40%	88.90%	Information not available
Covered payroll	\$ 1,866,376	\$ 1,846,771	\$ 1,713,615	
Town's net pension liability (asset) as a percentage of covered payroll	67.67%	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, 2017

Florence Fire Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)			2014 through 2008
	2017 (2016)	2016 (2015)	2015 (2014)	
Total pension liability				Information not available
Service cost	\$ 286,511	\$ 334,719	\$ 256,499	
Interest on the total pension liability	282,339	217,485	164,612	
Changes on benefit terms	452,222	-	(9,051)	
Differences between expected and actual experience in the measurement of the pension liability	(357,287)	312,802	204,613	
Changes of assumptions or other inputs	213,139	-	27,389	
Benefit payments, including refunds of employee contributions	(10,192)	(19,275)	-	
Net change in total pension liability	866,732	845,731	644,062	
Total pension liability - beginning	3,458,516	2,612,785	1,968,723	
Total pension liability - ending (a)	<u>\$ 4,325,248</u>	<u>\$ 3,458,516</u>	<u>\$ 2,612,785</u>	
Plan fiduciary net position				
Contributions - employer	\$ 204,006	\$ 182,645	\$ 176,996	
Contributions - employee	189,829	213,250	161,991	
Net investment income	22,354	122,465	323,597	
Benefit payments, including refunds of employee contributions	(10,192)	(19,275)	-	
Administrative expense	(3,617)	(3,377)	(2,627)	
Other changes	(155,705)	230,497	179,386	
Net change in plan fiduciary net position	246,675	726,205	839,343	
Plan fiduciary net position - beginning	3,730,811	3,004,606	2,165,263	
Plan fiduciary net position - ending (b)	<u>\$ 3,977,486</u>	<u>\$ 3,730,811</u>	<u>\$ 3,004,606</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 347,762</u>	<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, 2017

Florence Fire Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year (Measurement Date)			
	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2008
Plan fiduciary net position as a percentage of the total pension liability (asset)	80.37%	88.40%	88.90%	Information not available
Covered payroll	\$ 1,643,709	\$ 1,761,335	\$ 1,846,771	
Town's net pension liability (asset) as a percentage of covered payroll	76.83%	36.35%	30.14%	

TOWN OF FLORENCE, ARIZONA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF TOWN PENSION CONTRIBUTIONS
 June 30, 2017

Arizona Retirement System	Reporting Fiscal Year			Reporting Fiscal Year	2013 through 2008
	2017	2016	2015	2014	
Statutorily required contribution	\$ 576,464	\$ 582,551	\$ 591,857	\$ 542,791	Information not available
Town's contributions in relation to the statutorily required contribution	576,464	582,551	591,857	542,791	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 5,347,532	\$ 5,369,134	\$ 5,439,862	\$ 5,072,813	
Town's contributions as a percentage of covered payroll	10.78%	10.85%	10.88%	10.70%	

Florence Police Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year			Reporting Fiscal Year	2013 through 2008
	2017	2016	2015	2014	
Actuarially determined contribution	\$ 260,050	\$ 280,703	\$ 219,027	\$ 221,399	Information not available
Town's contributions in relation to the actuarially determined contribution	260,050	280,703	219,027	221,399	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 1,737,141	\$ 1,866,376	\$ 1,846,771	\$ 1,713,615	
Town's contributions as a percentage of covered payroll	14.97%	15.04%	11.86%	12.92%	

Florence Fire Dept. Public Safety Personnel Retirement System	Reporting Fiscal Year			Reporting Fiscal Year	2013 through 2008
	2017	2016	2015	2014	
Actuarially determined contribution	\$ 187,326	\$ 185,246	\$ 185,997	\$ 176,996	Information not available
Town's contributions in relation to the actuarially determined contribution	187,326	185,246	185,997	176,996	
Town's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	
Town's covered payroll	\$ 1,631,760	\$ 1,643,709	\$ 1,761,335	\$ 1,594,559	
Town's contributions as a percentage of covered payroll	11.48%	11.27%	10.56%	11.10%	

TOWN OF FLORENCE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE PENSION PLAN SCHEDULES
June 30, 2017

NOTE 1 CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2017, 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, 2017

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 2015 actuarial valuation	21 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 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.50%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5% to 8.5% to 4.0% to 8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0% to 9.0% to 4.5% to 8.5% for PSPRS.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 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, 2017

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						
6/30/2016	\$ 232,328	\$ 158,014	\$ (74,314)	147.03%	\$ 1,813,622	0.00%
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 2016 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						
6/30/2016	\$ 122,568	\$ 131,219	\$ 8,651	93.41%	\$ 1,547,035	0.56%
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 2016 was \$0

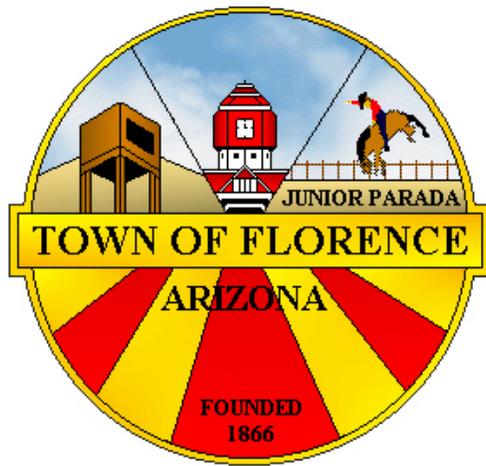
TOWN OF FLORENCE, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO THE SCHEDULE OF AGENT OPEB PLANS' FUNDING PROGRESS
June 30, 2017

NOTE 1 FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases. These changes are included in the PSPRS' changes in total pension liability for fiscal year 2015 (measurement date 2014) in the schedule of changes in the Town's net pension liability and related ratios. These changes also increased the PSPRS required contributions beginning in fiscal year 2016 in the schedule of town pension contributions.

OTHER SUPPLEMENTARY INFORMATION

COMBINING NON-MAJOR FUNDS FINANCIAL STATEMENTS



Non-Major Government Funds Financial Statements

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Fund

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

TOWN OF FLORENCE, ARIZONA
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	Special Revenue			
	Grants	Economic Development	Community Services	Community Facilities Districts
ASSETS				
Cash and cash equivalents	\$ 2,675	\$ 200,077	\$ 31,239	\$ 133,310
Receivables (net of allowance for uncollectibles)	-	871	142	603
Due from other governments	32,790	-	-	1,121
Due from other funds	859	6,904	-	8,988
Investments	4,359	326,108	50,916	217,284
Total assets	\$ 40,683	\$ 533,960	\$ 82,297	\$ 361,306
LIABILITIES				
Accounts payable and other current liabilities	\$ 859	\$ 6,904	\$ -	\$ 8,988
Accrued wages and benefits	2,682	-	-	-
Due to other funds	34,227	-	-	-
Total liabilities	37,768	6,904	-	8,988
DEFERRED INFLOWS OF RESOURCES				
Deferred revenue	-	374	60	1,132
Total deferred inflows of resources	-	374	60	1,132
FUND BALANCES				
Restricted				
Public safety	1,247	-	82,237	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Economic development	1,668	526,682	-	-
Community Facilities Districts operations	-	-	-	351,186
Total fund balances	2,915	526,682	82,237	351,186
Total liabilities, deferred inflows of resources and fund balances	\$ 40,683	\$ 533,960	\$ 82,297	\$ 361,306

<u>Capital Projects</u>			
Debt Service	Construction Tax	Food Tax	Total
\$ 32,915	\$ 1,172,871	\$ 220,066	\$ 1,793,153
117,526	5,382	1,010	125,534
-	-	-	33,911
-	42,783	50,108	109,642
53,649	1,911,675	358,687	2,922,678
<u>\$ 204,090</u>	<u>\$ 3,132,711</u>	<u>\$ 629,871</u>	<u>\$ 4,984,918</u>
\$ -	\$ -	\$ -	\$ 16,751
-	-	-	2,682
-	-	-	34,227
-	-	-	53,660
118,970	2,304	432	123,272
<u>118,970</u>	<u>2,304</u>	<u>432</u>	<u>123,272</u>
-	-	-	83,484
85,120	-	-	85,120
-	3,130,407	629,439	3,759,846
-	-	-	528,350
-	-	-	351,186
<u>85,120</u>	<u>3,130,407</u>	<u>629,439</u>	<u>4,807,986</u>
<u>\$ 204,090</u>	<u>\$ 3,132,711</u>	<u>\$ 629,871</u>	<u>\$ 4,984,918</u>

TOWN OF FLORENCE, ARIZONA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2017

	Special Revenue			
	Grants	Economic Development	Community Services	Community Facilities Districts
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 104,201
Intergovernmental revenues	331,811	-	-	-
Charges for services	-	-	13,532	32,368
Fines	-	-	3,167	-
Special assessments	-	-	-	-
Investment income				
Interest income	-	5,266	725	2,875
Net change in the fair value of investments	-	(3,573)	(583)	(2,473)
Contributions and donations	4,749	-	-	-
Miscellaneous	-	48,346	7	18
Total revenues	<u>336,560</u>	<u>50,039</u>	<u>16,848</u>	<u>136,989</u>
EXPENDITURES				
Current:				
General government	65,776	-	-	71,680
Public safety	291,586	-	5,332	-
Public works	-	94,941	-	-
Culture & recreation	4	-	-	-
Community development	859	-	1,019	-
Capital outlay	11,644	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>369,869</u>	<u>94,941</u>	<u>6,351</u>	<u>71,680</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(33,309)</u>	<u>(44,902)</u>	<u>10,497</u>	<u>65,309</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,304	-	-	-
Transfers out	(716)	(87,900)	-	-
Total other financing sources and uses	<u>2,588</u>	<u>(87,900)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(30,721)	(132,802)	10,497	65,309
Fund balances - beginning of year	33,636	659,484	71,740	285,877
Fund balances - end of year	<u>\$ 2,915</u>	<u>\$ 526,682</u>	<u>\$ 82,237</u>	<u>\$ 351,186</u>

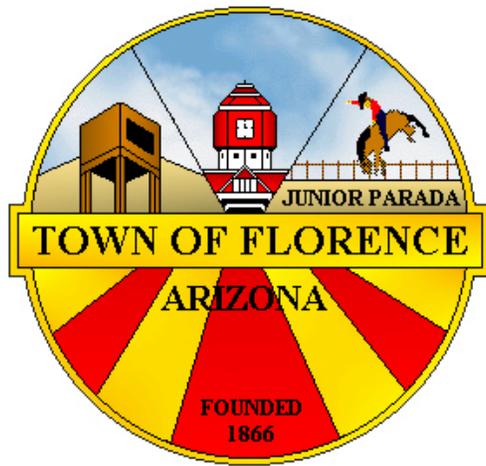
Capital Projects

Debt Service	Construction Tax	Food Tax	Total
\$ -	\$ 230,586	\$ 303,154	\$ 637,941
-	-	-	331,811
6,510	-	-	52,410
-	-	-	3,167
54,575	-	-	54,575
900	27,816	4,051	41,633
(620)	(22,075)	(4,142)	(33,466)
-	-	-	4,749
56	701	173	49,301
<u>61,421</u>	<u>237,028</u>	<u>303,236</u>	<u>1,142,121</u>
-	-	-	137,456
-	-	-	296,918
-	-	-	94,941
-	-	-	4
-	-	-	1,878
-	-	-	11,644
399,181	-	-	399,181
44,331	-	-	44,331
<u>443,512</u>	<u>-</u>	<u>-</u>	<u>986,353</u>
<u>(382,091)</u>	<u>237,028</u>	<u>303,236</u>	<u>155,768</u>
359,663	-	-	362,967
(9,000)	-	-	(97,616)
<u>350,663</u>	<u>-</u>	<u>-</u>	<u>265,351</u>
(31,428)	237,028	303,236	421,119
116,548	2,893,379	326,203	4,386,867
<u>\$ 85,120</u>	<u>\$ 3,130,407</u>	<u>\$ 629,439</u>	<u>\$ 4,807,986</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,154,215	\$ 1,154,215	\$ 1,128,919	\$ (25,296)
Special assessments	1,096,716	1,096,716	836,668	(260,048)
Investment income				
Interest income	5,000	5,000	24,606	19,606
Net change in the fair value of investments	-	-	(20,772)	(20,772)
Miscellaneous	-	-	130	130
Total revenues	<u>2,255,931</u>	<u>2,255,931</u>	<u>1,969,551</u>	<u>(286,380)</u>
EXPENDITURES				
Current				
General government	-	-	56,521	(56,521)
Community development	387,426	387,426	-	387,426
Capital outlay	7,500	7,500	-	7,500
Debt service				
Principal	794,708	794,708	455,150	339,558
Interest and fiscal charges	1,112,624	1,112,624	863,817	248,807
Bond issuance cost	1,000	1,000	98,405	(97,405)
Total expenditures	<u>2,303,258</u>	<u>2,303,258</u>	<u>1,473,893</u>	<u>829,365</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(47,327)</u>	<u>(47,327)</u>	<u>495,658</u>	<u>542,985</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	77,963	77,963
Refunding bonds issued	-	-	3,245,000	3,245,000
Payment to refunded bond escrow agent	-	-	(3,446,595)	(3,446,595)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(123,632)</u>	<u>(123,632)</u>
Net change in fund balance	<u>(47,327)</u>	<u>(47,327)</u>	<u>372,026</u>	<u>419,353</u>
Fund balance - beginning of year	<u>3,268,463</u>	<u>3,268,463</u>	<u>3,268,463</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,221,136</u>	<u>\$ 3,221,136</u>	<u>\$ 3,640,489</u>	<u>\$ 419,353</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, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Investment income				
Interest income	\$ 8,350	\$ 8,350	\$ 20,775	\$ 12,425
Net change in the fair value of investments	-	-	(14,036)	(14,036)
Miscellaneous	-	-	35	35
Total revenues	<u>8,350</u>	<u>8,350</u>	<u>6,774</u>	<u>(1,576)</u>
EXPENDITURES				
Current				
General government	375,200	375,200	249	374,951
Public safety	2,801,000	2,801,000	25	2,800,975
Community development	241,500	241,500	5,875	235,625
Capital outlay	<u>2,606,150</u>	<u>2,606,150</u>	<u>880,610</u>	<u>1,725,540</u>
Total expenditures	<u>6,023,850</u>	<u>6,023,850</u>	<u>886,759</u>	<u>5,137,091</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,015,500)</u>	<u>(6,015,500)</u>	<u>(879,985)</u>	<u>5,135,515</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(77,963)	(77,963)
Special assessment bonds issued	<u>6,023,000</u>	<u>6,023,000</u>	<u>987,000</u>	<u>(5,036,000)</u>
Total other financing sources and uses	<u>6,023,000</u>	<u>6,023,000</u>	<u>909,037</u>	<u>(5,113,963)</u>
Net change in fund balance	7,500	7,500	29,052	21,552
Fund balance - beginning of year	<u>2,447,541</u>	<u>2,447,541</u>	<u>2,447,541</u>	<u>-</u>
Fund balance - end of year	<u>\$ 2,455,041</u>	<u>\$ 2,455,041</u>	<u>\$ 2,476,593</u>	<u>\$ 21,552</u>

TOWN OF FLORENCE, ARIZONA
IMPACT FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2017

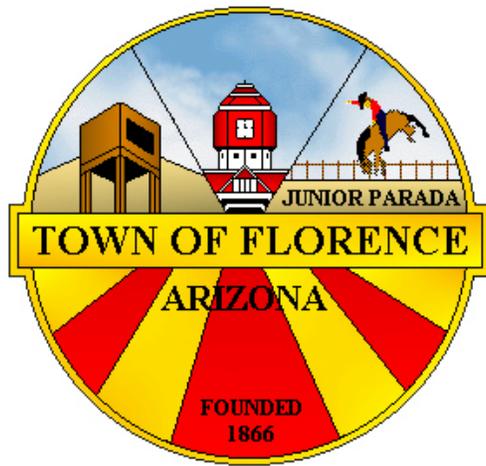
	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Charges for services	\$ 353,600	\$ 353,600	\$ 428,717	\$ 75,117
Investment income				
Interest income	9,000	9,000	11,176	2,176
Net change in the fair value of investments	-	-	(9,750)	(9,750)
Miscellaneous	-	-	1,045	1,045
Total revenues	<u>362,600</u>	<u>362,600</u>	<u>431,188</u>	<u>68,588</u>
EXPENDITURES				
Current				
General government	6,000	6,000	-	6,000
Public safety	12,000	12,000	-	12,000
Culture and recreation	12,000	12,000	-	12,000
Total expenditures	<u>30,000</u>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Net change in fund balance	332,600	332,600	431,188	98,588
Fund balance - beginning of year	<u>932,572</u>	<u>932,572</u>	<u>932,572</u>	<u>-</u>
Fund balance - end of year	<u>\$ 1,265,172</u>	<u>\$ 1,265,172</u>	<u>\$ 1,363,760</u>	<u>\$ 98,588</u>

TOWN OF FLORENCE, ARIZONA
 CAPITAL IMPROVEMENTS FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,270,334	\$ 70,334
Investment income				
Interest income	27,500	27,500	38,911	11,411
Net change in the fair value of investments	-	-	(31,676)	(31,676)
Miscellaneous	-	-	989	989
Total revenues	<u>1,227,500</u>	<u>1,227,500</u>	<u>1,278,558</u>	<u>51,058</u>
EXPENDITURES				
Current				
Culture and recreation	15,000	15,000	-	15,000
Community development	16,000	16,000	15,376	624
Capital outlay	<u>850,150</u>	<u>850,150</u>	<u>120,776</u>	<u>729,374</u>
Total expenditures	<u>881,150</u>	<u>881,150</u>	<u>136,152</u>	<u>744,998</u>
Excess (deficiency) of revenues over (under) expenditures	<u>346,350</u>	<u>346,350</u>	<u>1,142,406</u>	<u>796,056</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(359,850)</u>	<u>(359,850)</u>	<u>(359,663)</u>	<u>187</u>
Total other financing sources and uses	<u>(359,850)</u>	<u>(359,850)</u>	<u>(359,663)</u>	<u>187</u>
Net change in fund balance	<u>(13,500)</u>	<u>(13,500)</u>	<u>782,743</u>	<u>796,243</u>
Fund balance - beginning of year	<u>3,904,986</u>	<u>3,904,986</u>	<u>3,904,986</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,891,486</u>	<u>\$ 3,891,486</u>	<u>\$ 4,687,729</u>	<u>\$ 796,243</u>

OTHER SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS



TOWN OF FLORENCE, ARIZONA
 GRANTS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES				
Intergovernmental revenues	\$ -	\$ -	\$ 331,811	\$ 331,811
Contributions and donations	-	-	4,749	4,749
Miscellaneous	3,749,188	3,749,188	-	(3,749,188)
Total revenues	<u>3,749,188</u>	<u>3,749,188</u>	<u>336,560</u>	<u>(3,412,628)</u>
EXPENDITURES				
Current				
General government	-	-	65,776	(65,776)
Public safety	-	-	291,586	(291,586)
Culture and recreation	-	-	4	(4)
Community development	-	-	859	(859)
Capital outlay	3,749,188	3,749,188	11,644	3,737,544
Total expenditures	<u>3,749,188</u>	<u>3,749,188</u>	<u>369,869</u>	<u>3,379,319</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(33,309)</u>	<u>(33,309)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	3,304	3,304
Transfers out	-	-	(716)	(716)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>2,588</u>	<u>2,588</u>
Net change in fund balance	-	-	(30,721)	(30,721)
Fund balance - beginning of year	<u>33,636</u>	<u>33,636</u>	<u>33,636</u>	<u>-</u>
Fund balance - end of year	<u>\$ 33,636</u>	<u>\$ 33,636</u>	<u>\$ 2,915</u>	<u>\$ (30,721)</u>

TOWN OF FLORENCE, ARIZONA
ECONOMIC DEVELOPMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Investment income				
Interest income	\$ 4,400	\$ 4,400	\$ 5,266	\$ 866
Net change in the fair value of investments	-	-	(3,573)	(3,573)
Miscellaneous	46,000	46,000	48,346	2,346
Total revenues	<u>50,400</u>	<u>50,400</u>	<u>50,039</u>	<u>(361)</u>
EXPENDITURES				
Current				
Public works	55,000	55,000	94,941	(39,941)
Community development	48,700	48,700	-	48,700
Total expenditures	<u>103,700</u>	<u>103,700</u>	<u>94,941</u>	<u>8,759</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(53,300)</u>	<u>(53,300)</u>	<u>(44,902)</u>	<u>8,398</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(87,900)	(87,900)	(87,900)	-
Total other financing sources and uses	<u>(87,900)</u>	<u>(87,900)</u>	<u>(87,900)</u>	<u>-</u>
Net change in fund balance	<u>(141,200)</u>	<u>(141,200)</u>	<u>(132,802)</u>	<u>8,398</u>
Fund balance - beginning of year	659,484	659,484	659,484	-
Fund balance - end of year	<u>\$ 518,284</u>	<u>\$ 518,284</u>	<u>\$ 526,682</u>	<u>\$ 8,398</u>

TOWN OF FLORENCE, ARIZONA
COMMUNITY SERVICES
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Charges for services	\$ 12,875	\$ 12,875	\$ 13,532	\$ 657
Fines	3,000	3,000	3,167	167
Investment income				
Interest income	450	450	725	275
Net change in the fair value of investments	-	-	(583)	(583)
Miscellaneous	-	-	7	7
Total revenues	<u>16,325</u>	<u>16,325</u>	<u>16,848</u>	<u>523</u>
EXPENDITURES				
Current				
Public safety	3,750	3,750	5,332	(1,582)
Community development	3,698	3,698	1,019	2,679
Total expenditures	<u>7,448</u>	<u>7,448</u>	<u>6,351</u>	<u>1,097</u>
Net change in fund balance	8,877	8,877	10,497	1,620
Fund balance - beginning of year	<u>71,740</u>	<u>71,740</u>	<u>71,740</u>	<u>-</u>
Fund balance - end of year	<u>\$ 80,617</u>	<u>\$ 80,617</u>	<u>\$ 82,237</u>	<u>\$ 1,620</u>

TOWN OF FLORENCE, ARIZONA
COMMUNITY FACILITIES DISTRICTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 106,543	\$ 106,543	\$ 104,201	\$ (2,342)
Charges for services	-	-	32,368	32,368
Investment income				
Interest income	2,000	2,000	2,875	875
Net change in the fair value of investments	-	-	(2,473)	(2,473)
Miscellaneous	-	-	18	18
Total revenues	<u>108,543</u>	<u>108,543</u>	<u>136,989</u>	<u>28,446</u>
EXPENDITURES				
Current				
General government	56,900	56,900	71,680	(14,780)
Community development	1,000	1,000	-	1,000
Total expenditures	<u>57,900</u>	<u>57,900</u>	<u>71,680</u>	<u>(13,780)</u>
Net change in fund balance	50,643	50,643	65,309	14,666
Fund balance - beginning of year	<u>285,877</u>	<u>285,877</u>	<u>285,877</u>	<u>-</u>
Fund balance - end of year	<u>\$ 336,520</u>	<u>\$ 336,520</u>	<u>\$ 351,186</u>	<u>\$ 14,666</u>

TOWN OF FLORENCE, ARIZONA
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
Year Ended June 30, 2017

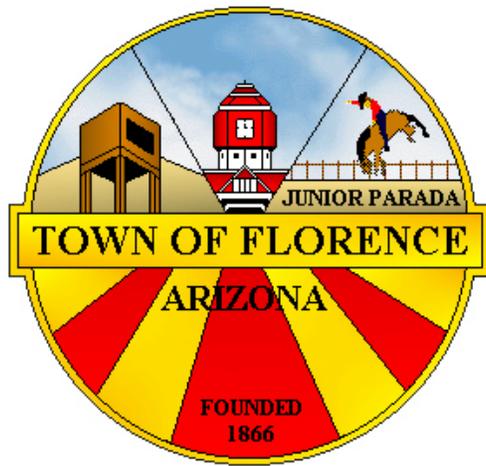
	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Charges for services	\$ 9,000	\$ 9,000	\$ 6,510	\$ (2,490)
Special assessments	60,100	60,100	54,575	(5,525)
Investment income				
Interest income	1,250	1,250	900	(350)
Net change in the fair value of investments	-	-	(620)	(620)
Miscellaneous	-	-	56	56
Total revenues	<u>70,350</u>	<u>70,350</u>	<u>61,421</u>	<u>(8,929)</u>
EXPENDITURES				
Debt service				
Principal	399,250	399,250	399,181	69
Interest and fiscal charges	44,521	44,521	44,331	190
Total expenditures	<u>443,771</u>	<u>443,771</u>	<u>443,512</u>	<u>259</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(373,421)</u>	<u>(373,421)</u>	<u>(382,091)</u>	<u>(8,670)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	359,850	359,850	359,663	(187)
Transfers out	(9,000)	(9,000)	(9,000)	-
Total other financing sources and uses	<u>350,850</u>	<u>350,850</u>	<u>350,663</u>	<u>(187)</u>
Net change in fund balance	<u>(22,571)</u>	<u>(22,571)</u>	<u>(31,428)</u>	<u>(8,857)</u>
Fund balance - beginning of year	<u>116,548</u>	<u>116,548</u>	<u>116,548</u>	<u>-</u>
Fund balance - end of year	<u>\$ 93,977</u>	<u>\$ 93,977</u>	<u>\$ 85,120</u>	<u>\$ (8,857)</u>

TOWN OF FLORENCE, ARIZONA
 CONSTRUCTION TAX
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget- Positive (Negative)
REVENUES				
Taxes	\$ 130,000	\$ 130,000	\$ 230,586	\$ 100,586
Investment income				
Interest income	30,000	30,000	27,816	(2,184)
Net change in the fair value of investments	-	-	(22,075)	(22,075)
Miscellaneous	-	-	701	701
Total revenues	<u>160,000</u>	<u>160,000</u>	<u>237,028</u>	<u>77,028</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	160,000	160,000	237,028	77,028
Fund balance - beginning of year	<u>2,893,379</u>	<u>2,893,379</u>	<u>2,893,379</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,053,379</u>	<u>\$ 3,053,379</u>	<u>\$ 3,130,407</u>	<u>\$ 77,028</u>

TOWN OF FLORENCE, ARIZONA
 FOOD TAX
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL
 Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes	\$ 275,000	\$ 275,000	\$ 303,154	\$ 28,154
Investment income				
Interest income	1,000	1,000	4,051	3,051
Net change in the fair value of investments	-	-	(4,142)	(4,142)
Miscellaneous	-	-	173	173
Total revenues	<u>276,000</u>	<u>276,000</u>	<u>303,236</u>	<u>27,236</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	276,000	276,000	303,236	27,236
Fund balance - beginning of year	<u>326,203</u>	<u>326,203</u>	<u>326,203</u>	<u>-</u>
Fund balance - end of year	<u>\$ 602,203</u>	<u>\$ 602,203</u>	<u>\$ 629,439</u>	<u>\$ 27,236</u>



STATISTICAL SECTION

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

Contents	Page
Financial Trends	132-142
These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	
Revenue Capacity	143-145
These schedules contain information to help the reader assess the Town's most significant local revenue source, sales tax.	
Debt Capacity	146-148
These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	
Demographics and Economic Information	149-153
These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.	
Operations	154
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

	2008	2009	2010	2011
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 50,480,000	\$ 57,868,000	\$ 58,303,000	\$ 54,390,000
Restricted	22,965,000	22,567,000	25,772,000	33,045,000
Unrestricted	12,643,000	18,077,000	18,248,000	14,628,000
Total governmental activities net position	<u>86,088,000</u>	<u>98,512,000</u>	<u>102,323,000</u>	<u>102,063,000</u>
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	6,314,000	6,007,000	6,012,000	6,053,000
Restricted	1,014,000	1,042,000	987,000	1,047,000
Unrestricted	8,022,000	8,392,000	10,290,000	13,206,000
Total business-type activities net position	<u>15,350,000</u>	<u>15,441,000</u>	<u>17,289,000</u>	<u>20,306,000</u>
PRIMARY GOVERNMENT				
Net investment in capital assets	56,794,000	63,875,000	64,315,000	60,443,000
Restricted	23,979,000	23,609,000	26,759,000	34,092,000
Unrestricted	20,665,000	26,469,000	28,538,000	27,834,000
Total primary government net position	<u>\$ 101,438,000</u>	<u>\$ 113,953,000</u>	<u>\$ 119,612,000</u>	<u>\$ 122,369,000</u>

	2012	2013	2014	2015	2016	2017
\$	56,527,095	\$ 55,769,932	\$ 61,395,040	\$ 75,421,775	\$ 69,337,465	\$ 73,657,354
	22,880,295	23,628,884	28,844,637	26,798,037	31,503,936	29,399,230
	26,882,692	26,821,517	21,371,306	1,885,480	2,795,259	2,394,954
	<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>	<u>105,451,538</u>
	6,032,112	6,199,045	6,375,459	13,129,903	15,097,040	15,416,500
	2,162,035	2,208,022	2,677,331	2,903,176	2,816,813	3,057,946
	15,156,389	18,071,833	19,085,727	12,394,686	13,304,470	15,355,315
	<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>	<u>33,829,761</u>
	62,559,207	61,968,977	67,770,499	88,551,678	84,434,505	89,073,854
	25,042,330	25,836,906	31,521,968	29,701,213	34,320,749	32,457,176
	42,039,081	44,893,350	40,457,033	14,280,166	16,099,729	17,750,269
\$	<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>	<u>139,281,299</u>

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

	2008	2009	2010	2011
EXPENSES				
Governmental activities				
General government	\$ 6,636,693	\$ 6,284,516	\$ 6,683,000	\$ 6,932,444
Public safety	5,276,621	5,970,645	5,571,657	5,313,251
Highways and streets	3,252,395	2,356,534	3,478,242	2,960,896
Public works	39,093	25,893	28,195	41,693
Culture and recreation	1,567,834	1,365,332	1,394,734	1,257,819
Community development	664,920	731,667	623,087	630,865
Interest on long-term debt	409,166	398,057	615,090	685,365
Total governmental activities	<u>17,846,722</u>	<u>17,132,644</u>	<u>18,394,005</u>	<u>17,822,333</u>
Business-type activities				
Water	1,685,957	1,437,206	1,390,873	1,321,927
Sewer	1,744,521	2,918,348	1,900,408	1,806,536
Solid waste	685,265	626,381	663,473	661,964
Solid waste impact fees	61,584	-	-	-
Total business-type activities	<u>4,177,327</u>	<u>4,981,935</u>	<u>3,954,754</u>	<u>3,790,427</u>
 Total primary government expenses	 <u>22,024,049</u>	 <u>22,114,579</u>	 <u>22,348,759</u>	 <u>21,612,760</u>

	2012	2013	2014	2015	2016	2017
\$	3,452,054	\$ 4,055,352	\$ 8,262,562	\$ 4,818,029	\$ 3,850,698	\$ 4,048,228
	4,008,506	5,528,833	4,816,583	8,081,544	9,790,715	9,989,960
	3,064,386	3,001,939	2,728,013	3,409,782	3,961,384	4,148,226
	202,167	293,202	579,857	805,196	714,647	827,149
	1,450,633	1,684,400	1,699,128	2,813,496	2,513,486	2,358,257
	2,407,647	1,082,103	858,152	948,650	1,138,496	741,827
	911,203	888,193	816,839	949,903	861,319	1,333,967
	<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>	<u>23,447,614</u>
	1,293,664	1,362,620	1,618,878	1,783,823	1,418,370	1,441,641
	1,819,735	1,747,616	2,140,836	2,486,417	2,021,295	2,094,994
	699,249	682,078	825,239	812,811	827,655	863,346
	-	-	-	-	-	-
	<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>4,399,981</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>	<u>27,847,595</u>

(Continued)

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

	2008	2009	2010	2011
PROGRAM REVENUES				
Governmental activities				
Charges for services:				
General government	1,254,301	1,177,447	942,808	947,188
Public safety	180,201	276,078	298,993	306,789
Highway and streets	-	-	-	-
Culture and recreation	7,265	12,657	10,390	9,466
Community development	1,831,769	1,261,113	1,429,227	474,938
Interest on long-term debt	-	-	-	-
Operating grants and contributions	4,077,695	3,578,527	3,182,649	3,179,055
Capital grants and contributions	8,545,492	9,800,741	3,429,189	1,339,952
Total governmental activities	<u>15,896,723</u>	<u>16,106,563</u>	<u>9,293,256</u>	<u>6,257,388</u>
Business-type activities				
Charges for services:				
Water	2,216,245	2,392,682	2,597,067	2,961,152
Sewer	2,089,828	2,256,995	2,665,332	3,218,251
Solid waste	754,996	799,442	916,984	979,401
Water impact fees	13,723	-	11,101	-
Liquid waste	32,896	6,591	13,684	27,369
Solid waste	65,576	31,105	30,660	16,058
Operating grants and contributions	-	-	20,000	-
Capital grants and contributions	-	-	-	-
Total business-type activities	<u>5,173,264</u>	<u>5,486,815</u>	<u>6,254,828</u>	<u>7,202,231</u>
Total primary government program revenues	<u>21,069,987</u>	<u>21,593,378</u>	<u>15,548,084</u>	<u>13,459,619</u>
NET REVENUE (EXPENSE)				
Governmental activities	(1,949,999)	(1,026,081)	(9,100,749)	(11,564,945)
Business-type activities	995,937	504,880	2,300,074	3,411,804
Total primary government	<u>(954,062)</u>	<u>(521,201)</u>	<u>(6,800,675)</u>	<u>(8,153,141)</u>

2012	2013	2014	2015	2016	2017
733,487	875,429	1,117,187	1,374,728	1,412,182	1,360,404
310,166	331,103	216,740	175,084	173,282	215,601
-	-	41	41	33	-
7,401	4,316	8,964	9,882	8,672	9,805
525,659	798,678	507,094	427,676	619,027	558,946
-	-	-	-	-	-
2,579,917	2,700,108	2,810,427	3,254,978	3,844,596	3,671,227
<u>1,500,250</u>	<u>953,145</u>	<u>5,403,053</u>	<u>1,404,328</u>	<u>691,397</u>	<u>2,764,448</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>	<u>8,580,431</u>
2,793,341	2,691,199	2,834,647	2,738,692	2,920,345	2,956,627
3,165,051	3,536,085	3,824,435	3,891,568	4,162,105	4,169,513
1,019,021	1,082,281	678,596	716,166	746,862	809,521
-	-	-	-	-	-
-	-	-	-	-	-
5,580	-	-	-	-	-
-	-	-	-	-	-
-	28,503	-	3,718	20,118	24,238
<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>7,959,899</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>	<u>16,540,330</u>
(9,839,716)	(10,871,243)	(9,697,628)	(15,179,883)	(16,081,556)	(14,867,183)
<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>3,559,918</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>	<u>(11,307,265)</u>

(Continued)

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

	2008	2009	2010	2011
GENERAL REVENUES				
Governmental activities				
Taxes				
Sales taxes	5,737,272	4,282,871	3,707,169	3,099,031
Property taxes	985,758	1,840,508	2,096,826	1,832,156
Franchise taxes	358,071	366,481	371,537	371,757
State shared revenues	6,174,545	6,196,804	5,443,456	4,852,275
Investment income	1,135,669	19,251	334,969	195,754
Loss on Sale of Assets	-	-	-	-
Miscellaneous	237,361	163,863	254,305	272,229
Donation of capital assets	-	-	-	-
Transfers in (out)	326,795	580,388	703,556	681,590
Total governmental activities	<u>14,955,471</u>	<u>13,450,166</u>	<u>12,911,818</u>	<u>11,304,792</u>
Business-type activities				
Investment income	315,277	(1,839)	101,815	64,367
Loss on Sale of Assets	-	-	-	-
Miscellaneous	500,657	169,364	149,025	223,339
Transfers in (out)	(326,795)	(580,388)	(703,556)	(681,590)
Total business-type activities	<u>489,139</u>	<u>(412,863)</u>	<u>(452,716)</u>	<u>(393,884)</u>
CHANGES IN NET POSITION				
Governmental activities	13,005,472	12,424,085	12,911,818	(260,153)
Business-type activities	<u>1,485,076</u>	<u>92,017</u>	<u>(452,716)</u>	<u>3,017,920</u>
Total primary government	<u>\$ 14,490,548</u>	<u>\$ 12,516,102</u>	<u>\$ 12,459,102</u>	<u>\$ 2,757,767</u>

2012	2013	2014	2015	2016	2017
4,907,353	3,671,468	4,059,769	3,827,397	4,314,061	4,392,219
1,863,163	1,565,087	1,716,952	1,941,594	2,015,288	2,133,736
373,761	385,591	520,410	571,559	548,613	617,196
5,231,428	5,811,613	6,257,959	6,701,102	6,930,903	8,276,216
766,154	(259,780)	795,796	315,395	354,952	46,699
-	-	-	(224,556)	-	-
179,340	34,430	250,318	377,242	317,887	166,374
-	-	-	-	-	-
745,275	445,415	1,485,165	1,049,532	1,006,670	1,050,588
<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>	<u>16,683,028</u>
278,145	(111,009)	339,968	212,020	189,556	44,885
-	-	-	(45,949)	-	-
340,737	139,034	52,089	64,631	25,562	57,223
<u>(745,275)</u>	<u>(445,415)</u>	<u>(1,485,165)</u>	<u>(1,049,532)</u>	<u>(1,006,670)</u>	<u>(1,050,588)</u>
<u>(126,393)</u>	<u>(417,390)</u>	<u>(1,093,108)</u>	<u>(818,830)</u>	<u>(791,552)</u>	<u>(948,480)</u>
4,226,758	782,581	5,388,741	(620,618)	(593,182)	1,815,845
<u>3,043,952</u>	<u>3,128,364</u>	<u>1,659,617</u>	<u>1,448,263</u>	<u>2,790,558</u>	<u>2,611,438</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>	<u>\$ 4,427,283</u>

(Concluded)

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
GENERAL FUND				
Nonspendable	\$ -	\$ -	\$ -	\$ 64,468
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	12,094,137
Reserved	-	-	-	-
Unreserved	<u>9,115,927</u>	<u>10,344,343</u>	<u>11,107,505</u>	<u>-</u>
Total General Fund	<u>9,115,927</u>	<u>10,344,343</u>	<u>11,107,505</u>	<u>12,158,605</u>
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable	-	-	-	-
Restricted	-	-	-	21,509,635
Committed	-	-	-	652,292
Assigned	-	-	-	7,537,864
Unassigned	-	-	-	-
Unreserved	<u>21,240,051</u>	<u>25,505,919</u>	<u>27,050,641</u>	<u>-</u>
Total all other governmental funds	<u>21,240,051</u>	<u>25,505,919</u>	<u>27,050,641</u>	<u>29,699,791</u>
Total governmental funds	<u><u>\$ 30,355,978</u></u>	<u><u>\$ 35,850,262</u></u>	<u><u>\$ 38,158,146</u></u>	<u><u>\$ 41,858,396</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 resources are available for appropriation, honor constraints on the specific purposes for which the amounts in fund balance can be spent. Town is bound to honor constraints on the specific purposes for which the amounts in fund balance can be spent.

2012	2013	2014	2015	2016	2017
\$ 66,671	\$ 66,700	\$ 63,968	\$ 42,742	\$ 166,575	\$ 80,004
-	-	-	-	-	-
-	-	-	-	-	-
14,703,424	11,357,149	8,433,419	8,061,736	8,564,249	9,816,926
-	-	-	-	-	-
-	-	-	-	-	-
<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>	<u>9,896,930</u>
652,624	1,151,553	14,238	-	57,291	-
17,149,931	17,635,228	26,633,138	20,760,864	26,209,011	28,117,324
10,865,249	14,946,996	-	-	-	-
595,691	710,956	9,893,863	992,190	1,131,708	728,182
-	-	(54,351)	-	-	-
-	-	-	-	-	-
<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>28,845,506</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>	<u>\$ 38,742,436</u>

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

	2008	2009	2010	2011
REVENUES				
Taxes*	\$ 10,837,524	\$ 9,604,773	\$ 9,090,410	\$ 8,197,401
Intergovernmental	6,439,856	7,314,699	5,728,725	5,230,895
Fines and forfeits	92,304	147,949	132,006	155,862
Licenses and permits	612,530	414,270	425,005	352,062
Charges for services	2,536,992	2,113,020	2,094,688	1,189,716
Investment income	1,135,669	19,251	334,969	191,295
Contributions	5,636	26,607	40,051	30,713
Special assessments	592,372	859,365	810,148	866,452
Miscellaneous	233,881	157,697	203,882	265,314
Total revenues	<u>22,486,764</u>	<u>20,657,631</u>	<u>18,859,884</u>	<u>16,479,710</u>
EXPENDITURES				
Current:				
General government	3,363,465	3,631,445	3,314,037	3,429,221
Public safety	5,047,297	5,209,649	5,214,936	4,966,311
Highways and streets	2,245,359	1,497,896	1,823,091	1,528,943
Public works	-	1,328	2,427	1,425
Culture and recreation	1,527,826	1,431,507	1,298,065	1,134,885
Community development	792,679	852,276	712,206	710,314
Capital outlay	7,175,581	6,398,226	4,632,680	4,397,001
Debt Service:				
Principal	392,017	652,336	971,769	366,849
Interest and debt cost	302,068	469,072	672,634	786,733
Total expenditures	<u>20,846,292</u>	<u>20,143,735</u>	<u>18,641,845</u>	<u>17,321,682</u>
Excess of revenues over (under) expenditures	1,640,472	513,896	218,039	(841,972)
OTHER FINANCING SOURCES (USES)				
Transfers in	846,848	1,659,619	2,006,197	1,223,451
Transfers out	(520,053)	(1,079,231)	(1,302,641)	(541,861)
Sale of capital assets	1,393	10,000	289	10,161
Issuance of long-term debt	-	-	1,386,000	3,850,500
Bond premium	-	-	-	-
Total other financing sources (uses)	<u>328,188</u>	<u>590,388</u>	<u>2,089,845</u>	<u>4,542,251</u>
NET CHANGE IN FUND BALANCES	<u><u>\$ 1,968,660</u></u>	<u><u>\$ 1,104,284</u></u>	<u><u>\$ 2,307,884</u></u>	<u><u>\$ 3,700,279</u></u>
Debt service as a percentage of noncapital expenditures	5.08%	8.16%	11.74%	8.93%

Notes:

* Taxes consist of sales, property, and franchise taxes

2012	2013	2014	2015	2016	2017
\$ 9,511,918	\$ 8,153,474	\$ 8,930,412	\$ 9,176,916	\$ 9,894,218	\$ 10,534,469
6,123,769	6,306,573	6,767,071	7,381,412	8,026,260	8,608,027
149,668	175,058	198,608	157,016	150,043	189,626
291,697	389,434	438,522	526,694	613,337	591,611
1,100,044	1,425,455	1,124,212	1,237,474	1,379,260	1,298,244
766,154	(259,780)	658,692	419,208	356,840	79,523
100,522	16,206	20,618	15,657	46,066	10,507
840,591	905,924	1,017,577	1,185,546	1,148,340	891,243
164,893	113,512	246,829	382,504	646,315	200,198
<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>	<u>22,403,448</u>
2,944,893	3,469,628	5,183,343	5,608,718	3,602,024	3,824,907
5,423,446	5,791,565	7,008,249	7,954,879	7,587,217	8,438,411
1,653,929	1,596,838	1,947,936	2,752,728	2,177,138	2,666,597
168,975	167,397	481,598	746,264	636,982	679,029
1,362,291	1,623,120	1,636,101	2,026,120	2,402,639	2,302,276
925,382	757,219	707,699	932,867	1,140,574	763,459
3,321,325	2,311,315	5,028,258	14,135,118	4,330,642	1,002,552
879,340	804,176	839,790	1,580,563	1,151,732	4,300,926
942,200	909,081	886,179	945,302	872,928	1,116,458
<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>	<u>25,094,615</u>
1,427,475	(204,483)	(4,316,612)	(16,200,132)	(1,641,197)	(2,691,167)
2,412,935	6,618,130	9,320,084	8,433,435	3,403,348	2,049,250
(1,667,660)	(6,172,715)	(7,834,919)	(7,383,903)	(2,396,678)	(998,662)
2,414	5,060	72,973	(100,693)	-	22,181
-	1,589,000	1,850,000	-	6,740,000	4,232,000
-	-	24,167	-	165,829	-
<u>747,689</u>	<u>2,039,475</u>	<u>3,432,305</u>	<u>948,839</u>	<u>7,912,499</u>	<u>5,304,769</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>	<u>\$ 2,613,602</u>
12.69%	11.21%	9.55%	11.71%	9.37%	22.51%

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

Industry	2017			2008		
	Tax Paid	Rank	Percentage of Total	Tax Paid	Rank	Percentage of Total
Construction	\$ 529,360	1	40.12%	\$ 2,539,727	1	74.95%
Retail Trade	\$ 362,825	2	27.50%	\$ 273,997	3	8.09%
Communications and Utilities	\$ 115,617	3	8.76%	\$ 246,592	2	7.28%
Restaurants and Bars	\$ 83,834	4	6.35%	\$ 94,107	4	2.78%
All Other	\$ 180,290	5	13.66%	\$ 87,366	5	2.58%
Manufacturing	\$ -	6	0.00%	\$ 28,330	8	0.84%
Real Estate, Rental & Leasing	\$ 40,576	7	3.08%	\$ 69,901	6	2.06%
Wholesale Trades	\$ -	8	0.00%	\$ 16,237	10	0.48%
Finance and Insurance	\$ -	9	0.00%	\$ 5,073	9	0.15%
Services	\$ 6,876	10	0.52%	\$ 27,193	7	0.80%
Total	\$ 1,319,377		100.00%	\$ 3,388,523		100.00%

Source: Arizona Department of Revenue

Notes:

- Based upon June 30, 2017 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, 2017

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

Fiscal Year Ended June 30	Governmental Activities						
	Certificates of Participation	Special Assessment Bonds	Pledged Excise Tax Revenue Obligation	Notes Payable	Capital Leases	GO Bonds - CFDs	Special Assessment Bonds - CFDs
2017	\$ -	\$ 154,000	\$ 4,740,000	\$ 289,116	\$ -	\$ 10,125,000	\$ 4,764,240
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

Fiscal Year Ended June 30	Business-type		
	Notes Payable	Total Primary Government	Percentage of Personal Income Per Capita
2017	\$ 3,941,530	\$ 24,013,886	6.23%
2016	3,429,462	23,457,250	6.66%
2015	3,827,612	18,102,232	5.33%
2014	4,212,898	20,069,047	5.29%
2013	4,601,319	19,423,090	5.78%
2012	4,977,189	19,014,136	6.09%
2011	6,591,457	21,507,745	7.38%
2010	6,992,889	18,425,526	6.83%
2009	6,033,490	17,051,896	5.96%
2008	6,228,819	13,501,732	5.66%

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, 2017

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Pinal County Community College District	\$ 79,820,000	3.79%	\$ 3,025,178
Florence Unified School District No. 1	35,725,000	21.27%	7,598,708
Coolidge Unified School District No. 21	30,110,000	0.05%	15,055
Merrill Ranch Community Facilities District No. 1	3,575,000	100.00%	3,575,000
Merrill Ranch Community Facilities District No. 2	6,210,000	100.00%	6,210,000
Total Overlapping Debt			<u>20,423,941</u>
Town of Florence	None	100.00%	-
Total Direct and overlapping debt			<u>\$ 20,423,941</u>

Sources: Pinal County Treasurer's Office and Official Statements.

Notes:

(1) The percentage of overlapping debt applicable to the Town is computed on the ratio of net limited property 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			
2017	\$ 54,575	\$ 64,000	\$ 18,421		0.66	
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	

- *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
2017	25,779	\$ 385,499	\$ 14,954	2,268	13 to 16	5.4%
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%

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	2017			2008		
	Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
State of Arizona	2,395	1	37.09%	3,009	1	43.05%
Pinal County Government	1,854	2	28.71%	2,719	2	38.90%
Correctional Corporation of America	874	3	13.53%	450	3	6.44%
DHS/ICE/DOJ - Federal Government	572	4	8.86%	245	4	3.51%
Florence Schools	258	5	4.00%	225	5	3.22%
GEO - Private Prison System	310	6	4.80%	180	6	2.58%
Town of Florence	195	7	3.02%	161	7	2.30%
Total	6,458		100.00%	6,989		100.00%

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

Notes:

Total Town employment equal to FTE

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	
2017	33.32	81.34	26.00	33.17	8.00	12.00	1.00	194.83
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

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

Function	2008	2009	2010	2011
Police				
Total arrests	308	400	406	278
Moving violation citations	981	105	1,000	836
Total calls for service	7,314	7,456	5,757	4,996
Total 911 calls	4,501	5,125	5,849	5,392
Total part I crimes	430	402	351	296
Fire				
All emergency responses	1,902	2,105	2,042	2,074
Fire and hazmat responses	83	127	108	102
Emergency medical responses	1,376	1,605	1,654	1,239
Other responses	443	373	280	733
Highways and Streets				
Street resurfacing (miles)	2.50	2.90	1.40	3.40
Potholes repaired (estimate)	5,968	5,094	5,730	2,978
Streets maintained (miles)	99.22	99.22	108.08	108.08
Community Development				
Building permits issued	703	606	436	465
Code enforcement cases	125	126	80	43
Parks, Recreation and Library				
Attendance at aquatics facilities	3,081	3,216	2,561	2,441
Attendance at other facilities	19,008	30,000	24,444	33,936
Library visits	119,564	154,645	130,636	119,254
Library materials checked out	77,756	98,114	103,277	65,120
Sanitation				
Homes serviced	2,643	2,603	3,246	3,446
Tons of refuse and garbage hauled	5,771	5,468	5,569	5,319
Water				
Water service connections	3,266	3,278	3,287	3,295
Water consumption (millions gallons/day)	1.91	1.87	1.90	1.98
Water consumption (millions gallons/year)	697	683	694	723
Sewer				
Sewer service connections	3,241	3,251	3,260	3,268
Sewage treated (millions gallons per day)	1.68	2.02	2.04	2.06
Sewage treated (millions gallons per year)	613	737	745	753

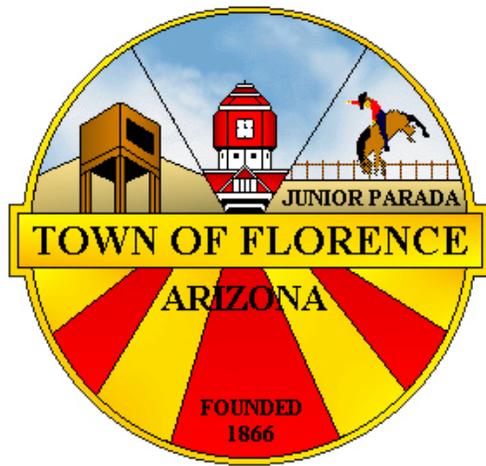
2012	2013	2014	2015	2016	2017
264	597	599	563	706	587
701	931	1,637	908	1,519	1,403
5,450	6,341	11,429	11,291	13,453	12,458
5,023	5,796	1,962	1,187	1,069	2,024
214	363	243	263	306	214
2,083	3,469	3,036	2,691	2,885	2,993
114	133	91	117	123	99
1,290	1,941	1,900	1,905	2,024	1,972
679	1,395	1,042	669	738	922
-	2.00	0.50	1.75	3.70	21.85
4,869	6,000	6,600	6,600	7,500	12,200
108.08	110.00	110.00	114.50	126.33	151.10
78	135	337	615	626	895
19	70	23	148	39	98
2,840	1,578	5,000	1,313	27,943	19,997
22,116	30,604	32,600	21,054	56,502	56,365
118,121	99,943	102,623	85,210	N/A	37,462
60,550	60,091	67,726	61,187	70,993	71,941
3,519	3,400	2,967	3,092	3,276	3,697
5,096	5,165	4,003	4,714	N/A	4,332
3,295	3,257	4,002	3,633	3,594	3,554
2.04	1.37	1.71	1.40	1.40	1.46
745	500	624	518	511	533
3,268	3,230	3,337	3,350	3,350	3,707
2.07	1.63	1.64	1.60	1.60	1.40
757	594	599	584	584	510

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police stations	1	1	1	1	1	1	1.5	1.5	1.5	1.5
Police vehicles	29	34	38	41	42	44	48	57	54	54
Fire stations	2	2	2	2	2	2	2	2	2	2
Fire apparatus	5	8	8	6	6	7	6	7	8	8
Other fire vehicles	4	4	4	4	5	5	6	5	6	6
Highways and Streets										
Street (miles)	99	99	99	108	108	108	108	113	113	113
Streetlights	889	964	985	1,039	1,039	1,060	1,060	1,182	1,182	1,182
Traffic signals own	1	1	1	1	1	2	2	2	2	2
Traffic signals don't own	2	2	2	2	2	2	2	2	2	3
Culture and Recreation										
Parks	7	8	8	8	8	8	8	8	11	10
Parks acreage	289	289	289	289	289	289	341	343	349	348
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
Wastewater										
Sanitary sewers (miles)	45.5	45.7	45.7	45.7	45.7	45.7	45.7	54.5	54.5	54.5
Storm sewers (miles)	4.7	6.8	7.2	7.5	7.8	8.4	8.4	8.4	8.4	8.4
Treatment capacity (thousands of gallons)	1,920	2,920	2,920	2,920	2,920	2,920	2,920	2,920	2,920	2,920

**School owned prior to 2016

COMPLIANCE REPORT



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

To the Honorable Mayor and Town Council
Town of Florence, 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, 2017, 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 13, 2017.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2017-001 that we consider to be a material weakness.

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*.

Town's Response to Finding

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

Purpose of this Report

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

Henry & Horne LLP

Casa Grande, Arizona
December 13, 2017

TOWN OF FLORENCE
SCHEDULE OF FINDINGS AND VIEWS
OF RESPONSIBLE OFFICIALS
June 30, 2017

FINDING: 2017-001

CRITERIA

A management review of all year-end closing entries would reduce the risk of material misstatement of the financial statements that are presented in accordance with generally accepted accounting principles.

CONDITION/CONTEXT

Management performs certain closing procedures at year-end as a means to properly state the financial amounts in accordance with generally accepted accounting principles. However, the year-end review was not complete and adjustments were necessary to properly state financial statement amounts.

EFFECT

Management understated restricted cash with trustee by \$485,990, understated miscellaneous receivables by \$309,855, overstated prepaid debt expense by \$485,990, overstated accounts payable by \$39,090, understated sales tax payable by \$6,551, understated interest payable by \$63,236, understated revenues by \$301,612 and understated expenses by \$22,454. Management had not recorded refunding debt issued effectively understated cash by \$106,390, understated special assessment receivables by \$986,670, understated special assessment deferred revenue by \$986,670, understated professional services expenditures by \$81,503, understated capital outlay expenditures by \$799,107, understated other financing sources for proceeds of bond sales by \$987,000, understated transfers in of \$77,963 and understated transfers out of \$77,963.

CAUSE

A complete review of normal and unusual closing entries at year-end was not done which resulted in the aforementioned misstatements.

RECOMMENDATION

It is recommended that the appropriate management review these entries as part of the year end closing process to ensure existence, completeness, accurate and timely cut-off of the Town's cash to accrual activity, capital additions and debt activity.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTION

Management concurs with this recommendation and will include these entries in the year-end closing procedures.