

**TOWN OF SPRINGERVILLE, ARIZONA**

**Annual Financial Statements  
and Independent Auditors' Report  
June 30, 2015**



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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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### **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, each major fund, and the aggregate remaining fund information of the Town of Springerville, Arizona, as of June 30, 2015, 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.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, for the year ended June 30, 2015, the Town adopted new accounting guidance, Governmental Accounting Standards Board Statement Nos. 68 and 71. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

The Town of Springerville 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 Schedules on pages 50 through 53, Schedule of the Town's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans on page 55, Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios – Agent Pension Plans on page 56, Schedule of Town Pension Contributions on page 57, and Schedule of Agent OPEB Plans' Funding Progress on page 59, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2015, 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, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Town's noncompliance with the use of highway user revenue fund monies and other dedicated state transportation revenues, insofar as they relate to accounting matters.



November 25, 2015



**FINANCIAL SECTION**

**TOWN OF SPRINGERVILLE, ARIZONA**  
**Statement of Net Position**  
**June 30, 2015**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,989,333	\$ 670,803	\$ 2,660,136
Accounts receivable - net	-	90,176	90,176
Due from other governments	155,440	-	155,440
Other receivables	18,629	-	18,629
Inventory	25,067	-	25,067
Cash and cash equivalents-restricted	-	65,486	65,486
Capital assets, not being depreciated	3,564,920	141,576	3,706,496
Capital assets, being depreciated, net	11,309,543	3,094,393	14,403,936
<b>Total assets</b>	<b>17,062,932</b>	<b>4,062,434</b>	<b>21,125,366</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	406,200	35,309	441,509
<b>LIABILITIES</b>			
Accounts payable	25,462	24,036	49,498
Accrued expenses	49,325	10,824	60,149
Deferred revenue	-	5,522	5,522
Refundable deposits	668	48,653	49,321
Compensated absences	127,091	14,100	141,191
Noncurrent liabilities			
Due within one year	29,764	51,953	81,717
Due in more than one year	2,017,592	758,023	2,775,615
<b>Total liabilities</b>	<b>2,249,902</b>	<b>913,111</b>	<b>3,163,013</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	298,613	58,600	357,213
<b>NET POSITION</b>			
Net investment in capital assets	14,816,425	3,060,138	17,876,563
Restricted for:			
Debt service	-	16,833	
Public works and streets	725,757	-	725,757
Senior welfare	241,015	-	241,015
Tourism promotion	47,538	-	47,538
Unrestricted (deficit)	(910,118)	49,061	(844,224)
<b>Total net position</b>	<b>\$ 14,920,617</b>	<b>\$ 3,126,032</b>	<b>\$ 18,046,649</b>

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

**TOWN OF SPRINGVILLE, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2015**

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	\$ 690,629	\$ 8,044	\$ 2,600	\$ -	\$ (679,985)	\$ -	\$ (679,985)
Public safety	1,281,546	94,586	31,857	51,264	(1,103,839)	-	(1,103,839)
Public works and streets	1,267,854	235,215	368,593	31,034	(633,012)	-	(633,012)
Culture and recreation	106,389	16,666	1,078	5,000	(83,645)	-	(83,645)
Community and economic development	152,427	-	55,569	-	(96,858)	-	(96,858)
Health and welfare	259,766	-	228,154	-	(31,612)	-	(31,612)
Interest	2,883	-	-	-	(2,883)	-	(2,883)
<b>Total governmental activities</b>	<b>3,761,494</b>	<b>354,511</b>	<b>687,851</b>	<b>87,298</b>	<b>(2,631,834)</b>	<b>-</b>	<b>(2,631,834)</b>
Business-type activities							
Water	382,320	381,755	-	-	-	(565)	(565)
Sewer	663,015	396,086	-	550	-	(266,379)	(266,379)
<b>Total business-type activities</b>	<b>1,045,335</b>	<b>777,841</b>	<b>-</b>	<b>550</b>	<b>-</b>	<b>(266,944)</b>	<b>(266,944)</b>
<b>Total primary government</b>	<b>\$ 4,806,829</b>	<b>\$ 1,132,352</b>	<b>\$ 687,851</b>	<b>\$ 87,848</b>	<b>(2,631,834)</b>	<b>(266,944)</b>	<b>(2,898,778)</b>
<b>General revenue:</b>							
Taxes:							
Local sales taxes					1,506,531	-	1,506,531
Share of state sales taxes					179,213	-	179,213
Share of state auto lieu taxes					108,972	-	108,972
State urban revenue sharing					237,391	-	237,391
Investment earnings					1,697	-	1,697
Miscellaneous					6,561	-	6,561
Total general revenue					2,040,365	-	2,040,365
Change in net position					(591,469)	(266,944)	(858,413)
Net position, beginning of year, as restated					15,512,086	3,392,976	18,905,062
Net position, end of year					\$ 14,920,617	\$ 3,126,032	\$ 18,046,649

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

**TOWN OF SPRINGVILLE, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2015**

	General Fund	HURF Fund	Grants Fund	Airport Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 978,103	\$ 708,339	\$ 32,774	\$ 100	\$ 270,017	\$ 1,989,333
Due from other governments	79,672	35,723	12,806	-	27,239	155,440
Other receivables	17,798	-	-	831	-	18,629
Inventory	-	-	-	25,067	-	25,067
Due from other funds	51,232	-	-	-	-	51,232
<b>Total assets</b>	<b>1,126,805</b>	<b>744,062</b>	<b>45,580</b>	<b>25,998</b>	<b>297,256</b>	<b>2,239,701</b>
<b>LIABILITIES</b>						
Accounts payable	10,640	11,622	359	1,921	920	25,462
Accrued expenses	32,588	6,683	50	2,221	7,783	49,325
Deposits	400	-	-	268	-	668
Due to other funds	-	-	-	51,232	-	51,232
<b>Total liabilities</b>	<b>43,628</b>	<b>18,305</b>	<b>409</b>	<b>55,642</b>	<b>8,703</b>	<b>126,687</b>
<b>FUND BALANCES</b>						
Nonspendable	51,232	-	-	-	-	51,232
Restricted for:						
Public works and streets	-	725,757	-	-	-	725,757
Tourism promotion	-	-	-	-	47,538	47,538
Senior welfare	-	-	-	-	241,015	241,015
Unassigned	1,031,945	-	45,171	(29,644)	-	1,047,472
<b>Total fund balances</b>	<b>1,083,177</b>	<b>725,757</b>	<b>45,171</b>	<b>(29,644)</b>	<b>288,553</b>	<b>2,113,014</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,126,805</b>	<b>\$ 744,062</b>	<b>\$ 45,580</b>	<b>\$ 25,998</b>	<b>\$ 297,256</b>	<b>\$ 2,239,701</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, 2015**

Fund balances-total governmental funds	\$ 2,113,014
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.	14,874,463
Long-term liabilities, such as net pension liabilities compensated absences, and bonds payable are not due and payable in the current period and, therefore, are not reported as a liability in the funds.	(2,174,447)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>107,587</u>
<b>Net position of governmental activities</b>	<u><u>\$ 14,920,617</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, 2015**

	General Fund	HURF Fund	Grants Fund	Airport Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue</b>						
Taxes	\$ 1,494,294	\$ -	\$ -	\$ -	\$ 12,238	\$ 1,506,532
Intergovernmental	530,576	367,539	133,361	31,034	175,280	1,237,790
Fines and forfeitures	54,097	-	-	-	-	54,097
Licenses and permits	8,044	-	-	-	-	8,044
Charges for services	78,007	-	-	225,558	-	303,565
Investment income	1,697	-	-	-	-	1,697
Other revenue	11,956	2,708	-	1,054	58,202	73,920
<b>Total revenue</b>	<b>2,178,671</b>	<b>370,247</b>	<b>133,361</b>	<b>257,646</b>	<b>245,720</b>	<b>3,185,645</b>
<b>Expenditures</b>						
Current						
General government	639,855	-	-	-	-	639,855
Public safety	1,046,552	-	16,295	-	-	1,062,847
Public works and streets	76,198	341,380	-	327,785	-	745,363
Culture and recreation	98,749	-	-	-	-	98,749
Community and economic development	92,789	-	59,319	-	-	152,108
Health and welfare	-	-	-	-	246,584	246,584
Debt service						
Principal	6,121	17,079	-	6,177	-	29,377
Interest	484	2,180	-	219	-	2,883
Capital outlay	108,797	198,112	58,501	48,582	-	413,992
<b>Total expenditures</b>	<b>2,069,545</b>	<b>558,751</b>	<b>134,115</b>	<b>382,763</b>	<b>246,584</b>	<b>3,391,758</b>
Excess (deficiency) of revenue over (under) expenditures	109,126	(188,504)	(754)	(125,117)	(864)	(206,113)
<b>Other financing sources (uses)</b>						
Transfers	(152,631)	-	1,510	116,121	35,000	-
Capital lease agreement	36,658	-	-	-	-	36,658
<b>Total other financing sources (uses)</b>	<b>(115,973)</b>	<b>-</b>	<b>1,510</b>	<b>116,121</b>	<b>35,000</b>	<b>36,658</b>
<b>Net change in fund balances</b>	<b>(6,847)</b>	<b>(188,504)</b>	<b>756</b>	<b>(8,996)</b>	<b>34,136</b>	<b>(169,455)</b>
Fund balances, beginning of year	1,090,024	914,261	44,415	(20,648)	254,417	2,282,469
<b>Fund balances, end of year</b>	<b>\$ 1,083,177</b>	<b>\$ 725,757</b>	<b>\$ 45,171</b>	<b>\$ (29,644)</b>	<b>\$ 288,553</b>	<b>\$ 2,113,014</b>

*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, 2015**

Net change in fund balances-total governmental funds		\$ (169,455)
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	413,992	
Current year depreciation expense	<u>(641,513)</u>	(227,521)
Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.		
		(15,620)
Town pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.		
Town pension contributions	141,079	
PSPRS health insurance transfer	(76,069)	
Pension expense	<u>(203,893)</u>	(138,883)
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	29,377	
Capital leases incurred	<u>(36,658)</u>	(7,281)
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>(32,709)</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ (591,469)</u></b>

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

**TOWN OF SPRINGVILLE, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2015**

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 670,803	\$ -	\$ 670,803
Accounts receivable - net	48,257	41,919	90,176
Due from other funds	701,326	-	701,326
<b>Total current assets</b>	<b>1,420,386</b>	<b>41,919</b>	<b>1,462,305</b>
Noncurrent assets			
Cash and cash equivalents, restricted	45,022	20,464	65,486
Capital assets, net of accumulated depreciation, where applicable:			
Land	43,563	-	43,563
Water rights	60,000	-	60,000
Buildings and improvements, net	11,007	796,052	807,059
Vehicles and equipment, net	112,383	50,966	163,349
Infrastructure, net	1,165,536	996,462	2,161,998
<b>Total noncurrent assets</b>	<b>1,437,511</b>	<b>1,863,944</b>	<b>3,301,455</b>
<b>Total assets</b>	<b>2,857,897</b>	<b>1,905,863</b>	<b>4,763,760</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	18,459	16,850	35,309
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	14,115	9,921	24,036
Accrued expenses	7,322	3,502	10,824
Deferred revenue	5,522	-	5,522
Due to other funds	-	701,326	701,326
Refundable deposits	33,245	15,408	48,653
Compensated absences	7,537	6,563	14,100
Notes payable, current portion	35,991	15,962	51,953
<b>Total current liabilities</b>	<b>103,732</b>	<b>752,682</b>	<b>856,414</b>
<b>Noncurrent liabilities</b>			
Notes payable, net of current portion	139,840	316,032	455,872
Net pension liability	157,960	144,191	302,151
<b>Total noncurrent liabilities</b>	<b>297,800</b>	<b>460,223</b>	<b>758,023</b>
<b>Total liabilities</b>	<b>401,532</b>	<b>1,212,905</b>	<b>1,614,437</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	30,635	27,965	58,600
<b>NET POSITION</b>			
Net investment in capital assets	1,216,658	1,843,480	3,060,138
Restricted for:			
Debt service	11,777	5,056	16,833
Unrestricted (deficit)	1,215,754	(1,166,693)	49,061
<b>Total net position</b>	<b>\$ 2,444,189</b>	<b>\$ 681,843</b>	<b>\$ 3,126,032</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, 2015**

	Business-type Activities--Enterprise Funds		
	Water	Sewer	Total
	Fund	Fund	
<b>Operating revenue</b>			
Charges for services			
Water (net of bad debts of \$0)	\$ 380,579	\$ -	\$ 380,579
Sewer (net of bad debts of \$0)	-	396,045	396,045
Other revenues	1,176	41	1,217
<b>Total operating revenue</b>	<u>381,755</u>	<u>396,086</u>	<u>777,841</u>
<b>Operating expenses</b>			
Salaries and wages	102,179	91,217	193,396
Employee benefits	48,118	46,368	94,486
Service supplies, and other	136,803	422,435	559,238
Depreciation	95,220	98,335	193,555
<b>Total operating expenses</b>	<u>382,320</u>	<u>658,355</u>	<u>1,040,675</u>
<b>Operating income (loss)</b>	<u>(565)</u>	<u>(262,269)</u>	<u>(262,834)</u>
<b>Nonoperating revenue (expenses)</b>			
Connection fees	-	550	550
Interest expense	-	(4,660)	(4,660)
<b>Total nonoperating revenue (expenses)</b>	<u>-</u>	<u>(4,110)</u>	<u>(4,110)</u>
<b>Increase (decrease) in net position</b>	(565)	(266,379)	(266,944)
Total net position, beginning of year, as restated	2,444,754	948,222	3,392,976
<b>Total net position, end of year</b>	<u>\$ 2,444,189</u>	<u>\$ 681,843</u>	<u>\$ 3,126,032</u>

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

**TOWN OF SPRINGVILLE, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2015**

	Business-type Activities--Enterprise Funds		
	Water	Sewer	Total
	Fund	Fund	
<b>Cash flows from operating activities</b>			
Receipts from customers	\$ 384,039	\$ 394,658	\$ 778,697
Payments to suppliers and providers of goods and services	(176,618)	(461,387)	(638,005)
Payments to employees	(95,991)	(88,047)	(184,038)
<b>Net cash provided (used) by             operating activities</b>	<u>111,430</u>	<u>(154,776)</u>	<u>(43,346)</u>
<b>Cash flows from noncapital financing activities</b>			
Interfund loans	141,093	(141,093)	-
<b>Cash flows from capital and related financing activities</b>			
Proceeds from the issuance of debt	210,901	347,574	558,475
Capital contributions	-	550	550
Interest paid	-	(4,660)	(4,660)
Principal paid on long-term debt	(35,070)	(15,580)	(50,650)
Purchases of capital assets	(180,559)	(25,426)	(205,985)
<b>Net cash provided (used) by             capital and related financing             activities</b>	<u>(4,728)</u>	<u>302,458</u>	<u>297,730</u>
<b>Net increase (decrease) in cash</b>	247,795	6,589	254,384
Cash and cash equivalents, beginning of year	468,030	13,875	481,905
<b>Cash and cash equivalents, end of year</b>	<u>\$ 715,825</u>	<u>\$ 20,464</u>	<u>\$ 736,289</u>
Cash and cash equivalents	\$ 670,803	\$ -	\$ 670,803
Cash and cash equivalents, restricted	45,022	20,464	65,486
<b>Cash and cash equivalents, end of year</b>	<u>\$ 715,825</u>	<u>\$ 20,464</u>	<u>\$ 736,289</u>

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

**TOWN OF SPRINGVILLE, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2015**

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Reconciliation of operating income (loss)</b>			
<b>to net cash provided (used) by</b>			
<b>operating activities</b>			
Operating income (loss)	\$ (565)	\$ (262,269)	\$ (262,834)
Adjustments to reconcile operating income			
(loss) to net cash provided (used) by			
operating activities:			
Depreciation	95,220	98,335	193,555
Pension expense	9,084	8,293	17,377
Employer pension contributions	(10,430)	(9,522)	(19,952)
(Increase) decrease in:			
Accounts receivable	(5,409)	(2,961)	(8,370)
Increase (decrease) in:			
Accounts payable	10,523	8,645	19,168
Accrued expenses	573	265	838
Deferred revenue	1,558	-	1,558
Refundable deposits	6,135	1,533	7,668
Compensated absences payable	4,741	2,905	7,646
<b>Net cash provided (used) by</b>			
<b>operating activities</b>	<u>\$ 111,430</u>	<u>\$ (154,776)</u>	<u>\$ (43,346)</u>

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

**TOWN OF SPRINGVILLE, ARIZONA**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

	Volunteer Firefighters' Relief and Pension
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,380
Investments	<u>56,545</u>
<b>Total assets</b>	<u>65,925</u>
<b>NET POSITION</b>	
Held in trust for investment trust participants	<u><u>\$ 65,925</u></u>

*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, 2015**

	Volunteer Firefighters' Relief and Pension
<b>Additions</b>	
Contributions from participants	\$ 4,832
Investment income	2,735
<b>Total additions</b>	7,567
<b>Deductions</b>	
Other expenses	51,135
Change in net position	(43,568)
Net position, beginning of year	109,493
Net position, end of year	\$ 65,925

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

**TOWN OF SPRINGERVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

***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, 2015**

***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, 2015**

***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, 2015**

**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, 2015 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, 2015**

***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.

**J. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

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

**K. 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.

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.

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

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

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

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

provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Town implemented this standard during this fiscal period. See the subsequent notes for further details.

In November 2013, the GASB issued Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The Town implemented this standard during this fiscal period. See the subsequent notes for further details.

***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, 2015, the carrying amount of the Town's total nonpooled cash in bank was \$1,590,360, and the bank balance was \$1,771,710. Of the bank balance, \$269,897 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 \$33,245 and \$15,408 and debt service reserve amounts of \$11,777 and \$5,056, 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 \$1,126,680. 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

**TOWN OF SPRINGVILLE, ARIZONA**

**Notes to Financial Statements**

**June 30, 2015**

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

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, 2015 consisted of \$15,610 in state-shared revenue from sales taxes, \$5,162 in state-shared revenue from auto lieu taxes, and \$58,900 in local sales taxes collected by the State of Arizona.

Amounts due from other governments in the HURF Fund at June 30, 2015 consisted of \$35,723 in state-shared revenue from highway user revenue fund (HURF) taxes.

Amounts due from other governments in the Grants Fund at June 30, 2015 consisted of \$8,935 in revenue from the Arizona Department of Homeland Security and \$3,871 in revenue from the 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, 2015 consisted of \$27,239 in contract revenues receivable from the Northern Arizona Council of Governments (NACOG) for Senior Center contracts.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Increases	Decreases	Balance June 30, 2015
<b><u>Governmental activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 1,796,848	\$ -	\$ -	\$ 1,796,848
Artwork	1,500,000	-	-	1,500,000
Construction in progress	27,477	240,595	-	268,072
<b>Total capital assets not         being depreciated</b>	<b>3,324,325</b>	<b>240,595</b>	<b>-</b>	<b>3,564,920</b>
Capital assets being depreciated:				
Buildings and improvements	4,442,278	49,904	-	4,492,182
Vehicles and equipment	3,605,256	114,835	-	3,720,091
Infrastructure	13,391,636	8,658	-	13,400,294
<b>Total</b>	<b>21,439,170</b>	<b>173,397</b>	<b>-</b>	<b>21,612,567</b>
Less accumulated depreciation for:				
Buildings and improvements	1,479,552	471,351	-	1,950,903
Vehicles and equipment	3,125,053	112,306	-	3,237,359
Infrastructure	5,056,906	57,856	-	5,114,762
<b>Total</b>	<b>9,661,511</b>	<b>641,513</b>	<b>-</b>	<b>10,303,024</b>
<b>Total capital assets being         depreciated, net</b>	<b>11,777,659</b>	<b>(468,116)</b>	<b>-</b>	<b>11,309,543</b>
Governmental activities capital assets, net	<b>\$ 15,101,984</b>	<b>\$ (227,521)</b>	<b>\$ -</b>	<b>\$ 14,874,463</b>
<b><u>Business-type activities:</u></b>				
Capital assets not being depreciated:				
Land	\$ 43,563	\$ -	\$ -	\$ 43,563
Construction in progress	-	38,013	-	38,013
Water rights	60,000	-	-	60,000
<b>Total capital assets not         being depreciated</b>	<b>103,563</b>	<b>38,013</b>	<b>-</b>	<b>141,576</b>
Capital assets being depreciated:				
Buildings and improvements	2,116,388	-	-	2,116,388
Vehicles and equipment	420,105	12,783	-	432,888
Infrastructure	5,258,024	44,328	-	5,302,352
<b>Total</b>	<b>7,794,517</b>	<b>57,111</b>	<b>-</b>	<b>7,851,628</b>
Less accumulated depreciation for:				
Buildings and improvements	1,266,971	42,358	-	1,309,329
Vehicles and equipment	249,395	20,145	-	269,540
Infrastructure	3,047,316	131,052	-	3,178,368
<b>Total</b>	<b>4,563,682</b>	<b>193,555</b>	<b>-</b>	<b>4,757,237</b>
<b>Total capital assets being         depreciated, net</b>	<b>3,230,835</b>	<b>(136,444)</b>	<b>-</b>	<b>3,094,391</b>
Business-type activities capital assets, net	<b>\$ 3,334,398</b>	<b>\$ (98,431)</b>	<b>\$ -</b>	<b>\$ 3,235,967</b>

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 4 – CAPITAL ASSETS – Continued**

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 48,148
Public safety	59,870
Public works and streets	514,022
Culture and recreation	7,058
Health and welfare	12,415
	<u>12,415</u>
Total governmental activities depreciation expense	<u>\$ 641,513</u>
Business-type activities:	
Water	\$ 95,220
Sewer	98,335
	<u>98,335</u>
Total business-type activities depreciation expense	<u>\$ 193,555</u>

**NOTE 5 – LONG -TERM LIABILITIES**

The following schedule details the Town’s long-term liability and obligation activity for the year ended June 30, 2015.

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due within one year
Governmental activities:					
Capital leases payable	\$ 50,757	\$ 36,658	\$ 29,377	\$ 58,038	\$ 29,764
Net pension liability	1,885,513	103,805	-	1,989,318	-
Compensated absences	94,382	32,709	-	127,091	127,091
	<u>\$ 2,030,652</u>	<u>\$ 173,172</u>	<u>\$ 29,377</u>	<u>\$ 2,174,447</u>	<u>\$ 156,855</u>
Business-type activities:					
Notes payable	\$ -	\$ 558,476	\$ 50,651	\$ 507,825	\$ 51,953
Net pension liability	347,713	-	45,562	302,151	-
Compensated absences	6,454	7,646	-	14,100	14,100
	<u>\$ 354,167</u>	<u>\$ 566,122</u>	<u>\$ 96,213</u>	<u>\$ 824,076</u>	<u>\$ 66,053</u>

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

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

Notes Payable – The Town’s notes payable consisted of the following:

<u>Description</u>	<u>Original Amount</u>	<u>Maturity Ranges</u>	<u>Interest Rates</u>	<u>Outstanding Principal</u>
Note payable - WIFA	210,901	2020	2.00-3.41%	175,831
Note payable - WIFA	<u>347,575</u>	2020	2.00-3.41%	<u>331,994</u>
Total notes payable	<u>\$ 558,476</u>			<u>\$ 507,825</u>

The following schedule details debt service requirements to maturity for the Town’s notes payable at June 30, 2015.

Year Ending June 30	<u>Business-type Activities</u>					
	<u>Note Payable</u>		<u>Note Payable</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 35,991	\$ 3,671	\$ 15,962	\$ 7,742	\$ 51,953	\$ 11,413
2017	36,936	2,701	16,353	7,341	53,289	10,042
2018	37,905	1,706	16,754	6,930	54,659	8,636
2019	38,900	685	17,164	6,510	56,064	7,195
2020	26,099	-	17,585	6,079	43,684	6,079
2021-25	-	-	94,602	23,554	94,602	23,554
2026-30	-	-	106,773	11,085	106,773	11,085
2031-35	-	-	46,801	590	46,801	590
Total	<u>\$ 175,831</u>	<u>\$ 8,763</u>	<u>\$ 331,994</u>	<u>\$ 69,831</u>	<u>\$ 507,825</u>	<u>\$ 78,594</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:

	<u>Governmental Activities</u>
Vehicles and equipment	\$ 90,174
Less: accumulated depreciation	<u>(13,449)</u>
Carrying value	<u>\$ 76,725</u>

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

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

The following schedule details debt service requirements to maturity for the Town’s capital leases payable at June 30, 2015:

Year Ending June 30	Governmental Activities
2016	\$ 32,469
2017	22,840
2018	6,605
Total minimum lease payments	61,914
Less amount representing interest	(3,876)
Present value of net minimum lease payments	\$ 58,038

***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, 2015 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.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
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**NOTE 8 – CHANGE IN ACCOUNTING PRINCIPLE**

Net position as of July 1, 2015, has been restated as follows for the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net position as previously reported at June 30, 2014	\$ 17,254,934	\$ 3,720,993
Prior period adjustments-implementation of GASB 68:		
Net pension liability (measurement date as of June 30, 2013)	(1,885,513)	(347,713)
Deferred outflows-Town contributions made during fiscal year 2014	<u>142,665</u>	<u>19,696</u>
Total prior period adjustment	<u>(1,742,848)</u>	<u>(328,017)</u>
Net position, as restated, July 1, 2014	<u>\$ 15,512,086</u>	<u>\$ 3,392,976</u>
	<u>Water Fund</u>	<u>Sewer Fund</u>
Net position as previously reported at June 30, 2014	\$ 2,616,236	\$ 1,104,757
Prior period adjustments-implementation of GASB 68:		
Net pension liability (measurement date as of June 30, 2013)	(181,779)	(165,934)
Deferred outflows-Town contributions made during fiscal year 2014	<u>10,297</u>	<u>9,399</u>
Total prior period adjustment	<u>(171,482)</u>	<u>(156,535)</u>
Net position, as restated, July 1, 2014	<u>\$ 2,444,754</u>	<u>\$ 948,222</u>

**TOWN OF SPRINGVILLE, ARIZONA**  
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**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

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

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

**Statement of Net Position and Statement of Activities**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net pension liabilities	\$ 1,989,318	\$ 302,151	\$ 2,291,469
Deferred outflows of resources	406,200	35,309	441,509
Deferred inflows of resources	298,613	58,600	357,213
Pension expense	203,893	17,377	221,270

The Town reported \$150,943 of pension expenditures in the governmental funds related to all pension plans to which it contributes.

**A. Arizona State Retirement System**

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

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
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**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

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

\*With actuarially reduced benefits.

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

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.60 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members’ annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.60 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members’ annual covered payroll. The Town’s contributions to the pension plan for the year ended June 30, 2015,

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

were \$106,139. The Town’s contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

<b>ASRS</b>	<b>Health Benefit Supplement Fund</b>	<b>Long-term Disability Fund</b>
Year ended June 30,		
2015	\$ 5,490	\$ 1,098
2014	5,418	2,167
2013	3,960	1,584

During fiscal year 2015, the Town paid for ASRS pension and OPEB contributions as follows: 45.44 percent from the General Fund, 14.68 percent from the HURF Fund, 6.12 percent from the Airport Fund, 3.12 percent from the Grants Fund, 10.60 percent from the Senior Center Fund (nonmajor), 10.48 percent from the Water Fund, and 9.56 percent from the Sanitation Fund.

**Pension Liability** – At June 30, 2015, the Town reported a liability of \$1,507,493 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The Town’s proportion of the net pension liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2015. The Town’s proportion measured as of June 30, 2014, was .010188 percent, which was a decrease of .000247 from its proportion measured as of June 30, 2013.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Pension Expense and Deferred Outflows/Inflows of Resources** – For the year ended June 30, 2015, the Town recognized pension expense for ASRS of \$86,699. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 76,615	\$ -
Net difference between projected and actual earnings on pension plan investments	-	263,614
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	28,753
Town contributions subsequent to the measurement date	99,551	-
Total	\$ 176,166	\$ 292,367

The \$99,551 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ended June 30,		
2016	\$	(45,094)
2017		(45,094)
2018		(59,661)
2019		(65,903)
2020		-
Thereafter		-

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

**ASRS**

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

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

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

**ASRS**

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

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

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

ASRS	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's proportionate share of the net pension liability	\$ 1,734,813	\$ 1,507,493	\$ 1,905,394

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

**B. Public Safety Personnel Retirement System**

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

The PSPRS issue publicly available financial reports that include their financial statements and required supplementary information. The reports are available on the PSPRS Web site at [www.psprs.com](http://www.psprs.com).

**Benefits Provided** – The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

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

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

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

	<b>PSPRS Police</b>
Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	1
Active employees	6
Total	10

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

	<b>PSPRS Police</b>
Active Members - Pension	11.05%
Town	
Pension	18.30%
Health insurance premium benefit	1.48%

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

<b>Pension</b>	<b>PSPRS Police</b>
Contributions Made	\$ 61,480
<b>Health Insurance Premium Benefit</b>	
Annual OPEB cost	4,598
Contributions made	4,598

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

**Net Pension Liability (Asset)** – At June 30, 2015, the Town reported the following net pension liability:

	<b>Net Pension Liability (Asset)</b>
PSPRS Police	\$ 783,976

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2015, reflect the following changes of benefit terms and actuarial assumptions:

- In February 2015, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law that changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

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

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

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Short term investments	2%	3.25%
Absolute return	4%	6.75%
Risk parity	4%	6.04%
Fixed Income	7%	4.75%
Real assets	8%	5.96%
GTAA	10%	5.73%
Private Equity	11%	9.50%
Real estate	11%	6.50%
Credit opportunities	13%	8.00%
Non-U.S. equity	14%	8.63%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

**Pension Discount Rates** – The following discount rates were used to measure the total pension liabilities:

	<u>PSPRS Police</u>
Discount rates	7.85%

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

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Changes in the Net Pension Liability (Asset)**

PSPRS	Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2014	\$ 1,973,950	\$ 1,475,537	\$ 498,413
Changes for the year			
Service Cost	51,036	-	51,036
Interest on the total pension liability	153,315	-	153,315
Changes of benefit terms	48,631	-	48,631
Differences between expected and actual experience in the measurement of the pension liability	(172)	-	(172)
Changes of assumptions or other inputs	248,915	-	248,915
Contributions-employer	-	64,094	(64,094)
Contributions-employee	-	35,700	(35,700)
Net investment income	-	192,437	(192,437)
Benefit payments, including refunds of employee contributions	(92,813)	(92,813)	-
Other changes	-	(76,069)	76,069
Net changes	408,912	123,349	285,563
Balances at June 30, 2015	\$ 2,382,862	\$ 1,598,886	\$ 783,976

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

PSPRS	1% Decrease	Current Discount Rate	1% Increase
PSPRS Police			
Rate	6.85%	7.85%	8.85%
Net pension liability	\$ 1,066,271	\$ 783,976	\$ 546,885

**Pension Plan Fiduciary Net Position** – Detailed information about the pension plans’ fiduciary net position is available in the separately issued PSPRS financial reports.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Pension Expense** – For the year ended June 30, 2015, the Town recognized the following pension expense:

	<b>Pension Expense</b>
PSPRS Police	\$ 134,571

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

<b>PSPRS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 141
Changes of assumptions or other inputs	203,863	-
Net difference between projected and actual earnings on pension plan investments	-	64,705
Town contributions subsequent to the measurement date	61,480	-
	61,480	-
<b>Total</b>	<b>\$ 265,343</b>	<b>\$ 64,846</b>

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

***NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued***

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

Year ended June 30,	<b>PSPRS Police</b>
2016	\$ 28,844
2017	28,844
2018	28,845
2019	28,845
2020	23,639
Thereafter	-

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

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

Projections of benefits are based on (1) the plans as understood by the Town and plans' 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 plans' 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.

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

The actuarial methods and assumptions used to establish the fiscal year 2015 contribution requirements are as follows:

**PSPRS - OPEB Contribution Requirements**

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

**Agent Plan OPEB Trend Information** – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years:

Year ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2015	\$ 4,598	100%	Not available
2014	7,036	100%	(42,199)
2013	6,029	0%	51,807

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 9 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued**

**Agent Plan OPEB Funded Status** – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2015, along with the actuarial assumptions and methods used in those valuations follow.

		<u><b>PSPRS Police</b></u>
Actuarial value of assets (a)	\$	92,951
Actuarial accrued liability (b)	\$	50,752
Unfunded actuarial accrued liability (funding excess) (b) - (a)	\$	(42,199)
Funded ratio (a)/(b)		183.15%
Annual covered payroll (c)	\$	309,043
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll (b) - (a) / (c)		0.00%

The actuarial methods and assumptions for the most recent valuation date are as follows:

**PSPRS - OPEB Funded Status**

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4%-8%
Wage growth	4%

**TOWN OF SPRINGVILLE, ARIZONA**  
**Notes to Financial Statements**  
**June 30, 2015**

**NOTE 10 – INTERFUND BALANCES AND ACTIVITY**

Interfund receivables and payables—Interfund balances at June 30, 2015, were as follows:

Payable from	Payable to		
	General Fund	Water Fund	Total
Airport Fund	\$ 51,232	\$ -	\$ 51,232
Sewer Fund	-	701,326	701,326
	<u>\$ 51,232</u>	<u>\$ 701,326</u>	<u>\$ 752,558</u>

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

Interfund transfers—Interfund transfers for the year ended June 30, 2015, were as follows:

Transfer from	Transfer to			Total
	Grants Fund	Airport Fund	Senior Center Fund (non-major)	
General Fund	\$ 1,510	\$ 116,121	\$ 35,000	\$ 152,631

The interfund transfers from the General Fund to the Grants and Airport 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.



**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF SPRINGVILLE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Taxes	\$ 1,564,000	\$ 1,564,000	\$ 1,494,294	\$ (69,706)
Intergovernmental	535,039	535,039	530,576	(4,463)
Fines and forfeitures	48,000	48,000	54,097	6,097
Licenses and permits	13,250	13,250	8,044	(5,206)
Charges for services	83,636	83,636	78,007	(5,629)
Investment income	1,500	1,500	1,697	197
Other revenue	76,600	76,600	11,956	(64,644)
<b>Total revenue</b>	<u>2,322,025</u>	<u>2,322,025</u>	<u>2,178,671</u>	<u>(143,354)</u>
<b>Expenditures</b>				
Current				
General government	908,442	908,442	639,855	268,587
Public safety	1,064,404	1,064,404	1,046,552	17,852
Public works and streets	126,204	126,204	76,198	50,006
Culture and recreation	122,292	122,292	98,749	23,543
Community and economic dev	102,031	102,031	92,789	9,242
Debt service				
Principal	6,121	6,121	6,121	-
Interest	484	484	484	-
Capital outlay	108,797	108,797	108,797	-
<b>Total expenditures</b>	<u>2,438,775</u>	<u>2,438,775</u>	<u>2,069,545</u>	<u>369,230</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(116,750)</u>	<u>(116,750)</u>	<u>109,126</u>	<u>225,876</u>
<b>Other financing sources (uses)</b>				
Transfers	(163,486)	(163,486)	(152,631)	10,855
Capital lease agreement	-	-	36,658	36,658
<b>Total other financing sources (uses)</b>	<u>(163,486)</u>	<u>(163,486)</u>	<u>(115,973)</u>	<u>47,513</u>
<b>Net change in fund balance</b>	<u>(280,236)</u>	<u>(280,236)</u>	<u>(6,847)</u>	<u>273,389</u>
Fund balances, beginning of year	<u>1,090,024</u>	<u>1,090,024</u>	<u>1,090,024</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 809,788</u></u>	<u><u>\$ 809,788</u></u>	<u><u>\$ 1,083,177</u></u>	<u><u>\$ 273,389</u></u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**HURF Fund**  
**Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 367,848	\$ 367,848	\$ 367,539	\$ (309)
Other revenue	-	-	2,708	2,708
<b>Total revenue</b>	<u>367,848</u>	<u>367,848</u>	<u>370,247</u>	<u>2,399</u>
<b>Expenditures</b>				
Current				
Public works and streets	352,517	352,517	341,380	11,137
Debt service				
Principal	17,079	17,079	17,079	-
Interest	2,180	2,180	2,180	-
Capital outlay	198,112	198,112	198,112	-
<b>Total expenditures</b>	<u>569,888</u>	<u>569,888</u>	<u>558,751</u>	<u>11,137</u>
<b>Net change in fund balance</b>	(202,040)	(202,040)	(188,504)	13,536
Fund balances, beginning of year	<u>914,261</u>	<u>914,261</u>	<u>914,261</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 712,221</u></u>	<u><u>\$ 712,221</u></u>	<u><u>\$ 725,757</u></u>	<u><u>\$ 13,536</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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 2,991,000	\$ 2,991,000	\$ 133,361	\$ (2,857,639)
<b>Expenditures</b>				
Current				
General government	500,000	500,000	-	500,000
Public safety	119,000	119,000	16,295	102,705
Public works and streets	2,152,000	2,152,000	-	2,152,000
Culture and recreation	220,000	220,000	-	220,000
Community and economic development	-	-	59,319	(59,319)
Capital outlay	-	-	58,501	(58,501)
<b>Total expenditures</b>	<u>2,991,000</u>	<u>2,991,000</u>	<u>134,115</u>	<u>2,856,885</u>
Excess (deficiency) of revenue over (under) expenditures	<u>-</u>	<u>-</u>	<u>(754)</u>	<u>(754)</u>
<b>Other financing sources (uses)</b>				
Transfers	<u>-</u>	<u>-</u>	<u>1,510</u>	<u>1,510</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>756</u>	<u>756</u>
Fund balances, beginning of year	<u>44,415</u>	<u>44,415</u>	<u>44,415</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u><u>\$ 44,415</u></u>	<u><u>\$ 44,415</u></u>	<u><u>\$ 45,171</u></u>	<u><u>\$ 756</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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenue</b>				
Intergovernmental	\$ 267,900	\$ 267,900	\$ 31,034	\$ (236,866)
Charges for services	-	-	225,558	225,558
Other revenue	-	-	1,054	1,054
<b>Total revenue</b>	<u>267,900</u>	<u>267,900</u>	<u>257,646</u>	<u>(10,254)</u>
<b>Expenditures</b>				
Current				
Public works and streets	341,408	341,408	327,785	13,623
Debt service				
Principal	6,177	6,177	6,177	-
Interest	219	219	219	-
Capital outlay	48,582	48,582	48,582	-
<b>Total expenditures</b>	<u>396,386</u>	<u>396,386</u>	<u>382,763</u>	<u>13,623</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(128,486)</u>	<u>(128,486)</u>	<u>(125,117)</u>	<u>3,369</u>
<b>Other financing sources (uses)</b>				
Transfers	128,486	128,486	116,121	(12,365)
<b>Net change in fund balance</b>	-	-	(8,996)	(8,996)
Fund balances, beginning of year	<u>(20,648)</u>	<u>(20,648)</u>	<u>(20,648)</u>	-
<b>Fund balances, end of year</b>	<u>\$ (20,648)</u>	<u>\$ (20,648)</u>	<u>\$ (29,644)</u>	<u>\$ (8,996)</u>

*See accompanying notes to budgetary comparison schedule.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Required Supplementary Information**  
**Notes to Budgetary Comparison Schedules**  
**June 30, 2015**

***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.

***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 the Town's Proportionate**  
**Share of the Net Pension Liability**  
**Cost-Sharing Pension Plans**  
**June 30, 2015**

**Arizona State Retirement System**

	<b>Reporting Fiscal Year</b>	
	<b>(Measurement Date)</b>	
	<b>2015</b>	<b>2014 through</b>
	<b>(2014)</b>	<b>2006</b>
Town's proportion of the net pension liability	0.010188%	Information
Town's proportionate share of the net pension liability	\$ 1,734,813	not available
Town's covered-employee payroll	\$ 918,383	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	188.90%	
Plan fiduciary net position as a percentage of the total pension liability	69.49%	

*See accompanying notes to pension plan schedules.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Town's**  
**Net Pension Liability (Asset) and Related Ratios**  
**Agent Pension Plans**  
**June 30, 2015**

**PSPRS**

	<u>Reporting Fiscal Year</u> <u>(Measurement Date)</u>	
	<u>2015</u> <u>(2014)</u>	<u>2014 through</u> <u>2006</u>
Total pension liability		Information not available
Service cost	\$ 51,036	
Interest on the total pension liability	153,315	
Changes of benefit terms	48,631	
Differences between expected and actual experience in the measurement of the pension liability	(172)	
Changes of assumptions or other inputs	248,915	
Benefit payments, including refunds of employee contributions	(92,813)	
Net change in total pension liability	408,912	
Total pension liability - beginning	1,973,950	
Total pension liability - ending (a)	<u>\$ 2,382,862</u>	
Plan fiduciary net position		
Contributions - employer	\$ 64,094	
Contributions - employee	35,700	
Net investment income	192,437	
Benefit payments, including refunds of employee contributions	(92,813)	
Other changes	(76,069)	
Net change in plan fiduciary net position	123,349	
Plan fiduciary net position - beginning	1,475,537	
Plan fiduciary net position - ending (b)	<u>\$ 1,598,886</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 783,976</u>	
Plan fiduciary net position as a percentage of the total pension liability	67.10%	
Covered-employee payroll	\$ 309,043	
Town's net pension liability (asset) as a percentage of covered- employee payroll	253.68%	

*See accompanying notes to pension plan schedules.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Town Pension Contributions**  
**June 30, 2015**

**Arizona State Retirement System**

	<u>Reporting Fiscal Year</u>		<b>2013 through 2006</b>
	<b>2015</b>	<b>2014</b>	
Statutorily required contribution	\$ 99,551	\$ 98,267	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(99,551)</u>	<u>(98,267)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 914,991	\$ 918,383	
Town's contributions as a percentage of covered-employee payroll	10.88%	10.70%	

**PSPRS**

	<u>Reporting Fiscal Year</u>		<b>2013 through 2006</b>
	<b>2015</b>	<b>2014</b>	
Actuarially determined contribution	\$ 61,480	\$ 64,094	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(61,480)</u>	<u>(64,094)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 335,956	\$ 309,043	
Town's contributions as a percentage of covered-employee payroll	18.30%	20.74%	

*See accompanying notes to pension plan schedules.*

**TOWN OF SPRINGVILLE, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension Plan Schedules**  
**June 30, 2015**

***NOTE 1 – ACTUARIALLY DETERMINED CONTRIBUTION RATES***

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

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

**TOWN OF SPRINGVILLE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Agent OPEB Plans' Funding Progress**  
**June 30, 2015**

**Health Insurance Premium Benefit - PSPRS**

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)
06/30/14	\$ 92,951	\$ 50,752	\$ (42,199)	183.1 %	\$ 309,043	0.0 %
06/30/13	-	51,807	51,807	0.0	284,501	18.21
06/30/12	-	84,061	84,061	0.0	414,401	20.28

*See accompanying notes to schedule of agent OPEB plans' funding progress.*

**TOWN OF SPRINGERVILLE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**June 30, 2015**

***NOTE 1 – FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS***

Beginning in fiscal year 2015, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2015, the plan transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from the plan's Pension Fund to the new Health Insurance Fund.

**REPORTS AND SCHEDULES REQUIRED BY**  
**GOVERNMENTAL AUDITING STANDARDS AND OMB**  
**CIRCULAR A-133**

**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, 2015, 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 25, 2015.

**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. However, material weaknesses may exist that have not been identified.

## **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*.

## **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".

November 25, 2015



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**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, 2015. 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, 2015.

## 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 25, 2015

**TOWN OF SPRINGVILLE, ARIZONA**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2015**

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>55,569</u>
<b><u>U.S. Environmental Protection Agency</u></b>			
<b>Clean Water State Revolving Fund Cluster</b>			
Capitalization Grants for Clean Water State Revolving Funds	66.458		347,575
<b>Drinking Water State Revolving Fund Cluster</b>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468		<u>200,000</u>
			<u>547,575</u>
<b><u>U.S. Department of Transportation</u></b>			
Airport Improvement Program	20.106	3-04-0038-023-20	29,852
<b>Highway Safety Cluster</b>			
State and Community Highway Safety	20.600	2015-AL-015	6,788
State and Community Highway Safety	20.600	2014-AL-028	1,929
State and Community Highway Safety	20.600	2014-PT-027	1,282
State and Community Highway Safety	20.600	2015-PT-041	<u>6,247</u>
Total Highway Safety Cluster			<u>16,246</u>
Total U.S. Department of Transportation			<u>46,098</u>
<b><u>U.S. Department of Homeland Security</u></b>			
Emergency food and Shelter Program	97.024		<u>13,528</u>
<b>Total Federal Assistance</b>			<u>\$ 662,770</u>

**TOWN OF SPRINGERVILLE, ARIZONA**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2015**

***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, 2015**

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued		Unmodified	
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> No	
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> No	

**Federal Awards**

Internal control over major federal programs:			
Material weakness(es) identified?	_____ Yes	_____ <u>X</u> No	
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ <u>X</u> No	
Type of auditor's report issued on compliance for major federal programs:		Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____ Yes	_____ <u>X</u> No	

Identification of major federal programs:

CFDA

Number	Name of Federal Program
66.458	<u>Clean Water State Revolving Fund Cluster</u> Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:		\$300,000	
Auditee qualified as low-risk auditee?	_____ Yes	_____ <u>X</u> No	

**Financial Statement Findings**

None

**Federal Award Findings and Questioned Costs**

None

**TOWN OF SPRINGVILLE, ARIZONA**  
**Summary Schedule of Prior Year Audit Findings**  
**Year Ended June 30, 2015**

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

There were no prior year Federal Award findings.