

TOWN OF SPRINGERVILLE, ARIZONA

**Annual Financial Statements
and Independent Auditors' Report
June 30, 2014**

TABLE OF CONTENTS

Financial Section:

Independent Auditors' Report	1
Basic Financial Statements	
Government-wide Statements	
Statement of Net Position	4
Statement of Activities.....	5
Fund Statements	
Governmental Funds	
Balance Sheet.....	6
Reconciliation of the Balance Sheet to the	
Statement of Net Position	7
Statement of Revenue, Expenditures, and	
Changes in Fund Balances	8
Reconciliation of the Statement of Revenue,	
Expenditures, and Changes in Fund	
Balances to the Statement of Activities	9
Proprietary Funds	
Statement of Net Position	10
Statement of Revenue, Expenses, and Changes in	
Fund Net Position	11
Statement of Cash Flows	12
Fiduciary Funds	
Statement of Fiduciary Net Position	14
Statement of Changes in Fiduciary Net Position	15
Notes to Financial Statements	16
Other Required Supplementary Information	
Budgetary Comparison Schedules	33
Notes to Budgetary Comparison Schedules	37
Schedule of Funding Progress.....	38

Government Auditing Standards Report Section:

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 <i>Government Auditing Standards</i>	39
--	----

Single Audit Reports Section:

Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133.....	41
Schedule of Expenditures of Federal Awards.....	43
Notes to Schedule of Expenditures of Federal Awards	44
Schedule of Findings and Questioned Costs.....	45
Summary Schedule of Prior Year Audit Findings	48

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, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2014, 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 and schedule of funding progress on pages 32 to 35 and page 36 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 November 24, 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 the Town of Springerville, Arizona's internal control over financial reporting and compliance.

Other Reporting Required by Arizona Revised Statutes

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.



November 24, 2014

TOWN OF SPRINGVILLE, ARIZONA
Statement of Net Position
June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 2,173,238	\$ 440,920	\$ 2,614,158
Accounts receivable - net	-	81,806	81,806
Due from other governments	217,844	-	217,844
Other receivables	41,166	-	41,166
Prepays	7,912	-	7,912
Inventory	20,499	-	20,499
Cash and cash equivalents-restricted	-	40,985	40,985
Capital assets, not being depreciated	3,324,325	103,563	3,427,888
Capital assets, being depreciated, net	11,777,659	3,230,835	15,008,494
Total assets	17,562,643	3,898,109	21,460,752
LIABILITIES			
Accounts payable	105,176	115,727	220,903
Accrued expenses	56,969	9,986	66,955
Deferred revenue	-	3,964	3,964
Refundable deposits	425	40,985	41,410
Compensated absences	94,382	6,454	100,836
Noncurrent liabilities			
Due within one year	23,256	-	23,256
Due in more than one year	27,501	-	27,501
Total liabilities	307,709	177,116	484,825
NET POSITION			
Invested in capital assets, net of related debt	15,051,227	3,334,398	18,385,625
Restricted for:			
Public works and streets	918,093	-	918,093
Tourism promotion	28,472	-	28,472
Senior welfare	183,739	-	183,739
Unrestricted (deficit)	1,073,403	386,595	1,459,998
Total net position	\$ 17,254,934	\$ 3,720,993	\$ 20,975,927

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Activities
Year Ended June 30, 2014

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	
Primary government							
Governmental activities							
General government	\$ 800,874	\$ 14,326	\$ -	\$ 27,264	\$ (759,284)	\$ -	\$ (759,284)
Public safety	1,047,900	120,746	26,958	72,297	(827,899)	-	(827,899)
Public works and streets	1,396,354	322,416	347,102	1,878,262	1,151,426	-	1,151,426
Culture and recreation	84,829	17,672	1,974	5,000	(60,183)	-	(60,183)
Community and economic development	125,100	-	37,561	-	(87,539)	-	(87,539)
Health and welfare	235,907	-	214,633	-	(21,274)	-	(21,274)
Total governmental activities	3,690,964	475,160	628,228	1,982,823	(604,753)	-	(604,753)
Business-type activities							
Water	331,777	379,279	-	-	-	47,502	47,502
Sewer	323,650	382,928	-	596	-	59,874	59,874
Total business-type activities	655,427	762,207	-	596	-	107,376	107,376
Total primary government	\$ 4,346,391	\$ 1,237,367	\$ 628,228	\$ 1,983,419	(604,753)	107,376	(497,377)
General revenue:							
Taxes:							
Local sales taxes					1,550,978	-	1,550,978
Share of state sales taxes					170,691	-	170,691
Share of state auto lieu taxes					104,153	-	104,153
State urban revenue sharing					218,578	-	218,578
Investment earnings					1,973	-	1,973
Miscellaneous					15,308	-	15,308
Transfers					(10,500)	10,500	-
Total general revenue and transfers					2,051,181	10,500	2,061,681
Change in net position					1,446,428	117,876	1,564,304
Net position, beginning of year, as restated					15,808,506	3,603,117	19,411,623
Net position, end of year					\$ 17,254,934	\$ 3,720,993	\$ 20,975,927

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	HURF Fund	Grants Fund	Airport Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,007,777	\$ 891,413	\$ 30,474	\$ 100	\$ 243,474	\$ 2,173,238
Due from other governments	112,170	32,859	58,003	-	14,812	217,844
Other receivables	33,872	-	-	7,294	-	41,166
Prepays	-	-	-	7,912	-	7,912
Inventory	-	-	-	20,499	-	20,499
Due from other funds	51,232	-	-	-	-	51,232
Total assets	1,205,051	924,272	88,477	35,805	258,286	2,511,891
LIABILITIES						
Accounts payable	49,472	5,320	43,890	3,406	3,088	105,176
Accrued expenses	49,510	4,691	172	1,815	781	56,969
Deposits	425	-	-	-	-	425
Due to other funds	-	-	-	51,232	-	51,232
Total liabilities	99,407	10,011	44,062	56,453	3,869	213,802
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue	15,620	-	-	-	-	15,620
Total deferred inflows of resources	15,620	-	-	-	-	15,620
FUND BALANCES						
Restricted for:						
Public works and streets	-	914,261	-	-	-	914,261
Tourism promotion	-	-	-	-	28,472	28,472
Senior welfare	-	-	-	-	183,739	183,739
Nonspendable	-	-	-	28,411	-	28,411
Unassigned	1,090,024	-	44,415	(49,059)	42,206	1,127,586
Total fund balances	1,090,024	914,261	44,415	(20,648)	254,417	2,282,469
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,205,051	\$ 924,272	\$ 88,477	\$ 35,805	\$ 258,286	\$ 2,511,891

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, 2014

Fund balances-total governmental funds	\$ 2,282,469
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.	15,101,984
Some receivables are not available to pay for current-period expenditures and therefore, are unavailable in the funds.	15,620
Some liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	<u>(145,139)</u>
Net position of governmental activities	<u><u>\$ 17,254,934</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, 2014

	General Fund	HURF Fund	Grants Fund	Airport Fund	Other Governmental Funds	Total Governmental Funds
Revenue						
Taxes	\$ 1,541,149	\$ -	\$ -	\$ -	\$ 9,829	\$ 1,550,978
Intergovernmental	498,422	344,243	212,898	1,878,240	180,688	3,114,491
Fines and forfeitures	58,997	-	-	-	-	58,997
Licenses and permits	13,526	-	-	-	-	13,526
Charges for services	71,157	-	-	312,521	-	383,678
Investment income	1,973	-	-	-	-	1,973
Other revenue	18,091	1,511	-	3,098	43,945	66,645
Total revenue	<u>2,203,315</u>	<u>345,754</u>	<u>212,898</u>	<u>2,193,859</u>	<u>234,462</u>	<u>5,190,288</u>
Expenditures						
Current						
General government	752,162	-	-	-	-	752,162
Public safety	954,829	-	13,058	-	-	967,887
Public works and streets	88,398	467,728	-	370,489	-	926,615
Culture and recreation	75,506	-	1,704	-	-	77,210
Community and economic development	83,787	-	38,312	-	3,001	125,100
Health and welfare	-	-	-	-	224,255	224,255
Debt service						
Principal	10,439	8,936	-	9,454	-	28,829
Interest	183	694	-	1,428	-	2,305
Capital outlay	17,456	61,022	100,577	1,926,599	-	2,105,654
Total expenditures	<u>1,982,760</u>	<u>538,380</u>	<u>153,651</u>	<u>2,307,970</u>	<u>227,256</u>	<u>5,210,017</u>
Excess (deficiency) of revenue over (under) expenditures	<u>220,555</u>	<u>(192,626)</u>	<u>59,247</u>	<u>(114,111)</u>	<u>7,206</u>	<u>(19,729)</u>
Other financing sources (uses)						
Transfers	(171,259)	-	(4,157)	129,916	35,000	(10,500)
Capital lease agreement	-	53,516	-	-	-	53,516
Total other financing sources (uses)	<u>(171,259)</u>	<u>53,516</u>	<u>(4,157)</u>	<u>129,916</u>	<u>35,000</u>	<u>43,016</u>
Net change in fund balances	49,296	(139,110)	55,090	15,805	42,206	23,287
Fund balances, beginning of year	1,040,728	1,053,371	(10,675)	(36,453)	212,211	2,259,182
Fund balances, end of year	<u>\$ 1,090,024</u>	<u>\$ 914,261</u>	<u>\$ 44,415</u>	<u>\$ (20,648)</u>	<u>\$ 254,417</u>	<u>\$ 2,282,469</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, 2014

Net change in fund balances-total governmental funds		\$ 23,287
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	2,105,654	
Current year depreciation	<u>(597,869)</u>	
		1,507,785
Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		
Grant revenue recognized in the prior period	(58,016)	
Grant revenue recognized in the current period	<u>15,620</u>	
		(42,396)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.		
		(53,516)
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		28,829
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.		
Increase in compensated absences payable		<u>(17,561)</u>
Change in net position of governmental activities		<u><u>\$ 1,446,428</u></u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2014

	Business-type Activities--Enterprise Funds		
	Water	Sewer	Total
	Fund	Fund	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 440,920	\$ -	\$ 440,920
Accounts receivable - net	42,848	38,958	81,806
Due from other funds	842,419	-	842,419
Total current assets	1,326,187	38,958	1,365,145
Noncurrent assets			
Cash and cash equivalents, restricted	27,110	13,875	40,985
Capital assets, net of accumulated depreciation, where applicable:			
Land	43,563	-	43,563
Water rights	60,000	-	60,000
Buildings and improvements, net	11,650	837,767	849,417
Vehicles and equipment	116,537	54,174	170,711
Infrastructure, net	1,186,259	1,024,448	2,210,707
Total noncurrent assets	1,445,119	1,930,264	3,375,383
Total assets	2,771,306	1,969,222	4,740,528
LIABILITIES			
Current liabilities			
Accounts payable	114,451	1,276	115,727
Accrued expenses	6,749	3,237	9,986
Deferred revenue	3,964	-	3,964
Due to other funds	-	842,419	842,419
Refundable deposits	27,110	13,875	40,985
Compensated absences	2,796	3,658	6,454
Total current liabilities	155,070	864,465	1,019,535
Total liabilities	155,070	864,465	1,019,535
Net position			
Invested in capital assets, net of related debt	1,418,009	1,916,389	3,334,398
Unrestricted (deficit)	1,198,227	(811,632)	386,595
Total net position	\$ 2,616,236	\$ 1,104,757	\$ 3,720,993

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, 2014

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenue			
Charges for services			
Water (net of bad debts of \$0)	\$ 368,884	\$ -	\$ 368,884
Sewer (net of bad debts of \$0)	-	380,875	380,875
Other revenues	10,395	2,053	12,448
Total operating revenue	<u>379,279</u>	<u>382,928</u>	<u>762,207</u>
Operating expenses			
Salaries and wages	66,349	87,111	153,460
Employee benefits	35,832	44,201	80,033
Service supplies, and other	142,901	85,669	228,570
Depreciation	86,696	106,668	193,364
Total operating expenses	<u>331,778</u>	<u>323,649</u>	<u>655,427</u>
Operating income (loss)	<u>47,501</u>	<u>59,279</u>	<u>106,780</u>
Nonoperating revenue (expenses)			
Connection fees	-	596	596
Income (loss) before contributions and transfers	<u>47,501</u>	<u>59,875</u>	<u>107,376</u>
Transfers	2,100	8,400	10,500
Increase (decrease) in net position	49,601	68,275	117,876
Total net position, beginning of year	2,566,635	1,036,482	3,603,117
Total net position, end of year	<u>\$ 2,616,236</u>	<u>\$ 1,104,757</u>	<u>\$ 3,720,993</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash flows from operating activities			
Receipts from customers	\$ 395,724	\$ 387,214	\$ 782,938
Payments to suppliers and providers of goods and services	(186,046)	(132,279)	(318,325)
Payments to employees	(66,843)	(87,115)	(153,958)
Net cash provided (used) by operating activities	<u>142,835</u>	<u>167,820</u>	<u>310,655</u>
Cash flows from noncapital financing activities			
Transfers to other funds	2,100	8,400	10,500
Interfund loans	175,886	(175,886)	-
Net cash provided (used) by noncapital financing activities	<u>177,986</u>	<u>(167,486)</u>	<u>10,500</u>
Cash flows from capital and related financing activities			
Capital contributions	-	596	596
Purchases of capital assets	(3,299)	-	(3,299)
Net cash provided (used) by capital and related financing activities	<u>(3,299)</u>	<u>596</u>	<u>(2,703)</u>
Net increase (decrease) in cash	317,522	930	318,452
Cash and cash equivalents, beginning of year	150,508	12,945	163,453
Cash and cash equivalents, end of year	<u>\$ 468,030</u>	<u>\$ 13,875</u>	<u>\$ 481,905</u>
Cash and cash equivalents	\$ 440,920	\$ -	\$ 440,920
Cash and cash equivalents, restricted	27,110	13,875	40,985
Cash and cash equivalents, end of year	<u>\$ 468,030</u>	<u>\$ 13,875</u>	<u>\$ 481,905</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014

	Business-type Activities--Enterprise Funds		
	Water	Sewer	Total
	Fund	Fund	
Reconciliation of operating income (loss)			
to net cash provided (used) by			
operating activities			
Operating income (loss)	\$ 47,501	\$ 59,279	\$ 106,780
Adjustments to reconcile operating income			
(loss) to net cash provided (used) by			
operating activities:			
Depreciation	86,696	106,668	193,364
Bad debts	6,000	4,000	10,000
(Increase) decrease in:			
Accounts receivable	9,215	(517)	8,698
Increase (decrease) in:			
Accounts payable	(6,577)	(2,409)	(8,986)
Accrued expenses	(772)	(348)	(1,120)
Deferred revenue	25	(127)	(102)
Refundable deposits	1,205	930	2,135
Compensated absences payable	(458)	344	(114)
Net cash provided (used) by			
operating activities	<u>\$ 142,835</u>	<u>\$ 167,820</u>	<u>\$ 310,655</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Volunteer Firefighters' Relief and Pension
ASSETS	
Cash and cash equivalents	\$ 1,642
Investments	107,851
Total assets	109,493
LIABILITIES	
Total liabilities	-
NET POSITION	
Held in trust for investment trust participants	\$ 109,493

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014

	Volunteer Firefighters' Relief and Pension
Additions	
Contributions from participants	\$ 4,385
Investment income	10,254
Total additions	14,639
Deductions	
Other expenses	50
Total deductions	50
Change in net position	14,589
Net position, beginning of year	94,904
Net position, end of year	\$ 109,493

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2014

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, 2014

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, 2014

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, 2014

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, 2014 in the Water and Sewer Funds, respectively, were \$6,000 and \$4,000.

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, 2014

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. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. 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),

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

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.

K. Impact of Recently Issued Accounting Principles

In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for periods beginning after December 15, 2012.

In June 2012, the GASB issued Statement 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Upon implementation, it is anticipated that this Statement will cause a restatement of

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

beginning net position of the Governmental Activities, Business-type Activities, and the proprietary funds.

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.

Deposits

At June 30, 2014, the carrying amount of the Town's total nonpooled cash in bank was \$1,524,486, and the bank balance was \$1,609,440. Of the bank balance, \$269,128 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 \$27,110 and \$13,875, 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 \$1,124,992. 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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 2 – DEPOSITS AND INVESTMENTS – Continued

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, 2014 consisted of \$14,493 in state-shared revenue from sales taxes, \$4,081 in state-shared revenue from auto lieu taxes, and \$93,596 in local sales taxes collected by the State of Arizona.

Amounts due from other governments in the HURF Fund at June 30, 2014 consisted of \$32,859 in state-shared revenue from highway user revenue fund (HURF) taxes.

Amounts due from other governments in the Grants Fund at June 30, 2014 consisted of \$16,512 in revenue from USDA Rural Development for a feasibility study and \$41,491 in revenue from the Arizona Governor's Office of Highway Safety for public safety grants.

Amounts due from other governments in the non-major Other Governmental funds at June 30, 2014 consisted of \$14,812 in grant revenues receivable from the Northern Arizona Council of Governments (NACOG) for Senior Center grants.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,796,848	\$ -	\$ -	\$ 1,796,848
Artwork	1,500,000	-	-	1,500,000
Construction in progress	149,732	11,130	133,385	27,477
Total capital assets not being depreciated	<u>3,446,580</u>	<u>11,130</u>	<u>133,385</u>	<u>3,324,325</u>
Capital assets being depreciated:				
Buildings and improvements	4,355,547	86,731	-	4,442,278
Vehicles and equipment	3,490,439	114,817	-	3,605,256
Infrastructure	11,365,275	2,026,361	-	13,391,636
Total	<u>19,211,261</u>	<u>2,227,909</u>	<u>-</u>	<u>21,439,170</u>
Less accumulated depreciation for:				
Buildings and improvements	1,337,890	141,662	-	1,479,552
Vehicles and equipment	3,001,033	124,020	-	3,125,053
Infrastructure	4,724,719	332,187	-	5,056,906
Total	<u>9,063,642</u>	<u>597,869</u>	<u>-</u>	<u>9,661,511</u>
Total capital assets being depreciated, net	<u>10,147,619</u>	<u>1,630,040</u>	<u>-</u>	<u>11,777,659</u>
Governmental activities capital assets, net	<u>\$ 13,594,199</u>	<u>\$ 1,641,170</u>	<u>\$ 133,385</u>	<u>\$ 15,101,984</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 4 – CAPITAL ASSETS – Continued

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 43,563	\$ -	\$ -	\$ 43,563
Water rights	60,000	-	-	60,000
Total capital assets not being depreciated	<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	305,947	114,158	-	420,105
Infrastructure	5,258,024	-	-	5,258,024
Total	<u>7,680,359</u>	<u>114,158</u>	<u>-</u>	<u>7,794,517</u>
Less accumulated depreciation for:				
Buildings and improvements	1,224,490	42,481	-	1,266,971
Vehicles and equipment	229,317	20,078	-	249,395
Infrastructure	2,916,511	130,805	-	3,047,316
Total	<u>4,370,318</u>	<u>193,364</u>	<u>-</u>	<u>4,563,682</u>
Total capital assets being depreciated, net	<u>3,310,041</u>	<u>(79,206)</u>	<u>-</u>	<u>3,230,835</u>
Business-type activities capital assets, net	<u>\$ 3,413,604</u>	<u>\$ (79,206)</u>	<u>\$ -</u>	<u>\$ 3,334,398</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 44,712
Public safety	70,830
Public works and streets	463,617
Culture and recreation	7,058
Health and welfare	11,652
Total governmental activities depreciation expense	<u>\$ 597,869</u>
Business-type activities:	
Water	\$ 86,696
Sewer	106,668
Total business-type activities depreciation expense	<u>\$ 193,364</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 5 – LONG -TERM LIABILITIES

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2014.

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due within one year
Governmental activities:					
Capital leases payable	\$ 26,070	\$ 53,516	\$ 28,829	\$ 50,757	\$ 23,256
Compensated absences	76,821	17,561	-	94,382	94,382
	<u>\$ 102,891</u>	<u>\$ 71,077</u>	<u>\$ 28,829</u>	<u>\$ 145,139</u>	<u>\$ 117,638</u>
Business-type activities:					
Compensated absences	<u>\$ 6,568</u>	<u>\$ -</u>	<u>\$ 114</u>	<u>\$ 6,454</u>	<u>\$ 6,454</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	\$ 95,326
Less: accumulated depreciation	(29,918)
Carrying value	<u>\$ 65,408</u>

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2014:

Year Ending June 30	Governmental Activities
2015	\$ 25,655
2016	19,259
2017	9,630
Total minimum lease payments	54,544
Less amount representing interest	(3,787)
Present value of net minimum lease payments	<u>\$ 50,757</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 5 – LONG -TERM LIABILITIES – Continued

Interest expense – Total interest expense of \$2,305 for governmental activities has been included on the government-wide financial statements as direct functional expenses of public safety for \$183 and public works and streets for \$2,122.

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, 2014 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, 2014

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, 2014, active ASRS members and the Town were each required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 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, 2014, 2013, and 2012, were \$104,207, \$73,523, and \$96,466, respectively, which were equal to the required contributions for the year.

Agent plans – For the year ended June 30, 2014, active PSPRS members were required by statute to contribute 10.35 percent of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 20.49 percent, of which 1.54 percent was the health insurance premium portion.

The contribution requirements for the year ended June 30, 2014, were established by the June 30, 2014 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, 2014

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 2014 contribution requirements are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level percent-of-pay closed
Remaining amortization period	22 years for underfunded actuarial liability, 20
Asset valuation method	7-year smoothed market; 80%/120% market
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.00% - 8.00%
Payroll growth	4.00%

Permanent Benefit Increases

Members Retired on or before July 1, 2011: 2% compounded on average.

Members Retired on or after August 1, 2011: .5% compounded on average.

Since all current retirees receive the same dollar increase amount,

approximation techniques were used to develop the PBI for each member.

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	2014	\$ 86,578	100 %	\$ -
	2013	57,220	100	-
	2012	50,706	100	-
Health Insurance	2014	\$ 7,036	100 %	\$ -
	2013	6,029	100	-
	2012	6,433	100	-

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2014

NOTE 8 – RETIREMENT PLANS – Continued

Funded Status and Funding Progress – Following is the schedule of funded status of the plans as of the most recent valuation date, June 30, 2014, and the previous two fiscal years. The fiscal year 2014 actuarial methods and assumptions used for the schedules are not significantly different than the fiscal year 2013 actuarial methods and assumptions as described on the previous page.

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)
6/30/2014	\$ 1,621,368	\$ 2,382,862	\$ (761,494)	68.0 %	\$ 309,043	246.4 %
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

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)
6/30/2014	\$ 92,951	\$ 50,752	\$ 42,199	183.15 %	\$ 309,043	0.0 %
6/30/2013	-	51,807	(51,807)	0.00	284,501	18.21
6/30/2012	-	84,061	(84,061)	0.00	414,401	20.28

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, 2014 was \$39,719; the Town's total payroll was \$1,371,976.

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,

TOWN OF SPRINGVILLE, ARIZONA

Notes to Financial Statements

June 30, 2014

NOTE 8 – RETIREMENT PLANS – Continued

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 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, 2014, the Town's and the firefighters' required and actual contributions amounted to \$4,385 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, 2014, were as follows:

Payable from	Payable to		
	General Fund	Water Fund	Total
Airport Fund	51,232	-	51,232
Sewer Fund	-	842,419	842,419
	\$ 51,232	\$ 842,419	\$ 893,651

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, 2014

NOTE 9 – INTERFUND BALANCES AND ACTIVITY – Continued

Interfund transfers—Interfund transfers for the year ended June 30, 2014, were as follows:

Transfer from	Transfer to				Total
	Airport Fund	Senior Center Fund (non-major)	Water Fund	Sewer Fund	
General Fund	\$ 129,916	\$ 35,000	\$ 2,100	\$ 4,243	\$ 171,259
Grants Fund	-	-	-	4,157	4,157
	<u>\$ 129,916</u>	<u>\$ 35,000</u>	<u>\$ 2,100</u>	<u>\$ 8,400</u>	<u>\$ 175,416</u>

The interfund transfers from the General Fund to the Water, Sewer, and Airport Funds and from the Grants Fund to the Water and Sewer Funds 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 net position of the Governmental Activities and the General Fund were restated to adjust for prior year revenues that were posted incorrectly to balance sheet items. Net position and fund balance were increased by \$46,944. The beginning balance of refundable deposits was decreased by \$18,962 and due from other governments was increased by \$27,982.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Taxes	\$ 1,533,747	\$ 1,533,747	\$ 1,541,149	\$ 7,402
Intergovernmental	513,077	513,077	498,422	(14,655)
Fines and forfeitures	48,700	48,700	58,997	10,297
Licenses and permits	12,300	12,300	13,526	1,226
Charges for services	72,700	72,700	71,157	(1,543)
Investment income	4,000	4,000	1,973	(2,027)
Other revenue	55,300	55,300	18,091	(37,209)
Total revenue	<u>2,239,824</u>	<u>2,239,824</u>	<u>2,203,315</u>	<u>(36,509)</u>
Expenditures				
Current				
General government	1,225,973	1,225,973	752,162	473,811
Public safety	929,236	929,236	954,829	(25,593)
Public works and streets	113,451	113,451	88,398	25,053
Culture and recreation	117,819	117,819	75,506	42,313
Community and economic dev	94,600	94,600	83,787	10,813
Debt service				
Principal	30,500	30,500	10,439	20,061
Interest	-	-	183	(183)
Capital outlay	-	-	17,456	(17,456)
Total expenditures	<u>2,511,579</u>	<u>2,511,579</u>	<u>1,982,760</u>	<u>528,819</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(271,755)</u>	<u>(271,755)</u>	<u>220,555</u>	<u>492,310</u>
Other financing sources (uses)				
Transfers	<u>(388,308)</u>	<u>(388,308)</u>	<u>(171,259)</u>	<u>217,049</u>
Net change in fund balance	<u>(660,063)</u>	<u>(660,063)</u>	<u>49,296</u>	<u>709,359</u>
Fund balances, beginning of year	<u>1,040,728</u>	<u>1,040,728</u>	<u>1,040,728</u>	<u>-</u>
Fund balances, end of year	<u>\$ 380,665</u>	<u>\$ 380,665</u>	<u>\$ 1,090,024</u>	<u>\$ 709,359</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF Fund
Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 495,923	\$ 495,923	\$ 344,243	\$ (151,680)
Other revenue	-	-	1,511	1,511
Total revenue	<u>495,923</u>	<u>495,923</u>	<u>345,754</u>	<u>(150,169)</u>
Expenditures				
Current				
Public works and streets	471,202	471,202	467,728	3,474
Debt service				
Principal	12,000	12,000	8,936	3,064
Interest	1,800	1,800	694	1,106
Capital outlay	20,000	20,000	61,022	(41,022)
Total expenditures	<u>505,002</u>	<u>505,002</u>	<u>538,380</u>	<u>(33,378)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(9,079)</u>	<u>(9,079)</u>	<u>(192,626)</u>	<u>(183,547)</u>
Other financing sources (uses)				
Transfers	124,444	124,444	-	(124,444)
Capital lease agreement	-	-	53,516	53,516
Total other financing sources (uses)	<u>124,444</u>	<u>124,444</u>	<u>53,516</u>	<u>(70,928)</u>
Net change in fund balance	115,365	115,365	(139,110)	(254,475)
Fund balances, beginning of year	<u>1,053,371</u>	<u>1,053,371</u>	<u>1,053,371</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 1,168,736</u></u>	<u><u>\$ 1,168,736</u></u>	<u><u>\$ 914,261</u></u>	<u><u>\$ (254,475)</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 1,316,800	\$ 1,316,800	\$ 212,898	\$ (1,103,902)
Expenditures				
Current				
General government	800,000	800,000	-	800,000
Public safety	52,000	52,000	13,058	38,942
Public works and streets	449,800	449,800	-	449,800
Culture and recreation	15,000	15,000	1,704	13,296
Community and economic development	-	-	38,312	(38,312)
Capital outlay	-	-	100,577	(100,577)
Total expenditures	<u>1,316,800</u>	<u>1,316,800</u>	<u>153,651</u>	<u>1,163,149</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>59,247</u>	<u>59,247</u>
Other financing sources (uses)				
Transfers	<u>-</u>	<u>-</u>	<u>(4,157)</u>	<u>(4,157)</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>55,090</u>	<u>55,090</u>
Fund balances, beginning of year	<u>(10,675)</u>	<u>(10,675)</u>	<u>(10,675)</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ (10,675)</u></u>	<u><u>\$ (10,675)</u></u>	<u><u>\$ 44,415</u></u>	<u><u>\$ 55,090</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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 2,500,000	\$ 2,500,000	\$ 1,878,240	\$ (621,760)
Charges for services	275,630	275,630	312,521	36,891
Other revenue	-	-	3,098	3,098
Total revenue	<u>2,775,630</u>	<u>2,775,630</u>	<u>2,193,859</u>	<u>(581,771)</u>
Expenditures				
Current				
Public works and streets	1,508,143	1,508,143	370,489	1,137,654
Debt service				
Principal	10,557	10,557	9,454	1,103
Interest	1,000	1,000	1,428	(428)
Capital outlay	1,266,000	1,266,000	1,926,599	(660,599)
Total expenditures	<u>2,785,700</u>	<u>2,785,700</u>	<u>2,307,970</u>	<u>477,730</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(10,070)</u>	<u>(10,070)</u>	<u>(114,111)</u>	<u>(104,041)</u>
Other financing sources (uses)				
Transfers	146,228	146,228	129,916	(16,312)
Net change in fund balance	136,158	136,158	15,805	(120,353)
Fund balances, beginning of year	<u>(36,453)</u>	<u>(36,453)</u>	<u>(36,453)</u>	<u>-</u>
Fund balances, end of year	<u>\$ 99,705</u>	<u>\$ 99,705</u>	<u>\$ (20,648)</u>	<u>\$ (120,353)</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Notes to Budgetary Comparison Schedules
June 30, 2014

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 HURF Fund for the year ended June 30, 2014.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

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

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of Funding Progress
June 30, 2014

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)
6/30/2014	\$ 1,621,368	\$ 2,382,862	\$ (761,494)	68.0 %	\$ 309,043	246.4 %
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

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)
6/30/2014	\$ 92,951	\$ 50,752	\$ 42,199	183.15 %	\$ 309,043	0.0 %
6/30/2013	-	51,807	(51,807)	0.00	284,501	18.21
6/30/2012	-	84,061	(84,061)	0.00	414,401	20.28



**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 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, 2014, and the related notes to the financial statements, which collectively comprise the Town of Springerville, Arizona's, basic financial statements, and have issued our report thereon dated November 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Town of Springerville, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Springerville, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We

did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiency. It is listed as item **14-01**.

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 Standards*.

Town of Springerville, Arizona's Response to Findings

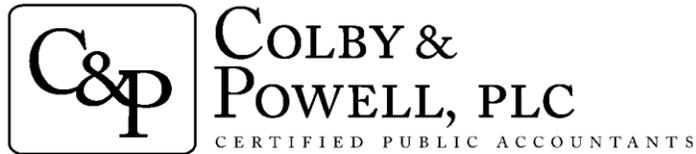
The Town of Springerville, Arizona's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express 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.



November 24, 2014



1535 W. Harvard Avenue, Suite 101 · Gilbert, Arizona 85233

Tel: (480) 635-3200 · Fax: (480) 635-3201

INDEPENDENT AUDITORS' 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, 2014. The 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, 2014.

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.



November 24, 2014

TOWN OF SPRINGVILLE, ARIZONA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grantor's Number	Disbursements/ Expenditures
<u>U.S. Department of Agriculture Rural Businesses</u>			
<u>- Cooperative Services:</u>			
Rural Business Enterprise Grants	10.769		<u>37,561</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Apache County Economic Development:			
<u>CDBG- State-Administered CDBG Cluster</u>			
Community Development Block Grant	14.228	138-12	15,796
Community Development Block Grant	14.228	124-12	<u>27,264</u>
Total CDBG - State- Administered CDBG Cluster			<u>43,060</u>
Total U.S. Department of Housing and Urban Development			<u>43,060</u>
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	20.106	03-04-0038-20	1,830,269
National Priority Safety Programs	20.616	2014-164-111	1,971
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2014-164-111	29,560
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	2014-164-112	2,388
<u>Highway Safety Cluster</u>			
State and Community Highway Safety	20.600	2014-164-111	7,883
State and Community Highway Safety	20.600	2014-PT-027	5,629
State and Community Highway Safety	20.600	2013-AL-004	1,440
State and Community Highway Safety	20.600	2014-AL-028	<u>3,600</u>
Total Highway Safety Cluster			<u>18,552</u>
Total U.S. Department of Transportation			<u>1,882,740</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through NACOG:			
<u>Aging Cluster</u>			
Special Programs for the Aging - Title III, Part C	93.045		14,365
Nutrition Services Incentive Program	93.053		<u>17,597</u>
Total Aging Cluster			<u>31,962</u>
<u>TANF Cluster</u>			
Temporary Assistance for Needy Families	93.558		<u>10,500</u>
Total TANF Cluster			<u>10,500</u>
Community Services Block Grant	93.569		3,270
Head Start	93.600		50,181
Social Services Block Grant	93.667		<u>10,585</u>
Total U.S. Department of Health and Human Services			<u>106,498</u>
<u>U.S. Department of Homeland Security</u>			
Emergency food and Shelter Program	97.024		<u>19,200</u>
Total Federal Assistance			<u>\$ 2,089,059</u>

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2014

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, 2014

Section 1	Summary Of Auditors' Results
------------------	---

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None |
| 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 SPRINGERVILLE, ARIZONA
Schedule of Findings and Questioned Costs – *continued*
Year Ended June 30, 2014

Financial Statement Findings

Item: 14-01 (Repeat finding 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, 2014

Federal Award Findings and Questioned Costs

None

TOWN OF SPRINGVILLE, ARIZONA
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2014

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

None