

**TOWN OF SPRINGERVILLE, ARIZONA**

**Annual Financial Statements  
and Independent Auditors' Report  
June 30, 2013**

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## **INDEPENDENT AUDITORS' REPORT**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's 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 auditor's 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, and each major fund of the Town of Springerville, Arizona, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

The Town of Springerville, Arizona has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 32 to 35 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 Springerville, Arizona's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of management and Budget circular A-133, audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived

from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2014, on our consideration of the Town of Springerville, Arizona's internal control over financial reporting and on 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 Town of Springerville, Arizona's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Colby J. Powell".

January 10, 2014

**TOWN OF SPRINGVILLE, ARIZONA**  
**Statement of Net Position**  
**June 30, 2013**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,020,291	\$ 124,603	\$ 2,144,894
Accounts receivable - net	-	100,504	100,504
Due from other governments	361,230	-	361,230
Other receivables	69,428	-	69,428
Prepays	7,912	-	7,912
Inventory	14,005	-	14,005
Cash and cash equivalents-restricted	-	38,850	38,850
Capital assets, not being depreciated	3,446,580	103,563	3,550,143
Capital assets, being depreciated, net	10,147,619	3,310,041	13,457,660
<b>Total assets</b>	<b>16,067,065</b>	<b>3,677,561</b>	<b>19,744,626</b>
<b>LIABILITIES</b>			
Accounts payable	112,500	13,854	126,354
Accrued expenses	70,443	11,106	81,549
Deferred revenue	-	4,066	4,066
Refundable deposits	19,670	38,850	58,520
Compensated absences	76,821	6,568	83,389
Noncurrent liabilities			
Due within one year	19,893	-	19,893
Due in more than one year	6,177	-	6,177
<b>Total liabilities</b>	<b>305,504</b>	<b>74,444</b>	<b>379,948</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	13,568,129	3,452,454	17,020,583
Restricted for:			
Public works and streets	1,053,371	-	1,053,371
Tourism promotion	28,472	-	28,472
Senior welfare	183,739	-	183,739
Unrestricted (deficit)	927,850	150,663	1,078,513
<b>Total net position</b>	<b>\$ 15,761,561</b>	<b>\$ 3,603,117</b>	<b>\$ 19,364,678</b>

*The accompanying notes are integral to these financial statements.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2013**

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Primary government</b>							
Governmental activities							
General government	\$ 775,888	\$ 12,740	\$ 4,770	\$ 160,875	\$ (597,503)	\$ -	\$ (597,503)
Public safety	1,037,934	104,374	29,839	-	(903,721)	-	(903,721)
Public works and streets	1,137,053	314,129	340,058	1,066,894	584,028	-	584,028
Culture and recreation	126,873	16,144	28,105	25,000	(57,624)	-	(57,624)
Community and economic development	101,898	-	-	-	(101,898)	-	(101,898)
Health and welfare	237,598	-	238,474	-	876	-	876
<b>Total governmental activities</b>	<b>3,417,244</b>	<b>447,387</b>	<b>641,246</b>	<b>1,252,769</b>	<b>(1,075,842)</b>	<b>-</b>	<b>(1,075,842)</b>
Business-type activities							
Water	353,067	350,674	-	-	-	(2,393)	(2,393)
Sewer	362,294	325,416	-	-	-	(36,878)	(36,878)
<b>Total business-type activities</b>	<b>715,361</b>	<b>676,090</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(39,271)</b>	<b>(39,271)</b>
<b>Total primary government</b>	<b>\$ 4,132,605</b>	<b>\$ 1,123,477</b>	<b>\$ 641,246</b>	<b>\$ 1,252,769</b>	<b>(1,075,842)</b>	<b>(39,271)</b>	<b>(1,115,113)</b>
<b>General revenue:</b>							
Taxes:							
Local sales taxes					1,465,414	-	1,465,414
Share of state sales taxes					160,077	-	160,077
Share of state auto lieu taxes					99,610	-	99,610
State urban revenue sharing					200,312	-	200,312
Investment earnings					4,261	-	4,261
Miscellaneous					5,083	-	5,083
Transfers					9,167	(9,167)	-
Total general revenue and transfers					1,943,924	(9,167)	1,934,757
Change in net position					868,082	(48,438)	819,644
Net position, beginning of year					14,893,479	3,651,555	18,545,034
Net position, end of year					\$ 15,761,561	\$ 3,603,117	\$ 19,364,678

*The accompanying notes are integral to these financial statements.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	General Fund	HURF Fund	Grants Fund	Airport Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 787,245	\$ 1,030,418	\$ -	\$ 300	\$ 202,328	\$ 2,020,291
Due from other governments	156,041	35,476	154,230	-	15,483	361,230
Other receivables	59,544	-	-	9,884	-	69,428
Prepays	-	-	-	7,912	-	7,912
Inventory	-	-	-	14,005	-	14,005
Due from other funds	113,889	-	-	-	-	113,889
<b>Total assets</b>	<b>\$ 1,116,719</b>	<b>\$ 1,065,894</b>	<b>\$ 154,230</b>	<b>\$ 32,101</b>	<b>\$ 217,811</b>	<b>\$ 2,586,755</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 44,639	\$ 6,903	\$ 57,368	\$ 2,272	\$ 1,318	\$ 112,500
Accrued expenses	59,027	5,620	-	1,514	4,282	70,443
Deferred revenue	-	-	58,016	-	-	58,016
Deposits	19,270	-	-	400	-	19,670
Due to other funds	-	-	49,521	64,368	-	113,889
<b>Total liabilities</b>	<b>122,936</b>	<b>12,523</b>	<b>164,905</b>	<b>68,554</b>	<b>5,600</b>	<b>374,518</b>
<b>Fund balances</b>						
Restricted for:						
Public works and streets	-	1,053,371	-	-	-	1,053,371
Tourism promotion	-	-	-	-	28,472	28,472
Senior welfare	-	-	-	-	183,739	183,739
Unassigned	993,783	-	(10,675)	(36,453)	-	946,655
<b>Total fund balances</b>	<b>993,783</b>	<b>1,053,371</b>	<b>(10,675)</b>	<b>(36,453)</b>	<b>212,211</b>	<b>2,212,237</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,116,719</b>	<b>\$ 1,065,894</b>	<b>\$ 154,230</b>	<b>\$ 32,101</b>	<b>\$ 217,811</b>	<b>\$ 2,586,755</b>

*The accompanying notes are integral to these financial statements.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Reconciliation of the Balance Sheet to the Statement of Net Position**  
**Governmental Funds**  
**June 30, 2013**

Fund balances-total governmental funds	\$ 2,212,237
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 funds.	13,594,199
Some receivables are not available to pay for current-period expenditures and therefore, are deferred in the funds.	58,016
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(102,891)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 15,761,561</u></u>

*The accompanying notes are integral to these financial statements.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2013**

	General Fund	HURF Fund	Grants Fund	Airport Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>						
Taxes	\$ 1,451,767	\$ -	\$ -	\$ -	\$ 13,647	\$ 1,465,414
Intergovernmental	464,998	336,859	1,223,356	-	199,818	2,225,031
Fines and forfeitures	52,771	-	-	-	-	52,771
Licenses and permits	8,940	-	-	-	-	8,940
Charges for services	76,637	-	-	307,689	-	384,326
Investment income	4,261	-	-	-	-	4,261
Other revenue	35,545	-	-	3,199	38,656	77,400
<b>Total revenue</b>	<u>2,094,919</u>	<u>336,859</u>	<u>1,223,356</u>	<u>310,888</u>	<u>252,121</u>	<u>4,218,143</u>
<b>Expenditures</b>						
Current						
General government	727,256	-	5,841	-	-	733,097
Public safety	951,120	-	-	-	-	951,120
Public works and streets	86,532	374,205	-	362,051	-	822,788
Culture and recreation	88,409	-	15,849	-	-	104,258
Community and economic development	88,649	-	-	-	13,249	101,898
Health and welfare	-	-	-	-	230,885	230,885
Debt service						
Principal	20,342	-	-	8,580	-	28,922
Interest	901	-	-	1,977	-	2,878
Capital outlay	82,695	20,830	1,186,413	88,901	16,742	1,395,581
<b>Total expenditures</b>	<u>2,045,904</u>	<u>395,035</u>	<u>1,208,103</u>	<u>461,509</u>	<u>260,876</u>	<u>4,371,427</u>
Excess (deficiency) of revenue over (under) expenditures	<u>49,015</u>	<u>(58,176)</u>	<u>15,253</u>	<u>(150,621)</u>	<u>(8,755)</u>	<u>(153,284)</u>
<b>Other financing sources (uses)</b>						
Transfers	<u>(163,687)</u>	<u>9,167</u>	<u>(14,241)</u>	<u>145,845</u>	<u>32,083</u>	<u>9,167</u>
<b>Net change in fund balances</b>	(114,672)	(49,009)	1,012	(4,776)	23,328	(144,117)
Fund balances, beginning of year, as restated	<u>1,108,455</u>	<u>1,102,380</u>	<u>(11,687)</u>	<u>(31,677)</u>	<u>188,883</u>	<u>2,356,354</u>
<b>Fund balances, end of year</b>	<u>\$ 993,783</u>	<u>\$ 1,053,371</u>	<u>\$ (10,675)</u>	<u>\$ (36,453)</u>	<u>\$ 212,211</u>	<u>\$ 2,212,237</u>

*The accompanying notes are integral to these financial statements.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Reconciliation of the Statement of Revenue, Expenditures,**  
**and Changes in Fund Balances to the Statement of Activities**  
**Governmental Funds**  
**Year Ended June 30, 2013**

Net change in fund balances-total governmental funds		\$ (144,117)
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.		
Current year capital acquisitions	1,395,581	
Current year depreciation	<u>(472,559)</u>	
		923,022
In the Statement of Activities, only the gain/loss on the sale of capital assets is reported whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differ from the change in fund balance by the book value of the capital assets sold.		
		(18,739)
Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		
		58,016
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.		
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Debt principal repaid		28,922
Some 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.		
Decrease in compensated absences payable		<u>20,978</u>
<b>Change in net position of governmental activities</b>		<b><u><u>\$ 868,082</u></u></b>

*The accompanying notes are integral to these financial statements.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2013**

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 124,603	\$ -	\$ 124,603
Accounts receivable - net	58,063	42,441	100,504
Due from other funds	1,018,305	-	1,018,305
<b>Total current assets</b>	<b>1,200,971</b>	<b>42,441</b>	<b>1,243,412</b>
Noncurrent assets			
Cash and cash equivalents, restricted	25,905	12,945	38,850
Capital assets, net of accumulated depreciation, where applicable:			
Land	43,563	-	43,563
Water rights	60,000	-	60,000
Buildings and improvements, net	12,417	879,481	891,898
Vehicles and equipment	3,860	72,770	76,630
Infrastructure, net	1,270,707	1,070,806	2,341,513
<b>Total noncurrent assets</b>	<b>1,416,452</b>	<b>2,036,002</b>	<b>3,452,454</b>
<b>Total assets</b>	<b>2,617,423</b>	<b>2,078,443</b>	<b>4,695,866</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	10,169	3,685	13,854
Accrued expenses	7,521	3,585	11,106
Deferred revenue	3,939	127	4,066
Due to other funds	-	1,018,305	1,018,305
Refundable deposits	25,905	12,945	38,850
Compensated absences	3,254	3,314	6,568
<b>Total liabilities</b>	<b>50,788</b>	<b>1,041,961</b>	<b>1,092,749</b>
<b>Net position</b>			
Invested in capital assets, net of related debt	1,416,452	2,036,002	3,452,454
Unrestricted (deficit)	1,150,183	(999,520)	150,663
<b>Total net position</b>	<b>\$ 2,566,635</b>	<b>\$ 1,036,482</b>	<b>\$ 3,603,117</b>

*The accompanying notes are integral to these financial statements.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Statement of Revenue, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2013**

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Operating revenue</b>			
Charges for services			
Water (net of bad debts of \$0)	\$ 331,907	\$ -	\$ 331,907
Sewer (net of bad debts of \$0)	-	312,863	312,863
Other revenues	18,767	12,553	31,320
<b>Total operating revenue</b>	<u>350,674</u>	<u>325,416</u>	<u>676,090</u>
<b>Operating expenses</b>			
Salaries and wages	74,080	94,279	168,359
Employee benefits	35,345	43,450	78,795
Service supplies, and other	157,551	111,306	268,857
Depreciation	86,091	113,259	199,350
<b>Total operating expenses</b>	<u>353,067</u>	<u>362,294</u>	<u>715,361</u>
<b>Operating income (loss)</b>	<u>(2,393)</u>	<u>(36,878)</u>	<u>(39,271)</u>
<b>Income (loss) before contributions and transfers</b>	(2,393)	(36,878)	(39,271)
Transfers	-	(9,167)	(9,167)
<b>Increase (decrease) in net position</b>	(2,393)	(46,045)	(48,438)
Total net position, beginning of year, as restated	<u>2,569,028</u>	<u>1,082,527</u>	<u>3,651,555</u>
<b>Total net position, end of year</b>	<u>\$ 2,566,635</u>	<u>\$ 1,036,482</u>	<u>\$ 3,603,117</u>

*The accompanying notes are integral to these financial statements.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2013**

	Business-type Activities--Enterprise Funds		
	Water	Sewer	Total
	Fund	Fund	
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 348,183	\$ 338,879	\$ 687,062
Payments to suppliers and providers of goods and services	(190,170)	(164,999)	(355,169)
Payments to employees	(71,801)	(91,595)	(163,396)
<b>Net cash provided (used) by             operating activities</b>	<u>86,212</u>	<u>82,285</u>	<u>168,497</u>
<b>Cash flows from noncapital financing activities</b>			
Transfers to other funds	-	(9,167)	(9,167)
Interfund loans	(782,563)	(183,618)	(966,181)
<b>Net cash provided (used) by             noncapital financing activities</b>	<u>(782,563)</u>	<u>(192,785)</u>	<u>(975,348)</u>
<b>Net increase (decrease) in cash</b>	(696,351)	(110,500)	(806,851)
Cash and cash equivalents, beginning of year	<u>846,859</u>	<u>123,445</u>	<u>970,304</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 150,508</u></u>	<u><u>\$ 12,945</u></u>	<u><u>\$ 163,453</u></u>

*The accompanying notes are integral to these financial statements.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2013**

	Business-type Activities--Enterprise Funds		
	Water	Sewer	Total
	Fund	Fund	
<b>Reconciliation of operating income (loss)</b>			
<b>to net cash provided (used) by</b>			
<b>operating activities</b>			
Operating income (loss)	\$ (2,393)	\$ (36,878)	\$ (39,271)
Adjustments to reconcile operating income			
(loss) to net cash provided (used) by			
operating activities:			
Depreciation	86,091	113,259	199,350
(Increase) decrease in:			
Accounts receivable	7,320	627	7,947
Increase (decrease) in:			
Accounts payable	862	(10,243)	(9,381)
Accrued expenses	1,391	(370)	1,021
Deferred revenue	3,939	127	4,066
Refundable deposits	(13,750)	12,709	(1,041)
Compensated absences payable	2,752	3,054	5,806
<b>Net cash provided (used) by</b>			
<b>operating activities</b>	<u>\$ 86,212</u>	<u>\$ 82,285</u>	<u>\$ 168,497</u>

*The accompanying notes are integral to these financial statements.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

	Volunteer Firefighters' Relief and Pension
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,856
Investments	91,048
<b>Total assets</b>	<b>94,904</b>
<b>LIABILITIES</b>	
<b>Total liabilities</b>	-
<b>NET POSITION</b>	
Held in trust for investment trust participants	<b>\$ 94,904</b>

*The accompanying notes are integral to these financial statements.*

**TOWN OF SPRINGERVILLE, ARIZONA**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2013**

	Volunteer Firefighters' Relief and Pension
<b>Additions</b>	
Contributions from participants	\$ 4,027
Investment income	1,396
<b>Total additions</b>	5,423
<b>Deductions</b>	
Other expenses	799
Change in net position	4,624
Net position, beginning of year	90,280
Net position, end of year	\$ 94,904

*The accompanying notes are integral to these financial statements.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The accompanying financial statements of the Town of Springerville, Arizona have been prepared in conformity with U.S. generally accepted accounting principles applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

**A. Reporting Entity**

The Town is a general purpose local government that is governed by a separately elected Town Council.

As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. The financial statements include all funds and account groups that account for activities over which the Town's elected mayor and council exercise primary financial management and oversight responsibility. The following is a brief review of the component unit included in defining the Town's reporting entity. There are no discretely presented component units and one blended component unit.

Blended Component Unit included within the reporting entity:

**The Town of Springerville Municipal Property Corporation (SMPC)** is an Arizona nonprofit corporation incorporated under the laws of the State of Arizona. The principal objective of the Corporation is to assist the Town in acquiring, constructing, financing, operating, improving or modifying public facilities for the benefit of all residents. The SMPC has a June 30 year end.

**B. Basis of Presentation**

The basic financial statements include both government-wide statements and fund statements. The government-wide statements focus on the Town as a whole, while the fund statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

Government-wide statements—provide information about the primary government (the Town). The statements include a statement of net position and a statement of activities. These statements report the financial activities of the overall government, except for fiduciary activities. They also distinguish between the governmental and business-type activities of the Town. Governmental

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties.

A statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities and segment of its business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Town does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers or applicants for goods, services, or privileges provided,
- operating grants and contributions, and
- capital grants and contributions.

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund statements—provide information about the Town's funds, including fiduciary funds. Separate statements are presented for the governmental, proprietary, and fiduciary fund categories. The emphasis of fund statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Fiduciary funds are aggregated and reported by fund type.

Proprietary fund operating revenues, such as charges for services, result from transactions associated with the fund's principal activity in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from transactions in which the parties do not exchange equal values. Revenues generated by ancillary activities are also reported as nonoperating revenues.

The Town reports the following major governmental funds:

The ***General Fund*** is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The ***HURF Fund*** accounts for specific revenue received from the State of Arizona Highway User Revenue Fund that is legally restricted to expenditures for specified street purposes.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

The ***Grants Fund*** accounts for specific revenue sources that are restricted to expenditures for specified purposes as defined by the grantor.

The ***Airport Fund*** accounts for operations of the municipal airport.

The Town reports the following major enterprise funds:

The ***Water*** and ***Sewer Funds*** account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the Town Council is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or for which the Town Council has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Town reports the following fund types:

The ***Volunteer Firefighters' Relief and Pension*** accounts for assets held and invested by the Town Treasurer on behalf of qualified public safety employees for pension benefits.

**C. Basis of Accounting**

The government-wide, proprietary fund, and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, compensated absences, and landfill closure and postclosure care costs, which are recognized as expenditures to the extent they are due and payable. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under capital lease agreements are reported as other financing sources.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**D. Cash and Investments**

For purposes of its statement of cash flows, the Town considers only those highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest-earning investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

**E. Allowance for Uncollectible Accounts**

Allowances for uncollectible accounts receivable in the proprietary funds are estimated by the Town. The amount recorded as uncollectible at June 30, 2013 in the Water and Sewer Funds, respectively, were \$0 and \$0.

**F. Capital Assets**

Capital assets are reported at actual cost. Donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Land	\$ 3,000	N/A	N/A
Water rights	3,000	N/A	N/A
Artwork	3,000	N/A	N/A
Construction in progress	3,000	N/A	N/A
Buildings and improvements	3,000	Straight-line	10 - 40
Vehicles and equipment	3,000	Straight-line	3 - 10
Infrastructure	3,000	Straight-line	20 - 40

**G. Investment Income**

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

**H. Compensated Absences**

Compensated absences consist of vacation leave earned by employees based on services already rendered.

Employees may accumulate up to 320 hours of vacation depending on years of service, but any vacation hours in excess of the maximum amount that are unused at year-end are forfeited. However, employees may request in writing to the Town Manager to have excess hours carried forward. Upon termination of employment, all unused and unforfeited vacation benefits are paid to employees. Accordingly, vacation benefits are accrued as a liability in the financial statements.

Employees may accumulate 480 hours of sick leave. Generally, sick leave benefits provide for ordinary sick pay and are cumulative but are forfeited upon termination of employment. Because sick leave benefits do not vest with employees, a liability for sick leave benefits is not accrued in the financial statements.

**I. Fund Balance Reporting**

The Governmental Accounting Standards Board (GASB) Statement No. 54 requires fund balances to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable* fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact such as fund balance associated with inventories, prepaids, long-term loans and notes receivable (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution provisions or enabling legislation, or external resource providers,
3. *Committed* fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the town council,
4. *Assigned* fund balances are intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed, and
5. *Unassigned* fund balance is the residual classification for the Town's governmental funds and includes all spendable amounts not contained in other classifications.

The Town's policy for committed fund balances is through formal resolutions passed through the elected town council. The process of rescinding a committed fund balance requires the same process.

The Town's policy for assigned fund balances is through motions passed by the elected town council. Assigned fund balances do not require a formal resolution.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

***NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued***

When expenditures incur for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, the Town's policy is to apply the expenditure first to restricted, and then to unrestricted in the following order of committed, assigned, and then unassigned.

**J. Impact of Recently Issued Accounting Principles**

In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants'(AICPA) Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of GASB 62 does not have any impact on the Town's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. The Town adopted the provisions of GASB 63 in the prior year.

***NOTE 2 – DEPOSITS AND INVESTMENTS***

Arizona Revised Statutes (A.R.S.) authorize the Town to invest public monies in the State Treasurer's investment pool; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investments such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. The statutes require collateral for demand deposits, certificates of deposit, and repurchase agreements at 101 percent of all deposits not covered by federal depository insurance.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

***NOTE 2 – DEPOSITS AND INVESTMENTS – Continued***

***Deposits***

At June 30, 2013, the carrying amount of the Town's total nonpooled cash in bank was \$569,144, and the bank balance was \$709,898. Of the bank balance, \$268,968 was covered by federal depository insurance. The remainder was covered by collateral held by the pledging financial institution in the Town's name.

*Restricted cash* – Restricted cash in the Water and Sewer Funds consists of monies restricted for refundable customer deposits in the amount of \$25,905 and \$12,945, respectively.

*Custodial credit risk* – is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk.

***Investments***

The Town reported investments in the State Treasurer's Investment Pool 5 with a reported amount of \$1,609,027. The Standard and Poor's credit quality rating of the pool is AAA. The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk.

*Interest rate risk* - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35-323) which requires that the Town's investment portfolio maturities do not exceed five years from the time of purchase.

*Credit risk* - is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323) which limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

***NOTE 3 – DUE FROM OTHER GOVERNMENTS***

Amounts due from other governments in the General Fund at June 30, 2013 consisted of \$13,540 in state-shared revenue from sales taxes, \$4,159 in state-shared revenue from auto lieu taxes, and \$138,342 in local sales taxes collected by the State of Arizona.

Amounts due from other governments in the HURF Fund at June 30, 2013 consisted of \$35,476 in state-shared revenue from highway user revenue fund (HURF) taxes.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE 3 – DUE FROM OTHER GOVERNMENTS - Continued**

Amounts due from other governments in the Grants Fund at June 30, 2013 consisted of \$19,166 in revenue from the Arizona Department of Housing for Community Development Block Grants, \$5,034 in revenue from the Arizona Governor’s Office of Highway Safety for public safety grants, and \$130,030 in revenue from the Arizona Department of Transportation for airport grants.

Amounts due from other governments in the non-major Other Governmental funds at June 30, 2013 consisted of \$15,483 in grant revenues receivable from the Northern Arizona Council of Governments (NACOG) for Senior Center grants.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,796,848	\$ -	\$ -	\$ 1,796,848
Artwork	1,500,000	-	-	1,500,000
Construction in progress	2,461,646	149,732	2,461,646	149,732
<b>Total capital assets not       being depreciated</b>	<u>5,758,494</u>	<u>149,732</u>	<u>2,461,646</u>	<u>3,446,580</u>
Capital assets being depreciated:				
Buildings and improvements	3,155,547	1,200,000	-	4,355,547
Vehicles and equipment	3,891,634	45,849	447,044	3,490,439
Infrastructure	8,968,626	2,461,646	64,997	11,365,275
<b>Total</b>	<u>16,015,807</u>	<u>3,707,495</u>	<u>512,041</u>	<u>19,211,261</u>
Less accumulated depreciation for:				
Buildings and improvements	1,259,109	78,781	-	1,337,890
Vehicles and equipment	3,282,211	161,995	443,173	3,001,033
Infrastructure	4,539,601	231,783	46,665	4,724,719
<b>Total</b>	<u>9,080,921</u>	<u>472,559</u>	<u>489,838</u>	<u>9,063,642</u>
<b>Total capital assets being       depreciated, net</b>	<u>6,934,886</u>	<u>3,234,936</u>	<u>22,203</u>	<u>10,147,619</u>
Governmental activities capital assets, net	<u>\$ 12,693,380</u>	<u>\$ 3,384,668</u>	<u>\$ 2,483,849</u>	<u>\$ 13,594,199</u>

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE 4 – CAPITAL ASSETS – Continued**

	Balance July 1, 2012	Increases	Decreases	Balance June 30, 2013
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 43,563	\$ -	\$ -	\$ 43,563
Water rights	60,000	-	-	60,000
<b>Total capital assets not       being depreciated</b>	<u>103,563</u>	<u>-</u>	<u>-</u>	<u>103,563</u>
Capital assets being depreciated:				
Buildings and improvements	2,116,388	-	-	2,116,388
Vehicles and equipment	327,139	3,464	24,656	305,947
Infrastructure	5,258,024	-	-	5,258,024
<b>Total</b>	<u>7,701,551</u>	<u>3,464</u>	<u>24,656</u>	<u>7,680,359</u>
Less accumulated depreciation for:				
Buildings and improvements	1,182,009	42,481	-	1,224,490
Vehicles and equipment	228,063	25,910	24,656	229,317
Infrastructure	2,785,552	130,959	-	2,916,511
<b>Total</b>	<u>4,195,624</u>	<u>199,350</u>	<u>24,656</u>	<u>4,370,318</u>
<b>Total capital assets being       depreciated, net</b>	<u>3,505,927</u>	<u>(195,886)</u>	<u>-</u>	<u>3,310,041</u>
Business-type activities capital assets, net	<u>\$ 3,609,490</u>	<u>\$ (195,886)</u>	<u>\$ -</u>	<u>\$ 3,413,604</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 46,500
Public safety	95,913
Public works and streets	314,708
Culture and recreation	8,725
Community and economic development	-
Health and welfare	<u>6,713</u>
Total governmental activities depreciation expense	<u>\$ 472,559</u>
Business-type activities:	
Water	\$ 86,091
Sewer	<u>113,259</u>
Total business-type activities depreciation expense	<u>\$ 199,350</u>

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE 5 – LONG -TERM LIABILITIES**

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2013.

	Balance July 01, 2012	Additions	Reductions	Balance June 30, 2013	Due within one year
Governmental activities:					
Capital leases payable	\$ 54,992	\$ -	\$ 28,922	\$ 26,070	\$ 19,893
Compensated absences	97,799	83,129	104,107	76,821	76,821
	<u>\$ 152,791</u>	<u>\$ 83,129</u>	<u>\$ 133,029</u>	<u>\$ 102,891</u>	<u>\$ 96,714</u>
Business-type activities:					
Compensated absences	<u>\$ 762</u>	<u>\$ 8,131</u>	<u>\$ 2,325</u>	<u>\$ 6,568</u>	<u>\$ 6,568</u>

Capital leases – The Town has acquired vehicles and equipment under the provisions of long-term lease agreements classified as a capital lease for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term.

The assets acquired through capital leases are as follows:

	Governmental Activities
Vehicles and equipment	\$ 98,376
Less: accumulated depreciation	(43,703)
Carrying value	<u>\$ 54,673</u>

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2013:

Year Ending June 30	Governmental Activities
2014	\$ 21,178
2015	6,396
Total minimum lease payments	27,574
Less amount representing interest	(1,504)
Present value of net minimum lease payments	<u>\$ 26,070</u>

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

***NOTE 5 – LONG -TERM LIABILITIES – Continued***

Interest expense – Total interest expense of \$2,878 for governmental activities has been included on the government-wide financial statements as direct functional expenses of public safety for \$901 and public works and streets for \$1,977.

***NOTE 6 – 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; injuries to employees; 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 limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. The Town is insured by Municipal Workers compensation for potential work related accidents.

***NOTE 7 – CONTINGENCIES***

The Town's groundwater rights have been subject to pending litigation for many years. It is virtually impossible at this time to make an evaluation as to the likelihood of an unfavorable outcome or what the potential loss of such an unfavorable outcome would be. No monetary damages are being claimed by any party at this time.

The Town is involved, as of June 30, 2013 and at the time of issuance of the financial statements, in a lawsuit and countersuit with a contractor in relation to a possible breach of contract in relation to one of the town's airport projects. At the time of issuance of the financial statements the expected results and related amounts are undeterminable. If the issue is settled in favor of the contractor, amounts to be paid by the Town could be significant, and will not be covered by the Town's insurance policy.

***NOTE 8 – RETIREMENT PLANS***

Plan Descriptions – The Town contributes to the two plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are generally paid as a flat dollar amount per month towards the retiree's health care insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and dependents.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

***NOTE 8 – RETIREMENT PLANS - Continued***

The *Arizona State Retirement System* (ASRS) administers cost-sharing multiple-employer defined benefit pension, health insurance premium, and long-term disability plans that cover employees of the State of Arizona and participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2. The system issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to the Arizona State Retirement System, 3300 N. Central Ave., P.O. Box 33910, Phoenix, Arizona, 85067-3910 or by calling (602) 240-2000 or 1 (800) 621-3778.

The *Public Safety Personnel Retirement System* (PSPRS) administers agent multiple-employer defined benefit pension and health insurance premium plans that cover public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and the participating local boards 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. This report may be obtained by writing to the Public Safety Personnel Retirement System, 3010 East Camelback Road, Suite 200, Phoenix, Arizona 85016-4416, or by calling (602) 255-5575.

**Funding Policy** – The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates for both ASRS and PSPRS.

*Cost-sharing plans* – For the year ended June 30, 2013, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll. The Town's contributions to ASRS for the years ended June 30, 2013, 2012, and 2011, were \$73,523, \$96,466, and \$82,688, respectively, which were equal to the required contributions for the year.

*Agent plans* – For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 9.55 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 16.26 percent, of which 1.48 percent was the health insurance premium portion.

The contribution requirements for the year ended June 30, 2013, were established by the June 30, 2013 actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE 8 – RETIREMENT PLANS - Continued**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans 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 status presented below 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.

Projections of benefits are based on 1) the plans as understood by the Town of Springerville, Arizona and plan members and include the types of benefits in force at the valuation date, and 2) the pattern of sharing benefit costs between the Town and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The significant actuarial methods and assumptions used to establish the fiscal year 2013 contribution requirements are as follows:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	23 years for underfunded actuarial liability, 20
Asset valuation method	7-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.50% - 8.50%
Payroll growth	4.50%

Trend Information – Annual pension cost information for the current and two preceding years follows for each of the agent plans.

Plan	Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Pension	2013	56,638	100 %	\$ -
	2012	50,706	100	-
	2011	46,206	100	-
Health Insurance	2013	\$ 6,029	100 %	\$ -
	2012	6,433	100	-
	2011	7,161	100	-

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

**NOTE 8 – RETIREMENT PLANS - Continued**

Schedules of Funded Status – Following are the schedules of funded status of the plans as of the most recent valuation date, June 30, 2013, and the previous two fiscal years. The fiscal year 2013 actuarial methods and assumptions used for the schedules are not significantly different than the fiscal year 2012 actuarial methods and assumptions.

**Pension**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2013	\$ 1,650,663	\$ 1,973,950	\$ 323,287	83.6 %	\$ 284,501	113.6 %
6/30/2012	1,654,942	2,185,044	530,102	75.7	414,401	127.9
6/30/2011	1,499,723	1,692,222	192,499	88.6	352,823	54.6

**Health Insurance**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Funding (Liability) Excess (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded Liability as Percentage of Covered Payroll ([a-b]/c)
6/30/2013	\$ -	\$ 51,807	\$ 51,807	0.0 %	\$ 284,501	18.2 %
6/30/2012	-	84,061	84,061	0.0	414,401	20.3
6/30/2011	-	63,375	63,375	0.0	352,823	18.0

*Firefighters' Relief and Pension Fund* is a defined contribution pension plan administered by the Town and a board of trustees for the Town's volunteer firefighters. Total covered compensation to volunteer firefighters for the year ended June 30, 2013 was \$38,311; the Town's total payroll was \$1,442,990.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. According to state statute, a volunteer firefighter who has served as a member of the fire department of any incorporated city or town for 25 years or more or has reached 60 years of age and has served 20 years or more shall be eligible to receive a monthly retirement not to exceed \$150 per month, as determined by the board of trustees. Such pension, if paid, may be increased or decreased in amount, or discontinued at the discretion of the board of trustees. Pension and relief benefits may only be paid from the income of the trust fund. However, a firefighter who leaves the service without being eligible for retirement benefits is

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

***NOTE 8 – RETIREMENT PLANS - Continued***

entitled to all previous deductions from his salary plus interest at a rate determined by the board of trustees. As established by state statute, in lieu of another acceptable pension plan, all volunteer firefighters must participate in the pension plan from the date they enter service.

Each volunteer must contribute 5.0% of covered compensation which is equally matched by the Town. In addition, the State of Arizona is required by statute to contribute a portion of the annual tax received on fire insurance premiums. During the year ended June 30, 2013, the Town's and the firefighters' required and actual contributions amounted to \$4,027 combined; the State's contribution was \$0.

No pension provision changes occurred during the year that affected the required contributions to be made by the Town or its volunteer firefighters. The Firefighters' Relief and Pension Fund held no securities of the Town or other related parties during the fiscal year or as the close of the fiscal year.

***NOTE 9 – INTERFUND BALANCES AND ACTIVITY***

Interfund receivables and payables—Interfund balances at June 30, 2013, were as follows:

Payable from	Payable to		
	General Fund	Water Fund	Total
Grants Fund	\$ 49,521	\$ -	\$ 49,521
Airport Fund	64,368	-	64,368
Sewer Fund	-	1,018,305	1,018,305
	\$ 113,889	\$ 1,018,305	\$ 1,132,194

The interfund receivables and payables above were necessary in order to fund the ongoing activities of the funds in current and prior periods.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2013**

***NOTE 9 – INTERFUND BALANCES AND ACTIVITY – Continued***

Interfund transfers—Interfund transfers for the year ended June 30, 2013, were as follows:

Transfer from	Transfer to				Total
	General Fund	HURF Fund	Airport Fund	Senior Center Fund (non-major)	
General Fund	\$ -	\$ -	\$ 145,845	\$ 32,083	\$ 177,928
Grants Fund	14,241	-	-	-	14,241
Sewer Fund	-	9,167	-	-	9,167
	<u>\$ 14,241</u>	<u>\$ 9,167</u>	<u>\$ 145,845</u>	<u>\$ 32,083</u>	<u>\$ 201,336</u>

The interfund transfers from the General Fund to the Airport Fund and from the Grants Fund to the General Fund were to cover matching amounts required under grant contracts. The transfer from the General Fund to the Senior Center Fund was fund ongoing operations of the senior center.

***NOTE 10 – BEGINNING FUND BALANCE/NET POSITION RESTATED***

Beginning fund balance in the Airport Fund was restated to adjust for receivables that were already collected prior to the start of the year. Beginning receivables and fund balance were both reduced by \$31,677.

Beginning net position of the Governmental Activities, Business-type Activities, Water Fund, and the Sewer Fund were restated to adjust for capital assets that were not recorded in appropriate location. Water and Sewer capital assets and net position were increased by \$45,885 and \$2,859, respectively. Net position and capital assets of the Business-type Activities were increased by \$48,744 while net position and capital assets of the Governmental Activities were decreased by \$48,744.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Taxes	\$ 1,303,406	\$ 1,303,406	\$ 1,451,767	\$ 148,361
Intergovernmental	487,977	487,977	464,998	(22,979)
Fines and forfeitures	39,400	39,400	52,771	13,371
Licenses and permits	14,000	14,000	8,940	(5,060)
Charges for services	52,700	52,700	76,637	23,937
Investment income	1,300	1,300	4,261	2,961
Other revenue	39,500	39,500	35,545	(3,955)
<b>Total revenue</b>	<u>1,938,283</u>	<u>1,938,283</u>	<u>2,094,919</u>	<u>156,636</u>
<b>Expenditures</b>				
Current				
General government	947,523	947,523	727,256	220,267
Public safety	1,005,775	1,005,775	951,120	54,655
Public works and streets	107,635	107,635	86,532	21,103
Culture and recreation	97,108	97,108	88,409	8,699
Community and economic dev	93,430	93,430	88,649	4,781
Debt service				
Principal	-	-	20,342	(20,342)
Interest	-	-	901	(901)
Capital outlay	22,500	22,500	82,695	(60,195)
<b>Total expenditures</b>	<u>2,273,971</u>	<u>2,273,971</u>	<u>2,045,904</u>	<u>228,067</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(335,688)</u>	<u>(335,688)</u>	<u>49,015</u>	<u>384,703</u>
<b>Other financing sources (uses)</b>				
Transfers	395,096	395,096	(163,687)	(558,783)
<b>Net change in fund balance</b>	59,408	59,408	(114,672)	(174,080)
Fund balances, beginning of year	1,108,455	1,108,455	1,108,455	-
<b>Fund balances, end of year</b>	<u>\$ 1,167,863</u>	<u>\$ 1,167,863</u>	<u>\$ 993,783</u>	<u>\$ (174,080)</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**HURF Fund**  
**Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 441,839	\$ 441,839	\$ 336,859	\$ (104,980)
Other revenue	110,000	110,000	-	(110,000)
<b>Total revenue</b>	<u>551,839</u>	<u>551,839</u>	<u>336,859</u>	<u>(214,980)</u>
<b>Expenditures</b>				
Current				
Public works and streets	541,391	541,391	374,205	167,186
Capital outlay	55,500	55,500	20,830	34,670
<b>Total expenditures</b>	<u>596,891</u>	<u>596,891</u>	<u>395,035</u>	<u>201,856</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(45,052)</u>	<u>(45,052)</u>	<u>(58,176)</u>	<u>(13,124)</u>
<b>Other financing sources (uses)</b>				
Transfers	10,000	10,000	9,167	(833)
<b>Net change in fund balance</b>	(35,052)	(35,052)	(49,009)	(13,957)
Fund balances, beginning of year	<u>1,102,380</u>	<u>1,102,380</u>	<u>1,102,380</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 1,067,328</u></u>	<u><u>\$ 1,067,328</u></u>	<u><u>\$ 1,053,371</u></u>	<u><u>\$ (13,957)</u></u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Grants Fund**  
**Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 2,816,509	\$ 2,816,509	\$ 1,223,356	\$ (1,593,153)
<b>Expenditures</b>				
Current				
General government	62,100	62,100	5,841	56,259
Public safety	10,000	10,000	-	10,000
Public works and streets	1,058,415	1,058,415	-	1,058,415
Culture and recreation	1,000	1,000	15,849	(14,849)
Capital outlay	1,508,362	1,508,362	1,186,413	321,949
<b>Total expenditures</b>	<u>2,639,877</u>	<u>2,639,877</u>	<u>1,208,103</u>	<u>1,431,774</u>
Excess (deficiency) of revenue over (under) expenditures	<u>176,632</u>	<u>176,632</u>	<u>15,253</u>	<u>(161,379)</u>
<b>Other financing sources (uses)</b>				
Transfers	<u>(43,381)</u>	<u>(43,381)</u>	<u>(14,241)</u>	<u>29,140</u>
<b>Net change in fund balance</b>	133,251	133,251	1,012	(132,239)
Fund balances, beginning of year	<u>(11,687)</u>	<u>(11,687)</u>	<u>(11,687)</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 121,564</u></u>	<u><u>\$ 121,564</u></u>	<u><u>\$ (10,675)</u></u>	<u><u>\$ (132,239)</u></u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**Airport Fund**  
**Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Charges for services	\$ 261,400	\$ 261,400	\$ 307,689	\$ 46,289
Other revenue	500	500	3,199	2,699
<b>Total revenue</b>	<u>261,900</u>	<u>261,900</u>	<u>310,888</u>	<u>48,988</u>
<b>Expenditures</b>				
Current				
Public works and streets	317,477	317,477	362,051	(44,574)
Debt service				
Principal	10,557	10,557	8,580	1,977
Interest	-	-	1,977	(1,977)
Capital outlay	127,104	127,104	88,901	38,203
<b>Total expenditures</b>	<u>455,138</u>	<u>455,138</u>	<u>461,509</u>	<u>(6,371)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(193,238)</u>	<u>(193,238)</u>	<u>(150,621)</u>	<u>42,617</u>
<b>Other financing sources (uses)</b>				
Transfers	193,238	193,238	145,845	(47,393)
<b>Net change in fund balance</b>	-	-	(4,776)	(4,776)
Fund balances, beginning of year	(31,677)	(31,677)	(31,677)	-
<b>Fund balances, end of year</b>	<u>\$ (31,677)</u>	<u>\$ (31,677)</u>	<u>\$ (36,453)</u>	<u>\$ (4,776)</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2013**

***NOTE 1 – BUDGETING AND BUDGETARY CONTROL***

A.R.S. requires the Town to prepare and adopt a balanced budget annually for each governmental fund. The Town Council must approve such operating budgets on or before the third Monday in July to allow sufficient time for the legal announcements and hearings required for the adoption of the property tax levy on the third Monday in August. A.R.S. prohibits expenditures or liabilities in excess of the amounts budgeted.

Expenditures may not legally exceed appropriations at the department level. In certain instances, transfers of appropriations between departments or from the contingency account to a department may be made upon the Town Councils' approval. The Town has exceeded appropriations in the Airport Fund for the year ended June 30, 2013.

***NOTE 2 – BUDGETARY BASIS OF ACCOUNTING***

The Town's budget is prepared on a basis consistent with generally accepted accounting principles.



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**INDEPENDENT AUDITORS'S 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 Town Council  
Town of Springerville, 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 Springerville, Arizona, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Springerville, Arizona's, basic financial statements, and have issued our report thereon dated January 10, 2014.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs items **13-01, 13-02, and 13-03** to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs items **13-04 and 13-05** to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Town of Springerville, Arizona's Response to Findings**

The Town of Springerville, Arizona's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town'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.

A handwritten signature in cursive script that reads "Colby J. Powell".

January 10, 2014

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

To the Town Council  
Town of Springerville, Arizona

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

We have audited the Town of Springerville, Arizona's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Springerville, Arizona's major federal programs for the year ended June 30, 2013. Town of Springerville, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the Town of Springerville, Arizona, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### **Report on Internal Control Over Compliance**

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

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

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

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



January 10, 2014

**TOWN OF SPRINGVILLE, ARIZONA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2013**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Disbursements/ Expenditures
<b><u>U.S. Department of Agriculture Rural Businesses</u></b>			
<b><u>- Cooperative Services:</u></b>			
Rural Business Enterprise Grants	10.769		<u>29,830</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Passed through Apache county Economic Development:			
Community Development Block Grant	14.228		<u>131,046</u>
<b><u>U.S. Department of Transportation</u></b>			
Airport Improvement Program	20.106	03-04-0038-22	1,028,379
<b>Highway Safety Cluster</b>			
State and Community Highway Safety	20.600	2012-AL-007	7,447
State and Community Highway Safety	20.600	2012-PT-005	3,284
State and Community Highway Safety	20.600	2013-AL-004	8,485
State and Community Highway Safety	20.600	2013-PT-005	7,863
Total Highway Safety Cluster			<u>27,079</u>
Total U.S. Department of Transportation			<u>1,055,458</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
Passed through NACOG:			
<b>Aging Cluster</b>			
Special Programs for the Aging - Title III, Part C	93.045		17,226
Nutrition Services Incentive Program	93.053		<u>20,911</u>
Total Aging Cluster			<u>38,137</u>
Temporary Assistance for Needy Families	93.558		12,500
Community Services Block Grant	93.569		13,000
Head Start	93.600		52,368
Social Services Block Grant	93.667		<u>10,814</u>
Total U.S. Department of Health and Human Services			<u>126,819</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Emergency food and Shelter Program	97.024		<u>15,500</u>
<b><u>U.S. Department of the Interior</u></b>			
ARRA - Save America's Treasures	15.929		<u>21,974</u>
<b>Total Federal Assistance</b>			<u>\$ 1,380,627</u>

**TOWN OF SPRINGERVILLE, ARIZONA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2013**

***NOTE 1 – BASIS OF PRESENTATION***

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Springerville, Arizona, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2013**

<b>Section 1</b>	<b>Summary Of Auditors' Results</b>
------------------	---

*Financial Statements*

- |  |            |
|--|------------|
| 1. Type of auditor's report issued                           | Unmodified |
| 2. Internal control over financial reporting:                |            |
| a. Material weaknesses identified?                           | Yes        |
| b. Significant deficiencies identified?                      | Yes        |
| c. Noncompliance material to the financial statements noted? | None       |

*Federal Awards*

- |  |            |
|--|------------|
| 1. Internal control over major program:  |            |
| a. Material weaknesses identified?   | None       |
| b. Significant deficiencies identified?  | None       |
| 2. Type of auditor's report issued on compliance for major program:  | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Circular OMB A-133, Section 510 (a)? | No         |
| 4. Identification of major program:  |            |

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Airport Improvement Program	20.106

- |   |            |
|---|------------|
| 5. Dollar threshold used to distinguish between Type A and Type B programs:       | \$ 300,000 |
| 6. Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530? | No         |

**TOWN OF SPRINGVILLE, ARIZONA**  
**Schedule of Findings and Questioned Costs - *continued***  
**Year Ended June 30, 2013**

**Financial Statement Findings**

***Item: 13-01 (Repeat finding 07-01)***

*Subject:* Misstatements requiring audit adjustments.

*Condition:* During our audit we noted misstatements that were not identified by the Town's finance department which required us to propose adjusting journal entries.

*Recommendation:* We recommend that management review all audit entries to help in identifying areas in the accounting system that required adjustment. The finance department should ensure that these areas are complete before each audit.

*Response:* Management agrees with this finding and will work on improving the accounting reconciliations to ensure that there are less audit adjustments.

***Item: 13-02 (Repeat finding 12-01)***

*Subject:* Customer Deposits and Receivables Reconciliations.

*Condition:* During our audit, it was noted that customer deposits and accounts receivable subsidiary ledgers for the water fund were not reconciled to the general ledger control accounts.

*Recommendation:* We recommend that the finance department reconcile customer deposits and accounts receivable subsidiary ledgers for the water fund to the general ledger control accounts on a monthly basis.

*Response:* Management agrees with this finding and will begin to reconcile these accounts on a monthly basis.

***Item: 13-03 (Repeat finding 07-03)***

*Subject:* Capital Asset Accounting and Inventory.

*Condition:* During our audit, it was noted that the Town's capital asset detail listing did not agree with the general ledger control accounts.

*Recommendation:* We recommend that the finance department reconcile the capital asset detail listing to the general ledger control accounts prior to each audit.

*Response:* Management agrees with this finding and will begin to reconcile these accounts on a monthly basis.

**TOWN OF SPRINGERVILLE, ARIZONA**  
**Schedule of Findings and Questioned Costs – *continued***  
**Year Ended June 30, 2013**

**Financial Statement Findings - *Continued***

***Item: 13-04***

*Subject:* Bank reconciliations and Journal Entries

*Condition:* During our audit it was noted that cash bank reconciliations and journal entries performed by the Finance Director were not reviewed on a monthly basis.

*Recommendation:* Management should assign someone to review all cash bank reconciliations and journal entries each month and initial and date the reconciliation to evidence the review.

*Response:* Management agrees with this finding and will assign another member of Management to review the reconciliations and journal entries and initial and date to evidence the review.

***Item: 13-05***

*Subject:* Purchasing policy

*Condition:* During our audit we found that the Town has not followed its purchasing policy (dated October 12, 2005). The Town's policy requires purchase orders on all purchases in excess of \$100. Verbal quotations are required from at least two vendors for purchases between \$250 and \$1,000; written quotations from at least two vendors on purchases between \$1,000 and \$3,000; and, competitive bids on purchases over \$3,000. We found that the Town has not followed this policy.

*Recommendation:* We recommend that the Town implement its policies for purchasing.

*Response:* Management will implement the Town's policies for purchasing.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Schedule of Findings and Questioned Costs – *continued***  
**Year Ended June 30, 2013**

*Federal Award Findings and Questioned Costs*

None

**TOWN OF SPRINGERVILLE, ARIZONA**  
**Summary Schedule of Prior Year Audit Findings**  
**Year Ended June 30, 2013**

The status of audit findings from the prior year is as follows:

**Department of Transportation**

Airport Improvement Program – 20.106

**11-01** Single Audit Submission

*Condition* - OMB Circular A-133 requires annual Single Audits to be submitted within nine months after the end of the year under audit. The Town of Springerville, Arizona did not timely submit the Single Audit for the year ended June 30, 2012.

*Status* - The Town of Springerville is now in compliance.



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**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE USES OF HIGHWAY  
USER REVENUE FUND MONIES IN  
ACCORDANCE WITH ARS TITLE 28, CHAPTER  
18, ARTICLE 2**

To the Town Council  
Town of Springerville, Arizona

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, and each major fund of the Town of Springerville, Arizona as of and for the year ended June 30, 2013, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated January 10, 2014.

In connection with our audit, nothing came to our attention that caused us to believe that the Town 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 solely for the authorized transportation purposes. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of management and the members of the Arizona State Legislature and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

January 10, 2014