

*City of Show Low, Arizona
Comprehensive Annual Financial Report*



*Year-ended June 30, 2015
With Report of Certified Public Accountants*

CITY OF SHOW LOW, ARIZONA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Prepared by:

Administrative Services Director

CITY OF SHOW LOW, ARIZONA

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City of Show Low

Administrative Services Department
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November 27, 2015

Citizens of the City of Show Low and
Honorable Mayor and Council
Show Low, Arizona

The Comprehensive Annual Financial Report for the City of Show Low (City) for the fiscal year ended June 30, 2015 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This report consists of management's representations concerning the finances of the City. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements. Management asserts that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The CAFR has been prepared using the new financial reporting requirements as prescribed by Government Accounting Standard Board (GASB) Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB 34). GASB 34 requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should

be read in conjunction with it. The MD&A can be found immediately following the Independent Auditor's Report.

Profile of the City of Show Low

The City of Show Low, with a present population estimated at 11,100, is located in the southern portion of Navajo County, approximately 175 miles northeast of the City of Phoenix and 195 miles north of the City of Tucson, and encompasses an area of approximately 65.0 square miles.

The City was established in 1870 and incorporated in 1953. Under a Council-Manager form of government, the seven-member Council is elected at large on a staggered basis and consists of a Mayor and six Council members. The Mayor is directly elected and serves a four-year term. The Council appoints the City Manager, who has full responsibility for carrying out Council policies and administering City operations.

The City provides a full range of services for its citizens. The services include police, public transportation, library, parks and recreation, planning and development, street improvements and lighting, and general administration. The City also operates sewer and water utilities, provides for refuse collection, and has an airport.

Economic Conditions

Along with the rest of the state and nation, the City has experienced a gradually improving economic environment. An indication of the improved economy is the growth in FY 2015 City sales tax collections over FY 2014 receipts, especially in the retail category. The stronger state and local economies are the result of improved job growth, rising personal income, lower unemployment and the fact that the City serves as a regional trade and services center for the southern part of Navajo County and a portion of Apache County. Tourism and recreation also contribute to the City's economy, with many recreational opportunities in the White Mountains area. Attractions include fishing, camping, hiking, horseback riding, golf, and big game hunting. Other points of interest include the Apache Sitgreaves National Forest, the Mogollon Rim, and the Sunrise Park Ski Resort, which is located on the White Mountain Apache Indian Reservation.

Financial Information

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of the control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

Article IX, Section 20(1) of the Arizona Constitution establishes limits on the City's legal budget capacity. In general, the Mayor and Council cannot authorize expenditures of local revenues in excess of the expenditure limitation determined annually by the State of Arizona's Economic Estimates Commission. This limitation is based on the City's actual expenditures incurred during 1979-1980, adjusted to reflect subsequent inflation and population growth, but not service expansion.

On September 2, 2014, in accordance with state statutes, the voters of Show Low passed, and the City adopted, the Home Rule (Alternative Expenditure Limitation) Option, which released the City from the state-imposed limitation. The effect of the Home Rule option is to set the City's expenditure limitation at the adopted budget. The Home Rule option is in effect for four consecutive years (Fiscal Years 2015-2018). Management generally has the ability to transfer funds within a department and within a fund. Transfers between funds require City Council approval. A formal policy on budget amendment authorization levels is in use.

As a condition of the Home Rule Option, the City must maintain a reserve of at least one million dollars before any expenditure can be authorized. Additionally, the City Council set a goal to maintain two months of operating reserves in the general fund. The remaining combined fund balance is non-spendable, restricted, committed or assigned in accordance with GASB 54. For additional information see the Management Discussion & Analysis and the Governmental Funds Balance Sheet.

Financial Policies

The City's practice of conservatively estimating major revenue sources such as city sales tax, state shared revenues and user fees, has continued to have a positive influence on the City's financial position. Another practice that has had a positive influence is the practice of ensuring that funds have been collected before they are allocated to pay for projects. Furthermore, the City continues to review every vacancy to ensure the position is essential to City operations. The City remains focused on City Council's goal to maintain existing infrastructure and most capital dollars are expended on infrastructure improvements as opposed to expansion.

Cash Management

Cash not held with fiscal agents is invested on a pooled basis with the Arizona State Treasurer's Office in the Local Governments Investment Pool. Investment income is allocated to the funds monthly, on the basis of cash provided for investment. The average yield on investments held with the State Treasurer was 0.7% or 70 basis points.

Risk Management

The City is a member in the Arizona Risk Retention Pool along with approximately 60 other members. The Pool provides coverage for claims to a maximum of \$2 million for each insured event. The City has had comparable insurance coverage for the past 20 years and has had no claims exceeding its insurance coverage.

The City is also covered by the Arizona Risk Retention Pool for worker's compensation. The City carries commercial insurance for its airport activities.

Other Information

Independent Audit

The accounting firm of HintonBurdick, PLLC was selected by the City to perform the annual independent audit. The annual audit is designed to meet the requirements of the Single Audit Act of 1984 and OMB Circular A-133. The independent auditor's report and federal compliance reports are included in the Financial and the Single Audit Sections of this report.

Acknowledgments

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the team has our sincere appreciation for his or her contributions made in the preparation of this report.

Respectfully submitted,

Justin Johnson
Administrative Services Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Show Low
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

City of Show Low, Arizona

List of officials

MAYOR

Daryl Seymore

Vice-Mayor

John Leech Jr.

Council Members

Gene Kelley

Brent Hatch

Connie Kakavas

Rennie Crittenden

Mike Allsop

City Staff

Ed Muder, City Manager

Morgan Brown, City Attorney

Stephen Price, City Magistrate

Justin Johnson, Administrative Services Director

Jay Brimhall, Community Services Director

Joseph Shelley, Police Chief

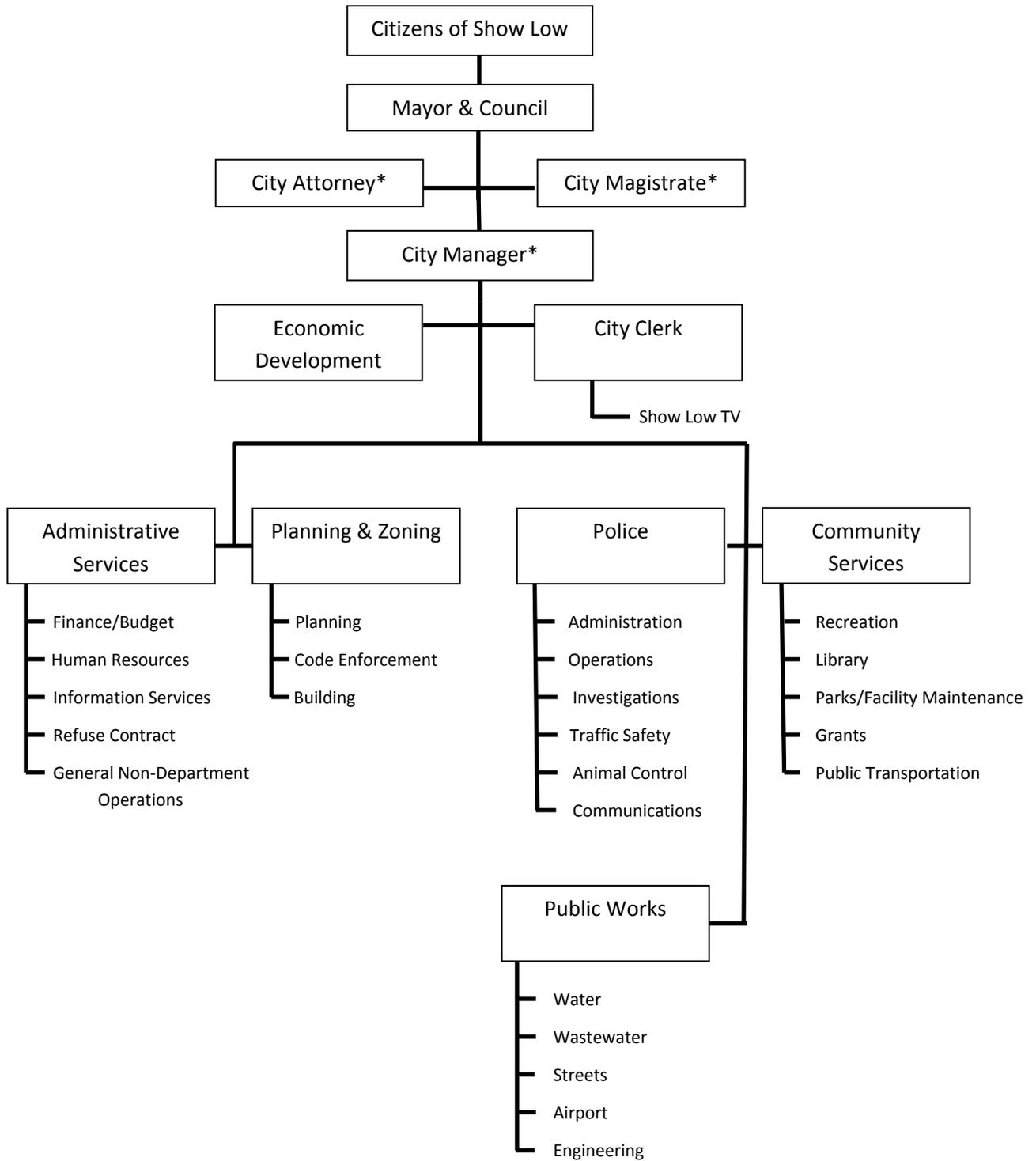
William Kopp, Public Works Director

Justen Tregaskes, Planning & Zoning Director

Ann Kurasaki, City Clerk



City of Show Low, Arizona Organizational Chart



*Appointed by Council

FINANCIAL SECTION

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Independent Auditors' Report

The Honorable Mayor and
City Council
Show Low, 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 City of Show Low, Arizona, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City'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 of 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Show Low, Arizona, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Highway User Revenue, Airport, and Special Projects special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in footnote 14 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, and the schedule of contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Show Low, Arizona's basic financial statements. The introductory section, debt service budgetary comparison schedules, the nonmajor fund combining statements and budgetary comparison schedules, the fiduciary funds combining statement of changes in assets and liabilities, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The debt service budgetary comparison schedules, the nonmajor fund combining statements and budgetary comparison schedules, the fiduciary funds combining statement of changes in assets and liabilities and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the

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 combining and individual nonmajor fund financial statements, the fiduciary funds combining statement of changes in assets and liabilities and the schedule of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, on our consideration of the City of Show Low, 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 results of that testing, and not to provide an opinion on the 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 City of Show Low, Arizona's internal control over financial reporting and compliance.



HintonBurdick, PLLC
Flagstaff, Arizona
November 23, 2015

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**CITY OF SHOW LOW, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015**

As management of the City of Show Low, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2015. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- City sales tax revenue continued to improve for the fifth consecutive year; collections increased by 5.2% when compared to FY2014 and remain the single largest revenue in the General Fund budget at 83.5% of tax revenues. The trend of growth is similar to that being seen across the state and nation as the economy continues to improve. While total city sales tax collected for fiscal year 2015 is almost \$520,000 (4.8%) less than the FY 2007 peak amount, the retail sales tax component now exceeds the FY 2007 level by \$1,109,635 (16.6%).
- The City undertook many capital improvement projects during fiscal year 2015. Some of the significant capital outlay projects included the purchase of a commercial building on the Deuce of Clubs for a new public safety building and the underground power line project adjacent to the airport. Additional capital projects included road, water and waste water infrastructure improvements to ensure the continued provision of quality services to the community.
- The City approved a conservative budget for fiscal year 2015. Monthly financial reviews showed that program adjustments were not needed during the year resulting in expenses being within management's revised projections for the year ending June 30, 2015.
- Improvement District #5 has been paid in full. None of the individual properties were auctioned due to lack of payment.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities. These statements provide information about the activities of the City as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. (3) Notes to the financial statements.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities (Government-Wide)

A frequently asked question regarding the City's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net position and changes in them. Net position, the difference between assets and liabilities, are one way to measure the City's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the City's property tax base or condition of the City's roads to accurately assess the overall health of the City.

The Statement of Net Position and the Statement of Activities, present information about the following:

- Government activities – All of the City's basic services are considered to be governmental activities, including general government, public safety, public works/streets, economic development, culture and recreation, and interest on long-term debt. Sales tax, federal grants, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The City charges a fee to customers that is intended to cover all of the cost of the services provided for water, wastewater and sanitation.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds which aid in the management of money for particular purposes or meet legal responsibilities associated with the usage of certain taxes, grants, and other money. The City's two major kinds of funds, governmental and proprietary, use different accounting approaches as explained below.

- Governmental funds – Most of the City's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.
- Proprietary funds – When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported on the accrual basis of accounting in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities.

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for certain amounts held on behalf of developers, donations for a specific purpose and others. These fiduciary activities are reported in a separate Statement of Fiduciary Net Position. The City is responsible for ensuring that the assets are used for their intended purposes. Therefore, fiduciary activities are excluded from the City's other financial statements because the assets cannot be used to finance operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the City's financial position. The City's combined assets and deferred outflows exceed liabilities and deferred inflows by \$109 million as of June 30, 2015 as shown in the following condensed statement of net position. The City has chosen to account for its water, wastewater and refuse operations in enterprise funds which are shown as Business Activities.

City of Show Low Statement of Net Position

	Governmental activities		Business-type activities		Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Current and other assets	\$ 19,705,147	\$ 13,720,693	\$ 13,460,052	\$ 12,363,185	\$ 33,165,199	\$ 26,083,878
Capital assets	67,804,245	69,586,044	50,669,830	47,705,972	118,474,075	117,292,016
Total assets	<u>87,509,392</u>	<u>83,306,737</u>	<u>64,129,882</u>	<u>60,069,157</u>	<u>151,639,274</u>	<u>143,375,894</u>
Deferred outflows of resources	2,740,057	-	231,710	-	2,971,767	-
Long-term liabilities outstanding	29,520,762	14,533,377	9,536,612	5,537,861	39,057,374	20,071,238
Other liabilities	2,069,028	1,766,660	2,406,871	1,018,999	4,475,899	2,785,659
Total liabilities	<u>31,589,790</u>	<u>16,300,037</u>	<u>11,943,483</u>	<u>6,556,860</u>	<u>43,533,273</u>	<u>22,856,897</u>
Deferred inflows of resources	1,352,695	-	258,400	-	1,611,095	-
Net position:						
Net investment in capital assets	51,324,245	55,862,056	42,711,469	42,263,016	94,035,714	98,125,072
Restricted	5,219,351	1,512,628	2,238,360	4,274,822	7,457,711	5,787,450
Unrestricted	763,368	9,632,016	7,209,880	6,974,459	7,973,248	16,606,475
Total net position	<u>\$ 57,306,964</u>	<u>\$ 67,006,700</u>	<u>\$ 52,159,709</u>	<u>\$ 53,512,297</u>	<u>\$ 109,466,673</u>	<u>\$ 120,518,997</u>

Governmental Activities

The City has \$151,639,274 in total assets, with \$118,474,075 in capital assets (net of depreciation). Funds included in the business-type activities column are the City's enterprise funds operation, which are Wastewater, Water, and Refuse. These operations are capital intensive, using a large portion of their resources to maintain and replace major equipment and facilities. See Note 6, Capital Assets, for more information about the City's capital assets.

The City's programs include: General Government, Public Safety, Public Works/Streets, Economic Development, Culture and Recreation, Water, Wastewater, Refuse, Airport and the Family Aquatic Center. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the City's general taxes support each of the City's programs.

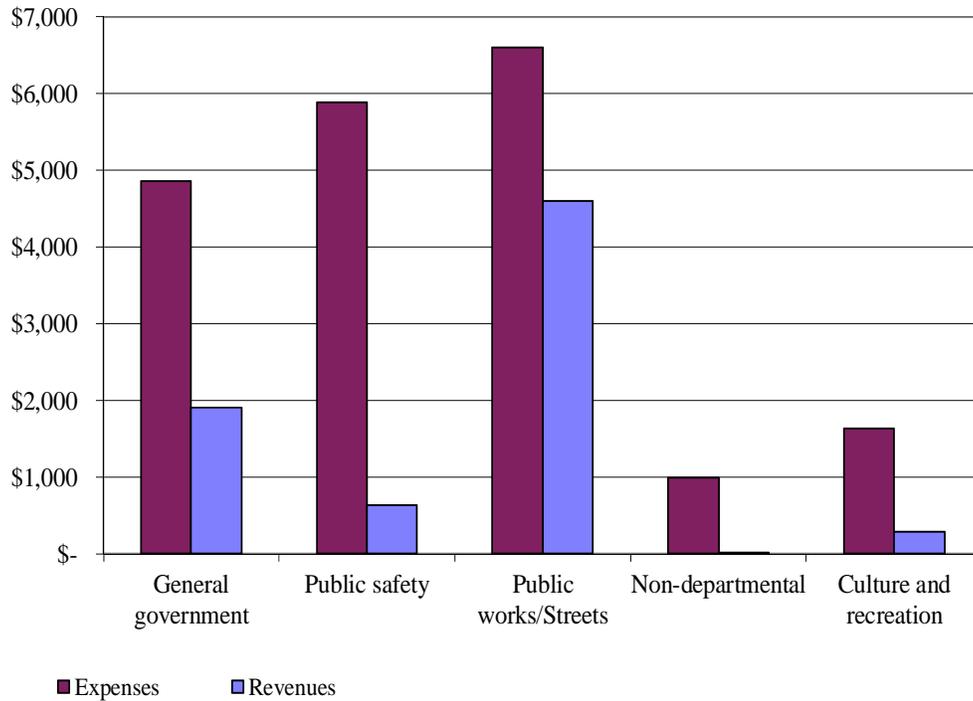
**City of Show Low
Changes in Net Position**

	Governmental activities		Business-type activities		Total	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014	6/30/2015	6/30/2014
Revenues:						
Program revenues:						
Charges for services	\$ 4,058,491	\$ 4,876,447	\$ 6,843,326	\$ 6,806,136	\$ 10,901,817	\$ 11,682,583
Operating grants and contributions	2,594,447	2,074,646	-	-	2,594,447	2,074,646
Capital grants and contributions	770,197	3,536,328	263,677	277,278	1,033,874	3,813,606
General revenues:						
Taxes	12,590,060	11,997,825	-	-	12,590,060	11,997,825
Urban revenue sharing	1,289,876	1,196,624	-	-	1,289,876	1,196,624
Other revenue/(expense)	84,745	139,950	210,758	228,241	295,503	368,191
Total revenues	<u>21,387,816</u>	<u>23,821,820</u>	<u>7,317,761</u>	<u>7,311,655</u>	<u>28,705,577</u>	<u>31,133,475</u>
Expenses:						
General government	4,855,487	5,741,359	-	-	4,855,487	5,741,359
Public safety	5,886,153	6,602,929	-	-	5,886,153	6,602,929
Public works/Streets	6,598,125	5,605,479	-	-	6,598,125	5,605,479
Economic development	992,984	762,562	-	-	992,984	762,562
Culture and recreation	1,631,379	1,609,232	-	-	1,631,379	1,609,232
Interest on long-term debt	708,157	722,366	-	-	708,157	722,366
Water	-	-	3,363,553	3,468,286	3,363,553	3,468,286
Wastewater	-	-	2,672,366	2,497,242	2,672,366	2,497,242
Refuse	-	-	790,890	962,046	790,890	962,046
Total expenses	<u>20,672,285</u>	<u>21,043,927</u>	<u>6,826,809</u>	<u>6,927,574</u>	<u>27,499,094</u>	<u>27,971,501</u>
Increase (decrease) in net position before transfers	715,531	2,777,893	490,952	384,081	1,206,483	3,161,974
Transfers	366,400	361,800	(366,400)	(361,800)	-	-
Increase (decrease) in net position	1,081,931	3,139,693	124,552	22,281	1,206,483	3,161,974
Net position, beginning	67,006,700	64,070,036	53,512,297	53,490,016	120,518,997	117,560,052
Prior period adjustment	(121,852)	-	-	-	(121,852)	-
Restatement adjustment	(10,659,815)	(203,029)	(1,477,140)	-	(12,136,955)	(203,029)
Net position, ending	<u>\$ 57,306,964</u>	<u>\$ 67,006,700</u>	<u>\$ 52,159,709</u>	<u>\$ 53,512,297</u>	<u>\$ 109,466,673</u>	<u>\$ 120,518,997</u>

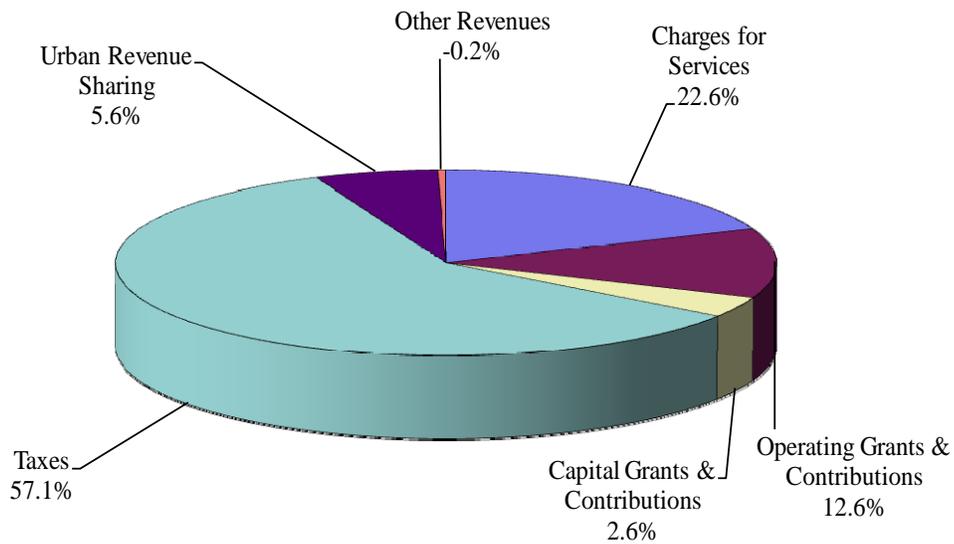
Total resources available during the year to finance governmental operations were \$77.6 million consisting of Net Position at July 1, 2014 of \$56.2 million, program revenues of \$7.4 million, and General Revenues of \$13.9 million. Total Governmental Activities during the year were \$20.7 million; thus Governmental Net Position was increased by \$1 million to \$57.3 million.

The following graphs are based on the Government-wide Statement of Activities and compare program expenses to program revenues and provide a breakdown of revenues by source for all government activities.

Expenses and Program Revenues - Governmental Activities
(in Thousands)



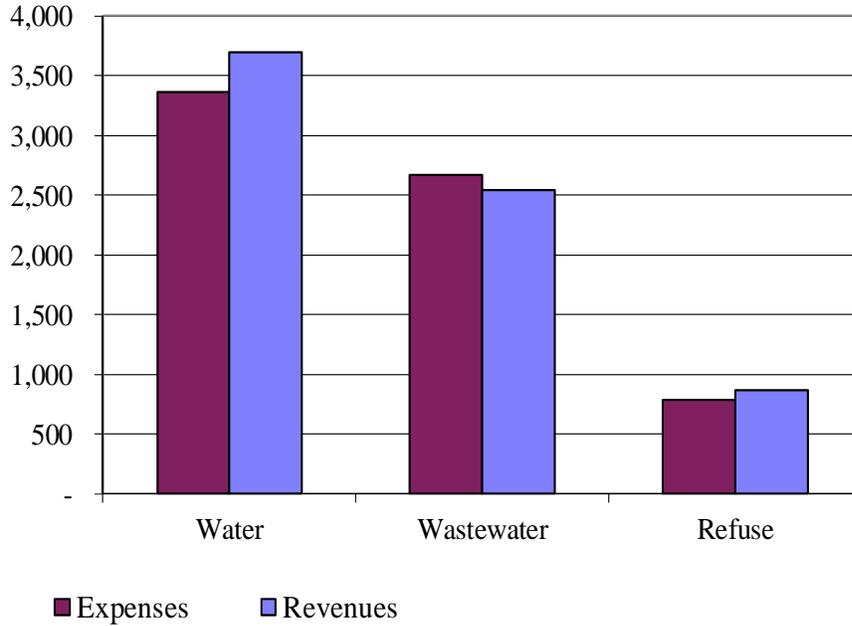
Revenue By Source - Governmental Activities



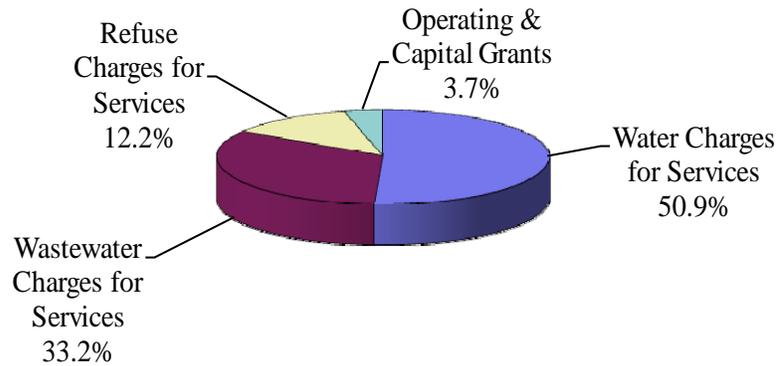
Business Type Activities

Net Position of the Business Type activities at June 30, 2015, as reflected in the Statement of Net Position was \$52.1 million. The cost of providing all Proprietary (Business Type) activities this year was \$6.8 million. As shown in the statement of Changes in Net Position, the amounts paid by users of the system were \$6.8 million and there was \$263,677 subsidized by capital grants and contributions. Interest earnings and other revenues were \$210,758. The Net Position increased by \$124,552.

Expenses and Program Revenues - Business-Type Activities
(in Thousands)



Revenue By Source - Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City of Show Low uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds – The focus of the City of Show Low's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Show Low's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. See the Balance Sheet for Governmental Funds statement for information about components of the fiscal year's ending fund balance for governmental funds. As of the end of the current fiscal year, the City of Show Low's governmental funds reported combined ending fund balances of \$14,887,997, an increase of \$6,253,467 or 72%, compared to FY 2014. The increase is due primarily to the unspent bond proceeds of \$4 million in the Special Projects fund which will be used for the public safety building.

Approximately 46% of the combined ending fund balances of \$14,887,997, or \$6,888,046, constitutes unassigned fund balance which is available for new spending at the government's discretion. The almost \$6.9 million combined unassigned fund balance includes \$2,600,000 established as a General Fund reserve, of which at least \$1,000,000 is a condition of the Home Rule Option and must be maintained before any expenditure can be authorized. The City Council has also directed an additional \$1,600,000 be set aside. The remaining combined fund balance is non-spendable, restricted, committed or assigned in accordance with GASB 54.

The General fund is the chief operating fund of the City of Show Low. At the end of the current fiscal year, unassigned fund balance in the general fund was \$7,045,352, while total General fund balance was \$7,227,875. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General fund expenditures. The General fund unassigned fund balance represents 62.7% of total General fund expenditures while total fund balance represents 64% of the same amount. During the year, the City of Show Low's General fund balance increased by \$1,416,990. This positive change in fund balance is primarily attributable to a \$1.2 million decrease in transfers out of the General fund along with an overall increase in General fund revenues.

The Highway User Revenue Fund has a total fund balance of \$1,483,844, all of which is assigned for road and street construction and improvements per state statute. The net increase in the fund balance during the current year was \$570,550 resulting from a decrease in capital outlay.

The Airport Fund has a total fund balance of \$5,122 and an unassigned fund balance of (\$141,793), which offsets the total fund balance.

Improvement District #5 has been paid in full.

Improvement District #6 is a debt service fund. This fund balance declined by \$107,689, primarily due to the early receipt of principal and interest payments in prior years, which translates to a decrease in collections for the current year.

The Show Low Bluff Communities Facilities District debt service fund experienced a decrease of \$29,374 for FY 2015 primarily due to decreases in property values and revenue.

General Fund Budgetary Highlights

Tax revenues have a positive variance of \$1,348,698 mainly due to stronger than budgeted sales tax collections. Intergovernmental revenues also have a positive variance of \$61,568 due to the City's practice of budgeting 95% of the estimated state-provided revenues and 95% of prior year actuals for other revenues. Total revenues have a positive variance of 11% or \$1,436,219. General fund expenditures were \$1,529,834 or 12% less than budgeted with the most significant positive variances in the following areas:

- In the General Government category, total spending was \$561,300 or 16% less than budget. Most notable in this category was City Council spending \$141,083 less than budget due to limited use of council contingencies that comprise the majority of the council budget.
- In the Public Safety department, spending was \$504,722 or 9% less than budget due to personnel-related, program, and equipment replacement savings.
- In the Public Works department, actual spending was \$135,769 or 9% less than budget due to personnel-related and program savings.
- In the Non-departmental category, spending was \$196,818 or 17% less than budget because of limited use of contingencies for economic development incentives and liability deductibles.
- In the Culture and Recreation category, actual spending was \$131,225 or 15% less than budget due to personnel-related and contractual savings.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets of the City are those assets that are used in performance of City functions including infrastructure assets. Capital Assets include equipment, buildings, land, park facilities and roads. At the end of fiscal year 2015, net capital assets of the government activities totaled \$67.8 million and the net capital assets of the business-type activities totaled \$50.6 million. Depreciation on capital assets is recognized in the Government-Wide financial statements. See also Note 6 to the financial statements.

Debt

At year-end, the City had \$17.2 million in governmental type debt and \$7.8 million in business-type debt. The debt is a liability of the government and amounts to approximately \$2,275 per capita (population estimated at 10,989). During the current fiscal year, the City's total debt had a net increase of \$5,845,703. See also Note 7 to the financial statements.

NEXT YEAR'S BUDGET AND ECONOMIC FACTORS

The City of Show Low is experiencing continued, steady economic growth and expects to see similar growth in the coming fiscal year. The City serves as a regional trade and services center for the White Mountains and remains a favorite place for summer visitors and second homes. The City is at 6,412 feet elevation and enjoys summer time temperatures that are in the mid-eighties. Winters in Show Low are generally mild with temperature extremes being minor compared to other parts of the country.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Administrative Services Director, City of Show Low, 180 North 9th Street, Show Low, Arizona 85901.

BASIC FINANCIAL STATEMENTS

CITY OF SHOW LOW, ARIZONA
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 10,414,564	\$ 12,477,511	\$ 22,892,075
Receivables (net of allowance)	3,816,414	838,348	4,654,762
Internal balances	253,427	(253,427)	-
Prepaid items/Inventory	964,302	326,566	1,290,868
Temporarily restricted assets:			
Cash and cash equivalents	4,256,440	71,054	4,327,494
Capital assets (net of accumulated depreciation):			
Land	6,095,240	1,246,033	7,341,273
Construction in progress	1,526,568	5,952,780	7,479,348
Buildings	10,421,943	34,913	10,456,856
Improvements	6,878,634	-	6,878,634
System improvements	-	41,552,818	41,552,818
Machinery and equipment	2,499,969	1,779,294	4,279,263
Vehicles	1,705,817	103,992	1,809,809
Infrastructure/Roads	38,676,074	-	38,676,074
Total assets	<u>87,509,392</u>	<u>64,129,882</u>	<u>151,639,274</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions	2,414,897	231,710	2,646,607
Deferred charge on refunding	325,160	-	325,160
Total deferred outflows	<u>2,740,057</u>	<u>231,710</u>	<u>2,971,767</u>
Liabilities			
Accounts payable and other current liabilities	1,734,613	2,312,073	4,046,686
Interest payable	186,165	78,223	264,388
Unearned revenues	148,250	16,575	164,825
Noncurrent liabilities:			
Due within one year	2,156,966	607,337	2,764,303
Due in more than one year	27,363,796	8,929,275	36,293,071
Total liabilities	<u>31,589,790</u>	<u>11,943,483</u>	<u>43,533,273</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions	1,352,695	258,400	1,611,095
Net Position			
Net investment in capital assets	51,324,245	42,711,469	94,035,714
Restricted for:			
Highways and streets	3,838,720	-	3,838,720
Debt service	1,268,859	-	1,268,859
Capital projects and other	111,772	2,238,360	2,350,132
Unrestricted	763,368	7,209,880	7,973,248
Total net position	<u>\$ 57,306,964</u>	<u>\$ 52,159,709</u>	<u>\$ 109,466,673</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SHOW LOW, ARIZONA
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 4,855,487	\$ 1,873,173	\$ 27,884	\$ -	\$ (2,954,430)	\$ -	\$ (2,954,430)
Public safety	5,886,153	274,028	299,079	61,487	(5,251,559)	-	(5,251,559)
Public works/Streets	6,598,125	1,660,223	2,241,341	698,025	(1,998,536)	-	(1,998,536)
Non-departmental	992,984	6,749	-	-	(986,235)	-	(986,235)
Culture and recreation	1,631,379	244,318	26,143	10,685	(1,350,233)	-	(1,350,233)
Interest on long-term debt	708,157	-	-	-	(708,157)	-	(708,157)
Total governmental activities	20,672,285	4,058,491	2,594,447	770,197	(13,249,150)	-	(13,249,150)
Business-type activities:							
Water	3,363,553	3,615,372	-	86,474	-	338,293	338,293
Wastewater	2,672,366	2,362,361	-	177,203	-	(132,802)	(132,802)
Refuse	790,890	865,593	-	-	-	74,703	74,703
Total business-type activities	6,826,809	6,843,326	-	263,677	-	280,194	280,194
Total primary government	\$ 27,499,094	\$ 10,901,817	\$ 2,594,447	\$ 1,033,874			
General Revenues:							
Taxes:							
City sales tax					10,447,349	-	10,447,349
Franchise tax					441,349	-	441,349
Property tax					168,994	-	168,994
Auto lieu tax (unrestricted)					561,552	-	561,552
State sales tax (unrestricted)					970,816	-	970,816
Urban revenue sharing (unrestricted)					1,289,876	-	1,289,876
Unrestricted investment earnings					84,745	204,154	288,899
Gain on sale of capital assets					-	6,604	6,604
Transfers					366,400	(366,400)	-
Total general revenues & transfers					14,331,081	(155,642)	14,175,439
Change in net position					1,081,931	124,552	1,206,483
Net position - beginning					67,006,700	53,512,297	120,518,997
Prior period adjustment					(121,852)	-	(121,852)
Restatement adjustment					(10,659,815)	(1,477,140)	(12,136,955)
Net position - ending					\$ 57,306,964	\$ 52,159,709	\$ 109,466,673

The accompanying notes are an integral part of the financial statements.

CITY OF SHOW LOW, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2015

	General	Special Revenue		
		Highway User Revenue Fund	Airport	Special Projects
ASSETS				
Cash and cash equivalents	\$ 6,436,011	\$ 1,806,122	\$ 276,281	\$ -
Receivables:				
Taxes	904,177	-	-	-
Interest	24,957	-	-	-
Other	52,719	-	-	-
Assessments	-	-	-	-
Intergovernmental	24,387	137,038	54,520	15,700
Due from other funds	378,602	-	-	-
Inventories	-	-	45,278	-
Prepaid items	-	-	101,637	-
Restricted cash and investments	98,015	-	-	4,002,391
Total assets	\$ 7,918,868	\$ 1,943,160	\$ 477,716	\$ 4,018,091
LIABILITIES				
Accounts payable	\$ 303,399	\$ 441,401	\$ 450,429	\$ 37,805
Accrued wages and benefits	233,642	17,915	6,534	-
Accrued liabilities	21,678	-	15,631	-
Deposits held	21,014	-	-	-
Due to other funds	-	-	-	110,085
Unearned revenue	111,260	-	-	36,990
Total liabilities	690,993	459,316	472,594	184,880
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-special assessments	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Nonspendable:				
Inventories and prepaid items	-	-	146,915	-
Restricted:				
Public works/streets	-	-	-	3,833,211
Capital outlay	-	-	-	-
Debt service	77,001	-	-	-
Committed:				
Cemetery	105,522	-	-	-
Public transportation	-	-	-	-
Assigned:				
Public works/streets	-	1,483,844	-	-
Unassigned	7,045,352	-	(141,793)	-
Total fund balances	7,227,875	1,483,844	5,122	3,833,211
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,918,868	\$ 1,943,160	\$ 477,716	\$ 4,018,091

The accompanying notes are an integral part of the financial statements.

<u>Debt Service Improvement District #6</u>	<u>Show Low Bluff Communities Facilities District</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
\$ 265,564	\$ 671,832	\$ 357,820	\$ 9,813,630
-	29,866	2,570	936,613
4,013	6,318	685	35,973
-	23,996	-	76,715
796,675	1,445,818	154,088	2,396,581
-	-	138,887	370,532
-	-	-	378,602
-	-	-	45,278
-	-	817,387	919,024
-	156,034	-	4,256,440
<u>\$ 1,066,252</u>	<u>\$ 2,333,864</u>	<u>\$ 1,471,437</u>	<u>\$ 19,229,388</u>
\$ 434	\$ 740	\$ 83,287	\$ 1,317,495
-	-	19,988	278,079
-	-	-	37,309
-	-	-	21,014
-	-	15,090	125,175
-	-	-	148,250
<u>434</u>	<u>740</u>	<u>118,365</u>	<u>1,927,322</u>
<u>802,603</u>	<u>1,458,461</u>	<u>153,005</u>	<u>2,414,069</u>
<u>802,603</u>	<u>1,458,461</u>	<u>153,005</u>	<u>2,414,069</u>
-	-	817,387	964,302
-	-	5,509	3,838,720
-	-	111,772	111,772
263,215	874,663	166,730	1,381,609
-	-	-	105,522
-	-	114,182	114,182
-	-	-	1,483,844
-	-	(15,513)	6,888,046
<u>263,215</u>	<u>874,663</u>	<u>1,200,067</u>	<u>14,887,997</u>
<u>\$ 1,066,252</u>	<u>\$ 2,333,864</u>	<u>\$ 1,471,437</u>	<u>\$ 19,229,388</u>

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CITY OF SHOW LOW, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2015

Total governmental fund balances	\$	14,887,997
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$	107,647,935
Less accumulated depreciation		(39,843,690)
		67,804,245
<p>Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Notes payable	\$	(11,500,000)
Bonds payable		(785,000)
Deferred charge on refunding		325,160
Special assessment bonds		(2,989,000)
Landfill monitoring costs		(26,988)
Leases payable		(1,206,000)
Net pension liability		(12,179,153)
Compensated absences		(834,621)
		(29,195,602)
<p>Interest payable on long-term debt does not require current financial resources and therefore, is not reported as a liability in the governmental funds balance sheet.</p>		
		(186,165)
<p>Assessment revenues are deferred in the governmental fund financial statements but recognized when earned in the statement of activities</p>		
		2,414,069
<p>Internal service funds are used by management to charge costs of certain activities to individual funds. This amount represents the assets and liabilities of the internal service funds reported as governmental activities</p>		
		520,218
<p>Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.</p>		
Deferred outflows	\$	2,414,897
Deferred inflows		(1,352,695)
		1,062,202
Total net position of governmental activities	\$	57,306,964

The accompanying notes are an integral part of the financial statements.

CITY OF SHOW LOW, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

REVENUES	General	Special Revenue		
		Highway User Revenue Fund	Airport	Special Projects
Taxes	\$ 10,888,698	\$ -	\$ -	\$ -
Licenses, permits and fees	170,541	-	-	-
Intergovernmental revenue	3,133,368	1,377,264	169,642	219,443
Charges for services	335,048	-	982,952	-
Fines and forfeitures	217,162	-	-	-
Interest	54,484	12,627	624	-
Impact fees	-	-	-	-
Special assessments	-	-	-	-
Other revenues	201,983	100	265,947	-
Total revenues	15,001,284	1,389,991	1,419,165	219,443
EXPENDITURES				
Current:				
General government	2,996,969	-	-	-
Public safety	5,142,928	-	-	107,213
Public works/Streets	1,345,591	1,333,200	964,367	-
Non-departmental	990,242	-	-	-
Culture and recreation	756,075	-	-	-
Capital outlay	-	333,946	164,310	527,873
Debt service				
Principal	-	-	90,000	-
Interest and fiscal charges	-	-	60,794	-
Total expenditures	11,231,805	1,667,146	1,279,471	635,086
Excess (deficiency) of revenues over (under) expenditures	3,769,479	(277,155)	139,694	(415,643)
OTHER FINANCING SOURCES (USES)				
Debt issued	4,800,000	-	-	4,065,000
Sale of assets	6,835	322	-	-
Payment to refunded bond escrow agent	(4,837,448)	-	-	-
Transfers out	(2,817,078)	-	-	-
Transfers in	495,202	847,383	21,788	392,498
Total other financing sources (uses)	(2,352,489)	847,705	21,788	4,457,498
Net change in fund balances	1,416,990	570,550	161,482	4,041,855
Fund balances (deficits), beginning of year	5,810,885	913,294	(34,508)	(208,644)
Prior period adjustment	-	-	(121,852)	-
Fund balances, end of year	\$ 7,227,875	\$ 1,483,844	\$ 5,122	\$ 3,833,211

The accompanying notes are an integral part of the financial statements.

<u>Debt Service</u>	<u>Show Low Bluff</u>		<u>Total</u>
<u>Improvement</u>	<u>Communities</u>	<u>Non-major</u>	<u>Governmental</u>
<u>District #6</u>	<u>Facilities District</u>	<u>Funds</u>	<u>Funds</u>
\$ -	\$ -	\$ 168,996	\$ 11,057,694
-	-	-	170,541
-	-	1,125,522	6,025,239
-	-	123,600	1,441,600
2,526	3,054	4,933	227,675
3,227	6,742	3,344	81,048
-	-	71,798	71,798
376,370	228,216	342,418	947,004
(102)	-	75,351	543,279
<u>382,021</u>	<u>238,012</u>	<u>1,915,962</u>	<u>20,565,878</u>
1,625	8,506	580,968	3,588,068
-	-	-	5,250,141
-	-	204,407	3,847,565
-	-	-	990,242
-	-	397,995	1,154,070
-	-	612,435	1,638,564
390,000	100,000	992,000	1,572,000
83,085	151,880	377,111	672,870
<u>474,710</u>	<u>260,386</u>	<u>3,164,916</u>	<u>18,713,520</u>
<u>(92,689)</u>	<u>(22,374)</u>	<u>(1,248,954)</u>	<u>1,852,358</u>
-	-	-	8,865,000
-	-	-	7,157
-	-	-	(4,837,448)
(15,000)	(7,000)	(141,952)	(2,981,030)
-	-	1,590,559	3,347,430
<u>(15,000)</u>	<u>(7,000)</u>	<u>1,448,607</u>	<u>4,401,109</u>
(107,689)	(29,374)	199,653	6,253,467
370,904	904,037	1,000,414	8,756,382
-	-	-	(121,852)
<u>\$ 263,215</u>	<u>\$ 874,663</u>	<u>\$ 1,200,067</u>	<u>\$ 14,887,997</u>

CITY OF SHOW LOW, ARIZONA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		\$ 6,253,467
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.</p>		
Capital outlay	\$ 1,880,753	
Depreciation expense	<u>(3,625,411)</u>	(1,744,658)
The net effect of various miscellaneous transactions involving capital assets (i.e., disposals) is to decrease net position		(37,141)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the amount of current year payments on assessments.		(706,723)
<p>The issuance of long-term debt (e.g., bonds, leases) provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net position.</p>		
Debt issued	(8,865,000)	
Less deferred charge on refunding	<u>325,160</u>	(8,539,840)
Repayment of long-term debt (e.g., bonds, leases) principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		6,082,000
<p>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 net pension liability is measured a year before the City's report date.</p> <p>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>		
Pension contributions	\$ 889,351	
Pension expense	<u>(1,346,487)</u>	(457,136)
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(25,232)
Accrued interest for long-term debt is not reported as an expenditure for the current period while it is recorded in the statement of activities.		(32,999)
The net revenues of certain activities of the internal service fund is reported with governmental activities.		<u>290,193</u>
Change in net position of governmental activities		<u><u>\$ 1,081,931</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF SHOW LOW, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes:				
City sales tax	\$ 9,120,000	\$ 9,120,000	\$ 10,447,349	\$ 1,327,349
Franchise taxes	420,000	420,000	441,349	21,349
Total taxes	<u>9,540,000</u>	<u>9,540,000</u>	<u>10,888,698</u>	<u>1,348,698</u>
Licenses and permits	121,800	121,800	170,541	48,741
Intergovernmental revenues:				
State sales tax	915,100	915,100	970,816	55,716
Auto lieu tax	552,800	552,800	561,552	8,752
Urban revenue sharing	1,225,900	1,225,900	1,289,876	63,976
Grant revenues	378,000	378,000	311,124	(66,876)
Total intergovernmental	<u>3,071,800</u>	<u>3,071,800</u>	<u>3,133,368</u>	<u>61,568</u>
Charges for services	312,900	312,900	335,048	22,148
Fines and forfeitures	295,500	295,500	217,162	(78,338)
Interest earnings	40,100	40,100	54,484	14,384
Other revenues:				
Cemetery plot sales and services	26,275	26,275	38,520	12,245
Charges for administrative services	5,000	5,000	1,930	(3,070)
Rent income	32,400	32,400	22,023	(10,377)
Miscellaneous revenues	119,290	119,290	139,510	20,220
Total other revenues	<u>182,965</u>	<u>182,965</u>	<u>201,983</u>	<u>19,018</u>
Total revenues	<u>13,565,065</u>	<u>13,565,065</u>	<u>15,001,284</u>	<u>1,436,219</u>
EXPENDITURES				
Current:				
General government:				
City council	224,554	224,554	83,471	141,083
Finance	667,900	667,900	590,570	77,330
City magistrate	195,000	195,000	185,438	9,562
City attorney	247,100	247,100	224,135	22,965
City manager	384,000	384,000	345,658	38,342
Planning and zoning	429,500	429,500	398,240	31,260
Public information	270,400	270,400	228,428	41,972
Information systems	407,240	407,240	393,049	14,191
Human resources	258,900	258,900	237,959	20,941
Community services administration	259,400	259,400	170,701	88,699
Cemetery	214,275	214,275	139,320	74,955
Total general government	<u>3,558,269</u>	<u>3,558,269</u>	<u>2,996,969</u>	<u>561,300</u>

(Continued)

The accompanying notes are an integral part of the financial statements.

CITY OF SHOW LOW, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
Budget and Actual (Continued)
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Public safety:				
Public safety	5,647,650	5,647,650	5,142,928	504,722
Total public safety	5,647,650	5,647,650	5,142,928	504,722
Public works:				
Maintenance	855,500	855,500	799,852	55,648
City engineer	625,860	625,860	545,739	80,121
Total public works	1,481,360	1,481,360	1,345,591	135,769
Non-departmental				
Non-departmental	1,001,600	999,600	799,994	199,606
Show Low TV	187,460	187,460	190,248	(2,788)
Total non-departmental	1,189,060	1,187,060	990,242	196,818
Culture and recreation:				
Parks and recreation	385,600	385,600	276,390	109,210
Library	501,700	501,700	479,685	22,015
Total culture and recreation	887,300	887,300	756,075	131,225
Total expenditures	12,763,639	12,761,639	11,231,805	1,529,834
Excess of revenues over expenditures	801,426	803,426	3,769,479	2,966,053
OTHER FINANCING SOURCES (USES)				
Debt proceeds	-	-	4,800,000	4,800,000
Sale of capital assets	2,500	2,500	6,835	4,335
Payment to refunded bond escrow agent	-	-	(4,837,448)	4,837,448
Transfers out	(3,110,534)	(3,110,534)	(2,817,078)	293,456
Transfers in	480,985	480,985	495,202	14,217
Total other financing sources and (uses)	(2,627,049)	(2,627,049)	(2,352,489)	9,949,456
Net change in fund balance	(1,825,623)	(1,823,623)	1,416,990	12,915,509
Fund balance, beginning of year	5,810,885	5,810,885	5,810,885	-
Fund balance, end of year	<u>\$ 3,985,262</u>	<u>\$ 3,987,262</u>	<u>\$ 7,227,875</u>	<u>\$ 12,915,509</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SHOW LOW, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Highway User Revenue Fund
Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 3,439,200	\$ 3,439,200	\$ 1,377,264	\$ (2,061,936)
Interest	5,000	5,000	12,627	7,627
Other revenues	49,799	49,799	100	(49,699)
Total revenues	<u>3,493,999</u>	<u>3,493,999</u>	<u>1,389,991</u>	<u>(2,104,008)</u>
EXPENDITURES				
Current:				
Public works/streets	1,628,808	1,628,808	1,333,200	295,608
Capital outlay	<u>4,102,740</u>	<u>4,102,740</u>	<u>333,946</u>	<u>3,768,794</u>
Total expenditures	<u>5,731,548</u>	<u>5,731,548</u>	<u>1,667,146</u>	<u>4,064,402</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,237,549)</u>	<u>(2,237,549)</u>	<u>(277,155)</u>	<u>1,960,394</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	2,000	2,000	322	(1,678)
Transfers in	<u>1,129,844</u>	<u>1,129,844</u>	<u>847,383</u>	<u>(282,461)</u>
Total other financing sources (uses)	<u>1,131,844</u>	<u>1,131,844</u>	<u>847,705</u>	<u>(284,139)</u>
Net change in fund balance	(1,105,705)	(1,105,705)	570,550	1,676,255
Fund balance, beginning of year	<u>913,294</u>	<u>913,294</u>	<u>913,294</u>	<u>-</u>
Fund balance, end of year	<u>\$ (192,411)</u>	<u>\$ (192,411)</u>	<u>\$ 1,483,844</u>	<u>\$ 1,676,255</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SHOW LOW, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Airport Special Revenue Fund
Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 3,605,750	\$ 3,605,750	\$ 169,642	\$ (3,436,108)
Charges for services	1,158,100	1,158,100	982,952	(175,148)
Interest	-	-	624	624
Other revenues	34,000	34,000	265,947	231,947
Total revenues	<u>4,797,850</u>	<u>4,797,850</u>	<u>1,419,165</u>	<u>(3,378,685)</u>
EXPENDITURES				
Current:				
Public works/streets	1,182,700	1,182,700	964,367	218,333
Capital outlay	3,740,371	3,740,371	164,310	3,576,061
Debt service				
Principal	85,000	85,000	90,000	(5,000)
Interest and fiscal charges	64,600	64,600	60,794	3,806
Total expenditures	<u>5,072,671</u>	<u>5,072,671</u>	<u>1,279,471</u>	<u>3,793,200</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(274,821)</u>	<u>(274,821)</u>	<u>139,694</u>	<u>414,515</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	29,050	29,050	21,788	(7,262)
Total other financing sources (uses)	<u>29,050</u>	<u>29,050</u>	<u>21,788</u>	<u>(7,262)</u>
Net change in fund balance	(245,771)	(245,771)	161,482	407,253
Fund balance (deficit), beginning of year	(34,508)	(34,508)	(34,508)	-
Restatement adjustment	-	-	(121,852)	
Fund balance (deficit), end of year	<u>\$ (280,279)</u>	<u>\$ (280,279)</u>	<u>\$ 5,122</u>	<u>\$ 407,253</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SHOW LOW, ARIZONA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Special Projects
Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 4,066,991	\$ 4,066,991	\$ 219,443	\$ (3,847,548)
Total revenues	<u>4,066,991</u>	<u>4,066,991</u>	<u>219,443</u>	<u>(3,847,548)</u>
EXPENDITURES				
Current:				
Public safety	72,385	72,385	107,213	(34,828)
Grant contingencies	3,827,591	3,827,591	-	3,827,591
Capital outlay	3,982,499	3,982,499	527,873	3,454,626
Total expenditures	<u>7,882,475</u>	<u>7,882,475</u>	<u>635,086</u>	<u>7,247,389</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,815,484)</u>	<u>(3,815,484)</u>	<u>(415,643)</u>	<u>3,399,841</u>
OTHER FINANCING SOURCES (USES)				
Debt issued	3,000,000	3,000,000	4,065,000	1,065,000
Transfers in	392,499	392,499	392,498	(1)
Total other financing sources (uses)	<u>3,392,499</u>	<u>3,392,499</u>	<u>4,457,498</u>	<u>1,064,999</u>
Net change in fund balance	(422,985)	(422,985)	4,041,855	4,464,840
Fund balance (deficit), beginning of year	<u>(208,644)</u>	<u>(208,644)</u>	<u>(208,644)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (631,629)</u>	<u>\$ (631,629)</u>	<u>\$ 3,833,211</u>	<u>\$ 4,464,840</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SHOW LOW, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	(Nonmajor) Refuse	Totals	Internal Service Health Insurance
ASSETS					
Current Assets:					
Cash	\$ 4,194,485	\$ 8,076,307	\$ 206,719	\$ 12,477,511	\$ 600,934
Receivables (net of allowance)	524,743	222,027	82,710	829,480	-
Due from other governments	8,868	-	-	8,868	-
Inventories	232,224	67,215	-	299,439	-
Prepaid items	27,127	-	-	27,127	-
Total current assets	<u>4,987,447</u>	<u>8,365,549</u>	<u>289,429</u>	<u>13,642,425</u>	<u>600,934</u>
Noncurrent Assets:					
Restricted cash and investments	71,054	-	-	71,054	-
Land and water rights	421,555	824,478	-	1,246,033	-
Construction in progress	391,028	5,561,752	-	5,952,780	-
Buildings	74,054	-	-	74,054	-
System improvements	32,326,759	38,914,287	-	71,241,046	-
Machinery and equipment	1,996,603	1,457,300	-	3,453,903	-
Vehicles	373,337	164,268	-	537,605	-
Accumulated depreciation	(12,592,579)	(19,243,012)	-	(31,835,591)	-
Total noncurrent assets	<u>23,061,811</u>	<u>27,679,073</u>	<u>-</u>	<u>50,740,884</u>	<u>-</u>
Total Assets	<u>28,049,258</u>	<u>36,044,622</u>	<u>289,429</u>	<u>64,383,309</u>	<u>600,934</u>
Deferred Outflows of Resources					
Deferred outflows related to pensions	130,857	100,853	-	231,710	-
LIABILITIES					
Current liabilities:					
Accounts payable	323,993	1,427,481	83,509	1,834,983	80,716
Accrued wages and benefits	39,879	12,835	-	52,714	-
Due to other funds	-	253,427	-	253,427	-
Compensated absences	44,438	30,996	-	75,434	-
Unearned revenue	16,575	-	-	16,575	-
Retainage payable	-	353,322	-	353,322	-
Interest payable	75,056	3,167	-	78,223	-
Customer deposits	71,054	-	-	71,054	-
Notes payable - current portion	240,728	291,175	-	531,903	-
Total current liabilities	<u>811,723</u>	<u>2,372,403</u>	<u>83,509</u>	<u>3,267,635</u>	<u>80,716</u>
Noncurrent liabilities:					
Compensated absences	14,813	10,331	-	25,144	-
Net pension liability	834,508	643,165	-	1,477,673	-
Notes payable, net of current portion	4,757,887	2,668,571	-	7,426,458	-
Total noncurrent liabilities	<u>5,607,208</u>	<u>3,322,067</u>	<u>-</u>	<u>8,929,275</u>	<u>-</u>
Total liabilities	<u>6,418,931</u>	<u>5,694,470</u>	<u>83,509</u>	<u>12,196,910</u>	<u>80,716</u>
Deferred Inflows of Resources					
Deferred inflows related to pensions	145,930	112,470	-	258,400	-
NET POSITION					
Net investment in capital assets	17,992,142	24,719,327	-	42,711,469	-
Restricted for developer fees	119,112	2,119,248	-	2,238,360	-
Unrestricted	3,504,000	3,499,960	205,920	7,209,880	520,218
Total net position	<u>\$ 21,615,254</u>	<u>\$ 30,338,535</u>	<u>\$ 205,920</u>	<u>\$ 52,159,709</u>	<u>\$ 520,218</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SHOW LOW, ARIZONA
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	(Nonmajor) Refuse	Totals	Internal Service Health Insurance
Operating Revenues					
Charges for services	\$ 3,519,364	\$ 2,359,813	\$ 865,374	\$ 6,744,551	\$ -
Premiums	-	-	-	-	1,524,974
Other revenues	96,008	2,548	219	98,775	-
Total operating revenues	<u>3,615,372</u>	<u>2,362,361</u>	<u>865,593</u>	<u>6,843,326</u>	<u>1,524,974</u>
Operating Expenses					
Salaries, wages and benefits	930,532	713,518	-	1,644,050	-
Administration/legal/contract services	49,307	14,315	774,851	838,473	1,238,478
Field supplies	126,678	48,242	28,122	203,042	-
Repairs and maintenance	476,708	401,335	-	878,043	-
Utilities	462,257	206,816	-	669,073	-
Miscellaneous	8,315	16,315	-	24,630	-
Bad debt expense	98,529	(36,352)	(12,083)	50,094	-
Depreciation	1,081,538	1,203,367	-	2,284,905	-
Total operating expenses	<u>3,233,864</u>	<u>2,567,556</u>	<u>790,890</u>	<u>6,592,310</u>	<u>1,238,478</u>
Operating income (loss)	<u>381,508</u>	<u>(205,195)</u>	<u>74,703</u>	<u>251,016</u>	<u>286,496</u>
Non-operating Revenues (Expenses)					
Interest income	116,653	85,021	2,480	204,154	3,697
Interest expense and fiscal charges	(129,689)	(104,810)	-	(234,499)	-
Gain (loss) on sale of assets	5,348	1,256	-	6,604	-
Total non-operating revenue (expense)	<u>(7,688)</u>	<u>(18,533)</u>	<u>2,480</u>	<u>(23,741)</u>	<u>3,697</u>
Income (loss) before contributions and transfers	373,820	(223,728)	77,183	227,275	290,193
Capacity fees	86,474	177,203	-	263,677	-
Transfers out	(181,800)	(119,600)	(65,000)	(366,400)	-
Change in net position	278,494	(166,125)	12,183	124,552	290,193
Total net position, beginning of year	22,170,967	31,147,593	193,737	53,512,297	230,025
Restatement adjustment	(834,207)	(642,933)	-	(1,477,140)	-
Total net position, end of year	<u>\$ 21,615,254</u>	<u>\$ 30,338,535</u>	<u>\$ 205,920</u>	<u>\$ 52,159,709</u>	<u>\$ 520,218</u>

The accompanying notes are an integral part of the financial statements.

CITY OF SHOW LOW, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities
	Water	Wastewater	(Nonmajor) Refuse	Totals	Internal Service Health Insurance
Cash Flows From Operating Activities:					
Cash received from customers, service fees	\$ 3,712,168	\$ 2,303,018	\$ 864,741	\$ 6,879,927	\$ 1,523,996
Cash received from customers, other	89,063	2,548	219	91,830	-
Cash paid to suppliers	(1,070,798)	206,202	(796,158)	(1,660,754)	(1,237,762)
Cash paid to employees	(904,571)	(124,219)	-	(1,028,790)	-
Cash flows from operating activities	<u>1,825,862</u>	<u>2,387,549</u>	<u>68,802</u>	<u>4,282,213</u>	<u>286,234</u>
Cash Flows From Noncapital Financing Activities:					
Transfers	(181,800)	(119,600)	(65,000)	(366,400)	-
Cash flows from noncapital financing activities	<u>(181,800)</u>	<u>(119,600)</u>	<u>(65,000)</u>	<u>(366,400)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:					
Proceeds from long term debt	-	3,065,000	-	3,065,000	-
Purchase of capital assets	(416,967)	(5,111,202)	-	(5,528,169)	-
Proceeds from sale of capital assets	5,348	280,662	-	286,010	-
Principal paid on long term debt	(233,730)	(315,865)	-	(549,595)	-
Interest paid	(135,991)	(104,658)	-	(240,649)	-
Connection, capacity & impact fees	86,474	177,203	-	263,677	-
Cash flows from capital and related financing activities	<u>(694,866)</u>	<u>(2,008,860)</u>	<u>-</u>	<u>(2,703,726)</u>	<u>-</u>
Cash Flows From Investing Activities:					
Interest on investments	116,653	85,021	2,480	204,154	3,697
Net change in cash and cash equivalents	1,065,849	344,110	6,282	1,416,241	289,931
Cash and cash equivalents, including temporarily restricted cash, beginning of year	<u>3,199,690</u>	<u>7,732,197</u>	<u>200,437</u>	<u>11,132,324</u>	<u>311,003</u>
Cash and cash equivalents, including temporarily restricted cash, end of year	<u><u>\$ 4,265,539</u></u>	<u><u>\$ 8,076,307</u></u>	<u><u>\$ 206,719</u></u>	<u><u>\$ 12,548,565</u></u>	<u><u>\$ 600,934</u></u>
Reconciliation of operating income to net cash flows from operating activities:					
Net operating income (loss)	\$ 381,508	\$ (205,195)	\$ 74,703	\$ 251,016	\$ 286,496
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation/amortization	1,081,538	1,203,367	-	2,284,905	-
Pension expense	69,733	53,747	-	123,480	-
Employer pension contributions	(54,360)	(41,896)	-	(96,256)	-
Changes in operating assets and liabilities:					
(Increase) decrease in receivables	192,804	(56,795)	(633)	135,376	(978)
(Increase) decrease in prepaid items	(6,945)	-	-	(6,945)	-
(Increase) decrease in inventory	(40,784)	4,640	-	(36,144)	-
Increase (decrease) in payables	191,780	852,233	(5,268)	1,038,745	716
Increase (decrease) in accrued liabilities & deposits	10,588	577,448	-	588,036	-
Net cash flows from operating activities	<u><u>\$ 1,825,862</u></u>	<u><u>\$ 2,387,549</u></u>	<u><u>\$ 68,802</u></u>	<u><u>\$ 4,282,213</u></u>	<u><u>\$ 286,234</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF SHOW LOW, ARIZONA
Statement of Net Position
Fiduciary Funds
June 30, 2015

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 32,832
Total assets	<u>\$ 32,832</u>
LIABILITIES	
Accounts payable	\$ 86
Deposits	<u>32,746</u>
Total liabilities	<u>\$ 32,832</u>

The accompanying notes are an integral part of the financial statements.

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CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies

Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Reporting Entity

The City of Show Low (City) was incorporated May 20, 1953, under the provisions of Article 13, Sections 1 through 6, of the Constitution of Arizona and Title 9 of the Arizona Revised Statutes. The City is a municipal corporation governed by an elected mayor and six-member governing council (council). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. When applicable, each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The following is a brief review of the component units included in defining the City's reporting entity. There are no discretely presented component units and two blended component units.

Blended component units included within the reporting entity:

The **City of Show Low Municipal Property Corporation's** (SMPC) board of directors consists of not less than three members which are appointed by the Show Low City Council. The SMPC, which is a nonprofit corporation incorporated under the laws of the State of Arizona, was formed for the purpose of assisting the City in obtaining financing for various projects of the City. All related receivables and payables between the City and the SMPC have been eliminated. The SMPC has a June 30 year end and is reported within the governmental fund financial statements.

The **Show Low Bluff Community Facilities District** (CFD) board of directors consists of seven members which are appointed by the Show Low City Council. The CFD is a special service district for purposes of Article IX, Section 19, Constitution of Arizona, a tax levying public improvement district for purposes of Article XIII, Section 7, and a municipal corporation for all purposes of Title 35, Chapter 3, Articles 3, 3.1, 3.2, 4 and 5 of the Arizona Revised Statutes as amended, and is considered a municipal corporation separate and apart from the municipality. The CFD was formed for the purpose of assisting the City with the financing and development of various improvements located within the CFD boundaries. The CFD is authorized to levy ad valorem tax on the assessed value of all real and personal property in the district. All related receivables and payables between the City and the CFD have been eliminated. The CFD has a June 30 year end and is reported within the governmental fund financial statements.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and wastewater functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of presentation – fund financial statements

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial 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. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The **Highway User Revenue Fund** is used to account for the City's share of motor fuel tax revenues which are restricted for the maintaining, repairing, and upgrading of streets.

The **Airport Fund** accounts for the operation of the municipal airport. Revenues and other resources included in this fund include fuel sales, lease revenue, parking and other fees, and grants restricted for the airport.

The **Special Projects** fund is used to account for RICO funds, JCEF funds, Magistrate funds and other grants and debt service proceeds restricted for a specific use or project.

The **Debt Service Improvement District #6 Fund** is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for governmental debt principal and interest.

The **Show Low Bluff Community Facilities District** is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for CFD debt principal and interest.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

The City reports the following major enterprise funds:

The **Water and Wastewater Funds** account for the activities of pumping, treating and distribution of water and wastewater collection and treatment.

The **Refuse Fund** is the only nonmajor enterprise fund and it accounts for the collection of solid waste and related services.

Additionally, the City reports the following fund types:

The **Internal Service Fund** accounts for employee health insurance coverage.

The **Agency Fund** holds assets in trust for the following entities: Slovakian Sister Cities Fund and Police Department Evidence and the **White Mountain Partnership Agency Fund** holds assets in trust for the White Mountain Partnership which is a nonprofit corporation established primarily to promote tourism and recreation in the White Mountains of Arizona. Agency funds are used to report resources held by the City in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations or other governments.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, state shared revenues, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary and internal service funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Deposits and Investments

Cash includes cash on hand, demand deposits with banks and other financial institutions, deposits in other types of accounts or cash management pools that have the general characteristics of demand deposit accounts and short-term investments with original maturities of three months or less from the date of acquisition. The City's policy allows for the investment of funds in time certificates of deposit with federally insured depositories, investment in the state treasurer's pool, obligations of the U. S. Government and other investments as allowed by Arizona State Statutes. All investments are carried at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are based on quoted market prices. The reported value of the state treasurer's pool is the same as the fair value of the pool shares.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “Internal balances” in the Statement of Net Position and as “Due to” or “Due from” other funds in the fund financial statements. All trade accounts receivable in the General Fund and proprietary funds are shown net of an allowance for doubtful accounts.

Inventories and Prepaid Items

The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. Inventories for the proprietary funds consist principally of materials used in the repair of the distribution, collection and treatment systems and are valued at the lower of cost (first-in, first-out) or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$10,000 and an estimated useful life in excess of three years. Capitalized assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. Depreciation for other property, plant, equipment, and infrastructure is computed using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Machinery and equipment	5 to 15 years
Vehicles	5 to 15 years
Streets, sidewalks & other infrastructure	40 years

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position 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 period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has one type of item that qualifies for reporting in this category. It is pension related items reported on the government-wide and proprietary fund financial statements. See footnote 9 for more information.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

In addition to liabilities, the statement of financial position 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 will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Pension related items reported on the government-wide and proprietary fund financial statements. See footnote 9 for more information. Another item, which arises only under a modified accrual basis of accounting, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 plan's fiduciary net position of the Arizona State Retirement System (ASRS) and the Arizona Public Safety Personnel Retirement System (PSPRS), and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net position flow assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The council has authorized the City Manager to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund. See Footnote 12 for information about the City's General Fund stabilization reserve that is included in the unassigned fund balance of the General Fund.

Revenues and expenditures/expenses

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property tax revenues are recognized as revenues in the year collected or if collected within 60 days thereafter unless they are prepaid. Navajo County levies real property taxes on or before the third Monday in August, which become due and payable in two equal installments on October 1 of the current year and March 1 of the subsequent year. Taxes become delinquent after the first business day of November and May, respectively. Interest attaches on installments after the delinquency date.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 1. Summary of Significant Accounting Policies, Continued

The County also levies various personal property taxes during the year. A lien against property assessed attaches on the first day of January preceding the assessment and levy.

Compensated Absences

For governmental funds, amounts of vested or accumulated paid time off leave that is not expected to be liquidated with expendable available financial resources is reported as a liability in the government-wide statement of net position and as an expense in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements unless they have matured, for example, as a result of employee resignations and retirements. Vested or accumulated paid time off leave in the proprietary fund is recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, wastewater fund, refuse fund, and internal service funds are charges to customers for sales and services. The water and wastewater funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

New pronouncements

For the year ended June 30, 2015, the City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements resulted in a restatement of beginning net position in the City's government-wide and proprietary fund financial statements (see Note 14).

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 2 Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net position. This difference primarily results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 19.

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 22.

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the City. The use of budgets and monitoring of equity status facilitate the City's compliance with legal requirements.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at year end. The City Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the City Manager submits a proposed budget for the fiscal year commencing the following July 1 to the City Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comment.
3. Prior to the third Monday in August, the expenditure limitation for the City is legally enacted through passage of a resolution. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total City expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The City follows a voter-approved alternative expenditure limitation that was adopted on March 11, 2013.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 3. Stewardship, Compliance, and Accountability, Continued

5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the City adopts a budget by department for the General Fund and in total by fund for other funds. The City Council has adopted a budget transfer policy and all amendments must be done in accordance with this policy.
6. The City has adopted budgets in accordance with A.R.S. requirements and utilizes the budgets as a management control device during the year for the General, Special Revenue, Debt Service, Internal Service and Enterprise funds. The budgets are prepared on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

The City is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the City to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The City complied with this law during the year.

Supplementary budgetary appropriations were made during the year ended June 30, 2015.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation for future years, is not employed by the City.

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the year ended June 30, 2015, if any.

Highway User Revenue Funds

Highway user revenue fund monies received by the City pursuant to title 28, chapter 18, article 2 of Arizona Revised Statutes and other dedicated state transportation revenues received during the current fiscal year have been used solely for authorized transportation purposes.

Note 4. Deposits and Investments

A reconciliation of cash and investments as shown on the statement of net position is as follows:

Cash and cash equivalents	\$ 22,892,075
Restricted cash and cash equivalents	4,327,494
Agency fund monies	32,832
	<u>\$ 27,252,401</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 4. Deposits and Investments, Continued

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the City's deposit may not be returned to it. The City does not have a formal policy for custodial credit risk. As of June 30, 2015, \$2,522,755 of the City's bank balance of \$5,535,896 was exposed to custodial credit risk because it was not insured or collateralized.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City'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). A.R.S. 35-323 requires that the City's investment portfolio maturities do not exceed five years from the time of purchase.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323). A.R.S. 35-323 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.

Investments

The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP) with no regulatory oversight. The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments.

The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P1" by Moody's investors or "A1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 4. Deposits and Investments, Continued

As of June 30, 2015 the City had the following deposits and investments:

	Fair Value	Credit Rating (1)	Weighted Average Maturity (2)
Cash on deposit	\$ 5,281,751	N/A	N/A
Cash on hand	2,045	N/A	N/A
Local Governments Investment Pool 5 *	7,163,305	AAAF/S1+	47 days
Local Governments Investment Pool 500 *	8,592,504	AA-2	1.46 years
Local Governments Investment Pool 700 *	6,212,796	AAA	1.68 years
	\$ 27,252,401		

* The fair value of the City's position in each pool is the same as the value of the pool shares.

(1) Ratings are provided where applicable to indicate associated Credit Risk. N/A indicates not applicable.

(2) Interest Rate Risk is estimated using the weighted average days to maturity.

Note 5. Restricted Assets

Restricted assets consisted of the following cash reserves at June 30, 2015:

Governmental Activities:

General Fund:

Reserve for arbitrage - GADA 2006	\$ 77,001
Restricted for developer performance bond	21,014

Debt Service Funds:

Restricted for debt service CFD Bonds	156,034
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Special Revenue Funds:

Restricted for unexpended loan proceeds	4,002,391
Total Governmental Activities	\$ 4,256,440

Business-Type Activities:

Water Fund:

Customer security deposits	\$ 71,054
Total Business-Type Activities	\$ 71,054

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 6. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year:

Governmental Activities:	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Capital assets, not being depreciated:				
Land	\$ 6,095,240	\$ -	\$ -	\$ 6,095,240
Construction in progress	4,417,621	453,787	(3,344,840)	1,526,568
Total capital assets, not being depreciated	<u>10,512,861</u>	<u>453,787</u>	<u>(3,344,840)</u>	<u>7,621,808</u>
Capital assets, being depreciated:				
Buildings	17,281,352	-	-	17,281,352
Improvements other than buildings	12,188,391	70,711	-	12,259,102
Machinery and equipment	5,349,910	352,150	(55,140)	5,646,920
Infrastructure	56,252,872	3,585,129	-	59,838,001
Vehicles	4,382,634	763,816	(145,699)	5,000,752
Total capital assets, being depreciated	<u>95,455,160</u>	<u>4,771,806</u>	<u>(200,839)</u>	<u>100,026,127</u>
Less accumulated depreciation for:				
Buildings	(6,279,350)	(580,059)	-	(6,859,410)
Improvements other than buildings	(4,965,459)	(415,009)	-	(5,380,468)
Machinery and equipment	(2,769,998)	(394,952)	17,999	(3,146,951)
Infrastructure	(19,264,565)	(1,897,362)	-	(21,161,927)
Vehicles	(3,102,604)	(338,029)	145,699	(3,294,934)
Total accumulated depreciation	<u>(36,381,976)</u>	<u>(3,625,411)</u>	<u>163,698</u>	<u>(39,843,689)</u>
Total capital assets, being depreciated, net	<u>59,073,184</u>	<u>1,146,395</u>	<u>(37,141)</u>	<u>60,182,437</u>
Governmental activities capital assets, net	<u>\$ 69,586,045</u>	<u>\$ 1,600,181</u>	<u>\$ (3,381,981)</u>	<u>\$ 67,804,245</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Governmental Activities:	
General government	\$ 210,740
Public safety	218,214
Public works/streets	2,738,964
Culture & recreation	457,493
Total depreciation expense - governmental activities	<u>\$ 3,625,411</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 6. Capital Assets, Continued

The following table summarizes the changes to capital assets for business-type activities during the year.

Business Type Activities:	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Capital assets not being depreciated:				
Land	\$ 1,136,033	\$ -	\$ -	\$ 1,136,033
Water rights	110,000	-	-	110,000
Construction in progress	1,415,823	4,901,002	(364,045)	5,952,780
Total capital assets, not being depreciated	<u>2,661,856</u>	<u>4,901,002</u>	<u>(364,045)</u>	<u>7,198,813</u>
Capital assets being depreciated:				
Buildings	74,054	-	-	74,054
Improvements other than buildings	70,686,190	554,856	-	71,241,046
Machinery and equipment	3,296,954	156,949	-	3,453,903
Vehicles	554,480	-	(16,875)	537,605
Total capital assets, being depreciated	<u>74,611,678</u>	<u>711,804</u>	<u>(16,875)</u>	<u>75,306,607</u>
Less accumulated depreciation for:				
Buildings	(33,725)	(5,416)	-	(39,141)
Improvements other than buildings	(27,702,297)	(1,985,931)	-	(29,688,228)
Machinery and equipment	(1,392,847)	(281,762)	-	(1,674,609)
Vehicles	(438,692)	(11,796)	16,875	(433,613)
Total accumulated depreciation	<u>(29,567,561)</u>	<u>(2,284,905)</u>	<u>16,875</u>	<u>(31,835,591)</u>
Total capital assets, being depreciated, net	<u>45,044,116</u>	<u>(1,573,101)</u>	<u>-</u>	<u>43,471,016</u>
Business-type activities capital assets, net	<u>\$ 47,705,972</u>	<u>\$ 3,327,901</u>	<u>\$ (364,045)</u>	<u>\$ 50,669,828</u>

Depreciation expense was charged to the functions/programs of the City as follows:

Business-Type Activities:	
Wastewater	1,203,367
Water	1,081,538
Total depreciation expense - business-type activities	<u>\$ 2,284,905</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 7. Long-Term Debt

The following is a summary of changes in long-term obligations for the year ended June 30, 2015:

	Balance 6/30/2014	Additions	Retirements	Balance 6/30/2015	Current Portion
Governmental Activities:					
Special assessment bonds:					
Improvement District #5	\$ 120,000	\$ -	\$ (120,000)	\$ -	\$ -
Improvement District #6	1,565,000	-	(390,000)	1,175,000	415,000
Improvement District #7	278,000	-	(64,000)	214,000	68,000
Community Facilities District	1,660,000	-	(60,000)	1,600,000	65,000
Total Special Assessment Bonds	<u>3,623,000</u>	<u>-</u>	<u>(634,000)</u>	<u>2,989,000</u>	<u>548,000</u>
General obligation bonds:					
Community Facilities					
District bonds - Series 2007	415,000	-	(10,000)	405,000	15,000
District bonds - Series 2011	410,000	-	(30,000)	380,000	30,000
Total General Obligation	<u>825,000</u>	<u>-</u>	<u>(40,000)</u>	<u>785,000</u>	<u>45,000</u>
Loans payable:					
GADA Bonds - Series 2006B	6,070,000	-	(4,880,000)	1,190,000	390,000
GADA Bonds - Series 2008A	1,770,000	-	(325,000)	1,445,000	335,000
Excise Tax Rev. Ref. Bonds - Series 2015	-	8,865,000	-	8,865,000	75,000
Total Loans Payable	<u>7,840,000</u>	<u>8,865,000</u>	<u>(5,205,000)</u>	<u>11,500,000</u>	<u>725,000</u>
Accrued compensated absences	809,389	497,454	(472,222)	834,621	625,966
Capital leases	1,409,000	-	(203,000)	1,206,000	213,000
Landfill monitoring costs	26,988	-	-	26,988	-
Net pension liability	11,498,045	681,108	-	12,179,153	-
Total Governmental Debt	<u>\$ 26,031,422</u>	<u>\$ 10,043,562</u>	<u>\$ (6,554,222)</u>	<u>\$ 29,520,762</u>	<u>\$ 2,156,966</u>
Business-Type Activities:					
Loans payable					
WIFA Loan - Water PV/FH	\$ 1,715,769	\$ -	\$ (80,272)	\$ 1,635,497	\$ 82,519
WIFA Loan - Water Pineview	3,516,577	-	(153,460)	3,363,117	158,209
WIFA Loan - Wastewater	210,611	-	(10,866)	199,745	11,175
Sewer System Rev. Ob. - 2014	-	3,065,000	(305,000)	2,760,000	280,000
Total Loans Payable	<u>5,442,957</u>	<u>3,065,000</u>	<u>(549,598)</u>	<u>7,958,359</u>	<u>531,903</u>
Accrued compensated absences	94,905	91,215	(85,541)	100,579	75,434
Net pension liability	1,573,463	-	(95,790)	1,477,673	75,434
Total Business-Type Long-Term Debt	<u>\$ 7,111,325</u>	<u>\$ 3,156,215</u>	<u>\$ (730,929)</u>	<u>\$ 9,536,611</u>	<u>\$ 682,771</u>
Total Long-Term Liabilities	<u>\$ 33,142,747</u>	<u>\$ 13,199,777</u>	<u>\$ (7,285,151)</u>	<u>\$ 39,057,373</u>	<u>\$ 2,839,737</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 7. Long-Term Debt, Continued

A description of other long-term liabilities is as follows:

For governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

Due to requirements placed on Navajo County Lone Pine Landfill by Federal and State regulatory agencies (e.g. EPA and ADEQ) in 1995, the landfill was closed and must be monitored for thirty years. Landfill monitoring costs are the City's share of total estimated costs of closing and monitoring the Lone Pine Landfill. The remaining post-closure costs have been estimated based on engineering studies and will be revised each year based on inflation/deflation and/or technology changes. No changes were made during the fiscal year ending June 30, 2015.

The following is a listing of special assessment bonds outstanding as of June 30, 2015:

Special Assessment Bonds:

Show Low Improvement District No. 6 bonds at an interest rate of 6% due in annual principal installments ranging from \$270,000 to \$545,000 through January 1, 2018. Interest is payable semiannually. \$ 1,175,000

Show Low Improvement District No. 7 bonds at an interest rate of 6% due in annual principal installments ranging from \$47,000 to \$75,000 through January 1, 2018. Interest is payable semiannually. 214,000

Show Low Bluff Community Facilities District bonds at an interest rate ranging from 5.2% to 5.6%, due in annual installments ranging from \$39,000 to \$160,000 through July 1, 2031. Interest is payable semiannually. 1,600,000

Total Special Assessment Bonds \$ 2,989,000

Special Assessment debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2016	\$ 548,000	\$ 158,613	\$ 706,613
2017	581,000	125,928	706,928
2018	465,000	95,671	560,671
2019	75,000	78,120	153,120
2020	80,000	73,920	153,920
2021-2025	475,000	296,800	771,800
2026-2030	620,000	148,960	768,960
2031	145,000	8,120	153,120
Total	<u><u>\$ 2,989,000</u></u>	<u><u>\$ 986,132</u></u>	<u><u>\$ 3,975,132</u></u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 7. Long-Term Debt, Continued

The following is a listing of general obligation bonds outstanding as of June 30, 2015:

General Obligation Bonds:

Show Low Bluff Community Facilities District bonds - Series 2007 were issued in the amount of \$480,000. The bonds have an interest rate of 5.875%, due in annual principal installments from \$10,000 to \$25,000 through July 15, 2032. Interest is payable semiannually.	\$ 405,000
Show Low Bluff Community Facilities District bonds - Series 2011 were issued in the amount of \$450,000. The bonds have an interest rate of 7.75%, due in annual principal installments from \$15,000 to \$55,000 through July 15, 2023. Interest is payable semiannually.	<u>380,000</u>
Total General Obligation Bonds	<u><u>\$ 785,000</u></u>

General obligation bond debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Total
	Principal	Interest	
2016	\$ 45,000	\$ 51,641	\$ 96,641
2017	50,000	48,241	98,241
2018	50,000	44,647	94,647
2019	55,000	40,859	95,859
2020	55,000	36,878	91,878
2021-2025	295,000	115,735	410,735
2026-2030	135,000	50,084	185,084
2031-2033	100,000	9,106	109,106
Total	<u>\$ 785,000</u>	<u>\$ 397,191</u>	<u>\$ 1,182,191</u>

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 7. Long-Term Debt, Continued

The following is a listing of loans payable outstanding as of June 30, 2015:

Loans Payable:	Governmental Activities	Business-Type Activities
GADA Bonds Series 2006B were issued November 1, 2006, in the amount of \$8,370,000, bearing interest ranging from 4% to 5% with an average rate of 4.558%. The 2006 loans were issued to finance or refinance the costs of road improvements, airport improvements and vehicles and police vehicles located in and for the City. Partially refunded in fiscal year 2015.	\$ 1,190,000	\$ -
GADA Bonds Series 2008A were issued April 1, 2008 in the amount of \$3,185,000, bearing interest ranging from 3% to 5% with an average rate of 4.53%. The 2008 loans were issued to finance the costs of building a new library, council chambers and remodeling existing library for administrative purposes.	1,445,000	-
Excise Tax Revenue Refunding Bonds Series 2015 were issued June 1, 2015 in the amount of \$8,865,000, with an average coupon rate of 2.42%. The 2015 loans were issued and transfered to an Escrow Trust to prepay in advance of maturity \$4,722,410 of the GADA Bonds Series 2006B principal and interest, \$142,590 was transfered to an Escrow Trust to pay fees and expenses, and \$4,000,000 of the proceeds were issued to finance the costs of the public safety building.	8,865,000	
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 2.863%, maturing July 2029. This loan was approved in July 2009 with a maximum principal balance of \$500,000. On the date of the loan closing, \$250,000 of the principal amount of the loan was forgiven by the Authority in the form of a grant to the City.	-	199,746
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 2.8%, maturing July 2032. This loan was approved in September 2012 with a maximum principal balance of \$2,000,000. As of June 30, 2015 the outstanding principal balance to be drawn down was \$208,274.	-	1,635,497
Water Infrastructure Finance Authority of Arizona loan, due in semi-annual variable principal and interest installments, bearing interest at 3.096%, maturing July 2031. This loan was approved in Januray 2011 with a maximum principal balance of \$3,800,000.	-	3,363,118
Bank of New York Mellon Trust, Sewer System Revenue Obligation, Series 2014, issued in December 2014 in the amount of \$3,065,000 to finance costs of the wastewater treatment expansion. Due in semi-annual variable principal and interest installments, bearing interest at 2.23%, maturing July 2024.	-	2,760,000
Total Loans Payable	\$ 11,500,000	\$ 7,958,361

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 7. Long-Term Debt, Continued

Loans payable debt service maturities are as follows:

Year Ended June 30,	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2016	\$ 725,000	\$ 441,889	\$ 244,594	\$ 185,295	\$ 1,596,778
2017	830,000	506,776	531,904	208,970	2,077,650
2018	870,000	472,658	544,432	195,059	2,082,149
2019	905,000	428,881	562,186	180,722	2,076,789
2020	940,000	380,715	575,173	165,981	2,061,869
2021-2025	5,040,000	1,200,597	3,104,289	595,193	9,940,079
2026-2030	2,190,000	124,986	1,742,753	262,087	4,319,826
2031-2032	-	-	861,304	31,291	892,595
less undrawn amounts	-	-	(208,274)	-	(208,274)
Total	\$ 11,500,000	\$ 3,556,502	\$ 7,958,361	\$ 1,824,598	\$ 24,839,461

The City has entered into a lease agreement which is considered a capital lease in accordance with Generally Accepted Accounting Principles. The following is an annual schedule of future minimum lease payments with the present value of the net minimum lease payments for the fiscal years ending June 30:

Fiscal Year Ending June 30,	Governmental Activities
2016	\$ 264,989
2017	268,629
2018	175,897
2019	83,975
2020	85,198
2021-2025	428,475
2026-2029	214,207
Total remaining minimum lease payments	1,521,370
Less amount representing interest	315,370
Present value of net remaining minimum lease payments	\$ 1,206,000

The assets acquired through capital leases that meet the City's capitalization threshold are as follows:

	Activities
Machinery and equipment	\$ 140,961
Improvements	1,268,039
Less: Accumulated depreciation	(411,256)
Total	\$ 997,744

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 8. Interfund Receivables, Payables and Transfers

As of June 30, 2015, interfund receivables and payables that resulted from various interfund transactions were as follows:

Due To:	Due From:			
	Special Projects Fund	Non-major Governmental Funds	Wastewater Fund	Total
General Fund	\$ 110,085	\$ 15,090	\$ 253,427	\$ 378,602
Total	\$ 110,085	\$ 15,090	\$ 253,427	\$ 378,602

The interfund receivables and payables were recorded to eliminate short-term deficit pooled cash balances in the various funds.

Interfund transfers for the fiscal year ended June 30, 2015 are as follows:

Transfers out:	Transfers in:					Total
	General	Highway User Revenue Fund	Airport Fund	Special Projects Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 847,383	\$ 21,788	\$ 392,499	\$ 1,555,409	\$ 2,817,079
Improvement District #6	15,000	-	-	-	-	15,000
Show Low Bluff - CFD	7,000	-	-	-	-	7,000
Nonmajor Governmental Funds	95,252	-	-	-	46,700	141,952
Water Fund	181,800	-	-	-	-	181,800
Wastewater Fund	131,150	-	-	-	(11,550)	119,600
Nonmajor Enterprise Funds	65,000	-	-	-	-	65,000
Total	\$ 495,202	\$ 847,383	\$ 21,788	\$ 392,499	\$ 1,590,559	\$ 3,347,431

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans

Arizona State Retirement System (ASRS)

Plan description – The government participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

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

	Initial Membership Date Before July 1, 2011	Initial Membership Date 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 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the government was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

In addition, the Government was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.51 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Government in positions that would typically be filled by an employee who contributes to the ASRS.

The government's contributions for the current and 2 preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2013	\$ 441,611	\$ 28,005	\$ 10,340
2014	511,894	28,704	11,482
2015	511,536	27,714	5,637

Pension liability – At June 30, 2015, the government reported a liability of \$7,852,829 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The government's proportion of the net pension liability was based on the government's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The government's proportion measured as of June 30, 2014, was 0.053072 percent, which was an increase of 0.002773 percent from its proportion measured as of June 30, 2013.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2015, the government recognized pension expense for ASRS of \$656,209. At June 30, 2015, the government reported deferred outflows of resources and deferred inflows of resources related to ASRS pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 399,104	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	1,373,217
Changes in proportion and differences between contributions and proportional share of contributions	320,740	-
Contributions subsequent to the measurement date	511,536	-
Total	\$ 1,231,380	\$ 1,373,217

The \$511,536 reported as deferred outflows of resources related to ASRS pensions resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending 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	Deferred Outflows (Inflows) of Resources
2016	\$ (30,329)
2017	(30,329)
2018	(249,412)
2019	(343,303)
2020	-
Thereafter	-

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

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

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

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

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

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	63%	7.03%	4.43%
Fixed income	25%	3.20%	0.80%
Commodities	4%	4.50%	0.18%
Real Estate	8%	4.75%	0.38%
Totals	100%		5.79%
		Inflation	3.00%
		Expected arithmetic nominal return	8.79%

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 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 proportionate share of the net pension liability to changes in the discount rate – The following table presents the government's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the government'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:

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of			
Net pension (asset) / liability	\$ 9,925,573	\$ 7,852,829	\$ 6,728,261

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan description – The government contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at www.psprs.com.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

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

	Initial Membership Date Before January 1, 2012	Initial Membership Date 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 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

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

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	3
Active employees	28
Total	43

Contributions and annual OPEB cost – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for 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. For the year ended June 30, 2015, active PSPRS members were required by statute to contribute 11.05 percent of their annual covered salary to the PSPRS and the government was required to contribute 25.12 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 1.27 percent.

In addition, the Government was required by statute to contribute at the actuarially determined rate of 19.65 percent of annual covered payroll of retired members who worked for the Government in positions that would typically be filled by an employee who contributes to the PSPRS.

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

Pension

Contributions made	474,071
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Health Insurance Premium Benefit

Annual OPEB cost	24,319
Contributions made	24,319

Pension liability – At June 30, 2015, the government reported a net pension liability related to PSPRS of \$5,803,997. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

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

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual Entry Age Normal
Discount rate	7.85%
Projected salary increases	4.0% to 8.0% including inflation
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, 2014, 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 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 real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometrical real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	16.00%	7.60%
Non-U.S. Equity	14.00%	8.63%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	4.75%
Credit Opportunities	13.00%	8.00%
Absolute Return	4.00%	6.75%
GTAA	10.00%	5.73%
Real Assets	8.00%	5.96%
Real Estate	11.00%	6.50%
Risk Parity	4.00%	6.04%
Short Term Inv	2.00%	3.25%
Total	<u>100.00%</u>	

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Discount Rate –A Single Discount Rate of 7.85% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this Single Discount Rate 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 actuarially determined contribution rates and the member rate. Based on these 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.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 9,929,275	\$ 5,219,654	\$ 4,709,621
Changes for the year:			
Service cost	327,537	-	327,537
Interest on total pension liability	773,540	-	773,540
Changes of benefit terms*	170,567	-	170,567
Difference between expected and actual experience in the measurement of the pension liability	130,581	-	130,581
Changes of assumptions**	993,374	-	993,374
Contributions - employer	-	422,659	(422,659)
Contributions - employee	-	197,185	(197,185)
Net investment income	-	727,250	(727,250)
Benefit payments, including refunds of employee contributions	(478,067)	(478,067)	-
Other changes	-	(45,871)	45,871
Net changes	<u>1,917,532</u>	<u>823,156</u>	<u>1,094,376</u>
Balances at June 30, 2015	<u>\$ 11,846,807</u>	<u>\$ 6,042,810</u>	<u>\$ 5,803,997</u>

* Changes of benefit terms include the payout of Retro PBI and a change in the employee contribution rate

** Changes of assumptions include a decrease in the wage assumption from 4.5% to 4.0% as well as the inclusion of an assumption to explicitly value future PBI

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the government’s net pension liability calculated using the discount rate noted above, as well as what the government’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.85%)	Discount Rate (7.85%)	1% Increase (8.85%)
Proportionate share of Net pension (asset) / liability	\$ 7,369,899	\$ 5,803,997	\$ 4,511,083

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2015, the government recognized pension expense for PSPRS of \$339,685. At June 30, 2015, the government reported deferred outflows of resources and deferred inflows of resources related to PSPRS pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 109,343	\$ -
Changes in assumptions	831,813	-
Net difference between projected and actual earnings on pension plan investments	-	237,877
Contributions subsequent to the measurement date	474,071	-
Total	\$ 1,415,227	\$ 237,877

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

The \$474,071 reported as deferred outflows of resources related to PSPRS pensions resulting from government's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Deferred</u> <u>Outflows</u> <u>(Inflows) of</u> <u>Resources</u>
2016	\$ 123,330
2017	123,330
2018	123,330
2019	123,330
2020	182,799
Thereafter	27,160

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

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

Projections of benefits are based on (1) the plan as the government and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the government and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

Actuarial valuation date	June 30, 2013
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	23 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.50%

Agent plan OPEB trend information – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years follows for each of the agent plans:

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Health Insurance	2013	\$ 27,036	100%	-
	2014	24,746	100%	-
	2015	24,319	100%	-

Agent plan OPEB funded status – The health insurance premium benefit plans’ funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

	<u>Insurance Subsidy</u>
Actuarial accrued liability (AAL)	\$ 296,009
Actuarial value of plan assets	323,139
Unfunded actuarial accrued liability (UAAL)	<u>\$ (27,130)</u>
Funded ratio (actuarial value of plan assets/AAL)	109.17%
Covered payroll (active plan members)	\$ 1,909,357
UAAL as a percentage of covered payroll	0.00%

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 9. Retirement and Pension Plans, Continued

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

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	22 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0%-8.0%
Wage growth	4.0%

Note 10. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. In August 1987, the City joined with other cities around the State in the Arizona Municipal Risk Retention Pool, a public entity risk pool currently operating as a common risk management and insurance and workers' compensation program for approximately 73 members. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. The Agreement provides that AMRRP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$300,000 for general liability claims and \$100,000 for property claims for each insured event. The City has had comparable insurance coverage for the past 20 years, and has had no claims exceeding this insurance coverage.

Premiums are paid annually for the coverage year from July 1 to June 30. The Arizona Municipal Risk Retention Pool is structured such that member's premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its member's additional premiums should reserves and annual premiums be insufficient to meet the Pool's obligations.

The City purchases commercial insurance for other risks of loss, including airport activities and employee health and accident. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past four fiscal years.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 11. Contingent Liabilities and Commitments

The City is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. In the opinion of City management, based on the advice of the City Attorney with respect to such litigation, such matters will not have a material adverse effect on the City's financial position at June 30, 2015. At year end, the City had the following major construction projects/commitments open:

Project	Estimated Cost	Construction in Progress
WWTP EXPANSION	\$ 10,000,000	\$ 5,552,112
SCOTT RANCH ROAD - PHASE III	1,346,400	58,280
WHIPPLE ROAD - PHASE II	868,800	254,222
US60 MULTI-USE PATHWAY	802,300	12,923
SIERRA PINES UNIT 1, 2, AND 3	802,000	783,695
FAIRWAY PARK & 43RD	528,400	985
DOWNTWON PEDESTRIAN ENHANCEMENTS	742,400	42,300
	<u>\$ 15,090,300</u>	<u>\$ 6,704,517</u>

Note 12. Stabilization Arrangement

By resolution, the City has established a General Fund reserve policy to set aside funds that may be needed in the event of an emergency or other unknown event that may adversely affect the City's financial condition. The cash reserve of at least \$1,000,000 must be maintained before any expenditure can be authorized. An additional \$1,000,000 has been set aside as directed by the City Council. As of June 30, 2015, the total reserve is \$2,000,000 and is included in the unassigned fund balance of the General Fund.

Note 13. Prior Period Adjustments

During fiscal year 2015 it was noted that fuel purchases related to the Airport fund had not been properly accrued in previous years. The total amount of expenditures which were recorded in fiscal year 2015 but pertained to fiscal year 2014 was \$121,852. Accordingly expenditures were understated and fund balance was overstated on the prior years' statement of revenues, expenditures, and changes in fund balance. A prior period adjustment was recorded to correct the error resulting in a decrease to fund balance of \$121,852.

CITY OF SHOW LOW, ARIZONA
Notes to the Financial Statements
June 30, 2015

Note 14. Restatement Adjustments

As mentioned in Note 1 to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. This resulted in a restatement of beginning net position as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Wastewater Fund</u>	<u>Water Fund</u>
Restatement adjustment - implementation of GASB 68:				
Net pension liability	\$ (11,498,045)	\$ (1,573,463)	\$ (684,858)	\$ (888,605)
Deferred outflows - contributions made during fiscal year 2014	<u>838,229</u>	<u>96,324</u>	<u>41,925</u>	<u>54,398</u>
Total Restatement Adjustment	<u>\$ (10,659,815)</u>	<u>\$ (1,477,140)</u>	<u>\$ (642,933)</u>	<u>\$ (834,207)</u>

Note 15. Advance Refunding Bond Issuance

On June 18, 2015, the City issued \$8,865,000 of Excise Tax Revenue & Refunding Obligation Bonds, Series 2015 to refinance a portion of the City's GADA Infrastructure Revenue Bonds Series 2006. \$4,510,000 of the Series 2006 will be refunded. As a result, the refunded portion of the bonds will be considered to be defeased. The transaction resulted in an economic gain (the present value of future cash flows) of \$481,740 and a reduction of \$661,278 in future debt service payments. The interest rate on the bond is 2.42 percent. Semi-annual principal and interest payments are payable through July 1, 2026

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SHOW LOW, ARIZONA
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2015

Arizona State Retirement System	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
	<hr/>
Proportion of the net pension liability (asset)	0.053072%
Proportionate share of the net pension liability (asset)	\$ 7,852,829
Covered employee payroll	\$ 4,685,202
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	167.61%
Plan fiduciary net position as a percentage of the total pension liability	69.49%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

CITY OF SHOW LOW, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2015

Public Safety Personnell Retirement System	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
Total pension liability	
Service cost	\$ 327,537
Interest on total pension liability	773,540
Changes of benefit terms	170,567
Difference between expected and actual experience of the total net pension liability	130,581
Changes of assumptions	993,374
Benefit payments, including refunds of employee contributions	(478,067)
Net change in total pension liability	1,917,532
Total pension liability - beginning	9,929,275
Total pension liability - ending (a)	\$ 11,846,807
 Plan fiduciary net position	
Contributions - employer	\$ 422,659
Contributions - employee	197,185
Net investment income	727,250
Benefit payments, including refunds of employee contributions	(478,067)
Other (net transfer)	(45,871)
Net change in plan fiduciary net position	823,156
Plan fiduciary net position - beginning	5,219,654
Plan fiduciary net position - ending (b)	\$ 6,042,810
 Net pension liability - ending (a) - (b)	\$ 5,803,997
 Plan fiduciary net position as a percentage of the total pension liability	51.01%
 Covered employee payroll	\$ 1,909,356
 Net pension liability as a percentage of covered-employee payroll	303.98%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

CITY OF SHOW LOW, ARIZONA
Required Supplementary Information
Schedule of Pension Contributions
June 30, 2015

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
Contractually required contribution	\$ 511,894
Contributions in relation to the contractually required contribution	\$ (511,894)
Contribution deficiency (excess)	\$ -
Covered employee payroll	\$ 4,685,202
Contributions as a percentage of covered-employee payroll	10.93%

Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date)
	2015 (2014)
Actuarially determined contribution	\$ 422,659
Contributions in relation to the actuarially determined contribution	\$ (422,659)
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 1,909,356
Contributions as a percentage of covered-employee payroll	22.14%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

CITY OF SHOW LOW, ARIZONA
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2015

Note 1. Actuarially Determined Contribution Rates

Actuarially 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	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2013 actuarial valuation, the projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%
Wage growth	In the 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 projected to 2015 using projection scale AA (adjusted by 105% for both males and females)

CITY OF SHOW LOW, ARIZONA
Required Supplementary Information
Schedule of Agent OPEB Plans' Funding Progress
June 30, 2015

Health Insurance Premium Benefit

Valuation Date June 30,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAAL)	(a)/(b) Funded Ratio	(c) Annual Covered Payroll	Unfunded AAL As a Percentage of Covered Payroll [(b)-(a)] / (c)
2012	-	304,157	304,157	0.0%	1,614,782	18.84%
2013	-	280,120	280,120	0.0%	1,753,529	15.97%
2014	323,139	296,009	(27,130)	109.17%	1,909,357	0.00%
2015	**	**	**	**	**	**

See accompanying note below.

** Information not available at the time the financial statements were issued.

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 plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund

SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
FOR THE FOLLOWING MAJOR FUNDS:

Debt Service Funds

- The **Improvement District #6 Debt Service Fund** is used to account for the accumulation of resources for and the payment of current and future debt service requirements for Improvement District #6 governmental debt principal and interest.
- The **Show Low Bluff Communities Facilities District Fund** is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for CFD debt principal and interest.

CITY OF SHOW LOW, ARIZONA
IMPROVEMENT DISTRICT #6 DEBT SERVICE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 7,000	\$ 7,000	\$ 2,526	\$ (4,474)
Interest	2,000	2,000	3,227	1,227
Special assessments	481,300	481,300	376,370	(104,930)
Other revenues	-	-	(102)	102
Total revenues	<u>490,300</u>	<u>490,300</u>	<u>382,021</u>	<u>(108,075)</u>
EXPENDITURES				
Current:				
General government	1,500	1,500	1,625	(125)
Capital outlay	465,000	465,000	-	465,000
Debt service				
Principal	390,000	390,000	390,000	-
Interest and fiscal charges	104,100	104,100	83,085	21,015
Total expenditures	<u>960,600</u>	<u>960,600</u>	<u>474,710</u>	<u>485,890</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(470,300)</u>	<u>(470,300)</u>	<u>(92,689)</u>	<u>377,611</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,000)	(15,000)	(15,000)	-
Total other financing sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net change in fund balance	(485,300)	(485,300)	(107,689)	377,611
Fund balance, beginning of year	<u>370,904</u>	<u>370,904</u>	<u>370,904</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (114,396)</u>	<u>\$ (114,396)</u>	<u>\$ 263,215</u>	<u>\$ 377,611</u>

CITY OF SHOW LOW, ARIZONA
SHOW LOW BLUFF COMMUNITIES FACILITIES DISTRICT
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 5,000	\$ 5,000	\$ 3,054	\$ (1,946)
Interest	500	500	6,742	6,242
Special assessments	232,600	232,600	228,216	(4,384)
Other revenues	-	-	-	-
Total revenues	<u>238,100</u>	<u>238,100</u>	<u>238,012</u>	<u>(88)</u>
EXPENDITURES				
Current:				
General government	9,085	9,085	8,506	579
Capital outlay	785,900	785,900	-	785,900
Debt service:				
Principal	100,000	100,000	100,000	-
Interest and fiscal charges	173,015	173,015	151,880	21,135
Total expenditures	<u>1,068,000</u>	<u>1,068,000</u>	<u>260,386</u>	<u>807,614</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(829,900)</u>	<u>(829,900)</u>	<u>(22,374)</u>	<u>807,526</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(7,000)</u>	<u>(7,000)</u>	<u>(7,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(7,000)</u>	<u>(7,000)</u>	<u>(7,000)</u>	<u>-</u>
Net change in fund balance	(836,900)	(836,900)	(29,374)	807,526
Fund balance, beginning of year	<u>904,037</u>	<u>904,037</u>	<u>904,037</u>	<u>-</u>
Fund balance, end of year	<u>\$ 67,137</u>	<u>\$ 67,137</u>	<u>\$ 874,663</u>	<u>\$ 807,526</u>

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SUPPLEMENTARY INFORMATION
COMBINING STATEMENTS
AND BUDGETARY COMPARISON SCHEDULES
NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

- The **Street Lighting District** fund is used to account for property taxes assessed and collected for the payment of street lighting utilities, maintenance and improvements.
- The **Public Transportation** fund is used to account for charges for services and grants for the operation, maintenance and improvement of the City's rural transportation system.
- The **Family Aquatic** fund is used to account for activities of the City's Family Aquatic center.

Debt Service Funds

- The **Improvement District #5 Debt Service Fund** is used to account for the accumulation of resources for and the payment of current and future debt service requirements for Improvement District #5 governmental debt principal and interest.
- The **Improvement District #7** debt service fund is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for Improvement District #7 governmental debt principal and interest.
- The **Other Debt Service** fund is used to account for the accumulation of resources for, and the payment of current and future debt service requirements for other governmental debt principal and interest.

Capital Project Funds

- The **Recreation Impact Fee** fund is used to account for development impact fees earmarked for recreation facilities.
- The **Library Development Impact Fee** fund is used to account for development impact fees earmarked for improvement of libraries.
- The **Transportation Development Impact Fee** fund is used to account for development impact fees earmarked for improvement of transportation systems for the City.

CITY OF SHOW LOW, ARIZONA
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

	Special Revenue		
	Street Lighting District	Public Transportation	Family Aquatic Center
ASSETS			
Cash	\$ 20,895	\$ 19,699	\$ 40,492
Receivables:			
Taxes	2,570	-	-
Interest	-	-	-
Assessments	-	-	-
Intergovernmental	-	138,887	-
Prepaid items	-	-	-
Total assets	<u>\$ 23,465</u>	<u>\$ 158,586</u>	<u>\$ 40,492</u>
LIABILITIES			
Accounts payable	\$ 17,956	\$ 44,404	\$ 20,504
Accrued wages and salaries	-	-	19,988
Due to other funds	-	-	-
Unearned revenues	-	-	-
Total liabilities	<u>17,956</u>	<u>44,404</u>	<u>40,492</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-special assessments	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable:			
Prepaid items	-	-	-
Restricted:			
Public works/streets	5,509	-	-
Capital outlay	-	-	-
Debt service	-	-	-
Committed:			
Public transportation	-	114,182	-
Assigned to:			
Unassigned	-	-	-
Total fund balances	<u>5,509</u>	<u>114,182</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 23,465</u>	<u>\$ 158,586</u>	<u>\$ 40,492</u>

Debt Service			Capital Project			Total
Improvement District #5	Improvement District #7	Other Debt Service	Recreation Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	
\$ 8,758	\$ 43,454	\$ 112,750	\$ 46,505	\$ 8,314	\$ 56,953	\$ 357,820
-	-	-	-	-	-	2,570
8	677	-	-	-	-	685
2,553	151,535	-	-	-	-	154,088
-	-	-	-	-	-	138,887
-	-	817,387	-	-	-	817,387
<u>\$ 11,319</u>	<u>\$ 195,666</u>	<u>\$ 930,137</u>	<u>\$ 46,505</u>	<u>\$ 8,314</u>	<u>\$ 56,953</u>	<u>\$ 1,471,437</u>
\$ -	\$ -	\$ 423	\$ -	\$ -	\$ -	\$ 83,287
-	-	-	-	-	-	19,988
-	-	15,090	-	-	-	15,090
-	-	-	-	-	-	-
-	-	15,513	-	-	-	118,365
1,470	151,535	-	-	-	-	153,005
1,470	151,535	-	-	-	-	153,005
-	-	817,387	-	-	-	817,387
-	-	-	-	-	-	5,509
-	-	-	46,505	8,314	56,953	111,772
9,849	44,131	112,750	-	-	-	166,730
-	-	-	-	-	-	114,182
-	-	(15,513)	-	-	-	(15,513)
9,849	44,131	914,624	46,505	8,314	56,953	1,200,067
<u>\$ 11,319</u>	<u>\$ 195,666</u>	<u>\$ 930,137</u>	<u>\$ 46,505</u>	<u>\$ 8,314</u>	<u>\$ 56,953</u>	<u>\$ 1,471,437</u>

CITY OF SHOW LOW, ARIZONA
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue		
	Street Lighting District	Public Transportation	Family Aquatic Center
REVENUES			
Taxes	\$ 168,996	\$ -	\$ -
Intergovernmental	-	1,102,860	-
Charges for services	-	-	123,600
Fines and forfeitures	-	-	-
Investment earnings	103	209	145
Impact fees	-	-	-
Special assessments	-	-	-
Other revenues	-	77,089	-
Total revenues	<u>169,099</u>	<u>1,180,158</u>	<u>123,745</u>
EXPENDITURES			
Current:			
General government	-	580,968	-
Public works/streets	204,407	-	-
Culture and recreation	-	-	397,995
Capital outlay	-	604,551	7,884
Debt service:			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>204,407</u>	<u>1,185,519</u>	<u>405,879</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(35,308)</u>	<u>(5,361)</u>	<u>(282,134)</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(1,200)	(76,052)	-
Transfers in	38,200	86,185	292,624
Total other financing sources (uses):	<u>37,000</u>	<u>10,133</u>	<u>292,624</u>
Net change in fund balances	1,692	4,772	10,490
Fund balances (deficits), beginning of year	<u>3,817</u>	<u>109,410</u>	<u>(10,490)</u>
Fund balances, end of year	<u>\$ 5,509</u>	<u>\$ 114,182</u>	<u>\$ -</u>

Debt Service			Capital Project			Total
Improvement District #5	Improvement District #7	Other Debt Service	Recreation Impact Fee	Library Development Impact Fee	Transportation Development Impact Fee	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 168,996
-	-	22,662	-	-	-	1,125,522
-	-	-	-	-	-	123,600
4,933	-	-	-	-	-	4,933
493	598	753	474	89	480	3,344
-	-	-	976	9,709	61,113	71,798
287,647	54,771	-	-	-	-	342,418
(1,738)	-	-	-	-	-	75,351
<u>291,335</u>	<u>55,369</u>	<u>23,415</u>	<u>1,450</u>	<u>9,798</u>	<u>61,593</u>	<u>1,915,962</u>
-	-	-	-	-	-	580,968
-	-	-	-	-	-	204,407
-	-	-	-	-	-	397,995
-	-	-	-	-	-	612,435
120,000	64,000	808,000	-	-	-	992,000
6,763	15,488	354,860	-	-	-	377,111
<u>126,763</u>	<u>79,488</u>	<u>1,162,860</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,164,916</u>
<u>164,572</u>	<u>(24,119)</u>	<u>(1,139,445)</u>	<u>1,450</u>	<u>9,798</u>	<u>61,593</u>	<u>(1,248,954)</u>
(15,000)	(3,000)	-	-	(7,200)	(39,500)	(141,952)
-	-	1,173,550	-	-	-	1,590,559
<u>(15,000)</u>	<u>(3,000)</u>	<u>1,173,550</u>	<u>-</u>	<u>(7,200)</u>	<u>(39,500)</u>	<u>1,448,607</u>
149,572	(27,119)	34,105	1,450	2,598	22,093	199,653
(139,723)	71,250	880,519	45,055	5,716	34,860	1,000,414
<u>\$ 9,849</u>	<u>\$ 44,131</u>	<u>\$ 914,624</u>	<u>\$ 46,505</u>	<u>\$ 8,314</u>	<u>\$ 56,953</u>	<u>\$ 1,200,067</u>

CITY OF SHOW LOW, ARIZONA
STREET LIGHTING DISTRICT
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 190,000	\$ 190,000	\$ 168,996	\$ (21,004)
Interest	300	300	103	(197)
Total revenues	<u>190,300</u>	<u>190,300</u>	<u>169,099</u>	<u>(21,201)</u>
EXPENDITURES				
Current:				
Public works/streets	<u>204,900</u>	<u>204,900</u>	<u>204,407</u>	<u>493</u>
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>204,900</u>	<u>204,900</u>	<u>204,407</u>	<u>493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(14,600)</u>	<u>(14,600)</u>	<u>(35,308)</u>	<u>(20,708)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,200)	(1,200)	(1,200)	-
Transfers in	<u>19,200</u>	<u>19,200</u>	<u>38,200</u>	<u>19,000</u>
Total other financing sources (uses)	<u>18,000</u>	<u>18,000</u>	<u>37,000</u>	<u>19,000</u>
Net change in fund balance	3,400	3,400	1,692	(1,708)
Fund balance, beginning of year	<u>3,817</u>	<u>3,817</u>	<u>3,817</u>	<u>-</u>
Fund balance, end of year	<u>\$ 7,217</u>	<u>\$ 7,217</u>	<u>\$ 5,509</u>	<u>\$ (1,708)</u>

CITY OF SHOW LOW, ARIZONA
PUBLIC TRANSPORTATION
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental revenue	\$ 796,967	\$ 796,967	\$ 1,102,860	\$ 305,893
Interest	-	-	209	209
Miscellaneous	98,222	98,222	77,089	(21,133)
Total revenues	<u>895,189</u>	<u>895,189</u>	<u>1,180,158</u>	<u>284,969</u>
EXPENDITURES				
Current:				
General government	631,322	631,322	580,968	50,354
Capital outlay	284,000	284,000	604,551	(320,551)
Total expenditures	<u>915,322</u>	<u>915,322</u>	<u>1,185,519</u>	<u>(270,197)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,133)</u>	<u>(20,133)</u>	<u>(5,361)</u>	<u>14,772</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	10,000	10,000	-	(10,000)
Transfers out	(76,052)	(76,052)	(76,052)	-
Transfers in	86,185	86,185	86,185	-
Total other financing sources (uses)	<u>20,133</u>	<u>20,133</u>	<u>10,133</u>	<u>(10,000)</u>
Net change in fund balance	-	-	4,772	4,772
Fund balance, beginning of year	<u>109,410</u>	<u>109,410</u>	<u>109,410</u>	<u>-</u>
Fund balance, end of year	<u>\$ 109,410</u>	<u>\$ 109,410</u>	<u>\$ 114,182</u>	<u>\$ 4,772</u>

CITY OF SHOW LOW, ARIZONA
FAMILY AQUATIC CENTER
SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 94,800	\$ 94,800	\$ 123,600	\$ 28,800
Interest	-	-	145	145
Total revenues	<u>94,800</u>	<u>94,800</u>	<u>123,745</u>	<u>28,945</u>
EXPENDITURES				
Current:				
Culture and recreation	408,100	408,100	397,995	10,105
Capital outlay	45,800	45,800	7,884	37,916
Total expenditures	<u>453,900</u>	<u>453,900</u>	<u>405,879</u>	<u>48,021</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(359,100)</u>	<u>(359,100)</u>	<u>(282,134)</u>	<u>76,966</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	359,100	359,100	292,624	(66,476)
Total other financing sources (uses)	<u>359,100</u>	<u>359,100</u>	<u>292,624</u>	<u>(66,476)</u>
Net change in fund balance	-	-	10,490	10,490
Fund balance (deficit), beginning of year	<u>(10,490)</u>	<u>(10,490)</u>	<u>(10,490)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (10,490)</u>	<u>\$ (10,490)</u>	<u>\$ -</u>	<u>\$ 10,490</u>

CITY OF SHOW LOW, ARIZONA
IMPROVEMENT DISTRICT #5
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 775	\$ 775	\$ 4,933	\$ 4,158
Interest	100	100	493	393
Special assessments	108,025	108,025	287,647	179,622
Other revenues	-	-	(1,738)	1,738
Total revenues	<u>108,900</u>	<u>108,900</u>	<u>291,335</u>	<u>185,911</u>
EXPENDITURES				
Debt service				
Principal	120,000	120,000	120,000	-
Interest and fiscal charges	4,000	4,000	6,763	(2,763)
Total expenditures	<u>124,000</u>	<u>124,000</u>	<u>126,763</u>	<u>(2,763)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,100)</u>	<u>(15,100)</u>	<u>164,572</u>	<u>179,672</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(15,000)	(15,000)	(15,000)	-
Total other financing sources (uses)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Net change in fund balance	(30,100)	(30,100)	149,572	179,672
Fund balance, beginning of year	<u>(139,723)</u>	<u>(139,723)</u>	<u>(139,723)</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (169,823)</u>	<u>\$ (169,823)</u>	<u>\$ 9,849</u>	<u>\$ 179,672</u>

CITY OF SHOW LOW, ARIZONA
IMPROVEMENT DISTRICT #7
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Fines and forfeitures	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
Interest	500	500	598	98
Special assessments	79,300	79,300	54,771	(24,529)
Total revenues	<u>81,800</u>	<u>81,800</u>	<u>55,369</u>	<u>(26,431)</u>
EXPENDITURES				
Capital outlay	92,900	92,900	-	92,900
Debt service:				
Principal	64,000	64,000	64,000	-
Interest and fiscal charges	16,000	16,000	15,488	512
Total expenditures	<u>172,900</u>	<u>172,900</u>	<u>79,488</u>	<u>93,412</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(91,100)</u>	<u>(91,100)</u>	<u>(24,119)</u>	<u>66,981</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>-</u>
Net change in fund balance	(94,100)	(94,100)	(27,119)	66,981
Fund balance, beginning of year	<u>71,250</u>	<u>71,250</u>	<u>71,250</u>	<u>-</u>
Fund balance (deficit), end of year	<u>\$ (22,850)</u>	<u>\$ (22,850)</u>	<u>\$ 44,131</u>	<u>\$ 66,981</u>

CITY OF SHOW LOW, ARIZONA
OTHER DEBT SERVICE
DEBT SERVICE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental revenue	\$ 23,300	\$ 23,300	\$ 22,662	\$ (638)
Interest	3,000	3,000	753	(2,247)
Other revenues	-	-	-	-
Total revenues	<u>26,300</u>	<u>26,300</u>	<u>23,415</u>	<u>(2,885)</u>
EXPENDITURES				
Debt service				
Principal	803,281	803,281	808,000	(4,719)
Interest and fiscal charges	358,419	358,419	354,860	3,559
Total expenditures	<u>1,161,700</u>	<u>1,161,700</u>	<u>1,162,860</u>	<u>(1,160)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,135,400)</u>	<u>(1,135,400)</u>	<u>(1,139,445)</u>	<u>(4,045)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,138,400</u>	<u>1,138,400</u>	<u>1,173,550</u>	<u>35,150</u>
Total other financing sources (uses)	<u>1,138,400</u>	<u>1,138,400</u>	<u>1,173,550</u>	<u>35,150</u>
Net change in fund balance	3,000	3,000	34,105	31,105
Fund balance, beginning of year	<u>880,519</u>	<u>880,519</u>	<u>880,519</u>	<u>-</u>
Fund balance, end of year	<u>\$ 883,519</u>	<u>\$ 883,519</u>	<u>\$ 914,624</u>	<u>\$ 31,105</u>

CITY OF SHOW LOW, ARIZONA
RECREATION IMPACT FEE
CAPITAL PROJECT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 474	\$ 474
Impact fees	1,300	1,300	976	(324)
Total revenues	<u>1,300</u>	<u>1,300</u>	<u>1,450</u>	<u>150</u>
EXPENDITURES				
Capital outlay	<u>13,600</u>	<u>13,600</u>	<u>-</u>	<u>13,600</u>
Total expenditures	<u>13,600</u>	<u>13,600</u>	<u>-</u>	<u>13,600</u>
Excess (deficiency) of revenues over (under) expenditures	(12,300)	(12,300)	1,450	13,750
Fund balance, beginning of year	<u>45,055</u>	<u>45,055</u>	<u>45,055</u>	<u>-</u>
Fund balance, end of year	<u>\$ 32,755</u>	<u>\$ 32,755</u>	<u>\$ 46,505</u>	<u>\$ 13,750</u>

CITY OF SHOW LOW, ARIZONA
LIBRARY DEVELOPMENT IMPACT FEE
CAPITAL PROJECT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ -	\$ -	\$ 89	\$ 89
Impact fees	5,000	5,000	9,709	4,709
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>9,798</u>	<u>4,798</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,000</u>	<u>5,000</u>	<u>9,798</u>	<u>4,798</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,200)	(7,200)	(7,200)	-
Total other financing sources (uses)	<u>(7,200)</u>	<u>(7,200)</u>	<u>(7,200)</u>	<u>-</u>
Net change in fund balance	(2,200)	(2,200)	2,598	4,798
Fund balance, beginning of year	<u>5,716</u>	<u>5,716</u>	<u>5,716</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,516</u>	<u>\$ 3,516</u>	<u>\$ 8,314</u>	<u>\$ 4,798</u>

CITY OF SHOW LOW, ARIZONA
TRANSPORTATION DEVELOPMENT IMPACT FEE
CAPITAL PROJECT FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 480	\$ 480
Impact fees	29,800	29,800	61,113	31,313
Total revenues	<u>29,800</u>	<u>29,800</u>	<u>61,593</u>	<u>31,793</u>
EXPENDITURES				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>29,800</u>	<u>29,800</u>	<u>61,593</u>	<u>31,793</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(39,500)	(39,500)	(39,500)	-
Total other financing sources (uses)	<u>(39,500)</u>	<u>(39,500)</u>	<u>(39,500)</u>	<u>-</u>
Net change in fund balance	(9,700)	(9,700)	22,093	31,793
Fund balance, beginning of year	<u>34,860</u>	<u>34,860</u>	<u>34,860</u>	<u>-</u>
Fund balance, end of year	<u>\$ 25,160</u>	<u>\$ 25,160</u>	<u>\$ 56,953</u>	<u>\$ 31,793</u>

SUPPLEMENTARY INFORMATION

FIDUCIARY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE FOLLOWING FUNDS:

Agency Funds

The **Agency Fund** holds assets in trust for the following entities: Slovakian Sister Cities Fund and Police Department Evidence and the **White Mountain Partnership Agency Fund** holds assets in trust for the White Mountain Partnership which is a nonprofit corporation established primarily to promote tourism and recreation in the White Mountains of Arizona. Agency funds are used to report resources held by the City in a purely custodial capacity. Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations or other governments.

CITY OF SHOW LOW, ARIZONA
FIDUCIARY FUNDS
Combining Statement of Changes in Assets and Liabilities
For the Year Ended June 30, 2015

AGENCY FUND:	Balance 6/30/2014	Additions	Deductions	Balance 6/30/2015
ASSETS				
Cash	\$ 12,216	\$ 2,408	\$ 2,840	\$ 11,784
Total assets	<u>\$ 12,216</u>	<u>\$ 2,408</u>	<u>\$ 2,840</u>	<u>\$ 11,784</u>
LIABILITIES				
Accounts payable	\$ -	\$ 86	\$ -	\$ 86
Deposits				
Slovakian/Sister Cities	2,581	39	13	2,607
Police Citizens Academy	485	4	671	(182)
Police Department Evidence	9,150	2279	2156	9,273
Total liabilities	<u>\$ 12,216</u>	<u>\$ 2,408</u>	<u>\$ 2,840</u>	<u>\$ 11,784</u>
WHITE MOUNTAIN PARTNERSHIP				
AGENCY FUND:				
ASSETS				
Cash	\$ 19,414	\$ 68,905	\$ 67,271	\$ 21,048
Total assets	<u>\$ 19,414</u>	<u>\$ 68,905</u>	<u>\$ 67,271</u>	<u>\$ 21,048</u>
LIABILITIES				
Deposits				
White Mountain Partnership	19,414	\$ 68,905	\$ 67,271	21,048
Total liabilities	<u>\$ 19,414</u>	<u>\$ 68,905</u>	<u>\$ 67,271</u>	<u>\$ 21,048</u>
TOTAL - ALL AGENCY FUNDS:				
ASSETS				
Cash	\$ 31,630	\$ 71,313	\$ 70,111	\$ 32,832
Total assets	<u>\$ 31,630</u>	<u>\$ 71,313</u>	<u>\$ 70,111</u>	<u>\$ 32,832</u>
LIABILITIES				
Accounts payable	\$ -	\$ 86	\$ -	\$ 86
Deposits	31,630	71,227	70,111	32,746
Total liabilities	<u>\$ 31,630</u>	<u>\$ 71,313</u>	<u>\$ 70,111</u>	<u>\$ 32,832</u>

STATISTICAL SECTION

This part of the City of Show Low’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information says about the government’s overall financial health.

Contents	Page
Financial Trends	96
<i>These schedules contain trend information to help the reader understand how the government’s financial performance and well being have changed over time.</i>	
Revenue Capacity	101
<i>These schedules contain information to help the reader assess the government’s property taxes and the most significant local revenues source, the sales tax.</i>	
Debt Capacity	109
<i>These schedules present information to help the reader assess the affordability of the government’s current levels of outstanding debt and the government’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information.....	115
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.</i>	
Operating Information	118
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government provides and the activities it performs.</i>	

CITY OF SHOW LOW, ARIZONA
Financial Trends
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)

Fiscal Year	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 11,108,140	\$ 10,495,243	\$ 17,649,736	\$ 26,842,932	\$ 47,397,604	\$ 49,802,236	\$ 49,419,010	\$ 50,755,411	\$ 55,862,056	\$ 51,324,245
Restricted	8,366,723	2,014,571	3,613,847	2,406,492	2,343,990	1,793,086	2,741,846	2,273,641	1,512,628	5,219,351
Unrestricted	8,969,170	24,688,903	23,897,494	18,756,457	14,288,968	13,041,888	12,797,101	11,040,984	9,632,016	763,368
Total governmental activities net assets	<u>\$ 28,444,033</u>	<u>\$ 37,198,717</u>	<u>\$ 45,161,077</u>	<u>\$ 48,005,881</u>	<u>\$ 64,030,562</u>	<u>\$ 64,637,210</u>	<u>\$ 64,957,957</u>	<u>\$ 64,070,036</u>	<u>\$ 67,006,700</u>	<u>\$ 57,306,964</u>
Business-type activities										
Net investment in capital assets	\$ 46,176,330	\$ 51,406,630	\$ 59,791,861	\$ 59,558,080	\$ 45,065,106	\$ 44,340,440	\$ 43,255,726	\$ 41,990,649	\$ 42,263,016	\$ 42,711,469
Restricted	3,909,842	5,985,776	6,101,282	6,825,104	7,170,515	1,470,312	4,630,387	4,689,551	4,274,822	2,042,573
Unrestricted	2,478,312	3,696,002	3,531,432	2,293,898	1,619,549	7,959,236	5,821,890	6,809,816	6,974,459	7,405,667
Total Business-type activities net assets	<u>\$ 52,564,484</u>	<u>\$ 61,088,408</u>	<u>\$ 69,424,575</u>	<u>\$ 68,677,082</u>	<u>\$ 53,855,170</u>	<u>\$ 53,769,988</u>	<u>\$ 53,708,003</u>	<u>\$ 53,490,016</u>	<u>\$ 53,512,297</u>	<u>\$ 52,159,709</u>
Primary government										
Net investment in capital assets	\$ 57,284,470	\$ 61,901,873	\$ 77,441,597	\$ 86,401,012	\$ 92,462,710	\$ 94,142,676	\$ 92,674,736	\$ 92,746,060	\$ 98,125,072	\$ 94,035,714
Restricted	12,276,565	8,000,347	9,715,129	9,231,596	9,514,505	3,263,398	7,372,233	6,963,192	5,787,450	7,261,924
Unrestricted	11,447,482	28,384,905	27,428,926	21,050,355	15,908,517	21,001,124	18,618,991	17,850,800	16,606,475	8,169,035
	<u>\$ 81,008,517</u>	<u>\$ 98,287,125</u>	<u>\$ 114,585,652</u>	<u>\$ 116,682,963</u>	<u>\$ 117,885,732</u>	<u>\$ 118,407,198</u>	<u>\$ 118,665,960</u>	<u>\$ 117,560,052</u>	<u>\$ 120,518,997</u>	<u>\$ 109,466,673</u>

CITY OF SHOW LOW, ARIZONA
Financial Trends
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)

Expenses	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:										
General government	\$ 3,989,285	\$ 4,779,683	\$ 4,884,207	\$ 5,658,484	\$ 5,513,628	\$ 4,426,519	\$ 5,738,988	\$ 5,280,088	\$ 5,741,359	\$ 4,855,487
Public safety	3,759,395	4,061,614	4,270,497	4,389,665	5,105,901	5,301,924	5,301,285	5,522,554	6,602,929	5,886,153
Public Works ¹	3,077,390	4,261,420	4,051,944	4,507,493	6,055,886	6,550,314	6,529,143	6,848,761	5,605,479	6,598,125
Economic development ²	-	-	-	631,619	767,177	623,313	745,924	760,566	762,562	992,984
Culture and recreation ³	849,871	985,496	973,501	1,026,732	1,573,326	1,463,546	1,281,887	1,466,630	1,609,232	1,631,379
Interest on long-term debt	603,688	826,485	755,375	1,277,768	974,645	975,981	860,185	806,952	722,366	708,157
Total governmental activities expenses	12,279,629	14,914,698	14,935,524	17,491,761	19,990,563	19,341,597	20,457,412	20,685,551	21,043,927	20,672,285
Business-type activities:										
Water	1,992,474	2,088,639	2,264,614	2,791,811	2,378,246	2,255,641	2,534,172	3,079,893	3,468,286	3,363,553
Wastewater	2,066,814	1,659,410	2,482,065	2,712,337	2,455,025	2,233,567	2,458,078	2,386,319	2,497,242	2,672,366
Airport	1,764,740	2,129,881	2,297,975	2,301,370	-	-	-	-	-	-
Family Aquatic	468,936	463,100	481,478	660,355	-	-	-	-	-	-
Refuse	645,161	506,854	586,308	502,044	653,491	675,893	896,932	938,989	962,046	790,890
Total business-type activities expenses	6,938,125	6,847,884	8,112,440	8,967,917	5,486,762	5,165,101	5,889,182	6,405,201	6,927,574	6,826,809
Total primary government expenses	\$ 19,217,754	\$ 21,762,582	\$ 23,047,964	\$ 26,459,678	\$ 25,477,325	\$ 24,506,698	\$ 26,346,594	\$ 27,090,752	\$ 27,971,501	\$ 27,499,094
Program Revenues										
Governmental Activities:										
Charges for services:										
General government	456,815	608,541	509,708	2,787,815	2,213,490	2,424,804	2,964,534	2,513,700	2,885,314	1,873,173
Culture and recreation	78,507	1,017,628	674,822	128,149	289,722	218,512	245,116	214,112	222,690	244,318
Other activities	895,774	1,593,626	1,569,276	650,640	1,620,410	1,716,854	1,847,985	1,690,386	1,768,443	1,941,000
Operating grants and contributions	152,870	-	-	2,269,916	3,804,819	2,972,526	1,997,735	2,409,041	2,074,646	2,594,447
Capital grants and contributions	333,283	6,210,914	3,013,594	2,808,785	3,715,329	824,743	1,539,014	518,379	3,536,328	770,197
Total governmental activities program revenues	1,917,249	9,430,709	5,767,400	8,645,305	11,643,770	8,157,439	8,594,384	7,345,618	10,487,421	7,423,135
Business-type activities:										
Charges for services:										
Water	2,030,071	2,365,512	2,373,304	2,020,118	2,048,688	2,190,079	2,785,093	3,202,844	3,545,618	3,615,372
Wastewater	2,270,913	2,686,146	2,547,067	1,912,187	1,914,523	1,965,828	2,060,450	2,131,927	2,228,974	2,362,361
Airport ¹	1,040,160	1,898,709	1,240,029	1,083,344	-	-	-	-	-	-
Family Aquatic Center ³	98,166	100,440	102,547	109,637	-	-	-	-	-	-
Refuse	661,289	522,023	634,950	692,644	723,717	746,192	959,287	1,000,501	1,031,544	865,593
Operating grants and contributions	-	20,000	-	-	-	-	-	-	-	-
Capital grants and contributions	3,544,000	5,654,682	6,023,858	1,280,860	1,692,976	236,198	242,189	192,773	277,278	263,677
Total business-type activities program revenues	9,644,599	13,247,512	12,921,755	7,098,790	6,379,904	5,138,297	6,047,019	6,528,045	7,083,414	7,107,003
Total primary government program revenues	\$ 11,561,848	\$ 22,678,221	\$ 18,689,155	\$ 15,744,095	\$ 18,023,674	\$ 13,295,736	\$ 14,641,403	\$ 13,873,663	\$ 17,570,835	\$ 14,530,138

² Economic Development is reported with General Government prior to 2009
³ Family Aquatic Center is reported with Culture and Recreation beginning 2010

(continued)

CITY OF SHOW LOW, ARIZONA
Changes in Net Assets
Last Ten Fiscal Years
(Continued)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (expense)/revenue										
Governmental activities	\$ (10,362,380)	\$ (5,483,989)	\$ (9,168,124)	\$ (8,846,456)	\$ (8,346,793)	\$ (11,184,158)	\$ (11,863,028)	\$ (13,339,933)	\$ (10,556,506)	\$ (13,249,150)
Business-type activities	2,706,474	6,399,628	4,809,315	(1,869,127)	893,142	(26,804)	157,837	122,844	155,840	280,194
Total primary government net expense	\$ (7,655,906)	\$ 915,639	\$ (4,358,809)	\$ (10,715,583)	\$ (7,453,651)	\$ (11,210,962)	\$ (11,705,191)	\$ (13,217,089)	\$ (10,400,666)	\$ (12,968,956)
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes:										
Sales taxes	\$ 9,924,958	10,964,955	\$ 10,942,341	\$ 9,038,647	\$ 8,341,697	\$ 8,695,613	\$ 8,779,526	\$ 9,206,224	\$ 9,931,755	\$ 10,447,349
Franchise taxes	301,769	349,826	397,091	416,309	460,863	420,157	429,826	442,213	429,038	441,349
State sales taxes	830,093	939,542	908,471	786,482	725,415	761,358	832,976	872,541	927,876	970,816
Urban revenue sharing	831,807	1,029,042	1,514,108	1,459,297	1,250,084	956,935	915,474	1,097,262	1,196,624	1,289,876
Auto-in-lieu	498,645	590,144	589,820	560,171	514,687	511,760	551,817	503,515	544,628	561,552
Other	4,262,883	779,170	3,139,681	142,188	139,867	136,979	142,745	142,788	164,528	168,994
Investment earnings	337,177	828,583	489,904	157,504	65,012	113,005	137,663	(43,581)	113,603	84,745
Gain (Loss) on sales of assets	-	-	1,416,206	12,535	4,700	-	-	-	26,347	-
Miscellaneous	263,448	471,063	398,052	-	-	-	-	-	-	-
Transfers	(1,210,025)	(1,713,652)	(2,665,190)	(881,872)	125,000	195,000	293,748	331,050	361,800	366,400
Total governmental activities	16,040,755	14,238,673	17,130,484	11,691,261	11,627,325	11,790,807	12,083,775	12,552,012	13,696,199	14,331,081
Business-type activities:										
Investment earnings	212,550	408,605	660,278	235,930	107,417	136,625	271,780	61,955	228,241	204,154
Gain (Loss) on sales of assets	4,813	2,039	10,544	3,833	(305,132)	-	(197,854)	84	-	6,604
Transfers	1,210,025	1,713,652	2,665,190	881,872	(125,000)	(195,000)	(293,748)	(331,050)	(361,800)	(366,400)
Total business-type activities	1,427,388	2,124,296	3,336,012	1,121,635	(322,715)	(58,375)	(219,822)	(269,011)	(133,559)	(155,642)
Total Primary government	\$ 17,468,143	\$ 16,362,969	\$ 20,466,496	\$ 12,812,896	\$ 11,304,610	\$ 11,732,432	\$ 11,863,953	\$ 12,283,001	\$ 13,562,640	\$ 14,175,439
Change in Net Asset										
Governmental activities	\$ 5,678,375	\$ 8,754,684	\$ 7,962,360	\$ 2,844,805	\$ 3,280,532	\$ 606,649	\$ 220,747	\$ (787,921)	\$ 3,139,693	\$ 1,081,931
Business-type activities	4,133,862	8,523,924	8,145,327	(747,492)	570,427	(85,179)	(61,985)	(146,167)	22,281	124,552
Total primary government	\$ 9,812,237	\$ 17,278,608	\$ 16,107,687	\$ 2,097,313	\$ 3,850,959	\$ 521,470	\$ 158,762	\$ (934,088)	\$ 3,161,974	\$ 1,206,483

CITY OF SHOW LOW, ARIZONA
Financial Trends
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	<u>2006 *</u>	<u>2007 *</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General fund										
Nonspendable:										
Inventories and prepaids	\$ -	\$ -	\$ 44,344	\$ 57,763	\$ 44,348	\$ 14,071	\$ 31,408	\$ -	\$ 1,302	\$ -
Restricted for:										
Debt service	-	-	-	-	-	76,980	76,980	76,980	76,989	77,001
Capital outlay	780,003	488,534	443,232	-	-	-	-	-	-	-
Committed to:										
Cemetery	-	-	128,494	160,876	184,844	188,835	42,707	98,175	204,179	105,522
Unassigned	8,036,445	10,874,318	12,722,515	10,907,754	6,432,775	4,936,910	4,992,131	5,390,951	5,528,415	7,045,352
Total general fund	\$ 8,816,448	\$ 11,362,852	\$ 13,338,585	\$ 11,126,393	\$ 6,661,967	\$ 5,216,796	\$ 5,143,226	\$ 5,566,106	\$ 5,810,885	\$ 7,227,875
All other governmental funds										
Nonspendable:	\$ -	\$ -	\$ 445,200	\$ 748,916	\$ 895,900	\$ 900,072	\$ 952,943	\$ 1,119,638	\$ 1,082,201	\$ 964,302
Restricted for:										
Public safety	-	-	-	-	-	-	59,486	-	-	-
Public works/streets	-	-	24,967	40,705	58,079	90,349	203,486	736,766	3,817	3,838,720
Economic development	-	-	-	-	171,445	175,793	138,680	-	-	-
Parks and recreation	-	-	-	-	193,771	211,625	984,793	20,959	-	-
Debt service	714,149	852,413	1,840,435	1,516,965	1,212,075	1,281,007	1,728,434	1,438,936	1,346,191	1,304,608
Capital outlay	-	-	-	-	-	-	-	-	85,631	111,772
Other	-	-	-	-	-	-	-	-	-	-
Committed to:										
Public transportation	-	-	33,749	116,410	134,102	118,306	170,819	87,758	109,410	114,182
Assigned to:										
Public works/streets	-	-	3,086,694	112,863	1,033,882	1,202,967	1,760,601	1,068,915	913,294	1,483,844
Debt service	-	-	-	-	-	35,783	-	-	-	-
Unassigned, reported in:										
Special revenue funds	230,371	7,848,236	-	-	(21,490)	(10,395)	(16,582)	(126,613)	(595,047)	(157,306)
Total all other governmental funds:	\$ 944,520	\$ 8,700,649	\$ 5,431,045	\$ 2,535,859	\$ 3,677,764	\$ 4,005,507	\$ 5,982,660	\$ 4,346,359	\$ 2,945,497	\$ 7,660,122

* The City began to report fund balance classification per GASB Statement 54 in fiscal year 2011. Balances previously reported as reserved are reported as restricted and balances previously reported as unreserved are reported as unassigned. The fund balance classification per GASB Statement 54 for restricted, committed or assigned for the years 2004 through 2007 could not be determined.

CITY OF SHOW LOW, ARIZONA
Financial Trends
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues										
Taxes	\$ 13,846,075	\$ 15,586,015	\$ 15,921,108	\$ 9,597,142	\$ 8,942,430	\$ 9,252,749	\$ 9,352,097	\$ 9,791,225	\$ 10,525,321	\$ 11,057,694
Licenses and permits	1,192,968	1,043,028	697,482	175,143	170,564	181,638	144,466	130,075	153,196	170,541
Intergovernmental	1,531,190	1,534,809	1,355,159	5,754,141	7,250,735	5,520,122	5,249,315	4,994,722	7,969,865	5,491,780
Charges for services	736,688	583,141	487,048	236,118	1,479,960	1,581,724	1,657,809	1,536,481	1,524,191	1,441,600
Fines	126,915	131,878	167,787	225,171	608,860	826,720	730,882	735,402	748,341	227,675
Special assessments	1,133,569	1,162,670	1,401,906	1,501,157	1,465,205	1,375,197	1,366,683	1,197,369	1,137,021	947,004
Investment earnings	337,177	828,583	489,904	150,024	63,957	114,720	135,595	(39,888)	109,380	81,048
Miscellaneous	263,448	564,102	398,052	1,168,981	463,964	351,183	667,430	496,772	431,398	1,148,536
Total Revenues	\$ 19,168,030	\$ 21,434,226	\$ 20,918,446	\$ 18,807,877	\$ 20,445,675	\$ 19,204,053	\$ 19,304,277	\$ 18,842,158	\$ 22,598,713	\$ 20,565,878
Expenditures										
Current:										
General government	\$ 3,752,094	\$ 4,577,097	\$ 5,094,448	\$ 4,433,502	\$ 4,352,980	\$ 3,274,650	\$ 3,161,365	\$ 3,185,545	\$ 3,316,354	\$ 3,588,068
Public safety	3,295,460	3,719,234	3,841,165	4,392,538	4,596,844	4,761,547	4,998,867	5,307,659	7,247,878	5,250,141
Public works	2,890,444	3,454,781	2,951,496	3,037,275	3,001,780	3,382,640	3,524,603	3,416,467	3,353,354	3,847,565
Economic Development/General Operations	985,085	1,023,658	1,023,432	2,645,887	5,755,111	4,699,849	2,072,755	1,818,681	1,928,597	2,144,312
Capital outlay	2,124,818	3,378,240	9,977,641	6,247,917	3,345,259	2,376,881	3,208,043	4,025,615	5,430,077	1,638,564
Principal	1,080,052	1,175,440	1,332,048	1,522,234	2,071,500	1,482,000	1,565,000	1,805,899	1,903,000	1,572,000
Interest and fiscal charges	603,688	805,199	951,412	1,016,563	1,046,806	988,913	880,470	852,337	760,654	672,870
Total expenditures	14,731,641	18,133,649	25,171,642	23,295,916	24,170,280	20,966,480	19,411,103	20,412,203	23,939,914	18,713,520
Revenues over (under) expenditures	4,436,389	3,300,577	(4,253,196)	(4,488,039)	(3,724,605)	(1,762,427)	(106,826)	(1,570,045)	(1,341,201)	1,852,358
Other finance sources (Uses)										
Sale of Assets	-	-	1,416,206	12,534	4,696	-	12,762	25,574	26,347	7,157
Bond Proceeds	-	8,658,917	4,265,000	250,000	-	450,000	1,703,899	-	-	8,865,000
Payment to refunded bond escrow agent	-	-	-	-	-	-	-	-	-	(4,837,448)
Transfers in (out)	(1,210,025)	(1,713,652)	(2,665,190)	(881,872)	125,000	195,000	293,748	331,050	361,800	366,400
Total other finance sources (uses)	(1,210,025)	6,945,265	3,016,016	(619,338)	129,696	645,000	2,010,409	356,624	388,147	4,401,109
Net change in fund balances	\$ 3,226,364	\$ 10,245,842	\$ (1,237,180)	\$ (5,107,377)	\$ (3,594,909)	\$ (1,117,427)	\$ 1,903,583	\$ (1,213,421)	\$ (953,054)	\$ 6,253,467
Debt service as a percentage of noncapital expenditures	14.93%	15.42%	17.69%	20.64%	22.56%	18.13%	18.05%	18.33%	18.30%	15.39%
Total	\$ 13,047,901	\$ 16,153,010	\$ 22,888,182	\$ 20,757,119	\$ 21,051,974	\$ 18,495,567	\$ 16,965,633	\$ 17,753,967	\$ 21,276,260	\$ 16,468,650
Capital Outlay as per page 22 of CAFR	1,767,612	3,312,544	9,977,641	8,454,650	7,228,222	4,867,676	3,416,595	3,252,531	6,724,513	1,880,753
Non-capital outlay	\$ 11,280,289	\$ 12,840,466	\$ 12,910,541	\$ 12,302,469	\$ 13,823,752	\$ 13,627,891	\$ 13,549,038	\$ 14,501,436	\$ 14,551,747	\$ 14,587,897

CITY OF SHOW LOW, ARIZONA
Revenue Capacity
Principal Sales Tax Remitters
Current Year and Nine Years Ago

<u>Tax Remitter</u>	<u>Fiscal Year 2015</u>			<u>Fiscal Year 2005</u>		
	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>	<u>Tax Liability</u>	<u>Rank</u>	<u>Percentage of Total</u>
	<u>\$ -</u>		<u>0.0%</u>	<u>\$ -</u>		<u>0%</u>

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. This level of information would be a violation of the confidentiality agreement with AZDOR.

CITY OF SHOW LOW, ARIZONA

Revenue Capacity

Taxable Retail Sales, City Transaction Privilege (Sales) Tax Rates by Category

Last Ten Fiscal Years

(modified accrual basis of accounting)

TAXABLE RETAIL SALES (1)

City of Show Low (1)

<u>Fiscal Year</u>	<u>Amount</u>
2006	313,876,233
2007	334,022,100
2008	332,620,700
2009	306,724,210
2010	297,933,456
2011	297,772,527
2012	323,196,420
2013	342,827,914
2014	370,212,200
2015	389,041,358

Navajo County (1)

<u>Fiscal Year</u>	<u>Amount</u>
2006	756,087,523
2007	786,854,498
2008	818,594,217
2009	788,925,825
2010	705,557,999
2011	758,437,095
2012	819,160,593
2013	840,818,316
2014	888,647,272
2015	888,975,882

CITY TRANSACTION PRIVILEGE (SALES) TAX RATES BY CATEGORY (1)

<u>Category</u>	<u>Rate</u>
Services	2%
Manufacturing	2%
Construction	2%
Hotel\Other Lodging	2%
Restaurants and Bars	2%
Retail (including food sales)	2%
Transportation/Communications/	
Utilities	2%
Mining	2%
Feed-Wholesale	2%
Real Property Rental	2%
All other	2%

(1) Source: Arizona Department of Revenue, Econometrics Division; City of Show Low.

CITY OF SHOW LOW, ARIZONA

Revenue Capacity

Actual Excise Tax Collection:

Last Ten Fiscal Years

(modified accrual basis of accounting)

	<u>Privilege & Use Tax</u>	<u>Franchise Tax</u>	<u>Vehicle License Tax</u>	<u>Total</u>
2006	9,924,958	301,769	498,646	12,387,273
2007	10,964,955	349,826	590,144	13,873,509
2008	10,942,341	397,091	589,820	14,351,831
2009	8,910,530	416,309	560,171	12,132,788
2010	8,226,903	460,863	514,687	11,177,952
2011	8,258,333	420,157	511,760	10,908,542
2012	8,741,125	429,826	551,817	11,471,218
2013	9,206,661	442,213	503,515	12,122,191
2014	9,931,755	429,038	544,628	13,029,921
2015	10,443,961	441,349	543,144	13,689,146

Source: City of Show Low Finance Department

CITY OF SHOW LOW, ARIZONA
Revenue Capacity
Sales Tax Revenues
Last Ten Fiscal Years

Fiscal Year	Construction	Utilities	Wholesale	Retail	Restaurants	Accomodation	Real Estate	Services	Others	Total	% change from prior year
2005-2006	1,471,231	144,500	265,074	6,277,525	540,826	89,491	473,152	191,733	560,920	9,924,958	16.15%
2006-2007	1,725,329	184,492	305,802	6,680,442	577,688	106,895	680,273	170,973	639,955	10,964,954	10.48%
2007-2008	1,819,140	245,124	255,190	6,652,414	553,708	128,520	648,069	152,106	616,590	10,942,341	-0.21%
2008-2009	801,477	219,915	165,420	6,134,484	528,757	128,083	543,947	135,887	508,726	8,910,530	-18.57%
2009-2010	436,445	288,846	123,085	5,958,669	502,095	114,801	433,503	131,006	468,055	8,226,903	-7.67%
2010-2011	451,684	269,502	178,849	5,955,451	458,669	124,935	424,060	127,555	517,498	8,258,333	0.38%
2011-2012	427,107	285,535	171,905	6,463,928	486,181	123,520	368,225	143,893	517,872	8,741,125	5.85%
2012-2013	383,747	214,896	180,469	6,856,558	504,870	122,429	423,217	163,575	479,632	9,206,661	5.33%
2013-2014	578,188	65,190	188,573	7,404,244	565,559	139,014	477,048	168,504	345,434	9,931,755	7.88%
2014-2015	523,181	224,568	233,987	7,780,827	625,781	134,387	376,074	214,083	331,072	10,443,961	5.16%

Source: Arizona Department of Revenue

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the cities privilege tax revenues.

CITY OF SHOW LOW, ARIZONA
Revenue Capacity
Assessed, Limited and Full Cash Value of Taxable Property
Last Ten Fiscal Years

<u>Tax Year</u>	<u>Net Assessed Value</u>	<u>Total Value</u>	<u>Ratio of Net Assessed to Cash Values</u>
2006	103,182,998	767,788,032	13%
2007	115,815,162	882,912,270	13%
2008	144,656,369	1,124,883,712	13%
2009	183,337,696	1,599,217,618	11%
2010	190,067,004	1,559,074,446	12%
2011	170,077,968	1,409,163,131	12%
2012	158,030,998	1,304,286,735	12%
2013	151,504,389	1,193,127,603	13%
2014	132,641,017	1,121,524,201	12%
2015	134,988,461	1,152,062,989	12%

Source: Arizona Department of Revenue - [/http://azmemory.azlibrary.gov/cdm/ref/collection/statepubs/id/110](http://azmemory.azlibrary.gov/cdm/ref/collection/statepubs/id/110)

CITY OF SHOW LOW, ARIZONA
Revenue Capacity
Property Tax Rates - Direct and Overlapping Governments
(Inclusive of Primary & Secondary Tax Rates)
Per \$100 of Assessed Value
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>City of Show Low</u>	<u>State of Arizona</u>	<u>Navajo County</u>	<u>Northland Pioneer College</u>	<u>Show Low Unified School District</u>	<u>Total</u>
2005-06	-	-	0.6337	1.5200	5.0497	7.2034
2006-07	-	-	0.6229	1.4858	4.8494	6.9581
2007-08	-	-	0.6041	1.4206	4.3062	6.3309
2008-09	-	-	0.5594	1.1352	4.5665	6.2611
2009-10	-	-	0.5572	1.1308	4.5345	6.2225
2010-11	-	-	0.5984	1.2387	5.0214	6.8585
2011-12	-	-	0.6401	1.3515	5.1577	7.1493
2012-13	-	-	0.6995	1.4769	5.4928	7.6692
2013-14	-	-	0.8185	1.6610	4.5325	7.0120
2014-15	-	-	0.8417	1.7423	4.6900	7.2740

Source: Navajo County Assessor's Office

CITY OF SHOW LOW, ARIZONA
Revenue Capacity
Street Lighting Levies and Collection:
Last Ten Fiscal Years (unaudited)

Collected to June 30th,
End of Tax Fiscal Year

Tax Year	Original Property Assessments	Adjustments	Amount	Percent of Adjusted Levy	Taxes Receivable
2006	101,262	54	101,180	100%	28
2007	125,990	141	125,816	100%	33
2008	142,973	320	142,615	100%	38
2009	140,460	499	139,718	100%	243
2010	138,824	880	137,555	100%	388
2011	142,602	479	141,682	100%	440
2012	142,956	241	137,418	96%	5,297
2013	143,000	-	-	0%	143,000
2014	163,300	-	-	0%	163,300
2015	171,241	-	-	0%	171,241

Source: Navajo County Treasurer's Office

CITY OF SHOW LOW, ARIZONA
Revenue Capacity
Special Assesment Billings and Collection
Last Ten Fiscal Years

Fiscal Year	Total Assessments Billed	Total Assessments Collected	Ratio of Collections to Amount Billed	Net Outstanding Assessments
2005-2006	1,164,262	1,199,034	102.99%	(34,772)
2006-2007	1,185,339	1,183,457	99.84%	1,881
2007-2008	1,399,158	1,437,350	102.73%	(38,192)
2008-2009	1,408,092	1,428,904	92.43%	(20,812)
2009-2010	1,398,024	1,387,109	99.22%	10,915
2010-2011	1,251,206	1,229,768	98.29%	21,438
2011-2012	1,327,423	1,392,206	104.88%	(64,783)
2012-2013	1,068,568	1,088,028	101.82%	(19,460)
2013-2014	1,045,067	1,044,708	99.97%	359
2014-2015	924,550	893,165	96.61%	31,385

Source: City of Show Low Finance Department

CITY OF SHOW LOW, ARIZONA
Debt Capacity
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities						Business-Type Activities				Total Primary Government	Percentage of Personal Income	Debt Per Capita
	Special Assessment Bonds	Show Low Bluffs CFD Bonds	Certificates of Participation	Capital Leases	GADA Bonds	Loans Payable	Certificates of Participation	GADA Bonds	Revenue Bonds	Loans Payable			
2006	7,445,000	-	1,941,090	-	-	126,259	1,833,910	-	-	102,551	11,448,810	19.75%	1,158
2007	6,775,000	2,014,000	1,491,241	-	6,630,000	12,478	1,408,759	1,740,000	-	46,649	20,118,127	11.99%	1,906
2008	6,770,000	2,455,000	1,018,193	-	9,600,000	9,875	961,807	1,740,000	-	-	22,554,875	11.26%	1,966
2009	6,083,000	2,395,000	521,946	6,167	9,305,000	256,167	493,054	1,675,000	-	-	20,735,334	12.70%	1,672
2010	5,394,000	2,335,000	-	-	10,370,000	200,000	-	-	250,000	-	18,549,000	14.79%	1,739
2011	4,617,000	2,725,000	-	-	9,775,000	150,000	-	-	2,240,296	-	19,507,296	14.47%	1,823
2012	3,787,000	2,660,000	-	1,703,899	9,155,000	100,000	-	-	3,186,106	-	20,592,005	14.10%	1,902
2013	2,904,000	2,580,000	-	1,606,000	8,510,000	-	-	-	5,085,048	-	20,685,048	14.45%	1,901
2014	1,963,000	2,485,000	-	1,409,000	7,840,000	-	-	-	5,442,956	-	19,139,956	16.07%	1,750
2015	1,389,000	2,385,000	-	1,206,000	11,500,000	-	-	-	7,958,359	-	24,438,359	12.95%	2,224

CITY OF SHOW LOW, ARIZONA

Debt Capacity

Ratios of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Net Assessed Value	General Obligation Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita (a)
2006	103,182,998	-	0.0%	-
2007	115,815,162	-	0.0%	-
2008	144,656,369	-	0.0%	-
2009	183,337,696	-	0.0%	-
2010	190,067,004	-	0.0%	-
2011	170,077,968	-	0.0%	-
2012	158,030,998	-	0.0%	-
2013	151,504,389	-	0.0%	-
2014	132,641,017	-	0.0%	-
2015	134,988,461	-	0.0%	-

Source: Arizona Department of Revenue and City of Show Low finance department

(a) Population information is shown on page 9

CITY OF SHOW LOW, ARIZONA
Debt Capacity
Computation of Direct and Overlapping Debt
June 30, 2015

Jurisdiction	2014-2015 Secondary Assessed Valuation	Net Debt Outstanding	Percentage Applicable to the City of Show Low	Amount Applicable to the City of Show Low
Direct Debt Repaid with Property Taxes:				
Show Low Bluff CFD	1,400,027	\$ 785,000	100.00%	<u>\$ 785,000</u>
Total direct debt		\$ -		<u>\$ 785,000</u>
Overlapping Debt Repaid with Property Taxes:				
Navajo County	832,770,173	\$ -	n/a	\$ -
Timber Mesa Fire & Medical District	244,725,866	\$ -	n/a	\$ -
Northland Pioneer College	832,770,173	\$ -	n/a	\$ -
Show Low School District #10 - 2003B	171,600,720	\$ 835,000	71.80%	<u>\$ 599,530</u>
Total overlapping debt				<u>\$ 599,530</u>
Other Debt:				
Special Assessment Bonds:		\$ 2,989,000	100.00%	2,989,000
GADA Bonds Series 2006B		\$ 1,190,000	100.00%	1,190,000
Gada Bonds Series 2008A		\$ 1,445,000	100.00%	1,445,000
Gada Bonds Series 2006B		\$ 8,865,000	100.00%	8,865,000
Capital Leases		\$ 1,206,000	100.00%	<u>1,206,000</u>
Total other debt				<u>15,695,000</u>
Total direct and overlapping debt				<u><u>\$ 17,079,530</u></u>

Source: Navajo County Finance Department/www.azdor.gov/Report of Bonded Indebtedness/City of Show Low Finance Departmen

CITY OF SHOW LOW, ARIZONA
Debt Capacity
Schedule of Water and Wastewater Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Operating Revenues (a)	Operating Expenses (b)	Net Revenue Available for Debt Service	Revenue Bond/Loan/CFP Debt Service			
				Principal	Interest	Total	Coverage
2006	3,491,058	1,873,418	1,617,640	364,186	96,940	461,126	350.8%
2007	3,790,578	2,178,135	1,612,442	365,402	65,155	430,557	374.5%
2008	3,937,159	2,433,130	1,504,029	320,000	49,269	369,269	407.3%
2009	3,798,657	3,228,784	569,873	335,000	33,048	368,048	154.8%
2010	3,853,768	2,346,901	1,506,867	352,500	16,632	369,132	408.2%
2011	4,203,385	2,394,160	1,809,225	9,430	6,490	15,920	11364.1%
2012	4,978,073	3,194,504	1,783,569	9,704	92,015	101,720	1753.4%
2013	5,471,183	2,634,539	2,836,644	150,027	137,363	287,390	987.0%
2014	5,774,592	2,810,630	2,963,962	230,605	150,340	380,945	778.1%
2015	6,064,296	2,005,577	4,058,719	244,594	155,302	399,896	1014.9%

Source: City of Show Low Finance Department

(a) Total revenues exclusive of transfers, interest, sale of assets & debt proceeds

(b) Total expenses exclusive of depreciation, bond interest and capital costs

CITY OF SHOW LOW, ARIZONA
Debt Capacity
Pledged Revenue coverage
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Special Assessment Bonds				Show Low Bluff CFD Bonds				GADA Bonds			
	Special Assessments Collected	Principal	Interest	Coverage	CFD Tax Collected	Principal	Interest	Coverage	Excise Tax Collected	Principal	Interest	Coverage
2006	1,199,034	600,000	478,416	111%	-	-	-	0%	12,387,273	215,000	386,013	2061%
2007	1,183,457	670,000	438,928	107%	-	-	-	0%	13,873,509	360,000	374,513	1889%
2008	1,437,350	605,000	427,519	139%	150,659	39,000	122,782	93%	14,351,831	375,000	359,813	1953%
2009	1,428,904	687,000	391,587	132%	238,098	60,000	136,319	121%	12,132,788	295,000	346,013	1893%
2010	1,387,109	689,000	349,173	134%	292,735	60,000	133,245	151%	11,177,952	610,000	485,738	1020%
2011	1,229,768	777,000	305,377	114%	304,128	60,000	130,058	160%	10,908,542	595,000	464,213	1030%
2012	1,392,206	830,000	255,951	128%	289,007	65,000	126,870	151%	11,471,218	620,000	440,900	1081%
2013	1,088,028	883,000	203,252	100%	306,016	80,000	123,423	150%	12,122,191	645,000	414,756	1144%
2014	1,044,708	941,000	147,127	96%	319,653	95,000	152,719	129%	13,029,921	670,000	387,575	1232%
2015	893,165	574,000	100,968	132%	209,002	100,000	146,880	85%	13,689,146	695,000	359,363	1298%

Source: City of Show Low finance department

Special Assessment Bonds are used to finance capital improvements in specific areas of the City. Project costs are assessed to each benefiting property owner, with payments used to pay debt service. The underlying property secures the debt and may be foreclosed in the event of a default.

Show Low Bluff Community Facilities District Bonds are issued by a Community Facilities District, which is a legally separate governmental unit located within the City to finance construction or acquisition of municipal buildings and improvements which directly serve the residents of the district. The City collects special assessments for the District and the county collects property taxes levied by the District for the payment of General Obligation debt. The City has no legal obligation for the repayment of the debt of the Community Facilities District.

GADA Bonds are issued by the City to finance construction or acquisition of municipal buildings and improvements on land owned by the City. The City has pledged excise, transaction privilege and franchise taxes as collateral.

CITY OF SHOW LOW, ARIZONA
Demographic and Economic Information
Demographic Statistics - Population Statistics, Unemployment Averages

Year	City of Show Low Population (1)	Navajo County Population (1)	Personal Income Navajo County (2) (thousands)	Per Capita Income	Unemployment Averages (3)	
					Navajo County	State of Arizona
2006 (Estimated)	9,885	109,000	2,260,966	20,743	7.2%	4.1%
2007 (Estimated)	10,555	110,999	2,412,656	21,736	6.2%	3.7%
2008 (Estimated)	11,473	112,348	2,539,509	22,604	9.8%	6.0%
2009 (Estimated)	12,400	112,975	2,634,137	23,316	15.2%	9.9%
2010 (Census)	10,666	107,677	2,742,716	25,472	16.0%	10.5%
2011 (Estimated)	10,699	107,226	2,822,255	26,321	16.0%	9.5%
2012 (Estimated)	10,826	107,923	2,904,100	26,909	14.0%	8.3%
2013 (Estimated)	10,880	108,463	2,988,319	27,552	13.5%	8.0%
2014 (Estimated)	10,935	109,005	3,074,980	28,210	13.6%	8.1%
2015 (Estimated)	10,989	109,550	3,164,155	28,883	13.6%	8.1%

(1) Source: U.S. Department of Commerce, Bureau of the Census; Arizona Department of Administration.

(2) Source: US Department of Commerce, Bureau of Economic Analysis Unit (2002-2009).
2011-13 county data unavailable and estimated based on statewide information

(3) Source: AZSTATS.GOV

CITY OF SHOW LOW, ARIZONA
Demographic and Economic Information
Principal Employers
Current Fiscal year and Ten Years Ago

Employer	Fiscal Year 2015			Fiscal Year 2005*		
	Employees	Rank	Percentage of Top 10 Employment	Employees	Rank	Percentage of Total City Employment
Summit Healthcare Regional Medical Center	900	1	34.72%			
Walmart	490	2	18.90%			
Show Low Unified School District	300	3	11.57%			
Cellular One	187	4	7.21%			
Home Depot	150	5	5.79%			
City of Show Low	152	6	5.88%			
Frontier	125	7	4.82%			
Northland Pioneer College	110	8	4.24%			
Lowe's	108	9	4.17%			
Tates Automotive	70	10	2.70%			
Total Employees	2,592		100.00%	-		0.00%

*Information Not Available

**Survey being conducted. FY2012 numbers used for all employers except the City of Show Low

Source: City of Show Low Business Developer

CITY OF SHOW LOW, ARIZONA
Demographic and Economic Informatio
Authorized Full Time Employees by Departmen
Last Ten Fiscal Years

	Full-time Equivalent Employees									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Airport	5.0	5.2	5.2	5.2	4.2	4.2	4.5	4.1	4.1	4.1
Aquatics & Recreation	15.0	15.6	15.1	14.7	14.7	14.2	14.2	14.2	14.4	14.8
City 4 TV	2.0	3.0	3.0	3.0	2.7	2.0	2.0	2.3	2.3	2.3
City Attorney	2.0	2.0	2.0	2.0	1.0	-	-	1.6	1.6	1.6
City Clerk	3.0	3.0	4.0	4.0	2.0	2.0	2.0	2.0	2.0	2.0
City Magistrate	2.0	3.7	2.5	2.5	4.5	4.0	3.0	3.0	3.0	2.5
City Manager	1.0	1.0	1.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0
Community Services Admini	1.0	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0
Engineering	6.0	11.0	11.0	11.0	5.0	5.0	5.0	6.0	6.0	6.0
Finance	8.0	8.0	10.0	9.0	6.5	-	-	-	-	-
Human Resources	3.0	2.0	2.0	2.0	2.0	-	-	-	-	-
Administrative Services	-	-	-	-	-	8.2	9.2	10.0	10.0	10.0
Information Systems	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0	2.0
Library	7.0	9.7	9.7	10.2	8.1	7.5	7.5	7.5	7.5	7.5
Parks & Facilities Maintenance	5.0	9.8	10.3	10.7	9.2	9.1	7.5	7.0	7.0	7.0
Planning & Zoning	11.0	13.7	12.7	11.7	6.5	5.0	4.5	4.5	4.5	4.5
Police	43.0	47.3	48.6	48.6	50.2	46.6	49.4	49.1	49.1	48.1
Public Works Administrati	3.0	-	-	-	-	-	-	-	-	-
Streets	10.0	10.3	9.3	9.3	10.3	10.0	11.0	11.0	11.0	11.0
Wastewater	9.0	11.6	12.1	12.1	11.6	11.5	10.5	10.0	10.0	10.0
Water	7.0	8.6	11.1	11.1	11.5	10.5	13.5	15.0	15.0	15.0
Total Employees	146.0	169.5	173.6	174.1	156.0	145.8	149.8	153.3	153.5	152.4

CITY OF SHOW LOW, ARIZONA
Operating Information
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police										
Arrests	2,094	2,071	2,160	1,852	1,698	1,605	1,630	1,569	1,758	1,792
Citations	5,331	4,971	6,896	7,467	5,947	4,928	3,701	3,015	4,251	2,959
Traffic Stops	6,452	5,977	9,510	10,362	8,390	10,261	6,821	5,040	6,494	7,041
Officer Reports	4,116	3,929	4,164	3,735	3,021	2,749	2,854	2,955	3,074	3,010
Photo Enforcement - Notices Printed	0	0	0	0	15,524	15,813	12,452	13,150	7,452	0
Calls for Service	18,841	19,022	20,176	19,985	19,425	17,304	19,316	18,318	19,230	17,031
Highways & Streets										
Street resurfacing (miles)	12	15	15	27	17	25	61	90	137	35
Potholes repaired	214	258	312	359	741	791	1,118	655	677	1,189
Street sweeping (miles)	3,000	3,000	3,000	1,670	2,094	965	505	1,671	1,252	904
Water										
New Connections	463	273	150	36	45	34	21	32	49	55
Line Breaks	16	56	133	65	158	128	119	108	89	72
Average Daily Consumption	987,103	1,286,236	1,145,174	1,285,073	1,652,551	1,345,038	1,429,566	1,462,578	2,339,890	2,500,000
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	741,000	837,000	971,000	956,739	830,000	867,000	892,000	789,258	907,463	972,000
Line cleaning (feet)	303,996	325,600	340,000	204,033	258,768	268,231	99,556	109,812	126,362	136,387
Line Plugs	9	32	43	26	41	53	56	112	13	6
Recreation & Aquatics										
Aquatic center admissions	68,599	61,197	56,860	64,797	49,352	32,164	47,880	43,920	50,101	50,131

* Not available

CITY OF SHOW LOW, ARIZONA
Operating Information
Building Permits and New Housing Start
Last Ten Fiscal Years (unaudited)

Year	BUILDING PERMITS (1)			NEW HOUSING STARTS (1)
	Residential	Commercial	Total	
2005-06	71,314,455	10,525,607	81,840,062	406
2006-07	52,835,280	34,688,175	87,523,455	268
2007-08	46,335,727	9,905,825	56,241,552	202
2008-09	10,467,757	6,731,048	17,198,805	44
2009-10	7,000,652	5,308,046	12,308,698	29
2010-11	8,027,334	14,095,184	22,122,518	30
2011-12	2,808,231	14,447,139	17,255,370	12
2012-13	5,257,417	6,943,989	12,201,406	19
2013-14	11,661,131	3,186,458	14,847,589	47
2014-15	11,883,850	4,216,808	16,100,658	56

(1) Source: City of Show Low Building Department

CITY OF SHOW LOW, ARIZONA
Operating Information
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Public safety										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Authorized Patrol units	15	15	20	23	23	23	20	20	20	20
Highways and streets										
Streets (miles)	92	95	96	97	181	182	182	182	184	184
Streetlights	625	650	665	675	675	735	735	735	1,128	1,128
Water										
Water mains (miles)	102	109	111	119	124	164	164	183	185	187
Fire hydrants	815	815	815	815	810	817	1,033	1,096	1,149	1,168
Sewer										
Sanitary Sewer (miles)	120	127	131	139	146	148	148	148	150	152
Maximum daily treatment capacity (thousands of gallons)	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420	1,420
Recreation and aquatics										
Parks acreage	414	414	414	414	428	428	428	428	428	428
Number of Parks	9	9	9	9	10	10	10	10	10	10
Swimming pool:	1	1	1	1	1	1	1	1	1	1
Tennis courts	2	2	2	2	2	2	2	2	2	2
Ball fields	3	3	3	3	5	5	5	5	5	5
Community center:	1	1	2	2	2	2	2	2	2	2

* Not available

FEDERAL AND STATE REPORTS

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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***

The Honorable Mayor and
City Council
Show Low, Arizona

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Show Low, Arizona as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Show Low, Arizona's basic financial statements, and have issued our report thereon dated November 23, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Show Low, 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 City of Show Low, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the City Show Low, 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 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies.

09-1 Year End Accounting
09-2 Segregation of Duties

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Show Low, 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*.

City of Show Low, Arizona's Response to Findings

The City of Show Low, Arizona's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Show Low, Arizona's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



HintonBurdick, PLLC
Flagstaff, Arizona
November 23, 2015

**Independent Auditors' Report on
State Legal Compliance**

The Honorable Mayor and
City Council
Show Low, Arizona

We have audited the basic financial statements of the City of Show Low, Arizona for the year ended June 30, 2015, and have issued our report thereon dated November 23, 2015. Our audit also included test work on the City of Show Low's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the City of Show Low is responsible for the City's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:

The City of Show Low has established separate funds to account for Highway User Revenue funds and Local Transportation Assistance funds. Highway user revenue fund monies received by the City of Show Low pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the City's compliance with annual expenditure limitations has been issued separately with the City's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, The City of Show Low complied, in all material respects, with the requirements identified above for the year ended June 30, 2015.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.



HintonBurdick, PLLC
Flagstaff, Arizona
November 23, 2015

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CITY OF SHOW LOW, ARIZONA
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

<u>Grantor Agency</u>	<u>Federal CFDA Number</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development			
Passed through Arizona Department of Housing			
Community Development Block Grant	14.228	111-14	<u>\$ 171,283</u>
U.S. Department of Justice			
Bulletproof Vest Partnership Program	16.607	AZ00903	<u>\$ 49,368</u>
U.S. Department of Transportation			
Passed through Arizona Department of Transportation:			
Airport Improvement Program	20.106	3-04-0035-023-2013	93,286
Airport Improvement Program	20.106	3-04-0035-024-2014	58,372
Airport Improvement Program	20.106	3-04-0035-025-2014	2,850
			<u>154,508</u>
Highway Planning and Construction	20.205		<u>45,311</u>
Formula Grants for other than Urbanized Areas	20.509		363,351
Formula Grants for other than Urbanized Areas	20.509	ADOT bus purchases	533,459
			<u>896,810</u>
Passed through Governor's Office of Highway Safety:			
State and Community Highway Safety	20.600	2015-PT-060	15,700
State and Community Highway Safety	20.600	2014-TR-001	1,028
State and Community Highway Safety	20.600	DUIAC-E-028	6,966
			<u>23,694</u>
Total U.S. Department of Transportation			<u>1,120,323</u>
Environmental Protection Agency			
Brownfields Assessment and Cleanup Cooperative Agreement	66.818	ADEQ14-053893	<u>17,671</u>
U.S. Department of Homeland Security			
Passed through the Transportation Security Administration:			
Law Enforcement Officer Reimbursement Agreement	97.090	HSTS02-08-H-SLR349	<u>10,100</u>
Total U.S. Department of Homeland Security			<u>10,100</u>
Total expenditure of federal awards			<u><u>\$ 1,368,745</u></u>

CITY OF SHOW LOW, ARIZONA
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Reporting Entity:

The accompanying schedule of expenditures of federal awards presents the activity or expenditure of all federal awards programs of the City of Show Low, Arizona for the year ended June 30, 2015. The City's reporting entity is defined in Note 1 of the basic financial statements. All expenditure of federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the schedule.

Basis of Accounting:

This accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Relationship to Basic Financial Statements:

Expenditures of federal awards have been reported in the funds as follows:

General fund	\$ 56,334
Highway User Revenue Fund	45,311
Airport fund	164,608
Non-major funds:	
Grants fund	205,682
Public Transportation fund	896,810
	<u>\$ 1,368,745</u>

Subrecipients:

There are no subrecipients.

**Independent Auditors' Report on Compliance for
Each Major Program and on Internal Control over
Compliance Required by OMB Circular A-133**

The Honorable Mayor and
City Council
Show Low, Arizona

Report on Compliance for Each Major Program

We have audited City of Show Low, Arizona's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Show Low, Arizona's major federal programs for the year ended June 30, 2015. The City of Show Low, Arizona's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the City of Show Low, Arizona, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Show Low, 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 City of Show Low, Arizona's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Show Low, Arizona's internal control over compliance.

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

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

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


HintonBurdick, PLLC
Flagstaff, Arizona
November 20, 2015

CITY OF SHOW LOW, ARIZONA
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:

- Material weakness (es) identified? yes no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:

- Material weakness (es) identified? yes no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs.

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Other than Urbanized Areas

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes no

CITY OF SHOW LOW, ARIZONA
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2015

Section II - Financial Statement Findings

Significant Deficiencies:

09-1. Year End Accounting – (Prior Year Reissued)

Finding

During our audit, we noted a few significant accounting adjustments that were not initially identified by the City's internal control. Statement on Auditing Standards No. 115 (SAS 115) indicates that the identification by the auditor of such a misstatement in the financial statements may be a weakness in the City's internal controls. Overall management has done a good job at reconciling accounts and getting journal entries posted in a timely manner. Nevertheless, current audit standards require that we report audit adjustments as a deficiency. Due to the nature of the misstatements listed above and the response by management, we do not consider this control deficiency to be a material weakness.

Recommendation

Management has reviewed the journal entries and has discussed them with us to ensure that the City agrees with the entries, and understands the purpose and underlying accounting principles associated with each entry. We recommend that management continue to follow procedures to reduce the number of entries for next year.

Response

As always it is the City's goal to have no audit adjustments. We have reviewed all the adjustments with the auditors and have identified areas that we will be able to minimize adjustments in the future with an ultimate goal of having no adjustments. Staff will be developing a plan for year end to ensure that the recurring audit adjustments are completed prior to the audit so year-end adjustments identified by the auditor are not required.

09-2. Segregation of Duties – (Prior Year Reissued)

Finding

The City lacks a complete segregation of duties in various areas. At the airport, the same individual prepares invoices, receipts the payments and records transactions in the accounting software. Other mitigating controls such as purchase orders, financial statement and budget to actual report reviews by department heads and the council, review of airport sales reports mitigate this weakness such that it is not deemed to be a material weakness. We choose to mention proper segregation in order to remind management of its importance until such time as the City can fully segregate custody of assets and recording functions.

CITY OF SHOW LOW, ARIZONA
Schedule of Expenditures of Federal Awards, Continued
For the Year Ended June 30, 2015

Section II - Financial Statement Findings, Continued

Proper segregation of duties provides important safeguards and controls to ensure the proper accounting, deposit and disposition of the City's funds.

Recommendation

The Council and management should consider ways that segregation of duties can be achieved within the accounting and administrative functions as the City continues to grow and additional staff are considered necessary.

Response

In addition to the processes listed as mitigating this weakness, the City intends to review the internal control environment at each of the divisions that handle cash and implement a separation of duties protocol where feasible. In addition finance will provide training on proper control over assets and authorization of transactions to mitigate weaknesses identified in the review. It is our intent to consistently improve upon this area within the constraints of an organization of our size.

Section III - Federal Award Findings and Questioned Costs

No significant matters were noted.

Section IV – Summary of Prior Year Findings and Questioned Costs

No significant matters were noted.