

TOWN OF SPRINGERVILLE, ARIZONA

**Annual Financial Statements
and Independent Auditors' Report
June 30, 2016**

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

Management's Responsibility for the Financial Statements

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

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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Town of Springerville, Arizona has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules on pages 46 through 49, Schedule of the Town's Proportionate Share of the Net Pension Liability – Cost-Sharing Pension Plans on page 51, Schedule of Changes in the Town's Net Pension Liability (Asset) and Related Ratios – Agent Pension Plans on page 52, Schedule of Town Pension Contributions on page 53, and Schedule of Agent OPEB Plans' Funding Progress on page 55, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Springerville, Arizona's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial

statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016, 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 30, 2016



FINANCIAL SECTION

TOWN OF SPRINGERVILLE, ARIZONA
Statement of Net Position
June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,912,119	\$ 878,935	\$ 2,791,054
Accounts receivable - net	-	96,743	96,743
Due from other governments	346,188	-	346,188
Other receivables	45,487	-	45,487
Inventory	3,485	-	3,485
Cash and cash equivalents-restricted	-	79,917	79,917
Capital assets, not being depreciated	3,986,504	264,295	4,250,799
Capital assets, being depreciated, net	11,601,021	3,552,151	15,153,172
Total assets	17,894,804	4,872,041	22,766,845
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	425,023	31,464	456,487
LIABILITIES			
Accounts payable	221,561	4,923	226,484
Accrued expenses	18,874	2,376	21,250
Deferred revenue	4,550	4,234	8,784
Refundable deposits	518	46,250	46,768
Compensated absences	129,936	15,939	145,875
Noncurrent liabilities			
Due within one year	21,811	53,289	75,100
Due in more than one year	2,119,328	1,151,472	3,270,800
Total liabilities	2,516,578	1,278,483	3,795,061
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	173,184	33,417	206,601
NET POSITION			
Net investment in capital assets	15,559,251	2,942,664	18,501,915
Restricted for:			
Debt service	-	33,667	
Public works and streets	594,944	-	594,944
Senior welfare	260,606	-	260,606
Tourism promotion	19,674	-	19,674
Unrestricted (deficit)	(804,410)	615,274	(155,469)
Total net position	\$ 15,630,065	\$ 3,591,605	\$ 19,221,670

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Activities
Year Ended June 30, 2016

Functions / Programs	Expenses	Program Revenue			Net (Expenses) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government							
Governmental activities							
General government	\$ 566,796	\$ 11,531	\$ -	\$ -	\$ (555,265)	\$ -	\$ (555,265)
Public safety	1,213,788	111,676	18,368	29,529	(1,054,215)	-	(1,054,215)
Public works and streets	1,188,904	211,232	386,170	1,093,747	502,245	-	502,245
Culture and recreation	134,798	16,023	656	23,682	(94,437)	-	(94,437)
Community and economic development	134,267	-	-	-	(134,267)	-	(134,267)
Health and welfare	233,279	-	249,535	-	16,256	-	16,256
Interest	2,706	-	-	-	(2,706)	-	(2,706)
Total governmental activities	3,474,538	350,462	654,729	1,146,958	(1,322,389)	-	(1,322,389)
Business-type activities							
Water	541,031	381,489	5,288	7,520	-	(146,734)	(146,734)
Sewer	280,447	399,453	-	550	-	119,556	119,556
Total business-type activities	821,478	780,942	5,288	8,070	-	(27,178)	(27,178)
Total primary government	\$ 4,296,016	\$ 1,131,404	\$ 660,017	\$ 1,155,028	(1,322,389)	(27,178)	(1,349,567)
General revenues:							
Taxes:							
Local sales taxes					1,458,728	-	1,458,728
Share of state sales taxes					184,890	-	184,890
Share of state auto lieu taxes					115,979	-	115,979
State urban revenue sharing					236,104	-	236,104
Investment earnings					3,206	4,202	7,408
Gain on sale of disposal of capital assets					(4,171)	(2,451)	(6,622)
Miscellaneous					28,101	-	28,101
Transfers					9,000	(9,000)	-
Total general revenues and transfers					2,031,837	(7,249)	2,024,588
Change in net position					709,448	(34,427)	675,021
Net position, beginning of year- <i>restated</i>					14,920,617	3,626,032	18,546,649
Net position, end of year					\$ 15,630,065	\$ 3,591,605	\$ 19,221,670

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	HURF Fund	Grants Fund	Airport Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,086,125	\$ 559,682	\$ 1,379	\$ 100	\$ 264,833	\$ 1,912,119
Due from other governments	90,532	36,511	6,415	194,466	18,264	346,188
Other receivables	43,706	-	-	1,781	-	45,487
Inventory	-	-	-	3,485	-	3,485
Due from other funds	57,710	-	-	-	-	57,710
Total assets	<u>1,278,073</u>	<u>596,193</u>	<u>7,794</u>	<u>199,832</u>	<u>283,097</u>	<u>2,364,989</u>
LIABILITIES						
Accounts payable	26,886	1,249	2,057	188,552	2,817	221,561
Accrued expenses	18,869	-	-	5	-	18,874
Unearned revenue	-	-	4,550	-	-	4,550
Deposits	250	-	-	268	-	518
Due to other funds	-	-	-	57,710	-	57,710
Total liabilities	<u>46,005</u>	<u>1,249</u>	<u>6,607</u>	<u>246,535</u>	<u>2,817</u>	<u>303,213</u>
FUND BALANCES						
Nonspendable	57,710	-	-	-	-	57,710
Restricted for:						
Public works and streets	-	594,944	-	-	-	594,944
Tourism promotion	-	-	-	-	19,674	19,674
Senior welfare	-	-	-	-	260,606	260,606
Unassigned	1,174,358	-	1,187	(46,703)	-	1,128,842
Total fund balances	<u>1,232,068</u>	<u>594,944</u>	<u>1,187</u>	<u>(46,703)</u>	<u>280,280</u>	<u>2,061,776</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,278,073</u>	<u>\$ 596,193</u>	<u>\$ 7,794</u>	<u>\$ 199,832</u>	<u>\$ 283,097</u>	<u>\$ 2,364,989</u>

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, 2016

Fund balances-total governmental funds	\$ 2,061,776
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	15,587,525
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.	(2,271,075)
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.	<u>251,839</u>
Net position of governmental activities	<u><u>\$ 15,630,065</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, 2016

	General Fund	HURF Fund	Grants Fund	Airport Fund	Other Governmental Funds	Total Governmental Funds
Revenue						
Intergovernmental	\$ 541,973	\$ 384,908	\$ 45,839	\$ 568,747	\$ 162,632	\$ 1,704,099
Taxes	1,449,006	-	-	-	9,722	1,458,728
Charges for services	71,890	-	-	200,961	-	272,851
Other revenue	29,714	3,167	-	1,877	86,902	121,660
Fines and forfeitures	51,400	-	-	-	-	51,400
Licenses and permits	11,531	-	-	-	-	11,531
Investment income	3,206	-	-	-	-	3,206
Total revenue	2,158,720	388,075	45,839	771,585	259,256	3,623,475
Expenditures						
Current						
General government	535,325	-	-	-	-	535,325
Public safety	1,096,538	-	28,127	-	-	1,124,665
Public works and streets	70,034	312,234	-	288,014	-	670,282
Culture and recreation	116,492	-	12,365	-	-	128,857
Community and economic development	100,419	-	-	-	37,586	138,005
Health and welfare	-	-	-	-	229,943	229,943
Debt service						
Principal	11,690	18,074	-	-	-	29,764
Interest	1,520	1,186	-	-	-	2,706
Capital outlay	8,925	187,394	10,033	608,814	-	815,166
Total expenditures	1,940,943	518,888	50,525	896,828	267,529	3,674,713
Excess (deficiency) of revenue over (under) expenditures	217,777	(130,813)	(4,686)	(125,243)	(8,273)	(51,238)
Other financing sources (uses)						
Transfers	(68,886)	-	(39,298)	108,184	-	-
Net change in fund balances	148,891	(130,813)	(43,984)	(17,059)	(8,273)	(51,238)
Fund balances, beginning of year	1,083,177	725,757	45,171	(29,644)	288,553	2,113,014
Fund balances, end of year	\$ 1,232,068	\$ 594,944	\$ 1,187	\$ (46,703)	\$ 280,280	\$ 2,061,776

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, 2016

Net change in fund balances-total governmental funds		\$ (51,238)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p> <p>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.</p>		
Current year capital acquisitions	815,166	
Current year depreciation expense	<u>(662,615)</u>	
		152,551
<p>In the Statement of Activities, only the gain/loss on the sale of capital assets is reported whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differ from the change in fund balance by the book value of the capital assets sold.</p>		
		(4,171)
<p>Revenue in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.</p>		
		564,682
<p>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.</p>		
Town pension contributions	195,224	
Pension expense	<u>(174,519)</u>	
		20,705
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.</p>		
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
		29,764
<p>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.</p>		
Increase in compensated absences payable		<u>(2,845)</u>
Change in net position of governmental activities		<u><u>\$ 709,448</u></u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business-type Activities--Enterprise Funds		
	Water	Sewer	Total
	Fund	Fund	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 878,935	\$ -	\$ 878,935
Accounts receivable - net	52,076	44,667	96,743
Due from other funds	533,355	-	533,355
Total current assets	1,464,366	44,667	1,509,033
Noncurrent assets			
Cash and cash equivalents, restricted	52,909	27,008	79,917
Capital assets, net of accumulated depreciation, where applicable:			
Land	43,563	-	43,563
Water rights	60,000	-	60,000
Buildings and improvements, net	10,363	754,338	764,701
Vehicles and equipment, net	113,302	89,069	202,371
Infrastructure, net	1,680,497	1,065,314	2,745,811
Total noncurrent assets	1,960,634	1,935,729	3,896,363
Total assets	3,425,000	1,980,396	5,405,396
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	18,403	13,061	31,464
LIABILITIES			
Current liabilities			
Accounts payable	2,446	2,477	4,923
Accrued expenses	2,376	-	2,376
Deferred revenue	4,234	-	4,234
Due to other funds	-	533,355	533,355
Refundable deposits	29,355	16,895	46,250
Compensated absences	8,851	7,088	15,939
Notes payable, current portion	36,936	16,353	53,289
Total current liabilities	84,198	576,168	660,366
Noncurrent liabilities			
Notes payable, net of current portion	648,622	171,871	820,493
Net pension liability	193,583	137,396	330,979
Total noncurrent liabilities	842,205	309,267	1,151,472
Total liabilities	926,403	885,435	1,811,838
DEFERRED INFLOWS OF RESOURCES			
Deferred outflows related to pensions	19,545	13,872	33,417
NET POSITION			
Net investment in capital assets	1,222,167	1,720,497	2,942,664
Restricted for:			
Debt service	23,554	10,113	33,667
Unrestricted (deficit)	1,251,734	(636,460)	615,274
Total net position	\$ 2,497,455	\$ 1,094,150	\$ 3,591,605

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, 2016

	Business-type Activities--Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating revenue			
Charges for services			
Water (net of bad debts of \$0)	\$ 371,113	\$ -	\$ 371,113
Sewer (net of bad debts of \$0)	-	397,210	397,210
Other revenues	10,376	2,243	12,619
Total operating revenue	<u>381,489</u>	<u>399,453</u>	<u>780,942</u>
Operating expenses			
Salaries and wages	124,578	90,386	214,964
Employee benefits	85,767	30,975	116,742
Service supplies, and other	225,610	56,183	281,793
Depreciation	105,076	102,903	207,979
Total operating expenses	<u>541,031</u>	<u>280,447</u>	<u>821,478</u>
Operating income (loss)	<u>(159,542)</u>	<u>119,006</u>	<u>(40,536)</u>
Nonoperating revenue (expenses)			
Connection fees	7,520	550	8,070
Operating grants	5,288	-	5,288
Investment income	-	4,202	4,202
Loss on disposition of assets	-	(2,451)	(2,451)
Total nonoperating revenue (expenses)	<u>12,808</u>	<u>2,301</u>	<u>15,109</u>
Income (loss) before transfers	<u>(146,734)</u>	<u>121,307</u>	<u>(25,427)</u>
Transfers in (out)	-	(9,000)	(9,000)
Increase (decrease) in net position	<u>(146,734)</u>	<u>112,307</u>	<u>(34,427)</u>
Total net position, beginning of year- <i>restated</i>	<u>2,644,189</u>	<u>981,843</u>	<u>3,626,032</u>
Total net position, end of year	<u>\$ 2,497,455</u>	<u>\$ 1,094,150</u>	<u>\$ 3,591,605</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Business-type Activities--Enterprise Funds		
	Water	Sewer	Total
	Fund	Fund	
Cash flows from operating activities			
Receipts from customers	\$ 372,508	\$ 398,190	\$ 770,698
Payments to suppliers and providers of goods and services	(299,430)	(111,699)	(411,129)
Payments to employees	(127,253)	(93,363)	(220,616)
Net cash provided (used) by operating activities	<u>(54,175)</u>	<u>193,128</u>	<u>138,953</u>
Cash flows from noncapital financing activities			
Operating grant receipts	5,288	-	5,288
Interfund loans	167,971	(167,971)	-
Net cash provided (used) by noncapital financing activities	<u>173,259</u>	<u>(167,971)</u>	<u>5,288</u>
Cash flows from capital and related financing activities			
Proceeds from the issuance of debt	745,718	172,192	917,910
Capital contributions	7,520	550	8,070
Principal paid on long-term debt	(35,991)	(15,962)	(51,953)
Purchases of capital assets	(620,312)	(179,595)	(799,907)
Net cash provided (used) by capital and related financing activities	<u>96,935</u>	<u>(22,815)</u>	<u>74,120</u>
Cash flows from investing activities			
Interest received on investments	-	4,202	4,202
Net increase (decrease) in cash	216,019	6,544	222,563
Cash and cash equivalents, beginning of year	715,825	20,464	736,289
Cash and cash equivalents, end of year	<u>\$ 931,844</u>	<u>\$ 27,008</u>	<u>\$ 958,852</u>
Cash and cash equivalents	\$ 878,935	\$ -	\$ 878,935
Cash and cash equivalents, restricted	52,909	27,008	79,917
Cash and cash equivalents, end of year	<u>\$ 931,844</u>	<u>\$ 27,008</u>	<u>\$ 958,852</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2016

	Business-type Activities--Enterprise Funds		
	Water	Sewer	Total
	Fund	Fund	
Reconciliation of operating income (loss)			
to net cash provided (used) by			
operating activities			
Operating income (loss)	\$ (159,542)	\$ 119,006	\$ (40,536)
Adjustments to reconcile operating income			
(loss) to net cash provided (used) by			
operating activities:			
Depreciation	105,076	102,903	207,979
Pension expense	8,351	5,927	14,278
Employer pension contributions	16,238	(23,026)	(6,788)
(Increase) decrease in:			
Accounts receivable	(3,819)	(2,748)	(6,567)
Increase (decrease) in:			
Accounts payable	(11,669)	(7,444)	(19,113)
Accrued expenses	(4,946)	(3,502)	(8,448)
Deferred revenue	(1,288)	-	(1,288)
Refundable deposits	(3,890)	1,487	(2,403)
Compensated absences payable	1,314	525	1,839
Net cash provided (used) by			
operating activities	<u>\$ (54,175)</u>	<u>\$ 193,128</u>	<u>\$ 138,953</u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGVILLE, ARIZONA
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Volunteer Firefighters' Relief and Pension
ASSETS	
Cash and cash equivalents	\$ 6,038
Investments	38,521
Total assets	44,559
 NET POSITION	
Held in trust for investment trust participants	\$ 44,559

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, 2016

	<u>Volunteer Firefighters' Relief and Pension</u>
Additions	
Contributions from participants	<u>\$ 4,788</u>
Deductions	
Other expenses	833
Investment loss	2,201
Distributions to participants	<u>23,120</u>
Total deductions	<u>26,154</u>
Change in net position	(21,366)
Net position, beginning of year	<u>65,925</u>
Net position, end of year	<u><u>\$ 44,559</u></u>

The accompanying notes are integral to these financial statements.

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

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, 2016

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, 2016

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, 2016

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, 2016 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	\$ 5,000	N/A	N/A
Water rights	5,000	N/A	N/A
Artwork	5,000	N/A	N/A
Construction in progress	5,000	N/A	N/A
Buildings and improvements	5,000	Straight-line	10 - 40
Vehicles and equipment	5,000	Straight-line	3 - 10
Infrastructure	5,000	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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

H. Inventories

Inventories are recorded as assets when purchased and expensed when consumed. These inventories are state at cost using the first-in, first-out method.

I. 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.

J. 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.

K. 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,

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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.

L. 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.

M. Impact of Recently Issued Accounting Principles

In February 2015, the GASB issued Statement 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

certain investments and disclosures related to all fair value measurements. The Town implemented this standard during this fiscal period.

In June 2015, the GASB issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The Town implemented this standard during this fiscal period.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB 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 all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement is effective for fiscal years beginning after June 15, 2017. Upon implementation, it is anticipated that this Statement will cause a restatement of beginning net position of the Governmental Activities, Business-type Activities, and the proprietary funds.

In June 2015, the GASB issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Town implemented this standard during this fiscal period.

In March 2016, the GASB issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension*

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

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, 2016, the carrying amount of the Town's total nonpooled cash in bank was \$1,720,926, and the bank balance was \$1,728,649. Of the bank balance, \$264,382 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 \$29,355 and \$16,895 and debt service reserve amounts of \$23,554 and \$10,113, 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 \$1,129,879. 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, 2016

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, 2016 consisted of \$14,606 in state-shared revenue from sales taxes, \$5,386 in state-shared revenue from auto lieu taxes, and \$70,540 in local sales taxes collected by the State of Arizona.

Amounts due from other governments in the HURF Fund at June 30, 2016 consisted of \$36,511 in state-shared revenue from highway user revenue fund (HURF) taxes.

Amounts due from other governments in the Grants Fund at June 30, 2016 consisted of \$2,044 in revenue from the Arizona Department of Housing for a Community Development Block Grant and \$4,371 in revenue from the Governor's Office of Highway Safety for public safety grants.

Amounts due from other governments in the Airport Fund at June 30, 2016 consisted of \$194,466 in revenue from the Arizona Department of Transportation and the Federal Aviation Administration for airport improvement grants.

Amounts due from other governments in the non-major Other Governmental funds at June 30, 2016 consisted of \$18,264 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, 2016

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2016
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 1,796,848	\$ -	\$ -	\$ 1,796,848
Artwork	1,500,000	-	-	1,500,000
Construction in progress	268,072	604,546	182,962	689,656
Total capital assets not being depreciated	3,564,920	604,546	182,962	3,986,504
Capital assets being depreciated:				
Buildings and improvements	4,492,182	60,841	-	4,553,023
Vehicles and equipment	3,720,091	30,104	97,596	3,652,599
Infrastructure	13,400,294	867,319	-	14,267,613
Total	21,612,567	958,264	97,596	22,473,235
Less accumulated depreciation for:				
Buildings and improvements	1,950,903	143,077	-	2,093,980
Vehicles and equipment	3,237,359	115,993	93,425	3,259,927
Infrastructure	5,114,762	403,545	-	5,518,307
Total	10,303,024	662,615	93,425	10,872,214
Total capital assets being depreciated, net	11,309,543	295,649	4,171	11,601,021
Governmental activities capital assets, net	\$ 14,874,463	\$ 900,195	\$ 187,133	\$ 15,587,525
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land	\$ 43,563	\$ -	\$ -	\$ 43,563
Construction in progress	38,013	135,929	13,210	160,732
Water rights	60,000	-	-	60,000
Total capital assets not being depreciated	141,576	135,929	13,210	264,295
Capital assets being depreciated:				
Buildings and improvements	2,116,388	-	-	2,116,388
Vehicles and equipment	432,888	74,773	49,177	458,484
Infrastructure	5,302,352	602,415	-	5,904,767
Total	7,851,628	677,188	49,177	8,479,639
Less accumulated depreciation for:				
Buildings and improvements	1,309,329	42,358	-	1,351,687
Vehicles and equipment	269,540	24,300	37,727	256,113
Infrastructure	3,178,367	141,321	-	3,319,688
Total	4,757,236	207,979	37,727	4,927,488
Total capital assets being depreciated, net	3,094,392	469,209	11,450	3,552,151
Business-type activities capital assets, net	\$ 3,235,968	\$ 605,138	\$ 24,660	\$ 3,816,446

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 4 – CAPITAL ASSETS – Continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 46,877
Public safety	66,484
Public works and streets	532,580
Culture and recreation	7,277
Health and welfare	9,397
	<u>9,397</u>
Total governmental activities depreciation expense	<u>\$ 662,615</u>
Business-type activities:	
Water	\$ 105,076
Sewer	102,903
	<u>102,903</u>
Total business-type activities depreciation expense	<u>\$ 207,979</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, 2016.

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due within one year
Governmental activities:					
Capital leases payable	\$ 58,038	\$ -	\$ 29,764	\$ 28,274	\$ 21,811
Net pension liability	1,989,318	123,547	-	2,112,865	-
Compensated absences	127,091	2,845	-	129,936	129,936
	<u>\$ 2,174,447</u>	<u>\$ 126,392</u>	<u>\$ 29,764</u>	<u>\$ 2,271,075</u>	<u>\$ 151,747</u>
Business-type activities:					
Notes payable	\$ 7,825	\$ 917,910	\$ 51,953	\$ 873,782	\$ 53,289
Net pension liability	302,151	28,828	-	330,979	-
Compensated absences	14,100	1,839	-	15,939	15,939
	<u>\$ 324,076</u>	<u>\$ 948,577</u>	<u>\$ 51,953</u>	<u>\$ 1,220,700</u>	<u>\$ 69,228</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

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	\$ 907,218	2034	2.625%	\$ 685,558
Note payable - WIFA	<u>396,000</u>	2034	2.450%	<u>188,224</u>
Total notes payable	<u>\$ 1,303,218</u>			<u>\$ 873,782</u>

The following schedule details debt service requirements to maturity for the Town’s notes payable at June 30, 2016.

<u>Year Ending June 30</u>	<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>
2017	\$ 36,936	\$ 20,980	\$ 16,353	\$ 8,529	\$ 53,289	\$ 29,509
2018	37,905	19,985	16,754	8,118	54,659	28,103
2019	38,900	18,963	17,164	7,698	56,064	26,661
2020	39,921	17,915	17,585	7,267	57,506	25,182
2021	40,969	10,840	18,016	6,825	58,985	17,665
2022-26	221,554	67,054	96,920	27,118	318,474	94,172
2027-31	252,200	35,603	5,432	133	257,632	35,736
2032-36	<u>17,173</u>	<u>451</u>	<u>-</u>	<u>-</u>	<u>17,173</u>	<u>451</u>
Total	<u>\$ 685,558</u>	<u>\$ 191,791</u>	<u>\$ 188,224</u>	<u>\$ 65,688</u>	<u>\$ 873,782</u>	<u>\$ 257,479</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>(26,331)</u>
Carrying value	<u>\$ 63,843</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

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, 2016:

Year Ending June 30	Governmental Activities
2017	\$ 22,840
2018	6,605
Total minimum lease payments	29,445
Less amount representing interest	(1,171)
Present value of net minimum lease payments	\$ 28,274

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.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – 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, 2016, the Town reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net pension liabilities	\$ 2,112,865	\$ 330,979	\$ 2,443,844
Deferred outflows of resources	425,023	31,464	456,487
Deferred inflows of resources	173,184	33,417	206,601
Pension expense	174,519	14,278	188,797

The Town reported \$195,224 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.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – 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	Retirement	
	Initial membership date:	
	Before July 1, 2011	On or after July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* 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 2.1% to 2.3%	Highest 60 months of last 120 months 2.1% to 2.3%
Benefit percent per year of service		

*With actuarially reduced benefits.

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

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2016, statute required active ASRS members to contribute at the actuarially determined rate of 11.47 percent (11.35 percent for retirement and 0.12 percent for long-term disability) of the members’ annual covered payroll, and statute required the Town to contribute at the actuarially determined rate of 11.47 percent (10.85 percent for retirement, 0.50 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members’ annual covered payroll. The Town’s contributions to the pension plan for the year ended June 30, 2016,

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

were \$106,670. 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:

ASRS	<u>Health Benefit Supplement Fund</u>	<u>Long-term Disability Fund</u>
Year ended June 30,		
2016	\$ 5,920	\$ 1,184
2015	5,490	1,098
2014	5,418	2,167

During fiscal year 2016, the Town paid for ASRS pension and OPEB contributions as follows: 45.77 percent from the General Fund, 14.03 percent from the HURF Fund, 5.94 percent from the Airport Fund, 3.04 percent from the Grants Fund, 9.89 percent from the Senior Center Fund (nonmajor), 12.31 percent from the Water Fund, and 9.02 percent from the Sanitation Fund.

Pension Liability – At June 30, 2016, the Town reported a liability of \$1,573,840 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2014, to the measurement date of June 30, 2015. The Town’s proportion of the net pension liability was based on the Town’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2015. The Town’s proportion measured as of June 30, 2015, was .010100 percent, which was a decrease of .000088 percent from its proportion measured as of June 30, 2014.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2016, the Town recognized pension expense for ASRS of \$67,894. At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ASRS	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 42,947	\$ 82,471
Net difference between projected and actual earnings on pension plan investments	-	50,438
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	25,991
Town contributions subsequent to the measurement date	106,670	-
Total	<u>\$ 149,617</u>	<u>\$ 158,900</u>

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The \$106,670 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,		
2017	\$	(50,328)
2018		(64,702)
2019		(37,332)
2020		36,409
2021		-
Thereafter		-

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

ASRS	
Actuarial valuation date	June 30, 2014
Actuarial roll forward date	June 30, 2015
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3 - 6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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 Arithmetic Expected Real Rate of Return</u>
Equity	58%	6.79%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset class	5%	3.41%
Commodities	2%	3.93%
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.

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

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
Town's proportionate share of the net pension liability	\$ 2,062,268	\$ 1,573,840	\$ 1,239,106

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

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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 issues publicly available financial report that includes financial statements and required supplementary information. The report is available on the PSPRS website at www.psprs.com.

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

PSPRS	Initial membership date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years, any age 15 years, age 62	25 years, 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	
Survivor Benefit		
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	

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, from and after December 31, 2015, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Employees Covered by Benefit Terms – At June 30, 2016, the following employees were covered by the agent pension plans' benefit terms:

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

Contributions and Annual OPEB Cost – State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contributions rates for the year ended June 30, 2016, are indicated below. Rates are a percentage of active members' annual covered payroll.

PSPRS	<u>PSPRS Police</u>
Active Members - Pension	11.65%
Town	
Pension	27.81%
Health insurance premium benefit	0.00%

For the agent plans, the Town's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2016, were:

PSPRS	<u>PSPRS Police</u>
Pension	
Contributions Made	\$ 94,213
Health Insurance Premium Benefit	
Annual OPEB cost	-
Contributions made	-

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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

Net Pension Liability (Asset) – At June 30, 2016, the Town reported the following net pension liability:

PSPRS	Net Pension Liability (Asset)
PSPRS Police	\$ 870,004

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.

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

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

PSPRS	
Actuarial valuation date	June 30, 2015
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.

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return</u>
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed Income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private Equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	<u>100%</u>	

Pension Discount Rates – The discount rate used to measure the PSPRS total pension liability was 7.85 percent. The projection of cash flows used to determine the 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, 2016

NOTE 8 – 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, 2015	\$ 2,382,862	\$ 1,598,886	\$ 783,976
Changes for the year			
Service Cost	57,729	-	57,729
Interest on the total pension liability	185,622	-	185,622
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	331	-	331
Changes of assumptions or other inputs	-	-	-
Contributions-employer	-	59,564	(59,564)
Contributions-employee	-	42,555	(42,555)
Net investment income	-	58,728	(58,728)
Benefit payments, including refunds of employee contributions	(94,232)	(94,232)	-
Administrative expense	-	(1,811)	1,811
Other changes	-	(1,382)	1,382
Net changes	149,450	63,422	86,028
Balances at June 30, 2016	\$ 2,532,312	\$ 1,662,308	\$ 870,004

Sensitivity of the Town’s Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s net pension liabilities (assets) calculated using the discount rate of 7.85 percent, as well as what the Town’s net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.85 percent) or 1 percentage point higher (8.85 percent) than the current rate:

PSPRS	Current Discount Rate		
	1% Decrease (6.85%)	(7.85%)	1% Increase (8.85%)
Net pension liability	\$ 1,163,112	\$ 870,004	\$ 623,475

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, 2016

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

Pension Expense – For the year ended June 30, 2016, the Town recognized pension expense for PSPRS Police of \$120,903.

Pension Deferred Outflows/Inflows of Resources – At June 30, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PSPRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 271	\$ 110
Changes of assumptions or other inputs	158,811	-
Net difference between projected and actual earnings on pension plan investments	53,575	47,591
Town contributions subsequent to the measurement date	94,213	-
Total	\$ 306,870	\$ 47,701

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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

PSPRS	PSPRS Police	
Year ended June 30,		
2017	\$	42,611
2018		42,611
2019		42,612
2020		37,091
2021		31
Thereafter		-

Agent Plan OPEB Actuarial Assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2016, were established by the June 30, 2014, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for

TOWN OF SPRINGVILLE, ARIZONA

Notes to Financial Statements

June 30, 2016

NOTE 8 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS – Continued

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. The actuarial methods and assumptions used to establish the fiscal year 2016 contribution requirements are as follows:

PSPRS - OPEB Contribution Requirements

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

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

PSPRS

Year ended June 30,	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSPRS Police			
2016	\$ -	100%	Not available
2015	4,598	100%	(46,836)
2014	7,036	100%	(42,199)

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 8 – 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.

PSPRS

		<u>PSPRS Police</u>
Actuarial value of assets (a)	\$	102,156
Actuarial accrued liability (b)	\$	55,320
Unfunded actuarial accrued liability (funding excess)(b)-(a)	\$	(46,836)
Funded ratio (a)/(b)		184.66%
Annual covered payroll (c)	\$	325,488
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, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial accrued liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4% -8%
Wage growth	4%

TOWN OF SPRINGVILLE, ARIZONA
Notes to Financial Statements
June 30, 2016

NOTE 9 – INTERFUND BALANCES AND ACTIVITY

Interfund receivables and payables—Interfund balances at June 30, 2016, consisted of \$57,710 owed by the Airport Fund to the General Fund and \$533,355 owed by the Sewer Fund to the Water Fund. 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, 2016, consisted of \$68,886 transferred from the General Fund to the Airport Fund to cover matching amounts required under grant agreements. The transfer of \$30,834 from the Grants Fund to the Airport Fund was to reimburse the fund for grant expenditures in that fund.

During the year ended June 30, 2016, the Town traded in a Sewer Fund vehicle in return for a General Fund police vehicle. A gain on disposition of \$9,000 has been recorded in the Sewer Fund and no recognition was made in the General Fund since capital assets are not considered a current financial resource. In the government-wide statement of activities, the recognition of the new police vehicle is reported as a transfer between Governmental Activities and Business-type activities. The difference of \$9,000 between the change in fund balances and the change in total net position is a reconciling item reported on the Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities Governmental Funds.

NOTE 10 – RESTATEMENT OF NET POSITION

The Town's Water Fund and Sewer Fund entered into note agreements with WIFA for water and sewer projects entered into in May 2013. The note agreements allow the Town to make draws for water and sewer projects of \$1,107,218 and \$696,000, respectively. The note agreement terms provide forgivable principal amounts of \$200,000 and \$300,000, respectively. The Town recorded draws on each note agreement as note payable assuming the forgivable principal amount would be forgiven at the completion of the project. During the year ended June 30, 2016, WIFA informed the Town that the draws are to be applied to the forgivable principal amount first until the forgivable principal amount is expended. The Town has restated the notes payable and net position to correctly record the water and sewer draws. The effect of the restatement is a decrease in Water and Sewer Fund notes payable of \$200,000 and \$300,000, respectively, and a corresponding increase in Water and Sewer Fund net position of \$200,000 and \$300,000, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 543,421	\$ 543,421	\$ 541,973	\$ (1,448)
Taxes	1,570,000	1,570,000	1,449,006	(120,994)
Charges for services	78,510	78,510	71,890	(6,620)
Other revenue	159,500	159,500	29,714	(129,786)
Fines and forfeitures	54,950	54,950	51,400	(3,550)
Licenses and permits	8,000	8,000	11,531	3,531
Investment income	1,300	1,300	3,206	1,906
Total revenue	<u>2,415,681</u>	<u>2,415,681</u>	<u>2,158,720</u>	<u>(256,961)</u>
Expenditures				
Current				
General government	836,272	836,272	535,325	300,947
Public safety	1,142,310	1,142,310	1,096,538	45,772
Public works and streets	78,436	78,436	70,034	8,402
Culture and recreation	156,439	156,439	116,492	39,947
Community and economic dev	104,061	104,061	100,419	3,642
Debt service				
Principal	11,690	11,690	11,690	-
Interest	1,520	1,520	1,520	-
Capital outlay	8,925	8,925	8,925	-
Total expenditures	<u>2,339,653</u>	<u>2,339,653</u>	<u>1,940,943</u>	<u>398,710</u>
Excess (deficiency) of revenue over (under) expenditures	76,028	76,028	217,777	141,749
Other financing sources (uses)				
Transfers	(223,137)	(223,137)	(68,886)	154,251
Net change in fund balance	(147,109)	(147,109)	148,891	296,000
Fund balances, beginning of year	1,083,177	1,083,177	1,083,177	-
Fund balances, end of year	<u>\$ 936,068</u>	<u>\$ 936,068</u>	<u>\$ 1,232,068</u>	<u>\$ 296,000</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
HURF Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 369,025	\$ 369,025	\$ 384,908	\$ 15,883
Other revenue	-	-	3,167	3,167
Total revenue	<u>369,025</u>	<u>369,025</u>	<u>388,075</u>	<u>19,050</u>
Expenditures				
Current				
Public works and streets	382,318	382,318	312,234	70,084
Debt service				
Principal	18,074	18,074	18,074	-
Interest	1,186	1,186	1,186	-
Capital outlay	187,394	187,394	187,394	-
Total expenditures	<u>588,972</u>	<u>588,972</u>	<u>518,888</u>	<u>70,084</u>
Net change in fund balance	(219,947)	(219,947)	(130,813)	89,134
Fund balances, beginning of year	<u>725,757</u>	<u>725,757</u>	<u>725,757</u>	-
Fund balances, end of year	<u><u>\$ 505,810</u></u>	<u><u>\$ 505,810</u></u>	<u><u>\$ 594,944</u></u>	<u><u>\$ 89,134</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ 4,424,000	\$ 4,424,000	\$ 45,839	\$ (4,378,161)
Expenditures				
Current				
General government	1,815,000	1,815,000	-	1,815,000
Public safety	104,000	104,000	28,127	75,873
Public works and streets	2,470,000	2,470,000	-	2,470,000
Culture and recreation	14,967	14,967	12,365	2,602
Community and economic dev	10,000	10,000	-	10,000
Capital outlay	10,033	10,033	10,033	-
Total expenditures	<u>4,424,000</u>	<u>4,424,000</u>	<u>50,525</u>	<u>4,373,475</u>
Excess (deficiency) of revenue over (under) expenditures	-	-	(4,686)	(4,686)
Other financing sources (uses)				
Transfers	-	-	(39,298)	(39,298)
Net change in fund balance	-	-	(43,984)	(43,984)
Fund balances, beginning of year	45,171	45,171	45,171	-
Fund balances, end of year	<u>\$ 45,171</u>	<u>\$ 45,171</u>	<u>\$ 1,187</u>	<u>\$ (43,984)</u>

See accompanying notes to budgetary comparison schedule.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Budgetary Comparison Schedule
Airport Fund
Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenue				
Intergovernmental	\$ -	\$ -	\$ 568,747	\$ 568,747
Charges for services	240,800	240,800	200,961	(39,839)
Other revenue	-	-	1,877	1,877
Total revenue	<u>240,800</u>	<u>240,800</u>	<u>771,585</u>	<u>530,785</u>
Expenditures				
Current				
Public works and streets	428,937	428,937	288,014	140,923
Capital outlay	-	-	608,814	(608,814)
Total expenditures	<u>428,937</u>	<u>428,937</u>	<u>896,828</u>	<u>(467,891)</u>
Excess (deficiency) of revenue over (under) expenditures	(188,137)	(188,137)	(125,243)	62,894
Other financing sources (uses)				
Transfers	188,137	188,137	108,184	(79,953)
Net change in fund balance	-	-	(17,059)	(17,059)
Fund balances, beginning of year	(29,644)	(29,644)	(29,644)	-
Fund balances, end of year	<u>\$ (29,644)</u>	<u>\$ (29,644)</u>	<u>\$ (46,703)</u>	<u>\$ (17,059)</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, 2016

Arizona State Retirement System

	Reporting Fiscal Year		
	(Measurement Date)		
	2016	2015	2014 through
	(2015)	(2014)	2007
Town's proportion of the net pension liability	0.010100%	0.010188%	Information
Town's proportionate share of the net pension liability	\$ 1,573,840	\$ 1,507,493	not available
Town's covered-employee payroll	\$ 986,616	\$ 930,634	
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	159.52%	161.99%	
Plan fiduciary net position as a percentage of the total pension liability	68.35%	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, 2016

PSPRS

	Reporting Fiscal Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 through 2007
Total pension liability			Information not available
Service cost	\$ 57,729	\$ 51,036	
Interest on the total pension liability	185,622	153,315	
Changes of benefit terms	-	48,631	
Differences between expected and actual experience in the measurement of the pension liability	331	(172)	
Changes of assumptions or other inputs	-	248,915	
Benefit payments, including refunds of employee contributions	(94,232)	(92,813)	
Net change in total pension liability	149,450	408,912	
Total pension liability - beginning	2,382,862	1,973,950	
Total pension liability - ending (a)	<u>\$ 2,532,312</u>	<u>\$ 2,382,862</u>	
Plan fiduciary net position			
Contributions - employer	\$ 59,564	\$ 64,094	
Contributions - employee	42,555	35,700	
Net investment income	58,728	192,437	
Benefit payments, including refunds of employee contributions	(94,232)	(92,813)	
Administrative expense	(1,811)	-	
Other changes	(1,382)	(76,069)	
Net change in plan fiduciary net position	63,422	123,349	
Plan fiduciary net position - beginning	1,598,886	1,475,537	
Plan fiduciary net position - ending (b)	<u>\$ 1,662,308</u>	<u>\$ 1,598,886</u>	
Town's net pension liability (asset) - ending (a) - (b)	<u>\$ 870,004</u>	<u>\$ 783,976</u>	
Plan fiduciary net position as a percentage of the total pension liability	65.64%	67.10%	
Covered-employee payroll	\$ 325,488	\$ 309,043	
Town's net pension liability (asset) as a percentage of covered-employee payroll	267.29%	253.68%	

See accompanying notes to pension plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Schedule of Town Pension Contributions
June 30, 2016

Arizona State Retirement System

	Reporting Fiscal Year			2013 through 2007
	2016	2015	2014	
Statutorily required contribution	\$ 106,670	\$ 99,551	\$ 98,267	Information not available
Town's contributions in relation to the statutorily required contribution	<u>(106,670)</u>	<u>(99,551)</u>	<u>(98,267)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 983,134	\$ 914,151	\$ 918,383	
Town's contributions as a percentage of covered-employee payroll	10.85%	10.89%	10.70%	

PSPRS

	Reporting Fiscal Year			2013 through 2007
	2016	2015	2014	
Actuarially determined contribution	\$ 94,213	\$ 64,094	\$ 59,564	Information not available
Town's contributions in relation to the actuarially determined contribution	<u>(94,213)</u>	<u>(64,094)</u>	<u>(59,564)</u>	
Town's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Town's covered-employee payroll	\$ 338,774	\$ 325,488	\$ 309,043	
Town's contributions as a percentage of covered-employee payroll	27.81%	19.69%	19.27%	

See accompanying notes to pension plan schedules.

TOWN OF SPRINGVILLE, ARIZONA
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2016

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 2014 actuarial valuation	22 years for unfunded actuarial accrued liability, 20 years for excess
Asset valuation method	7-year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In 2014 actuarial valuation, projected salary increases were decreased from 4.5% - 8.5% to 4.0% - 8.0%. In 2013 actuarial valuation, projected salary increases were decreased from 5.0% - 9.0% to 4.5% - 8.5%.
Wage growth	In 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. 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, 2016

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)
06/30/15	\$ 102,156	\$ 55,320	\$ (46,836)	184.7 %	\$ 325,488	0.00 %
06/30/14	92,951	50,752	(42,199)	183.1	309,043	0.00
06/30/13	-	51,807	51,807	0.0	284,501	18.21

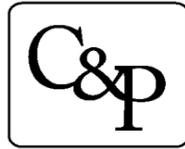
See accompanying notes to schedule of agent OPEB plans' funding progress.

TOWN OF SPRINGERVILLE, ARIZONA
Required Supplementary Information
Notes to Schedule of Agent OPEB Plans' Funding Progress
June 30, 2016

NOTE 1 – FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the 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 THE
UNIFORM GUIDANCE



COLBY &
POWELL, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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**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, 2016, 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 30, 2016.

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 30, 2016



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

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



November 30, 2016

TOWN OF SPRINGVILLE, ARIZONA
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Arizona State Forestry Division			
Cooperative Forestry Assistance	10.664	VFA 15-413	2,606
<u>U.S. Environmental Protection Agency</u>			
Passed through Water Infrastructure Finance Authority of Arizona			
Clean Water State Revolving Fund Cluster			
Capitalization Grants for Clean Water State Revolving Funds	66.458	910159-13	172,192
Drinking Water State Revolving Fund Cluster			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	920242-13	745,718
Total U.S. Environmental Protection Agency			917,910
<u>U.S. Department of Transportation</u>			
Airport Improvement Program	20.106	AIP23	29,263
Airport Improvement Program	20.106	AIP24	512,871
Passed through Arizona Governor's Office of Highway Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	2015-AL-015	2,222
State and Community Highway Safety	20.600	2016-AL-042	3,263
State and Community Highway Safety	20.600	2016-PT-040	2,513
State and Community Highway Safety	20.600	2016-PT-074	3,894
State and Community Highway Safety	20.600	2015-PT-041	3,737
Total Highway Safety Cluster			15,629
Total U.S. Department of Transportation			557,763
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Arizona Department of Housing			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	104-16	12,045
<u>U.S. Department of Homeland Security</u>			
Passed through United Way of Apache County			
Emergency Food and Shelter National Board Program	97.024	024200-001	1,472
Total Federal Assistance			\$ 1,491,796

TOWN OF SPRINGERVILLE, ARIZONA
Notes to Schedule of Expenditures of Federal Awards
June 30, 2016

NOTE 1 – BASIS OF PRESENTATION

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual/accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Town of Springerville, Arizona has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

TOWN OF SPRINGVILLE, ARIZONA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

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	_____ X	_____ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ X	_____ No
Noncompliance material to financial statements noted?	_____ Yes	_____ X	_____ No

Federal Awards

Internal control over major federal programs:			
Material weakness(es) identified?	_____ Yes	_____ X	_____ No
Significant deficiency(ies) identified not considered to be material weakness(es)?	_____ Yes	_____ X	_____ 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 2 CFR 200.516(a)?	_____ Yes	_____ X	_____ No

Identification of major federal programs:

CFDA	
Number	Name of Federal Program
	<u>Drinking Water State Revolving Fund Cluster</u>
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:		\$750,000	
Auditee qualified as low-risk auditee?	_____ X	Yes	_____ 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, 2016

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

There were no prior year Federal Award findings.